



29 May 2019

AUDIT AND ETHICS COMMITTEE – 6 JUNE 2019

A meeting of the Audit and Ethics Committee will be held at 6pm on Thursday 6 June 2019 in Committee Room 1 at the Town Hall, Rugby.

Adam Norburn
Executive Director

NOTE Prior to the meeting, an audit training session will take place at 5pm in Committee Room 1.

A G E N D A

PART 1 – PUBLIC BUSINESS

1. Minutes

To confirm the minutes of the meeting held on 26 March 2019.

2. Apologies

To receive apologies for absence from the meeting.

3. Declarations of Interest

To receive declarations of:

(a) non-pecuniary interests as defined by the Council's Code of Conduct for Councillors;

(b) pecuniary interests as defined by the Council's Code of Conduct for Councillors; and

(c) notice under Section 106 Local Government Finance Act 1992 – non-payment of Community Charge or Council Tax.

Note: Members are reminded that they should declare the existence and nature of their non-pecuniary interests at the commencement of the meeting (or as soon as the interest becomes apparent). If that interest is a pecuniary interest the Member must withdraw from the room unless one of the exceptions applies.

Membership of Warwickshire County Council or any Parish Council is classed as a non-pecuniary interest under the Code of Conduct. A Member does not need to declare this interest unless the Member chooses to speak on a matter relating to their membership. If the Member does not wish to speak on the matter, the Member may still vote on the matter without making a declaration.

4. Draft Statement of Accounts 2018/19 (report to follow)
5. 2018/19 External Audit - Interim Progress Report
6. Informing the Audit Risk Assessment for Rugby Borough Council
7. Annual Report of the Corporate Assurance and Improvement Manager
8. Annual Governance Statement 2018/19 (report to follow)
9. Motion to Exclude the Public under Section 100(A)(4) of the Local Government Act 1972

To consider passing the following resolution:

“Under Section 100(A)(4) of the Local Government Act 1972 the public be excluded from the meeting for the following items on the ground that they involve the likely disclosure of information defined in paragraphs 1, 2 and 3 of Schedule 12A of the Act.”

PART 2 – EXEMPT INFORMATION

1. Limited Assurance Internal Audit Reports
2. Whistle Blowing Incidents – Standing Item – to receive any updates
3. Fraud and Corruption Issues – Standing Item – to receive any updates

Any additional papers or relevant documents for this meeting can be accessed here via the website.

Membership of the Committee:

Mr P Dudfield (Chairman), Mr J Eves (Vice-Chairman), Councillors Cranham, McQueen, Mistry and Pacey-Day

Named Substitutes:

Councillors Butlin, Mrs O'Rourke, Roodhouse and Stokes

If you have any general queries with regard to this agenda please contact Veronika Beckova, Democratic Services Officer (01788 533591 or e-mail veronika.beckova@rugby.gov.uk). Any specific queries concerning reports should be directed to the listed contact officer.

If you wish to attend the meeting and have any special requirements for access please contact the Democratic Services Officer named above.

AGENDA MANAGEMENT SHEET

Report Title: 2018/19 External Audit - Interim Progress Report

Name of Committee: Audit and Ethics Committee

Date of Meeting: 6 June 2019

Report Director: Head of Corporate Resources and CFO

Portfolio: Corporate Resources

Ward Relevance: Not ward specific

Prior Consultation: Chief Financial Officer (Head of Corporate Resources), Deputy Chief Financial Officer (Financial Services Manager)

Contact Officer: Jon Illingworth, Financial Services Manager, Tel: 01788 533410

Public or Private: Public

Report Subject to Call-In: No

Report En-Bloc: No

Forward Plan: No

Corporate Priorities: This report relates to the following priority(ies):

(CR) Corporate Resources To provide excellent, value for money services and sustainable growth

(CH) Communities and Homes Achieve financial self-sufficiency by 2020

(EPR) Environment and Public Realm Enable our residents to live healthy, independent lives

(GI) Growth and Investment Optimise income and identify new revenue opportunities (CR)

Prioritise use of resources to meet changing customer needs and demands (CR)

Ensure that the council works efficiently and effectively (CR)

Ensure residents have a home that works for them and is affordable (CH)

Deliver digitally-enabled services that residents can access (CH)

Understand our communities and enable people to take an active part in them (CH)

Enhance our local, open spaces to make them places where people want to be (EPR)

- Continue to improve the efficiency of our waste and recycling services (EPR)
- Protect the public (EPR)
- Promote sustainable growth and economic prosperity (GI)
- Promote and grow Rugby's visitor economy with our partners (GI)
- Encourage healthy and active lifestyles to improve wellbeing within the borough (GI)
- This report does not specifically relate to any Council priorities but

Statutory/Policy Background:	The Local Audit and Accountability Act 2014 Accounts and Audit Regulations 2015 The Code of Audit Practise
Summary:	This is a progress from Grant Thornton on progress in delivering their responsibilities as external auditors to Rugby Borough Council.
Financial Implications:	There are no financial implications arising from this report.
Risk Management Implications:	There are no risk management implications arising from this report.
Environmental Implications:	There are no environment implications arising from this report.
Legal Implications:	The are no legal implications arising from this report.
Equality and Diversity:	There are no equality and diversity implications arising from this report.
Options:	Not applicable
Recommendation:	The 2018/19 external audit interim progress report be noted
Reasons for Recommendation:	Not Applicable

Audit and Ethics Committee - 6 June 2019

Informing the Audit Risk Assessment for Rugby Borough Council

Public Report of the Head of Corporate Resources and CFO

Recommendation

The 2018/19 external audit interim progress report be noted.

Background

Grant Thornton, the Council's appointed external auditor, has submitted their interim progress report for the 2018/19 annual audit.

The report provides the Committee with Grant Thornton's progress in delivering their responsibilities as the Council's external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to the Council as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

This report is appended for the Committee's consideration. A representative from Grant Thornton will attend the meeting to present the report.

Name of Meeting: Audit and Ethics Committee

Date of Meeting: 6 June 2019

Subject Matter: Informing the Audit Risk Assessment for Rugby Borough Council

Originating Department: Corporate Resources

DO ANY BACKGROUND PAPERS APPLY YES NO

LIST OF BACKGROUND PAPERS

Doc No	Title of Document and Hyperlink

The background papers relating to reports on planning applications and which are open to public inspection under Section 100D of the Local Government Act 1972, consist of the planning applications, referred to in the reports, and all written responses to consultations made by the Local Planning Authority, in connection with those applications.

Exempt information is contained in the following documents:

Doc No	Relevant Paragraph of Schedule 12A

Audit Progress Report and Sector Update

Rugby Borough Council
Year ending 31 March 2019

6 June 2019



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Introduction

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This paper provides the Audit & Ethics Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Audit & Ethics Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications

www.grantthornton.co.uk.

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

PSAA Contract Monitoring

Rugby Borough Council opted into the Public Sector Audit Appointments (PSAA) Appointing Person scheme which starts with the 2018/19 audit. PSAA appointed Grant Thornton as auditors. PSAA is responsible under the Local Audit (Appointing Person) Regulations 2015 for monitoring compliance with the contract and is committed to ensuring good quality audit services are provided by its suppliers. Details of PSAA's audit quality monitoring arrangements are available from its website, www.psaa.co.uk.

Our contract with PSAA contains a method statement which sets out the firm's commitment to deliver quality audit services, our audit approach and what clients can expect from us. We have set out commitment to deliver a high quality audit service in the document at Appendix A. We hope this is helpful. It will also be a benchmark for you to provide feedback on our performance to PSAA via its survey in Autumn 2019.

Progress overview – at April 2019

Financial Statements Audit

In 2017/18, the statutory date for publication of audited local government accounts was brought forward to 31st July, across the whole sector. The Authority achieved this deadline and the audit opinion was given by 31st July 2018.

The finance team have embraced the use of Inflo, a system which we are using for the first time this year in order to administer and monitor audit requests.

We have completed our planning and interim procedures for the 2018/19 financial statements audit and have issued a detailed audit plan to this Committee (26th March) . The plan sets out our proposed approach to the audit of the Council's 2018/19 financial statements.

More detail is given on the following slides regarding progress however in summary:

- 1) The interim audit work has progressed well and we have received all agreed information requests
- 2) The standard of working papers and responses to audit requests have been comprehensive and timely.

Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Details of our initial risk assessment to determine our approach are included in our Audit Plan. We identified one significant Value for Money Risk – the delivery of future savings plans.

We will be completing our VFM review June 2019.

We will report our work in our Audit Findings Report and give our Value For Money Conclusion by the deadline in July 2019.

Other areas

Certification of claims and returns

We certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions. The certification work for the 2018/19 claim has not yet started. We will agree our overall project plan for completing this work with officers.

Meetings

We continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective. We also regularly with the Councils S151 officer to discuss overall audit progress and the Council's strategic priorities and plans.

Events

We provide a range of workshops, along with network events for members and publications to support the Council. Your officers attended our Financial Reporting Workshop in February, which helps to ensure that members of your Finance Team are up to date with the latest financial reporting requirements for local authority accounts.

Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

Progress - Financial statements audit

1. Audit planning

We have carried our initial planning for the 2018/19 financial statements audit and have issued a detailed audit plan to this committee (26th March 2019), setting out our proposed approach to the audit of the Council's 2018/19 financial statements.

Keeping updated with current issues affecting you is critical to the audit process. This is a continuous process and any further risks identified since the audit plan has been issued will be communicated to this committee along with our proposed audit response.

2. Inflo

A part of our continued investment to ensure the audit process is as smooth and efficient as possible, we have entered into a partnership with Inflo Software, a purpose build cloud based solution to help co-ordinate your audit.

The finance team have been using Inflo fully and we have received very positive feedback as to how this has helped to 'streamline' the audit process in respect of the collection of evidence and working papers. We would like to take this opportunity to thank the team for their proactive approach and timely feedback.

3. Interim audit

We have completed our interim fieldwork. This includes:

- Updated review of the Council's control environment
- Updated understanding of financial systems
- Review of Internal audit reports
- Early work on emerging accounting issues and the consideration of new accounting standards
- Confirmation that opening balances have been accurately rolled forward
- Sent information requests to the Council's valuer to ensure information is available for the final accounts visit

Early substantive testing has been completed to month 9 in relation to the following balances:

- Operating expenditure
- Other income, Grants
- Pay costs
- Housing benefit payments testing
- Council tax and NDR predictive analytical review

Next steps...

The final accounts audit is due to begin in July 2019 with findings reported to you in our Audit Findings Report. We will present our report at the July Audit & Ethics Committee meeting and issue our audit opinion by the 31 July deadline.

We have started to populate Inflo with our audit requests in preparation for the receipt of the draft financial statements.

Audit Deliverables

2018/19 Deliverables	Planned Date	Status
<p>Fee Letter</p> <p>Confirming audit fee for 2018/19.</p>	March 2018	Complete
<p>Accounts Audit Plan</p> <p>We are required to issue a detailed accounts audit plan to the Audit & Ethics Committee setting out our proposed approach in order to give an opinion on the Council's 2018-19 financial statements.</p>	March 2019	Complete
<p>Audit progress report (and sector update)</p> <p>We will report to you if there are any findings from our interim audit work that need to be brought to your attention</p>	May 2019	Complete (this committee)
<p>Audit Findings Report</p> <p>The Audit Findings Report will be reported to the July Audit Committee.</p>	July 2019	Not yet due
<p>Auditors Report</p> <p>This is the opinion on your financial statement, annual governance statement and value for money conclusion.</p>	July 2019	Not yet due
<p>Annual Audit Letter</p> <p>This letter communicates the key issues arising from our work.</p>	August 2019	Not yet due
<p>Annual Certification Letter</p> <p>This letter reports any matters arising from our certification work carried out under the PSAA contract.</p>	December 2019	Not yet due

Council responsibilities

In our Audit Plan presented to the Audit & Ethics Committee on 5th March 2019 we have communicated our expectations around the Council's responsibilities for timely production of the draft accounts supported by appropriate working papers. Should delays be experienced in the provision of these requirements or should additional work be required on our part due to complex technical issues, new arrangements and delays in response to queries additional costs will be incurred.

Any additional fees are subject to approval by PSAA.

