

NOTICE
OF
MEETING



AUDIT AND PERFORMANCE REVIEW PANEL

will meet on

TUESDAY, 16TH FEBRUARY, 2016

at

7.00 PM

in the

COUNCIL CHAMBER - TOWN HALL,

TO: MEMBERS OF THE AUDIT AND PERFORMANCE REVIEW PANEL

COUNCILLOR PAUL BRIMACOMBE (CHAIRMAN)
COUNCILLORS STUART CARROLL, DR LILLY EVANS, LYNNE JONES,
JACK RANKIN, ADAM SMITH (VICE-CHAIRMAN), LISA TARGOWSKA AND
EDWARD WILSON

SUBSTITUTE MEMBERS
COUNCILLORS MALCOLM BEER, JOHN COLLINS, DAVID EVANS,
RICHARD KELLAWAY, ROSS MCWILLIAMS, COLIN RAYNER,
WESLEY RICHARDS, JOHN STORY AND SIMON WERNER

Karen Shepherd - Democratic Services Manager
Issued: 08/02/2016

Members of the Press and Public are welcome to attend Part I of this meeting.

The agenda is available on the Council's web site at www.rbwm.gov.uk or contact the
Panel Administrator

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AGENDA

PART I

<u>ITEM</u>	<u>SUBJECT</u>	<u>WARD</u>	<u>PAGE NO</u>
1.	<u>APOLOGIES</u> To receive any apologies for absence.		
2.	<u>DECLARATIONS OF INTEREST</u> To receive any declarations of interest.		5 - 6
3.	<u>MINUTES</u> To approve the Part I minutes of the meeting held on 10 th December 2015.		7 - 10
4.	<u>KPMG ANNUAL REPORT ON GRANTS AND RETURNS WORK 2014/15</u> To consider the report.		11 - 18
5.	<u>ROYAL BOROUGH OF WINDSOR & MAIDENHEAD EXTERNAL AUDIT PLAN 2015-16</u> To consider the report.		19 - 34
6.	<u>2016/17 RBWM INTERNAL AUDIT CHARTER</u> To consider the report.		35 - 46
7.	<u>RBWM ANTI FRAUD AND ANTI CORRUPTION POLICIES REFRESH</u> To consider the report.		To Follow
8.	<u>2016/17 RBWM INTERNAL AUDIT PLAN</u> To consider the report.		47 - 58
9.	<u>OPERATIONS & CUSTOMER SERVICES BUSINESS PLAN REPORTING - Q3</u> To consider the report.		To Follow
10.	<u>LOCAL GOVERNMENT ACT 1972 - EXCLUSION OF THE PUBLIC</u> To consider passing the following resolution:- "That under Section 100(A)(4) of the Local Government Act 1972, the public be excluded from the remainder of the meeting whilst discussion takes place on item 9 on the grounds that it involves the likely disclosure of exempt information as defined in Paragraphs 1- 7 of part I of Schedule 12A of the Act"		

PART II

<u>ITEM</u>	<u>SUBJECT</u>	<u>WARD</u>	<u>PAGE NO</u>
11.	<u>2016/17 RBWM COUNTER FRAUD PLAN</u> To consider the report. <i>(Not for publication by virtue of Paragraph 7 of Part 1 of Schedule 12A of the Local Government Act 1972)</i>		59 - 66

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MEMBERS' GUIDANCE NOTE

DECLARING INTERESTS IN MEETINGS

DISCLOSABLE PECUNIARY INTERESTS (DPIs)

DPIs include:

- Any employment, office, trade, profession or vocation carried on for profit or gain.
- Any payment or provision of any other financial benefit made in respect of any expenses occurred in carrying out member duties or election expenses.
- Any contract under which goods and services are to be provided/works to be executed which has not been fully discharged.
- Any beneficial interest in land within the area of the relevant authority.
- Any license to occupy land in the area of the relevant authority for a month or longer.
- Any tenancy where the landlord is the relevant authority, and the tenant is a body in which the relevant person has a beneficial interest.
- Any beneficial interest in securities of a body where
 - a) that body has a piece of business or land in the area of the relevant authority, and
 - b) either (i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body **or** (ii) the total nominal value of the shares of any one class belonging to the relevant person exceeds one hundredth of the total issued share capital of that class.

PREJUDICIAL INTERESTS

This is an interest which a reasonable fair minded and informed member of the public would reasonably believe is so significant that it harms or impairs your ability to judge the public interest. That is, your decision making is influenced by your interest that you are not able to impartially consider only relevant issues.

DECLARING INTERESTS

If you have not disclosed your interest in the register, you **must make** the declaration of interest at the beginning of the meeting, or as soon as you are aware that you have a DPI or Prejudicial Interest. If you have already disclosed the interest in your Register of Interests you are still required to disclose this in the meeting if it relates to the matter being discussed. A member with a DPI or Prejudicial Interest **may make representations at the start of the item but must not take part in discussion or vote at a meeting.** The term 'discussion' has been taken to mean a discussion by the members of the committee or other body determining the issue. You should notify Democratic Services before the meeting of your intention to speak. In order to avoid any accusations of taking part in the discussion or vote, you must move to the public area, having made your representations.

If you have any queries then you should obtain advice from the Legal or Democratic Services Officer before participating in the meeting.

If the interest declared has not been entered on to your Register of Interests, you must notify the Monitoring Officer in writing within the next 28 days following the meeting.

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Public Document Pack Agenda Item 3

AUDIT AND PERFORMANCE REVIEW PANEL

THURSDAY, 10 DECEMBER 2015

PRESENT: Councillors Paul Brimacombe (Chairman), Stuart Carroll, Dr Lilly Evans, Lynne Jones, Jack Rankin, Lisa Targowska and Edward Wilson.

Officers: Andrew Brooker, David Scott, Ann Pfeiffer, Paul Ohsan Ellis, Steve Mappley, Craig Miller and David Cook.

APOLOGIES

Apologies for absence were received from Cllr Smith.

DECLARATIONS OF INTEREST

There were no declarations of interest received.

MINUTES

The Part I minutes of the meeting held on 17 November 2015 were approved as a true and correct record subject to on page 8 the addition of it being noted that only one fine had been collected because of dog fouling. With regards to the Legacy Bridge Fund it was questioned if the group existed and if so who they were.

2015-16 SHARED AUDIT AND INVESTIGATION SERVICE RBWM INTERIM REPORT

Paul Ohsan Ellis introduced the report that summarises the Shared Audit and Investigation Service activity, including progress in achieving the 2015/16 Internal Audit Plan, during the first six months of 2015/16 to 30 September 2015. The Panel were informed that out of the 8 audits completed 7 received an overall opinion of 2 whilst 1 received an opinion of 3.

(Cllr Dr Evans joined the meeting)

The Investigation Team had also undertaken re-active investigations as well as developing pro-active fraud drives on areas such as Council Tax Reductions, Council Tax Discounts, Business Rates and Personal Budgets and Direct Payments. This work had identified losses totalling £38k.

The Panel raised concern about tolerance levels with regards to grading. It was questioned if tolerance levels could be re-calibrated; law of diminishing return resulting in having different tolerance levels for different areas. Members also felt that during the audit any areas that could be rectified before the final opinion should be actioned and noted that a fix was required to get the opinion to complete and effective.

The Head of Finance informed the Panel that getting an opinion of 2 did not raise concern as the control measure in the general ledger had controlled risks that had to be managed and as a result the audit opinion would never be 1. The resources required to fully mitigate the risks were not cost effective.

The Panel felt that if all actions were carried out to be compliant then the audited area should be ranked as complete and effective. Tolerance levels should be set to make it possible to get an opinion of 1.

The Chairman mentioned that there were about 220 functions that could be audited and asked how the work programme was planned and if surprise audits were carried out. The Panel were informed that the authorities Risk Register was used to identify areas to be audited.

Concern was raised about the absence of challenge to the audit opinion, although it was explained that individual concerns were challenged during the audit process.

It was suggested that a short paper be presented regarding the audit process from start to finish and the risk v controls. The Chairman explained that as the Head of Finance and Managing Director were already undertaking a review it was best to wait for this to be completed before any presentation on where audit is going.

The Chairman commented that he had the upmost confidence in the team and the review was more about governance.

Resolved: That Members noted the Shared Audit and Investigation Service RBWM activity for the six months ending 30 September 2015.

RBWM KEY RISKS REPORT

Steve Mappley, Insurance and Risk Manager, introduced the report that dealt with risk management as part of the council's governance arrangements. The report highlighted the developments during the 12 month period 1 November 2014 to 31 October 2015 and included:

- the council's key strategic risks and how they are identified, monitored and managed;
- an overview of the risk management work and achievements during the reporting period;
- the council's 2016/17 risk management strategy and policy.

The Panel were informed that table 1 on agenda page 25 showed the key successes in risk management since the most recent strategy reported to this panel 16 December 2014. This included assisting Wokingham BC with the development of their risk management work including presenting to elected members of Wokingham BC Executive and their senior leadership team.

