

17 June 2016

## **AUDIT AND ETHICS COMMITTEE – 28 JUNE 2016**

A meeting of the Audit and Ethics Committee will be held at 5.30pm on Tuesday 28 June 2016 in Committee Room 1 at the Town Hall, Rugby.

Adam Norburn  
Executive Director

### **A G E N D A**

#### **PART 1 – PUBLIC BUSINESS**

1. Minutes

To confirm the minutes of the meeting held on 11 May 2016.

2. Apologies

To receive apologies for absence from the meeting.

3. Declarations of Interest

To receive declarations of:

(a) non-pecuniary interests as defined by the Council's Code of Conduct for Councillors;

(b) pecuniary interests as defined by the Council's Code of Conduct for Councillors;  
and

(c) notice under Section 106 Local Government Finance Act 1992 – non-payment of Community Charge or Council Tax.

***Note: Members are reminded that they should declare the existence and nature of their non-pecuniary interests at the commencement of the meeting (or as soon as the interest becomes apparent). If that interest is a pecuniary interest the Member must withdraw from the room unless one of the exceptions applies.***

***Membership of Warwickshire County Council or any Parish Council is classed as a non-pecuniary interest under the Code of Conduct. A Member does not need to declare this interest unless the Member chooses to speak on a matter relating to their membership. If the Member does not wish to speak on the matter, the Member may still vote on the matter without making a declaration.***

4. Annual Report of the Corporate Assurance Manager
5. Annual Governance Statement 2015/16
6. Internal Audit Improvement Plan – Progress Update
7. Motion to Exclude the Public under Section 100(A)(4) of the Local Government Act 1972

To consider passing the following resolution:

“Under Section 100(A)(4) of the Local Government Act 1972 the public be excluded from the meeting for the following items on the ground that they involve the likely disclosure of information defined in paragraphs 1 and 2 of Schedule 12A of the Act.”

## **PART 2 – EXEMPT INFORMATION**

1. Whistle Blowing Incidents - Standing Item - to receive any updates
2. Fraud and Corruption Issues - Standing Item - to receive any updates

***Any additional papers or relevant documents for this meeting can be accessed here via the website.***

### **Membership of the Committee:**

Mr P Dudfield (Chairman), Mr J Eves (Vice-Chairman), Councillors Butlin, Mrs Crane, Mistry and Roodhouse

*If you have any general queries with regard to this agenda please contact Veronika Beckova, Democratic and Scrutiny Services Officer (01788 533523 or e-mail [veronika.beckova@rugby.gov.uk](mailto:veronika.beckova@rugby.gov.uk)). Any specific queries concerning reports should be directed to the listed contact officer.*

*If you wish to attend the meeting and have any special requirements for access please contact the Democratic and Scrutiny Services Officer named above.*

**AGENDA MANAGEMENT SHEET**

<b><i>Name of Meeting</i></b>	Audit and Ethics Committee
<b><i>Date of Meeting</i></b>	28 June 2016
<b><i>Report Title</i></b>	Annual Report of the Corporate Assurance Manager
<b><i>Portfolio</i></b>	Corporate Resources
<b><i>Ward Relevance</i></b>	None
<b><i>Prior Consultation</i></b>	Head of Corporate Resources and Chief Financial Officer
<b><i>Contact Officer</i></b>	Chris Green – Corporate Assurance Manager Tel: 01788 533451
<b><i>Report Subject to Call-in</i></b>	This report is not subject to Call-In because the Committee has specific responsibility to review the work of the internal audit function.
<b><i>Statutory/Policy Background</i></b>	Public Sector Internal Audit Standards
<b><i>Summary</i></b>	The report sets out the Corporate Assurance Manager's annual opinion of the overall adequacy and effectiveness of the Council's internal control environment, with an appended summary of the audit work undertaken to formulate the opinion.
<b><i>Risk Management Implications</i></b>	There are no direct risks arising from this report. The Annual Report of the Corporate Assurance Manager forms part of the evidence that supports the Council's Annual Governance Statement and provides assurance over the adequacy and effectiveness of the Council's internal controls to manage its key risks and inform risk management arrangements.
<b><i>Financial Implications</i></b>	There are no direct financial implications arising from this report.
<b><i>Environmental Implications</i></b>	There are no environmental implications arising from this report.

***Legal Implications***

There are no legal implications arising from this report. Internal Audit is a statutory function as detailed in the Audit and Accounts Regulations 2003 (England), and Section 151 of the Local Government Act 1972.

***Recommendations***

That the report be considered and noted by the Committee.

***Reasons for  
Recommendation***

To comply with the requirements of the terms of reference of the Audit and Ethics Committee, and to discharge the Committee's responsibilities under the Constitution.

**Audit and Ethics Committee – 28 June 2016**

**Annual Report of the Corporate Assurance Manager**

**Report of the Head of Corporate Resources and Chief Finance Officer**

**Recommendation**

Committee considers and notes the Annual Report of the Corporate Assurance Manager.

**1. Introduction**

**1.1** The Accounts and Audit Regulations and the Public Sector Internal Audit Standards (the Standards) require the Corporate Assurance Manager to provide an annual Internal Audit opinion and report that can be used by the organisation to inform its Annual Governance Statement. The Standards also specify that the report must contain:

- an internal audit opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework (i.e. the control environment);
- a summary of the audit work from which the opinion is derived and any work by other assurance providers upon which reliance is placed; and
- a statement on the extent of conformance with the Standards including progress against the improvement plan resulting from any external assessments.

**2. Report Details**

**Opinion on the Overall Adequacy and Effectiveness of the Council's Control Environment**

- 2.1** It is the responsibility of the Corporate Assurance Manager to provide the annual Internal Audit opinion and to detail the basis for this opinion. Based upon the work undertaken by Internal Audit during 2015/16, the Corporate Assurance Manager's overall opinion is that **Moderate Assurance** can be given that there is generally a sound system of internal control, designed to meet the organisation's objectives and that controls are generally operating effectively in practice.
- 2.2** All internal audit assignments completed in 2015/16 resulted in an opinion of either Full or Substantial Assurance. It should be noted, however, that owing to resourcing issues, the annual Internal Audit opinion of the Council's control environment is based upon a reduced level of coverage for 2015/16.
- 2.3** Furthermore, a self-assessment completed by the Corporate Assurance Manager in December 2015 highlighted that the Council was not operating in full compliance with the Public Sector Internal Audit Standards (PSIAS). Specifically, Risk Based

Internal Auditing (RBIA) had not been fully implemented and audit assignments focussed on control compliance without reviewing the effectiveness of control design. As such, the value of the service and the assurances provided were flawed, and for these reasons the overall level of assurance provided by the Corporate Assurance Manager for 2015/16 is Moderate rather than Substantial.

- 2.4 Appendix A details the audit reports issued in respect of assignments included in the 2015/16 internal audit plan. The appendix shows for each report the overall assurance opinion.

### **Effectiveness of Internal Audit**

- 2.5 For the reasons outlined above, the effectiveness of the internal audit service was compromised during 2015/16. An internal audit service improvement plan was developed during January 2016, and was approved by the Audit and Ethics Committee in February 2016. In line with the improvement plan, RBIA has been implemented with effect from April 2016; this is recognised as best practice. Delivery of the Improvement Plan is being monitored by senior management and the Audit and Ethics Committee. Resources have been reviewed and the Corporate Assurance Manager is satisfied that appropriate arrangements are in place to ensure that an effective internal audit service is provided in 2016/17.

### **Compliance with the Public Sector Internal Audit Standards**

- 2.6 As noted above, a self-assessment was completed by the Corporate Assurance Manager in December 2015 which highlighted that the Council was not operating in full compliance with the Public Sector Internal Audit Standards (PSIAS). An improvement plan is in place which will ensure that general conformity with the standards is achieved in 2016/17. An external assessment of the internal audit service is scheduled to take place during 2017/18, once the improvement plan has been fully implemented and embedded.

Name of Meeting: Audit and Ethics Committee  
Date of Meeting: 28 June 2016  
Subject Matter: Annual Report of the Corporate Assurance Manager  
Originating Department: Corporate Assurance

**LIST OF BACKGROUND PAPERS**

Document No.	Date	Description of Document	Officer's Reference	File Reference
Appendix A	28/06/2016	Annual Report of the Corporate Assurance Manager		



**ANNUAL REPORT OF THE CORPORATE  
ASSURANCE MANAGER  
JUNE 2016**

**Date: 28 June 2016**



## ***Background***

- 1.1 The Public Sector Internal Audit Standards (the Standards) require the Corporate Assurance Manager to provide an annual Internal Audit opinion and report that can be used by the organisation to inform its governance statement.
- 1.2 The Standards specify that the annual report must contain:
  - An Internal Audit opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework (i.e. the control environment);
  - A summary of the audit work from which the opinion is derived and any work by other assurance providers upon which reliance is placed; and
  - A statement of the extent of conformance with the Standards including progress against the improvement plan arising from any external assessments.

## ***Corporate Assurance Manager Opinion 2015/16***

- 2.1 This report provides a summary of the work carried out by the Internal Audit service during the financial year 2015/16 and the results of these assignments.
- 2.2 As previously reported to the Committee in June 2015, resourcing issues required amendments to be made to the agreed internal audit plan for 2015/16. Delivery of the amended internal audit plan was supported by external partners, TIAA and Grant Thornton (in an advisory capacity). Owing to resourcing issues, the annual Internal Audit opinion of the Council's control environment is based upon a reduced level of coverage for 2015/16. The overall opinion of the governance, risk and control environment reflects the reduced level of coverage.
- 2.3 The Public Sector Internal Audit Standards (PSIAS) were adopted by the Chartered Institute of Public Finance and Accountancy (CIPFA) from April 2013. The standards are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of Internal Audit across the public sector.
- 2.4 The objectives of the PSIAS are to:
  - Define the nature of internal auditing within the UK public sector;
  - Set basic principles for carrying out internal audit work in the public sector;
  - Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations; and
  - Establish the basis for evaluation of internal audit performance and to drive improvement planning.
- 2.5 A detailed self-assessment completed by the Corporate Assurance Manager in December 2015 highlighted that the Council was not operating in full compliance with the Public Sector Internal Audit Standards (PSIAS). Specifically, Risk Based Internal Auditing (RBIA) had not been fully implemented and audit assignments focussed on control compliance without reviewing the effectiveness of control design. As such, the value and effectiveness of the service and the assurances provided were flawed, and for these reasons the overall level of assurance provided by the Corporate Assurance Manager for 2015/16 is reduced. An improvement plan is in place which will ensure that general conformity with the standards is achieved

in 2016/17. An external assessment of the internal audit service is scheduled to take place during 2017/18, once the improvement plan has been fully implemented and embedded.