Sector Update

Councils are tackling a continuing drive to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider NHS and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with Audit & Ethics Committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local
government

Public Sector Audit Appointments – Report on the results of auditors’ work 2017/18

This is the fourth report published by Public Sector Audit Appointments (PSAA) and summarises the results of auditors’ work at 495 principal local government and police bodies for 2017/18. This will be the final report under the statutory functions from the Audit Commission Act 1998 that were delegated to PSAA on a transitional basis.

The report covers the timeliness and quality of financial reporting, auditors’ local value for money work, and the extent to which auditors used their statutory reporting powers.

For 2017/18, the statutory accounts publication deadline came forward by two months to 31 July 2018. This was challenging for bodies and auditors and it is encouraging that 431 (87 per cent) audited bodies received an audit opinion by the new deadline.

The most common reasons for delays in issuing the opinion on the 2017/18 accounts were:

- technical accounting/audit issues;
- various errors identified during the audit;
- insufficient availability of staff at the audited body to support the audit;
- problems with the quality of supporting working papers; and
- draft accounts submitted late for audit.

All the opinions issued to date in relation to bodies’ financial statements are unqualified, as was the case for the 2016/17 accounts. Auditors have made statutory recommendations to three bodies, compared to two such cases in respect of 2016/17, and issued an advisory notice to one body.

The number of qualified conclusions on value for money arrangements looks set to remain relatively constant. It currently stands at 7 per cent (32 councils, 1 fire and rescue authority, 1 police body and 2 other local government bodies) compared to 8 per cent for 2016/17, with a further 30 conclusions for 2017/18 still to be issued.

The most common reasons for auditors issuing qualified VFM conclusions for 2017/18 were:

- the impact of issues identified in the reports of statutory inspectorates, for example Ofsted;
- corporate governance issues;
- financial sustainability concerns; and
- procurement/contract management issues.

All the opinions issued to date in relation to bodies’ financial statements are unqualified, as was the case for the 2016/17 accounts.

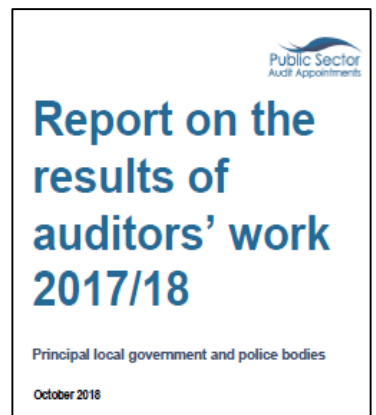
The report is available on the PSAA website:

<https://www.psa.co.uk/audit-quality/reports-on-the-results-of-auditors-work/>

PSAA Report

Challenge questions:

How is the Authority identifying and monitoring the financial statements closedown process to ensure ‘early close’ continues to be achieved?



National Audit Office – Local auditor reporting in England 2018

The report describes the roles and responsibilities of local auditors and relevant national bodies in relation to the local audit framework and summarises the main findings reported by local auditors in 2017-18. It also considers how the quantity and nature of the issues reported have changed since the Comptroller & Auditor General (C&AG) took up his new responsibilities in 2015, and highlights differences between the local government and NHS sectors.

Given increasing financial and demand pressures on local bodies, they need strong arrangements to manage finances and secure value for money. External auditors have a key role in determining whether these arrangements are strong enough. The fact that only three of the bodies (5%) the NAO contacted in connection with this study were able to confirm that they had fully implemented their plans to address the weaknesses reported suggests that while auditors are increasingly raising red flags, some of these are met with inadequate or complacent responses.

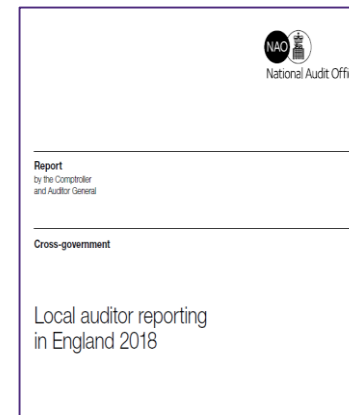
Qualified conclusions on arrangements to secure value for money locally are both unacceptably high and increasing. Auditors qualified their conclusions on arrangements to secure value for money at an increasing number of local public bodies: up from 170 (18%) in 2015-16 to 208 (22%) in 2017-18. As at 17 December 2018, auditors have yet to issue 20 conclusions on arrangements to secure value for money, so this number may increase further for 2017-18.

The proportion of local public bodies whose plans for keeping spending within budget are not fit-for-purpose, or who have significant weaknesses in their governance, is too high. This is a risk to public money and undermines confidence in how well local services are managed. Local bodies need to demonstrate to the wider public that they are managing their organisations effectively, and take local auditor reports seriously. Those charged with governance need to hold their executives to account for taking prompt and effective action. Local public bodies need to do more to strengthen their arrangements and improve their performance.

Local auditors need to exercise the full range of their additional reporting powers, where this is the most effective way of highlighting concerns, especially where they consider that local bodies are not taking sufficient action. Departments need to continue monitoring the level and nature of non-standard reporting, and formalise their processes where informal arrangements are in place. The current situation is serious, with trend lines pointing downwards.

The report is available on the NAO website:

<https://www.nao.org.uk/report/local-auditor-reporting-in-england-2018/>



National Audit Office – Local authority governance

The report examines whether local governance arrangements provide local taxpayers and Parliament with assurance that local authority spending achieves value for money and that authorities are financially sustainable.

Local government has faced considerable funding and demand challenges since 2010-11. This raises questions as to whether the local government governance system remains effective. As demonstrated by Northamptonshire County Council, poor governance can make the difference between coping and not coping with financial and service pressures. The Department (Ministry of Housing, Communities and Local Government) places great weight on local arrangements in relation to value for money and financial sustainability, with limited engagement expected from government. For this to be effective, the Department needs to know that the governance arrangements that support local decision-making function as intended. In order to mitigate the growing risks to value for money in the sector the Department needs to improve its system-wide oversight, be more transparent in its engagement with the sector, and adopt a stronger leadership role across the governance network

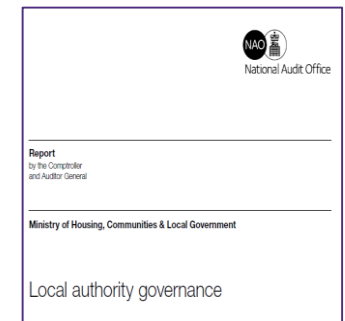
Not only are the risks from poor governance greater in the current context as the stakes are higher, but the process of governance itself is more challenging and complex. Governance arrangements have to be effective in a riskier, more time-pressured and less well-resourced context. For instance, authorities need to:

- maintain tight budgetary control and scrutiny to ensure overall financial sustainability at a time when potentially contentious savings decisions have to be taken and resources for corporate support are more limited; and
- ensure that they have robust risk management arrangements in place when making commercial investments to generate new income, and that oversight and accountability is clear when entering into shared service or outsourced arrangements in order to deliver savings.

Risk profiles have increased in many local authorities as they have reduced spending and sought to generate new income in response to funding and demand pressures. Local authorities have seen a real-terms reduction in spending power (government grant and council tax) of 28.6% between 2010-11 and 2017-18. Demand in key service areas has also increased, including a 15.1% increase in the number of looked after children from 2010-11 to 2017-18. These pressures create risks to authorities' core objectives of remaining financially sustainable and meeting statutory service obligations. Furthermore, to mitigate these fundamental risks, many authorities have pursued strategies such as large-scale transformations or commercial investments that in themselves carry a risk of failure or under-performance.

The report is available on the NAO website:

<https://www.nao.org.uk/report/local-authority-governance-2/>



NAO Report

Challenge question:

Have you reviewed the Council's governance and risk management arrangements in place to address the risks and challenges identified in the NAO report?



ICAEW Report: expectations gap

The Institute of Chartered Accountants in England and Wales (ICAEW) has published a paper on the 'expectation gap' in the external audit of public bodies.

Context:

The expectation gap is the difference between what an auditor actually does, and what stakeholders and commentators think the auditors obligations might be and what they might do. Greater debate being whether greater education and communication between auditors and stakeholders should occur rather than substantial changes in role and remit of audit.

What's the problem?

• Short-term solvency vs. Longer-term value:

- LG & NHS: Facing financial pressures, oversight & governance pressures

- **Limited usefulness of auditors reports:** 'The VFM conclusion is helpful, but it is more about the system/arrangements in place rather than the actual effectiveness of value for money'

- **Other powers and duties:** implementing public interest reports in addition to VFM

- **Restricted role of questions and objections:** Misunderstanding over any objections/and or question should be resolved by the local public auditor. Lack of understanding that auditors have discretion in the use of their powers.

- **Audit qualification not always acted on by those charged with governance:** 'if independent public audit is to have the impact that it needs, it has to be taken seriously by those charged with governance'

- **Audit committees not consistently effective:** Local government struggles to recruit external members for their audit committees, they do not always have the required competencies and independence.

- **Decreased audit fees:** firms choose not to participate because considered that the margins were too tight to enable them to carry out a sufficient amount of work within the fee scales.

- **Impact of audit independence rules:** new independence rules don't allow for external auditors to take on additional work that could compromise their external audit role

- **Other stakeholders expectations not aligned with audit standards**

- **Increased auditor liability:** an auditor considering reporting outside of the main audit engagement would need to bill their client separately and expect the client to pay.

Future financial viability of local public bodies

Local public bodies are being asked to deliver more with less and be more innovative and commercial. CFOs are, of course, nervous at taking risks in the current environment and therefore would like more involvement by their auditors. They want auditors to challenge their forward-looking plans and assumptions and comment on the financial resilience of the organisation..

The ICAEW puts forward two solutions:

Solution a) If CFO's want additional advisory work, rather than just the audit, they can separately hire consultants (either accountancy firms not providing the statutory audit or other business advisory organisations with the required competencies) to work alongside them in their financial resilience work and challenging budget assumptions.

Solution b) Wider profession (IFAC, IAASB, accountancy bodies) should consider whether audit, in its current form, is sustainable and fit for purpose. Stakeholders want greater assurance, through greater depth of testing, analysis and more detailed reporting of financial matters. It is perhaps, time to look at the wider scope of audit. For example, could there be more value in auditors providing assurance reports on key risk indicators which have a greater future-looking focus, albeit focused on historic data?

More information can be found in the link below (click on the cover page)



The expectations gap

Challenge question:

How effectively is the audit meeting client expectations?



Financial Foresight: Our sustainable solution for cash-strapped councils

Grant Thornton's new Financial Foresight platform helps provide local councils with financial sustainability.

Launched in early January, Financial Foresight is a unique platform that can help us provide financial sustainability to under-pressure local councils, using a combination of data, statistics and our expertise.

In December 2018, the Chartered Institute of Public Finance and Accountancy (CIPFA) estimated that 15% of councils are showing signs of financial distress. If the rate at which these councils are dipping into their financial reserves continues, the National Audit Office estimates that 10% of councils will have depleted their reserves by 2021. The latest figures from our Insights and Analytics team suggest this could be closer to 20%.

Alarm bells started to chime at Somerset, Surrey, Lancashire and Birmingham councils last year. Yet it was the catastrophic near-collapse of Northamptonshire County Council - after it chose for five years not to raise council tax to cover its spiralling costs - that shone the spotlight on this widespread problem.

Unless local councils can get to grips with the situation, we'll all feel the effects of deeper cutbacks in public spending.

What's causing the problem?

After eight years of government austerity which followed the financial crash of 2008, many councils are now digging deep into their financial reserves in order to provide public services to their communities – from social care to fixing potholes in the road.

Pressure on funding is further impacted by rapidly rising costs – especially for demand-led services as populations grow and age. Within just a few years, many councils will not have any reserves left to fall back on, and some have already said they will be unable to provide any non-statutory services at this time. Overlay Brexit onto this situation, along with the anticipated financial pressures this will bring, and the outlook for local authorities is extremely challenging.

How can we help?

The investments we have made in analytics coupled with the commercial success of our CFO Insights tool has enabled us to develop credible financial forecasts for every local authority in the country. From this platform we developed Financial Foresight; a unique, forward-looking financial analytics and forecasting platform designed to support financial sustainability in local government.

Financial Foresight takes account of factors such as population growth, development forecasts and demand drivers to project local authority spend, income and operating costs. It provides a baseline view on the financial sustainability of every local authority in England and allows leaders in each authority to benchmark their own outlook against others. This will help councils move on from resilience – or just getting by – to financial sustainability.