The Risk Management Policy and Strategy 2016/17 (appendix D) was still a draft document; however how risk management was approached remained the same.

The Council did not have a single risk tolerance and appetite for risk varied. Risk appetite was the phrase used to describe where RBWM considered itself to be on the spectrum ranging from willingness to take or accept risks through to an unwillingness or aversion to taking risks.

In response to questions the Panel were informed that appendix B contained the detail of the key strategic risks and mitigation measures being taken. It was noted that the Panel had previously requested that this level of detail be available to review but was not required to be presented at the meeting. Cllr Targowska agreed to review the appendix and choose a random selection of risks at different levels to undertake a retrospective review.

It was noted that the design and effectiveness of the controls were reviewed by the audit team.

Resolved: That the Panel endorsed the council's policy and strategy to identify, monitor and manage its risks.

ODFIELD SCHOOL BUILDING PROJECT

The Chairman informed the Panel that he had asked for this item to be considered as it was a good example of effective project management; it was a large project undertaken quickly.

Ann Pfeiffer gave a presentation on the Oldfield School expansion project.

The Panel were informed that the projects education objective was to expand Oldfield Primary School in Maidenhead from 210 pupils to 420 pupils to accommodate growing numbers of pupils in the local area. The project was on a new site, had to be within the existing designated area and without diminishing the high standards of the 'Outstanding' school.

The construction objectives were to have the new school building built on time by September 2015, within budget and have good quality build that provided suitable spaces for teaching and learning.

The Panel were shown a list of key approval dates from the initial in principle project approval in November 2011 to completion with the school opening September 2015.

The project had a number of key constraints; these were:

- The need to be open for Sept 2015, with sufficient time for school to move in.
- Appropriate time of year for moving slow worms.
- Planning issues; designing for flood plain, environment agency approval, traffic management.
- Objections from vocal local residents and risk of Judicial Review.
- Waterway adjacent to school site.
- Logistics of moving a whole school within a few days.
- Forest Bridge School needing to move into old school site for September 2015.

The Panel were informed that the original budget estimate was had been £10 million with the final budget expected to come in at £8.2 million.

The Panel were informed that all the project objectives were met with the following successes being highlighted:

- Achieved handover in time for moving in and starting in Sept 2015.
- The procurement route for this Design and Build scheme via iESE framework.
- Overall design: feasibility scheme developed well into full design, including for the flood zone.
- Co-operation between RBWM, school, and design team.
- Budget planning - risk allowances built in from the start.
- Traffic management and pupil drop-off - even with Stafferton Way works still taking place.

There were an number of areas that could have gone better and lessons learnt; these were:

- Finding slow-worms resulted in delays and consequential cost increases.
- Greater continuity of personnel - architectural team, construction team and internal building services team.
- Closer liaison with school and client on detailed design and Value Engineering.
- A longer period for the final stage, to reduce the list of snagging issues.
- Less stressful handover for the school.
- Playing field drainage.

The Panel noted that about 85% of pupils walked to school, that the project was managed by officers with the contractors project managing on the ground.

The Chairman recommended that a 'implementation report' should be held so lessons could be learnt for any future builds. It was recommended that Internal Audit could review the lessons learnt to inform new projects.

It was questioned why drainage for the playing fields had not been factored into the original design and the Panel were informed that the contractor had said that the playing field would be usable. Officers accepted this professional opinion but were now challenging this. It was recommended that for future projects professional opinion should be given in writing.

The Chairman thanked officers for the presentation and congratulated them on the successful project.

PARKING ENFORCEMENT

The Panel were informed that following a previous discussion item on income from fines Cllr Smith requested a further update on parking enforcement. Unfortunately Cllr Smith had to give his apologies but he sent his questions. Craig Miller attended the meeting to provide a response.

The Panel were informed that there was a year on year difference in fines collected because when parking enforcement was decriminalised there was an expected higher level of income that over time would reduce as a result of enforcement reducing parking offences. There would always be an element of non compliance and thus resource opportunities.

A service review was currently being undertaken and the results were due to be implemented in 2016. The review would be looking at service delivery and different approaches to create a dynamic and flexible workforce.

With regards to if there was a shortage of manpower and if community wardens could be used the Panel were informed that wardens were used for some parking enforcement, such as being outside schools. The Policy Committee was due to look at how enforcement officers could also undertake a community role.

In response to questions the Panel were informed that the Council did not (and could not by law) set income targets from parking enforcement. Officers looked at need and deployed resources where they were needed. The profile of staff and deployment would be looked at as part of the service review.

When looking at decriminalisation of parking the experience from other authorities showed that you had to start with a higher work force that would be reduced over time as enforcement reduced need. The role of wardens was being examined to help increase enforcement and cover more areas. The authority had to decide on the level of enforcement required with the amount of resources it wished to use. It was noted that there was a manifesto commitment to increase the number of wardens.

Resolved: That the Panel noted the update.

The meeting, which began at 7.00 pm, finished at 8.50 pm

CHAIRMAN.....

DATE.....



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KPMG Annual Report on grants and returns work 2014/15

Royal Borough of Windsor & Maidenhead

February 2016

Agenda Item 4

**The contacts at KPMG
in connection with this
report are:**

Darren Gilbert

Director

Tel: 02920 468205
darren.gilbert@kpmg.co.uk

Duncan Laird

Manager

Tel: 0117 905 4253
duncan.laird@kpmg.co.uk

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■ Headlines	2
■ Summary of certification work outcomes	3
■ Fees	4

This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment's website (www.psaa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Darren Gilbert, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers, by email to andrew.sayers@kpmg.co.uk After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

<p>Introduction and background</p>	<p>This report summarises the results of work we have carried out on the Council’s 2014/15 grant claims and returns.</p> <p>This includes the work we have completed under the Public Sector Audit Appointment certification arrangements, as well as the work we have completed on other grants/returns under separate engagement terms. The work completed for 2014/15 is:</p> <ul style="list-style-type: none"> ■ Under the Public Sector Audit Appointment arrangements we certified one claim – the Council’s 2014/15 Housing Benefit Subsidy claim. This had a value of £35.8 million. ■ Under separate assurance engagements we certified the Teachers’ Pensions Return and National College for Teaching and Leadership (NCTL) Annual Grant Report and Initial Teacher Training (ITT) Annual Accounts. 	<p>-</p>
<p>Certification results</p>	<p>Our certificate on the Council’s Housing Benefit Subsidy claim was qualified and resulted in a letter to the Department for Work & Pensions (DWP).</p> <p>Our work on the Teachers’ Pensions Return and NCTL Annual Grant Report and ITT Annual Accounts resulted in unqualified certificates.</p>	<p>Pages 3 – 4</p>
<p>Adjustments</p>	<p>One adjustment was necessary to the Council’s Housing Benefit Subsidy as a result of our certification work this year.</p> <ul style="list-style-type: none"> ■ Testing of Rent Allowance cases identified an error in how claimant income had been calculated. Following testing of additional cases, an extrapolated error of £7,310 across the whole population was calculated and an amendment made to the claim to reduce the figure for expenditure on regulated tenancies and increase Local Authority error overpayments. The impact of this was a reduction in the amount of subsidy received of £7,310. <p>Adjustments to the Council’s Teachers’ Pensions Return and NCTL Annual Grant Report and ITT Annual Accounts were minor and did not affect the amounts due to or to be paid by the Council.</p>	<p>Pages 3 – 4</p>
<p>Fees</p>	<p>The indicative fee for our work on the Council’s 2014/15 Housing Benefit Subsidy was set by Public Sector Audit Appointments at £15,530. The actual fee for this work was £15,530.</p> <p>Our fees for the other ‘assurance’ engagements were subject to agreement directly with the Council and were:</p> <ul style="list-style-type: none"> ■ £3,000 for the certification of the Teachers’ Pension Return. ■ £5,000 for the certification of the NCTL Annual Grant Report and ITT Annual Accounts. 	<p>Page 5</p>

Summary of reporting outcomes

Overall, we carried out work on two grants and returns:

- two were unqualified but required some amendment to the final figures; and
- one required a qualification to our audit certificate.

Detailed comments are provided overleaf.

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Detailed below is a summary of the reporting outcomes from our work on the Council's 2014/15 grants and returns, showing where either audit amendments were made as a result of our work or where we had to qualify our audit certificate or assurance report.

A qualification means that issues were identified concerning the Council's compliance with a scheme's requirements that could not be resolved through adjustment. In these circumstances, it is likely that the relevant grant paying body will require further information from the Council to satisfy itself that the full amounts of grant claimed are appropriate.

	Comments overleaf	Qualified	Significant adjustment	Minor adjustment	Unqualified
Public Sector Audit Appointments arrangements					
■ Housing Benefit Subsidy	1				
Other assurance engagements					
■ Teachers' Pensions Return					
■ National College for Teaching and Leadership Annual Grant Report and Initial Teacher Training Annual Accounts					
		1	0	3	2

The adjustments to the Council's Teachers' Pensions Return and NCTL Annual Grant Report and ITT Annual Accounts were minor and did not affect the amounts due to or to be paid by the Council.

