

# NOTICE OF MEETING

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## AUDIT AND PERFORMANCE REVIEW PANEL

will meet on

**TUESDAY, 12TH FEBRUARY, 2019**

at

**5.00 PM**

in the

**DESBOROUGH 4 - TOWN HALL, MAIDENHEAD**

TO: MEMBERS OF THE AUDIT AND PERFORMANCE REVIEW PANEL

COUNCILLOR SAYONARA LUXTON (CHAIRMAN)  
COUNCILLORS ADAM SMITH (VICE-CHAIRMAN), MALCOLM ALEXANDER,  
DR LILLY EVANS, WESLEY RICHARDS, DEREK WILSON, EDWARD WILSON  
AND PAUL BRIMACOMBE

SUBSTITUTE MEMBERS  
COUNCILLORS DAVID EVANS, RICHARD KELLAWAY, ROSS MCWILLIAMS,  
EILEEN QUICK, COLIN RAYNER, JOHN STORY, LYNNE JONES AND  
NICOLA PRYER

Karen Shepherd – Service Lead Governance  
Issued: 04/02/2019

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](http://www.rbwm.gov.uk) or contact the  
Panel Administrator **David Cook**, [david.cook@rbwm.gov.uk](mailto:david.cook@rbwm.gov.uk)

**Accessibility** - Members of the public wishing to attend this meeting are requested to notify the clerk in advance of any accessibility issues. **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. Do not re-enter the building until told to do so by a member of staff. **Recording of Meetings** - In line with the council's commitment to transparency the public part of the meeting will be audio recorded, and may also be filmed and broadcast through the online application Periscope. If filmed, the footage will be available through the council's main Twitter feed @RBWM or via the Periscope website. The audio recording will also be made available on the RBWM website, after the meeting. Filming, recording and photography of public Council meetings may be undertaken by any person attending the meeting. By entering the meeting room you are acknowledging that you may be audio or video recorded and that this recording will be in the public domain. If you have any questions regarding the council's policy, please speak to the Democratic Services or Legal representative at the meeting.

## **AGENDA**

### **PART I**

<b><u>ITEM</u></b>	<b><u>SUBJECT</u></b>	<b><u>WARD</u></b>	<b><u>PAGE NO</u></b>
1.	<b><u>APOLOGIES</u></b> To receive any apologies for absence.		-
2.	<b><u>DECLARATIONS OF INTEREST</u></b> To receive any declarations of interest.		5 - 6
3.	<b><u>MINUTES</u></b> To approve the Part I minutes of the meeting held on 20 September 2018.		7 - 10
4.	<b><u>PRELIMINARY PLANNING REPORT</u></b> To consider the report.		11 - 28
5.	<b><u>2018-19 AUDIT AND INVESTIGATION INTERIM REPORT (1 APRIL 2018 – 31 DECEMBER 2018) AND 2018/19 REVISED INTERNAL AUDIT CHARTER</u></b> To consider the report.		29 - 58
6.	<b><u>2019/20 DRAFT INTERNAL AUDIT AND INVESTIGATION PLAN</u></b> To consider the report.		59 - 70
7.	<b><u>LOCAL GOVERNMENT ACT 1972 - EXCLUSION OF PRESS AND PUBLIC</u></b> 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 items 7-8 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"		-

**PRIVATE MEETING - PART II**

<u>ITEM</u>	<u>SUBJECT</u>	<u>WARD</u>	<u>PAGE NO</u>
8.	<u>MINUTES</u>  To approve the Part II minutes of the meeting held on 20 September 2018.  <b><i>(Not for publication by virtue of Paragraph 2 of Part 1 of Schedule 12A of the Local Government Act 1972)</i></b>		71 - 72

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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 the discussion or vote at a meeting.** The speaking time allocated for Members to make representations is at the discretion of the Chairman of the meeting. In order to avoid any accusations of taking part in the discussion or vote, after speaking, Members should move away from the panel table to a public area or, if they wish, leave the room. 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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# Agenda Item 3

## AUDIT AND PERFORMANCE REVIEW PANEL

THURSDAY, 20 SEPTEMBER 2018

PRESENT: Councillors Sayonara Luxton (Chairman), Adam Smith (Vice-Chairman), Dr Lilly Evans, Wesley Richards, Derek Wilson, Edward Wilson and Paul Brimacombe

Also in attendance: Cllr MJ Saunders

Officers: Rob Stubbs, Russel O'Keefe and David Cook.

### APOLOGIES

Apologies for the inability to attend the meeting were received from Cllr Alexander.

### DECLARATIONS OF INTEREST

There were no declarations of interest received.

### MINUTES

**Resolved unanimously: that the Part I minutes of the meeting held on 30 July 2018 were approved as a true and correct record.**

### ANNUAL AUDIT LETTER

The Panel were informed that the Annual Audit Letter was the final version of the report presented by KPMG to Panel at its last meeting. The Panel were asked to note the report.

Cllr Smith said it was good to see a clean audit with an unqualified opinion on the Authority's financial statements.

Cllr E Wilson mentioned that there needed to be a footnote on what testing was undertaken and on the £8.7 million adjustments.

The Chairman asked how both external audits and internal audits missed the overspend on printing by the authority that was reported to the Corporate Services O&S Panel. The Panel were informed that the audit plan was built from the risk register. Cllr E Wilson mentioned that the £90,000 overspend would not fall under the Panels radar when looking at the authorities accounts as a whole. These items would be picked up by budget monitoring.

The Lead Member for Finance reported that our auditors operated at a higher level and would not expect them to pick this up. He informed the Panel that our internal auditors did play a role in the budget build especially with areas that have volume uncertainties that could impact on the budget, such as child care placements. Volume sensitivity could be an area the auditors may wish to look at. They could look to shed light on were volume sensitivity could have an impact and budget assumptions with variance following recent experiences.

Cllr Brimacombe mentioned that after doing sensitivity analysis internal auditors and managers should have narrative that volume changes would be breached by indicators of changes coming and not having to wait for invoices to identify issues.

Cllr L Evans said there could also be large step changes, such as sudden rise in pupils numbers at a school, that have immediate impact but a delay in funding.

The Lead Member for Finance said that the government needed to review funding arrangements for changes in school places such as sudden increased or decreases in pupil numbers. Funding for school places followed the child and not the available spaces in schools.

Cllr E Wilson agreed that the Panel could signpost internal audit to look at the volatile areas in adult services and children services during the budget build process.

The Panel discussed the Schools Forum's role in allocating the dedicated schools grant and how they had the ability to support schools with falling pupil numbers but often said no. It was felt that the role of the Schools Forum and their ability to allocate funds could be a future topic for this panel.

The Panel noted the Annual Audit Letter.

## GOVERNANCE AS PART OF RISK MANAGEMENT APPLIED TO LARGE PROJECTS

The Lead Member for Finance introduced the report that set out how adequate risk management was in place for RBWM as part of its major project governance arrangements. It included a briefing note summarising the proposed arrangements to ensure an effective model of project governance including risk management was in place.

The Panel were informed that there had been an ongoing issue with how Members could have an overview of larger projects and be satisfied that the project was proceeding along the lines of its objectives. This overview had been tricky with regards to larger projects that carried larger risks without the level of consistency that allowed Member overview.

The report presented to the Audit and Performance Review Panel would also be presented to Corporate Services Overview and Scrutiny Panel and was aimed at giving an overview of the proposed default approach to project governance. It was important that Members had an overview of project governance so that they could engage with it.

The Executive Director informed that although the paper gave an overview of project governance arrangements the discussion would move to Part II when considering examples as there were implications and references to specific teams.

Cllr Brimacombe mentioned that it was strange that there was no 'house style' towards project management as he thought that a central methodology for the Council had been introduced. He mentioned that at a recent meeting of the Employment Panel he had been informed that the Council would not be using Prince 2 yet the report mentioned the use of Prince 2 principals. Cllr Brimacombe also mentioned that there was no inclusion of core project tensions between parties but it did mention lesser points such as the use of spreadsheets.

Cllr Brimacombe felt that it was important to have project boards in place for accountability, there needed to be somewhere where issues could be escalated.

It was agreed to continue the discussion in Part II as there would be mention of specific teams.

## 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 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 7.00 pm, finished at 8.25 pm

CHAIRMAN.....

DATE.....

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## **The Royal Borough of Windsor & Maidenhead**

Preliminary planning report to the Audit and Performance Review  
Panel for the year ending 31 March 2019

Issued 4 February for the meeting on 12 February 2019

**Deloitte Confidential: Public Sector**

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# Introduction

## The key messages in this report:

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the statement of accounts.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

We were delighted to be appointed as the External Auditor for the Royal Borough of Windsor & Maidenhead ('the Authority') for the year-end 31 March 2019. Our first year audit planning procedures are in progress at the date of this report and therefore the matters set out within this document may be subject to change as we finalise those procedures. Where changes are made to this plan, we will report and discuss those with the Audit and Performance Review Panel at your next meeting and we will issue a separate audit plan in relation to the Authority's Pension Fund.

### **Scope of our work**

Our audit work will be undertaken under the requirements of the Code of Audit Practice ('the Code') and supporting guidance published by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General.

The Code sets the overall scope of the audit, requiring us to give an opinion on the statement of accounts of the Authority, including its pension fund, and a conclusion on the arrangements for value for money. The scope of our work is largely unchanged from the scope of work set for your auditor in the prior year.

For the pension fund specifically, our principal audit objective is to obtain sufficient, relevant and reliable audit evidence to enable us to express an opinion on the statutory accounts of the Fund prepared under the Code of Practice on Local Authority Accounting ("the Code") issued by CIPFA and LASAAC.

### **Progress of our audit planning procedures**

Our audit planning procedures are in progress. We have reviewed certain relevant documentation and held meetings with officers. However, further work is required to fully document our understanding of the Authority's systems, processes and controls, as well as further meetings with key officers, to enable us to finalise our risk assessment.

