

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

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## 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
<p>SAIS work is effective and is on track to achieve the 2018/19 Internal Audit and Investigation Plan, approved by A&amp;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.</p>	<p>Failure of the Council to meet its statutory requirements and failure of the A&amp;PRP to discharge its responsibilities.</p>	<p>Council meets its statutory requirements to provide an adequate and effective internal audit of its system of internal control. A&amp;PRP discharges its responsibilities.</p>	<p>n/a</p>	<p>n/a</p>	<p>Ongoing</p>

<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)**

<b>AUDIT TITLE</b>	<b>DIRECTORATE</b>	<b>STATUS</b>	<b>FINAL AUDIT REPORT OPINION</b>
<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.

### 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 Board 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, SAIS~~ 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, ~~Strategie~~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.
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- 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.
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  - 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**

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

### **Audit Reporting**

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