This table summarises the key issues behind each of the adjustments or qualifications that were identified on the previous page.

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Ref	Summary observations	Amendment
1	<p>Housing Benefit Subsidy</p> <ul style="list-style-type: none"> ■ The Authority assesses a proportion of its claims under a Risk Based Verification policy. However, our testing identified that, contrary to requirements, the Authority had not submitted the policy for Members' approval and sign-off along with a covering report confirming the Section 151 Officer's agreement/recommendation. The Authority has since presented its RBV policy to Members and the policy was approved on 24 September 2015. ■ We also identified that the Authority had deviated from the claim reconciliation methodology recommended by the Authority's benefits software supplier and had not run all the required reports before compiling the claim. A similar issue was identified in 2013/14 and our recommendation has been reiterated on page 6. ■ Sample testing of Rent Allowance cases identified an error in how claimant income had been calculated. Following testing of additional cases, an extrapolated error of £7,310 across the whole population was calculated and an amendment made to the claim to reduce the figure for expenditure on regulated tenancies and increase Local Authority error overpayments. The impact of this was a reduction in the amount of subsidy received of £7,310. This issue has not been identified in previous years. 	<p>-</p> <p>-</p> <p>- £7,310</p>

Our fees for the Housing Benefit Subsidy claim are set by Public Sector Audit Appointments.

Our fees for other assurance engagements on grants/returns are agreed directly with the Council.

The overall fees we charged for carrying out all our work on grants/returns in 2014/15 was £23,530.



Breakdown of fees for grants and returns work

Breakdown of fee by grant/return		
	2014/15 (£)	2013/14 (£)
Housing Benefit Subsidy claim	15,530	17,918
Teachers' Pensions Return	3,000	3,000
NCTL Annual Grant Report and ITT Annual Accounts	5,000	5,000
Total fee	23,530	25,918

Public Sector Audit Appointments certification arrangements

Public Sector Audit Appointments set an indicative fee for our work on the Council's Housing Benefit Subsidy claim in 2014/15 of £15,530. Our actual fee was the same as the indicative fee, and this compares to the 2013/14 fee for this claim of £17,918.

Grants subject to other assurance engagements

The fees for our assurance work on other grants/returns are agreed directly with the Council. Our fees for 2014/15 were the same as those in 2013/14.

Prior year recommendations

We made two recommendations in our 2014/15 Certification of Grants and Returns Annual Report. Where recommendations have not yet been implemented fully we have detailed their current status below.

Prior year recommendation	Priority	Status as at February 2016	Management comments
Claim compilation			
<p>1 The Authority should ensure that it follows the claim reconciliation methodology recommended by the software supplier.</p> <p>17</p>	<p>2</p>	<p>In compiling the 2014/15 subsidy claim, the Authority varied the software supplier's reconciliation process and did not run batch program HB9753 before compiling the HB claim.</p>	<p>After this issue was highlighted in the 2013-14 audit the officer responsible for compiling the claim was sent on Capita's subsidy claim training. During the claim completion process unfortunately, one batch programme was not run. We were however able to do a manual calculation using live data held in our test environment which demonstrated to the auditors there was only minor movement in the subsidy cells. For the 2015/16 subsidy return we are sending two officers on the training and they will work together on the 2015/16 claim.</p>



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External Audit Plan 2015/16

Royal Borough of Windsor & Maidenhead

February 2016

Agenda Item 5

Financial Statement Audit



There are no significant changes to the Code of Practice on Local Authority Accounting in 2015/16, which provides stability in terms of the accounting standards the Authority needs to comply with.

Materiality

Materiality for planning purposes has been calculated based on the prior year signed financial statements and has set at **£4.6 million** for the Authority and **£25 million** for the Pension Fund.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance and this has been set at **£230k** for the Authority and **£1.25 million** for the Pension Fund.

2 Significant risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error have been identified as:

- Accounting for the Better Care Fund;
- Longevity hedge; and
- Management override of controls.

Other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding have been identified as:

- Fair value of PPE.

See pages 3 to 6 for more details.

Value for Money Arrangements work



The National Audit Office has issued new guidance for the VFM audit which applies from the 2015/16 audit year. The approach is broadly similar in concept to the previous VFM audit regime, but there are some notable changes:

- There is a new overall criterion on which the auditor's VFM conclusion is based; and
- This overall criterion is supported by three new sub-criteria.

Our risk assessment is ongoing and we will report VFM significant risks during our audit.

See pages 7 to 9 for more details.

Logistics



Our team is:

- Darren Gilbert – Director
- Duncan Laird – Manager
- Aleksandra Ivockina – Assistant manager

More details are on **page 12**.

Our work will be completed in four phases from December to September and our key deliverables are this Audit Plan and a Report to those charged with Governance as outlined on **page 11**.

Our fee for the audit is £81,803 (£109,070 2014/15) for the Authority and £24,831 (£24,831 2014/15) for the Pension Fund see **page 10**.

Background and Statutory responsibilities

This document supplements our Audit Fee Letter 2015/16 presented to you in April 2015, which also sets out details of our appointment by Public Sector Audit Appointments Ltd (PSAA).

Our statutory responsibilities and powers are set out in the Local Audit and Accountability Act 2014 and the National Audit Office's Code of Audit Practice.

Our audit has two key objectives, requiring us to audit/review and report on your:

- *Financial statements (including the Annual Governance Statement):* Providing an opinion on your accounts; and
- *Use of resources:* Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the value for money conclusion).

The audit planning process and risk assessment is an on-going process and the assessment and fees in this plan will be kept under review and updated if necessary.

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

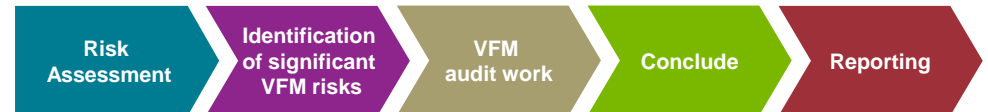
Financial Statements Audit

Our financial statements audit work follows a four stage audit process which is identified below. Appendix 1 provides more detail on the activities that this includes. This report concentrates on the Financial Statements Audit Planning stage of the Financial Statements Audit.



Value for Money Arrangements Work

Our Value for Money (VFM) Arrangements Work follows a five stage process which is identified below. Page 6 provides more detail on the activities that this includes. This report concentrates on explaining the VFM approach for the 2015/16.



Financial Statements Audit Planning

Our planning work takes place during December to February 2015. This involves the following key aspects:

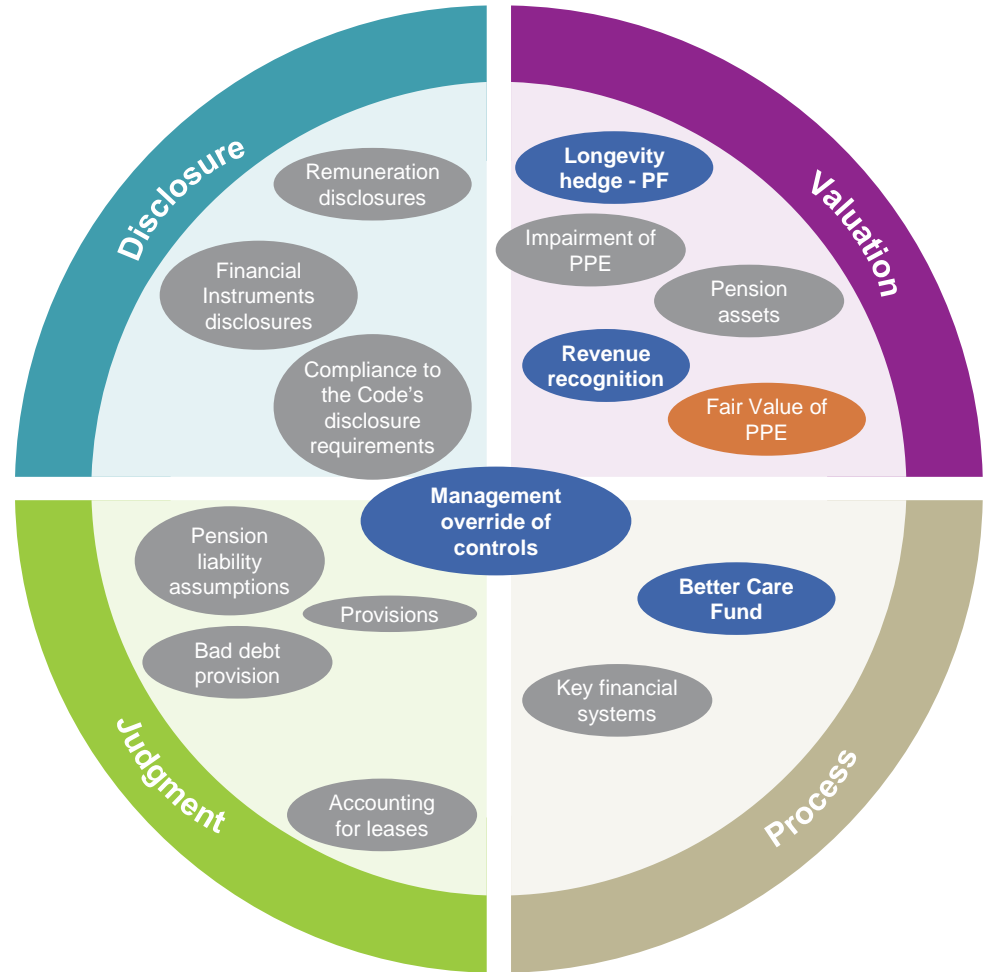
- Risk assessment;
- Determining our materiality level; and
- Issuing this audit plan to communicate our audit strategy.

