

NOTICE
OF
MEETING

AUDIT AND PERFORMANCE REVIEW PANEL

will meet on

WEDNESDAY, 14TH JUNE, 2017

at

7.00 PM

in the

COUNCIL CHAMBER - TOWN HALL, MAIDENHEAD,

TO: MEMBERS OF THE AUDIT AND PERFORMANCE REVIEW PANEL

COUNCILLOR SAYONARA LUXTON (CHAIRMAN)
COUNCILLORS ADAM SMITH (VICE-CHAIRMAN), STUART CARROLL,
DR LILLY EVANS, JACK RANKIN, MJ SAUNDERS, EDWARD WILSON AND
WISDOM DA COSTA

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

Karen Shepherd - Democratic Services Manager
Issued: 06/06/2017

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

Fire Alarm - In the event of the fire alarm sounding or other emergency, please leave the building quickly and calmly by the nearest exit. Do not stop to collect personal belongings and do not use the lifts. Congregate in the Town Hall Car Park, Park Street, Maidenhead (immediately adjacent to the Town Hall) and do not re-enter the building until told to do so by a member of staff.

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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 16 th and 28 th of February 2017.		7 - 14
4.	<u>2016/17 SHARED AUDIT AND INVESTIGATION SERVICE ANNUAL REPORT AND SELF-ASSESSMENT OF COMPLIANCE WITH THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS</u> To comment on the report.		15 - 30
5.	<u>ANNUAL GOVERNANCE STATEMENT</u> To comment on the report.		To Follow
6.	<u>LOCAL GOVERNMENT ACT 1972 - EXCLUSION OF THE PRESS AND 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 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"		

PRIVATE MEETING - PART II

<u>ITEM</u>	<u>SUBJECT</u>	<u>WARD</u>	<u>PAGE NO</u>
7.	<u>MINUTES</u> To approve the Part II minutes of the meeting on 16 th February 2017. <i>(Not for publication by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972)</i>		31 - 32
	ii.		

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MEMBERS' GUIDE TO DECLARING INTERESTS IN MEETINGS

Disclosure at Meetings

If a Member has not disclosed an interest in their Register of Interests, they **must make** the declaration of interest at the beginning of the meeting, or as soon as they are aware that they have a DPI or Prejudicial Interest. If a Member has already disclosed the interest in their Register of Interests they 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' means a discussion by the members of meeting. In order to avoid any accusations of taking part in the discussion or vote, Members should move to the public area or leave the room once they have made any representations. If the interest declared has not been entered on to a Members' Register of Interests, they must notify the Monitoring Officer in writing within the next 28 days following the meeting.

Disclosable Pecuniary Interests (DPIs) (relating to the Member or their partner) 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 licence 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.

Any Member who is unsure if their interest falls within any of the above legal definitions should seek advice from the Monitoring Officer in advance of the meeting.

A Member with a DPI should state in the meeting: ***'I declare a Disclosable Pecuniary Interest in item x because xxx. As soon as we come to that item, I will leave the room/ move to the public area for the entire duration of the discussion and not take part in the vote.'***

Or, if making representations on the item: 'I declare a Disclosable Pecuniary Interest in item x because xxx. As soon as we come to that item, I will make representations, then I will leave the room/ move to the public area for the entire duration of the discussion and not take part in the vote.'

Prejudicial Interests

Any interest which a reasonable, fair minded and informed member of the public would reasonably believe is so significant that it harms or impairs the Member's ability to judge the public interest in the item, i.e. a Member's decision making is influenced by their interest so that they are not able to impartially consider relevant issues.

A Member with a Prejudicial interest should state in the meeting: ***'I declare a Prejudicial Interest in item x because xxx. As soon as we come to that item, I will leave the room/ move to the public area for the entire duration of the discussion and not take part in the vote.'***

Or, if making representations in the item: 'I declare a Prejudicial Interest in item x because xxx. As soon as we come to that item, I will make representations, then I will leave the room/ move to the public area for the entire duration of the discussion and not take part in the vote.'

Personal interests

Any other connection or association which a member of the public may reasonably think may influence a Member when making a decision on council matters.

Members with a Personal Interest should state at the meeting: ***'I wish to declare a Personal Interest in item x because xxx'. As this is a Personal Interest only, I will take part in the discussion and vote on the matter.***

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Public Document Pack Agenda Item 3

AUDIT AND PERFORMANCE REVIEW PANEL

THURSDAY, 16 FEBRUARY 2017

PRESENT: Councillors Paul Brimacombe (Chairman), Dr Lilly Evans, Lynne Jones, MJ Saunders, John Story, Colin Rayner and Adam Smith (Vice-Chairman)

Officers: Russell O'Keefe, Andy Jeffs, Robb Stubbs, Richard Bunn, Catherine Hickman, Sheldon Hall and David Cook.

APOLOGIES

Apologies for absence were received by Cllr Rankin, Cllr E Wilson and Cllr Carroll. Cllr Story and Cllr C Rayner attended as substitutes.

DECLARATIONS OF INTEREST

There were no declarations of interest received.

MINUTES

The Part I minutes of the meeting held on 14 December 2016 were approved as a true and correct record. It was noted that Tree Management would be added to the 2017/18 Panel work programme.

BUDGET 2017/18

The Panel were addressed by Cllr Saunders, Lead Member for Finance, on the 2017/18 Budget which Cabinet had approved and would be going to Council. As the Budget had already been presented to all Scrutiny Panels and Cabinet he informed he would give a brief overview to the Panel.