- 2.6 Based upon the work undertaken by Internal Audit during the year, the Corporate Assurance Manager's overall opinion on the Council's system of internal control is that:

**Moderate Assurance** can be given that there is generally a sound system of internal control, designed to meet the organisation's objectives and that controls are generally operating effectively in practice.

All internal audit assignments completed in 2015/16 resulted in an opinion of either Full or Substantial Assurance. It should be noted, however, that owing to resourcing issues, the annual Internal Audit opinion of the Council's control environment is based upon a reduced level of coverage for 2015/16.

The progress made by management in implementing the actions arising from audit reports has been good. 97% of those actions due for implementation have been completed as agreed.

No system of internal controls can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance.

- 2.7 In addition to the issues highlighted above, the basis for this opinion is derived from an assessment of the range of individual opinions arising from assignments within the agreed internal audit plan that have been undertaken throughout the year. This assessment has taken account of the relative materiality of these areas and management's progress in respect of addressing any control weaknesses. A summary of Audit opinions is shown in Table 1 below:

**Table 1 – Summary of Audit Opinions 2015/16**

<b>Assurance Area</b>	<b>Full</b>	<b>Substantial</b>	<b>Moderate</b>	<b>Limited</b>	<b>No</b>
Financial	1	4	0	0	0
IT	0	2	0	0	0
Counter Fraud	A new Counter Fraud strategy was developed and approved during 2015/16				
Governance	Risk management arrangements were reviewed during 2015/16 and the Council was assessed as "Risk Managed".				
Strategic and/ or Operational Risks	No assurance work carried out, although Risk Based Internal Auditing has been implemented for 2016/17				
Service Delivery	1	2	0	0	0
Grant Certification	1	0	0	0	0
<b>Total</b>	<b>3</b>	<b>8</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Summary</b>	<b>27%</b>	<b>73%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>

- 2.8 All individual reports represented in this Annual Report are final reports and, as such, the findings have been agreed with management, together with any accompanying action plans. Copies of all Internal Audit reports are available to Members at any time and can be requested via the Corporate Assurance Manager

or the Head of Corporate Resources. Table 2 below details the assurance levels resulting from all audits undertaken in 2015/16:

**Table 2 – Detail of Audit Opinions Issued in 2015/16**

<b>Audit Area</b>	<b>Summary of Work Completed</b>	<b>Audit Opinion</b>
<b>Financial</b>		
Payroll	Assurance that key controls are applied in a consistent and effective manner.	<b>Substantial</b>
Election Payments	Assurance that key controls are applied in a consistent and effective manner.	<b>Substantial</b>
Housing Benefits	Assurance that key controls are applied in a consistent and effective manner.	<b>Substantial</b>
Council Tax	Assurance that key controls are applied in a consistent and effective manner.	<b>Full</b>
Income Management System	Assurance that key controls are applied in a consistent and effective manner.	<b>Substantial</b>
<b>IT</b>		
Third Party Suppliers	Audit review conducted by TIAA	<b>Substantial</b>
IT Strategy	Audit review conducted by TIAA	<b>Substantial</b>
<b>Counter Fraud</b>		
Counter Fraud Strategy	Development and approval of new Anti-Fraud, Bribery and Corruption Strategy. Supported received from Grant Thornton in an advisory capacity.	<b>Not Graded</b>
<b>Governance</b>		
Risk Management	The Council was assessed against 8 key categories, and rated between risk naïve and risk enabled. The overall opinion was that the Council was “Risk Managed”.	
<b>Service Delivery</b>		
Housing Rents	Examination of the process for recording housing voids and comparison against best practice for the sector. Completed by Grant Thornton in an advisory capacity.	<b>Not Graded</b>
Stocks and Stores Visitors Centre	Assurance that the transfer from the old to the new EPOS system maintained accurate stock records, both during and after the transfer.	<b>Full</b>
Trade Waste	Review to provide assurance that charges were set at appropriate level to cover the costs of service provision. Review of the arrangements for payment of overtime associated with delivery of the service.	<b>Substantial</b>
Management of Special Events	Review of the arrangements for planning and delivering special events.	<b>Substantial</b>
<b>Grant Certification</b>		
Homes and Communities Agency – Woodside Park	Compliance audit carried out by Grant Thornton, to provide assurance that grant terms and conditions had been complied with.	<b>Full</b>

### ***Effectiveness of Internal Audit***

- 3.1 For the reasons outlined above, the effectiveness of the internal audit service was compromised during 2015/16. An internal audit service improvement plan was developed during January 2016, and was approved by the Audit and Ethics Committee in February 2016. In line with the improvement plan, RBIA has been implemented with effect from April 2016; this is recognised as best practice. Delivery of the Improvement Plan is being monitored by senior management and the Audit and Ethics Committee. Resources have been reviewed and the Corporate Assurance Manager is satisfied that appropriate arrangements are in place to ensure that an effective internal audit service is provided in 2016/17.

### ***Implementation of Internal Audit Recommendations***

- 4.1 Internal Audit follows up on progress against all recommendations arising from completed assignments to ensure they have been appropriately implemented in a timely manner. Updates are provided to the Audit and Ethics Committee during the course of the year. Details of the combined implementation rate for audit recommendations made during 2014/15 and 2015/16 are provided in Table 3 on the following page.

**Table 3 – Implementation of Audit Recommendations**

<b>Audit</b>	<b>No. of Recs</b>	<b>Implemented on Time</b>	<b>Implemented Late</b>	<b>Not yet due</b>	<b>Overdue</b>	<b>Rejected</b>
Corporate Governance	1	1	0	0	0	0
Crematorium	2	2	0	0	0	0
Sports and Recreation	7	6	1	0	0	0
Corporate Fraud	2	2	0	0	0	0
Land Charges	2	2	0	0	0	0
Creditors	1	0	1	0	0	0
Planning	2	0	1	0	1*	0
Income Management	2	2	0	0	0	0
Benefits	3	2	1	0	0	0
Trade Waste	2	1	0	1	0	0
Management of Special Events	3	2	1	0	0	0
Stocks and Stores – Visitors Centre	1	1	0	0	0	0
Enterprise Risk Management	3	1	0	2	0	0
Payroll and Election Payments	4	4	0	0	0	0
Income Management	1	0	0	1	0	0
Benefits	6	3	0	3	0	0
<b>Due for Completion</b>	<b>35</b>	<b>29 (83%)</b>	<b>5(14%)</b>	<b>-</b>	<b>1(3%)</b>	<b>0</b>
<b>Totals</b>	<b>42</b>	<b>29 (69%)</b>	<b>5 (12%)</b>	<b>7 (17%)</b>	<b>1 (2%)</b>	<b>0</b>

\* The overdue recommendation relates to a review of administrative arrangements for the Moving in Grant scheme. Implementation is dependent upon approval and finalisation of the Business Improvement District (BID) agreement. A report on this is being presented to Cabinet on June 27<sup>th</sup> 2016. Following approval of the BID agreement, the recommendation will be completed.

## ***Limitations and Responsibilities***

### ***Limitations inherent to the internal auditor's work***

Internal Audit is undertaking a programme of work agreed by the council's senior managers and approved by the Audit and Ethics Committee subject to the limitations outlined below.

### ***Opinion***

Each audit assignment undertaken addresses the control objectives agreed with the relevant, responsible managers. There might be weaknesses in the system of internal control that Internal Audit are not aware of because they did not form part of the programme of work; were excluded from the scope of individual internal audit assignments; or were not brought to the attention of Internal Audit. As a consequence, the Audit and Ethics Committee should be aware that the Audit Opinion for each assignment might have differed if the scope of individual assignments was extended or other relevant matters were brought to Internal Audit's attention.

### ***Internal Control***

Internal control systems identified during audit assignments, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision making; human error; control processes being deliberately circumvented by employees and others; management overriding controls; and unforeseeable circumstances.

### ***Future Periods***

The assessment of each audit area is relevant to the time that the audit was completed in. In other words, it is a snapshot of the control environment at that time. This evaluation of effectiveness may not be relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulatory requirements or other factors; or
- The degree of compliance with policies and procedures may deteriorate.

### ***Responsibilities of management and internal auditors***

It is management's responsibility to develop and maintain sound systems of risk management; internal control and governance; and for the prevention or detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

Internal Audit endeavours to plan its work so that there is a reasonable expectation that significant control weaknesses will be detected. If weaknesses are detected additional work is undertaken to identify any consequent fraud or irregularities. However, Internal Audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and its work should not be relied upon to disclose all fraud or other irregularities that might exist.