Risk assessment

Professional standards require us to consider two standard risks for all organisations. We are not elaborating on these standard risks in this plan but consider them as a matter of course in our audit and will include any findings arising from our work in our ISA 260 Report.

- Management override of controls – Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.
- Fraudulent revenue recognition – We do not consider this to be a significant risk for local authorities as there are limited incentives and opportunities to manipulate the way income is recognised. We therefore rebut this risk and do not incorporate specific work into our audit plan in this area over and above our standard fraud procedures.

The diagram opposite identifies, significant risks and other areas of audit focus, which we expand on overleaf. The diagram also identifies a range of other areas considered by our audit approach.



Keys: ● Significant risk ● Other area of audit focus ● Example other areas considered by our approach



Significant Audit Risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error.

Management override of controls

- Professional standards require us to consider the fraud risk from management override of controls as significant because management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
- Our audit methodology incorporates the risk of management override as a default significant risk. We carry out controls testing and substantive procedures, including those over journal entries, accounting estimates and significant transactions that are outside the Council's normal course of business, or are otherwise unusual

Longevity hedge

- The Pension Fund has in place a longevity insurance policy with ReAssure Ltd to cover a closed group of pensioner members. The Pension Fund pays the policy an annual fixed premium where in return the insurer pays out benefits to the pensioners. The contract is recognised as an asset on the Pension Funds' Net Asset Statement and increases in value if the life expectancy of Fund members increases. Therefore, the contract must be kept under regular review to ensure its valuation and disclosure are in accordance with accounting standards.
- We will consider the Fund's approach to valuing the longevity insurance contract. We will consider whether the disclosures comply with the accounting framework and any developments that occur in the accounting requirements that are applicable for the 2015/16 financial statements.

Better Care Fund

- The Better Care Fund (BCF) came into operation on 1 April 2015 for the 2015/16 financial year. To administer the fund, local authorities were required to establish joint arrangements with CCGs to operate a pooled budget to deliver more integrated health and social care. The 'model' BCF agreement, is a pooled budget with joint control. It will follow *IFRS 11 Joint Arrangements*, with each member accounting for its share of income, expenditure, assets and liabilities.
- We will review the treatment of the BCF arrangements and ensure they are in accordance with the requirements of the Code and accounting standards.



Other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding

Fair value of PPE

- Councils are responsible for ensuring the valuation of their PPE is correct, and for conducting impairment reviews that confirm the condition of these assets. Councils typically achieve this by performing an annual review for impairment, a periodic desk top valuation (every three years) and a full valuation in not more than five yearly intervals. The asset valuation and impairment review processes are both estimates and therefore present a higher level of risk to the audit.
- We will review the revaluation basis and consider its appropriateness. In doing so we will draw on national benchmarks. We will undertake appropriate work to understand the basis upon which any impairments to land and buildings have been calculated. We will test the associated assumptions. We will assess the independence and objectivity of the surveyors and the terms under which they were engaged by management.



Materiality

We are required to plan our audit to determine with reasonable confidence whether or not the financial statements are free from material misstatement. An omission or misstatement is regarded as material if it would reasonably influence the user of financial statements. This therefore involves an assessment of the qualitative and quantitative nature of omissions and misstatements.

Generally, we would not consider differences in opinion in respect of areas of judgement to represent 'misstatements' unless the application of that judgement results in a financial amount falling outside of a range which we consider to be acceptable.

Materiality for planning purposes has been calculated based on the prior year signed financial statements.

For the Authority, materiality for planning purposes has been set at £4.6 million, which equates to 1.6% of gross expenditure.

For the Pension Fund, materiality for planning purposes has been set at £25 million, which equates to 1.4% of gross assets.

We design our procedures to detect errors in specific accounts at a lower level of precision.

Reporting to the Audit & Performance Review Panel

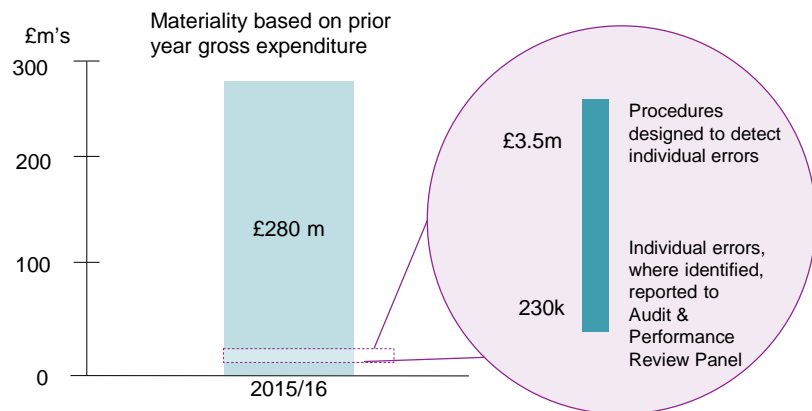
Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit & Performance Review Panel any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260(UK&I) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK&I) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £230k.

In the context of the Pension Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £1.25 million.

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit & Performance Review Panel to assist it in fulfilling its governance responsibilities.

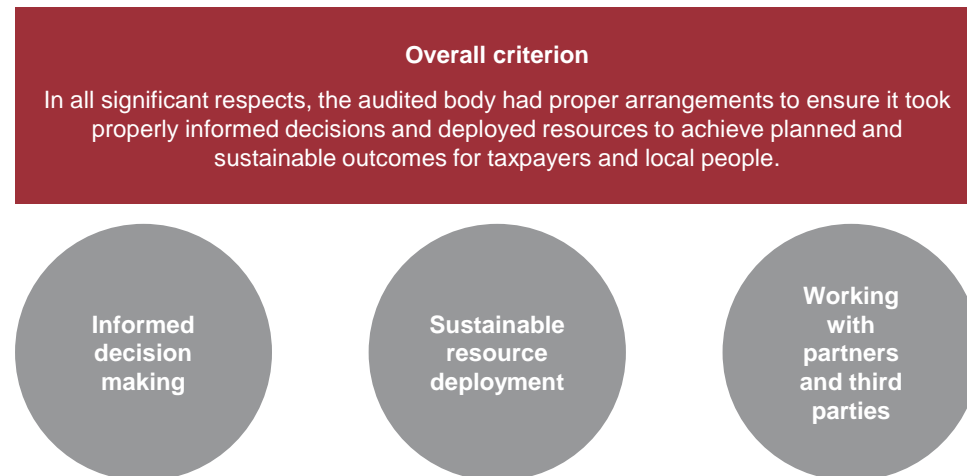


Background to approach to VFM work

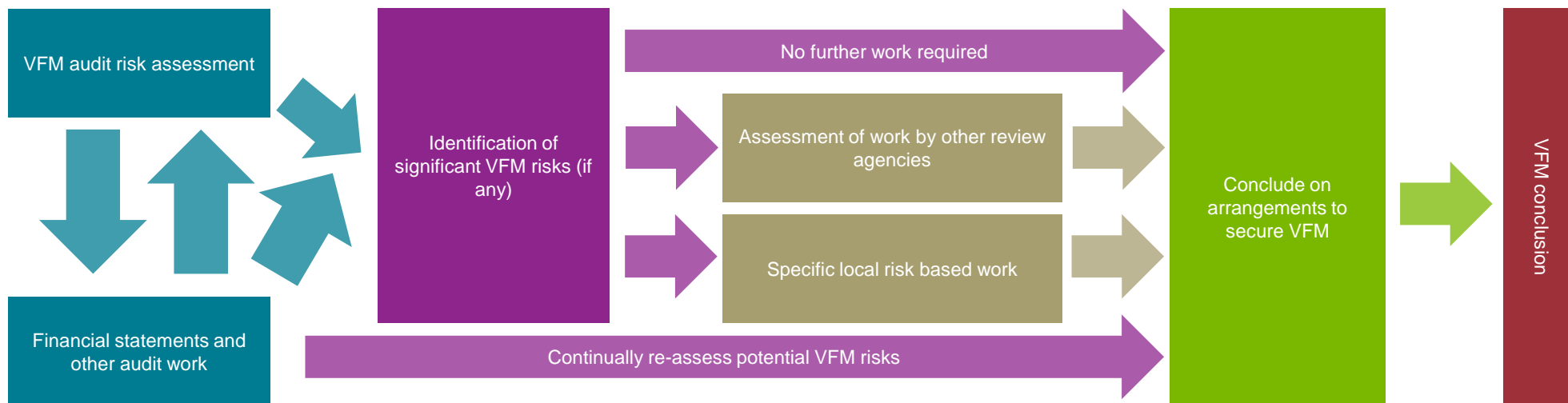
The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.'