Cllr Saunders informed that Panel that the proposed budget contained an increase in revenue investment of about £2.5 million to help protect the most vulnerable people in the Borough. Examples of increased investment included £1 million added for adult social care, £400k for expanding the practical support for homeless residents, £330k for rising home to school transport for special needs pupils requirements and £120k over three years for increasing early years pupil premium spend.

There was also proposed investment in the Planning Department, for tree maintenance and investment for our voluntary organisations providing community needs.

The proposed council tax increase was 0.95 percent which was lower than the retail price index. There was also a proposal to increase the adult social care precept by three percent. This increase was about half the amount that an authority could increase council tax without having a local referendum.

The Panel were informed that the proposals meant that a band D property would pay £961.46 for their council tax.

With regards to Fees and Charges the Panel were informed that the majority of charges would see no increase in real terms. There had been a few increases that brought the borough in line with neighbouring authorities where we had been significantly under charging in the past.

With regards to Capital investment Cllr Saunders informed the Panel that he had previously presented the need to change the way the authority funded their major capital projects. Over

the last few years the Council had decided to make a number of strategic capital expenditure, such as school expansion and new library. Historically loans would have been taken to fund these projects however it had been decided that instead of loans the Council would use its reserves to fund capital projects saving about £150k in interest rates. The Panel were informed that, as demonstrated in the Financial Update reports, this policy was no longer sustainable and thus it had been decided borrow money for capital projects.

It was proposed that over the next year about £75 million would be spent on capital projects that included a further £12.1 million for the ongoing schools expansion plan, £14.5 million for stage one of the new leisure centre, £9.4 million for stage one expansion of Broadway Car Park, £9.2 million enhancing York House, Windsor, £8.3 million for other property and parking improvement, £4.5 million for the consolidation of the St Clouds Way development site and £1.6 million for LED street lighting.

The Panel were also informed that with regards to Business Rates it was proposed that there would be a local newspaper business rate relief of £1,500 per title, all locally controlled rate reliefs maintained, rural rate relief extended and redefined and relief for reinvigorating vacant retail units to be extended to all commercial and industrial premises.

The Chairman mentioned that we were proposing a small core council tax increase of 0.95% yet the report also showed saving proposals; he questioned if the level of council tax had been politically motivated. Cllr Saunders informed the Panel that the 0.95% increase had been set after all areas of the organisation had identified need and savings which resulted in a requirement to increase council tax by 0.95%. the organisation could have decided to increase council tax further but this would have just been to increase our reserves.

The Chairman asked what were the expected level of reserves to be at year end and Cllr Saunders informed that the reserves would be at the same level as at the start of the year. £2 million would be transferred from revenue support grant to the development fund and that a balanced budget had been set.

The Chairman mentioned that to have set council tax higher just to have built up reserves would have been showing a lack of confidence in the proposed budget.

Cllr Story questioned the £150 million capital receipts expected from Maidenhead regeneration projects and how reliable this figure was. Cllr Saunders informed that the £150 million was the lowest level expected, as with any development project this was not guaranteed but a reasonable low end figure. Each element of the Maidenhead regeneration project would be subject to future decisions.

Cllr Story mentioned that the parish precepts showed some increasing whilst others had decreases and asked if Council just noted this or are they challenged. Cllr Saunders replied that in principle the parish precepts were just noted, however if a parish council was receiving financial support from the Council and increased its precept then they would be challenged.

Cllr Story also questioned the 50% budget assumptions with regards to the risks that we could not maintain our costs and asked if this had been set too high. The Panel were informed that this related to demand management and the volatility of care packages. It was an assessment of what a prudent level of reserves should be and there was no assumption that they would be required.

Cllr Smith questioned the financing of the Capital Programme. Cllr Saunders informed that there was funding for the Capital Programme presented to the steering group and separate to this were the Boroughs strategic capital expenditure such as York House and the schools expansion programme. Such projects were funded by additional loans that would be paid by the regeneration projects.

Cllr Jones asked if it was possible to show Parish Council increases / decreases as a cash figure as well as a percentage; for example Old Windsor precept up by 5% but this relates to a £2 increase.

Cllr Rayner mentioned that the Thames Flood Prioritisation Scheme would be looking for more money in future years and asked if this had been budgeted for. Cllr Saunders replied that in 2018 there would still be room to pay for additional requirements out of the £150 million and still have a reduction in debt.

The Chairman mentioned that with regards to the regeneration projects the public could see it as good news that the Council is getting the work done or see it as spending future money. Cllr Saunders replied that the Council has to explain why we are taking such decisions and that we are doing it with integrity.

Resolved unanimously: that the Panel supports the recommendations in the report and recommends that future reports include the monetary value of changes to Parish Council Precepts.

APPOINTMENT OF EXTERNAL AUDITORS

The Panel received a presentation from KPMG on the new arrangement and options for the appointment of Auditors for the audit of the 2018/19 accounts. This was accompanied by a report that set out procurement options, that included the option of accepting an offer from the Public Sector Audit Appointments (PSAA) board which required a recommendation from the Panel to Council.

KPMG's presentation showed the four options before the Panel with pros and cons for each; the four options were:

- Roll forward incumbent - a short term option if you wanted to continue with your current auditor.
- Stand-alone tender - Tendering for your audit service as a stand-alone contract.
- Combined tender - Collaborative procurement with one or more other authorities.
- Sector led - Opting into national collaborative procurement by a third party.

The Panel were informed that the key question was how much autonomy as a local authority you wanted. If the Panel wished to recommend that the Council accepts the offer from PSAA then there was a deadline of 8th March 2017.

The Chairman reported that appointing PSAA would decrease the authorities choice but would mean that national fully qualified auditors would be appointed. The fees would be lower and no risk associated with this decision, however the perception would be we have no control. KPMG informed that with either option only a small selection of accredited auditors would be chosen.