Head of Local Government Paul Dossett said: "Through Financial Foresight and our associated strategy workshops, we can support local authorities to test and appraise a range of financial strategies and levers to develop a plan for a sustainable future. The critical importance of authorities understanding their financial resilience is only going to increase, so we're proud to be leading the market with this offering."

For more information, follow the links below:

<https://www.grantthornton.co.uk/en/insights/councils-are-at-risk-but-do-they-really-know-why/>

<https://www.grantthornton.co.uk/en/insights/from-resilience-to-financial-sustainability/>

Links

Grant Thornton website links

<https://www.grantthornton.co.uk/>

<http://www.grantthornton.co.uk/industries/publicsector>

National Audit Office link

<https://www.nao.org.uk/report/the-health-and-social-care-interface/>

<https://www.nao.org.uk/report/local-auditor-reporting-in-england-2018/>

<https://www.nao.org.uk/report/local-authority-governance-2/>

Institute for Fiscal Studies

<https://www.ifs.org.uk/uploads/publications/comms/R148.pdf>

Public Sector Audit Appointments

<https://www.psaa.co.uk/audit-quality/reports-on-the-results-of-auditors-work/>

Local Government audits 2018/19 and beyond

Grant Thornton's External Audit commitment

Audit 2018/19

Our team



Grant Patterson, Engagement Lead

Grant will oversee the implementation and delivery of the audit and will be the audit signatory. He will meet with the Council's senior management including the Director of Finance to help identify risks for the audit and provide advice and assistance as required.



Mary Wren, Manager

Mary will be responsible for planning, managing and leading the delivery of the financial statement audit, value for money conclusion, quality report.



Martin Stevens, Audit Incharge

Martin will lead the onsite audit and be a main point of contact for client queries. He will draw on his experience of Local Government clients and of the ISA-compliant Grant Thornton audit approach to deliver a well-planned and executed audit.

"I have always been extremely pleased with the work done by colleagues from Grant Thornton, there is continuity of staff delivering the team who presented the bid. This continuity remains through the cycle of work that takes place during the year; allowing the team to continue to understand the corporate objectives whilst allowing us to ensure we comply with the required standards. The team are very friendly and approachable with an accommodating style".

Director of Finance, local audited body



Our commitment to our local government clients

- Senior level investment
- Local presence enhancing our responsiveness, agility and flexibility.
- High quality audit delivery
- Collaborative working across the public sector
- Wider connections across the public sector economy, including with health and other local government bodies
- Investment in Health and Wellbeing, Social Value and the Vibrant Economy
- Sharing of best practice and our thought leadership.
- Invitations to training events locally and regionally – bespoke training for emerging issues
- Further investment in data analytics and informatics to keep our knowledge of the areas up to date and to assist in designing a fully tailored audit approach



"I have found Grant Thornton to be very impressive.....they bring a real understanding of the area. Their insights and support are excellent. They are responsive, pragmatic and, through their relationship and the quality of their work, support us in moving forward through increasingly challenging times. I wouldn't hesitate to work with them."

Director of Finance, County Council



Our relationship with our clients – why are we best placed?

- We work closely with our clients to ensure that we understand their financial challenges, performance and future strategy.
- We deliver robust, pragmatic and timely financial statements and Value for Money audits
- We have an open, two way dialogue with clients that support improvements in arrangements and the audit process
- Feedback meetings tell us that our clients are pleased with the service we deliver. We are not complacent and will continue to improve further
- Our locally based, experienced teams have a commitment to both our clients and the wider public sector
- We are a Firm that specialises in Local Government, Health and Social Care, and Cross Sector working, with over 25 Key Audit Partners, the most public sector specialist Engagement Leads of any firm
- We have strong relationships with CIPFA, SOLACE, the Society of Treasurers, the Association of Directors of Adult Social Care and others.
- We propose a realistic fee, based on known local circumstances and requirements.

New opportunities and challenges for your community

The Local Government economy

Local authorities face unprecedented challenges including:

- Financial Sustainability – addressing funding gaps and balancing needs against resources
- Service Sustainability – Adult Social Care funding gaps and pressure on Education, Housing, Transport
- Transformation – new models of delivery, greater emphasis on partnerships, more focus on economic development
- Technology – cyber security and risk management

At a wider level, the political environment remains complex:

- The government continues its negotiation with the EU over Brexit, and future arrangements remain uncertain.
- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.
- We will keep you informed of changes to the financial reporting requirements for 2018/19 through on-going discussions and invitations to our technical update workshops.

Delivering real value through:

- Early advice on technical accounting issues, providing certainty of accounting treatments, future financial planning implications and resulting in draft statements that are 'right first time'
- Knowledge and expertise in all matters local government, including local objections and challenge, where we have an unrivalled depth of expertise.
- Early engagement on issues, especially on ADMs, housing delivery changes, Children services and Adult Social Care restructuring, partnership working with the NHS, inter authority agreements, governance and financial reporting
- Implementation of our recommendations have resulted in demonstrable improvements in your underlying arrangements, for example accounting for unique assets, financial management, reporting and governance, and tax implications for the Cornwall Council companies
- Robust but pragmatic challenge – seeking early liaison on issues, and having the difficult conversations early to ensure a 'no surprises' approach – always doing the right thing
- Providing regional training and networking opportunities for your teams on technical accounting issues and developments and changes to Annual Reporting requirements
- An efficient audit approach, providing tangible benefits, such as releasing finance staff earlier and prompt resolution of issues.

Grant Thornton in Local Government

Appendix

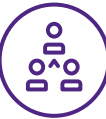
Our client base and delivery

- We are the largest supplier of external audit services to local government
- We audit over 150 local government clients
- We signed 95% of our local government opinions in 2017/18 by 31 July
- In our latest independent client service review, we consistently score 9/10 or above. Clients value our strong interaction, our local knowledge and wealth of expertise.



Our connections

- We are well connected to MHCLG, the NAO and key local government networks
- We work with CIPFA, Think Tanks and legal firms to develop workshops and good practice
- We have a strong presence across all parts of local government including blue light services
- We provide thought leadership, seminars and training to support our clients and to provide solutions



Our people

- We have over 25 engagement leads accredited by ICAEW, and over 250 public sector specialists
- We provide technical and personal development training
- We employ over 80 Public Sector trainee accountants



Our quality

- Our audit approach complies with the NAO's Code of Audit Practice, and International Standards on Auditing
- We are fully compliant with ethical standards
- Your audit team has passed all quality inspections including QAD and AQRT



Our technical support

- We have specialist leads for Public Sector Audit quality and technical
- We provide national technical guidance on emerging auditing, financial reporting and ethical areas
- Specialist audit software is used to deliver maximum efficiencies





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AGENDA MANAGEMENT SHEET

Report Title: Informing the Audit Risk Assessment for Rugby Borough Council

Name of Committee: Audit and Ethics Committee

Date of Meeting: 6 June 2019

Report Director: Head of Corporate Resources and CFO

Portfolio: Corporate Resources

Ward Relevance: Not ward specific

Prior Consultation: Chief Financial Officer (Head of Corporate Resources), Deputy Chief Financial Officer (Financial Services Manager)

Contact Officer: Jon Illingworth, Financial Services Manager, Tel: 01788 533410

Public or Private: Public

Report Subject to Call-In: No

Report En-Bloc: No

Forward Plan: No

Corporate Priorities: This report relates to the following priority(ies):

(CR) Corporate Resources To provide excellent, value for money services and sustainable growth

(CH) Communities and Homes Achieve financial self-sufficiency by 2020

(EPR) Environment and Public Realm Enable our residents to live healthy, independent lives

(GI) Growth and Investment Optimise income and identify new revenue opportunities (CR)

Prioritise use of resources to meet changing customer needs and demands (CR)

Ensure that the council works efficiently and effectively (CR)

Ensure residents have a home that works for them and is affordable (CH)

Deliver digitally-enabled services that residents can access (CH)

Understand our communities and enable people to take an active part in them (CH)

Enhance our local, open spaces to make them places where people want to be (EPR)

- Continue to improve the efficiency of our waste and recycling services (EPR)
- Protect the public (EPR)
- Promote sustainable growth and economic prosperity (GI)
- Promote and grow Rugby's visitor economy with our partners (GI)
- Encourage healthy and active lifestyles to improve wellbeing within the borough (GI)
- This report does not specifically relate to any Council priorities but

Statutory/Policy Background:	The Local Audit and Accountability Act 2014 Accounts and Audit Regulations 2015 The Code of Audit Practise
Summary:	This is a report from our appointed external auditor (Grant Thornton) which seeks to ensure that there is effective two-way communication between the Audit and Ethics Committee and the external auditor regarding the risks relating to the 2018/19 external audit of the Council.
Financial Implications:	There are no financial implications arising from this report.
Risk Management Implications:	There are no risk management implications arising from this report.
Environmental Implications:	There are no environment implications arising from this report.
Legal Implications:	The are no legal implications arising from this report.
Equality and Diversity:	There are no equality and diversity implications arising from this report.
Options:	Not applicable
Recommendation:	The committee to confirm that it is satisfied with the arrangements currently in place identified in the appended report.
Reasons for Recommendation:	The external auditor has a professional responsibility to ensure that there is effective two-way communication between the auditor and the Council's Audit and Ethics Committee to help reduce the risk of material misstatement.

Audit and Ethics Committee - 6 June 2019

Informing the Audit Risk Assessment for Rugby Borough Council

Public Report of the Head of Corporate Resources and CFO

Recommendation

The committee to confirm that it is satisfied with the arrangements currently in place identified in the appended report.

Background

Grant Thornton, the Council's appointed external auditor, has submitted a report (attached at Appendix 1) on the arrangements currently in place to inform the audit risk assessment for the Council.

A representative from Grant Thornton will attend the meeting to present the report.

Name of Meeting: Audit and Ethics Committee

Date of Meeting: 6 June 2019

Subject Matter: Informing the Audit Risk Assessment for Rugby Borough Council

Originating Department: Corporate Resources

DO ANY BACKGROUND PAPERS APPLY YES NO

LIST OF BACKGROUND PAPERS

Doc No	Title of Document and Hyperlink

The background papers relating to reports on planning applications and which are open to public inspection under Section 100D of the Local Government Act 1972, consist of the planning applications, referred to in the reports, and all written responses to consultations made by the Local Planning Authority, in connection with those applications.

Exempt information is contained in the following documents:

Doc No	Relevant Paragraph of Schedule 12A



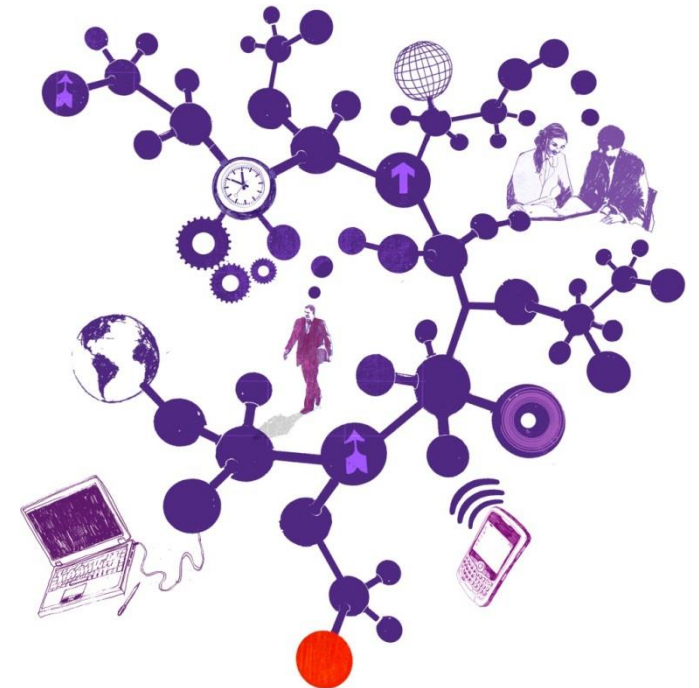
Informing the audit risk assessment for Rugby Borough Council

Year ended

31 March 2019

Grant Patterson
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Purpose

The purpose of this report is to contribute towards the effective two-way communication between auditors and the Council's Audit Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit Committee under auditing standards.