The VFM approach is fundamentally unchanged from that adopted in 2014/2015 and the process is shown in the diagram below. However, the previous two specified reporting criteria (financial resilience and economy, efficiency and effectiveness) have been replaced with a single criteria supported by three sub-criteria. These sub-criteria provide a focus to our VFM work at the Authority. The diagram to the right shows the details of this criteria.



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VFM audit stage	Audit approach
VFM audit risk assessment	<p>We consider the relevance and significance of the potential business risks faced by all local authorities, and other risks that apply specifically to the Authority. These are the significant operational and financial risks in achieving statutory functions and objectives, which are relevant to auditors' responsibilities under the <i>Code of Audit Practice</i>.</p> <p>In doing so we consider:</p> <ul style="list-style-type: none"> ■ The Authority's own assessment of the risks it faces, and its arrangements to manage and address its risks; ■ Information from the Public Sector Auditor Appointments Limited VFM profile tool; ■ Evidence gained from previous audit work, including the response to that work; and ■ The work of other inspectorates and review agencies.
Linkages with financial statements and other audit work	<p>There is a degree of overlap between the work we do as part of the VFM audit and our financial statements audit. For example, our financial statements audit includes an assessment and testing of the Authority's organisational control environment, including the Authority's financial management and governance arrangements, many aspects of which are relevant to our VFM audit responsibilities.</p> <p>We have always sought to avoid duplication of audit effort by integrating our financial statements and VFM work, and this will continue. We will therefore draw upon relevant aspects of our financial statements audit work to inform the VFM audit.</p>
Identification of significant risks	<p>The Code identifies a matter as significant '<i>if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects.</i>'</p> <p>If we identify significant VFM risks, then we will highlight the risk to the Authority and consider the most appropriate audit response in each case, including:</p> <ul style="list-style-type: none"> ■ Considering the results of work by the Authority, inspectorates and other review agencies; and ■ Carrying out local risk-based work to form a view on the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.



VFM audit stage	Audit approach
<p>Assessment of work by other review agencies</p> <p>and</p> <p>Delivery of local risk based work</p>	<p>Depending on the nature of the significant VFM risk identified, we may be able to draw on the work of other inspectorates, review agencies and other relevant bodies to provide us with the necessary evidence to reach our conclusion on the risk.</p> <p>If such evidence is not available, we will instead need to consider what additional work we will be required to undertake to satisfy ourselves that we have reasonable evidence to support the conclusion that we will draw. Such work may include:</p> <ul style="list-style-type: none"> ■ Meeting with senior managers across the Authority; ■ Review of minutes and internal reports; ■ Examination of financial models for reasonableness, using our own experience and benchmarking data from within and without the sector.
<p>Concluding on VFM arrangements</p> <p>28</p>	<p>At the conclusion of the VFM audit we will consider the results of the work undertaken and assess the assurance obtained against each of the VFM themes regarding the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources.</p> <p>If any issues are identified that may be significant to this assessment, and in particular if there are issues that indicate we may need to consider qualifying our VFM conclusion, we will discuss these with management as soon as possible. Such issues will also be considered more widely as part of KPMG's quality control processes, to help ensure the consistency of auditors' decisions.</p>
<p>Reporting</p>	<p>We will report on the results of the VFM audit through our ISA 260 Report. This will summarise any specific matters arising, and the basis for our overall conclusion.</p> <p>The key output from the work will be the VFM conclusion (i.e. our opinion on the Authority's arrangements for securing VFM), which forms part of our audit report.</p>

Whole of government accounts (WGA)

We are required to review your WGA consolidation and undertake the work specified under the approach that is agreed with HM Treasury and the National Audit Office. Deadlines for production of the pack and the specified approach for 2015/16 have not yet been confirmed.

Elector challenge

The Local Audit and Accountability Act 2014 gives electors certain rights. These are:

- The right to inspect the accounts;
- The right to ask the auditor questions about the accounts; and
- The right to object to the accounts.

As a result of these rights, in particular the right to object to the accounts, we may need to undertake additional work to form our decision on the elector's objection. The additional work could range from a small piece of work where we interview an officer and review evidence to form our decision, to a more detailed piece of work, where we have to interview a range of officers, review significant amounts of evidence and seek legal representations on the issues raised.

The costs incurred in responding to specific questions or objections raised by electors is not part of the fee. This work will be charged in accordance with the PSAA's fee scales.

Our audit team

Our audit team will once again be led by Darren Gilbert, assisted by Duncan Laird, providing continuity to the audit. Appendix 2 provides more details on specific roles and contact details of the team.

Reporting and communication

Reporting is a key part of the audit process, not only in communicating the audit findings for the year, but also in ensuring the audit team are accountable to you in addressing the issues identified as part of the audit strategy. Throughout the year we will communicate with you through meetings with Andrew Brooker and Richard Bunn and the Audit & Performance Review Panel. Our communication outputs are included in Appendix 1.

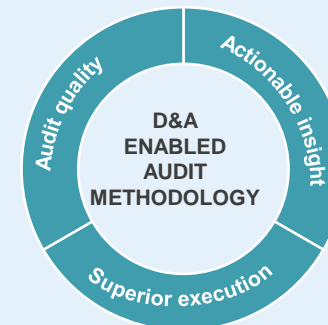
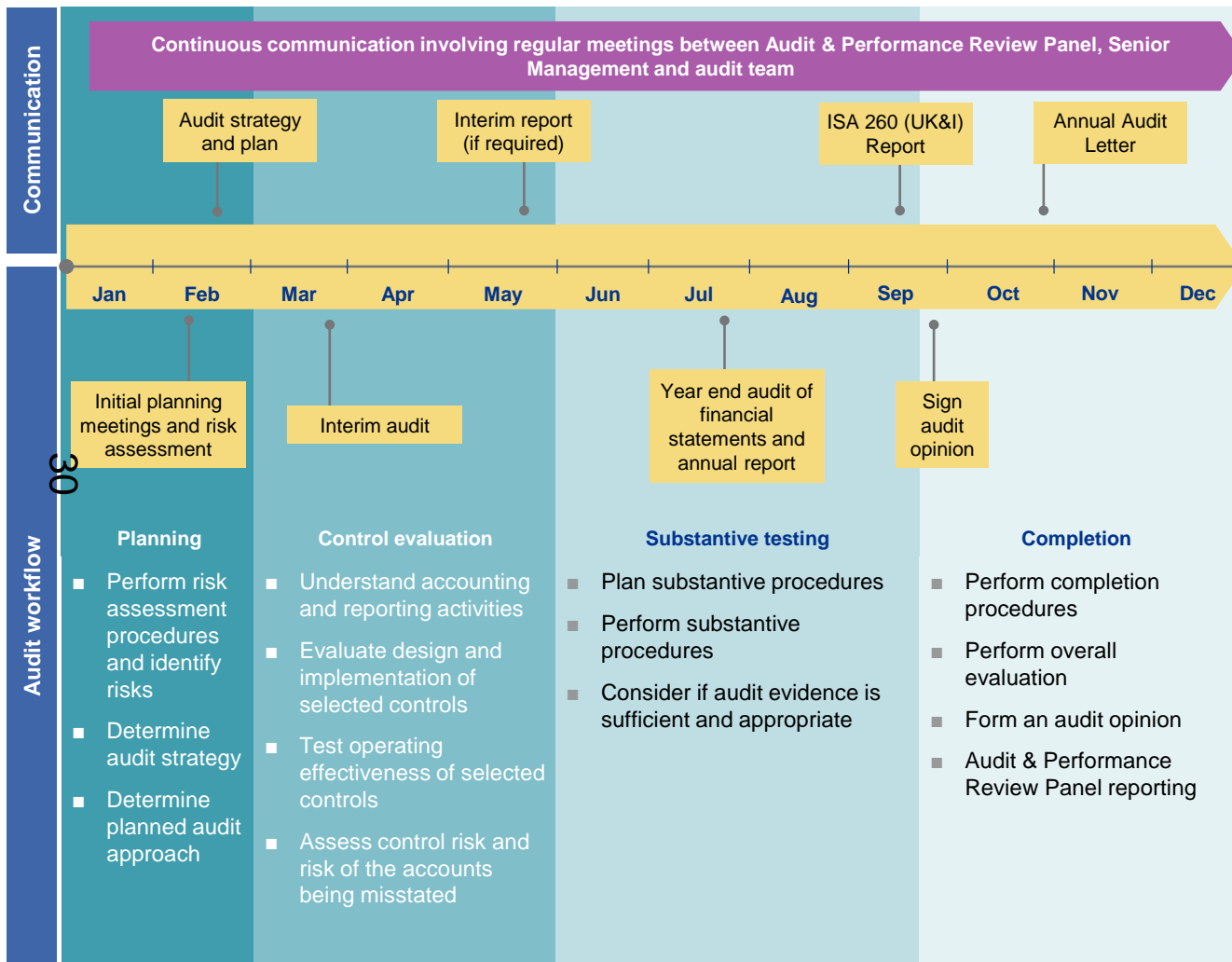
Independence and Objectivity

Auditors are also required to be independent and objective. Appendix 3 provides more details of our confirmation of independence and objectivity.