Cllr C Rayner questioned what reassurances would we get with the appointment of the external auditors and with the delivering differently programme questioned if the authority was spending a sufficient amount for audit work during a period of change. KPMG informed that pages 11 and 12 of the presentation showed the key considerations for appointing auditors. With regards to price it said that the fees must be sufficient to provide a good quality service taking account of the scale, nature and risk profile of your organisation.

(Cllr Dr L Evans joined the meeting)

Councillor Rayner mentioned that going with the reports recommendation to appoint PSAA did not give sufficient time to consider the other options. He felt that we should stay with KPMG whilst looking at the other options with a decision being made in a years time.

The Chairman asked that if RBWM decided not to opt for PSAA before March 2017 would there be an opportunity to join later. KPMG informed the Panel that if RBWM opted in before March 2017 then this would be for five years. With regards to joining after March they were not aware of any reasons why this would not be possible.

The Chairman questioned what the benefits of not appointing PSAA would be and Cllr Rayner said it would give the Panel time to do due diligence prior to being locked into a five year contract.

The Chairman also asked that as the authority was going to be about 50% smaller due to delivering differently would the audit fees reduce. The Panel were informed that it was expected that fees would be based on historical data and would increase by inflation. It was not known what would happen to fees when an authority's size changed.

Cllr Saunders reported that as going through our own tender process seemed to be one of the less favourable options we were left with going with the low risk option of using PSAA, which other Councils were choosing, and thus the question was why should we do anything differently. The other option would be to roll forward with our current auditors.

Cllr Saunders mentioned that although officers and himself, as Lead Member, were recommending the default option of joining PSAA it was important to remember that we may be offered new auditors which from experience was a difficult first year as both parties formed an understanding. An effective audit needed to consist of intelligence, integrity and a good relationship. The question was do we go down the path of least resistance or stay with our current auditors who we have a good relationship.

Cllr Rayner recommended that we stay with our current auditors for at least one more year.

The Chairman asked how many years we could stay with our current auditors and KPMG replied that the Government had not set such a timescale but they would not recommend more than three years.

Councillors Smith and Dr L Evans also recommended that we stay with our current auditors as a preferred option.

The Head of Finance and Deputy Director of Corporate and Community Services informed the Panel that there may still need to be a procurement exercise to appoint our current auditors and questioned if we would still need a separate audit panel. KPMG replied that they would expect that a separate independent audit panel would still be required.

The Strategic Director of Corporate and Community Services said that as the Panel's decision related to the appointment of external auditors with the authorities current auditors being present that the discuss and decision should be taken under Part II – Private meeting.

ANNUAL REPORT ON GRANTS AND RETURNS 2015/16

KPMG introduced the report that summarised the results of work they had carried out on the Council's 2015/16 grant claims and returns. This included the work they had completed under the Public Sector Audit Appointment certification arrangements, as well as the work completed on other grants / returns under separate engagement terms.

Cllr Saunders mentioned that there had been fewer errors found but asked if there had been any financial irregularities found. The Panel were informed that it was expected that there would be some errors found when reviewing benefit claims.

Resolved unanimously: that the report be noted.

ANNUAL AUDIT PLAN

The Panel considered the report that recommended that the Panel approved the 2017/18 Draft Internal Audit and Investigation Plan. It was noted that appendix 1 had two elements of the plan missing and this would be added to the RBWM website. The plan was based on risk management and the delivering differently programme.

Cllr Smith asked if officers were happy with the planned audits and asked if there were sufficient days set to cover required investigations. The Panel were informed that audits had been set via the risk register and that there was sufficient time set to cover planned audits and time for additional requests.

Resolved unanimously: that the Panel approved the 2017/18 Draft Internal Audit and Investigation Plan.

2017/18 INTERNAL AUDIT PLAN, CHARTER

The Panel considered the report which asked them to approve the 2017/18 Internal Audit Charter, which will be effective from 1 April 2017. This recommendation was being made to ensure that the Council achieves industry best practice by complying with the Public Sector Internal Audit Standards (PSIAS).

The Panel were informed that tracked changes had been added to the charter to show any changes made since the report was considered last year.

Resolved unanimously: that the Panel approved the 2017/18 Internal Audit Charter.

TRANSFORMATION STRATEGY - DELIVERING DIFFERENTLY

The Panel received a presentation on the progress of the RBWM Transformation Programme Delivering Differently.

The Panel were informed that by 2018 it was expected that the outcomes of the programme would be a Council that was resident focused, provided value for money, delivered together and was equipped for the future.

There were three stands to achieving these outcomes (knowing our services, having the right people and tools and delivering differently) and the presentation focused on the delivering differently strand.

The delivering differently outcomes were expected to be a range of services delivered locally, better use made of digital service, mixture of operating model, commercial activity developed and a creative use of assets.

The presentation provided the following update on progress for each of the above outcomes:

Services delivered locally – it was proposed to merge Customer Services and Culture, Library and Registration to create a new Customer Experience service. Cabinet and Employment Panel approval given and the following delivery dates were on target; June 2017 (Windsor Library) / July 2017 (Maidenhead and Ascot Library).

The Chairman mentioned that he was a great supporter of our libraries and felt that the proposals would result in a vibrant service.

Cllr Jones asked what staff reaction had been to the changes and was informed that no one would work longer hours but the hours worked would be varied. Staff reaction had been varied and they had put forward an alternative model that was under review.

Better use made of digital services – There was a planned expansion of services accessible by digital channel targeting 14 key service areas initially and a refresh of the RBWM website to enable easier access to services digitally. The project was on track to be delivered by March 2017.

