

Report Title:	2018/19 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 – 26 February 2018
Responsible Officer(s):	Rob Stubbs, Deputy Director and Head of Finance
Wards affected:	All

REPORT SUMMARY

1. This report recommends that the Audit and Performance Review Panel (A&PRP) considers and approves the 2018/19 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 2018/19 Draft Internal Audit and Investigation Plan will be effective from 1 April 2018.

1. DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: Members are asked to consider and approve the 2018/19 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 2018/19, enabling the Lead Specialist, Audit and Investigation, SAIS on delegated authority from the Chief Audit Executive to give an overall opinion on the Council's internal control and risk framework at the end of the financial year.
- 2.2 The proposed 2018/19 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 2018/19 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 2018/19 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 2018/19 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 2018/19 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 2018/19 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.

Option	Comments
<p>1. Approve the risk based 2018/19 Draft Internal Audit and Investigation Plan</p> <p>Recommended</p>	<p>The Council will be able to discharge its statutory functions in relation to audit, control and governance. In addition, the A&PRP will comply with its responsibilities as set out within their Terms of Reference.</p> <p>This will demonstrate that the Council is not exposing itself to unnecessary risks by having an adequate internal control and governance framework leading to good performance and better outcomes for service users/residents.</p>

<p>2. Approve the risk based 2018/19 Draft Internal Audit and Investigation Plan in the main but reprioritise Internal Audit and Investigation resources at the margins, ensuring that the Council fulfils its statutory obligations</p>	<p>Members may wish to request that the 2018/19 Draft Internal Audit and Investigation Plan be amended / altered if they feel that there are material issues which have not received sufficient emphasis or if there are specific issues the report is deficient in.</p>
<p>3. Significantly reprioritise the SAIS resources, which may result in the Council not fulfilling its statutory function and not sufficiently reviewing key risk areas</p>	<p>Reduces ability of the Council to discharge its statutory functions in relation to audit, control and governance and thereby not comply with legislative requirements (Section 5).</p> <p>This may expose the Council to unnecessary risks by not having an adequate internal control and governance framework leading to poor performance, fraud / irregularities and poor outcomes for service users/residents.</p> <p>A&PRP will not be discharging its responsibilities as shown in its Terms of Reference.</p>

3. KEY IMPLICATIONS

Defined Outcomes	Unmet	Met	Exceeded	Significantly Exceeded	Date they should be delivered by
Residents have confidence that public funds are being used economically, efficiently and effectively and that Council assets and interests are being safeguarded from misappropriation / loss.	<p>Failure of the Council to meet its statutory requirements and failure of the A&PRP to discharge its responsibilities.</p> <p>Loss of residents' confidence.</p> <p>Council reputation may be affected.</p>	<p>Council meets its statutory requirements to provide an adequate and effective internal audit of its accounting records and system of internal control.</p> <p>A&PRP discharges its responsibilities.</p> <p>Gain residents confidence.</p> <p>Council reputation protected.</p>	n/a	n/a	31 March 2019
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 2019

4. FINANCIAL DETAILS / VALUE FOR MONEY

4.1 a) Financial impact on the budget

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

Capital - None

b) Financial Background – N/A

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

Risks	Uncontrolled	Controls	Controlled
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 2018/19 Draft Internal Audit and Investigation Plan. .

9. TIMETABLE FOR IMPLEMENTATION

- 9.1 The 2018/19 Draft Internal Audit and Investigation Plan will come into effect from 1 April 2018. Progress on delivering the 2018/19 Draft Internal Audit and Investigation Plan will be reported to the A&PRP on an interim (6 monthly) and annual basis.

Table : 2018/19 Draft Internal Audit and Investigation Plan

Date	Details
December 2018	2018/19 Interim Internal Audit and Investigation Report
June 2019	2018/19 Annual Internal Audit and Investigation Report

- 9.2 Implementation date if not called in: 1st April 2018

10. APPENDIX

- 10.1 Appendix A – 2018/19 Draft Internal Audit and Investigation Plan (attached to this report).

11. BACKGROUND DOCUMENTS

- 11.1 Accounts and Audit Regulations 2015
CIPFA/IIA Public Sector Internal Audit Standards 2016
S151 Local Government Finance Act 1972

12. CONSULTATION (MANDATORY)

Name of consultee	Post held	Date sent	Comment & returned
Cllr Sayonara Luxton	Chair of Audit and Performance Review Panel	15/02/18	
Alison Alexander	Managing Director	24/01/18	
Russell O'Keefe	Executive Director	24/01/18	
Andy Jeffs	Executive Director	24/01/18	
Rob Stubbs	Deputy Director and Head of Finance	24/01/18	
Terry Baldwin	Head of HR	24/01/18	