**AGENDA MANAGEMENT SHEET**

<b><i>Name of Meeting</i></b>	Audit and Ethics Committee
<b><i>Date of Meeting</i></b>	28 June 2016
<b><i>Report Title</i></b>	Annual Governance Statement 2015/16
<b><i>Portfolio</i></b>	Corporate Resources
<b><i>Ward Relevance</i></b>	None
<b><i>Prior Consultation</i></b>	Head of Corporate Resources and Chief Finance Officer, Executive Director
<b><i>Contact Officer</i></b>	Chris Green – Corporate Assurance Manager Tel: 01788 533451
<b><i>Report Subject to Call-in</i></b>	This report is not subject to Call-In because the Committee has specific responsibility to oversee the Council's corporate governance arrangements
<b><i>Statutory/Policy Background</i></b>	The Accounts and Audit Regulations require the Council to publish an Annual Governance Statement (AGS)
<b><i>Summary</i></b>	The report describes how the Annual Governance Statement (AGS) for 2015/16 was produced. The AGS itself forms an appendix to the report.
<b><i>Risk Management Implications</i></b>	There are no risk management implications arising directly from this report.
<b><i>Financial Implications</i></b>	There are no financial implications arising directly from this report.
<b><i>Environmental Implications</i></b>	There are no environmental implications arising from this report.
<b><i>Legal Implications</i></b>	There are no legal implications arising from this report.
<b><i>Recommendation</i></b>	That the Committee recommends to Council that the Annual Governance Statement be approved.
<b><i>Reasons for Recommendation</i></b>	To comply with the requirements of the terms of reference of the Audit and Ethics Committee, and to discharge the Committee's responsibilities under the Constitution.



**Audit and Ethics Committee – 28 June 2016**

**Annual Governance Statement 2015/16**

**Report of the Head of Corporate Resources and Chief Finance Officer**

**Recommendation**

Committee recommends to Council that the Annual Governance Statement be approved.

**1. Introduction**

- 1.1 The purpose of this report is to set out an Annual Governance Statement (AGS) for 2015/16, describing the governance arrangements that were in place during the financial year.
- 1.2 The AGS is formally approved by Council and signed by the Executive Director and Leader of the Council, who take personal responsibility for the control framework described and for the delivery of the identified improvements to the framework.
- 1.3 The AGS for 2015/16 was drafted by the Corporate Assurance Manager and considered by the Executive Director and Head of Corporate Resources.
- 1.4 A copy of the AGS for 2015/16 is appended.

**2. Report Details**

- 2.1 Corporate governance is defined as the systems and processes, and cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and where appropriate lead their communities.
- 2.2 There is a strong correlation between effective governance and effective service delivery and achievement of corporate objectives. To deliver the Council's vision and support the drive for continuous improvement strong governance arrangements need to be in place.
- 2.3 The AGS sets out the context and describes the internal control and governance environment of the Council, and the controls that have been place during the last financial year.
- 2.4 A number of evidence sources were utilised for the purpose of drafting the AGS, including:
  - Consultation with, and assurances provided by, key officers.
  - Work undertaken during the year by Internal Audit and other inspection bodies.

- Key corporate documents including the Corporate Strategy, Committee reports, the Annual Audit Letter, the Constitution, published financial and procurement information, the Annual Report of the Corporate Assurance Manager, the Learning and Development Strategy, and the officer and member training programmes.

2.5 The Council is satisfied that its overall governance framework provides reasonable assurance of effectiveness, although a number of further development areas have been highlighted. An Action Plan has been developed to demonstrate continuous improvement; implementation will be monitored during 2016/17.

Name of Meeting: Audit and Ethics Committee  
Date of Meeting: 28 June 2016  
Subject Matter: Annual Governance Statement 2015/16  
Originating Department: Corporate Assurance

**LIST OF BACKGROUND PAPERS**

Document No.	Date	Description of Document	Officer's Reference	File Reference
Appendix A	28/06/2016	Annual Governance Statement		



**ANNUAL GOVERNANCE STATEMENT  
2015-16**

# **Annual Governance Statement - 2015/16**

## **1. Scope of Responsibility**

- 1.1 Rugby Borough Council is responsible for ensuring that it conducts its business in accordance with the law and proper standards. Public money must be used economically, efficiently and effectively, safeguarded and properly accounted for. Rugby Borough Council has a duty under the Local Government Act 1999 to make arrangements to ensure that continuous improvement in the way its functions are exercised is made.
- 1.2 The Council must put in place proper governance arrangements and carry out its functions effectively, including suitable risk management arrangements.
- 1.3 The elements of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government* are embedded throughout the Council's Constitution and other strategies. This statement explains how the Council has complied with the framework and also meets the requirements of regulation 4(3) of the Accounts and Audit (England) Regulations 2011 in relation to the publication of an Annual Governance Statement.

## **2. The purpose of the governance framework**

- 2.1 The governance framework comprises the systems and processes, the culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community.
- 2.2 The governance framework enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.3 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.
- 2.4 The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Rugby Borough Council's policies, aims and objectives. The process should also allow the Council to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.5 The *Good Governance Standard for Public Services* builds on the Nolan principles for the conduct of individuals in public life by setting out six core principles that it says should underpin the governance arrangements of all bodies. The CIPFA/ SOLACE Framework *Delivering Good Governance in Local Government* adapted these six core principles for the local government context. These six core principles have therefore been used as the basis for reviewing the Council's governance framework.

2.6 The governance framework has been in place at the Council for the year ending 31 March 2016 and up to the date of approval of the Statement of Accounts.

### **3. The Governance Framework**

#### **3.1 Who is responsible for Ensuring Good Governance?**

Rugby Borough Council has a duty under the Local Government Act 1999 to ensure that effective governance arrangements are in place and has established an Audit and Ethics Committee to oversee these arrangements. The Executive Director has overall responsibility for ensuring that effective controls and processes are implemented across the authority and these are regularly reviewed and updated. Regular reports are submitted to the Audit and Ethics Committee highlighting any identified enhancements.

The Head of Corporate Resources and Chief Finance Officer is responsible for ensuring that effective financial controls are in place, for the maintenance of an effective internal audit function and for reviewing the overall effectiveness of the governance framework. The overview and co-ordination of this process is undertaken by the Corporate Assurance Manager.

#### **3.2 What this Statement tells you**

This Statement provides a summarised account of how our management arrangements are set up to meet the principles of good governance set out in our Constitution and how we obtain assurance that these are both effective and appropriate. It is written to provide the reader with a clear, simple assessment of how the governance framework has operated over the past financial year and to identify any improvements made and any weaknesses or gaps in our arrangements that need to be addressed. Its main aim therefore is to provide the reader with confidence that the authority is managed effectively and efficiently; that we deliver the services required in accordance with current legislation, our corporate priorities and in a way that optimises value for money.

#### 4. How we meet our Commitment to Good Governance as set out in our Constitution

Key Principle	How we meet these Principles	Examples where you can see governance in action	Assurance Received and Outcomes achieved	Future developments
<b>Principle 1:</b> Focusing on the purpose of the Authority and on outcomes for the Community and creating and implementing a vision for the local area.	<ul style="list-style-type: none"> <li>We set out our priorities in the Corporate Strategy</li> </ul>	<ul style="list-style-type: none"> <li>Corporate Strategy</li> </ul>	The Council has a published Corporate Strategy in place covering the years 2012 to 2016. A new Corporate Strategy is being developed; this will be approved and published during 2016/17.	
	<ul style="list-style-type: none"> <li>We publish our plans and our past performance in Cabinet meetings</li> </ul>	<ul style="list-style-type: none"> <li>Cabinet and scrutiny Committee papers</li> </ul>	Performance was reported to Cabinet on a quarterly basis during 2015/16, with scrutiny reviews throughout the year.	
	<ul style="list-style-type: none"> <li>We publish all external assessments of our performance</li> </ul>	<ul style="list-style-type: none"> <li>External Peer Review</li> </ul>	The Annual Audit Letter for 2014/15 provided assurance over financial control and overall governance of our operations at the end of 2014/15.	
	<ul style="list-style-type: none"> <li>We develop the Medium Term Financial Plan which provides the Council with a sound financial plan that enables it to meet its objectives</li> </ul>	<ul style="list-style-type: none"> <li>Published Medium Term Financial Plan</li> </ul>	The Council has an indicative Medium Term Financial Plan in place covering the years 2016-20.	The production of the detailed Medium Term Financial Plan for 2016-20 has been deferred due to uncertainty around the future of the local government finance system. A number of key items, most notably the reform of New Homes Bonus and 100% Retained Business Rates, are still to be resolved. <b>Action 1</b>

Key Principle	How we meet these Principles	Examples where you can see governance in action	Assurance Received and Outcomes achieved	Future developments
	<ul style="list-style-type: none"> <li>We plan to maintain services in the face of unforeseen disruption</li> </ul>	<ul style="list-style-type: none"> <li>Emergency Planning</li> <li>Business Continuity Planning</li> </ul>	<p>The Council periodically tests its emergency and business continuity plans. A new Corporate Business Continuity and Disaster Recovery Strategy has been developed during 2015/16 and approved by the Leadership and Operations Team.</p>	<p>Business Continuity Plans are currently being developed for critical services and this is expected to be complete by September 2016, and plans will also be subject to an internal audit review in 2016/17. <b>Action 2</b></p>
	<ul style="list-style-type: none"> <li>We work in partnership with other services and authorities where it is beneficial to do so.</li> </ul>	<ul style="list-style-type: none"> <li>Shared Building Control Service</li> <li>Shared Procurement service</li> <li>Crematorium Joint Venture</li> <li>Health and Wellbeing Board</li> <li>Crime Reduction Partnership</li> <li>LSP</li> </ul>	<p>Partnership governance and service delivery risks are assessed monitored and managed through the Council's risk management system.</p>	
	<ul style="list-style-type: none"> <li>Equality and Diversity</li> </ul>	<ul style="list-style-type: none"> <li>Equality Impact Assessments</li> </ul>	<p>The Council was the first district authority to be awarded "Excellent" against the Equality Framework for Local Government (EFLG). It was also the first authority in Warwickshire to meet this standard.</p>	<p>The Council will perform a self-assessment against the Equalities Framework for Local Government later in 2016/17, and in 2017 will again subject itself to an external peer review. <b>Action 3</b></p>
	<ul style="list-style-type: none"> <li>The Council is focussed on outcomes for the community</li> </ul>	<ul style="list-style-type: none"> <li>The Council understands the importance of the town's heritage to its residents.</li> </ul>	<p>The Rugby World Cup 2015 provided a once in a generation opportunity to mark the town's heritage as the proud home and</p>	