The Panel noted that even when there was only 6 services available via the digital channel there was still 7000 residents with a My Account.

Mixture of operating models – planned provision of services via Achieving for Children and Optalis were on track. With the additional of other services such as Highways and Streetcare about 49% of the Councils budget would be given to shared services.

The Chairman mentioned that there had been a number of drop in sessions for staff and asked if they had been well received. The Panel were informed that there had been positive feedback and more sessions were planned.

The Chairman also mentioned that with regards to parking enforcement they could be concern raised about over vigilance. The Panel were informed that a pilot had been undertaken in Maidenhead and negative feedback was used to help scope proposals. It was not possible to incentivise enforcement.

Commercial activity developed – additional commercial activity had been developed including the NRSWA Permit Scheme, Debt Recovery / Enforcement Services and Revenues / Benefits Services.

The Chairman asked what percentage of the transformation strategy had been achieved and was informed that it was about 70% with the remainder being on track to meet target dates.

Cllr Jones mentioned that certain savings were being proposed by the strategy but she had not been able to get sufficient information from offers on these. The Chairman said that if Cllr Jones writes to him about the information required he would request the information as Panel Chairman.

The presentation was noted.

LOCAL GOVERNMENT ACT 1972 - EXCLUSION OF THE PUBLIC

RESOLVED UNANIMOUSLY: 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 the grounds that they involve the likely disclosure of exempt information as defined in Paragraphs 1-7 of part I of Schedule 12A of the Act.

The meeting, which began at 5.00 pm, finished at 7.35 pm

CHAIRMAN.....

DATE.....

AUDIT AND PERFORMANCE REVIEW PANEL

TUESDAY, 28 FEBRUARY 2017

PRESENT: Councillors Paul Brimacombe (Chairman), Jack Rankin, MJ Saunders and Edward Wilson

Officers: Robb Stubbs, Richard Bunn and David Cook.

APOLOGIES

Apologies for absence were received by Cllr Carroll, Cllr Smith and Cllr Jones.

DECLARATIONS OF INTEREST

There were no declarations of interest received.

NEW AUDIT ARRANGEMENTS

The Chairman informed the Panel that at their last meeting they received a presentation from KPMG on the new arrangement and options for the appointment of Auditors for the audit of the 2018/19 accounts. This was accompanied by a report that set out procurement options, that included the option of accepting an offer from the Public Sector Audit Appointments (PSAA) board..

The Chairman informed that the Panel were presented with the following four options:

- Roll forward incumbent - a short term option if you wanted to continue with your current auditor KPMG.
- Stand-alone tender - Tendering for your audit service as a stand-alone contract.
- Combined tender - Collaborative procurement with one or more other authorities.
- Sector led - Opting into national collaborative procurement which would be PSAA and had a deadline of 9th March 2017.

At the last meeting the Panel decided that if there were no penalties or undue difficulties that their recommendation would be to continue with KPMG for another year or two. The Panel thought that if they opted for this 'roll forward' option then there would be no need to appoint an independent panel. As this last point was unclear officers were tasked to clarify and if an independent audit panel had to be appointed then the item would come back to Panel.

The Chairman informed the Panel that the option to extend KPMG as the Council's external auditor for another year was attractive. This was because of the stability and postponement of disruption of new audit team and the retention of a first tier audit firm.

This option became more difficult after officers had sought legal advice and confirmed that the Council would have to appoint an independent auditor panel, even for an extension, and that there would be no guarantee that KPMG would be selected or that KPMG would tender. If KPMG were appointed there would also be no guarantee that the same audit team within KPMG would be allocated by KPMG.

It was noted that KPMG would remain as the Council's external auditors until March 2018.

Cllr E Wilson asked if there was a lock in period if we opted to use PSAA and was informed that there would be a five year contract.

Cllr Wilson also questioned what control or influence we would have over who PSAA would appoint and the Chairman informed that although they may choose not to appoint a first tier auditor such as KPMG that the auditors appointed would have to be qualified to undertake local authority work. Richard Bunn informed that he had spoken to PSAA and the indication was that they would allow us to comment on the potential auditors and that they would take into account our preference. However they could not guarantee the appointment of a specific audit firm.

Cllr Wilson asked if during the decision process we had contacted our neighbouring authorities to see what they were doing and was informed that PSAA predicted that 95% of authorities would accept their offer and that Reading and Slough Borough Council's were using PSAA.

Cllr Wilson reported that RBWM was a unique authority in that we were undertaking a huge delivering differently programme and were also undertaking a £1 billion regeneration programme. He recommended that we should seek assurances that whoever the auditors PSAA chose for us should be able to provide a quality service and not a run of the mill service.

The Chairman mentioned that for the reasons stated it should be made clear that the Audit Panel did not wish to see our auditors standards being lowered and that our preference would be to retain KPMG.

Cllr Wilson reported that PSAA should be able to appoint the right auditors based on RBWM's unique circumstances and thus provide us with a list of quality auditors best suited to our needs. The Chairman replied that PSAA would be looking at a small list of auditors who specialised in public sector audits and that it should be noted that our senior partner within KPMG was refreshed two years ago.

Resolved unanimously: that the Audit and Performance Review Panel recommends to Council that PSAA be appointed as our preferred procurement route for the appointment of the auditors for the audit of the 2018/19 accounts.

That PSAA be informed that the Council expects that the appointed auditors be of the same standard and quality as our incumbent auditors with a preference to retain KPMG.

Cllr Saunders thanked the Panel that they did not just role over and accept that the authority should automatically accepted PSAA as the preferred option and challenged the bureaucratic process imposed on local authorities.