For the pension fund, our procedures to date have identified that, as of 1 June 2018, the Fund's investments are managed by the Local Pension Partnership Investments Ltd ("LPPI"). We are also aware that the investments of the Fund are in the process of transitioning to pooled arrangements within the LPP. We will factor this into our audit approach to understanding the investment valuation and reporting controls, and in our approach to testing the valuation of the investments.

At the date of this report we have not yet completed our handover with KPMG. As part of this hand over, we have requested to meet with KPMG and to review their prior year audit files. This meeting has been arranged for February 2019.

# Introduction

## The key messages in this report:

### **Key risks**

The Code requires that the auditor's work should be risk-based and proportionate. We tailor our work to reflect local circumstances and our assessment of risk. As noted above, this work is ongoing, however we have given an indication within this report of potential anticipated significant audit risks based on our procedures to date. We will update the Audit and Performance Review Panel once our risk assessment is finalised and if changes are made to this provisional assessment of risk.

Our description of the potential significant audit risks relevant to the statement of accounts are set out on pages 9 to 11.

### **Brexit**

The arrangements following the UK's exit from the EU are not yet clear. Our audit plan does not include any risks or procedures in respect of the impact upon the Authority, whether on Value-for-Money (VfM) arrangements, or more widely. We will update the Audit and Performance Review Panel if any risks are identified as the eventual circumstances of the UK's exit become clear.

# Our audit explained

## We tailor our audit to your Authority

### Identify changes in your business and environment

The Authority has a number of regeneration projects that are in progress during the 2018/19 financial period which has increased spend on capital programmes. This will also be the first financial period that the Authority will adopt both International Financial Reporting Standard 15 – Revenue and International Financial Reporting Standard 9 – Financial Instruments.

### Scoping

We anticipate our scope to be in line with the Code of Audit Practice issued by the NAO. More detail is given on the following page.

### In our final report

In our final report to you we will conclude on the significant risks identified in this paper, report to you our other findings, and detail those items we will be including in our audit report, including key audit matters if applicable.



### Determine materiality

We will determine our materiality level following completion of our audit planning procedures. We are currently considering applying an overall materiality level of between 1 and 2% of total assets of the Authority with lower materiality levels set for the Comprehensive Income and Expenditure Statement and the Housing Revenue Account based on 1 – 2% of gross expenditure. We are considering using 1% of Fund net assets as the benchmark for determining our materiality levels for the pension fund audit.

### Significant risk assessment

We have made a preliminary assessment of significant audit risks in relation to the Authority. More detail is given on pages 9 to 11.

### Quality and Independence

We confirm all Deloitte network firms and engagement team members are independent of The Royal Borough of Windsor & Maidenhead. We take our independence and the quality of the audit work we perform very seriously. Audit quality is our number one priority.

# Scope of work and approach

We have the following areas of responsibility under the Audit Code:

## Statement of accounts

We will conduct our audit in accordance with International Standards on Auditing (UK) ("ISA (UK)") as adopted by the UK Auditing Practices Board ("APB"), Code of Audit Practice and supporting guidance issued by the National Audit Office ("NAO"). The Authority will prepare its accounts under the Code of Practice on Local Authority Accounting ("the Code") issued by CIPFA and LASAAC.

The Authority prepares group as well as Authority only accounts which consolidate information for two associates (Optalis Limited - 45% interest; and Achieving for Children - 20% interest) on an equity basis.

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## Annual Governance Statement

We are required to consider whether there are any inconsistencies between the Annual Governance Statement and the financial statements and information that we are aware of from our work on the statement of accounts, VfM conclusion and other work.

We will also review any reports from relevant regulatory bodies and any related action plans developed by the Authority.

## Whole Government Accounts

We are required to issue a separate assurance report to the NAO on the Authority's separate return required for the purposes of its audit of the Whole of Government Accounts.

## Value for Money conclusion

We are required to satisfy ourselves that the Authority has made proper arrangements for securing financial resilience and economy, efficiency and effectiveness in its use of resources.

To perform this work, we are required to:

- plan our work based on consideration of the significant risks of giving a wrong conclusion; and
- carry out as much work as is appropriate to enable us to give a safe conclusion on the arrangements to secure VfM.

Our work therefore includes a detailed risk assessment based on the risk factors identified in the course of our audits. This is followed by specific work focussed on the risks identified.

We then provide a conclusion on these arrangements as part of our final reporting to you.



# Scope of work and approach

## Our approach

### **Liaison with internal audit**

The Auditing Standards Board's version of ISA (UK) 610 "Using the work of internal auditors" prohibits use of internal audit to provide "direct assistance" to the audit. Our approach to the use of the work of Internal Audit has been designed to be compatible with these requirements.

We will review their reports and meet with them to discuss their work. We will discuss the work plan for internal audit, and where they have identified significant control weaknesses, we will consider adjusting our testing so that the audit risk is covered by our work.

### **Approach to controls testing**

Our risk assessment procedures will include obtaining an understanding of controls considered to be 'relevant to the audit'. This involves evaluating the design of the controls and determining whether they have been implemented ("D & I").

The results of our work in obtaining an understanding of controls and any subsequent testing of the operational effectiveness of controls will be collated and the impact on the extent of substantive audit testing required will be considered.

### **Promoting high quality reporting to stakeholders**

We view the audit role as going beyond reactively checking compliance with requirements: we seek to provide advice on evolving good practice to promote high quality reporting.

We recommend the Authority complete the Code checklist during drafting of their statement of accounts.

We would welcome early discussion on the planned format of the statement of accounts, and whether there is scope for simplifying or streamline disclosures, as well as the opportunity to review a skeleton set of statement of accounts and early drafts of the narrative report and annual governance statement ahead of the typical reporting timetable to feedback any comments to officers.

# Continuous communication and reporting

## Planned timing of the audit

The following sets out the expected timing of our reporting to and communication with you as it relates to both the Authority and the pension fund:

Planning	Interim	Year end fieldwork	Reporting activities
<ul style="list-style-type: none"> <li>Planning meetings to inform risk assessment; and agree on key judgemental accounting issues.</li> <li>Update understanding of key changes to financial reporting.</li> <li>Review of key Authority documents including Cabinet, Council and Audit and Performance Review Panel minutes.</li> </ul>	<ul style="list-style-type: none"> <li>Document design and implementation of key controls and understanding of key business cycles.</li> <li>Substantive testing of limited areas including fixed asset additions, property valuations, expenditure, payroll and certain areas of income.</li> <li>Review of significant Authority contracts.</li> <li>Completion our value for money risk assessment.</li> </ul>	<ul style="list-style-type: none"> <li>Substantive audit procedures</li> <li>Update and finalisation of work in support of value for money responsibilities.</li> <li>Detailed review of statement of accounts.</li> <li>Review of final internal audit reports and opinion.</li> <li>Completion of testing on significant audit risks for both the Authority and the pension fund.</li> </ul>	<ul style="list-style-type: none"> <li>Year-end closing meetings for the Authority and the pension fund.</li> <li>Reporting of significant control deficiencies.</li> <li>Signing audit reports in respect of statement of accounts for the Authority and the pension fund.</li> <li>Issuing Annual Audit Letter</li> </ul>
2019 Preliminary Audit Planning Report	Updated Audit Planning Report to the Audit and Performance Review Panels	Final report to the Audit and Performance Review Panel	Any additional reporting as required
January - February 2019	April 2019	June - July 2019	July 2019

Ongoing communication and feedback

# Significant risks

## Our risk assessment process

### Introduction

We consider a number of factors when deciding on the significant audit risks. These factors include:

- Our audit planning procedures, which are in progress;
- the significant risks and uncertainties previously reported in the statement of accounts;
- the IAS 1 critical accounting estimates previously reported in the statement of accounts;
- our assessment of materiality; and
- the changes that have occurred in the Authority's operations and external environment since the last statement of accounts.



### Our provisional assessment of significant audit risks for the Authority's Operations and External Environment

Our risk assessment procedures are in progress and therefore our assessment of the significant audit risks may be subject to change.

- **Revenue recognition** - International Standards on Auditing set a rebuttable presumption of the risk of fraud in the recognition of revenue. Whilst our work in this area is on-going, we currently do not anticipate revenue recognition to be a significant risk for local authorities as there are limited opportunities to manipulate the way income is recognised. We therefore expect to rebut the presumption of this presumed significant risk. This is consistent with the approach adopted by your previous external auditor that this is not a significant risk.

- **Valuation of land and buildings** - The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. Valuation of properties can be complex, with small variances in assumptions having a large impact on asset values. There is also a risk that properties not valued in the year, or at the year-end, may have moved materially in value since their last valuation date. We therefore identify this as an area of significant risk of material misstatement.

To address this risk, we will use our internal valuation specialists, Deloitte Real Estate, to review and challenge the appropriateness of the assumptions and methodology used in the year-end valuation of the Authority's Land and Buildings.

We will test the design and implementation of controls in place over the property.

# Significant risks

## Our risk assessment process

- **Capital expenditure** - The capital plans for the Authority incorporate a number of large regeneration projects which extend from 2017/18 into 2018/19 and beyond (18/19 budget: £79.3m, 17/18 actual: £15.5m).

Determining whether or not expenditure should be capitalised can involve judgement. This is an area that has potential to be susceptible to misreporting fraud.

We will review the Authority's capital plans as part of the planning process and discuss with officers potential risks or issues identified.

We will test the design and implementation of controls around the capitalisation of costs and test spending on a sample basis to confirm that it complies with relevant accounting requirements.

We will select a sample of additions in the year to test whether they have been appropriately capitalised in accordance with the accounting requirements.

- **Management override of controls**

In accordance with ISA 240 (UK) management override is always a significant risk. Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent statement of accounts by overriding controls that otherwise appear to be operating effectively.

