



Report for:  
ACTION

<b>Contains Confidential or Exempt Information</b>	NO - Part 1
<b>Title</b>	2016-17 Shared Audit and Investigation Service Interim Report
<b>Responsible Officer(s)</b>	Rob Stubbs, Head of Finance and Deputy Director of Corporate and Community Services
<b>Contact officer, job title and phone number</b>	Catherine Hickman, Service Manager – Shared Audit & Investigation Service 07917 265742
<b>Member reporting</b>	Cllr Paul Brimacombe
<b>For Consideration By</b>	Audit and Performance Review Panel
<b>Date to be Considered</b>	14 <sup>th</sup> December 2016
<b>Implementation Date if Not Called In</b>	Ongoing
<b>Affected Wards</b>	All
<b>Keywords/Index</b>	Audit and Investigation

### Report Summary

1. This report summarises the Shared Audit and Investigation Service (SAIS) activity, including progress in achieving the 2016/17 Internal Audit Plan during the first six months of 2016/17 to 30 September 2016. This report will complement the 2016/17 Annual Audit and Investigation Report that will be presented to the Audit & Performance Review Panel (A&PRP) in June 2017.
2. It recommends that Members note the activity of the SAIS during the first six months of the 2016/17 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 Policy.
4. If adopted, the key financial implications for the Council are contributing revenue costs to the SAIS.

### If recommendations are adopted, how will residents benefit?

Residents will have independent and objective assurance that the Council's control environment (comprising risk management, control and governance) is operating effectively, that resources are being used economically, efficiently and effectively and that public monies and the Council's assets and interests are being safeguarded.	Ongoing
--	---------

## 1. DETAILS OF RECOMMENDATION

### RECOMMENDED:

**That Members are asked to note the Shared Audit and Investigation Service activity for the six months ending 30 September 2016.**

## 2. REASON FOR RECOMMENDATION 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 (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 Policy.
- 2.4 The 2016/17 Internal Audit Plan was approved by the A&PRP on 7<sup>th</sup> April 2016. 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.

Option	Comments
Accept the attached report and supporting appendix and note the activity of the SAIS during the first six months of the financial year. <b>Recommended</b>	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 Policy.
Accept this report with amendments.	Members may wish to request that this report be amended / altered if they feel that there are material issues which have not received sufficient emphasis or if there are specific issues the report is deficient in.

Not approve this report.	<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>
--------------------------	---

### 3. KEY IMPLICATIONS

Defined Outcomes	Unmet	Met	Exceeded	Significantly Exceeded	Date they should be delivered by
SAIS work is effective and is on track to achieve the 2016/17 Internal Audit Plan, approved by A&PRP on 7 <sup>th</sup> April 2016. In addition, the Panel is complying with the requirements of its ToR and the requirements of the Council's Anti Fraud and Anti Corruption Policy.	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
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 External Audit fee to a minimum.	n/a	n/a	Ongoing

#### 4. FINANCIAL DETAILS

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

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

##### b) Financial Background (optional) – N/a

#### 5. LEGAL IMPLICATIONS

5.1 Accounts and Audit Regulations 2015  
CIPFA/IIA Public Sector Internal Audit Standards 2013  
Fraud Act 2006  
Regulation of Investigatory Powers Act 2000  
S151 Local Government Finance Act 1972  
Theft Act 1968.

#### 6. VALUE FOR MONEY

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

## 7. SUSTAINABILITY IMPACT APPRAISAL - N/a

## 8. RISK MANAGEMENT

Risks	Uncontrolled	Controls	Controlled
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
2. Failure to provide assurance that the work of the Internal Audit function properly supports the RBWM 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

## 9. LINKS TO STRATEGIC OBJECTIVES

9.1 The 2016/17 Internal Audit Plan, which includes entries within the Council's CRR, helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, governance processes, safeguard Council assets and undertake investigations into misappropriation, loss or fraud.

## 10. EQUALITIES, HUMAN RIGHTS AND COMMUNITY COHESION - N/a

## 11. STAFFING/WORKFORCE AND ACCOMMODATION IMPLICATIONS - N/a

## 12. PROPERTY AND ASSETS - N/a

## 13. ANY OTHER IMPLICATIONS - N/a

## 14. CONSULTATION

14.1 Consultation has taken place with the Corporate Management Team, S151 Officer, Directorate Management Teams, Insurance and Risk Manager and External Audit in the preparation of the 2016/17 Internal Audit and Corporate Plans.

14.2 Management and staff have been consulted prior to, during the course of the audits and at their conclusion, to ensure that audits have been timed to suit both parties, to incorporate managements' priorities, to agree a course of action to implement the countermeasures to the identified causes and concerns.

## 15. TIMETABLE FOR IMPLEMENTATION

15.1 The timetable for completion of the 2016/17 Internal Audit Plan is 31 March 2017.

## 16. APPENDICES

Appendix A – Shared Audit and Investigation Service 2016/17 Interim Progress Report (to 30 September 2016)

Appendix A (i) – 2016/17 Internal Audit Plan status (1<sup>st</sup> April 2016 - 30<sup>th</sup> September 2016)

## 17. BACKGROUND INFORMATION

2016/17 Internal Audit Plan  
Anti Fraud and Anti Corruption Policy.

## 18. CONSULTATION (Mandatory)

Name of Consultee	Post held and Department	Date sent	Date response received	See comments in paragraph
Internal				
Cllr Paul Brimacombe	Chair of Audit and Performance Review Panel	2/12/16		
Corporate Management Team (CMT)	Managing Director, All Strategic Directors, Head of Finance and Deputy Director of Corporate and Community Services and the Head of Human Resources	17/11/16	30/11/16	Minor amendments to the report
External Audit	KPMG	5/12/16		

### Report History

Decision type:		Urgency item?	
Key decision entered into the Forward Plan		N/a	
Report no.	Full name of report author	Job title	Full contact no:
	Catherine Hickman	Service Manager, Shared Audit and Investigation Service	07917 265742