Key Principle	How we meet these Principles	Examples where you can see governance in action	Assurance Received and Outcomes achieved	Future developments
			<p>birthplace of the game. A large programme of events, activities and improvements was delivered in 2015. A Cabinet report showed that more than 26,000 people attended world cup match screenings at the town's Fanzone, 10,000 people attended festival events, and 2,500 children took part in an education programme. Town centre businesses reported typical increases of ten to twenty percent and the Council estimates that £3 extra was spent in the local economy for every £1 invested. A number of permanent improvements were also made to the town centre including a new permanent coach parking facility at Westway, new and reconditioned paving and benches, a free public Wi-Fi network and refurbishment of the Pathway of Fame.</p>	
<p><b>Principle 2:</b> Members and officers working together to achieve a common purpose with clearly defined functions and roles.</p>	<ul style="list-style-type: none"> <li>The Constitution sets out the roles and responsibilities of Members and Officers and regulates the conduct of the Authority's business</li> </ul>	<ul style="list-style-type: none"> <li>Constitution</li> <li>Codes of Conduct for Employees and Members</li> </ul>	<p>The Constitution is continually monitored and updated when required under the management of the Monitoring Officer. The last update was completed in November 2015. The</p>	<p>In 2016/17 the Constitution will be reviewed and updated to reflect a restructure of the Council's senior management team. <b>Action 4</b></p>

Key Principle	How we meet these Principles	Examples where you can see governance in action	Assurance Received and Outcomes achieved	Future developments
			Constitution is published online.	
	<ul style="list-style-type: none"> <li>We operate with clear terms of reference for the Authority and all committees</li> </ul>	<ul style="list-style-type: none"> <li>Terms of reference of the Council, Cabinet, overview and scrutiny committees and regulatory committees.</li> </ul>		
	<ul style="list-style-type: none"> <li>We provide all staff with role profiles</li> </ul>	<ul style="list-style-type: none"> <li>Clear role profiles</li> </ul>		
	<ul style="list-style-type: none"> <li>We operate with clear delegated responsibilities from Members to the Executive Directors, and downwards to all officers</li> </ul>	<ul style="list-style-type: none"> <li>Scheme of Delegation to Officers. Financial and other delegations are clearly defined and documented.</li> </ul>	<p>The Council's senior management team has been restructured, and the number of positions reduced from 2 Executive Directors and 6 Heads of Service, to 1 Executive Director and 4 Heads of Service. A key objective of this review was to strengthen the Council's governance arrangements by aligning each portfolio holder directly with a Head of Service.</p>	<p>The restructure of the senior management team increases the risk that the Council's governance framework, and/ or compliance with that framework, could weaken. There is an increased risk that focus on the common purposes of the organisation could be lost, leading to outcomes not being delivered for the community. These risks have been recorded and are being actively managed through the Council's established risk management system. A number of control measures have been put in place including regular discussions at the Senior Management Team meetings and with Cabinet and Portfolio Holders,</p>

Key Principle	How we meet these Principles	Examples where you can see governance in action	Assurance Received and Outcomes achieved	Future developments
				<p>active scanning of current and emerging circumstances, and ongoing review and assessment by individual members of the senior management team. The risks will continue to be monitored by the Strategic Risk Management Group during 2016/17.</p> <p>In 2016/17 the Council will look to enhance its governance framework further by introducing a dedicated governance forum. The forum will meet periodically to review any emerging governance issues, to put in place timely and appropriate actions, and to learn any lessons during the year as and when required. As such, good governance will be even further embedded within the work of the Council. <b>Action 5</b></p>
	<ul style="list-style-type: none"> <li>All staff groups work to national conditions of service and remuneration amended by locally agreed variations</li> </ul>	<ul style="list-style-type: none"> <li>National and Local Conditions of Service</li> </ul>		

Key Principle	How we meet these Principles	Examples where you can see governance in action	Assurance Received and Outcomes achieved	Future developments
	<ul style="list-style-type: none"> <li>We consult with the community on our plans and proposals</li> </ul>	<ul style="list-style-type: none"> <li>Consultations on Local Plan, Town Centre Vision, changes to the Council Tax Reduction Scheme, Hollowell Way</li> </ul>		
	<ul style="list-style-type: none"> <li>We regularly report on performance against stated objectives to Members</li> </ul>	<ul style="list-style-type: none"> <li>Cabinet and scrutiny Committee papers.</li> </ul>		
	<ul style="list-style-type: none"> <li>Protocol on Councillor/ Officer Relations</li> </ul>	<ul style="list-style-type: none"> <li>The Protocol clearly states the respective roles of Councillors and Officers, the respective responsibilities, expectations and limitations on behaviour.</li> </ul>		
<p><b>Principle 3:</b> Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour</p>	<ul style="list-style-type: none"> <li>We are clear on our purpose, aims and values.</li> </ul>	<ul style="list-style-type: none"> <li>Corporate Strategy</li> </ul>	<p>The Council participates in the National Fraud Initiative (NFI) and a Counter Fraud Initiative in partnership with other authorities in the Warwickshire county. Where data matching exercises indicate potential cases of fraud, these are investigated in accordance with established procedures.</p>	
	<ul style="list-style-type: none"> <li>We operate Codes of Conduct for Members and Officers and maintain arrangements for reporting and investigating any allegations of</li> </ul>	<ul style="list-style-type: none"> <li>Codes of Conduct for Members and Officers</li> </ul>	<p>There have been no complaints about Members' conduct that have been reported to Audit and Ethics Committee.</p>	<p>In 2016/17 the Code of Conduct for Officers will be reviewed and updated to clarify the types of financial, business and personal interests which must be declared to the</p>

Key Principle	How we meet these Principles	Examples where you can see governance in action	Assurance Received and Outcomes achieved	Future developments
	misconduct.			Monitoring Officer. <b>Action 6</b>
	<ul style="list-style-type: none"> <li>We maintain records of the personal interests of Members and staff.</li> </ul>	<ul style="list-style-type: none"> <li>Register of Interests</li> </ul>		
	<ul style="list-style-type: none"> <li>We recognise and embrace differences through our Equality and Diversity Policy.</li> </ul>	<ul style="list-style-type: none"> <li>Equality and Diversity Policy</li> </ul>		
	<ul style="list-style-type: none"> <li>We operate a zero tolerance approach to any fraud or corruption perpetrated against the authority. We maintain robust arrangements for dealing with any issues that are discovered.</li> </ul>	<ul style="list-style-type: none"> <li>Anti-Fraud, Bribery and Corruption Strategy</li> <li>Anti-Money Laundering Policy</li> <li>Annual Probity Training cascaded to all staff</li> </ul>	The Council has developed and approved a revised Anti-Fraud, Bribery and Corruption Strategy.	Further work is required in 2016/17 to fully implement and embed the new Anti-Fraud, Bribery and Corruption Strategy. This will involve assessing the Council's risk exposure, identification and implementation of additional control measures, provision of awareness training, and development and implementation of an appropriate response plan. <b>Action 7</b>
	<ul style="list-style-type: none"> <li>We encourage staff and members of the public to report inappropriate behaviour or conduct.</li> </ul>	<ul style="list-style-type: none"> <li>Whistleblowing Policy</li> </ul>		The Whistleblowing Policy will also be reviewed, updated and publicised. <b>Action 8</b>
	<ul style="list-style-type: none"> <li>We have a Customer Feedback Procedure managed corporately by the Communications, Consultation and Information Manager.</li> </ul>			

Key Principle	How we meet these Principles	Examples where you can see governance in action	Assurance Received and Outcomes achieved	Future developments
	<ul style="list-style-type: none"> <li>We have an approved Anti-Fraud, Bribery and Corruption Strategy.</li> </ul>			
<b>Principle 4:</b> Taking informed and transparent decisions which are subject to effective scrutiny and managing risk	<ul style="list-style-type: none"> <li>All Committee agendas, meeting papers, and minutes are available on our website</li> </ul>	<ul style="list-style-type: none"> <li>All available on the Council's Internet site <a href="http://www.rugby.gov.uk">www.rugby.gov.uk</a></li> </ul>	The Annual Audit Letter for 2014/15 provided assurance over financial control and overall governance arrangements in operation at the end of 2014/15.	
	<ul style="list-style-type: none"> <li>Decisions for differing monetary scales are delegated according to the Constitution</li> </ul>	<ul style="list-style-type: none"> <li>Approved Scheme of Delegation</li> </ul>		
	<ul style="list-style-type: none"> <li>Key financial and procurement data is published on our web site</li> </ul>	<ul style="list-style-type: none"> <li>Published Financial and Procurement information on Internet site <a href="http://www.rugby.gov.uk">www.rugby.gov.uk</a></li> </ul>	The Council has published details of its Invitations to Tender.	The Contracts Register is currently being updated and is not published at present. It is expected that completion of the review and publication of the Contracts Register will be complete by the end of September 2016. <b>Action 9</b>
	<ul style="list-style-type: none"> <li>We publish information about the earnings, interests and activities of our Members and senior officers</li> </ul>	<ul style="list-style-type: none"> <li>Members' allowances</li> <li>Senior Officers' Pay</li> <li>Declaration of Interests</li> <li>Register of Gifts and Hospitality</li> </ul>	Details of Members allowances and Senior Officer's Pay are published in the Council's financial statements.	The Council also publishes details of senior officer salaries in an Open Data section on the website; however, this information has not been updated since 2013/14. <b>Action 10</b>
	<ul style="list-style-type: none"> <li>We actively manage the key risks which could threaten the delivery of services and the achievement of our objectives</li> </ul>	<ul style="list-style-type: none"> <li>Strategic Risk Registers</li> <li>Operational Risk Registers</li> <li>Mitigating actions</li> <li>Risk Management Strategy</li> </ul>	The Strategic Risk Register is reviewed and updated, and considered by the Strategic Risk Management Group, on a quarterly basis. Operational Risk Registers and review of	The Corporate Assurance Manager's Annual Report for 2015/16 provides a Moderate level of assurance that the Council has an adequate and