The Chairman agreed that he would sign a letter to PSSA regarding the Council's expectations.

The meeting, which began at 7.30 pm, finished at 7.45 pm

CHAIRMAN.....

DATE.....



Report Title:	2016/17 Shared Audit and Investigation Service Annual Report and Self-Assessment of Compliance with the Public Sector Internal Audit Standards
Contains Confidential or Exempt Information?	NO - Part I
Member reporting:	Councillor Sayonara Luxton
Meeting and Date:	Audit and Performance Review Panel – 14 June 2017
Responsible Officer(s):	Rob Stubbs, Deputy Director and Head of Finance
Wards affected:	All

Report Summary

1. This report and supporting appendices summarise the Shared Audit and Investigation Service (SAIS) activity and outline the progress in achieving the 2016/17 Audit and Investigation Plans as at 31 March 2017. In addition, it summarises the outcome of a self-assessment of the Internal Audit Service against the CIPFA/IIA Public Sector Internal Audit Standards (PSIAS). This report compliments the 2016/17 Interim Audit and Investigation Report presented to Audit and Performance Review Panel (A&PRP) on 14th December 2016.
2. It recommends that Members note the activity of the Audit and Investigation Service during the 2016/17 financial year.
3. This recommendation is being made to ensure that the Council meets its legislative requirements, as well as the requirements of the A&PRP's Terms of Reference.

1. DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: Option 1 - That A&PRP are asked to note the Shared Audit and Investigation Service activity for the financial year ended 31 March 2017, progress in achieving the 2016/17 Internal Audit Plan and note the outcome of the self-assessment of the Shared Internal Audit Service against the PSIAS.

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

- 2.1 Regulation 6 (1) of the Accounts and Audit (England) Regulations (2015) requires the Council to undertake an adequate and effective internal audit of its accounting records and the system of internal control in accordance with proper internal audit practices.

- 2.2 Proper practices for Internal Audit are defined in the CIPFA/IIA PSIAS and require that the ‘Chief Audit Executive’ (Service Manager, Shared Audit and Investigation Service) delivers an annual internal audit opinion and report that can be used by the organisation to inform its Annual Governance Statement (AGS). The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control. The Annual Report is required to incorporate:-
- the opinion;
 - a summary of the work that supports the opinion;
 - a statement on conformance with the PSIAS and;
 - whether there have been any restrictions imposed on the scope of the work of the Internal Audit function of the Shared Audit and Investigation Service.
- 2.3 The aim of the Report at Appendix A and the supporting appendices is to cover these legislative requirements and those of the A&PRP Terms of Reference.

Option	Comments
Accept the attached report and supporting appendices and note the activity of the Shared Audit and Investigation Service during 2016/17, progress in achieving the Internal Audit and Corporate Fraud Plans and note the outcome of the self-assessment of the Shared Audit and Investigation Service against the PSIAS. Recommended	This will ensure that the Council meets its statutory requirements. In addition, the A&PRP will comply with its responsibilities as set out within their Terms of Reference.
Accept this report with amendments.	Members may wish to request that this report 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.
Not approve this report.	This may expose the Council to unnecessary risks by not having an adequate internal control framework leading to poor performance and poor outcomes for service users/residents. It may result in a qualification in the External Auditors’ Annual Management Letter.

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.	Failure of the Council to meet its statutory requirements and failure of the A&PRP to discharge its responsibilities.	Council meets its statutory requirements to provide an adequate and effective internal audit of its accounting records and system of internal control. A&PRP discharges its responsibilities.	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 function.	Unqualified External Audit Management Letter as Council meets its requirements to provide an adequate and effective Internal Audit function.	n/a	n/a	31 March 2017
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.	Loss of residents' confidence. Council reputation may be affected.	Gain residents' confidence. Council reputation protected.	n/a	n/a	31 March 2017

4. FINANCIAL DETAILS / VALUE FOR MONEY

4.1 a) Financial impact on the budget

Revenue - Officer time in dealing with provision of the SAIS
 Capital – None.

b) Financial Background

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 Internal Audit carry out their activities under:-

- Regulations 6 (1), 6(3) and (4) of the Accounts and Audit (England) Regulations 2015.
- S151 Local Government Finance Act 1972.
- CIPFA/IIA Public Sector Internal Audit Standards 2013 (Revised 2016).

5.2 Investigatory activities are carried under:-

- Fraud Act 2006
- Criminal Justice Act 1987
- Theft Act 1968
- Forgery and Investigation Act 1981
- Social Security Administration Act 1992.
- Welfare Reform Act 2012.

6. RISK MANAGEMENT

Risks	Uncontrolled Risk	Controls	Controlled Risk
Failure of the SAIS to adequately plan and undertake audit reviews leading to failure of the Council to meet its statutory requirements. The Council's key systems and services are consequently at risk of not achieving their objectives in the most economic, efficient and effective way thus being exposed to misappropriation / loss.	High	<p>Ensure and demonstrate internal audit coverage and compliance with nationally recognised standards for internal audit.</p> <p>Provide a regular written progress report on the work of Internal Audit to those charged with governance for endorsement.</p> <p>Ensure and demonstrate that corporate investigations are undertaken in accordance with legislation and local approved governance arrangements.</p>	Low

Risks	Uncontrolled Risk	Controls	Controlled Risk
Failure to provide assurance that the work of the SAIS properly supports the governance framework and the content of the AGS and the requirement for additional External Audit work at an enhanced cost to the Council.	High	Internal audit coverage included as part of the governance assurance framework and informing the AGS.	Low

7. POTENTIAL IMPACTS

7.1 None

8. CONSULTATION

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

8.2 Management and staff have been consulted prior to and during the course of the audit and investigation reviews to ensure that work is timed to suit both parties, to incorporate managements' priorities and to agree a course of action to implement the outcome of those reviews.