Background

Under International Standards on Auditing (UK and Ireland) (ISA(UK&I)) auditors have specific responsibilities to communicate with the Audit Committee. ISA(UK&I) emphasise the importance of two-way communication between the auditor and the Audit Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit Committee and supports the Audit Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Audit Committee's oversight of the following areas:

- fraud
- laws and regulations
- going concern
- Related parties
- Estimates

This report includes a series of questions on each of these areas and the response we have received from the Council's management. The Audit Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

Fraud

Issue

Matters in relation to fraud

ISA(UK&I)240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit Committee and management. Management, with the oversight of the Audit Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As auditors, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls. As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud
- process for identifying and responding to risks of fraud, including any identified specific risks
- communication with the Audit Committee regarding its processes for identifying and responding to risks of fraud
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit Committee oversees the above processes. We are also required to make inquiries of both management and the Audit Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from the Council's management.

Fraud risk assessment

Question	Management response
<p>Has the Council assessed the risk of material misstatement in the financial statements due to fraud? What are the results of this process?</p>	<p>The financial statements are subject to internal quality assurance control checks including : i) checks for high risk activities and ii) analytical reviews with the objective of identifying any significant year on year variances. A risk assessment process related to the preparation of accounts is completed based upon the audit issues raised by both Internal and External Audit. The monthly monitoring of service revenue and capital budgets will identify any risk of material misstatements.</p>
<p>What processes does the Council have in place to identify and respond to risks of fraud?</p>	<p>The corporate governance framework is reviewed by the Audit and Ethics Committee, for the risk of fraud in relation to the Council's control environment. The Audit and Ethics Committee consider all internal audit reports where there is limited/no assurance, from a control environment and a risk of fraud perspective, this is in line with the agreed audit protocol. The annual report from the Corporate Assurance and Improvement Manager on the adequacy of Internal Control, will also identify fraud risk areas. Investigations of suspected fraud, as a result of cases brought to the attention of the Monitoring Officer, are carried out by the Internal Audit team.</p> <p>The Corporate Assurance and Improvement Manager, keeps the Executive Director and s151 officer informed of any fraud investigations and periodically provides the Audit and Ethics Committee with fraud activity report updates as necessary. In 2018/19 the Corporate Assurance and Improvement Manager completed a full assessment of fraud, bribery and corruption risks across all Council departments.</p> <p>The results were reported to the Strategic Risk Management Group and the Audit & Ethics Committee. Fraud, bribery and corruption awareness training was delivered to all managers in March 2018 and members in April 2018. The internal audit plan also includes proactive counter fraud assurance work. The arrangements for the prevention of fraud are considered adequate.</p>

Fraud risk assessment

Question	Management response
Have any specific fraud risks, or areas with a high risk of fraud, been identified and what has been done to mitigate these risks?	A full assessment of fraud, bribery and corruption risks was undertaken during 2018/19. Where the level of risk was assessed as being Medium or Higher, mitigating actions were identified and recorded. Delivery of these actions is being monitored by the Corporate Assurance and Improvement Team and details of any overdue actions are reported to the Audit & Ethics Committee.

Fraud risk assessment

Question	Management response
<p>Are internal controls, including segregation of duties, in place and operating effectively? If not, where are the risk areas and what mitigating actions have been taken?</p>	<p>Yes, where segregation of duties cannot be maintained on a person by person basis they are maintained on a process by process basis. Any issues relating to this would be covered within Internal Audit investigations.</p>
<p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?</p>	<p>Thorough budget monitoring carried out by Financial Services would identify any deviations from the Council's policies and procedures. Any retrospective adjustments to expenditure would require one officer to authorise the amendment and a second officer to process the transaction therefore maintaining a segregation of duties.</p>
<p>How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud? What arrangements are in place to report fraud issues and risks to the Audit Committee?</p>	<p>The reporting of fraud issues to Audit and Ethics Committee is made by various Methods: i) Investigation reports by the Corporate Assurance and Improvement Manager as a result of the Whistleblowing Policy ii) Reports by the Head of Corporate Resources and iii) Annual Governance Statement report for Internal Control and includes any fraud risk. Fraud and Corruption are a standing item on the Audit and Ethics Committee Agenda iv). The Corporate Assurance and Improvement Manager submits an annual report on counter fraud activity for consideration by the Audit & Ethics Committee.</p>
<p>How does the Council communicate and encourage ethical behaviour of its staff and contractors?</p>	<p>The updated code of conduct for members and employees outlines the Council's expectations for business practice and ethical behaviour. Employees are aware of the antifraud and corruption strategy - details are available on the Intranet. The Corporate Assurance and Improvement Manager investigates all employee concerns for suspected fraud. The Fraud and Corruption Strategy also applies to the Council's contractors in addition to relevant terms and conditions printed on the reverse of any orders that are placed with a contractor. A Fraud Response Plan was developed and approved in February 2017.</p>

Fraud risk assessment

Question	Management response
How do you encourage staff to report their concerns about fraud? Have any significant issues been reported?	The Council has a Confidential Reporting Code which allows employees to report any concerns regarding fraud, unethical behaviour or corruption to the Monitoring Officer or the Corporate Assurance and Improvement Manager. There are a number of mechanisms through which employees are able to report their concerns; these are all set out within the Confidential Reporting Code. No significant issues have been reported.
Are you aware of any related party relationships or transactions that could give rise to risks of fraud?	Most of the related party transactions that could give rise to potential fraud are those in which councillors have a direct interest. Risks are mitigated, by the councillor declarations of interest and non participation in debates linked to these declarations.
Are you aware of any instances of actual, suspected or alleged, fraud, either within or impacting on the Council as a whole or specific departments since 1 April 2018?	There have been 2 instances of actual, alleged or suspected fraud since 1 April 2018. The cases were fully investigated, completed and closed. Fraud and Corruption is reported as a standing item on the Audit and Ethics Committee Agenda.

Laws and regulations

Issue

Matters in relation to laws and regulations

ISA(UK&I)250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit Committee, is responsible for ensuring that the Council's operations are conducted in accordance with laws and regulations including those that determine amounts in the financial statements.

As auditors, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit Committee as to whether the entity is in compliance with laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of Laws and regulations

Question	Management response
What arrangements does the Council have in place to prevent and detect non-compliance with laws and regulations?	It is managers' responsibility to ensure that all relevant laws and regulations for their service area are complied with. This requirement forms part of their contract of employment. When a service is audited, one of the areas reviewed is compliance with relevant laws and regulations. Where breaches are identified the Corporate Assurance and Improvement Manager and Monitoring Officer should be informed.
How does management gain assurance that all relevant laws and regulations have been complied with?	The Monitoring Officer will advise the Council's Leadership and Operations team and councillors as appropriate.
How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?	Assurance over compliance with the Council's Constitution is provided through the Annual Governance Statement reported to Audit and Ethics Committee.

Impact of Laws and regulations

Question	Management response
Have there been any instances of non-compliance or suspected non-compliance with law and regulation since 1 April 2018, or earlier with an on-going impact on the 2018/19 financial statements?	No
What arrangements does the Council have in place to identify, evaluate and account for litigation or claims?	Any potential claims are received by either the Councils' Legal Services team or the Risk Management and Insurance Officer. All claims registered with the latter are passed directly to the Council's insurers.
Is there any actual or potential litigation or claims that would affect the financial statements?	No
Have there been any reports from other regulatory bodies, such as HM Revenues and Customs which indicate noncompliance?	No
Have there been made any reports under the Bribery Act?	No

Going Concern

Issue

Matters in relation to laws and regulations

ISA(UK&I)570 covers auditor responsibilities in the audit of financial statements relating to management's use of the going concern assumption in the financial statements.

The going concern assumption is a fundamental principle in the preparation of financial statements. Under this assumption entities are viewed as continuing in business for the foreseeable future. Assets and liabilities are recorded on the basis that the entity will be able to realise its assets and discharge its liabilities in the normal course of business.

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires an authority's financial statements to be prepared on a going concern basis. Although the Council is not subject to the same future trading uncertainties as private sector entities, consideration of the key features of the going concern assumption provides an indication of the Council's financial resilience.

As auditors, we are responsible for considering the appropriateness of use of the going concern assumption in preparing the financial statements and to consider whether there are material uncertainties about the Council's ability to continue as a going concern that need to be disclosed in the financial statements. We discuss the going concern assumption with management and review the Council's financial and operating performance.

Going Concern Considerations

Question	Management response
Does the Council have procedures in place to assess the Council's ability to continue as a going concern?	An updated Medium Term Financial Plan is reported to Cabinet throughout the budget setting process and forms part of the Council Tax Setting process.
Is management aware of the existence of other events or conditions that may cast doubt on the Council's ability to continue as a going concern?	No.
Are arrangements in place to report the going concern assessment to the Audit Committee?	The Council's financial statements are reported directly to and approved independently by the Audit and Ethics Committee. A key aspect of the external audit of the statements is the opinion that the Council remains a going concern, so Audit and Ethics Committee can directly question both the Chief Financial Officer and the External Auditor about any concerns it may have.
Are the financial assumptions in that report (e.g., future levels of income and expenditure) consistent with the Council's Business Plan and the financial information provided to the Council throughout the year?	Yes.

Going Concern Considerations

Question	Management response
Are the implications of statutory or policy changes appropriately reflected in the Business Plan, financial forecasts and report on going concern?	Yes.
Have there been any significant issues raised with the Audit Committee during the year which could cast doubts on the assumptions made? (Examples include adverse comments raised by internal and external audit regarding financial performance or significant weaknesses in systems of financial control).	No.
Does a review of available financial information identify any adverse financial indicators including negative cash flow? If so, what action is being taken to improve financial performance?	No.
Does the Council have sufficient staff in post, with the appropriate skills and experience, particularly at senior manager level, to ensure the delivery of the Council's objectives? If not, what action is being taken to obtain those skills?	Yes.

Related Parties

Issue

Matters in relation to Related Parties

For local government bodies the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires compliance with IAS24: related party disclosures. The Code identifies the following as related parties:

- Subsidiaries;
- Associates;
- Joint ventures
- An entity that has an interest in the authority that gives it significant influence;
- Key management personnel and close family members; and
- Pension fund for the benefit of employees

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the Council's perspective but material from a related party viewpoint then the Council must disclose it.

ISA (UK&I) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We also carry out testing to ensure the related party transaction disclosures in the financial statements are complete and accurate.

Related Parties Assessment

Question	Management response
Who are the Council's related parties?	<ul style="list-style-type: none"> • Central government bodies (e.g. Department for Works and Pensions) • Warwickshire County Council and Warwickshire Office of the Police and Crime Commissioner, • Rugby Borough Parish Councils, • West Midlands Combined Authority, • Council Members and Chief Officers, • Voluntary and Outside Bodies e.g. Local Government Association, World Rugby, Rugby First, Rainsbrooke Crematorium Joint Committee, Greenwich Leisure Ltd (GLL) – operator of the Queens Diamond Jubilee leisure centre • Shared Service Arrangements – Nuneaton and Bedworth Borough Council, Warwick District Council and Daventry District Council
What are the controls in place to identify, account for, and disclose, related party transactions and relationships?	<p>Councillors and officers cannot and do not participate in decisions where they are a related party. Annual accounts disclosures for related parties and transactions are reviewed for completeness by the Financial Services Manager and the Council's Monitoring Officer as part of the Annual Declaration of Interests.</p>

Accounting Estimates

Issue

Matters in relation to Accounting Estimates

Local authorities need to apply appropriate estimates in the preparation of their financial statements. ISA (UK&I) 540 sets out requirements for auditing accounting estimates. The objective is to gain evidence that the accounting estimates are reasonable and the related disclosures are adequate.

Under this standard we have to identify and assess the risks of material misstatement for accounting estimates by understanding how the Council identifies the transactions, events and conditions that may give rise to the need for an accounting estimate.

Accounting estimates are used when it is not possible to measure precisely a figure in the accounts. We need to be aware of all estimates that the Council is using as part of its accounts preparation; these are detailed on the following pages.

The audit procedure we conduct on the accounting estimate will demonstrate that:

- The estimate is reasonable; and
- Estimates have been calculated consistently with other accounting estimates within the financial statements.

Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions : - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Property, plant and equipment valuations	Valuations are made by the valuer (local RICS/CIB Member) inline with RICS guidance on the basis of 5 year valuations with interim reviews	Capital Accountant notifies the valuer of the programme of rolling valuations or of any conditions that warrant an interim revaluation	Yes – use of local RICS/CIB Member for valuations.	Valuations are made inline with RICS guidance – reliance on expert	No
Estimated remaining useful lives of PPE	The following asset categories have general asset lives: <ul style="list-style-type: none"> · Buildings 5-60 years · Equipment/vehicles 3-25 years · Plant 3-25 years · Infrastructure 7-40 years 	Consistent asset lives applied to each asset category	Yes – use of local RICS/CIB Member for valuations.	The method makes some generalisations. For example, buildings tend to have a useful life of 50 years, although in specific examples based upon a valuation review, a new building can have a life as short as 25 years or as long as 70 years depending on the construction materials used. Overall, the length of life would reflect the views of the qualified RICS or CIB Member.	No

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions : - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Depreciation and amortisation	Depreciation is provided for on all fixed assets with a finite useful life on a straight-line basis.	Consistent application of depreciation method across all assets	Yes – us of the Local RICS/CIB Member for valuations	The length of the life is determined at the point of acquisition or revaluation Assets that are not fully constructed are not depreciated until they are brought into use.	No
Impairments	Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.	Assets are assessed at each year-end as to whether these is any indication that an asset may be impaired.	Yes – use of the local RICS/CIB Member for Valuations	Valuations are made in line with RICS guidance – reliance on experts	No

Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions : - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Non adjusting events – events after the BS date	<p>S151 Officer makes the assessment. If the event is indicative of conditions that arose after the balance sheet date then this is an unadjusting event.</p> <p>For these events only a note to the accounts is included, identifying the nature of the event and where possible estimates of the financial effect.</p>	Hheads of Service notify the S151 Officer	This would be considered on individual circumstances	This would be considered on individual circumstances	N/A
Measurement of Financial Instruments	Council Values financial instruments at fair value based on the advice of their external treasury consultants and other financial professionals	Take advice from finance professionals	Yes – treasury consultants	Take advice from finance professionals	No

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions : - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Bad debt provision	A provision is estimated using a proportion basis of an aged debt listing	The Financial Services team calculate the provision	No	Consistent proportion used across aged debt	No
Provision for liabilities	Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Provisions are charged as an expense to the appropriate service line in the CIES in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.	Quarterly monitoring of expected losses. Use of external experts to inform likelihood and magnitude of future losses.	Yes – in relation to the provision for losses from Business Rate Appeals	Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received by the Council.	No

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions : - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Accruals	Financial Services collate accruals of expenditure and income. Activity is accounted for in the financial year that it takes place, not when money is paid or received.	Activity is accounted for in the financial year that it takes place, not when money is paid or received.	No	Accruals for income and expenditure have been principally based on known values. Where accruals have had to be estimated the latest information has been used.	No
IAS19 Pensions Post Employment Liabilities	Estimation of the pensions liability depends on a number of complex judgements and assumptions relating to the discount rate, the future value of the assets and liabilities of the pension schemes, the rate of increase in pay, changes in retirement ages and mortality rates.	A firm of consulting actuaries is engaged by Warwickshire authorities with expert advice about the assumptions applied.	Yes –Hymans Robertson	This is a major source of estimation. It depends on a number of complex judgements which interact in complex ways. The actuaries model thousands of possible outcomes in order to establish what the world might look like over the long term.	No



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AGENDA MANAGEMENT SHEET

Report Title: Annual Report of the Corporate Assurance and Improvement Manager

Name of Committee: Audit and Ethics Committee

Date of Meeting: 6 June 2019

Report Director: Head of Corporate Resources and CFO

Portfolio: Corporate Resources

Ward Relevance: None

Prior Consultation: Head of Corporate Resources and Chief Finance Officer

Contact Officer: Chris Green, Corporate Assurance and Improvement Manager, Tel: 01788 533451

Public or Private: Public

Report Subject to Call-In: No

Report En-Bloc: No

Forward Plan: No

Corporate Priorities: This report relates to the following priority(ies):

(CR) Corporate Resources To provide excellent, value for money services and sustainable growth

(CH) Communities and Homes Achieve financial self-sufficiency by 2020

(EPR) Environment and Public Realm Enable our residents to live healthy, independent lives

(GI) Growth and Investment Optimise income and identify new revenue opportunities (CR)

Prioritise use of resources to meet changing customer needs and demands (CR)

Ensure that the council works efficiently and effectively (CR)

Ensure residents have a home that works for them and is affordable (CH)

Deliver digitally-enabled services that residents can access (CH)

Understand our communities and enable people to take an active part in them (CH)

Enhance our local, open spaces to make them places where people want to be (EPR)

- Continue to improve the efficiency of our waste and recycling services (EPR)
- Protect the public (EPR)
- Promote sustainable growth and economic prosperity (GI)
- Promote and grow Rugby's visitor economy with our partners (GI)
- Encourage healthy and active lifestyles to improve wellbeing within the borough (GI)

Statutory/Policy Background: Public Sector Internal Audit Standards (PSIAS). Internal audit is a statutory function as detailed in the Audit and Accounts Regulations 2015 (England), and Section 151 of the Local Government Act 1972.

Summary: The report sets out the Corporate Assurance and Improvement Manager's annual opinion of the overall adequacy and effectiveness of the Council's internal control environment, with an appended summary of the audit work undertaken to formulate the opinion.

Financial Implications: No direct implications

Risk Management Implications: No direct implications. This report forms part of the evidence that supports the Council's Annual Governance Statement and provides assurance over the adequacy and effectiveness of the Council's internal controls to manage its key risks.

Environmental Implications: No direct implications

Legal Implications: No direct implications

Equality and Diversity: No direct implications

Options: None

Recommendation: The report be considered and noted.

Reasons for Recommendation: To comply with the requirements of the terms of reference of the Audit and Ethics Committee, and to discharge the Committee's responsibilities under the Constitution.

Audit and Ethics Committee - 6 June 2019

**Annual Report of the Corporate Assurance and Improvement
Manager**

Public Report of the Head of Corporate Resources and CFO

Recommendation:

The report be considered and noted.

1. Introduction

1.1 The Accounts and Audit Regulations and the Public Sector Internal Audit Standards (the Standards) require the Corporate Assurance and Improvement Manager (CAIM) to provide an annual Internal Audit opinion and report that can be used by the organisation to inform its Annual Governance Statement. The Standards also specify that the report must contain:

- an internal audit opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework (i.e. the control environment);
- a summary of the audit work from which the opinion is derived and any work by other assurance providers upon which reliance is placed; and
- a statement on the extent of conformance with the Standards including progress against the improvement plan resulting from any external assessments.

2. Report Details

Opinion on the Overall Adequacy and Effectiveness of the Council's Control Environment

2.1 It is the responsibility of the CAIM to provide the annual Internal Audit opinion and to detail the basis for this opinion. Based upon the work undertaken by Internal Audit during 2018/19, the CAIM's overall opinion is that **Substantial Assurance** can be given that there is an adequate and effective governance, risk and control framework in place, designed to meet the organisation's objectives. Whilst some elements of the control environment require attention, agreed actions have been put in place to address those issues and responsible managers have agreed reasonable timetables for their implementation. The progress made by management in implementing the agreed actions has been generally sound.

2.2 **Appendix A** to this report provides a copy of the Internal Audit Annual Report which includes the CAIM's opinion on the control framework for 2018/19 and the basis for this opinion.

Effectiveness of Internal Audit

- 2.3 The Annual Report also includes an overview of the performance of the Internal Audit service against its key performance measures and ways in which it has added value to the Council during 2018/19.

Compliance with the Public Sector Internal Audit Standards

- 2.4 An external quality assessment of the internal audit service was completed in 2017/18 and the results were reported to and considered by the Audit and Ethics Committee. The report concluded that there were “no areas of non-compliance with the standards that would affect the overall scope or operation of the internal audit activity”. The report also highlighted “some minor actions needed to ensure full compliance with the standards, especially to makes the terms of reference more explicit”. The formal recommendations arising from the assessment have all been implemented. The Corporate Assurance and Improvement Manager can also confirm that the requirements of the Quality Assurance and Improvement Programme, (included with this report at Appendix B), have been met for 2018/19. A further self assessment has been completed by the Corporate Assurance and Improvement Manager, the results of which are incorporated within the annual report. The Internal Audit service, in the opinion of the Corporate Assurance and Improvement Manager, is operating in general conformance to the Standards. The next external quality assessment is due in the 2022/23 financial year but can be commissioned sooner if required.

Statement of Organisational Independence and Objectivity

- 2.5 If independence or objectivity is impaired in fact or appearance, the CAIM is required to disclose this. The CAIM can confirm that the internal audit service is independent and objective, and this is currently demonstrated in a number of ways:
- The CAIM reports directly to the Section 151 Officer and the Audit and Ethics Committee, and has unfettered access to the Executive Director, and Chair of the Audit and Ethics Committee.
 - Any attempts to unduly influence the scope of audit reviews or the contents of reports will be reported by the CAIM to the Executive Director and the Chair of the Audit and Ethics Committee.
 - All officers responsible for internal audit work are required to complete an annual Register of Interests declaration form, which is in turn reviewed by their line manager. In the case of the CAIM, the annual declaration of interests is reviewed by the Head of Corporate Resources and Chief Finance Officer. Auditors are required to report any interests that might compromise the impartiality of their professional judgements – or give rise to a perception that this impartiality has been compromised. Any conflicts of interest are avoided when allocating assignments.
 - The Audit and Ethics Committee approves any consultancy activity included in the Audit Plan.

- 2.6 As previously reported to the Committee, the role and responsibilities of the CAIM extend beyond internal auditing. There would be an actual or perceived impairment to independence and objectivity were the CAIM to undertake internal audit reviews of areas for which he is operationally responsible for. Specific safeguards have been established in order to avoid any actual or perceived impairment to independence and objectivity; these safeguards have been reported to, considered and approved separately by the Committee.

Name of Meeting: Audit and Ethics Committee

Date of Meeting: 6 June 2019

Subject Matter: Annual Report of the Corporate Assurance and Improvement Manager

Originating Department: Corporate Resources

DO ANY BACKGROUND PAPERS APPLY **YES** **NO**

LIST OF BACKGROUND PAPERS

Doc No	Title of Document and Hyperlink
Appendix A	Annual Report of the Corporate Assurance and Improvement Manager
Appendix B	Quality Assurance and Improvement Programme

The background papers relating to reports on planning applications and which are open to public inspection under Section 100D of the Local Government Act 1972, consist of the planning applications, referred to in the reports, and all written responses to consultations made by the Local Planning Authority, in connection with those applications.

Exempt information is contained in the following documents:

Doc No	Relevant Paragraph of Schedule 12A



Appendix A

ANNUAL REPORT OF INTERNAL AUDIT

2018-19

Date: 6 June 2019

Annual Report of Internal Audit 2018/19

1. BACKGROUND

- 1.1 The Public Sector Internal Audit Standards (the Standards) require the Corporate Assurance and Improvement Manager to provide an annual Internal Audit opinion and report that can be used by the organisation to inform its governance statement.
- 1.2 The Standards specify that the annual report must contain:
- An Internal Audit opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework (i.e. the control environment);
 - A summary of the audit work from which the opinion is derived and any work by other assurance providers upon which reliance is placed; and
 - A statement of the extent of conformance with the Standards including progress against the improvement plan arising from any external assessments.

2. INTERNAL AUDIT OPINION 2018/19

- 2.1 Based upon the work undertaken by Internal Audit during the year, the Corporate Assurance and Improvement Manager's overall opinion on the Council's system of internal control is that:

Substantial Assurance can be given that there is an adequate and effective governance, risk and control framework in place, designed to meet the organisation's objectives.

Of the 16 graded assignments undertaken for 2018/19, 12 (75%) resulted in an opinion of either High or Substantial Assurance, with 4 (25%) assignments receiving only Limited Assurance.

The progress made by management in implementing the actions arising from audits has been good. 93% of agreed actions arising from audits completed in the last two years were implemented on time and 7% were implemented late, resulting in an overall implementation rate of 100%. There were 3 agreed actions which were overdue as at 31st March 2019; these all related to the audit of corporate health and safety completed in January 2017. A total of 96 agreed actions have been implemented by the Council during 2018/19 as a result of internal audit work.

No systems of controls can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance.