Key Principle	How we meet these Principles	Examples where you can see governance in action	Assurance Received and Outcomes achieved	Future developments
		<ul style="list-style-type: none"> <li>All major projects have a dedicated risk register</li> </ul>	<p>mitigating actions are reviewed and updated at least annually. The Risk Management Strategy is reviewed and updated annually. Senior management are responsible for reviewing strategic risks on a quarterly basis and for responding to any actions for which they are responsible in the interim. Individual managers are required to regularly monitor risk registers and action plans at team meetings, to implement and monitor outstanding actions and monitor the effectiveness of the actions in controlling the risks, to identify new risks/ opportunities, and to annually review the Operational Risk Registers.</p>	<p>effective control environment in place. All internal audit assignments completed in 2015/16 resulted in an opinion of either Full or Substantial Assurance. There were no significant issues arising from the work of Internal Audit which impact significantly upon the Internal Audit opinion of the Council's Control Framework. It should be noted, however, that owing to resourcing issues, the annual Internal Audit opinion of the Council's control environment is based upon a reduced level of coverage for 2015/16. Furthermore, a self-assessment completed by the new Corporate Assurance Manager in December 2015 highlighted that the Council was not operating in full compliance with the Public Sector Internal Audit Standards (PSIAS). Specifically, Risk Based Internal Auditing (RBIA) had not been fully implemented and audit</p>

Key Principle	How we meet these Principles	Examples where you can see governance in action	Assurance Received and Outcomes achieved	Future developments
				<p>assignments focussed on control compliance without reviewing the effectiveness of control design. As such, the value of the service and the assurances provided were flawed, and for these reasons the overall level of assurance provided by the Corporate Assurance Manager for 2015/16 is Moderate rather than Substantial. An internal audit service improvement plan was developed during January 2016, and was approved by the Audit and Ethics Committee in February 2016. In line with the improvement plan, RBIA is being implemented with effect from April 2016; this is recognised as best practice. This will also improve the effectiveness of the Council's risk management system. The linkages between the results of internal audits, relevant risks, and their mitigating actions will therefore be enhanced, and risk registers will be updated throughout the</p>



Key Principle	How we meet these Principles	Examples where you can see governance in action	Assurance Received and Outcomes achieved	Future developments
				year rather than at specific times. <b>Action 11</b>
	<ul style="list-style-type: none"> <li>We consult widely on our plans and proposals and use feedback to inform our decisions</li> </ul>	<ul style="list-style-type: none"> <li>Consultations on Local Plan, Town Centre Vision, changes to the Council Tax Reduction Scheme, Hollowell Way Park</li> </ul>		
	<ul style="list-style-type: none"> <li>We publish our Freedom of Information procedures</li> </ul>	<ul style="list-style-type: none"> <li>Freedom of Information Policy</li> </ul>		
	<ul style="list-style-type: none"> <li>We operate clear and accessible arrangements for buying supplies and services</li> </ul>	<ul style="list-style-type: none"> <li>Procurement Strategy and Toolkit</li> </ul>		
	<ul style="list-style-type: none"> <li>We have two Scrutiny Committees which review and/or scrutinise decisions made or actions taken in connection with the discharge of the Council's functions and hold the Executive to account</li> </ul>			
<b>Principle 5:</b> Developing the capacity and capability of members and officers to be effective	<ul style="list-style-type: none"> <li>We provide staff with job profiles setting out their duties clearly</li> </ul>	<ul style="list-style-type: none"> <li>Job profiles</li> </ul>		
	<ul style="list-style-type: none"> <li>We operate a review and development scheme</li> </ul>	<ul style="list-style-type: none"> <li>Review and Development Scheme. Workforce planning.</li> </ul>		

Key Principle	How we meet these Principles	Examples where you can see governance in action	Assurance Received and Outcomes achieved	Future developments
		<ul style="list-style-type: none"> <li>Learning and Development Strategy and Corporate Learning Group.</li> </ul>	<p>The Learning and Development Strategy recognises that employees are the Council's most important resource, and that the level and quality of services is dependent upon the knowledge, skills and actions of employees. The Council is committed to investing time and financial resources to support the learning and development of its employees to enable them to make a positive contribution to the effectiveness of the Council's services and develop their full potential. Employees are encouraged and guided by their managers to identify and meet their own continuous learning needs and acquire, develop and improve their knowledge, skills and abilities.</p>	
		<ul style="list-style-type: none"> <li>Extensive suite of training courses provided by the Council and offered to all employees.</li> </ul>		
		<ul style="list-style-type: none"> <li>Staff Induction process including mandatory courses such as Health and Safety.</li> </ul>		

Key Principle	How we meet these Principles	Examples where you can see governance in action	Assurance Received and Outcomes achieved	Future developments
		<ul style="list-style-type: none"> <li>• Training programme: The Way we Manage is compulsory for all managers and team leaders to attend</li> </ul>	<p>Over 100 managers have now been enrolled onto “The Way We Manage” training programme. This is a significant investment by the Council in its people. The training includes governance issues such as financial management, performance management and procurement procedures.</p>	
	<ul style="list-style-type: none"> <li>• We operate a protocol to govern the relationship between Members and Officers that ensures access to appropriate information</li> </ul>	<ul style="list-style-type: none"> <li>• Protocol of Member/Officer relations</li> </ul>		
	<ul style="list-style-type: none"> <li>• We treat everyone fairly and equally</li> </ul>	<ul style="list-style-type: none"> <li>• Equality and Diversity Policy</li> <li>• Equality and Diversity Peer Reviews</li> </ul>		
	<ul style="list-style-type: none"> <li>• We provide new Members with induction training on appointment</li> </ul>	<ul style="list-style-type: none"> <li>• Members’ Induction Pack</li> </ul>		

Key Principle	How we meet these Principles	Examples where you can see governance in action	Assurance Received and Outcomes achieved	Future developments
	<ul style="list-style-type: none"> <li>We evaluate the training needs of Members and provide a full training programme to ensure that they have the knowledge and information to make effective decisions.</li> </ul>	<ul style="list-style-type: none"> <li>Member Job profiles</li> <li>Member Appraisal Scheme</li> <li>Members' Personal Development Plans</li> </ul>	<p>There have been 4 new Members appointed for 2016/17. The Council provides an extensive training programme for all new members which includes:</p> <ul style="list-style-type: none"> <li>Committee training</li> <li>Overview and Scrutiny training</li> <li>Media Awareness</li> <li>Chairing skills</li> <li>Diary management</li> <li>Equalities and Diversity training</li> <li>Health and Safety training</li> <li>Safeguarding awareness</li> <li>Risk Management awareness</li> <li>Data Security and Data Protection training</li> <li>Finance training</li> </ul>	
<p><b>Principle 6:</b> Engaging with local people and other stakeholders to ensure robust public accountability</p>	<ul style="list-style-type: none"> <li>We consult widely with the community on our plans and proposals.</li> </ul>	<ul style="list-style-type: none"> <li>Consultation exercises conducted during the year.</li> </ul>	<p>Examples of consultations completed during 2015/16 include the Local Plan, Town Centre Vision, changes to the Council Tax Reduction Scheme, and Hollowell Way Park.</p>	
	<ul style="list-style-type: none"> <li>The public are invited to recommend topics for scrutiny reviews.</li> </ul>	<ul style="list-style-type: none"> <li>Members of the public, community groups, Parish Councils,</li> </ul>	<p>As a further improvement the Council made the annual scrutiny work programming meeting open to the public at</p>	

Key Principle	How we meet these Principles	Examples where you can see governance in action	Assurance Received and Outcomes achieved	Future developments
		councillors and employees are invited to submit ideas for scrutiny reviews, which in turn are considered when the annual scrutiny work programme is developed.	the Benn Hall. The meeting was attended by approximately 40 people with all present encouraged to participate.	
	<ul style="list-style-type: none"> <li>We publish information on our performance and subject this to scrutiny</li> </ul>	<ul style="list-style-type: none"> <li>Cabinet, scrutiny and committee agendas, papers and minutes.</li> </ul>	Performance was reported to Cabinet on a quarterly basis during 2015/16, with scrutiny reviews throughout the year.	During 2016/17 the Council's suite of performance indicators will be reviewed and streamlined to ensure they remain relevant and aligned with our focus on delivering outcomes for the community. <b>Action 12</b>
	<ul style="list-style-type: none"> <li>We make all Committee agendas, meeting papers and minutes available on our website</li> </ul>	<ul style="list-style-type: none"> <li>All available on the Council's Internet site <a href="http://www.rugby.gov.uk">www.rugby.gov.uk</a></li> </ul>		
	<ul style="list-style-type: none"> <li>We comply with legislation under the Freedom of Information Act</li> </ul>	<ul style="list-style-type: none"> <li>Freedom of Information Policy</li> </ul>		
	<ul style="list-style-type: none"> <li>We publish our Annual Governance Statement and financial statements</li> </ul>	<ul style="list-style-type: none"> <li>Available on the Council's Internet site <a href="http://www.rugby.gov.uk">www.rugby.gov.uk</a></li> </ul>		
	<ul style="list-style-type: none"> <li>We publish major decisions in the Forward Plan, allowing interested parties to lodge their</li> </ul>	<ul style="list-style-type: none"> <li>Available on the Council's Internet site <a href="http://www.rugby.gov.uk">www.rugby.gov.uk</a></li> </ul>		