Audit fee

Our Audit Fee Letter 2015/2016 presented to you in April 2015 first set out our fees for the 2015/2016 audit. This letter also sets out our assumptions. We have not considered it necessary to make any changes to the agreed fees at this stage.

The planned audit fee for 2015/16 is £81,803 for the Authority. This is a reduction in audit fee, compared to 2014/2015, of £27,267 (25%). The planned audit fee for 2015/16 is £24,831 for the Pension Fund. (2014/15 £24,831).



Driving more value from the audit through data and analytics

Technology is embedded throughout our audit approach to deliver a high quality audit opinion. Use of Data and Analytics (D&A) to analyse large populations of transactions in order to identify key areas for our audit focus is just one element. We strive to deliver new quality insight into your operations that enhances our and your preparedness and improves your collective 'business intelligence.' Data and Analytics allows us to:

- Obtain greater understanding of your processes, to automatically extract control configurations and to obtain higher levels assurance.
- Focus manual procedures on key areas of risk and on transactional exceptions.
- Identify data patterns and the root cause of issues to increase forward-looking insight.

We anticipate using data and analytics in our work around key areas such as accounts payable and journals. We also expect to provide insights from our analysis of these tranches of data in our reporting to add further value from our audit.



Your audit team has been drawn from our specialist public sector assurance department. Darren and Duncan have led the audit of the Royal Borough of Windsor & Maidenhead for the last three years.



Darren Gilbert
Director

02920 468205
darren.gilbert@kpmg.co.uk

Name	Darren Gilbert
Position	Director
	<p>'My role is to lead our team and ensure the delivery of a high quality, valued added external audit opinion.</p> <p>I will be the main point of contact for the Audit & Performance Review Panel and Managing Director.'</p>



Duncan Laird
Manager

0117 905 4253
duncan.laird@kpmg.co.uk

Name	Duncan Laird
Position	Manager
	<p>'I provide quality assurance for the audit work and specifically any technical accounting and risk areas.</p> <p>I will work closely with Darren to ensure we add value.</p> <p>I will liaise with Andrew Brooker and Richard Bunn and other Executive Directors.'</p>



Aleksandra Ivockina
Assistant Manager

07788 368570
aleksandra.ivockina@kpmg.co.uk

Name	Aleksandra Ivockina
Position	Assistant Manager
	<p>'I will be responsible for the on-site delivery of our work and will supervise the work of our audit assistants.'</p>

Independence and objectivity

Professional standards require auditors to communicate to those charged with governance, at least annually, all relationships that may bear on the firm's independence and the objectivity of the audit engagement partner and audit staff. The standards also place requirements on auditors in relation to integrity, objectivity and independence.

The standards define 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case this is the Audit & Performance Review Panel.

KPMG LLP is committed to being and being seen to be independent. APB Ethical Standard 1 Integrity, Objectivity and Independence requires us to communicate to you in writing all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Engagement Lead and the audit team.

Further to this auditors are required by the National Audit Office's Code of Audit Practice to:

- Carry out their work with integrity, independence and objectivity;
- Be transparent and report publicly as required;
- Be professional and proportional in conducting work;
- Be mindful of the activities of inspectorates to prevent duplication;
- Take a constructive and positive approach to their work;
- Comply with data statutory and other relevant requirements relating to the security, transfer, holding, disclosure and disposal of information.

PSAA's Terms of Appointment includes several references to arrangements designed to support and reinforce the requirements relating to independence, which auditors must comply with. These are as follows:

- Auditors and senior members of their staff who are directly involved in the management, supervision or delivery of PSAA audit work should not take part in political activity.

- No member or employee of the firm should accept or hold an appointment as a member of an audited body whose auditor is, or is proposed to be, from the same firm. In addition, no member or employee of the firm should accept or hold such appointments at related bodies, such as those linked to the audited body through a strategic partnership.
- Audit staff are expected not to accept appointments as Governors at certain types of schools within the local authority.
- Auditors and their staff should not be employed in any capacity (whether paid or unpaid) by an audited body or other organisation providing services to an audited body whilst being employed by the firm.
- Auditors appointed by the PSAA should not accept engagements which involve commenting on the performance of other PSAA auditors on PSAA work without first consulting PSAA.
- Auditors are expected to comply with the Terms of Appointment policy for the Engagement Lead to be changed on a periodic basis.
- Audit suppliers are required to obtain the PSAA's written approval prior to changing any Engagement Lead in respect of each audited body.
- Certain other staff changes or appointments require positive action to be taken by Firms as set out in the Terms of Appointment.

Confirmation statement

We confirm that as of February 2016 in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Engagement Lead and audit team is not impaired.



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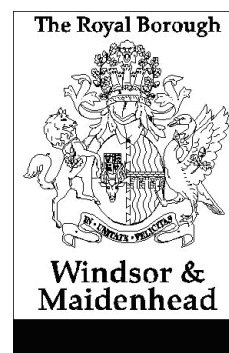
This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment's website (www.psaa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Darren Gilbert, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers, by email to Andrew.Sayers@kpmg.co.uk. After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

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Report for:
ACTION



Contains Confidential or Exempt Information	NO – Part 1
Title	2016/17 Internal Audit Charter
Responsible Officer(s)	Andrew Brooker, Head of Finance
Contact officer, job title and phone number	Catherine Hickman, Service Manager – Shared Audit and Investigation Service, 07917 265742
Member reporting	Councillor Paul Brimacombe
For Consideration By	Audit and Performance Review Panel
Date to be Considered	16 February 2016
Implementation Date if Not Called In	1 April 2016
Affected Wards	All

REPORT SUMMARY

This report recommends that the Panel approves the 2016/17 Internal Audit Charter, which will be effective from 1 April 2016. This recommendation is being made to ensure that the Council achieves industry best practice by complying with the Public Sector Internal Audit Standards (PSIAS).

If recommendation is adopted, how will residents benefit?

Benefits to residents and reasons why they will benefit	Dates by which residents can expect to notice a difference
Residents will have independent and objective assurance that the Council's control environment (comprising risk management, control and governance) is operating effectively, that resources are being used economically, efficiently and effectively and that public monies and the Council's assets and interests are being safeguarded.	Ongoing

1. DETAILS OF RECOMMENDATION

RECOMMENDATION: Option 1 - Members are asked to approve the 2016/17 Internal Audit Charter.

2. REASON FOR RECOMMENDATION AND OPTIONS CONSIDERED

- 2.1 This recommendation is being made to ensure that industry best practice for the Shared Audit and Investigation Service is being followed.
- 2.2 Internal Audit work is undertaken in accordance with the Internal Audit Charter, which sets out the Terms of Reference for Internal Audit activity and complies with the CIPFA / IIA Public Sector Internal Audit Standards (PSIAS). This is approved annually and is attached at Appendix A.
- 2.3 The purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the *Definition of Internal Auditing* the *Code of Ethics* and the *Standards*. The Chief Audit Executive (role fulfilled by the Service Manager, Shared Audit and Investigation Service) must periodically review the Internal Audit Charter and present it to senior management and the Board (Audit and Performance Review Panel) for approval.
- 2.4 The Internal Audit Charter establishes the internal audit activity's position within the organisation, including the nature of the Service Manager, Shared Audit and Investigation Service functional reporting relationship with the Board; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

Option	Comments
(1). Approve the 2016/17 Internal Audit Charter. Recommended	This will ensure that the Shared Audit and Investigation Service is complying with industry best practice as detailed in the PSIAS.
(2). Amend the 2016/17 Internal Audit Charter	This may mean that the Shared Audit and Investigation Service is not complying with industry best practice as stated in the PSIAS.
(3) Reject the 2016/17 Internal Audit Charter	The Shared Audit and Investigation Service will not be complying with industry best practice as detailed in the PSIAS.

3. KEY IMPLICATIONS

Defined Outcomes	Unmet	Met	Exceeded	Significantly Exceeded	Date they should be delivered
An approved Internal Audit Charter will mean that the Internal Audit Service provided is in compliance with industry best practice.	Non-compliance with industry best practice. Loss of residents' confidence. Council reputation may be affected.	Compliance with industry best practice Gain residents confidence. Council reputation protected.	n/a	n/a	1 April 2016

4. FINANCIAL DETAILS

4.1 Financial impact on the budget:

Revenue - None. No new funds are being sought.
Capital - None

5. LEGAL IMPLICATIONS – N/A

6. VALUE FOR MONEY

6.1 The Internal Audit Charter helps to add value to the organisation and its stakeholders by providing a framework for achieving objective and relevant assurance, and contribution to the effectiveness and efficiency of governance, risk management and control processes.