9. TIMETABLE FOR IMPLEMENTATION

9.1 The timetable for completion of the 2016/17 Internal Audit and Investigation Plans was 31 March 2017.

10. APPENDICES

- Appendix A – 2016/17 Shared Audit and Investigation Service Annual Report
- Appendix A(I) – 2016/17 Internal Audit Plan Status as at 31st March 2017

11. BACKGROUND DOCUMENTS

11.1 2016/17 Internal Audit and Investigation Plan and working papers.

12. CONSULTATION (MANDATORY)

Name of consultee	Post held	Date sent	Comment & returned
Clr Sayonara Luxton	Chair of Audit and Performance Review Panel		
Alison Alexander	Managing Director	22/05/2017	Accepted with minor comments
Russell O'Keefe	Executive Director	22/05/2017	Accepted with minor comments
Andy Jeffs	Interim Executive Director	22/05/2017	Accepted with minor comments
Rob Stubbs	Deputy Director and Head of Finance	22/05/2017	Accepted with minor comments
Terry Baldwin	Head of HR	22/05/2017	Accepted with minor comments

REPORT HISTORY

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

**2016/17 SHARED AUDIT AND INVESTIGATION SERVICE ANNUAL REPORT
Service Manager, Shared Audit and Investigation Service****Introduction**

1. The 2016/17 Internal Audit Plan was approved by the Audit and Performance Review Panel on 7th April 2016. The emphasis on developing the Audit Plan is based on mandatory and legislative requirements and where possible audit place reliance on the risks set out in the Corporate Risk Register (CRR) which are in place to assist the Council in achieving its key objectives.
2. This report has been prepared to meet the requirements of the updated 2016 CIPFA/IIA Public Sector Internal Audit Standards (PSIAS) for the Chief Audit Executive (Service Manager, Shared Audit and Investigation Service) to deliver an annual internal audit opinion and report that can be used by the organisation to inform its Annual Governance Statement (AGS). The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. The Annual Report is required to incorporate:-
 - the opinion;
 - a summary of the work that supports the opinion;
 - a statement on conformance with the PSIAS; and
 - whether there have been any restrictions imposed on the scope of the work of the Internal Audit function of the Shared Audit and Investigation Service.
3. The body of this report also includes a summary of the performance of the Corporate Investigation Team.

Internal Audit Opinion

4. During the year, the Internal Audit Team has undertaken audits of key financial systems (in order to compliment the work of External Audit), as well as focusing, where appropriate, on the Council's identified key strategic and key operational risks, as identified in the CRR in addition to assurances required by the S151 Officer and the Service Manager, Shared Audit and Investigation Service.
5. The overall audit opinion, which is largely a reflection of the system and procedural controls against the identified risks and mitigating treatment measures, for the audits that have been completed and a final report issued, is that they are "Substantially Complete and Generally Effective but with some improvements required". Based on the above and taking into account other sources of assurance, including External Audit, most key controls are in place and are operating effectively, with the majority of residual risks being reduced to an acceptable level. A small number of exceptions were identified and these have been summarised in the body of this report. It should be noted that the overall opinion is a statement of the audit view of whether the objectives are being met; it is not a statement of fact.
6. There have been no restrictions imposed on the scope of the work of the Internal Audit function of the Shared Audit and Investigation Service.

PERFORMANCE SUMMARY

7. Key progress of the Shared Audit and Investigation Service during 2016/17 was:-
- Assurance given to management on the Council's key risks and further strengthening of the CRR through independent verification of risks and treatment measures.
 - Additional management requests for work to be undertaken using audit contingency demonstrating confidence in the work of Internal Audit.
 - Audit resources have been available and able to more readily accommodate management requests for deferral.
 - Skills transfers taking place in relation to Agresso and Schools audits. There has been the ability to undertake direct comparisons between systems and identify existing best practices.
 - The audit process has continued to be refined using Lean principles.
 - On request of management and in specific audit areas, knowledge on common areas is being shared.
 - Increased Audit and Investigation work has been undertaken for Bracknell Forest Council, Rushmoor Borough Council, Buckinghamshire County Council and Oxfordshire County Council, resulting in increased income for the Service and income targets for the year being exceeded.
 - Good results obtained for Investigation activity.
 - Additional management requests for work to be undertaken using audit contingency demonstrating confidence in the work of Internal Audit.
8. 89% of the approved Internal Audit Plan was achieved with the reviews at draft report stage or completed. The remaining 11% consisted of audit reviews with fieldwork in progress which are targeted to be completed early in the 2016/17 financial year, additional work within the area of Corporate Governance and an over allocation for Contingency.
9. Appendix A(I) presents the audit progress made against the 2016/17 Internal Audit Plan and Audit Opinions. It shows audits completed or at draft stage (10 audits at draft report stage) and a list of consultancy reviews.
10. For the reviews completed to final report stage, final audit opinions are awarded after giving management one month to implement the agreed countermeasures as stipulated in the Management Action Plan. The following is a breakdown of classification of audit opinions awarded.