Key Principle	How we meet these Principles	Examples where you can see governance in action	Assurance Received and Outcomes achieved	Future developments
	views prior to the decision being made. The Forward Plan sets out what consultation will be undertaken before a decision is taken and with whom			
	<ul style="list-style-type: none"> <li>We have a Communications Strategy which sets out how we will communicate with our residents, businesses, visitors and staff.</li> </ul>	<ul style="list-style-type: none"> <li>The Communications Strategy was approved by Cabinet in June 2014.</li> </ul>		

## **5. The Assurance Process – How we Provide and Use Assurance Information**

<b>IDENTIFY</b> What do we want assurance on?	<b>ASSESS</b> How is that assurance provided?	<b>REVIEW</b> How is that assurance reviewed and validated?	<b>INFORM</b> What do we do with the information received?
<ul style="list-style-type: none"> <li>• That we comply with our Constitution and key policies</li> </ul>	<ul style="list-style-type: none"> <li>• The External Auditor's reports</li> <li>• The Internal Auditor's reports</li> <li>• Peer reviews of our processes</li> </ul>	<ul style="list-style-type: none"> <li>• Regular performance reports to Members via:               <ul style="list-style-type: none"> <li>- Audit and Ethics Committee</li> </ul> </li> <li>• External and Internal Audit validation</li> <li>• The Monitoring Officer and S151 Officer is responsible for ensuring compliance with established procedures, policies, laws and regulations</li> </ul>	<ul style="list-style-type: none"> <li>• Communicate our results to the public</li> <li>• Consider the findings, learn from the information received and respond accordingly</li> <li>• Review our key controls and make improvements where required</li> </ul>
<ul style="list-style-type: none"> <li>• That we deliver the services and objectives that meet our customer needs</li> </ul>	<ul style="list-style-type: none"> <li>• The Internal Auditor's reports</li> <li>• Feedback received from service users and partners</li> </ul>	<ul style="list-style-type: none"> <li>• Overview and Scrutiny Committees</li> <li>• Systems thinking reviews of services to deliver improved customer value and widen channels for a range of services</li> <li>• Collate, monitor and scrutinise performance information via RPMS</li> </ul>	<ul style="list-style-type: none"> <li>• Monitor the achievement of our objectives and the impact of changes we make including the direction of travel</li> <li>• Update our plans to deliver improvements</li> </ul>
<ul style="list-style-type: none"> <li>• That we take account of the views of our stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>• Feedback received from service users and partners</li> </ul>	<ul style="list-style-type: none"> <li>• Overview and Scrutiny Committees</li> </ul>	<ul style="list-style-type: none"> <li>• Update our plans to deliver improvements</li> <li>• Consider the findings, learn from the information received and respond accordingly</li> </ul>
<ul style="list-style-type: none"> <li>• That we use and account for our money properly</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance with the CIPFA statement in "The Role of the Chief Financial Officer in Local Government"</li> </ul>	<ul style="list-style-type: none"> <li>• External and Internal Audit validation</li> <li>• The Monitoring Officer and S151 Officer is responsible for</li> </ul>	<ul style="list-style-type: none"> <li>• Communicate our results to the public</li> <li>• Consider the findings, learn from the information received</li> </ul>

<b>IDENTIFY</b> What do we want assurance on?	<b>ASSESS</b> How is that assurance provided?	<b>REVIEW</b> How is that assurance reviewed and validated?	<b>INFORM</b> What do we do with the information received?
	<ul style="list-style-type: none"> <li>The role of the S151 Officer</li> </ul>	<ul style="list-style-type: none"> <li>ensuring compliance with established procedures, policies, laws and regulations</li> <li>The Audit &amp; Ethics Committee provides independent scrutiny of financial and non-financial performance</li> </ul>	<ul style="list-style-type: none"> <li>and respond accordingly</li> <li>Review our key controls and make improvements where required</li> </ul>
<ul style="list-style-type: none"> <li>That the risks we face are effectively managed</li> </ul>	<ul style="list-style-type: none"> <li>The Internal Auditor's reports</li> <li>Performance and Risk monitoring and reporting</li> </ul>	<ul style="list-style-type: none"> <li>Senior Management Team reports and monitoring including that of strategic risks</li> <li>The Audit &amp; Ethics Committee gives independent assurance of the adequacy of the risk management framework, and the associated control framework</li> </ul>	<ul style="list-style-type: none"> <li>Review our key controls and make improvements where required</li> <li>Update our plans to deliver improvements</li> </ul>
<ul style="list-style-type: none"> <li>That we comply with legislation, regulation and statutory guidance</li> </ul>	<ul style="list-style-type: none"> <li>The External Auditor's reports</li> <li>The Internal Auditor's reports</li> <li>The role of the S151 Officer</li> <li>Compliance with the CIPFA statement in "The Role of the Chief Financial Officer in Local Government"</li> <li>The Role of the Monitoring Officer</li> </ul>	<ul style="list-style-type: none"> <li>Regular reports and information to Government Departments</li> <li>External and Internal Audit validation</li> <li>The Monitoring Officer and S151 Officer is responsible for ensuring compliance with established procedures, policies, laws and regulations</li> </ul>	<ul style="list-style-type: none"> <li>Communicate our results to the public</li> <li>Consider the findings, learn from the information received and respond accordingly</li> <li>Review our key controls and make improvements where required</li> </ul>
<ul style="list-style-type: none"> <li>That we get the best out of our staff and Members</li> </ul>	<ul style="list-style-type: none"> <li>Review and Development Scheme</li> <li>Staff survey</li> </ul>	<ul style="list-style-type: none"> <li>Senior Management Team and Human Resources Team review and monitoring</li> </ul>	<ul style="list-style-type: none"> <li>Consider the findings, learn from the information received and respond accordingly</li> <li>Provide training and support where needed</li> </ul>
<ul style="list-style-type: none"> <li>That we demonstrate the highest values and standards of ethical behaviour</li> </ul>	<ul style="list-style-type: none"> <li>Audit &amp; Ethics Committee</li> <li>Overview and Scrutiny</li> <li>The Role of the Monitoring Officer</li> </ul>	<ul style="list-style-type: none"> <li>Reporting of Ombudsman statistics to Audit &amp; Ethics Committee</li> </ul>	<ul style="list-style-type: none"> <li>Develop a specific action plan to deliver any governance improvements required</li> </ul>



## **6. ACTION PLAN**

	<b>ACTION</b>	<b>LEAD OFFICER</b>	<b>COMPLETION DATE</b>
1	Production of the detailed Medium Term Financial Plan for 2016-20	Head of Corporate Resources and s151 officer	December 2016
2	Development of Business Continuity Plans for critical services	Head of Communities and Homes Head of Environment and Public Realm	September 2016
3	Completion of self-assessment against the Equalities Framework for Local Government	Head of Communities and Homes	December 2016
4	Review and update of the Constitution to reflect the restructure of the Council's senior management team	Executive Director	December 2016
5	Introduction of a dedicated governance forum. The forum will meet periodically to review any emerging governance issues, to put in place timely and appropriate actions, and to learn any lessons during the year as and when required.	Executive Director	September 2016
6	Review and update of the Code of Conduct for Officers, to clarify the types of financial, business and personal interests which must be declared to the Monitoring Officer	Executive Director	December 2016
7	Fully implement and embed the new Anti-Fraud, Bribery and Corruption Strategy. This will involve assessing the Council's risk exposure, identification and implementation of additional control measures, provision of awareness training, and development and implementation of an appropriate response plan.	Head of Corporate Resources and s151 officer	December 2016
8	Review, update and publication of the Whistleblowing Policy	Head of Corporate Resources and s151 officer	December 2016
9	Complete the review, update and publication of the Contracts Register	Head of Corporate Resources and s151 officer	September 2016
10	Update the published details of senior officer salaries on the Open Data section of the Council's website	Head of Corporate Resources and s151 officer	September 2016

	<b>ACTION</b>	<b>LEAD OFFICER</b>	<b>COMPLETION DATE</b>
<b>11</b>	Fully implement the Internal Audit service improvement plan, including Risk Based Internal Auditing (RBIA)	Head of Corporate Resources and s151 officer	September 2016
<b>12</b>	Complete the review and streamlining of the Council's suite of performance indicators	Head of Corporate Resources and s151 officer	September 2016

## **7. Summary and Conclusion**

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of its effectiveness is informed by the work of the senior managers within the Council who have responsibility for the development and maintenance of the governance environment, the Corporate Assurance Manager's annual report, and also comments made by the external auditors and other review agencies and inspectorates.

This statement has been considered by the Audit and Ethics Committee, who were satisfied that it is an accurate reflection of the governance framework and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. A number of future developments have been highlighted and these are specifically addressed within the Action Plan.

### **Significant Governance Issues**

The Council is satisfied that its overall governance framework provides a reasonable assurance of effectiveness, although a number of further development areas have been highlighted. The Action Plan will be implemented and monitored during 2016/17.

### **Certification**

Our overall assessment is that the Annual Governance Statement is a balanced reflection of the governance environment and that an adequate framework exists within the Council to ensure an effective internal control is maintained. We are also satisfied that there are appropriate plans in place to address any significant governance issues and will monitor their implementation and operations as part of our next annual review.

