

AUDIT AND PERFORMANCE REVIEW PANEL

THURSDAY, 16TH FEBRUARY, 2017

At 5.00 pm

in the

COUNCIL CHAMBER - GUILDHALL,

SUPPLEMENTARY AGENDA

PART I

<u>ITEM</u>	<u>SUBJECT</u>	<u>PAGE NO</u>
6.	<u>ANNUAL AUDIT PLAN</u> To consider the report.	3 - 14
7.	<u>2017/18 INTERNAL AUDIT PLAN, CHARTER</u> To consider the report.	15 - 24

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Agenda Item 6

Report Title:	2017/18 Draft Internal Audit and Investigation Plan
Contains Confidential or Exempt Information?	NO - Part I '
Member reporting:	Councillor Paul Brimacombe
Meeting and Date:	Audit and Performance Review Panel - 16 th February 2017
Responsible Officer(s):	Rob Stubbs, Head of Finance and Deputy Director of Corporate and Community Services
Wards affected:	All "

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REPORT SUMMARY

1. This report recommends that the Audit and Performance Review Panel (A&PRP) considers and approves the 2017/18 Draft Internal Audit and Investigation Plan. This recommendation is being made to ensure that the Council meets its statutory requirements and that the A&PRP meets the requirements of its Terms of Reference by ensuring that the work of the Shared Audit and Investigation Service (SAIS) is focused appropriately with adequate resources and is delivered in accordance with recommended best practice.
2. If adopted, the key financial implications for the Council are revenue costs of the SAIS. The 2017/18 Draft Internal Audit and Investigation Plan will be effective from 1 April 2017.

1. DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: Option 1 - Members are asked to consider and approve the 2017/18 Draft Internal Audit and Investigation Plan.

2. REASON(S) FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

- 2.1 This recommendation is being made to ensure the Council has adequate Internal Audit and Investigation coverage for 2017/18, enabling the Service Manager, SAIS (and Chief Audit Executive) to give an overall opinion on the Council's internal control and risk framework at the end of the financial year.
- 2.2 The proposed 2017/18 Draft Internal Audit and Investigation Plan, attached at Appendix A, is intended to demonstrate how the SAIS supports the overall aims and objectives of the Council. Consultations have been undertaken with internal stakeholders and the key external stakeholder of External Audit, KPMG. The 2017/18 Draft Internal Audit and Investigation Plan focuses efforts / cost on only those audits that feed directly into:-
 - o the regulated external audit which would result in higher external audit costs if not done internally.

- other regulated reporting but only the minimum effort necessary to deliver compliance, including the Annual Governance Statement (AGS).
- facilitating the provision of an overall opinion each year for the A&PRP on the operation of the Council's internal control environment, risk management arrangements and governance framework.
- other CMT / Cabinet / A&PRP strategic & tactical priorities which are at high risk from changes in customer needs, funding, processes or resourcing.
- areas identified by External Audit as requiring improvement.
- the audit of areas which are deemed to be 'important' to support operating objectives.
- cutting out all other 'housekeeping' activities not directly driven by the above.
- the 2017/18 Draft Internal Audit and Investigation Plan is aligned with the Council's objectives and Corporate Risk Register (CRR).

2.3 Whilst a number of audit reviews within the 2017/18 Draft Internal Audit and Investigation Plan are effectively considered as mandatory (key financial systems, particularly high risk items etc.), others enter or leave the Draft Internal Audit and Investigation Plan based on the CRR rating and the views of officers and Members. As such, the 2017/18 Draft Internal Audit and Investigation Plan is fluid and is regularly realigned to accommodate changes to the CRR, thereby ensuring that it remains current and focussed on the key risks affecting the Council. Any changes made to the 2017/18 Draft Internal Audit and Investigation Plan during the year will be reported to the A&PRP. In addition, under S151 of the Local Government Finance Act 1972, the Council's Head of Finance and Deputy Director of Corporate and Community Services (as S151 Officer) has a statutory duty to maintain an appropriate framework of controls over the Council's financial affairs. Reliance upon the SAIS and their annual programme of work in reviewing the operation of systems of internal control and financial management is fundamental to the fulfilment of that responsibility.

Option	Comments
1. Approve the risk based 2017/18 Draft Internal Audit and Investigation Plan Recommended	<p>The Council will be able to discharge its statutory functions in relation to audit, control and governance. In addition, the A&PRP will comply with its responsibilities as set out within their Terms of Reference.</p> <p>This will demonstrate that the Council is not exposing itself to unnecessary risks by having an adequate internal control and governance framework leading to good performance and better outcomes for service users/residents.</p>
2. Approve the risk based 2017/18 Draft Internal Audit and Investigation Plan in the main but reprioritise Internal Audit and Investigation resources at the margins, ensuring that the Council fulfils its statutory obligations	Members may wish to request that the 2017/18 Draft Internal Audit and Investigation Plan be amended / altered if they feel that there are material issues which have not received sufficient emphasis or if there are specific issues the report is deficient in.