In considering the risk of management override, we plan to perform the following audit procedures that directly address this risk:

- We will risk assess journals and select items for detailed follow up testing. The journal entries will be selected using computer-assisted profiling based on areas which we consider to be of increased interest.

- **Management override of controls (continued)**

- We will test the appropriateness of journal entries recorded in the general ledger, and other adjustments made in the preparation of financial reporting.
- We will review accounting estimates for biases that could result in material misstatements due to fraud.
- We will obtain an understanding of the business rationale of significant transactions that we become aware of that are outside of the normal course of business for the entity, or that otherwise appear to be unusual, given our understanding of the entity and its environment.

In assessing the risk of management override, we will:

- assess the overall position taken in respect of key judgements and estimates; and
- consider our view on the overall control environment and 'tone at the top'.

# Significant risks

## Our risk assessment process

### **Our provisional assessment of significant audit risks for the Authority's Pension Fund**

As we continue to accumulate knowledge of the Fund we have created our provisional risk assessment to reflect those areas which we believe have a greater chance of leading to material misstatement of the financial statements.

At this stage in planning, the significant audit risk will be management override of controls. Auditing Standards require us to assume that management override of controls is a significant risk for all our audits.

Auditing Standards also require us to assume that revenue recognition is a significant risk. We would expect to rebut the revenue recognition risk within the Fund as we consider that there is little incentive or opportunity for revenue (including investment income, transfers and contributions) to be fraudulently misstated and therefore there is limited risk of material misstatement arising due to fraud. This is consistent with our approach to all pension scheme audits.

We will report to you on any other significant risks identified in our final planning report.

# Purpose of our report and responsibility statement

## Our report is designed to help you meet your governance duties

### What we report

Our respective responsibilities are set out in "PSAA Statement of responsibilities of auditors and audited bodies: Principal Local Authorities and Police Bodies." The responsibilities of auditors are derived from statute, principally the Local Audit and Accountability Act 2014 and from the NAO Code of Audit Practice. The responsibilities of audited bodies are derived principally the Local Audit and Accountability Act 2014 and from the Accounts and Audit Regulations 2015.

Our report is designed to communicate our preliminary audit plan and to take the opportunity to ask you questions at the planning stage of our audit. Our report includes our preliminary audit plan, including key audit judgements and the planned scope.

### Use of this report

This report has been prepared for the Audit and Performance Review Panel, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

### What we don't report

As you will be aware, our audit is not designed to identify all matters that may be relevant to the Authority.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by officers or by other specialist advisers.

Finally, the views on internal controls and business risk assessment in our final report should not be taken as comprehensive or as an opinion on effectiveness since they will be based solely on the audit procedures performed in the audit of the statement of accounts and the other procedures performed in fulfilling our audit plan.

### Other relevant communications

We will update you if there are any significant changes to the audit plan.

**Deloitte LLP**

St Albans | 4 February 2019

# Appendix 1 - Fraud responsibilities and representations

## Responsibilities explained



### Your Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with officers and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.



### Our responsibilities:

- We are required to obtain representations from your officers regarding internal controls, assessment of risk and any known or suspected fraud or misstatement.
- As auditors, we obtain reasonable, but not absolute, assurance that the statement of accounts as a whole are free from material misstatement, whether caused by fraud or error.
- As set out in the significant risks section of this document, we have identified the risk of valuation of land and buildings, capital expenditure and management override of controls as key audit risks for your organisation.

### Fraud Characteristics:

- Misstatements in the statement of accounts can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the statement of accounts is intentional or unintentional.
- Two types of intentional misstatements are relevant to us as auditors – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets.



### We will request the following to be stated in the representation letter:

- We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
- We have disclosed to you the results of our assessment of the risk that the statement of accounts may be materially misstated as a result of fraud.
- We are not aware of any fraud or suspected fraud / We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity or group and involves:
  - (i) officers;
  - (ii) officers who have significant roles in internal control; or
  - (iii) others where the fraud could have a material effect on the statement of accounts.
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's statement of accounts communicated by officers, former officers, analysts, regulators or others.

# Appendix 1 - Fraud responsibilities and representations

## Inquiries

We will make the following inquiries regarding fraud:



### **Officers:**

- Officers assessment of the risk that the statement of accounts may be materially misstated due to fraud, including the nature, extent and frequency of such assessments.
- Officers process for identifying and responding to the risks of fraud in the entity.
- Officers communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud in the entity.
- Officers communication, if any, to employees regarding its views on business practices and ethical behaviour.
- Whether officers have knowledge of any actual, suspected or alleged fraud affecting the entity.
- We plan to involve officers from outside the finance function in our inquiries.



### **Internal audit**

- Whether internal audit has knowledge of any actual, suspected or alleged fraud affecting the entity, and to obtain its views about the risks of fraud.

### **Those charged with governance**



- How those charged with governance exercise oversight of officers processes for identifying and responding to the risks of fraud in the entity and the internal control that officers have established to mitigate these risks.
- Whether those charged with governance have knowledge of any actual, suspected or alleged fraud affecting the entity.
- The views of those charged with governance on the most significant fraud risk factors affecting the entity.



# Appendix 2 - Independence and fees

## Independence

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

Independence confirmation	We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the Authority and will reconfirm our independence and objectivity to the Audit and Performance Review Panel for the year ending 31 March 2019 in our final report to the Audit and Performance Review Panel.
Non-audit fees	There are no non-audit fees other than the £14.5k Housing Benefit work, which is required to be performed by ourselves.
Independence monitoring	We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.
Relationships	We have no other relationships with the Authority, its members, officers and affiliates, and have not supplied any services to other known connected parties.

## Appendix 2 - Fees

The professional fees expected to be charged by Deloitte in the period from 1 April 2018 to 31 March 2019 are as follows:

	Current year £'000
Financial statement audit including Whole of Government and procedures in respect of Value for Money assessment	63.0
Audit of pension fund	19.1
<b>Total audit</b>	<b>82.1</b>
Other assurance services – Housing Benefit work	14.5
<b>Total fees</b>	<b>96.6</b>

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Report Title:	2018-19 Audit and Investigation Interim Report (1 April 2018 – 31 December 2018) and 2018/19 Revised Internal Audit Charter
Contains Confidential or Exempt Information?	NO - Part I
Member reporting:	Councillor Sayonara Luxton
Meeting and Date:	Audit and Performance Review Panel – 12 February 2019
Responsible Officer(s):	Rob Stubbs, Deputy Director and Head of Finance
Wards affected:	All

www.rbwm.gov.uk



## REPORT SUMMARY

1. This report summarises the Shared Audit and Investigation Service (SAIS) activity, including progress in achieving the 2018/19 Internal Audit and Investigation Plan, during the first nine months of 2018/19 to 31 December 2018. This report will complement the 2018/19 Annual Audit and Investigation Report that will be presented to the Audit & Performance Review Panel (A&PRP) in June 2019.
2. It recommends that Members note the activity of the SAIS during the first nine months of the 2018/19 financial year and the outcome of the audit reviews and investigations undertaken.
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 (ToR) and the Council's Anti Fraud and Anti Corruption Strategy.
4. As part of the effectiveness of internal audit external review conducted by the Chartered Institute of Public Finance and Accountancy (CIPFA) there were actions identified in relation to amending the Internal Audit Charter to bring it in line with the CIPFA/IIA Public Sector Internal Audit Standards (PSIAS) that were revised in 2017. The changes are tracked in the document and include minor changes and formatting alterations but the main areas changed are as follows:

(R1) Para 5 – Addition of the Shared Audit and Investigation Service (SAIS) Mission Statement as required by the revised (2017) PSIAS, which conforms to the specific wording of the PSIAS.

(S2) Para 5 – Clarification into the Audit Charter that the Assistant Director, Governance, Wokingham Borough Council performs the function of the Chief Audit Executive for the two Councils of the Shared Service.

(R2) Para 18 – Inclusion of reference to the core principles of internal audit plus the other mandatory guidance along with replacing the generic term 'board' with the Audit and Performance Review Panel.

Appendix B shows the Audit Charter with tracked changes. Appendix C presents a clean copy of the Audit Charter after changes have been made.

**Key:-**

R – PSIAS Recommendation

S – PSIAS Suggestion

5. If adopted, the key financial implications for the Council are contributing revenue costs to the SAIS.

**1. DETAILS OF RECOMMENDATION(S)**

**RECOMMENDATION:** That the Audit and Performance Review Panel notes the report and:

- i) Notes the Shared Audit and Investigation Service activity for the nine months ending 31 December 2018**
- ii) Approves the 2018/19 Audit Charter**

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

- 2.1 The Accounts and Audit Regulations 2015 require that every local authority undertakes an effective internal audit of their risk management, internal control and governance processes.
- 2.2 In addition, the Council's Chief Financial Officer (Deputy Director and Head of Finance) has a statutory duty under Section 151 of the Local Government Act 1972 to establish a clear framework for the proper administration of the authority's financial affairs. To perform that duty, the Section 151 Officer relies, amongst other things, upon the work of Internal Audit in reviewing the operation of systems of internal control and financial management. The SAIS carries out the work required to satisfy this legislative requirement and reports its findings and conclusions to the A&PRP.
- 2.3 The aim of the report attached at Appendix A and the supporting Appendix A(I) is to cover these legislative requirements and it also provides a summary of the Council's investigation activities, as required to be reported on a half yearly and annual basis to the A&PRP in accordance with the Council's Anti Fraud and Anti Corruption Strategy.
- 2.4 The 2018/19 Internal Audit and Investigation Plan was approved by the A&PRP on 26 February 2018. The emphasis on developing the Internal Audit Plan was based on mandatory and legislative requirements and the risks set out in the Corporate Risk Register (CRR) and it is clearly targeted at assisting the Council in achieving its key objectives.