**Adam Norburn**  
**Executive Director**

Date:

**Councillor M Stokes**  
**Leader of Rugby Borough Council**

Date:

**AGENDA MANAGEMENT SHEET**

<b><i>Name of Meeting</i></b>	Audit and Ethics Committee
<b><i>Date of Meeting</i></b>	28 June 2016
<b><i>Report Title</i></b>	Internal Audit Improvement Plan – Progress Update
<b><i>Portfolio</i></b>	Corporate Resources
<b><i>Ward Relevance</i></b>	None
<b><i>Prior Consultation</i></b>	Head of Corporate Resources and Chief Finance Officer
<b><i>Contact Officer</i></b>	Chris Green – Corporate Assurance Manager Tel: 01788 533451
<b><i>Report Subject to Call-in</i></b>	This report is not subject to Call-In because the Committee has specific responsibility to review the work of the internal audit function.
<b><i>Statutory/Policy Background</i></b>	Public Sector Internal Audit Standards
<b><i>Summary</i></b>	The report sets out the progress made in delivering the improvement plan for the Internal Audit service. The improvement plan is required by the Public Sector Internal Audit Standards.
<b><i>Risk Management Implications</i></b>	If the Internal Audit service does not continually improve then the value added by the service will be compromised.
<b><i>Financial Implications</i></b>	Failure to continually improve the Internal Audit service may compromise the effective use of resources, and may result in additional unavoidable expenditure.
<b><i>Environmental Implications</i></b>	There are no environmental implications arising from this report.
<b><i>Legal Implications</i></b>	There are no legal implications arising from this report. Internal Audit is a statutory function as detailed in the Audit and Accounts Regulations 2003 (England), and Section 151 of the Local Government Act 1972.

***Recommendations***

The Committee considers and notes the progress in delivery of the Internal Audit Improvement Plan.

***Reasons for Recommendation***

To comply with the requirements of the terms of reference of the Audit and Ethics Committee, and to discharge the Committee's responsibilities under the Constitution.

**Audit and Ethics Committee – 28 June 2016**

**Internal Audit Improvement Plan – Progress Update**

**Report of the Head of Corporate Resources and Chief Finance Officer**

**Recommendation**

The Committee considers and notes the progress in delivery of the Internal Audit Improvement Plan.

**1. Introduction**

- 1.1** The Public Sector Internal Audit Standards (PSIAS) came into effect from 1 April 2013. The PSIAS have been endorsed by the Chartered Institute of Public Finance and Accountancy (CIPFA). CIPFA is recognised as the standard setter for local government in the UK and, as such, the PSIAS are mandatory.
- 1.2** The PSIAS require the “Chief Audit Executive” to develop and maintain a quality assurance and improvement programme that covers all aspects of internal audit activity.

**2. Report Details**

- 2.1** The Internal Audit Improvement Plan was considered and approved by the Audit and Ethics Committee at its meeting on 2 February 2016. The Committee resolved that regular updates on the progress of the Internal Audit Service Improvement Plan be presented to the committee until completed. Accordingly, this report sets out the progress achieved to date.
- 2.2** Delivery of the Improvement Plan remains firmly on track; 19 out of 24 (79%) of the agreed actions have been fully implemented. A further three actions (13%) are in progress. The remaining two actions, which are not yet started, relate to the following areas:
- A review and update of the Audit Manual, Audit Charter and procedural documentation. This work is expected to be complete by the end of September 2016.
  - An external assessment of the internal audit service by a qualified assessor. The external assessment is due to be completed by June 2017, and will be commissioned towards the end of the current financial year once the improvement plan has been embedded.
- 2.3** Appendix A sets out the progress on delivery of the Improvement Plan in detail. Delivery of the Plan will remain the responsibility of the Corporate Assurance Manager, monitored by the Head of Corporate Resources, with progress regularly reported to Senior Management and the Audit and Ethics Committee.

Name of Meeting: Audit and Ethics Committee  
Date of Meeting: 28 June 2016  
Subject Matter: Quality Assurance and Improvement Plan  
Originating Department: Corporate Assurance

**LIST OF BACKGROUND PAPERS**

Document No.	Date	Description of Document	Officer's Reference	File Reference
Appendix A	28/06/2016	Internal Audit Improvement Plan – Progress Update		

## APPENDIX A - INTERNAL AUDIT SERVICE QUALITY ASSURANCE AND IMPROVEMENT PLAN

<u>Action Number</u>	<u>PSIAS Ref. Number</u>	<u>Summary of Improvement Opportunity</u>	<u>Proposed Action</u>	<u>Target Delivery Date</u>	<u>Priority</u>	<u>Status and Evidence of Delivery</u>
1	1130	There is currently no agreed mechanism through which the Audit and Ethics Committee approves, in between Committee meetings, any significant additional consultancy activity, and prior to such activities being undertaken.	Draft a report setting out proposed arrangements for the agreement of any significant changes to the Internal Audit plan, which become necessary in between Committee meetings. Obtain approval from the Audit and Ethics Committee.	12/04/2016	MEDIUM	<b>Action Completed</b>  Proposed mechanism approved by the Audit and Ethics Committee on 11 May 2016.
2	1220	When planning assignments, there is limited consideration of the adequacy and effectiveness of the design of control processes, and of the cost of assurance in relation to the potential benefit.	All assurance assignments to incorporate a risk based evaluation of both the design and effectiveness of control processes.  The standard "Audit Brief" document will be redesigned to reflect the new audit approach.	31/03/2016	HIGH	<b>Action Completed</b>  The standard "Audit Brief" document has been redesigned to incorporate a risk based evaluation of both the design and effectiveness of control processes.
3	1310	There is no Internal Audit Improvement Plan in place.	Not Applicable – requirements addressed through development and implementation of this Improvement Plan.	To be aligned with final completion date.	HIGH	<b>Action in Progress</b>  Delivery of the Improvement Plan is in progress.
4	1311	Formal performance monitoring of the internal audit service is currently limited.	Formalise and agree arrangements for Internal Audit performance monitoring and reporting, including Key Performance Indicators (KPIs), with senior management and the Audit and Ethics Committee.	30/04/2016	MEDIUM	<b>Action Completed</b>  Arrangements for ongoing performance monitoring and reporting were



<u>Action Number</u>	<u>PSIAS Ref. Number</u>	<u>Summary of Improvement Opportunity</u>	<u>Proposed Action</u>	<u>Target Delivery Date</u>	<u>Priority</u>	<u>Status and Evidence of Delivery</u>
						discussed and agreed with the Leadership and Operations Team on 22 March 2016. Proposed Key Performance Indicators (KPI's) were presented to and approved by Audit and Ethics Committee on 11 May 2016.
5	1311	The results of customer satisfaction surveys are not currently summarised for senior management or the Audit and Ethics Committee.	Internal Audit performance reporting to management and Committee will include a summary of customer satisfaction and details of any constructive feedback on the service.  The Customer Satisfaction Questionnaire will be redesigned to maximise the response rate, and to ensure it is aligned with clients' needs and expectations of the service.	30/04/2016	MEDIUM	<b>Action Completed</b>  The questionnaire has been redesigned and approved by the Leadership Team and the Audit and Ethics Committee. Performance reporting will include a summary of customer feedback.
6	1312	An external assessment of the service has not yet been carried out by a qualified assessor. Such an assessment is required every five years. The Standards came into effect on 1 April 2013 and an external assessment must therefore be conducted by 31 March 2018.	Ensure that an external assessment of the internal audit service is completed once the Improvement Plan has been implemented and embedded.  Suggested timescale 30/06/2017.	30/06/2017	LOW	<b>Not Yet Started</b>

<u>Action Number</u>	<u>PSIAS Ref. Number</u>	<u>Summary of Improvement Opportunity</u>	<u>Proposed Action</u>	<u>Target Delivery Date</u>	<u>Priority</u>	<u>Status and Evidence of Delivery</u>
7	1320	A Quality Assurance and Improvement Programme is not in place, and progress on delivery of an improvement plan has not previously been included in the Annual Report of Internal Audit in accordance with the standards.	<p>Improvement Programme requirements will be addressed through development and implementation of this Improvement Plan.</p> <p>Formalise and agree reporting arrangements with the Leadership Team. Update the Audit Manual to reflect the agreed arrangements. Incorporate progress on delivery of the Improvement Plan within the Annual Report of Internal Audit.</p>	To be aligned with the final completion date.	HIGH	<p><b>Action in Progress</b></p> <p>Reporting arrangements were agreed by the Leadership and Operations Team on 22 March 2016. Progress on delivery of the Improvement Plan will be incorporated within the Annual Report of Internal Audit, which will be presented to the Audit and Ethics Committee on 28 June 2016. The Audit Manual will be updated by 30 September 2016.</p>
8	2010	The annual audit plan is developed based upon a review of the Council's risks and objectives, in consultation with senior management. Audit assignments themselves, however, are not consistently conducted by applying a risk based audit methodology. Audit reviews currently focus on control compliance, rather than the design and operation of controls to mitigate identified risks.	<p>All assurance assignments to incorporate a risk based evaluation of both the design and effectiveness of control processes.</p> <p>The standard "Audit Brief" document will be redesigned to reflect the new audit approach.</p> <p>Audit work programmes will be redesigned to incorporate an evaluation of both the design and effectiveness of control processes.</p>	31/03/2016	HIGH	<p><b>Action Completed</b></p> <p>The annual audit plan has been developed in line with the new risk based methodology, approved by the Audit and Ethics Committee on 2 February 2016. Audit briefs, work programmes and reports have been</p>

<u>Action Number</u>	<u>PSIAS Ref. Number</u>	<u>Summary of Improvement Opportunity</u>	<u>Proposed Action</u>	<u>Target Delivery Date</u>	<u>Priority</u>	<u>Status and Evidence of Delivery</u>
			Internal Audit reports will be redesigned to include an opinion on both the design and effectiveness of controls, and the level of risk exposure.			redesigned in line with the new methodology.
9	2030	Internal Audit resources.  One Auditor position is currently vacant.	Internal Audit resources will be reviewed by the management team to establish ongoing service needs, to ensure that resources are appropriate, efficient and effectively employed. Such a review will include consideration of the mix of knowledge, skills and other competencies required to deliver the risk based audit plans. Any issues which cause an adverse impact on the annual audit opinion will be raised in the Annual Internal Audit Report.	30/06/2016	HIGH	<b>Action Completed</b>  Resource requirements have been reviewed. The Corporate Assurance Manager is confident that the proposed internal audit plan can be delivered with support from other services where required, without the need to recruit to the vacant position.
10	2040	Audit Manual, Audit Charter and operational procedures.	Review and update the Audit Manual, Audit Charter and procedural documentation to reflect changes to the audit methodology and working practices implemented as part of the Improvement Plan.	30/09/2016	LOW	<b>Not Yet Started</b>
11	2050	The current audit plan does not outline the approach to using other sources of assurance, or the level of work required to place reliance upon those other sources.	In developing future annual internal audit plans, other sources of assurance will be considered and shared to ensure both appropriate coverage, and minimisation of any duplication of effort. Where reliance is placed on other sources of assurance, this will be stated explicitly.	30/04/2016	MEDIUM	<b>Action Completed</b>  Other sources of assurance have been considered as the internal audit plan has been developed. The