3. Significantly reprioritise the SAIS resources, which may result in the Council not fulfilling its statutory function and not sufficiently reviewing key risk areas	<p>Reduces ability of the Council to discharge its statutory functions in relation to audit, control and governance and thereby not comply with legislative requirements (Section 5).</p> <p>This may expose the Council to unnecessary risks by not having an adequate internal control and governance framework leading to poor performance, fraud / irregularities and poor outcomes for service users/residents.</p> <p>It may result in a qualification in the External Auditors' Annual Management Letter and/or an increase in External Audit fees which could affect services.</p> <p>A&PRP will not be discharging its responsibilities as shown in its Terms of Reference.</p>
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3. KEY IMPLICATIONS

Defined Outcomes	Unmet	Met	Exceeded	Significantly Exceeded	Date they should be delivered
Residents have confidence that public funds are being used economically, efficiently and effectively and that Council assets and interests are being safeguarded from misappropriation / loss.	<p>Failure of the Council to meet its statutory requirements and failure of the A&PRP to discharge its responsibilities.</p> <p>Loss of residents' confidence.</p> <p>Council reputation may be affected.</p>	<p>Council meets its statutory requirements to provide an adequate and effective internal audit of its accounting records and system of internal control.</p> <p>A&PRP discharges its responsibilities.</p> <p>Gain residents confidence.</p> <p>Council reputation protected.</p>	n/a	n/a	31 March 2018
Unqualified External Audit Financial Accounts and Management Letter.	Adverse comment and a qualified External Audit Management Letter if the Council fails to maintain an adequate Internal Audit and Investigation Service.	Unqualified External Audit Management Letter as Council meets its requirements to provide an adequate and effective Internal Audit and Investigation Service.	n/a	n/a	31 March 2018

External Audit fee kept to a minimum.	Increase in the External Audit fee arising from them being required to undertake additional audit work by not being able to place reliance on the work of the SAIS.	External Audit relies on the work of the SAIS.	n/a	n/a	31 March 2018
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4. FINANCIAL DETAILS / VALUE FOR MONEY

- 4.1 Revenue - Officer time in dealing with provision of the SAIS. The proposal relates to existing budgets, no new funds are being sought.
Capital - None

5. LEGAL IMPLICATIONS

- 5.1 Relevant legislation includes:

- Accounts and Audit Regulations 2015
- CIPFA/IIA Public Sector Internal Audit Standards 2016
- S151 Local Government Finance Act 1972

6. RISK MANAGEMENT

Table 4: Internal Audit and Investigation Plan

Risks	Uncontrolled Risk	Controls	Controlled Risk
1. Failure to discharge statutory obligations leads to breach of legislation resulting in fines, investigation and reputation damage.	High	Risk based Internal Audit and Investigation Plan that is aligned with the Council's objectives and CRR.	
2. Failure to provide necessary assurances that the Council's systems are secure leads to major event, fraud and/or mismanagement of monies.	High	Risk based Internal Audit and Investigation Plan that is aligned, where possible, with the Council's objectives and CRR.	Low

Risks	Uncontrolled Risk	Controls	Controlled Risk
3. Failure to have suitable systems in place to reduce potential losses and inefficiencies leads to wasted resources or duplication of work.	High	Integrate individual audit reviews with other reviews. Risk based Internal Audit and Investigation Plan that is aligned with the Council's objectives and CRR.	Low

7. POTENTIAL IMPACTS

- 7.1 Equality Impact Assessment, Sustainability Impact Appraisal, Equalities Human Rights, community cohesion, accommodation, property and assets – N/A

8. CONSULTATION

- 8.1 Consultations have been undertaken with internal stakeholders (Corporate Management Team, S151 Officer, Directorate Management Teams and the Insurance and Risk Manager) in preparing the 2017/18 Draft Internal Audit and Investigation Plan.

9. TIMETABLE FOR IMPLEMENTATION

- 9.1 The 2017/18 Draft Internal Audit and Investigation Plan will come into effect from 1 April 2017. Progress on delivering the 2017/18 Draft Internal Audit and Investigation Plan will be reported to the A&PRP on an interim (6 monthly) and annual basis.

Table 5: 2017/18 Draft Internal Audit and Investigation Plan

Date	Details
December 2017	2017/18 Interim Internal Audit and Investigation Report
June 2018	2017/18 Annual Internal Audit and Investigation Report

- 9.2 Implementation date if not called in: 1st April 2017

10. APPENDIX

- 10.1 Appendix A – 2017/18 Draft Internal Audit and Investigation Plan (attached to this report).