- 2.5 Whilst a number of audit reviews are effectively considered as mandatory (key financial systems, particularly high risk items etc), others enter or leave the Audit Plan based on the CRR uncontrolled risk rating and the views of officers and Members. As such, the Plan is fluid and is regularly realigned to accommodate changes to the CRR, thereby ensuring that it remains current and focussed on the key risks affecting the Council. Audits programmed for the remainder of the financial year, after realignment are listed within the attached report as Appendix A(I)
- 2.6 This recommendation is being made to ensure that industry best practice for the Shared Audit and Investigation Service (SAIS) is being followed.
- 2.7 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 PSIAS. This is approved annually and is attached at Appendix B (with tracked changes) and Appendix C (clean copy).
- 2.8 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 Assistant Director, Governance, Wokingham Borough Council) must periodically review the Internal Audit Charter and present it to senior management and the Board (A&PRP) for approval.
- 2.9 The Internal Audit Charter establishes the internal audit activity's position within the organisation, including the nature of the Assistant Director, Governance, Wokingham Borough Council's functional reporting relationship with the A&PRP; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

**Table 1: Options**

<b>Option</b>	<b>Comments</b>
Accept the attached report and supporting appendices and note the activity of the SAIS during the first nine months of the financial year.	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 ToR and also the requirements of the Council's Anti Fraud and Anti Corruption Strategy.
Approve the 2018/19 Internal Audit Charter	This will ensure that the SAIS is complying with industry best practice as detailed in the PSIAS.
<b>Recommended</b>	

Option	Comments
Accept this report with amendments.	<p>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.</p> <p>This may mean that the SAIS may not be complying with industry best practice as stated in the PSIAS.</p>
Not approve this report.	<p>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.</p> <p>It may result in a qualification in the External Auditors' Annual Management Letter.</p> <p>The SAIS will not be complying with industry best practice as detailed in the PSIAS.</p>

### 3. KEY IMPLICATIONS

**Table 2: Key Implications**

Outcome	Unmet	Met	Exceeded	Significantly Exceeded	Date of delivery
SAIS work is effective and is on track to achieve the 2018/19 Internal Audit and Investigation Plan, approved by A&PRP on 26 February 2018. In addition, the Panel is complying with the requirements of its ToR and the requirements of the Council's Anti Fraud and Anti Corruption Strategy.	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 system of internal control. A&PRP discharges its responsibilities.	n/a	n/a	Ongoing



<b>Outcome</b>	<b>Unmet</b>	<b>Met</b>	<b>Exceeded</b>	<b>Significantly Exceeded</b>	<b>Date of delivery</b>
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	Ongoing
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 or fraud.	Loss of residents' confidence, Council assets and interests may not be safeguarded and the Council's reputation may be affected if there are not effective Internal Audit and Investigation functions.	Gain residents confidence, Council assets and interests are safeguarded and the Council's reputation is protected as Council provides an effective Internal Audit and Investigation functions.	n/a	n/a	Ongoing
External Audit fee kept to a minimum.	Increase in the External Audit fee arising from them being required to undertake additional audit work by not being able to place reliance on the work of Internal Audit.	External Audit relies on the work of Internal Audit keeping the External Audit fee to a minimum.	n/a	n/a	Ongoing
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 2018

#### **4. FINANCIAL DETAILS / VALUE FOR MONEY**

##### **4.1 a) Financial impact on the budget**

Revenue – Officer time in dealing with the SAIS  
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 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**

**Table 3: Impact of risk and mitigation**

<b>Risks</b>	<b>Uncontrolled risk</b>	<b>Controls</b>	<b>Controlled risk</b>
1. Failure of the Council to adequately plan and undertake audit reviews leading to failure to meet its statutory requirements. Without an adequate internal audit function, 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	Ensure and demonstrate an adequate internal audit function.  Provide a regular written progress report on the work of internal audit to those charged with governance for endorsement.	Low

<b>Risks</b>	<b>Uncontrolled risk</b>	<b>Controls</b>	<b>Controlled risk</b>
2. Failure to provide assurance that the work of the Internal Audit function properly supports the governance framework, the content of the Annual Governance Statement 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 Annual Governance Statement.  Sufficient Internal Audit coverage for External Audit to be able to place reliance on the work.	Low
3. 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

## **7. POTENTIAL IMPACTS**

7.1 None.

## **8. CONSULTATION**

8.1 Consultations were undertaken with both internal stakeholders (Members of the A&PRP, Corporate Leadership, S151 Officer, Directorate Management Teams, Insurance and Risk Manager) and the key external stakeholder of External Audit, KPMG in preparing the 2018/19 Internal Audit and Investigation Plan.

- 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.
- 8.3 Consultation in respect of investigations work is as set down in the Council's Anti Fraud and Anti Corruption Strategy.

## **9. TIMETABLE FOR IMPLEMENTATION**

- 9.1 The full implementation stages are set out in Table 4.

**Table 4: Implementation timetable**

<b>Date</b>	<b>Details</b>
31 March 2019	2018/19 Internal Audit and Investigation Plan
1 April 2018	2018/19 Internal Audit Charter

## **10. APPENDICES**

- 10.1 This report is supported by 4 appendices:
- Appendix A – 2018/19 Audit and Investigation Interim Progress Report (to 31 December 2018)
  - Appendix A(I) – 2018/19 Internal Audit Plan Status (1 April 2018 – 31 December 2018)
  - Appendix B – 2018/19 Internal Audit Charter (with tracked changes)
  - Appendix C – 2018/19 Internal Audit Charter (clean copy)

## **11. BACKGROUND DOCUMENTS**

- 11.1 This report is supported by 3 background documents:
- 2018/19 Audit and Investigation Plan
  - Anti Fraud and Anti Corruption Strategy
  - CIPFA/IIA Public Sector Internal Audit Standards

## 12. CONSULTATION (MANDATORY)

<b>Name of consultee</b>	<b>Post held</b>	<b>Date sent</b>	<b>Date returned</b>
Cllr Sayonara Luxton	Chair of the Audit and Performance Review Panel		
Russell O'Keefe	Acting Managing Director	25/01/19	30/01/19
Rob Stubbs	Section 151 Officer	25/01/19	30/01/19
Elaine Browne	Interim Head of Law and Governance	25/01/19	30/01/19
Nikki Craig	Head of HR and Corporate Projects	25/01/19	30/01/19
Louisa Dean	Communications	25/01/19	30/01/19
Andy Jeffs	Executive Director	25/01/19	30/01/19
Kevin McDaniel	Director of Children's Services	25/01/19	30/01/19
Angela Morris	Director of Adult Social Services	25/01/19	30/01/19
Hilary Hall	Deputy Director of Commissioning and Strategy	25/01/19	30/01/19

## REPORT HISTORY

<b>Decision type:</b> Non-key decision	<b>Urgency item</b> No
Report Author: Catherine Hickman, Lead Specialist, Audit and Investigation	

Shared Audit and Investigation Service  
Royal Borough of Windsor and Maidenhead Performance Report

2018/19 Audit and Investigation Interim Progress Report  
(1 April 2018 to 31 December 2018)

## **1. INTRODUCTION**

- 1.1 This report summarises the work of the Shared Audit and Investigation Service from 1 April 2018 to 31 December 2018. There are three key areas of the services work; Internal Audit, Governance and Investigations.
- 1.2 Internal audit is a statutory function under the Accounts and Audit Regulations 2015 and it 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.
- 1.3 Investigation work involves the proactive prevention, detection and investigation of fraud, corruption and wrong-doing. The main focus of this activity is financial fraud committed against the council. However, the team can use their skills in other relevant cases i.e. disciplinary investigations.
- 1.4 The Lead Specialist, Audit and Investigation, Shared Audit and Investigation Service under the Regulation of Investigatory Powers Act 2000 (RIPA) is the Council's RIPA Co-Ordinating Officer responsible for oversight and control over RIPA applications. RIPA regulates the ways that government bodies, including the police, are allowed to carry out surveillance, which includes accessing any communications data, listening to phone calls, following people, taking photographs and intercepting e-mails.

## **2. INTERNAL AUDIT**

- 2.1 Performance against the Internal Audit and Investigation Plan to 31 December 2018 is as follows;
  - Appendix A (I) presents progress made against the 2018/19 Internal Audit and Investigation Plan between 1 April 2018 to 31 December 2018.
  - The Management Action Plan for those audits with a second category audit opinion have moderate impact concerns (in accordance with the approved Risk Management Strategy Framework) which prevented them from obtaining a first

category overall opinion. Managers are therefore aware of the concerns that need to be addressed to obtain a first category opinion.

- Delivery of the Audit Plan has been affected by sickness within the team. The Deputy Director and Head of Finance and the Lead Specialist, Shared Audit and Investigation Service have reviewed audits and, where appropriate, have agreed to defer those into the 2019/20 financial year.

2.2 Table 1 below summarises the audit opinions awarded for those audits finalised in the year 2018/19 to date. It is pleasing to note that two audits achieved the highest category of audit opinion.

**Table 1 : Summary of audit opinions awarded**

Overall Opinion	No of Audits
1	2
2	7
3	3
4	0
<b>Total</b>	<b>12</b>

2.3 There are three audit reviews receiving the third category of audit opinion and none in the fourth category of audit opinion (as shown in Appendix A (I) – Legend Section) that have been completed to Final Report stage since the Annual Report submitted to the Audit and Performance Review Panel on 12 June 2018 that were completed in the 2018/19 financial year. A summary of the audit reviews receiving the third category are as follows;

#### 2017/2018 Business Continuity and Emergency Planning

It is encouraging to note the significant progress made with regard to Emergency Planning including procuring the services of an Emergency Planning Officer to oversee the improvements and to ensure that the requirements of the Civil Contingencies Act 2004 are met. For example, there are governance documents for Emergency Planning that are either being or have been recently updated. In contrast, there are opportunities for improvement in the area of Business Continuity governance and operations.

### 2017/2018 Flooding

At the time of the audit, flood prevention works had been delayed and there was a risk that capital funds may not be being used efficiently for flood prevention projects. There was poor progress of gully cleansing by the contractor in the first nine months of their contract, which may result in future flood issues.