- 2.2 The basis for this opinion is derived from an assessment of the range of individual opinions arising from assignments within the agreed internal audit plan that have been

undertaken throughout the year. This assessment has taken account of the relative materiality of these areas and management's progress in respect of addressing any control weaknesses.

- 2.3 As noted in the conclusion above, there were 3 agreed actions which were overdue as at 31st March 2019. These all related to the internal audit of Corporate Health & Safety completed in January 2017. As previously reported to the Audit & Ethics Committee, resourcing issues have impacted on management's ability to implement the agreed actions. Those resourcing issues have now been addressed and as such management will now be able to proceed with delivering the remainder of the action plan. Furthermore, Internal Audit has completed a follow up review of the original audit and the full report with revised action plan is being submitted separately to the Audit & Ethics Committee for consideration.
- 2.4 There were 4 audits which resulted in only Limited assurance during 2018/19. In forming the annual opinion the Corporate Assurance and Improvement Manager considered management's response to these audits and where applicable the progress being made to address the issues identified, and concluded that the management response and, where applicable progress, was satisfactory. A summary of Audit opinions is shown in Table 1 below:

Table 1 – Summary of Audit Opinions 2018/19

<u>Assurance Area</u>	<u>High</u>	<u>Substantial</u>	<u>Limited</u>	<u>No</u>
Financial	0	2	1	0
IT	0	2	0	0
Counter Fraud	0	1	1	0
Governance	0	1	2	0
Strategic & Operational Risks	2*	4	0	0
Total	2	10	4	0
Summary	13%	62%	25%	0%

* Of the two audits which resulted in High assurance, one (Insurance) was completed by an external contractor (TIAA), whilst the second (Elections) was undertaken by the in house team.

3. REVIEW OF AUDIT COVERAGE

3.1 The Auditor's Opinion for each assignment is based on the fieldwork carried out to evaluate the design of the controls upon which management rely and to establish the extent to which controls are being complied with. The table below explains what the opinions mean:

Table 2 – Assurance Categories

Assurance Level	Design of Control Framework	Operation of Controls
HIGH	There is a robust framework of controls making it likely that corporate/ service objectives will be delivered.	Controls are operated continuously and consistently, with only infrequent minor lapses.
SUBSTANTIAL	The control framework includes generally sound key controls that promote the delivery of corporate/ service objectives.	Controls are applied, although some lapses and/ or inconsistencies were identified.
LIMITED	There is an absence of key controls, with an increased risk that corporate/ service objectives will not be achieved.	There have been significant and extensive breakdowns in the operation of key controls.
NO	There is an absence of basic controls resulting in inability to deliver corporate/ service objectives.	The fundamental controls are not being operated or complied with.

3.2 The Auditor's Opinion of the level of risk exposure is based on an assessment of the level of the likelihood of corporate/ service objectives not being achieved, and an assessment of the impact of any failure to achieve objectives. The assessments are conducted in line with the Council's Strategic and Operational Risk Matrix. In order that risks may be prioritised according to their severity, the Council operates a traffic light system. Risks are scored within one of the following levels:

Risk Rating	Risk Score	Prioritisation of Action
HIGH	8 - 16	Immediate Attention
MEDIUM	4 - 6	Moderate Risk, Mitigation Action Required
LOW	1 - 3	Regular Review

3.3 Summary of Audit Work

Table 3 details the assurance levels resulting from all audits undertaken in 2018/19 and the assessment of the levels of risk exposure:

Table 3 – Details of Audit Opinions Issued in 2018/19

Audit Area	Assurance Opinion	Risk Exposure Opinion
Finance		
Treasury Management	Substantial	Low
Benefits	Substantial	Medium
Tenant Recharges	Limited	Medium
IT		
Backup Arrangements	Substantial	Medium
Patching Arrangements	Substantial	Medium
Counter Fraud		
Fraud Risk Assessments	Substantial	Medium
Grants to Community Groups	Limited	Medium
Governance		
Annual Governance Statement	Substantial	Not Applicable
Health & Safety Follow up	Limited	High
Data Protection Governance	Limited	Medium
Strategic & Operational Risks		
Elections	High	Low
Housing Repairs	Substantial	Medium
Car Parking Enforcement	Substantial	Low
Insurance	High	Low
Independent Living Service	Substantial	Medium
Green Waste Optimisation	Substantial	Low

3.4 Outlined at pages 11 to 27 is a short summary of the findings of each of the audits completed. It should be noted that many of these findings have previously been reported as part of the defined cycle of progress update reports provided to the Audit & Ethics Committee.

3.5 Implementation of Internal Audit Recommendations

Internal Audit follows up on progress against all recommendations arising from completed assignments to ensure they have been appropriately implemented in a timely manner. Updates are provided to the Audit & Ethics Committee during the course of the year. Details of the combined implementation rate for audit recommendations made during 2017/18 and 2018/19 are provided in Table 4 below:

Table 4 – Implementation of Audit Recommendations

Audit	No. of Recs	Implemented on Time	Implemented Late	Not yet due	Overdue	Rejected Medium/ High Risk Actions
Corporate Credit Cards	9	8	0	1	0	0
Play & On Track	12	11	1	0	0	0
RAGM Income	14	14	0	0	0	0
Green Waste	1	1	0	0	0	0
ICT Infrastructure	6	6	0	0	0	0
Benn Hall	18	16	2	0	0	0
Council Tax & NDR Fraud	10	2	2	6	0	0
Fleet Management	10	1	0	9	0	0
Partnership Governance	2	1	0	1	0	0
Risk Management	7	2	0	5	0	0
Housing Repairs Stock Control	9	4	2	3	0	0
Values & Behaviours	12	6	0	6	0	0
PTC Interface	8	6	0	2	0	0
Grants to Community Groups	13	13	0	0	0	0
Fraud Risk Review	14	2	0	12	0	0
Housing Repairs	11	3	0	8	0	0
ICT Backup	4	0	0	4	0	0
Independent Living	11	0	0	11	0	0
Housing Rent Arrears	3	0	0	3	0	0
Treasury Management	6	0	0	6	0	0
Benefits	1	0	0	1	0	0
ICT Patching	6	0	0	6	0	0
Health/ Safety Follow Up	9	0	0	9	0	0
Elections	2	0	0	2	0	0
Data Protection Governance	9	0	0	9	0	0
Tenant Recharges	8	0	0	8	0	0
Car Parking Enforcement	1	0	0	1	0	0
Insurance	1	0	0	1	0	0
Green Waste Optimisation	2	0	0	2	0	0
Due for Completion	103	96 (93%)	7 (7%)	-	0 (0%)	0
Totals	219	96 (44%)	7 (3%)	116 (53%)	0 (0%)	0

4. HOW HAS INTERNAL AUDIT ADDED VALUE?

- 4.1 It is important that Internal Audit demonstrates its value to the organisation. The service provides assurance to management and members via its programme of work and also offers support, advice and insight to assist the Council in new areas of work or to proactively review and improve the control framework.
- 4.2 Beyond delivery of the core assurance assignments, the service added value in a number of additional areas during 2018/19, as set out in Table 5:

Table 5 – Internal Audit Contribution

Area of Activity	Benefit to the Council
Support towards the Council's Counter fraud activity in the following areas: <ul style="list-style-type: none"> • Support towards embedding the Anti-Fraud, Bribery and Corruption Strategy and Fraud Response Plan; • Completion of four corporate investigations/ fact finding reviews, with support from other managers as required; • Provision of assurance work in relation to one areas of fraud risk – grants to community groups; • Review of fraud risks across the Council and developments of an action plan to address gaps in control; • Provision of fraud bribery and corruption awareness training to members, and to four departments during the year. 	Greater strategic and procedural clarity, leading to a more consistent and coherent organisational approach to tackling the risks of fraud, bribery and corruption. Greater awareness amongst staff and a targeted action plans to address any significant gaps in controls, which should in turn reduce the Council's level of risk exposure.
Review of controls designed to effectively control the administration of the new Rugby Lotto. This review took place before the launch of the Lotto.	There is a reduced risk of the control environment surrounding the Lotto being deficient in design and operation.
Licensing processes were mapped out using the Council's Engage software, highlighting a number of areas where processes could be made more efficient without compromising internal control. The amended procedures are currently being built into a new software system which is currently being implemented.	The service will become more efficient and effective, whilst the customer experience will be improved.

Area of Activity	Benefit to the Council
<p>A total of 96 agreed actions have been implemented by management following completion of internal audit work. Furthermore, the internal audit service has, where appropriate, recommended actions to reduce or eliminate wasteful or inefficient processes. Examples include:</p> <ul style="list-style-type: none"> • Digitalisation of the community grants application process; • Development of a set of frequently asked questions on the website to support community grant applicants; • Utilisation of the system workflow within the Oneserve system to move housing repairs jobs from “pre inspection” to “work required”, thus avoiding the creation of additional jobs on the system; • Establishment of a new three year fixed term staff car park permit scheme instead of the current system of annual permits; and • Entering customer information straight onto the Tunstall system using a tablet when signing up customers for the Lifeline service. 	<p>Reduction in exposure to risk and improved organisational efficiency and effectiveness.</p>
<p>A programme of performance data quality assurance reviews was instigated in the 4th quarter of 2018/19. The work was carried out to provide assurance that performance data is accurate, timely and complete. Assurance work was completed for 17 performance indicators across 4 departments – the Benn Hall, Development Strategy, ICT and Neighbourhood Services. This work will be significantly expanded as part of the internal audit plan for 2019/20 and will include work to provide assurance that departments are managing their performance effectively.</p>	<p>Will provide assurance that the performance data which the Council publishes is accurate, timely and complete. Future work will improve the effectiveness of the Council's arrangements for managing performance.</p>

5. HOW WELL IS INTERNAL AUDIT PERFORMING?

5.1 Internal Audit maintains a number of agreed performance measures to enable ongoing monitoring by Senior Management and the Audit & Ethics Committee. Outturns against these indicators for the year ended 31st March 2017 are set out in Table 6 below:

Table 6 – Internal Audit Performance Indicators

Theme	Title of Performance Indicator	2018/19	2017/18	2016/17
Delivery	Average end to end time for audits (number of days)* *New measure from 2018/19	92 days	N/A*	N/A*
Adding Value	Customer Satisfaction – Average Rating 3 = Good 2 = Satisfactory 1 = Poor	2.83	Insufficient data	2.78
Timeliness	Timeliness of Reporting – Average time taken to issue draft reports following fieldwork completion	7.6	6.2	7.1
Effectiveness	Implementation of Agreed Actions by Officers – Percentage either fully or partially implemented on time	93%	72%	88%

6. COMPLIANCE WITH PROFESSIONAL STANDARDS

- 6.1 The Public Sector Internal Audit Standards (the Standards) were adopted by the Chartered Institute of Public Finance and Accountancy (CIPFA) from April 2013. The standards are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of Internal Audit across the public sector.
- 6.2 The objectives of the Standards are to:
- Define the nature of internal auditing within the 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 evaluation of internal audit performance and to drive improvement planning.
- 6.3 An external quality assessment of the internal audit service was completed in 2017/18 and the results were reported to and considered by the Audit & Ethics Committee. The report concluded that there were "no areas of non-compliance with the standards that would affect the overall scope or operation of the internal audit activity". The report also highlighted "some minor actions needed to ensure full compliance with the standards, especially to makes the terms of reference more explicit". The formal recommendations arising from the assessment have all been implemented. The Corporate Assurance and Improvement Manager can also confirm that the requirements of the Quality Assurance and Improvement Programme have been met for 2018/19. A further self assessment has been completed by the Corporate Assurance and Improvement Manager, the results of which are incorporated within this report at pages 28 to 40. The Internal Audit service, in the opinion of the Corporate Assurance and Improvement Manager, is operating in general conformance to the Standards. The next external quality assessment is due in the 2022/23 financial year but can be commissioned sooner if required.