11. BACKGROUND DOCUMENTS

- 11.1 Accounts and Audit Regulations 2015
CIPFA/IIA Public Sector Internal Audit Standards 2016
S151 Local Government Finance Act 1972

12. CONSULTATION (MANDATORY)

Name of consultee	Post held	Date sent	Commented & returned
Cllr Paul Brimacombe	Chair of Audit and Performance Review Panel		
Alison Alexander	Managing Director and Strategic Director of Adults, Children and Health Services	07/02/17	
Russell O'Keefe	Strategic Director, Corporate and Community Services	07/02/17	
Andy Jeffs	Interim Strategic Director of Operations and Customer Services and Head of Revenues and Benefits	07/02/17	
Rob Stubbs	Head of Finance (Section 151 Officer) and Deputy Director of Corporate and Community Services	07/02/17	
Terry Baldwin	Head of HR	07/02/17	

REPORT HISTORY

Decision type: Non-key decision	Urgency item? No
Report Author: Catherine Hickman, Service Manager, Shared Audit and Investigation Service	

	Days	Indicative High Level Scope/Controls
Key Financial Systems		
Payroll	15	<ul style="list-style-type: none"> • Starters (including Establishment Controls) • Permanent and temporary amendments • Leavers and transfers • Reconciliations • Exception Reporting • Management Information
Debtors	10	<ul style="list-style-type: none"> • Legislation, Policy & Procedures • Debtor transactions and records • Amendments to standing data • Raising of invoices • Billing • Collection • Refunds • Debt recovery and enforcement (including write-offs) • Management reporting
Creditors	7	<ul style="list-style-type: none"> • Policies and procedures • Purchase orders (Non-Order and Retrospective) • Goods receipting • Cost coding • Prompt payment discounts • Manual/duplicate payments • Supplier account maintenance • Segregation of duties • Performance monitoring • Pre-payments
General Ledger	5	<ul style="list-style-type: none"> • Main Accounting Protocols including policies, procedures, guidance and training arrangements • Year End Procedures • Close Down Process • Control and Suspense Accounts • Financial Statements • Monthly Financial Information • Transactions
Cash & Bank Reconciliation	10	<ul style="list-style-type: none"> • Accounts Receivable • Council Tax • NNDR • Housing Benefits • Income Collection Account • Main Bank Account • Previous Recommendations
Cash & Banking Arrangements	10	<ul style="list-style-type: none"> • Legislation, policy and procedures • Cash transactions and records • Cash collection • Cash payments • Cash holdings • Banking • Management reporting • Future customer payment options
Cash Flow, Investments, Loans (Treasury Management)	7	<ul style="list-style-type: none"> • The council's Treasury Management Strategy together with the Chartered Institute of Public Finance and Accountancy and Department for Community and Local Government guidance • Compliance of Treasury Management activity with council policies and procedures • Staff training, roles and responsibilities • Investment and Loan transactions • The Treasury Management control framework, e.g. management controls, risk management, reporting and performance indicators²

	Days	Indicative High Level Scope/Controls
Pensions Payroll and Administration	25	<ul style="list-style-type: none"> • Roles and responsibilities • Adherence to policies and procedures • Administrative controls between administration and payroll systems • Payment authorisation process • Reconciliations • Management reviews of:- pension fund transfers pensions and benefits calculations pensions masterfile capital costs suspensions and write offs • Maintenance of files and retention of documentation • Computer security.
Housing Benefits/CTRS	20	<ul style="list-style-type: none"> • Compliance with policy and procedures (inc. post opening) • Benefits are only paid to those entitled • Application processing and change of circumstances • Backdated claims • Overpayments and recovery arrangements • Reliability and security of records (electronic and paper) • Complaints procedure • Fraud training and awareness • Performance Indicators and quality checking • Future Legislative changes
Council Tax & NNDR	20	<ul style="list-style-type: none"> • Policies and Procedures • Reconciliation of council tax and NNDR to the general ledger • Reconciliation of council tax and NNDR to income receipts/cash system • Reconciliation of council tax and NNDR databases to valuation office listings • Standing data amendments • Valuation Office alterations • Reliefs and discounts • Billing practices • Cash receipts and customer account allocations • Review of accounts in arrears or credit • Performance management and data control
Capital Programme, Accounting, Expenditure Monitoring	7	<ul style="list-style-type: none"> • Capital planning process • Capital funding process • Capital bid and allocation process • Capital expenditure monitoring • Budget monitoring and accounting arrangements • Staff roles and responsibilities
Governance Building Blocks		
Risk Management	10	<ul style="list-style-type: none"> • Assessment of risk scores & risk appetites • Follow-up of the 2015/16 audit concerns identified
Performance Management	10	<ul style="list-style-type: none"> • Objective of the Performance Management • Alignment of the Key Performance Indicators (KPIs) with the Council's Vision and Council Plan • Alignment of the KPIs with Service Plans • Progress of the KPI reporting and plans for implementation • Clarity of roles and responsibilities for maintaining the Performance Management System • Accuracy of KPIs and Quality Assurance