Management have responded with actions taken and these will be tested in the 2019/20 audit.

### 2018/19 Shared Building Services (Follow up) – Hosted by Wokingham Borough Council

The direction of travel of the Shared Building Service is positive, and in view of the current and future changes, it is progressing clearly towards a position where controls are substantially complete and generally effective.

The Term Contracts have been tendered and let, and a new cloud-based system is bedding-in to more effectively manage works and payments. The tender process for the service contracts is to commence in 2018-19 Quarter 4, for which some of the original risks remain in the interim and these will be re-visited in detail as part of the 2019/20 Internal Audit review.

2.4 Contingency work has been undertaken in the following areas;

- Grants including Troubled Families, Local Transport, Disabled Facilities and Local Enterprise Partnership.
- Procurement Cards (process and spot checks)

### **Outstanding management responses**

2.5 The only outstanding management responses to audit reports are in relation to the Commercial Properties review. Management responsibility changed for this service just after the issue of the draft report and additional time for a response has been allowed.



### 3. CORPORATE INVESTIGATIONS

- 3.1 The work undertaken by the Shared Service for RBWM has included re-active investigations as well as developing pro-active fraud drives.

Table 1 – Financial results: Identified Losses to 31 December 2018

Area of work	Value (£'s)	Comments
Business Rates Relief/Exemption	215,862	Proactive work to identify property occupation and rate reviews
Council Tax - discount/exemption (Single Person Discount)	11,470	Fraudulent applications for discount/exemption
School investigation	25,598	
<b>Total</b>	<b>252,930</b>	

Note: The results of the Business Rates and Council Tax discount/exemption (Single Person Discount) proactive exercises are as a result of joint working with the RBWM Revenues and Benefits Section.

- 3.2 Work has been undertaken during the year to investigate Council Tax Empty Property Relief, the results of which are currently being calculated. It should be noted that the properties identified in the Council Tax Empty Property Relief exercise as occupied that were previously shown as unoccupied feed in to the New Homes Bonus Scheme formula.
- 3.3 The funds identified at the school totaled £25,598 and this included £19,299 found as part of the investigation and £8,185 repaid to the school.

### 4. REGULATION OF INVESTIGATORY POWERS ACT

- 4.1 No investigation cases have been undertaken during the first nine months of 2018/19 that have required RIPA surveillance approval to be requested.

## **5. CIPFA/IIA PUBLIC SECTOR INTERNAL AUDIT STANDARDS (PSIAS)**

- 5.1 The Audit and Performance Review Panel should note that progress against the recommendations and suggestions is continuing. A revised Internal Audit Charter has been prepared and changes are tracked at Appendix B and Appendix C shows a clean version of the Charter. Updates on progress will be reported to future meetings of the Audit and Performance Review Panel.

**2018/19 Royal Borough of Windsor and Maidenhead Internal Audit Plan Status  
(as at 31 December 2018)**

AUDIT TITLE	DIRECTORATE	STATUS	FINAL AUDIT REPORT OPINION
<b>Key Financial Systems</b>			
Capital Programme Accounting and Expenditure Monitoring	People	WIP	
Cash and Banking Arrangements	People	WIP	
Cash and Bank Reconciliation	People	WIP	
Creditors	People	WIP	
Debtors	People	WIP	
Pensions	People	WIP	
Treasury Management	People	WIP	
<b>Governance Building Blocks</b>			
Risk Management	Cross Cutting	FINAL	2
<b>Key Strategic Risks</b>			
Loss of confidential or sensitive data (IT audit) – Cyber Security	People	DRAFT	
<b>Key Operational Risks</b>			
Community Protection and Security	Communities	FINAL	2
Appointeeship and Deputyship follow up	Communities	WIP	
Homelessness	People	WIP	
<b>Auditor Judgement</b>			
Furze Platt Junior School	Managing Director	DRAFT	
Manor Green School	Managing Director	DRAFT	
Optalis	Managing Director	WIP	
Commercial Properties	People	DRAFT	
<b>Servicing the Business</b>			
Grant Claims – including Local Enterprise Partnership and Troubled Families			C
<b>Consultancy</b>			
Procurement Cards (process and spot checks)			
<b>Certifications</b>			
IG Toolkit	Communities		E
Bus Subsidy Grant	Communities		E
Troubled Families Grant	Managing Director		E
Local Growth Fund Payment Grant	People		E

<b>2017/18 Audits</b>			
<b>Key Financial Systems</b>			
Council Tax	Communities	FINAL	1
NNDR	Communities	FINAL	2
Payroll	Managing Director	FINAL	2
Cash and Bank Reconciliation	Place	FINAL	2
Pensions Payroll and Administration	Place	FINAL	1
<b>Governance Building Blocks</b>			
Financial Management	Place	FINAL	2
<b>Key Strategic Risks</b>			
Business Continuity and Emergency Planning	Communities	FINAL	3
Risk of significant fine & reputational damage due to loss of confidential/sensitive data	Place	FINAL	3
<b>Key Operational Risks</b>			
Flooding	Communities	FINAL	3
Highways and Winter Maintenance	Communities	FINAL	2
<b>Auditor Judgement</b>			
RBWM Commercial Services Ltd	Place	DRAFT	
Shared Building Services	Place	FINAL	3

#### **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 process 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.

# Royal Borough of Windsor & Maidenhead

## INTERNAL AUDIT CHARTER

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

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

## INTERNAL AUDIT CHARTER

### Introduction

1. The purpose of this Audit Charter is to set out the Terms of Reference for the provision of the Internal Audit Service within Royal Borough of Windsor and Maidenhead. The Charter is reviewed on an annual basis to ensure that current needs are met. The Charter demonstrates how the Internal Audit Service complies with the Public Sector Internal Audit Standards (PSIAS), which came into effect in April 2013 and revised in April 2017<sup>6</sup>.

### Authority

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

### Definition of Internal Auditing

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

### Mission Statement

5. The purpose of the Shared Audit and Investigation Service (SAIS) is to provide independent, objective assurance and consulting services designed to add value and improve RBWM's operations. The mission of internal audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight. The Shared Audit and Investigation Service helps RBWM's accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes. The role of the Chief Audit Executive (CAE) is performed by the Assistant Director, Governance, Wokingham Borough Council.

### Role, Purpose and Function

5. ~~The Internal Audit Service is delivered by the Shared Audit and Investigation Service (SAIS), a Shared Service between Wokingham Borough Council (WBC) and the Royal Borough of Windsor and Maidenhead (RBWM), hosted by WBC. The role of the Chief Audit Executive (CAE) is performed by the Service Manager, SAIS.~~

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6. The Internal Audit Service provides:-

- Senior Management and the Board (the Audit & Performance Review Panel) with assurances on the adequacy of control within the Council's systems and activities.
- the S151 Officer with the assurances required to discharge their statutory responsibilities.
- a service to monitor the efficient and effective delivery of the Council's objectives.
- evidence regarding compliance with the Council's Constitution, Corporate procedures and the Council's policies and objectives.

7. The existence of Internal Audit does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner.

8. For the purposes of clarification, Senior Management is defined as those posts that are within the organisation at Head of Service level and above.

9. The **Audit and Performance Review Panel** is the highest level of governing body charged with the responsibility to direct and/or oversee the activities and management of the organisation.

#### **Independence**

10. The main determinant of the effectiveness of Internal Audit is that it is seen to be independent. To ensure this, Internal Audit operates within a framework that allows:-

- unrestricted access to the Head of Paid Service and Senior Management.
- unrestricted access to the Chair of the Audit and Performance Review Panel and other Council Members.
- segregation from operations.

11. Every effort is made to preserve objectivity by ensuring that all audit members of staff are free from any conflicts of interest with regard to both audit and non-audit activities.

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#### **Objectives of Internal Audit**

12. As an independent appraisal function within the Council, the primary objective of Internal Audit is to review, appraise and report upon the adequacy of internal controls as a contribution to the proper, economic, efficient and effective use of resources. In addition, the other objectives of the function are to:

- Ensure compliance with the Accounts and Audit Regulations 2015.
- Deliver an annual internal audit opinion on the strength of the Council's governance arrangements and control environment to support the Council's review of the effectiveness of internal control and the production of the Annual Governance Statement (AGS).
- Support managers with the management of risk including: -
  - In the delivery of services
  - Protection of assets from loss
  - Maintaining the reputation of the Council
  - Protecting the organisation from litigation

- Meeting statutory obligations
- Meeting corporate objectives
- Being aware of environmental implications
- Being alert to the risk of fraud or irregularity
- Contingency planning
- Provide managers with support and advice to encourage consultation and the adoption of best practice.
- Perform testing of key systems to inform the work of the External Auditors.
- Undertake projects to meet the current concerns of the Audit and Performance Review Panel, Head of Paid Service, Strategic Directors, Heads of Service, the Section 151 Officer and Monitoring Officer.
- Undertake an annual review of the effectiveness of the Council's system of internal audit, required under the PSIAS. The Assistant Director, Governance, Wokingham Borough Council~~Service Manager, S&S~~ arranges this work and the outcomes are presented to the Audit and Performance Review Panel.
- Assist management with the provision of consultancy work where appropriate, e.g. in the preparation for inspections, to implement best practice.

