

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 <sup>th</sup> February 2017
Responsible Officer(s):	Rob Stubbs, Head of Finance and Deputy Director of Corporate and Community Services
Wards affected:	All "

## 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 <b>Recommended</b>	<p>The Council will be able to discharge its statutory functions in relation to audit, control and governance. In addition, the A&amp;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	<p>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.</p>

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&amp;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&amp;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&amp;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

<b>Risks</b>	<b>Uncontrolled Risk</b>	<b>Controls</b>	<b>Controlled Risk</b>
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**

<b>Date</b>	<b>Details</b>
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: 1<sup>st</sup> 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

<b>Decision type:</b> Non-key decision	<b>Urgency item?</b> 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"> <li>• Starters (including Establishment Controls)</li> <li>• Permanent and temporary amendments</li> <li>• Leavers and transfers</li> <li>• Reconciliations</li> <li>• Exception Reporting</li> <li>• Management Information</li> </ul>
Debtors	10	<ul style="list-style-type: none"> <li>• Legislation, Policy &amp; Procedures</li> <li>• Debtor transactions and records</li> <li>• Amendments to standing data</li> <li>• Raising of invoices</li> <li>• Billing</li> <li>• Collection</li> <li>• Refunds</li> <li>• Debt recovery and enforcement (including write-offs)</li> <li>• Management reporting</li> </ul>
Creditors	7	<ul style="list-style-type: none"> <li>• Policies and procedures</li> <li>• Purchase orders (Non-Order and Retrospective)</li> <li>• Goods receipting</li> <li>• Cost coding</li> <li>• Prompt payment discounts</li> <li>• Manual/duplicate payments</li> <li>• Supplier account maintenance</li> <li>• Segregation of duties</li> <li>• Performance monitoring</li> <li>• Pre-payments</li> </ul>
General Ledger	5	<ul style="list-style-type: none"> <li>• Main Accounting Protocols including policies, procedures, guidance and training arrangements</li> <li>• Year End Procedures</li> <li>• Close Down Process</li> <li>• Control and Suspense Accounts</li> <li>• Financial Statements</li> <li>• Monthly Financial Information</li> <li>• Transactions</li> </ul>
Cash & Bank Reconciliation	10	<ul style="list-style-type: none"> <li>• Accounts Receivable</li> <li>• Council Tax</li> <li>• NNDR</li> <li>• Housing Benefits</li> <li>• Income Collection Account</li> <li>• Main Bank Account</li> <li>• Previous Recommendations</li> </ul>
Cash & Banking Arrangements	10	<ul style="list-style-type: none"> <li>• Legislation, policy and procedures</li> <li>• Cash transactions and records</li> <li>• Cash collection</li> <li>• Cash payments</li> <li>• Cash holdings</li> <li>• Banking</li> <li>• Management reporting</li> <li>• Future customer payment options</li> </ul>
Cash Flow, Investments, Loans (Treasury Management)	7	<ul style="list-style-type: none"> <li>• The council's Treasury Management Strategy together with the Chartered Institute of Public Finance and Accountancy and Department for Community and Local Government guidance</li> <li>• Compliance of Treasury Management activity with council policies and procedures</li> <li>• Staff training, roles and responsibilities</li> <li>• Investment and Loan transactions</li> <li>• The Treasury Management control framework, e.g. management controls, risk management, reporting and performance indicators<sup>2</sup></li> </ul>

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



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

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

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