	Days	Indicative High Level Scope/Controls
Procurement and Contract Management	40	<ul style="list-style-type: none"> • Compliance with Procurement Directive • Engagement with consultants • Compliance with EU thresholds • Compliance with RBWM thresholds • Material decisions • Use of standing lists • Major Suppliers • Client Management of Key Contracts including Waste Management, AFC, Optalis, Externally provided homecare services, Highways.
Financial Management	20	<ul style="list-style-type: none"> • Budgetary setting, monitoring and control measures, including the Forward Plan, income against targets and response to economic and emerging policy signals. • Medium Term Financial Plan • Financial Reserves • Follow-up of the 2015/16 audit concerns identified
Statutory Roles and Responsibilities	10	<ul style="list-style-type: none"> • Statutory Officer Roles and Responsibilities including legal and governance.
Statutory Duties		
Adult Safeguarding - Compliance with Statutory Responsibilities	20	<ul style="list-style-type: none"> • Policies and Procedures (multi-agency) in place • Referral system and assessment processes • Management and supervision of staff • Staff Training and awareness • Regular Social Care Pathway meetings and updates • Duty response • Good recruitment and retention of social care professionals • Interagency working • Dedicated Safeguarding Manager Safeguarding Team and & Safeguarding Prevention posts • Ongoing widely accessible Safeguarding Training programme and events • Widely publicised Safeguarding Protocol and procedures • Clear lines of accountability for safeguarding adults • Regular safeguarding reports to People Services Leadership Team • Audit (Internal and External Inspections) • Support with confidence programme for accrediting small providers • Optalis contract • Case Management • Care Governance Quality Assurance system for providers • Market Failure Protocol in place • Ongoing review of financial pressures on providers including decisions on fee increases and impact of National Living Wage • Ongoing dialogue with providers about service provision
Optalis - Delivery of Statutory Responsibilities of provider	30	<ul style="list-style-type: none"> • To be determined after discussion with Optalis management
School places - Sufficiency	15	<ul style="list-style-type: none"> • Follow up of 2015/16 school places audit
Children's Safeguarding - Compliance with Statutory Responsibilities	20	<ul style="list-style-type: none"> • Policies and Procedures • Practice Framework implementation • Quality Assurance System • Line Management • Case Supervision • Training and Career Personal Development • Recruitment and retention strategy embedded • Strengthened Local Safeguarding Children Board support • Implementation of agreed action plans

	Days	Indicative High Level Scope/Controls
Maintained School Audits (7)	25	<ul style="list-style-type: none"> • General School Management and Governance Framework • Budgetary Setting, Monitoring & Control • Imprest Account (Non-Agrosso schools only) • Procurement of Goods and Services • Income • School Vehicles (if appropriate) • School Trips
Highways and Winter Maintenance	15	<ul style="list-style-type: none"> • Planning of winter maintenance including detailing the roles and responsibilities of contractors. • Operation of Streetscene and Neighbourhood Services • Ensuring that the statutory minimum level of maintenance, to maintain safe standards on carriageways, footways etc, is carried out. • Provision of regular claim statistics to demonstrate success or failure of defences based on the inspection programme. • Business continuity planning.
Flooding	20	<ul style="list-style-type: none"> • Follow up of 2015/16 flooding audit
Crime and Disorder including Security Threats	15	<ul style="list-style-type: none"> • Counter Terrorism and Security Act 2015 • PREVENT strategy • Channel Panel • Crime and Disorder Act 1998
Risk of a significant fine and reputational damage due to loss of confidential/sensitive data. (Computer Audit)	40	<ul style="list-style-type: none"> • Information Security Management System - governance for this area including Senior Information Risk Owner & Information Governance Group roles • Encrypted IT equipment • Secure storage/ lockers at council offices • Robust policies in this area • Mandatory refresher programme recently undertaken • Archiving of physical records • Training for staff on document / information handling and basic information security practice • Secure e-mail solution • Document marking scheme • SIRO responsibilities - Information Security incident follow up
Projects fail to deliver planned benefits, including Maidenhead Regeneration.	30	<ul style="list-style-type: none"> • Project Management is subject to close scrutiny by the Major Projects Board • There is an appropriate Project Management Methodology in use which is endorsed by senior management and used for all projects by appropriately trained officers • A named officer is responsible for executing each task within each project • All projects are managed to an agreed timetable • Guidelines are in place in relation to the reporting of projects • New systems methodology is in place • Members are informed of the existence and progress of projects • Project governance is documented • The Project Management Office provides oversight and standardisation of project management practices • Up to date guidance notes are available on Hyperwave • To include; Customer Services and Libraries, Children's and Adults.