Overall Audit Opinion	Summary of Audit Opinion	No of Audits (2016/17)	No of Audits (2015/16)
1	Complete and Effective	8	3
2	Substantially Complete and Generally Effective	16	16
3	Range of Risk Mitigation Controls is incomplete and risks are not effectively mitigated	8	7
4	There is no effective Risk Management process in place	2	0
Total		34	26

11. Of the two reviews receiving the fourth category of audit opinion (There is no effective Risk Management process in place), these were both reported in the 2016/17 Interim Report (Cash and Bank Reconciliation and Contract Management). Members were informed that a full audit of these areas would be undertaken in Quarter 4. The audit of Cash and Bank Reconciliation was completed and resulted in the audit opinion rising to the second category of opinion demonstrating good progress by management. For the review of Contract Management an audit was commenced. However, requested information is awaited.
12. Three of the four audit reviews receiving the third category of audit opinion (Range of Risk Mitigation Controls is incomplete and risks are not effectively Mitigated) completed to Final Report stage are summarised below whilst the fourth (Tree Management) was reported in the 2016/17 Interim Progress Report. Management Action Plans have been agreed for each review which will be followed up in 2017/18 and a summary of the issues are listed below;

Cash and Banking Arrangements

The concerns assessed as posing a major risk to the service were in relation to the car park collection contract and included; Delays between collection and banking of cash and some collection sites are not visited as stipulated in the contract.

Shared Property Services (SPS)

The extreme risk issue is in regard to:

The risk of RBWM non-compliance with its statutory Health & Safety obligations for all properties, including schools due to the unknown status of the assessments relating to fire risk, asbestos and legionella. Failure to comply with statutory obligations is a Key Operational Risk (BS0014) in the CRR and therefore the treatment measures stated therein are not effective and efficient.

The Major risk concerns relate to:

The absence of current contractual documentation and robust supporting records to determine the veracity of Reactive Maintenance contractor payments. This is to be addressed for future payments with the introduction of a new 'valuation spreadsheet' set up by SPS. Contractors agreement to this new process is being finalised.

A verbal progress update was received from the Shared Building Services Manager on the implementation of the countermeasures for the Extreme and Major issues on 24/05/2017. Progress stated appears appropriate and will be followed up formally in the Shared Property Services follow up review that was approved by the Audit and Performance Review Panel as part of the 2017/18 Internal Audit and Investigation Plan on the 17th February 2017.

Deputyship and Appointeeship

The concern identified as posing an extreme risk relates to the individual service user balances held in the one Deputyships and Appointeeships (DAT) account which holds all monies relating to DAT cases. The Interim Executive Director confirmed that a new banking system has been introduced that means each service user has their own bank account and therefore government cover will mitigate the risk.

The major concerns relate to:

- Confidential and valuable items held for service users.
- Visits to clients' properties.
- The lack of 1-2-1's, appraisals and Performance Indicators in place.

Outstanding responses as at 13/06/17

13. There are no remaining outstanding responses awaited from management in respect of 2016/17 audits.
14. Audit reports are presented using lean terminology, using the cause, concern and countermeasure and management are given the opportunity to treat, tolerate, terminate or transfer the concerns and associated risks. Management Action Plans have been put in place to address issues identified during audit work and audit follow up verification will confirm whether agreed countermeasures for Major and Extreme concerns have been actioned within agreed timescales.
15. Where concerns are classified as being Major or Extreme that have been tolerated by management, these are highlighted to the Audit and Performance Review Panel. There are no cases of Major or Extreme concerns being tolerated by management.

Additional Work Requested by Members / Management

16. Contingency days have been used to respond to fourteen Management requests in respect of the following reviews.
 - Payroll
 - Cash and Bank Reconciliation follow up
 - Social Care Capital, Troubled Families, Disabled Facilities, Integrated Transport and Highways Maintenance Grants
 - Contract Auditing
 - Pensions Board Governance
 - IT Security Incidents
 - Spot checks
 - Highways Infrastructure Assets
 - Manor Green School
 - IG Governance Toolkit

Corporate Investigations

17. The year 2016/17 was a successful year for the Corporate Investigations element of the Service with total potential financial savings identified of £119,464. The Investigation Team had a total of 120 case referrals received in 2016/17.

18. The performance of investigations covers the losses identified to the Council see Table 2.

Table 2 Financial results: Identified Losses to 31 March 2017

Area of work	Value (£'s)	Comments
Business Rates Relief/Exemption*	93,722.36	Fraudulent applications for exemptions and reliefs, unlisted properties
Council Tax Reduction Scheme* (CTRS)	16,512.43	Fraudulent applications for Council Tax Reduction
Direct Payments	8,934.66	Overstatement of needs through false declaration
Council Tax - discount/exemption*	295.15	Fraudulent applications for discount/exemption
Total	119,464.60	

* The amounts are debited from the relevant accounts and then collected in accordance with council tax recovery legislation. Some have been fully paid and others by arrangement.

19. In addition, Corporate Investigations have been involved in the following;

- Collation of Transparency Information on investigations to publish on RBWM's Website.
- Fraud Awareness training prepared for the Senior Leadership Team delivered in April 2016.
- Setting up processes for the reactive investigation of the Council Tax Reduction Scheme cases.
- Development and delivery of pro-active fraud drives in new areas.
- Positive contribution to the New Homes Bonus Grant Scheme.

Regulation of Investigatory Powers Act

20. No investigations have been undertaken during 2016/17 that has required Regulation of Investigatory Powers Act surveillance approval to be requested.

21. An arms-length inspection has been undertaken by the Office of Surveillance Commissioners. The report is with the Chief Surveillance Commissioner for endorsement.