7. SUSTAINABILITY IMPACT APPRAISAL

7.1 None.

8. RISK MANAGEMENT

Risk	Uncontrolled Risk	Controls	Controlled Risk
Without an appropriate internal audit governance framework in place which includes an Internal Audit Charter, improved organisational processes and operations will not be identified across the council which means that value for money is not achieved.	Medium	Approved Internal Audit Charter in operation and being followed.	Low

9. LINKS TO STRATEGIC OBJECTIVES

9.1 As defined in the Internal Audit Charter, Internal Audit's objective is to assist RBWM to achieve its strategic objectives by providing an independent and objective assessment of internal control, risk and governance processes.

10. EQUALITIES, HUMAN RIGHTS AND COMMUNITY COHESION – N/A

11. STAFFING/WORKFORCE AND ACCOMMODATION IMPLICATIONS – N/A

12. PROPERTY AND ASSETS – N/A

13. ANY OTHER IMPLICATIONS – N/A

14. CONSULTATION

14.1 Consultations have been undertaken with members of CMT and the S151 Officer.

15. TIMETABLE FOR IMPLEMENTATION

15.1 The 2016/17 Internal Audit Charter will come into effect from 1 April 2016.

16. APPENDIX

16.1 Appendix A - 2016/17 Internal Audit Charter (attached to this report)

17. BACKGROUND INFORMATION

CIPFA/IIA Public Sector Internal Audit Standards 2013

18. CONSULTATION (MANDATORY)

Name of consultee	Post held and Department	Date sent	Date received	See comments In paragraph:
Internal				
Alison Alexander	Managing Director and Strategic Director of Adult, Children and Health Services	22/01/16	27/01/16	Separated Internal Audit and Counter Fraud Plans Report from 2016/17 Internal Audit Plan, Strategy and, Charter and Counter Fraud Plan report.
Corporate Management Team (CMT)	Managing Director, All Strategic Directors, Head of Finance	22/01/16	27/01/16	As above.

Cllr Paul Brimacombe	Chair of Audit and Performance Review Panel	05/02/16		
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Report History

Decision type:	
Key decision entered into the Forward Plan – N/a	N/a

Report no.	Full name of report author	Job title	Full contact no:
	Catherine Hickman	Service Manager – Shared Audit and Investigation Service	07917 265742

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Royal Borough Windsor & Maidenhead

INTERNAL AUDIT CHARTER

The Terms of Reference for the provision of the Internal Audit Service within the Shared Audit and Investigation Service at Royal Borough of Windsor & Maidenhead.

*(This document revises and updates the previous Audit Charter approved by the Audit and Performance Review Panel.
April 2016
(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 the Royal Borough of Windsor & Maidenhead. The Charter is reviewed on an annual basis to ensure that current needs are met. The latest review was undertaken in April 2015 and demonstrates how the Internal Audit Service complies with the Public Sector Internal Audit Standards (PSIAS), which came into effect in April 2013.

Authority

2. The Local Government Accounts and Audit Regulations 2015 requires 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 Royal Borough of Windsor and Maidenhead (RBWM) hosted by WBC. The SAIS provides Head of Internal Audit to the authority. This role is performed by the Service Manager, Shared Audit and Investigation Service
6. The Internal Audit Service provides:-
 - Senior Management and the Board (who is the highest level of governing body charged with the responsibility to direct and/or oversee the activities and management of the organisation with assurances on the adequacy of control within the Council's systems and activities and for RBWM is the Audit and Performance Review Panel).
 - the S151 Officer with the assurances required to discharge his 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, the Board for RBWM is the Audit and Performance Review Panel and Senior Management is defined as those posts that are within the organisation at Head of Service level and above.

Independence

9. 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 Council Members reporting to Members.
 - reporting to Council Members
 - segregation from operations.
10. 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

11. 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 (Amendment) (England) Regulations 2015.
 - Deliver an annual internal audit opinion on the strength of the Council's governance arrangements and control environment and contribute towards the production of the Annual Internal Audit Report and 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.
 - Undertake projects to meet the current concerns of the Audit & 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 Public Sector Internal Audit Standards. The Service Manager, Shared Audit and Investigation Service arranges this work and the outcomes are presented to the Audit & Performance Review Panel.
 - Assist management with the provision of consultancy work where appropriate, e.g. in the preparation for inspections, to implement best practice.

Scope of Internal Audit

12. 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 extends to any internal auditor carrying out an investigation on behalf of the Service Manager, Shared Audit and Investigation Service. (This is in here with regard to internal audit only and investigations need their own Protocol).
13. 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.
14. Internal Audit work covers all systems and activities in all directorates and locations throughout the Council.

Professional Standards and Ethics

15. The Service Manager, Shared Audit and Investigation Service has adopted the mandatory Public Sector Internal Audit Standards (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.
16. All Internal Auditors will conform to 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 Committee on Standards of Public Life's *Seven Principles of Public Life* ("Nolan Principles").
17. Instances of non-conformance to the PSIAS will be reported to the Board (Audit & Performance Review Panel). More significant deviations for inclusion in the AGS
18. Any offers of gifts or hospitality will be reported to the Service Manager, Shared Audit and Investigation Service 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

19. 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.

20. Internal Audit is not an extension of, or a substitute for, the functions of management. Responsibility for internal control rests fully with line 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 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.
21. 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.
22. An internal auditor who discovers evidence of, or suspects, malpractice should report, through the Service Manager, Shared Audit and Investigation Service, firm evidence, or reasonable suspicions, to the appropriate level of management. It is a management responsibility to determine what further action to take.
23. The Service Manager, Shared Audit and Investigation Service will use information from fraud activities to inform the annual audit opinion and the risk-based plan.
24. The Service Manager, Shared Audit and Investigation Service will manage any conflict of interest from non-audit activities and details of these will be provided to the Audit & Performance Review Panel. This includes any advisory and non-audit services that SAIS provides to management.

Audit Style and Content

25. 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 Corporate Risk Register.
26. The Service Manager, Shared Audit and Investigation Service 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, Shared Audit and Investigation 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 & 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 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.
 - ensure a system of computer audit within the Council is implemented and maintained.

Audit Resources and Training

27. Internal Audit resource will be determined by Members 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, Shared Audit and Investigation Service must ensure that the internal audit function has appropriate resources in order to meet its objectives and to comply with the PSIAS.
28. 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, Shared Audit and Investigation Service 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.
29. The Service Manager, Shared Audit and Investigation Service 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.
30. All Internal Audit staff will receive an annual appraisal.

Audit Reporting

31. The Service Manager, Shared Audit and Investigation Service shall have unrestricted access to the Head of Paid Service and/or the Chair of the Audit & Performance Review Panel on any matters of concern.
32. Timely reporting is a key part of Internal Audit and reporting takes place: -
 - a. To the responsible Strategic Director, Head of Service at/Service Manager/Head Teacher at the conclusion of each audit review setting out an overall opinion and the main concerns.
 - b. To the Audit & Performance Review Panel on a six monthly and on an annual basis and to the Audit Board on a regular basis, reporting progress against the Audit Plan, summarising the outcome of audit reviews, to highlight where management have not responded to audit concerns, to identify the progress made by management in implementing the treatment of concerns and to emphasise any other key issues.
 - c. The annual report to the Audit & 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 a review of the Effectiveness of the system of Internal Audit, as required by the Accounts and Audit (Amendment) (England) Regulations 2015.

Report for:
ACTION



Contains Confidential or Exempt Information	NO – Part 1
Title	2016/17 Draft Internal Audit Plan
Responsible Officer(s)	Andrew Brooker, Head of Finance
Contact officer, job title and phone number	Catherine Hickman, Service Manager – Shared Audit and Investigation Service, 07917 265742
Member reporting	Councillor Paul Brimacombe
For Consideration By	Audit and Performance Review Panel
Date to be Considered	16 February 2016
Implementation Date if Not Called In	1 April 2016
Affected Wards	All

REPORT SUMMARY

1. This report recommends that the Audit and Performance Review Panel (A&PRP) approves the 2016/17 Draft Internal Audit 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 to consider and approve the Internal Audit Plan and ensure 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 Internal Audit Plan will be effective from 1 April 2016.

If recommendation is adopted, how will residents benefit?

Benefits to residents and reasons why they will benefit	Dates by which residents can expect to notice a difference
Residents will have independent and objective assurance that the Council's control environment (comprising risk management, control and governance) is operating	Ongoing

effectively, that resources are being used economically, efficiently and effectively and that public monies and the Council's assets and interests are being safeguarded.	
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1. DETAILS OF RECOMMENDATION

RECOMMENDATION: Option 1 - Members are asked to approve the 2016/17 Draft Internal Audit Plan.