	Days	Indicative High Level Scope/Controls
Business Continuity and Emergency Planning	20	<ul style="list-style-type: none"> • Assessing the risk of emergencies occurring and putting in place an Emergency Plan, • Carrying out exercises and arranging training for emergency planning, • Sharing information and co-operating with other emergency responders, • Making information available to the public about civil protection and arranging to warn the public in the event of an emergency occurring. • Business Continuity Plans for critical services. • Implementation of countermeasures from the previous audit report on Business Continuity.
Health and Safety (Compliance)	20	<ul style="list-style-type: none"> • Operational management • Risk Assessments • Accidents/Dangerous incidents reporting • Training • Monitoring and reporting • Self-audit process
Spot checks	20	<ul style="list-style-type: none"> • To undertake various spot checks
Information Governance/Management	20	<ul style="list-style-type: none"> • Clear Desk Policy • E-learning • Risk Assessment of Information Assets; • Departmental Policies and Procedures; • Staff Knowledge and Training; • Monitoring of Information Management Culture (e.g. clear desk spot checks); • Management of Data at Rest (storage of non-archived data sources held in databases); • Information Sharing (both internal and external); • Retention and Disposal Regimes (especially electronic data); • Review of Non-Compliance Events.
Shared Property Services	5	<ul style="list-style-type: none"> • Follow up of 2016/17 audit.
RBWM Commercial Services Ltd	5	<ul style="list-style-type: none"> • To be determined in discussion with the S151 Officer
RBWM Property Services Ltd	5	<ul style="list-style-type: none"> • To be determined in discussion with the S151 Officer

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Agenda Item 7

Report Title:	New Audit Arrangements
Contains Confidential or Exempt Information?	NO - Part I
Member reporting:	Councillor Saunders, Lead Member for Finance)
Meeting and Date:	Audit Performance and Review Panel 16 February 2017
Responsible Officer(s):	Russell O'Keefe Strategic Director of Corporate and Community Services, Rob Stubbs Head of Finance.
Wards affected:	All

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Royal Borough
of Windsor &
Maidenhead

REPORT SUMMARY

1. KPMG will present the new arrangement and options for the appointment of Auditors for the audit of the 2018/19 accounts to the Audit and Performance Review Panel on 16 February 2017.
2. This paper sets out procurement options, that include the option of accepting an offer from the Public Sector Audit Appointments (PSAA) board which can only be carried out with the agreement of full Council.

1. DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That the Audit, Performance and Review Panel note the report and:

- i. Offers a preference on procurement route for the appointment of auditors for the audit of the 2018/19 accounts to be recommended to Council on 21 February 2017.

2. REASON(S) FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

- 2.1. In July 2016, the Secretary of State for Communities and Local Government specified PSAA as an appointing person under regulation 3 of the Local Audit (Appointing Person) Regulations 2015.
- 2.2. For audits of the accounts from 2018/19, PSAA will be able to appoint an auditor to relevant principal authorities that choose to opt into its national collective scheme. Appointments for 2018/19 must be made by 31 December 2017. PSAA have issued an invitation to opt in to the appointing person scheme and the closing date for acceptance is 9 March 2017.
- 2.3. The option to join the scheme is open to all principal local authorities of which there are 493. At the time of writing this report 262 had opted in. The alternative options are:
 - Roll forward incumbent: A short term option of maybe one or two year.

- Stand-alone tender: The Council would tender for its own service through its own procurement process.
 - Combined tender: A collaborative procurement with one or more other authorities.
- 2.4. Implementing any option other than using PSAA requires a recommendation from an independent audit panel. That panel would need to also take oversight over any non-audit services provided by the auditor. The panel must have an independent (unelected) Chair and a majority of independent members.
- 2.5. The Chief Finance Officer and Section 151 Officer recommends to Audit Panel that the Royal Borough join PSAA. This recommendation is made on the basis that it maintains low procurement costs and audit fees. See table 1 for options for appointing an auditor.

Table 1: Options for Appointing an Auditor

Option	Comments
Use PSAA The recommended option.	Potentially lowest cost of procurement, audit fees and audit panel. Least discretion over auditor.
Roll forward current auditor (KPMG).	Short term continuity. Could allow for tendering when market is more settled. May limit opportunities for collaborative tendering.
Tender for an auditor itself.	Highest discretion over approach. Costs for running procurement process and establishing audit panel.
Tender for an auditor in collaboration with one or more other authorities.	Potentially shared procurement costs, shared audit panel. Less control over approach.