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

#### Scope of Internal Audit

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

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## Professional Standards and Ethics

17. The Assistant Director, Governance, Wokingham Borough Council~~Service Manager, SAIS~~ has adopted the mandatory PSIAS which applies the IIA International Standards to the UK Public Sector. The objectives of these Standards are to;
- Define the nature of internal auditing within the UK public sector.
  - Set basic principles for carrying out internal audit in the UK public sector.
  - Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations, and
  - Establish the basis for the evaluation of internal audit performance and to drive improvement planning.
  - Ensure that the core principles for the Professional Practice of Internal Auditing are present and operating effectively.
18. All Internal Auditors will endeavour to conform ~~with~~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 Standards of Public Life's *Seven Principles of Public Life* ("Nolan Principles").
19. Instances of non-conformance to the PSIAS will be reported to the ~~Board~~ (Audit and Performance Review Panel). More significant deviations will be considered for inclusion in the AGS.
20. Any offers of gifts or hospitality will be reported to the Assistant Director, Governance, Wokingham Borough Council~~Service Manager, SAIS~~ and an appropriate record made in accordance with the Council's gift and hospitality policy. Auditors must avoid the perception of any impairment to their objectivity and independence.

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## Responsibility

21. Internal Audit has no executive responsibility for the Council's systems of internal control other than an appraisal of their effectiveness with regard to Council objectives.
22. Internal Audit is not an extension of, or a substitute for, the functions of management. Responsibility for internal control rests fully with managers, who should ensure that arrangements are appropriate and adequate. It is for management to address Internal Audit concerns or to accept the risk resulting from not taking action. However, it is the SAIS's responsibility to consider taking matters to higher levels of management or to Council Members if it is felt that the risk should not (or need not) be borne.
23. The internal auditor should have regard to the possibility of such malpractice and should seek to identify serious defects in internal control, which might permit the occurrence of such an event.
24. An internal auditor who discovers evidence of, or suspects, malpractice should report, through the Assistant Director, Governance, Wokingham Borough Council~~Service Manager, SAIS~~, firm evidence, or reasonable suspicions, to the appropriate level of management. It is a management responsibility to determine what further action to take.
25. The Assistant Director, Governance, Wokingham Borough Council~~Service Manager, SAIS~~, will use information from fraud activities to inform the annual audit opinion and the risk-based plan.

26. The Assistant Director, Governance, Wokingham Borough Council, Service Manager, SAIS will manage any conflict of interest from non-audit activities and details of these will be provided to the Audit and Performance Review Panel. This includes any advisory and non-audit services that the SAIS provides to management.

#### **Audit Style and Content**

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

#### **Audit Resources and Training**

29. Internal Audit resource will be determined by the Audit and Performance Review Panel in consultation with the S151 Officer in order to enable him to discharge his statutory duties and will reflect the corporate needs of the Council. Resources will also reflect requirements needed to allow the S151 Officer to discharge his obligations. The Assistant Director, Governance, Wokingham Borough Service Manager, SAIS must ~~Council must~~ ensure that the internal audit function has appropriate resources in order to meet its objectives and to comply with the PSIAS.
30. The staffing structure of the Service will comprise of suitably qualified posts with a mix of professional specialisms and skills to reflect the varied functions of the Service and the need to evaluate the efficiency and effectiveness of the complex range of processes undertaken by RBWM. The Assistant Director, Governance, Wokingham Borough Council~~Service Manager, SAIS~~ will arrange, as and when necessary and/or if such specialisms cannot be provided in-house, for such expertise to be provided by external providers.

31. The ~~Assistant Director, Governance, Wokingham Borough Council~~Service Manager, SAIS will carry out a continuous review of the development and training needs of all audit personnel and will arrange appropriate in-service training. Internal Auditors have a personal responsibility to undertake a programme of continuing professional development (CPD) to maintain and develop their competence.

32. ~~All~~ Internal Audit staff will receive an annual appraisal.

#### **Audit Reporting**

33. ~~The Service Manager, SAIS reports operationally to the Head of Finance and Deputy Director of Corporate and Community Services who is a member of the Council's Corporate Management Team (CMT).~~ The Head of Paid Service reviews the performance appraisal of the Assistant Director, Governance, Wokingham Borough Council~~Service Manager, SAIS~~. Feedback is sought from the Chair of the Audit and Performance Review Panel on the performance of the Assistant Director, Governance, Wokingham Borough Council~~Service Manager, SAIS~~.

34. Timely reporting is a key part of Internal Audit and reporting takes place: -

- a. To the responsible ~~Executive~~Strategic Director, Head of Service/~~Head Teacher and Service Manager/Head Teacher~~ at the conclusion of each audit review setting out an overall opinion and the main concerns.
- b. To the Managing Director and External Audit at the conclusion of each audit review (School's audits are issued to the Chair of Governors).
- c. To the Audit and Performance Review Panel on a six monthly and annual basis, reporting progress against the Audit Plan, summarising the outcome of audit reviews, highlighting where management have not responded to audit concerns, identify the progress made by management in implementing the treatment of concerns and to emphasise any other key issues.
- d. The annual report to the Audit and Performance Review Panel will also include an overall opinion on the strength of the governance arrangements and control environment (which will also contribute towards the production of the AGS) and an assessment of the system of internal control, as required by the Accounts and Audit Regulations 2015.

# Royal Borough of Windsor & Maidenhead

## INTERNAL AUDIT CHARTER

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

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

# **INTERNAL AUDIT CHARTER**

## **Introduction**

1. The purpose of this Audit Charter is to set out the Terms of Reference for the provision of the Internal Audit Service within Royal Borough of Windsor and Maidenhead. The Charter is reviewed on an annual basis to ensure that current needs are met. The Charter demonstrates how the Internal Audit Service complies with the Public Sector Internal Audit Standards (PSIAS), which came into effect in April 2013 and revised in April 2017.

## **Authority**

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

## **Definition of Internal Auditing**

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

## **Mission Statement**

5. The purpose of the Shared Audit and Investigation Service (SAIS) is to provide independent, objective assurance and consulting services designed to add value and improve RBWM's operations. The mission of internal audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight. The Shared Audit and Investigation Service helps RBWM's accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes. The role of the Chief Audit Executive (CAE) is performed by the Assistant Director, Governance, Wokingham Borough Council.

## **Role, Purpose and Function**

6. The Internal Audit Service provides:-
  - Senior Management and the Board (the Audit & Performance Review Panel) with assurances on the adequacy of control within the Council's systems and activities.
  - the S151 Officer with the assurances required to discharge their statutory responsibilities.
  - a service to monitor the efficient and effective delivery of the Council's objectives.
  - evidence regarding compliance with the Council's Constitution, Corporate procedures and the Council's policies and objectives.

7. The existence of Internal Audit does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner.
8. For the purposes of clarification, Senior Management is defined as those posts that are within the organisation at Head of Service level and above.
9. The Audit and Performance Review Panel is the highest level of governing body charged with the responsibility to direct and/or oversee the activities and management of the organisation.

### **Independence**

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

### **Objectives of Internal Audit**

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

Council arranges this work and the outcomes are presented to the Audit and Performance Review Panel.

- Assist management with the provision of consultancy work where appropriate, e.g. in the preparation for inspections, to implement best practice.

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

### **Scope of Internal Audit**

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

## **Professional Standards and Ethics**

17. The Assistant Director, Governance, Wokingham Borough Council has adopted the mandatory PSIAS which applies the IIA International Standards to the UK Public Sector. The objectives of these Standards are to;
  - Define the nature of internal auditing within the UK public sector.
  - Set basic principles for carrying out internal audit in the UK public sector.
  - Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations, and
  - Establish the basis for the evaluation of internal audit performance and to drive improvement planning.
  - Ensure that the core principles for the Professional Practice of Internal Auditing are present and operating effectively.
18. All Internal Auditors will endeavour to 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 Standards of Public Life's *Seven Principles of Public Life* ("Nolan Principles").
19. Instances of non-conformance to the PSIAS will be reported to the Audit and Performance Review Panel. More significant deviations will be considered for inclusion in the AGS.
20. Any offers of gifts or hospitality will be reported to the Assistant Director, Governance, Wokingham Borough Council and an appropriate record made in accordance with the Council's gift and hospitality policy. Auditors must avoid the perception of any impairment to their objectivity and independence.

## **Responsibility**

21. Internal Audit has no executive responsibility for the Council's systems of internal control other than an appraisal of their effectiveness with regard to Council objectives.
22. Internal Audit is not an extension of, or a substitute for, the functions of management. Responsibility for internal control rests fully with managers, who should ensure that arrangements are appropriate and adequate. It is for management to address Internal Audit concerns or to accept the risk resulting from not taking action. However, it is the SAIS's responsibility to consider taking matters to higher levels of management or to Council Members if it is felt that the risk should not (or need not) be borne.
23. The internal auditor should have regard to the possibility of such malpractice and should seek to identify serious defects in internal control, which might permit the occurrence of such an event.
24. An internal auditor who discovers evidence of, or suspects, malpractice should report, through the Assistant Director, Governance, Wokingham Borough Council, firm evidence, or reasonable suspicions, to the appropriate level of management. It is a management responsibility to determine what further action to take.
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26. The Assistant Director, Governance, Wokingham Borough Council, will manage any conflict of interest from non-audit activities and details of these will be provided to the Audit and Performance Review Panel. This includes any advisory and non-audit services that the SAIS provides to management.

### **Audit Style and Content**

27. The primary task of Internal Audit is to review the systems of internal control operating throughout the Council and in doing this will adopt a predominantly risk-based approach to audit, aligned to the Corporate Risk Register. Internal Audit will also provide advice and consultancy services to management on any issues related to governance, risk management and internal control matters where this does not negatively impact on their primary responsibility. This advice and consultancy work can be used to contribute to the annual internal audit opinion.
28. The Assistant Director, Governance, Wokingham Borough Council, 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 Assistant Director, Governance, Wokingham Borough Council, will:
- prepare an annual risk-based audit plan in consultation with the Head of Paid Service, Section 151 Officer, Executive Directors, Heads of Service, client managers and External Audit for formal endorsement by the Audit and Performance Review Panel. This Plan will be regarded as flexible rather than as an immutable expression of audit policy.
  - ensure that current entries in the 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 Audit and Performance Review Panel.
  - 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.