Audit and Investigation - Other Work Areas

Audit

Public Sector Internal Audit Standards Self-Assessment

22. Public Sector Internal Audit Standards: A new set of '*Public Sector Internal Audit Standards*' has been developed by CIPFA/IIA, which came into effect from 1 April 2013 and were updated in March 2016. The Standards recognise that a professional, independent and objective internal audit service is one of the key elements of good governance and they encompass the mandatory elements of the Institute of Internal Auditors International Professional Practices Framework. During the year, audit documentation and processes have been reviewed and updated, where necessary, and a revised Audit Charter was presented to the 16th February 2017 Audit and Performance Review Panel. The Standards recognise that a professional, independent and objective internal audit service is one of the key elements of good governance and they encompass the mandatory elements of the Institute of Internal Auditors International Professional Practices Framework.
23. A self-assessment was undertaken to assess compliance with the Standards and an Action Plan has been developed for areas that require work to fully comply with them. Currently, the Internal Audit Team 'generally conforms'.
24. Improvement opportunities were identified in the following areas; Charter and Protocol, Quality and Assessment Processes and Staff Training and Knowledge.

Corporate Investigations

25. A proactive exercise on the New Homes Bonus work has taken place that identified 109 properties recorded as empty that have come back in to use. This figure will be included in the New Homes Bonus Grant formula calculation that nets off the difference between those properties recorded as becoming empty in the appropriate period (Oct to Oct) and those that are recorded as empty that have come back in to use.

**2016/17 Royal Borough of Windsor and Maidenhead Internal Audit Plan Status
(as at 31 March 2017)**

AUDIT TITLE	DIRECTORATE	STATUS	FINAL AUDIT REPORT OPINION
2016/17 Audits*			
Churchmead	Adult, Children & Health Services	FINAL	1
Wraysbury Primary School	Adult, Children & Health Services	FINAL	1
Waltham St Lawrence Primary School	Adult, Children & Health Services	FINAL	1
Creditors	Corporate and Community Services	FINAL	1
General Ledger	Corporate and Community Services	FINAL	1
Cash Flow, Investments, Loans (Treasury Management)	Corporate and Community Services	FINAL	1
Pensions Payroll and Administration including assurance for partners and Pension Governance Arrangements	Corporate and Community Services	FINAL	1
Adult Safeguarding	Adult, Children & Health Services	FINAL	2
School Improvement	Adult, Children & Health Services	FINAL	2
Cookham Dean	Adult, Children & Health Services	FINAL	2
Alexander First School	Adult, Children & Health Services	FINAL	2
Holy Trinity (Sunningdale) Primary School	Adult, Children & Health Services	FINAL	2
South Ascot Primary School	Adult, Children & Health Services	FINAL	2
S106 Agreements	Corporate & Community Services	FINAL	2
Cash and Banking Arrangements	Corporate and Community Services	FINAL	3
Tree Management	Corporate & Community Services	FINAL	3
Shared Property Services	Corporate & Community Services	FINAL	3
Deputyship and Appointeeships	Operations & Customer Services	FINAL	3
Payroll	Adult, Children and Health Services	DRAFT	
Housing Options	Adult, Children & Health Services & Operations and Customer Services	DRAFT	
Debtors	Corporate and Community Services	DRAFT	
Cash and Bank Reconciliation	Corporate and Community Services	DRAFT	
Council Tax	Corporate and Community Services	DRAFT	

NNDR	Corporate and Community Services	DRAFT	
Capital Programme, Accounting, Expenditure Monitoring	Corporate and Community Services	DRAFT	
Financial Management	Corporate and Community Services	DRAFT	
Servicing the Business			
Public Sector Internal Audit Standards Compliance			
Consultancy			
Payroll			
Manor Green School			
Cash & Bank Reconciliation Follow up			
Grant Certification: Social Care Capital			
Grant Certification: Troubled Families			
Grant Certification: Disabled Facilities			
Grant Certification: Integrated Transport & Highways Maintenance			
IG Governance Toolkit			
Pensions Board Governance			
IT Security Incidents			
Spot checks			
Contract Auditing			
Highways Infrastructure Assets			
2015/16 Audits			
Capital Programme, Accounting, Expenditure Monitoring	Corporate & Community Services	FINAL	1
Health and Social Care Act	Adult, Children & Health Services	FINAL	2
Adult Social Care - Demographic Growth	Adult, Children & Health Services	FINAL	2
Creditors	Corporate & Community Services	FINAL	2
Risk Management (follow up)	Corporate & Community Services	FINAL	2
Financial Management (including budget monitoring, budgetary control, Economy outside of MTFP and the MTFP).	Corporate & Community Services	FINAL	2
Housing Benefits/CTRS	Operations & Customer Services	FINAL	2
Council Tax	Operations & Customer Services	FINAL	2
NNDR	Operations & Customer Services	FINAL	2
Payroll	Adult, Children & Health Services	FINAL	3
Children's Safeguarding	Adult, Children & Health Services	FINAL	3
IT Infrastructure Audit	Operations & Customer Services	FINAL	3
Flooding	Operations & Customer Services	FINAL	3
CRSA Courthouse Junior	Adult, Children & Health Services	FINAL	E
CRSA Oakfield First	Adult, Children & Health Services	FINAL	E

Technology Obsolescence	Operations & Customer Services	DRAFT
Waste Management	Operations & Customer Services	DRAFT
Cash & Bank Reconciliation	Corporate & Community Services	Emerging Findings Memo
Contract Management	Cross Cutting	Emerging Findings Memo

Audit Opinion Definitions

- 1 Complete and Effective
 - 2 Substantially Complete and Generally Effective
 - 3 Range of Risk Mitigation Controls is incomplete and risks are not effectively mitigated
 - 4 There is no effective Risk Management process in place
-

Legend

E - Exempt

* A new system was introduced in 2016/17 which gives management the opportunity to implement agreed countermeasures within one month of the issue of the draft report that could result in a change to the overall audit opinion awarded at final report stage.

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Agenda Item 7

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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