3. KEY IMPLICATIONS

Table 2: Implications of new audit arrangements

Outcome	Unmet	Met	Exceeded	Significantly Exceeded	Date of delivery
2018/19 audit costs including procurement cost and set up of audit panel as a % of 2017/18.	>110%	95% - 110%	90% - 95%	<90%	September 2019

4. FINANCIAL DETAILS / VALUE FOR MONEY

- 4.1 There may be financial implications for each of the appointment options. However there is insufficient information to quantify them at this time.

5. LEGAL IMPLICATIONS

- 5.1 Council is following its own governance arrangements and legislation by bringing this paper initially to the Audit Performance and Review Panel.

6. RISK MANAGEMENT

Table 3: *Risks of future audit appointments*

Risks	Uncontrolled Risk	Controls	Controlled Risk
That audit costs would be higher in future.	High	Council could use a competitive tender process or accept the PSAA offer.	Medium
That the Council would have no control over choice of auditor	High	Council could avoid using the PSAA option	Low

7. POTENTIAL IMPACTS

- 7.1 None

8. CONSULTATION

- 8.1 None

9. TIMETABLE FOR IMPLEMENTATION

- 9.1 The timetable in table 4 is based on the appointment of an auditor for the 2018/19 accounts. This would move on by 1 or 2 years if the agreement with KPMG was extended.

Table 4: *Timetable of appointments*

Date	Details
9 March 2016	Closing date for receipt of notices to opt in to PSAA
20 February 2017	Contract notice published
By end of December 2017	Consult on and make auditor appointments

10. APPENDICES

- 10.1 None

11. BACKGROUND DOCUMENTS

- 11.1 None.

12. CONSULTATION (MANDATORY)

Name of consultee	Post held	Date sent	Commented & returned
Councillor Saunders	Lead Member for Finance	07/02/17	09/02/17
Councillor Rankin	Deputy Lead Member for Finance	07/02/17	
Alison Alexander	Managing Director	06/02/17	06/02/17
Russell O'Keefe	Strategic Director	06/02/17	
Andy Jeffs	Interim Strategic Director	06/02/17	07/02/17
Rob Stubbs	Section 151 Officer	06/02/17	06/02/17
Terry Baldwin	Head of HR	06/02/17	

REPORT HISTORY

Decision type: Non-key decision	Urgency item? No
Report Author: Richard Bunn, Chief Accountant, 01628 796510	

Royal Borough of Windsor & Maidenhead

INTERNAL AUDIT CHARTER

**The Terms of Reference for the provision of the Internal Audit Service within the
Shared Audit and Investigation Service for RBWM**

This document revises and updates the previous Audit Charter approved by Audit and Performance Review Panel. Reviewed annually.

INTERNAL AUDIT CHARTER

Introduction

1. The purpose of this Audit Charter is to set out the Terms of Reference for the provision of the Internal Audit Service within Royal Borough of Windsor and Maidenhead. The Charter is reviewed on an annual basis to ensure that current needs are met. The Charter demonstrates how the Internal Audit Service complies with the Public Sector Internal Audit Standards (PSIAS), which came into effect in April 2013 and revised in April 2016.

Authority

2. The Local Government Accounts and Audit Regulations 2015 require every local authority to undertake effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.
3. Under S151 of the Local Government Finance Act 1972, the S151 Officer is responsible for ensuring that proper arrangements exist for the management of the Council's financial affairs. Reliance upon Internal Audit is fundamental to the fulfilment of that responsibility.

Definition of Internal Auditing

4. In accordance with the PSIAS, Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Role, Purpose and Function

5. The Internal Audit Service is delivered by the Shared Audit and Investigation Service (SAIS), a Shared Service between Wokingham Borough Council (WBC) and the Royal Borough of Windsor and Maidenhead (RBWM), hosted by WBC. The role of the Chief Audit Executive (CAE) is performed by the Service Manager, SAIS.
6. The Internal Audit Service provides:-
 - Senior Management and the Board (the Audit & Performance Review Panel) with assurances on the adequacy of control within the Council's systems and activities.
 - the S151 Officer with the assurances required to discharge their statutory responsibilities.
 - a service to monitor the efficient and effective delivery of the Council's objectives.
 - evidence regarding compliance with the Council's Constitution, Corporate procedures and the Council's policies and objectives.
7. The existence of Internal Audit does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner.
8. For the purposes of clarification, Senior Management is defined as those posts that are within the organisation at Head of Service level and above.