### **Audit Resources and Training**

29. Internal Audit resource will be determined by the Audit and Performance Review Panel in consultation with the S151 Officer in order to enable him to discharge his statutory duties and will reflect the corporate needs of the Council. Resources will also reflect requirements needed to allow the S151 Officer to discharge his obligations. The Assistant Director, Governance, Wokingham Borough Council must ensure that the internal audit function has appropriate resources in order to meet its objectives and to comply with the PSIAS.
30. The staffing structure of the Service will comprise of suitably qualified posts with a mix of professional specialisms and skills to reflect the varied functions of the Service and the need to evaluate the efficiency and effectiveness of the complex range of processes undertaken by RBWM. The Assistant Director, Governance, Wokingham Borough Council will arrange, as and when necessary and/or if such specialisms cannot be provided in-house, for such expertise to be provided by external providers.

31. The Assistant Director, Governance, Wokingham Borough Council will carry out a continuous review of the development and training needs of all audit personnel and will arrange appropriate in-service training. Internal Auditors have a personal responsibility to undertake a programme of continuing professional development (CPD) to maintain and develop their competence.
32. All Internal Audit staff will receive an annual appraisal.

### **Audit Reporting**

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

Report Title:	2019/20 Draft Internal Audit and Investigation Plan
Contains Confidential or Exempt Information?	NO - Part I
Member reporting:	Councillor Sayonara Luxton
Meeting and Date:	Audit and Performance Review Panel – 12 February 2019
Responsible Officer(s):	Rob Stubbs, Deputy Director and Head of Finance
Wards affected:	All

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## REPORT SUMMARY

1. This report recommends that the Audit and Performance Review Panel (A&PRP) considers and approves the 2019/20 Draft Internal Audit and Investigation Plan. This recommendation is being made to ensure that the Council meets its statutory requirements and that the A&PRP meets the requirements of its Terms of Reference by ensuring that the work of the Shared Audit and Investigation Service (SAIS) is focused appropriately with adequate resources and is delivered in accordance with recommended best practice.
2. If adopted, the key financial implications for the Council are revenue costs of the SAIS. The 2019/20 Draft Internal Audit and Investigation Plan will be effective from 1 April 2019

## 1. DETAILS OF RECOMMENDATION(S)

**RECOMMENDATION:** That the Audit and Performance Review Panel notes the report and approves the 2019/20 Draft Internal Audit and Investigation Plan.

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

- 2.1 This recommendation is being made to ensure the Council has adequate Internal Audit and Investigation coverage for 2019/20, enabling the Lead Specialist, Audit and Investigation, SAIS on delegated authority from the Chief Audit Executive and Deputy Director and Head of Finance (S151 Officer) 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 2019/20 Draft Internal Audit and Investigation Plan, attached at Appendix A, is intended to demonstrate how the SAIS supports the overall aims and objectives of the Council. Consultations have been undertaken with internal stakeholders. The 2019/20 Draft Internal Audit and Investigation Plan focuses efforts / cost on only those audits that feed directly into:-
  - 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.
- 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 2019/20 Draft Internal Audit and Investigation Plan is aligned with the Council's objectives and Corporate Risk Register (CRR) along with the financial risks as stated in the Medium Term Financial Plan.

2.3 Whilst a number of audit reviews within the 2019/20 Draft Internal Audit and Investigation Plan are effectively considered as mandatory (key financial systems, particularly high risk items etc.), others enter or leave the Draft Internal Audit and Investigation Plan based on the CRR rating and the views of officers and Members. As such, the 2019/20 Draft Internal Audit and Investigation Plan is fluid and is regularly realigned to accommodate changes to the CRR, thereby ensuring that it remains current and focussed on the key risks affecting the Council. Any changes made to the 2019/20 Draft Internal Audit and Investigation Plan during the year will be reported to the A&PRP. In addition, under S151 of the Local Government Finance Act 1972, the Council's Deputy Director and 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.

## Options

**Table 1: Options arising from this report**

Option	Comments
1. Approve the risk based 2019/20 Draft Internal Audit and Investigation Plan <b>Recommended</b>	<p>The Council will be able to discharge its statutory functions in relation to audit, control and governance. In addition, the A&amp;PRP will comply with its responsibilities as set out within their Terms of Reference.</p> <p>This will demonstrate that the Council is not exposing itself to unnecessary risks by having an adequate internal control and governance framework leading to good performance and better outcomes for service users/residents.</p>

Option	Comments
2. Approve the risk based 2019/20 Draft Internal Audit and Investigation Plan in the main but reprioritise Internal Audit and Investigation resources at the margins, ensuring that the Council fulfils its statutory obligations	Members may wish to request that the 2019/20 Draft Internal Audit and Investigation Plan be amended / altered if they feel that there are material issues which have not received sufficient emphasis or if there are specific issues the report is deficient in.
3. Significantly reprioritise the SAIS resources, which may result in the Council not fulfilling its statutory function and not sufficiently reviewing key risk areas	<p>Reduces ability of the Council to discharge its statutory functions in relation to audit, control and governance and thereby not comply with legislative requirements (Section 5).</p> <p>This may expose the Council to unnecessary risks by not having an adequate internal control and governance framework leading to poor performance, fraud / irregularities and poor outcomes for service users/residents.</p> <p>A&amp;PRP will not be discharging its responsibilities as shown in its Terms of Reference.</p>

### 3. KEY IMPLICATIONS

**Table 2: Key Implications**

Outcome	Unmet	Met	Exceeded	Significantly Exceeded	Date of delivery
Residents have confidence that public funds are being used economically, efficiently and effectively and that Council assets and interests are being safeguarded from misappropriation / loss.	<p>Failure of the Council to meet its statutory requirements and failure of the A&amp;PRP to discharge its responsibilities.</p> <p>Loss of residents' confidence.</p> <p>Council reputation may be affected.</p>	<p>Council meets its statutory requirements to provide an adequate and effective internal audit of its accounting records and system of internal control.</p> <p>A&amp;PRP discharges its responsibilities.</p> <p>Gain residents confidence.</p>	n/a	n/a	31 March 2020

Outcome	Unmet	Met	Exceeded	Significantly Exceeded	Date of delivery
		Council reputation protected.			
Unqualified External Audit Financial Accounts and Management Letter.	Adverse comment and a qualified External Audit Management Letter if the Council fails to maintain an adequate Internal Audit and Investigation Service.	Unqualified External Audit Management Letter as Council meets its requirements to provide an adequate and effective Internal Audit and Investigation Service.	n/a	n/a	31 March 2020

#### 4. FINANCIAL DETAILS / VALUE FOR MONEY

- 4.1 Revenue - Officer time in dealing with provision of the SAIS. The proposal relates to existing budgets, no new funds are being sought.

Capital - None.

#### 5. LEGAL IMPLICATIONS

- 5.1 Internal Audit carry out their activities under:-

- Regulations 6 (1), 6(3) and (4) of the Accounts and Audit 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

**Table 3: Impact of risk and mitigation**

<b>Risks</b>	<b>Uncontrolled risk</b>	<b>Controls</b>	<b>Controlled risk</b>
1. Failure to discharge statutory obligations leads to breach of legislation resulting in fines, investigation and reputation damage.	High	Risk based Internal Audit and Investigation Plan that is aligned with the Council's objectives and CRR.	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 and Investigation 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 and Investigation Plan that is aligned with the Council's objectives and CRR.	Low

## 7. POTENTIAL IMPACTS

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

## 8. CONSULTATION

- 8.1 Consultations have been undertaken with internal stakeholders (Corporate Management Team, S151 Officer, Directorate Management Teams and the Insurance and Risk Manager) in preparing the 2019/20 Draft Internal Audit and Investigation Plan.

## 9. TIMETABLE FOR IMPLEMENTATION

- 9.1 The 2019/20 Draft Internal Audit and Investigation Plan will come into effect from 1 April 2019. Progress on delivering the 2019/20 Draft Internal Audit and Investigation Plan will be reported to the A&PRP on an interim (6 monthly) and annual basis.

**Table 4: 2019/20 Draft Internal Audit and Investigation Plan Implementation timetable**

Date	Details
December 2019	2019/20 Interim Internal Audit and Investigation Report
June 2020	2019/20 Annual Internal Audit and Investigation Report

## 10. APPENDIX

- 10.1 Appendix A – 2019/20 Draft Internal Audit and Investigation Plan (attached to this report).

## 11. BACKGROUND DOCUMENTS

- 11.1 This report is supported by 3 background documents:
- Accounts and Audit Regulations 2015
  - CIPFA/IIA Public Sector Internal Audit Standards 2016
  - S151 Local Government Finance Act 1972

## 12. CONSULTATION (MANDATORY)

Name of consultee	Post held	Date sent	Date returned
Cllr Luxton	Chair of Audit and Performance Review Panel		
Russell O'Keefe	Acting Managing Director	25/01/19	30/01/19
Rob Stubbs	Section 151 Officer	25/01/19	30/01/19
Elaine Browne	Interim Head of Law and Governance	25/01/19	30/01/19
Nikki Craig	Head of HR and Corporate Projects	25/01/19	30/01/19
Louisa Dean	Communications	25/01/19	30/01/19
Andy Jeffs	Executive Director	25/01/19	30/01/19
Kevin McDaniel	Director of Children's Services	25/01/19	30/01/19
Angela Morris	Director of Adult Social Services	25/01/19	30/01/19
Hilary Hall	Deputy Director of Commissioning and Strategy	25/01/19	30/01/19
Report Author: Catherine Hickman, Lead Specialist, Audit and Investigation Service, 0788 5983378			