7. SUMMARY OF AUDIT FINDINGS

Audit Area	Assurance Opinion	Risk Exposure Opinion	Summary of Key Findings
Treasury Management	Substantial	Low	<p>The objective of the audit was to provide assurance that effective treasury management strategy and practices are in place, that investments and borrowings are made in line with the strategy and practices in a way which safeguards the Council's interests, that there is effective oversight of the function and that accounting records are accurate and complete.</p> <p>The audit found that a sound system of controls was in place with only occasional weaknesses in the documentation supporting the investment and borrowing decisions, reporting framework and Treasury Management Practices which require updating to reflect the current scheme of delegation. The monthly reconciliation between investment records and the general ledger balance sheet accounts had not been completed during 2018/19; it was agreed that the reconciliation would be reinstated and carried out monthly thereafter.</p> <p>The professional opinion of the council's advisers was sought and confirmed that the Principal Account is utilising his considerable experience to maintain a well diversified investment portfolio which is achieving a reasonable return within the council's risk appetite and in line with the market performance.</p>

Audit Area	Assurance Opinion	Risk Exposure Opinion	Summary of Key Findings
Benefits	Substantial	Medium	<p>The objective of the audit was to provide assurance that benefits are paid for the correct amounts to recipients who are entitled to receive them, and that accounting records are accurate and complete.</p> <p>The audit found that a fundamentally sound system of controls is in place to mitigate the risks identified and that these are being executed effectively.</p> <p>The main error regarding Rent Officer Referrals (cases which are referred to the Rent Officer Service), identified from the external audit report for 2017/18, has been fully rectified and a new process instigated to prevent recurrence.</p> <p>The amalgamation of the Housing Options and Benefits teams has created additional training needs as the officers will be multi skilled across both parts of the new service. The quality checks completed by the CAST Quality Assessor will be crucial in monitoring the initial accuracy of these newly trained officers. Currently however the outcome of the errors identified during the Quality Assurance process are not being followed through to completion, resulting in a risk that officers may not correct the error and the claim is paid erroneously. Management has agreed to instigate a follow up procedure, details of which will be recorded on an assurance spreadsheet.</p>

Audit Area	Assurance Opinion	Risk Exposure Opinion	Summary of Key Findings
Tenant Recharges	Limited	Medium	<p>The objective of this audit was to provide assurance that there are appropriately designed controls in place which are applied consistently to ensure that Tenant Recharges are accurately identified, completed and correctly reflect the expenditure incurred when carrying out repairs. The review also considered the arrangements in place to maximise the collection of recharge income.</p> <p>The audit confirmed that the revised Recharge Policy was circulated to all tenants following its last review in August 2017. This version adopts an approach of broadly stating that all repairs not deemed 'fair wear and tear' will be charged and that all repairs/clearances at the end of tenancies are also rechargeable. Tenants are reminded of their obligations by officers when repairs are reported. They are advised that repairs carried out by themselves must be to the current specification and an estimate of the cost for us to effect the repair wherever possible.</p> <p>The majority of cases for recharge appear to be being identified accurately, however the authorisation of current tenant jobs and the subsequent requests for invoices to be raised was found to have been subject to significant delays, which impedes the effectiveness of the system.</p> <p>Currently no regular reports are produced and circulated detailing recharge collection rates. Of the total amount billed in 2018/19, at the time of reporting on 22% had been collected. The system cannot therefore be regarded as being effective.</p>

Audit Area	Assurance Opinion	Risk Exposure Opinion	Summary of Key Findings
IT Backup Arrangements	Substantial	Medium	<p>The objective of this review was to assess the existence and adequacy of IT data backup arrangements including backup procedures, frequency of backup routines, integrity of backup media, physical security and logical security protection on the backup system. Data backup involves the copying of files and databases to a secondary site to protect against equipment failure or any form of catastrophe. Data backup routines form a key component of any IT Disaster Recovery plan.</p> <p>The review confirmed that documented Data Backup procedures were in place. The Veeam Backup and Replication system had been deployed to manage regular backup routines across all live Council servers. Access to the Veeam application is protected by Active Directory authentication. The Veeam system is configured to report any incomplete or unsuccessful backup routines. Production servers were subject to daily (incremental) and weekly full backup routines. Furthermore, backup media was stored offsite.</p> <p>The review also highlighted that the Veeam application was only configured to retain 30 days backup data; a cloud based solution has been identified which will enable up to 3 months of data to be stored. The data replication system runs on a live server located in a Comms Room at the Town Hall; however, there is currently no fire suppression system deployed to protect the server hardware. Management has agreed to obtain quotes and consider installing a fire suppression system.</p>

Audit Area	Assurance Opinion	Risk Exposure Opinion	Summary of Key Findings
IT Patching Arrangements	Substantial	Medium	<p>The objective of this audit was to review the existence and adequacy of IT Patch Management arrangements including patching policy, monitoring, testing and installation of new security patches, review of patch administration access rights, deployment of antivirus updates and vulnerability scanning. Patch Management involves the identification, testing and installation of new security patches. Tasks include maintaining knowledge of available patches, deciding what patches are appropriate for particular systems, ensuring that patches are installed promptly, testing and documenting procedures. This review was included in the 2018/19 IT Audit plan to gain assurance that all security patches are promptly and consistently applied across the Council PC and Server estate.</p> <p>The review confirmed that the Windows Server Update Services (WSUS) utility had been deployed to identify, test and install new security updates. WSUS manages the installation of Microsoft security patches across both the Council's PC and Server estate. The ability to install software and security patches was restricted to members of the IT Services team. All IT users have been assigned individual and uniquely identifiable user accounts. To protect against malware or ransomware infection, Sophos antivirus software has been deployed across the PC and Server estate.</p> <p>Testing highlighted that anti virus signatures were out of date for a number of devices; the IT team are in the process of deploying a new cloud based version Sophos antivirus software across all PCs and Servers.</p>

Audit Area	Assurance Opinion	Risk Exposure Opinion	Summary of Key Findings
Fraud Risk Review	Substantial	Limited	<p>The results of this exercise were encouraging: The Council's controls were assessed as generally appropriate to the risks identified. There were 14 risks assessed as being Medium, and 1 which assessed as being High. The full report was presented to the Audit & Ethics Committee in October 2018. An action plan was developed and agreed with management, delivery of which is being monitored by the Corporate Assurance and Improvement team. It should be noted that in some instances, there were no further actions proposed despite the risk being assessed as Medium. This is because it was considered that additional controls in these areas would not significantly reduce the likelihood of fraud/ theft/ bribery/ corruption occurring or the impact of that event.</p> <p>It should also be noted that the mitigating controls identified by managers were not audited as part of this review. As such, the results of this review should not be interpreted as providing a guarantee to the Council that fraud will not take place in any given area of operations. Fraud risks are, however, considered during the planning stage of all audit assignments and testing plans are developed accordingly.</p>
Annual Governance Statement	Substantial	Not Applicable	The overall governance framework provides a substantial level of assurance of effectiveness, although a number of further development areas have been highlighted. Delivery of the Action Plan will be monitored during 2019/20.

Audit Area	Assurance Opinion	Risk Exposure Opinion	Summary of Key Findings
Grants to Community Groups	Limited	Medium	<p>This audit was designed to provide assurance that grant money awarded to community groups are not being used for fraudulent purposes and that expected outcomes are achieved. In 2018/19 a total of £63,410 was available across 5 different grants. The Council also has 5 Service Level Agreements (SLAs) with Community Associations covering the period 1st April 2017 to 31st March 2019. Each community association receives £7,500 per annum.</p> <p>It was found that appropriate controls are in place to ensure there is clear segregation of duties when deciding who will be awarded funds. Digitalisation of the application form could be used to streamline the current application approach, this has been implemented in the new approach. The audit found, however, that controls are not being consistently applied in a number of areas, in the manner expected. Weaknesses were identified in the following areas:</p> <ul style="list-style-type: none"> • Policy documents were not always obtained before funds are released • Policy documents were not being reviewed by an appropriate person before funds are released. • With the exception of grants which are overseen by the Sports and Recreation team, follow up visits were not being made as expected to ensure outcomes have been achieved or that funds have not been misused after funding has been released. • Management of SLA's with Community Associations was been overlooked in 2018/19, with the associations not yet receiving any of their funding for 2018/19 (at the time of reporting).

Audit Area	Assurance Opinion	Risk Exposure Opinion	Summary of Key Findings
Grants to Community Groups (continued)	Limited	Medium	<ul style="list-style-type: none"> At the time of reporting there was no current terms of reference in place for the Grants Working Party and there was no reporting framework in place to provide the working party with assurance that funding provided to community groups was achieving its intended outcomes. The lack of a clear framework and reporting to the working party weakened the second line of defence in the internal control arrangements. <p>The full report was considered by the Audit & Ethics Committee in January 2019, and internal audit can confirm that the action plan addressing the above issues has now been implemented.</p>
Health & Safety Follow Up	Limited	High	<p>In 2016/17 an internal audit review of corporate health & safety arrangements was conducted. The report, finalised in January 2017, provided only Limited assurance and recommended a number of actions. The purpose of this audit was to follow up on those actions and provide assurance they have been implemented, and to provide an updated action plan. Since the original audit there have been many changes in the personnel connected to Health and Safety. The Safety and Resilience Manager left the Council in October 2017 and was not replaced until April 2019. There has also been some long term sickness within the team. As such a number of the actions are still outstanding.</p>

Audit Area	Assurance Opinion	Risk Exposure Opinion	Summary of Key Findings
Health & Safety Follow Up (continued)	Limited	High	This audit also reviewed the action taken by senior management to address the safety and resilience resourcing issues highlighted in the previous audit of Corporate Health & Safety. A new Safety & Resilience Manager is now in post and an updated action plan has been agreed.
Data Protection Governance	Limited	Medium	<p>The objective of this audit was to provide assurance that the Council has adequate data protection governance and accountability arrangements in place.</p> <p>The General Data Protection Regulation (GDPR) came in to force in May 2018 and has been designed to modernise laws that protect the personal data of individuals. It sets out six key principles:</p> <ul style="list-style-type: none"> • Lawfulness, fairness and transparency; • Purpose limitation; • Data minimisation; • Accuracy; • Storage limitation; and • Integrity and confidentiality (security). <p>A number of proactive initiatives have been made by the Council to ensure compliance with GDPR legislation. The review confirmed that a Data Protection Officer (DPO) had been appointed with the DPO reporting directly to the Executive Director. A supporting Information Management</p>

Audit Area	Assurance Opinion	Risk Exposure Opinion	Summary of Key Findings
Data Protection Governance (continued)	Limited	Medium	<p>Steering Group has been established and documented Data Protection and IT Security policies published.</p> <p>To raise user awareness, all Council staff must complete mandatory GDPR training modules with completion of training modules being actively monitored by Human Resources. Training has been supplemented by regular staff bulletins and corporate emails on GDPR. In addition, the DPO has published a list of top GDPR tips on the Council's intranet.</p> <p>A database has been compiled of all supplier contracts, with standard GDPR contractual agreements included in all supplier contracts and framework agreements. To address lawful consent for data processing, information flows and processing activities are documented. Privacy notices are posted on the Council's website and built in to all email communication.</p> <p>The review highlighted the following issues, which will be addressed in the agreed action plan:</p> <ul style="list-style-type: none"> • The lack of an Information Governance framework; • No Information Management Steering Group Terms of Reference or Action Plan to monitor and enforce data protection improvements; • The lack of a process for Council staff to report data security issues; • No agreed format for Council policies and no process to review new and existing policies; • The absence of a Clear Desk policy;

Audit Area	Assurance Opinion	Risk Exposure Opinion	Summary of Key Findings
Data Protection Governance (continued)	Limited	Medium	<ul style="list-style-type: none"> • The absence of any KPI mechanism to monitor and report compliance with key GDPR requirements; • No process or policy in place to outline the Council's approach to data minimisation and pseudonymisation (the processing of personal data in such a way that the data can no longer be attributed to a specific data subject without the use of additional information); • Council project methodology has yet to be updated to capture GDPR data privacy requirements; and • No Data Privacy Impact Assessment (DPIA) process designed to analyse, identify and minimise the data protection risks of all new projects.
Green Waste Optimisation	Substantial	Low	<p>This audit was designed to provide assurance that appropriate arrangements are in place to ensure the Webaspx route optimisation software is working as expected, that there is secure continuity of the service should the software fail; and to ensure the data held within the system is accurate.</p> <p>The audit did not highlight any examples of significant control weaknesses. However, round sheets were not being periodically exported and saved to the network to be used if the system failed or was unavailable. Management has agreed to address this issue.</p>