9. The Board is the highest level of governing body charged with the responsibility to direct and/or oversee the activities and management of the organisation.

Independence

10. The main determinant of the effectiveness of Internal Audit is that it is seen to be independent. To ensure this, Internal Audit operates within a framework that allows:-
- unrestricted access to the Head of Paid Service and Senior Management.
 - unrestricted access to the Chair of the Audit and Performance Review Panel and other Council Members.
 - segregation from operations.
11. Every effort is made to preserve objectivity by ensuring that all audit members of staff are free from any conflicts of interest with regard to both audit and non-audit activities.

Objectives of Internal Audit

12. As an independent appraisal function within the Council, the primary objective of Internal Audit is to review, appraise and report upon the adequacy of internal controls as a contribution to the proper, economic, efficient and effective use of resources. In addition, the other objectives of the function are to:
- Ensure compliance with the Accounts and Audit Regulations 2015.
 - Deliver an annual internal audit opinion on the strength of the Council's governance arrangements and control environment to support the Council's review of the effectiveness of internal control and the production of the Annual Governance Statement (AGS).
 - Support managers with the management of risk including: -
 - In the delivery of services
 - Protection of assets from loss
 - Maintaining the reputation of the Council
 - Protecting the organisation from litigation
 - Meeting statutory obligations
 - Meeting corporate objectives
 - Being aware of environmental implications
 - Being alert to the risk of fraud or irregularity
 - Contingency planning
 - Provide managers with support and advice to encourage consultation and the adoption of best practice.
 - Perform testing of key systems to inform the work of the External Auditors.
 - Undertake projects to meet the current concerns of the Audit and Performance Review Panel, Head of Paid Service, Strategic Directors, Heads of Service, the Section 151 Officer and Monitoring Officer.
 - Undertake an annual review of the effectiveness of the Council's system of internal audit, required under the PSIAS. The Service Manager, SAIS arranges this work and the outcomes are presented to the Audit and Performance Review Panel.
 - Assist management with the provision of consultancy work where appropriate, e.g. in the preparation for inspections, to implement best practice.

Comment [SH1]: In line with Public Sector interpretation of 1110.

Comment [SH2]: Clearer alignment with the explicit wording of Audit and Accounts Regulation 2015

13. The assurance set out above is provided for the internal use of the Royal Borough of Windsor and Maidenhead. Where the Audit Sponsor (Managing Director/Strategic Director) decides it is prudent and increases efficiency these assurances can be used by 3rd parties. Examples include, but are not limited to, other local authorities, local authority trading companies, grant awarding bodies, regulatory and inspection bodies. Where this assurance is provided to external bodies these are limited to the primary purpose of providing reasonable assurance to the Royal Borough of Windsor and Maidenhead, except where this is agreed within the scope of the applicable Internal Audit Terms of Reference.

Comment [SH3]: To cover off the issue of external assurances within 1000.A1.

Scope of Internal Audit

14. The scope of Internal Audit allows for unrestricted coverage of the Council's activities and unrestricted access to all records (both electronic or otherwise), assets, personnel and premises and for obtaining such information and explanations it considers necessary to fulfil its responsibilities. These rights of access also apply to the Council's partner organisations and contractors. This unrestricted access also extends to any person carrying out an investigation on behalf of the CAE.
15. In addition, Internal Audit, has unrestricted access to Members, the Head of Paid Service, Strategic Directors, Heads of Service, all other council employees, External Audit, suppliers and contractors.
16. Internal Audit work covers all systems and activities in all directorates and locations throughout the Council.

Professional Standards and Ethics

17. The Service Manager, SAIS has adopted the mandatory PSIAS which applies the IIA International Standards to the UK Public Sector. The objectives of these Standards are to;
- Define the nature of internal auditing within the UK public sector.
 - Set basic principles for carrying out internal audit in the UK 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 the evaluation of internal audit performance and to drive improvement planning.
18. All Internal Auditors will endeavour to conform with the IIA's Code of Ethics and rules of conduct and the requirements of any other professional bodies for which they are a member. Internal Auditors also have regard to the Standards of Public Life's *Seven Principles of Public Life* ("Nolan Principles").
19. Instances of non-conformance to the PSIAS will be reported to the Board (Audit and Performance Review Panel). More significant deviations will be considered for inclusion in the AGS.
20. Any offers of gifts or hospitality will be reported to the Service Manager, SAIS and an appropriate record made in accordance with the Council's gift and hospitality policy. Auditors must avoid the perception of any impairment to their objectivity and independence.

Responsibility

21. Internal Audit has no executive responsibility for the Council's systems of internal control other than an appraisal of their effectiveness with regard to Council objectives.