REPORT HISTORY

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

Proposed 2018/19 Audit and Investigation Plan	Days	Indicative High Level Scope/Controls	Last Audited
Key Financial Systems			
Payroll	15	<ul style="list-style-type: none"> • Starters (including Establishment Controls) • Permanent and temporary amendments • Leavers and transfers • Reconciliations • Exception Reporting • Management Information 	17/18
Debtors	10	<ul style="list-style-type: none"> • Legislation, Policy & Procedures • Debtor transactions and records • Amendments to standing data • Raising of invoices • Billing - including for 18/19 an in depth review of new rate relief claims • Collection • Refunds • Debt recovery and enforcement (including write-offs) • Management reporting 	17/18
Creditors	7	<ul style="list-style-type: none"> • Policies and procedures • Purchase orders (Non-Order and Retrospective) • Goods receipting • Cost coding • Prompt payment discounts • Manual/duplicate payments • Supplier account maintenance • Segregation of duties • Performance monitoring • Pre-payments 	17/18
General Ledger	5	<ul style="list-style-type: none"> • Main Accounting Protocols including policies, procedures, guidance and training arrangements • Year End Procedures • Close Down Process • Control and Suspense Accounts • Financial Statements • Monthly Financial Information • Transactions 	17/18
Cash & Bank Reconciliation	10	<ul style="list-style-type: none"> • Accounts Receivable • Council Tax • NNDR • Housing Benefits • Income Collection Account • Main Bank Account • Previous Recommendations 	17/18

Proposed 2018/19 Audit and Investigation Plan	Days	Indicative High Level Scope/Controls	Last Audited
Cash & Banking Arrangements	10	<ul style="list-style-type: none"> • Legislation, policy and procedures • Cash transactions and records • Cash collection • Cash payments • Cash holdings • Banking • Management reporting • Future customer payment options 	17/18
Cash Flow, Investments, Loans (Treasury Management)	7	<ul style="list-style-type: none"> • The council's Treasury Management Strategy together with the Chartered Institute of Public Finance and Accountancy and Department for Community and Local Government guidance • Compliance of Treasury Management activity with council policies and procedures • Staff training, roles and responsibilities • Investment and Loan transactions 	17/18
Pensions Payroll and Administration	10	<ul style="list-style-type: none"> • Roles and responsibilities • Adherence to policies and procedures • Administrative controls between administration and payroll systems • Payment authorisation process • Reconciliations • Management reviews of:- <ul style="list-style-type: none"> pension fund transfers pensions and benefits calculations pensions masterfile capital costs suspensions and write offs • Maintenance of files and retention of documentation • Computer security. 	17/18
Housing Benefits/CTRS	20	<ul style="list-style-type: none"> • Compliance with policy and procedures (inc. post opening) • Benefits are only paid to those entitled • Application processing and change of circumstances • Backdated claims • Overpayments and recovery arrangements • Reliability and security of records (electronic and paper) • Complaints procedure • Fraud training and awareness • Performance Indicators and quality checking • Future Legislative changes 	17/18

Proposed 2018/19 Audit and Investigation Plan	Days	Indicative High Level Scope/Controls	Last Audited
Council Tax & NNDR (JLB)	20	<ul style="list-style-type: none"> • Policies and Procedures • Reconciliation of council tax and NNDR to the general ledger • Reconciliation of council tax and NNDR to income receipts/cash system • Reconciliation of council tax and NNDR databases to valuation office listings • Standing data amendments • Valuation Office alterations • Reliefs and discounts • Billing practices • Cash receipts and customer account allocations • Review of accounts in arrears or credit • Performance management and data control 	17/18
Capital Programme, Accounting, Expenditure Monitoring (JLB)	7	<ul style="list-style-type: none"> • Capital planning process • Capital funding process • Capital bid and allocation process • Capital expenditure monitoring • Budget monitoring and accounting arrangements • Staff roles and responsibilities 	17/18
Governance Building Blocks			
Risk Management	10	<ul style="list-style-type: none"> • Assessment of risk scores & risk appetites • Compliance with the Risk Management Strategy. 	17/18
Financial Management (JLB)	30	<ul style="list-style-type: none"> • Budgetary setting, monitoring and control measures, including the Forward Plan, income against targets and response to economic and emerging policy signals. • 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.(HPLAND0013) Also include insufficient resources to meet demands leading to Pension Fund substantial deficit (PEN0001) 	17/18

Proposed 2018/19 Audit and Investigation Plan	Days	Indicative High Level Scope/Controls	Last Audited
Commissioned Services	85	<ul style="list-style-type: none"> Contract audit coverage for key partners including contract tendering, renewal and extension of Adult Services including Adult Safeguarding and statutory responsibilities (20) , Children's Services including Children's Safeguarding and statutory responsibilities (15) and Waste Management (15), including performance management. Child referrals and child specific placements (15) Commissioning Strategy including governance (20) 	
Key Strategic and Key Operational Risks			
Risk of security and community problems	10	<ul style="list-style-type: none"> Compliance with legislation Strategy, Policy, Procedures and Action Plans Reporting Anti Social Behaviour Follow up of 17/18 Business Continuity and Emergency Planning audit 	N/A
Maidenhead Regeneration	20	<ul style="list-style-type: none"> Conflict on key sites - temporary parking needs Unsuitable programme that doesn't meet other council priorities Inadequate infrastructure delivery not tied in with the BLP infrastructure Delivery Plan Access and Movement Strategy Project and Contract Management 	< 2015/16
Homelessness	15	<ul style="list-style-type: none"> Strategy, Policy and Procedures Provision of service including drop in advice, homeless shelter, debt advice, temporary accommodation etc Homelessness Reduction Act Social Enterprises Scheme 	<2015/16
Tree Management (follow up)	10	<ul style="list-style-type: none"> Follow up of 16/17 audit 	2016/17
S106/CIL	15	<ul style="list-style-type: none"> Implementation of CIL S106 board Collection and use of S106 monies Follow up of 15/16 audit 	