Proposed 2019/20 Audit and Investigation Plan	Indicative High Level Scope/Controls	Last Audited
Key Financial Systems		
Payroll (incl AfC)	<ul style="list-style-type: none"> <li>• Starters (including Establishment Controls)</li> <li>• Permanent and temporary amendments</li> <li>• Leavers and transfers</li> <li>• Reconciliations</li> <li>• Exception Reporting</li> <li>• Management Information</li> </ul>	18/19
Debtors	<ul style="list-style-type: none"> <li>• Legislation, Policy &amp; Procedures</li> <li>• Debtor transactions and records</li> <li>• Amendments to standing data</li> <li>• Raising of invoices</li> <li>• Billing - including for 18/19 an in depth review of new rate relief claims</li> <li>• Collection</li> <li>• Refunds</li> <li>• Debt recovery and enforcement (including write-offs)</li> <li>• Management reporting</li> </ul>	18/19
Creditors	<ul style="list-style-type: none"> <li>• Policies and procedures</li> <li>• Purchase orders (Non-Order and Retrospective)</li> <li>• Goods receipting</li> <li>• Cost coding</li> <li>• Prompt payment discounts</li> <li>• Manual/duplicate payments</li> <li>• Supplier account maintenance</li> <li>• Segregation of duties</li> <li>• Performance monitoring</li> <li>• Pre-payments</li> </ul>	18/19
General Ledger	<ul style="list-style-type: none"> <li>• Main Accounting Protocols including policies, procedures, guidance and training arrangements</li> <li>• Year End Procedures</li> <li>• Close Down Process</li> <li>• Control and Suspense Accounts</li> <li>• Financial Statements</li> <li>• Monthly Financial Information</li> <li>• Transactions</li> </ul>	18/19
Cash & Bank Reconciliation	<ul style="list-style-type: none"> <li>• Accounts Receivable</li> <li>• Council Tax</li> <li>• NNDR</li> <li>• Housing Benefits</li> <li>• Income Collection Account</li> <li>• Main Bank Account</li> <li>• Previous Recommendations</li> </ul>	18/19

Proposed 2019/20 Audit and Investigation Plan	Indicative High Level Scope/Controls	Last Audited
Cash & Banking Arrangements	<ul style="list-style-type: none"> <li>• Legislation, policy and procedures</li> <li>• Cash transactions and records</li> <li>• Cash collection</li> <li>• Cash payments</li> <li>• Cash holdings</li> <li>• Banking</li> <li>• Management reporting</li> <li>• Future customer payment options</li> </ul>	18/19
Cash Flow, Investments, Loans (Treasury Management)	<ul style="list-style-type: none"> <li>• The council's Treasury Management Strategy together with the Chartered Institute of Public Finance and Accountancy and Department for Community and Local Government guidance</li> <li>• Compliance of Treasury Management activity with council policies and procedures</li> <li>• Staff training, roles and responsibilities</li> <li>• Investment and Loan transactions</li> </ul>	18/19
Pensions Payroll and Administration	<ul style="list-style-type: none"> <li>• Roles and responsibilities</li> <li>• Adherence to policies and procedures</li> <li>• Administrative controls between administration and payroll systems</li> <li>• Payment authorisation process</li> <li>• Reconciliations</li> <li>• Management reviews of:- pension fund transfers pensions and benefits calculations pensions masterfile capital costs suspensions and write offs</li> <li>• Maintenance of files and retention of documentation</li> <li>• Computer security.</li> </ul>	18/19
Housing Benefits/CTRS	<ul style="list-style-type: none"> <li>• Compliance with policy and procedures (inc. post opening)</li> <li>• Benefits are only paid to those entitled</li> <li>• Application processing and change of circumstances</li> <li>• Backdated claims</li> <li>• Overpayments and recovery arrangements</li> <li>• Reliability and security of records (electronic and paper)</li> <li>• Complaints procedure</li> <li>• Fraud training and awareness</li> <li>• Performance Indicators and quality checking</li> <li>• Future Legislative changes</li> </ul>	18/19

Proposed 2019/20 Audit and Investigation Plan	Indicative High Level Scope/Controls	Last Audited
Council Tax & NNDR	<ul style="list-style-type: none"> <li>• Policies and Procedures</li> <li>• Reconciliation of council tax and NNDR to the general ledger</li> <li>• Reconciliation of council tax and NNDR to income receipts/cash system</li> <li>• Reconciliation of council tax and NNDR databases to valuation office listings</li> <li>• Standing data amendments</li> <li>• Valuation Office alterations</li> <li>• Reliefs and discounts</li> <li>• Billing practices</li> <li>• Cash receipts and customer account allocations</li> <li>• Review of accounts in arrears or credit</li> <li>• Performance management and data control</li> </ul>	18/19
Capital Programme, Accounting, Expenditure Monitoring	<ul style="list-style-type: none"> <li>• Capital planning process</li> <li>• Capital funding process</li> <li>• Capital bid and allocation process</li> <li>• Capital expenditure monitoring</li> <li>• Budget monitoring and accounting arrangements</li> <li>• Staff roles and responsibilities</li> </ul>	18/19
Governance Building Blocks		
Project Management	<ul style="list-style-type: none"> <li>• Project governance including framework</li> <li>• Project compliance including; pre, current and post project</li> </ul>	15/16
Financial Management	<ul style="list-style-type: none"> <li>• Budgetary setting, monitoring and control measures, including the Forward Plan, income against targets and response to economic and emerging policy signals.</li> <li>• Medium Term Financial Plan - include the assumptions made for financial reserves required including average risk and confidence levels. Plus mitigation in case MTFP fails. Also include funding and budgets to deliver the regeneration programme.</li> <li>Also include insufficient resources to meet demands leading to Pension Fund substantial deficit</li> </ul>	18/19
Commissioned Services	<ul style="list-style-type: none"> <li>• Contract audit coverage for key partners including contract tendering, management, renewal and extension of Adult Services including Adult Safeguarding and statutory responsibilities, Children's Services including Children's Safeguarding and statutory responsibilities, Highways and Waste Management, including performance management.</li> </ul>	N/A

Proposed 2019/20 Audit and Investigation Plan	Indicative High Level Scope/Controls	Last Audited
Key Strategic and Key Operational Risks		
Business Continuity and Emergency Planning	<ul style="list-style-type: none"> <li>• Follow up of 17/18 audit</li> </ul>	17/18
S106/CIL	<ul style="list-style-type: none"> <li>• Implementation of CIL</li> <li>• S106 board</li> <li>• Collection and use of S106 monies</li> <li>• Follow up of 15/16 audit</li> </ul>	16/17
Monitoring and managing Council Building related risks to meet statutory obligations	<ul style="list-style-type: none"> <li>• Building registers</li> <li>• Legislative compliance including; asbestos, fire, legionella and glazing.</li> <li>• H &amp; S compliance including working at height</li> <li>• Policies and procedures</li> <li>• Compliance database</li> <li>• To include the key buildings of Town Hall, Tinkers Lane and York House</li> </ul>	N/A
Viability of key partners under outsourced/partnership business processes	<ul style="list-style-type: none"> <li>• Financial viability of key partner organisations</li> </ul>	18/19
Optalis - Delivery of Statutory Responsibilities of provider	<ul style="list-style-type: none"> <li>• To give assurance on the internal control environment of Optalis</li> </ul>	N/A

Proposed 2019/20 Audit and Investigation Plan	Indicative High Level Scope/Controls	Last Audited
Risk of a significant fine and reputational damage due to loss of confidential/sensitive data. (Computer Audit).	<ul style="list-style-type: none"> <li>• Information Security Management System - governance for this area including Senior Information Risk Owner &amp; Information Governance Group roles</li> <li>• Encrypted IT equipment</li> <li>• Secure storage/ lockers at council offices</li> <li>• Robust policies in this area</li> <li>• Mandatory refresher programme recently undertaken</li> <li>• Archiving of physical records</li> <li>• Training for staff on document / information handling and basic information security practice</li> <li>• Secure e-mail solution</li> <li>• Document marking scheme</li> <li>• SIRO responsibilities - Information Security incident follow up</li> </ul>	18/19
Information Governance/Management/GDPR compliance	<ul style="list-style-type: none"> <li>• Clear Desk Policy</li> <li>• E-learning</li> <li>• Risk Assessment of Information Assets;</li> <li>• Departmental Policies and Procedures;</li> <li>• Staff Knowledge and Training;</li> <li>• Monitoring of Information Management Culture (e.g. clear desk spot checks);</li> <li>• Management of Data at Rest (storage of non-archived data sources held in databases);</li> <li>• Information Sharing (both internal and external);</li> <li>• Retention and Disposal Regimes (especially electronic data);</li> <li>• Review of Non-Compliance Events.</li> </ul>	N/A
Auditor Judgement		
Maintained School Audits (7)	<ul style="list-style-type: none"> <li>• General School Management and Governance Framework</li> <li>• Budgetary Setting, Monitoring &amp; Control</li> <li>• Imprest Account (Non-Agrosso schools only)</li> <li>• Procurement of Goods and Services</li> <li>• Income</li> <li>• School Vehicles (if appropriate)</li> <li>• School Trips</li> </ul>	18/19
School Traded Services	<ul style="list-style-type: none"> <li>• Governance and performance value of money review</li> </ul>	N/A
SEND Transport	<ul style="list-style-type: none"> <li>• As per AfC contract requirements</li> </ul>	N/A
Fostering	<ul style="list-style-type: none"> <li>• As per AfC contract requirements</li> </ul>	N/A
Social Care	<ul style="list-style-type: none"> <li>• As per AfC contract requirements</li> </ul>	
Spot checks	<ul style="list-style-type: none"> <li>• To undertake various spot checks</li> </ul>	18/19

Proposed 2019/20 Audit and Investigation Plan	Indicative High Level Scope/Controls	Last Audited
Contract Auditing	• Pre, current and post contract auditing	N/A
Grant Certifications	• Certification of grants received	18/19

**SERVICING THE BUSINESS**

Annual Governance Statement Preparation

Development of New Systems / Special Projects

Public Sector Internal Audit Standards Compliance

Advice on Demand

Contingency (including Management/Member requests)

- Follow Up Countermeasures and Testing

- Corporate Governance Compliance

Total Days

1046

By virtue of paragraph(s) 2 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

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