2. REASON FOR RECOMMENDATION AND OPTIONS CONSIDERED

2.1 This recommendation is being made to ensure the Council has adequate Internal Audit coverage for 2016/17, enabling the Service Manager, Shared Audit and Investigation Service (and Head of Internal Audit) 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 2016/17 Draft Internal Audit Plan, attached at Appendix A, is intended to demonstrate how Internal Audit 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 Audit Plan focuses efforts / cost on only those audits that feed directly into:-

- 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 Audit Plan is aligned with the Council's objectives and Corporate Risk Register (CRR).

2.3 Whilst a number of audit reviews within the Internal Audit Plan are effectively considered as mandatory (key financial systems, particularly high risk items etc.), others enter or leave the Audit Plan based on the risk register rating and the views of officers and Members. As such, the plan is fluid and is regularly reviewed to accommodate changes to the risk register, ensuring that it remains

current and focussed. Changes made to the Internal Audit Plan during the year will be reported to the A&PRP.

2.4 Under S151 of the Local Government Finance Act 1972, the Council's Head of Finance (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
<p>(1). Approve the risk based 2016/17 Draft Internal Audit Plan. Recommended</p>	<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>
<p>(2). Approve the risk based 2016/17 Draft Internal Audit Plan in the main but reprioritise Internal Audit resources at the margins, ensuring that the Council fulfils its statutory obligations.</p>	<p>Members may wish to request that the Internal Audit 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>
<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>	<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>

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 2017
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 Service.	Unqualified External Audit Management Letter as Council meets its requirements to provide an adequate and effective Internal Audit Service.	n/a	n/a	31 March 2017
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	External Audit relies on the work of the SAIS.	n/a	n/a	31 March 2017

	on the work of the SAIS.				
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4. FINANCIAL DETAILS

4.1 Financial impact on the budget

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 (Amendment) (England) Regulations 2015
- CIPFA/IIA Public Sector Internal Audit Standards 2013
- S151 Local Government Finance Act 1972

6. VALUE FOR MONEY

6.1 Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the Council's operations. It helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. Internal audit assists the Council in ensuring its assets are used efficiently and that they are properly safeguarded against misappropriation and loss.

6.2 Peer reviews and consultations have found little difference between the methodology and range of audits currently being delivered from those being undertaken by internal audit teams noted for their audit best practice.

6.3 Internal Audit continues to ensure that its processes are lean and undertakes an annual self-assessment to ensure they are compliant with the CIPFA/IIA PSIAS, as recommended best practice. In accordance with those requirements, an independent external assessment will also be undertaken every five years.

7. SUSTAINABILITY IMPACT APPRAISAL – N/A

8. RISK MANAGEMENT

Risk	Uncontrolled Risk	Controls	Controlled Risk
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1. Failure to discharge statutory obligations leads to breach of legislation resulting in fines, investigation and reputation damage.	High	Risk based Internal Audit Plan that are aligned with the Council's objectives and CRR.	Low
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 Plan that is aligned, where possible, with the Council's objectives and CRR.	Low
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 Plan that is aligned with the Council's objectives and CRR.	Low

9. LINKS TO STRATEGIC OBJECTIVES

9.1 The 2016/17 Draft Internal Audit Plan is aligned with the Council's objectives and the CRR. Internal Audit helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

10. EQUALITIES, HUMAN RIGHTS AND COMMUNITY COHESION – N/A

11. STAFFING/WORKFORCE AND ACCOMMODATION IMPLICATIONS – N/A

12. PROPERTY AND ASSETS – N/A

13. ANY OTHER IMPLICATIONS – N/A

14. CONSULTATION

14.1 Consultations have been undertaken with internal stakeholders (Members of the A&PRP, Corporate Management Team, S151 Officer, Directorate Management Teams and Insurance and Risk Manager) and the key external stakeholder of External Audit, KPMG in preparing the 2016/17 Internal Audit Plan.

15. TIMETABLE FOR IMPLEMENTATION

15.1 The 2016/17 Draft Internal Audit Plan will come into effect from 1 April 2016. Progress on delivering the Internal Audit Plan will be reported to the A&PRP on an interim (6 monthly) and annual basis.

Date	Details
December 2016	2016/17 Interim Audit and Investigation Report
June 2017	2016/17 Annual Audit and Investigation Report

16. APPENDIX

16.1 Appendix A – 2016/17 Internal Audit Plan (attached to this report).

17. BACKGROUND INFORMATION

Accounts and Audit Regulations 2015
CIPFA/IIA Public Sector Internal Audit Standards 2013
S151 Local Government Finance Act 1972

18. CONSULTATION (MANDATORY)

Name of consultee	Post held and Department	Date sent	Date received	See comments In paragraph:
Internal				
Alison Alexander	Managing Director and Strategic Director of Adult, Children and Health Services	22/01/16	27/01/16	Separated Internal Audit Charter report from 2016/17 Internal Audit Plan, Strategy and, Charter Plan report.
Corporate Management Team (CMT)	Managing Director, All Strategic Directors, Head of Finance	22/01/16	27/01/16	As above
Cllr Paul Brimacombe	Chair of Audit and Performance Review Panel	05/02/16		

Report History

Decision type:	
Key decision entered into the Forward Plan – N/a	N/a

Report no.	Full name of report author	Job title	Full contact no:
	Catherine Hickman	Service Manager – Shared Audit and Investigation Service	07917 265742

Royal Borough of Windsor and Maidenhead 2016/17 Draft Internal Audit Plan

MANDATORY KEY SYSTEMS

Corporate Risk Register

Reference	Directorate	Audit Area	Days
FINOP0001	Corporate and Community Services	Payroll	15
	Corporate and Community Services	Debtors	12
	Corporate and Community Services	Creditors	7
	Corporate and Community Services	General Ledger	5
	Corporate and Community Services	Cash & Bank Reconciliation	15
	Corporate and Community Services	Cash & Banking Arrangements	15
	HOF0013	Corporate and Community Services	Cash Flow, Investments, Loans (Treasury Management)
PEN0001	Corporate and Community Services	Pensions Payroll & Administration incl. assurance for partners and Pensions Governance Arrangements	25
CMT0018/FINOP0001	Operations and Customer Services	Housing Benefits/Council Tax Reduction Scheme	20
	Operations and Customer Services	Council Tax	10
	Operations and Customer Services	NNDR	10
	Corporate and Community Services	Capital Programme, Accounting, Expenditure Monitoring	10

GOVERNANCE BUILDING BLOCKS

HOF0006 / HOF0009 / SSS0016	Cross Cutting	Risk Management	20
	Cross Cutting	Performance Management & Balanced Scorecard	15
	Cross Cutting	Procurement	20
	Cross Cutting	Financial Management (including budget monitoring, budgetary control, Economy outside of MTFP and MTFP)	30

KEY STRATEGIC RISKS

CMT0009	Cross Cutting	Failure to manage Partnership working (to include ADULTS0035)	30
CMT0036	Cross Cutting	Strategic Leadership	15
BID0008/TECHAN0001	Operations and Customer Services	Computer Audit incl IT Data Security & Data quality	40
CMT0042	Adult, Children and Health Services	Demographic changes	25

KEY OPERATIONAL RISKS

HSG0001	Operations and Customer Services	Housing Options	10
ADULTS0033/CMT0043	Adult, Children and Health Services	Adult Safeguarding	20
ADULTS0035	Adult, Children and Health Services	Partnership agreements and joint funding	10
SCHOOL0009	Adult, Children and Health Services	School Places	20
SCHOOL0008	Adult, Children and Health Services	School Improvement	15
Including SDCHIL007 (School trips)	Adult, Children and Health Services	Secondary, Middle, Special Schools	5
HE0008	Operations and Customer Services	Highways and Winter Maintenance	15
PPS0007	Operations and Customer Services	Public Safety & Public Protection	20
HSG0003	Corporate and Community Services	Traveller Sites	10
REGEC0004	Corporate and Community Services	S106/Community Infrastructure Levy	15
DC0020	Corporate and Community Services	Tree Management	10

AUDITOR JUDGEMENT

	Adult, Children and Health Services	Transferring responsibilities Health Visitors & School Nursing	20
Including SDCHIL007 (School trips)	Adult, Children and Health Services	Primary Schools	20
	Cross Cutting	Contract Management (including one of Contract Governance, Contract Management or Contract Auditing)	25
	Operations and Customer Services	Assessments and Interventions Team	10
	Operations and Customer Services	Appointee / Deputeeships	10
	Operations and Customer Services	Property Services (to include School Property Services)	20
	Corporate and Community Services	RBWM Commercial Services Ltd	10

SERVICING THE BUSINESS

Cross Cutting	Annual Governance Statement Preparation	20
Cross Cutting	Development of New Systems / Special Projects	10
Cross Cutting	Public Sector Internal Audit Standards Compliance	10
Cross Cutting	Advice on Demand	10
Cross Cutting	Contingency (including Management/Member requests)	45
Cross Cutting	- Follow Up Countermeasures & Testing	10
	- Corporate Governance Compliance	10
	Total Internal Audit days	726

The above days are directly attributable and do not include management or review time etc.

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