Proposed 2018/19 Audit and Investigation Plan	Days	Indicative High Level Scope/Controls	Last Audited
Community Protection - Environmental Health, H & S, Housing, Contaminated Land	10	<ul style="list-style-type: none"> • Legislation compliance • Mandatory visits • Training • Promotion of service - community awareness 	2017/18 (Crime and disorder only)
School Building related risks	15	<ul style="list-style-type: none"> • Legislation compliance including Fire risk assessments, asbestos surveys, electrical tests, legionella and gas • Compliance database • Leases • Trees 	N/A
Insufficient data collection and analysis around commissioning strategy	10	<ul style="list-style-type: none"> • PARIS management • Reporting • Succession and continuity planning 	
Monitoring and managing Council Building related risks to meet statutory obligations	25	<ul style="list-style-type: none"> • Building registers • Legislative compliance including; asbestos, fire, legionella and glazing. • H & S compliance including working at height • Policies and procedures • Compliance database • To include the key buildings of Town Hall, Tinkers Lane and Clyde House 	
Viability of key partners under outsourced/partnership business processes	5	<ul style="list-style-type: none"> • Financial viability of key partner organisations 	
Appointeeship and Deputyship - follow up.	5	<ul style="list-style-type: none"> • Follow up of 2016/17 audit 	2016/17
Statutory Duties			
Optalis - Delivery of Statutory Responsibilities of provider (JLB)	10	<ul style="list-style-type: none"> • To give assurance on the internal control environment of Optalis 	N/A
Maintained School Audits (7)	25	<ul style="list-style-type: none"> • General School Management and Governance Framework • Budgetary Setting, Monitoring & Control • Imprest Account (Non-Agresso schools only) • Procurement of Goods and Services • Income • School Vehicles (if appropriate) • School Trips 	2017/18

Proposed 2018/19 Audit and Investigation Plan	Days	Indicative High Level Scope/Controls	Last Audited
Risk of a significant fine and reputational damage due to loss of confidential/sensitive data. (Computer Audit).	40	<ul style="list-style-type: none"> • Information Security Management System - governance for this area including Senior Information Risk Owner & Information Governance Group roles • Encrypted IT equipment • Secure storage/ lockers at council offices • Robust policies in this area • Mandatory refresher programme recently undertaken • Archiving of physical records • Training for staff on document / information handling and basic information security practice • Secure e-mail solution • Document marking scheme • SIRO responsibilities - Information Security incident follow up 	2017/18
Spot checks	10	<ul style="list-style-type: none"> • To undertake various spot checks 	2017/18
Information Governance/Management/GDPR compliance	30	<ul style="list-style-type: none"> • Clear Desk Policy • E-learning • Risk Assessment of Information Assets; • Departmental Policies and Procedures; • Staff Knowledge and Training; • Monitoring of Information Management Culture (e.g. clear desk spot checks); • Management of Data at Rest (storage of non-archived data sources held in databases); • Information Sharing (both internal and external); • Retention and Disposal Regimes (especially electronic data); • Review of Non-Compliance Events. 	2017/18
Shared Building Services	10	<ul style="list-style-type: none"> • Roles and responsibilities for officers • Management of; planned maintenance, capital investment project works, reactive maintenance works, the helpdesk service, statutory property health and safety obligations (service contracts) • Payment processing and authorisation; • Management fees and cost recovery processes; • Management information, performance monitoring and budget monitoring; • IT provision and data sharing; 	2016/17
Auditor Judgement			
Commercial Properties	10	<ul style="list-style-type: none"> • Agreements • Rent collection and arrears • Disposals 	
Contract Auditing	20	<ul style="list-style-type: none"> • Pre, current and post contract auditing 	

Proposed 2018/19 Audit and Investigation Plan	Days	Indicative High Level Scope/Controls	Last Audited
Grant Certifications	10	• Certification of grants received	

SERVICING THE BUSINESS

Annual Governance Statement Preparation	10
Development of New Systems / Special Projects	5
Public Sector Internal Audit Standards Compliance	5
Advice on Demand	15
Contingency (including Management/Member requests)	50
- Follow Up Countermeasures and Testing	10
- Corporate Governance Compliance	5
Total Internal Audit Days	651
Corporate Investigation Days	420