<u>Action Number</u>	<u>PSIAS Ref. Number</u>	<u>Summary of Improvement Opportunity</u>	<u>Proposed Action</u>	<u>Target Delivery Date</u>	<u>Priority</u>	<u>Status and Evidence of Delivery</u>
						Corporate Assurance Manager is confident that there is no duplication of effort within the proposed internal audit plan. Reliance is not currently being placed on other sources of assurance.
12	2060	<p>Reporting to Senior Management and the Audit and Ethics Committee.</p> <p>The Corporate Assurance Manager now reports directly to the Head of Resources (s151 officer) with effect from December 2015. Progress reports are presented at every meeting of the Audit and Ethics Committee; details of the assurance ratings are provided, with a specific focus on any assignments resulting in less than a Moderate Assurance opinion.</p>	Review and update the content and frequency of internal audit progress and performance reports, based upon the needs of senior management and members.	30/04/2016	MEDIUM	<p><b>Action Completed</b></p> <p>The content and frequency of reporting to senior management was agreed with the Leadership Team on 22 March 2016. The content of internal audit reports to members has been updated, and will be amended further to incorporate the results of customer feedback.</p>
13	2110	Linkages between internal audit and the risk management system.	Ensure that significant risks and control issues highlighted during audits are recorded and managed through the risk management system.	30/06/2016	MEDIUM	<p><b>Action in Progress</b></p> <p>Audit reports have been redesigned to demonstrate the linkages between internal audit and risk</p>

<u>Action Number</u>	<u>PSIAS Ref. Number</u>	<u>Summary of Improvement Opportunity</u>	<u>Proposed Action</u>	<u>Target Delivery Date</u>	<u>Priority</u>	<u>Status and Evidence of Delivery</u>
						management. This action will be implemented once the initial tranche of audits is delivered in 2016/17.
14	2130	Audit reports provide a clear statement of the level of compliance with the controls reviewed during the course of the assignment. Audits do not currently evaluate the effectiveness and efficiency of controls.	Redesign Internal Audit reports to include an opinion on both the design and effectiveness of controls, and the level of risk exposure.	31/03/2016	HIGH	<b>Action Completed</b>  Audit reports have been redesigned to include opinions on both the design and effectiveness of controls, and the level of risk exposure.
15	2201	Audit briefs do not currently include the objectives of the area being reviewed. Risks to achievement of objectives are not consistently considered and, where they are, this relates only to the risks identified by management rather than any risks identified by internal audit. This limits the ability of the service to identify significant improvements and also the ability to ensure the service is meeting the Council's overall aims and objectives.	All assurance assignments to incorporate a risk based evaluation of both the design and effectiveness of control processes.  The standard "Audit Brief" document will be redesigned to include: <ul style="list-style-type: none"> <li>• The objectives of the area being reviewed;</li> <li>• The assurance to be provided;</li> <li>• The scope and limitations of the assignment; and</li> <li>• Assessment of the significant risks to achievement of objectives and the means by which the potential impact of risk is kept to an acceptable level.</li> </ul>	31/03/2016	HIGH	<b>Action Completed</b>  Addressed through the review and redesign of Audit Briefs, work programmes and audit reports.

<u>Action Number</u>	<u>PSIAS Ref. Number</u>	<u>Summary of Improvement Opportunity</u>	<u>Proposed Action</u>	<u>Target Delivery Date</u>	<u>Priority</u>	<u>Status and Evidence of Delivery</u>
			<p>Where relevant, all assignments will incorporate consideration of value for money.</p> <p>Assignments will not commence unless and until the relevant “sponsoring” client manager has agreed the terms for the assignment.</p>			
16	2210	<p>Preliminary risk assessments are not consistently completed and, where they are, relate only to the risks identified by management. Internal audit reviews do not currently incorporate consideration of value for money. Assignment objectives are currently generic in nature.</p>	Refer to Action 15	31/03/2016	HIGH	<p><b>Action Completed</b></p> <p>Refer to Action 15</p>
17	2220	<p>Audit briefs do not clearly specify the scope, and limitations, of assignments. This increases the risk that assignments do not meet the expectations of clients. Furthermore, there is an increased risk that resources may not be deployed in the most efficient and effective manner, for example by completing more work than is necessary, or by failing to address key risks.</p>	Refer to Action 15	31/03/2016	HIGH	<p><b>Action Completed</b></p> <p>Refer to Action 15</p>

<u>Action Number</u>	<u>PSIAS Ref. Number</u>	<u>Summary of Improvement Opportunity</u>	<u>Proposed Action</u>	<u>Target Delivery Date</u>	<u>Priority</u>	<u>Status and Evidence of Delivery</u>
18	2230	Audit briefs state the number of days allocated to each assignment, although this is not currently based upon any consideration of assignment objectives, scope and limitations.	Ensure that the number of days allocated to each audit assignment is based upon an evaluation of the objectives, scope, complexity, and risks related to the area being reviewed.	31/03/2016	MEDIUM	<b>Action Completed</b>  The number of days allocated to each assignment has taken into account an initial assessment of the objectives, scope, complexity and risks related to each area being reviewed.
19	2320	Clearance meetings are not consistently held with clients to discuss findings and the basis for conclusions, to provide the opportunity to confirm the accuracy of findings, and to avoid surprises when draft reports are issued.	Draft internal audit reports will only be issued once the draft findings and recommendations have been discussed with the relevant manager/s.	31/01/2016	MEDIUM	<b>Action Completed</b>  Draft internal audit reports are now only issued once the draft findings and recommendations have been discussed with the relevant manager/s.
20	2340	Supervision meetings have not consistently been held to discuss the progress being made with each assignment, issues encountered, workload and immediate priorities.	Staff supervision discussions will take place at least once per month, and whenever required.	31/01/2016	MEDIUM	<b>Action Completed</b>  Staff supervision discussions are completed at least once per month with effect from December 2015, and more frequently on an informal basis.

<u>Action Number</u>	<u>PSIAS Ref. Number</u>	<u>Summary of Improvement Opportunity</u>	<u>Proposed Action</u>	<u>Target Delivery Date</u>	<u>Priority</u>	<u>Status and Evidence of Delivery</u>
		Arrangements for review of any audit work conducted by the Corporate Assurance Manager are yet to be determined.	Local government peers will be consulted, to establish how the work of the “Chief Audit Executive” is quality assured by other authorities. Following this exercise, a practical solution will be implemented.	30/06/2016		<b>Action Completed</b> The Corporate Assurance Manager has consulted with local peers. This established that our peer authorities have not implemented any specific arrangements for quality assuring work carried out by the “Chief Audit Executive”. The Corporate Assurance Manager (CAM) will not conduct any assurance assignments in isolation. Assurance work conducted by the CAM will be subject to a Quality Assurance review within the team prior to finalisation.
21	2420	Quality of communications. Whilst reports are concise, they focus on areas of non-compliance and are therefore not appropriately balanced. Constructive communications are helpful to the engagement of the client and the organisation, and are more likely	Audit reports will be redesigned to include: <ul style="list-style-type: none"> <li>• A constructive Executive Summary which sets out the areas in which assurance can be provided, alongside the opportunities for improvement; and</li> <li>• A summary of all significant findings and observations, sufficient to enable the reader to understand the</li> </ul>	31/03/2016	HIGH	<b>Action Completed</b> This action has been implemented through the review and redesign of internal audit reports.



<u>Action Number</u>	<u>PSIAS Ref. Number</u>	<u>Summary of Improvement Opportunity</u>	<u>Proposed Action</u>	<u>Target Delivery Date</u>	<u>Priority</u>	<u>Status and Evidence of Delivery</u>
		to lead to improvements being made. Reports are not sufficiently detailed; they do not include details of all significant and relevant information and observations to support the recommendations and conclusions.	recommendations and conclusions reached.			
22	2440	Ongoing arrangements for reporting the results of assignments to members are yet to be agreed.	Members will be consulted and, following this, internal audit reports will be shared with members as agreed.	30/04/2016	MEDIUM	<b>Action Completed</b>  Consultation with members of the Audit and Ethics Committee was completed on 11 May 2016. Current reporting arrangements are regarded as appropriate.
23	N/A	Corporate Assurance staff training	Deliver briefing to audit staff explaining changes to the working methodology; new reporting arrangements; and ongoing arrangements to support staff.	31/03/2016	HIGH	<b>Action Completed</b>  Changes in working methodology have been explained to staff. Some time has been utilised during the first quarter of 2016/17 to embed the new working methodology.

<u>Action Number</u>	<u>PSIAS Ref. Number</u>	<u>Summary of Improvement Opportunity</u>	<u>Proposed Action</u>	<u>Target Delivery Date</u>	<u>Priority</u>	<u>Status and Evidence of Delivery</u>
24	N/A	Management engagement and buy in.	Deliver presentations to the Leadership and Operations Team, and the wider management team, setting out the proposed changes in the way that audit assignments are to be planned, conducted and reported, and how this will benefit the Authority.	31/03/2016	HIGH	<p><b>Action Completed</b></p> <p>Presentation delivered to the Leadership and Operations Team on 22 March 2016. A presentation was delivered to the wider management team at the Corporate Management Forum meeting on 20 April 2016.</p>