22. Internal Audit is not an extension of, or a substitute for, the functions of management. Responsibility for internal control rests fully with managers, who should ensure that arrangements are appropriate and adequate. It is for management to address Internal Audit concerns or to accept the risk resulting from not taking action. However, it is the SAIS's responsibility to consider taking matters to higher levels of management or to Council Members if it is felt that the risk should not (or need not) be borne.
23. The internal auditor should have regard to the possibility of such malpractice and should seek to identify serious defects in internal control, which might permit the occurrence of such an event.
24. An internal auditor who discovers evidence of, or suspects, malpractice should report, through the Service Manager, SAIS, firm evidence, or reasonable suspicions, to the appropriate level of management. It is a management responsibility to determine what further action to take.
25. The Service Manager, SAIS will use information from fraud activities to inform the annual audit opinion and the risk-based plan.
26. The Service Manager, SAIS will manage any conflict of interest from non-audit activities and details of these will be provided to the Audit and Performance Review Panel. This includes any advisory and non-audit services that the SAIS provides to management.

Audit Style and Content

27. The primary task of Internal Audit is to review the systems of internal control operating throughout the Council and in doing this will adopt a predominantly risk-based approach to audit, aligned to the RBWM Corporate Risk Register. Internal Audit will also provide advice and consultancy services to management on any issues related to governance, risk management and internal control matters where this does not negatively impact on their primary responsibility. This advice and consultancy work can be used to contribute to the annual internal audit opinion.
28. The Service Manager, SAIS will be required to manage the provision of a complete Internal Audit Service to the Council which will include risk based compliance, computer and contract audit and in discharging this duty, the Service Manager, SAIS will:
 - prepare an annual risk-based audit plan in consultation with the Head of Paid Service, Section 151 Officer, Strategic Directors, Heads of Service, client managers and External Audit for formal endorsement by the Audit and Performance Review Panel. This Plan will be regarded as flexible rather than as an immutable expression of audit policy.
 - ensure that current entries in the RBWM Corporate Risk Register are reflected and included in the Audit Plan on a rolling basis and any significant changes to the Audit Plan to be brought to the attention of the Board.
 - ensure a system of close supervision of audit work, and maintain a review of audit files through the supervisory structure and a standardisation of documentation, as there may occasionally be a requirement to provide working papers, where requested.

Comment [SH4]: Defining the nature of consultancy services 1000.C1

Audit Resources and Training

29. Internal Audit resource will be determined by the Audit and Performance Review Panel in consultation with the S151 Officer in order to enable him to discharge his statutory duties and will reflect the corporate needs of the Council. Resources will also reflect requirements needed to allow the S151 Officer to discharge his obligations. The Service Manager, SAIS must ensure that the internal audit function has appropriate resources in order to meet its objectives and to comply with the PSIAS.
30. The staffing structure of the Service will comprise of suitably qualified posts with a mix of professional specialisms and skills to reflect the varied functions of the Service and the need to evaluate the efficiency and effectiveness of the complex range of processes undertaken by RBWM. The Service Manager, SAIS will arrange, as and when necessary and/or if such specialisms cannot be provided in-house, for such expertise to be provided by external providers.
31. The Service Manager, SAIS will carry out a continuous review of the development and training needs of all audit personnel and will arrange appropriate in-service training. Internal Auditors have a personal responsibility to undertake a programme of continuing professional development (CPD) to maintain and develop their competence.
32. All Internal Audit staff will receive an annual appraisal.

Audit Reporting

33. The Service Manager, SAIS reports operationally to the Head of Finance and Deputy Director of Corporate and Community Services who is a member of the Council's Corporate Management Team (CMT). The Head of Paid Service reviews the performance appraisal of the Service Manager, SAIS. Feedback is sought from the Chair of the Audit and Performance Review Panel on the performance of the Service Manager, SAIS
34. Timely reporting is a key part of Internal Audit and reporting takes place: -
 - a. To the responsible Strategic Director, Head of Service and Service Manager/Head Teacher at the conclusion of each audit review setting out an overall opinion and the main concerns.
 - b. To the Managing Director and External Audit at the conclusion of each audit review (School's audits are issued to the Chair of Governors).
 - c. To the Audit and Performance Review Panel on a six monthly and annual basis, reporting progress against the Audit Plan, summarising the outcome of audit reviews, highlighting where management have not responded to audit concerns, identify the progress made by management in implementing the treatment of concerns and to emphasise any other key issues.
 - d. The annual report to the Audit and Performance Review Panel will also include an overall opinion on the strength of the governance arrangements and control environment (which will also contribute towards the production of the AGS) and an assessment of the system of internal control, as required by the Accounts and Audit Regulations 2015.

Comment [SH5]: Public sector interpretation of 1110 applies