Audit Area	Assurance Opinion	Risk Exposure Opinion	Summary of Key Findings
Green Waste Optimisation (continued)	Substantial	Low	The optimisation software has realised benefits including a reduction in rounds meaning a saving of £300,000. Live information is provided from the refuse vehicle to the Contact Centre enabling customer enquires to be dealt with more quickly and accurately. The process of adding properties to the round sheet has also been automated, resulting in less human intervention being required.
Elections	High	Low	<p>The Electoral Services department maintains the electoral register for the Rugby area and administer elections for local, county, parliamentary and police commissioner elections, and referendums for other issues such as the EU referendum and neighbourhood plans. It also administers parish and community elections. The procedure for the maintenance of the register and the administration of elections is set out by the Electoral Commission. Local elections are paid for by Rugby Borough Council. All other elections are paid for by the commissioning body (parish council, county council, the Cabinet Office, etc.) and the cost split if the elections are combined. The timetable for all elections activity is prescribed by law and must be followed. These are translated into extensive, detailed project plans which are actively managed by the elections team using the RPMS (Rugby Performance Management System).</p> <p>This audit was designed to provide assurance that the relevant and significant risks associated with the delivery of elections and electoral registration have been identified, assessed and are being appropriately and effectively managed. Also to identify and recommend any changes to processes which could improve efficiency.</p>

Audit Area	Assurance Opinion	Risk Exposure Opinion	Summary of Key Findings
Elections (continued)	High	Low	<p>The audit found high assurance that the elections department does all it reasonably can to ensure all eligible electors are on the register. There was a 96% response rate to the annual canvass in 2018. Information is shared well within the council. There was also high assurance that appropriate measures are in place to prevent and detect fraudulent electoral register applications and voting. Since 2014, registration is the responsibility of the individual, rather than the head of the household, which is a measure to reduce fraud. The postal voting process was examined in depth and found to be very robust. Voting in person is possibly open to more fraud. There are trials taking place in other electoral areas where voters must bring ID to vote, which will be rolled out to all areas in due course. More and more applications are being made online, where the data is matched automatically with the DWP data, thus reducing the risk of fraud.</p> <p>There are areas where the council could save money if it were to radically change the way it operates elections, i.e. changing to one 'all out' local election every four years, rather than elections in thirds which is how it is currently operated. This would be a political decision which would save in the region of £140k over four years. For local elections, money has been saved in areas such as the hand delivery of poll cards, consideration about which polling stations to use and staffing levels. Where they are within the control of RBC, efficiencies have been made such as telephone canvassing, more digital applications and emailing customers where possible.</p>

Audit Area	Assurance Opinion	Risk Exposure Opinion	Summary of Key Findings
Housing Repairs	Substantial	Medium	<p>The audit was designed to provide assurance that there are appropriate controls in place, and applied consistently, to ensure that the Housing Repairs service is operating efficiently and effectively. The objective of the service is to deliver quality repairs to tenants in a timely manner whilst maintaining value for money. The audit identified a number of strengths and opportunities for improvement summarised as follows:</p> <ul style="list-style-type: none"> • Emergency jobs are attended to within a reasonable time frame however repairs in general do not adhere to the time scales as dictated in the tenant handbook. There are in practice no set timescales for completing non-emergency repairs; this issue is being addressed via a new Service Level Agreement between Property Services and the Repairs team. • Performance management of the service is not effective. In particular Oneserve is not being used to its full potential, and the information that is produced is not being used by management to drive improvements in the service. This means the service is not operating as efficiently and effectively as it could be. A working group has been established to address this issue. • Improvements to productivity could be made by increasing the use of photo technology to support desktop pre & post inspections. The technology is operational but its use is not being maximised. <p>An action plan is in place, delivery of which is being monitored.</p>

Audit Area	Assurance Opinion	Risk Exposure Opinion	Summary of Key Findings
Car Parking Enforcement	Substantial	Low	<p>The audit was commissioned to provide assurance that there are appropriately designed controls in place, and applied consistently, to ensure that enforcement of the council's car park charges is efficient and effective.</p> <p>Since April 2018, the enforcement of the Council's car parks has been carried out by the Community Safety Wardens (CSWs) as part of their responsibilities which also include investigating anti-social behaviour, fly tipping, and other environmental crimes. A total of 272 penalty notices were issued in the period 1st April 2018 to 30 November 2018. The level of fine income received to the end of November 2018 was comparable with the income at the same point in the financial year 2017/18, i.e. £6,662 and £6,464 respectively. The CSWs are allocated their duties on a daily basis at the start of their shift which include checking that carpark machines are working. The Community Warden Supervisor prioritises the time spent enforcing within the councils car parks to ensure that whilst full time coverage is not possible, a visible deterrent is regularly demonstrated.</p> <p>The Council does not currently have any written down policies and guidelines which specifically cover appeals or the exercise of discretion either at penalty issue or appeal, however each case is reviewed individually in line with the guidance in the Traffic Management Act 2004. Following a change to the understood policy regarding enforcement on expired employee permits, it was recommended that a revised staff parking permit be introduced whereby all employees are given a 3 year pass that is automatically renewed at the same time.</p>

Audit Area	Assurance Opinion	Risk Exposure Opinion	Summary of Key Findings
Insurance	High	Low	<p>Insurance premiums are unlike any other item of Council expenditure, in that they are governed by the state of the insurance market which, in turn, is governed by the effects of claims, national events and natural phenomena. The Council is required to purchase insurance in relation to its portfolio requirements which include property, fine art work, business continuity, motor vehicles, professional indemnity, employer's liability and public liability. For the period 1 November 2017 to 31 October 2022 the Council has in place a long term agreement with its insurance broker, Arthur J Gallagher.</p> <p>This audit was carried out in March 2019 as part of the planned internal audit work for 2018/19. The audit considered the controls and processes to ensure that the Council has appropriate insurance arrangements in place which meet regulatory and legislative requirements; governance arrangements are in place and that insurance claims are processed accurately and completely. Whilst the audit did not highlight any examples of significant control weaknesses, testing identified delays in the submission of claims by the Transport Manager to the Risk Management and Insurance Officer, undermining the effectiveness of processing claims in a timely manner.</p>

Audit Area	Assurance Opinion	Risk Exposure Opinion	Summary of Key Findings
Independent Living Service	Substantial	Medium	<p>The audit was designed to provide assurance that residents of the Independent Living Service are receiving the service that they are paying for, and that the quality and effectiveness of the service has been improved and maintained following a restructure.</p> <p>The audit confirmed that extensive consultations were carried out prior to the restructure, and the Council is working to encourage tenants to live more independently, for example by making better use of the community rooms. A small number of residents have expressed unhappiness with the recent changes within the service and frequency of changes in personnel. The feedback is being addressed.</p> <p>There was an issue highlighted prior to the commencement of the audit that some of the Lifeline income was not being collected. This was indeed found to be the case, with some Lifeline customers not set up to receive invoices. The extent of the problem, at the time of reporting, was estimated to be around 30 customers, out of a total of 1,285. The issue was caused because the process of notifying the Revenues team of invoices to raise was manual, and prone to potential error. At the time of reporting this issue was being rectified, with electronic means being developed to notify the Revenues team of invoices which need to be raised.</p>

SELF ASSESSMENT AGAINST THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS

Standard	Reference	Summary of Standard and Requirement	Yes	Partial	No	Evidence
1000 – Purpose, Authority & Responsibility	1000	The Internal Audit Charter must: <ul style="list-style-type: none"> • Define the terms 'board' and 'senior management' • Cover arrangements for appropriate resourcing • Define the role of internal audit in any fraud work • Describe safeguards to limit impairments of independence or objectivity if internal audit or the Chief Audit Executive undertakes non-audit activities 	✓			The Charter covers the required areas. It was updated and approved in 2017/18 following the external quality assessment, and meets the requirements of the PSIAS.
	1010	Recognition of the Definition of Internal Auditing, the Code of Ethics and the Standards in the Internal Audit Charter.	✓			The Internal Audit Charter reflects the mandatory nature of the relevant standards.
1100 – Independence and Objectivity	1110	Organisational independence. <i>The Chief Audit Executive (CAE) must report functionally to the board (Audit Committee), and must have effective communication with, and have free and unfettered access to, the chief executive and chair of the Audit Committee. The CAE must confirm, at least annually, the organisational independence of the internal audit activity.</i>	✓			The Corporate Assurance Manager reports directly to the Section 151 Officer and the Audit & Ethics Committee, and has unfettered access to the Executive Director, and Chair of the Audit & Ethics Committee. Organisational independence is reconfirmed in writing within the written progress update provided to each meeting of the Audit & Ethics Committee, and in the annual report of the Corporate Assurance and Improvement Manager. Any attempts to unduly influence the scope of audit reviews or the contents of reports will be reported by the Corporate Assurance and Improvement Manager to the Executive Director and the Chair of the Audit & Ethics Committee.

Standard	Reference	Summary of Standard and Requirement	Yes	Partial	No	Evidence
	1111	Direct interaction with the board. <i>The CAE must communicate and interact directly with the board.</i>	✓			The Corporate Assurance and Improvement Manager reports directly to the Audit & Ethics Committee.
	1120	Individual objectivity. <i>Internal Auditors must have an impartial, unbiased attitude and avoid any conflict of interest.</i>	✓			All officers responsible for internal audit work are required to complete a Register of Interests declaration form, which is in turn reviewed by the line manager. In the case of the Corporate Assurance and Improvement Manager, the annual declaration of interests is reviewed by the Head of Corporate Resources and Chief Finance Officer. Auditors are required to report any interests that might compromise the impartiality of their professional judgements – or give rise to a perception that this impartiality has been compromised. Any conflicts of interest are avoided when allocating assignments.
	1130	Impairment to independence or objectivity. <i>Approval must be sought from the board for any significant additional consulting services not already included in the audit plan, prior to accepting the engagement.</i>	✓			The Audit & Ethics Committee approves any consultancy activity included in the Audit Plan. The Head of Corporate Resources and Chief Finance Officer has been delegated authority to approve any significant additional consultancy activity in between Committee meetings, with such decisions then being ratified at the following meeting of the Committee.
1200 – Proficiency and Professional Care	1210	Proficiency. <i>The CAE must hold a professional qualification (CMIIA, CCAB or equivalent) and be suitably experienced.</i>	✓			The Corporate Assurance and Improvement Manager is CCAB qualified and suitably experienced for the role, having spent the last 11 years in a local government internal audit environment and having a total of 17 years of audit experience.

Standard	Reference	Summary of Standard and Requirement	Yes	Partial	No	Evidence
	1220	Due professional care. <i>Internal Auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due care does not imply infallibility. Due care includes consideration of the adequacy and effectiveness of governance, risk management and control processes, and the cost of assurance in relation to the potential benefits.</i>	✓			Audit staff exercise due professional care when undertaking assignments. All assurance assignments incorporate a risk based evaluation of both the design and effectiveness of control processes. Where applicable assignments include consideration of the risk of fraud, failure to effectively manage performance, and failure to demonstrate value for money. Following feedback provided during the external quality assessment, such considerations are consistently set out within the documented Terms of Reference for assignments.
	1230	Continuing Professional Development. <i>Internal auditors must enhance their knowledge, skills and other competencies through continuing professional development.</i>	✓			The Corporate Assurance Manager must satisfy professional body CPD requirements. A budget is available for attendance at developmental training seminars and conferences during the year. Personal development is reviewed for every member of the team at regular one to one meetings; this is documented.
1300 - Quality Assurance and Improvement Programme	1310	Requirements of the Quality Assurance and Improvement Programme. <i>The CAE must develop and maintain a quality assurance and improvement programme that covers all aspects of internal audit activity. The programme must include both internal and external assessments.</i>	✓			A written Quality Assurance and Improvement Plan is in place, which was approved by the Audit and Ethics Committee in January 2018 following feedback provided during the external quality assessment.

Standard	Reference	Summary of Standard and Requirement	Yes	Partial	No	Evidence
	1311	Internal Assessments. <i>Internal assessments must include ongoing monitoring of the performance of the internal audit activity, and periodic self-assessments, or assessments by other persons within the organisation with sufficient knowledge of internal audit practices.</i>	✓			Formal performance monitoring measures have been approved by the Audit and Ethics Committee. Results are reported periodically to Senior Management and the Committee. The results of the self-assessment are reported to the Head of Corporate Resources and Chief Finance Officer, and the Audit & Ethics Committee.
	1312	External Assessments. <i>Must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The CAE must discuss the arrangements with the Audit Committee.</i>	✓			An external assessment of the service was completed in September 2017 with the next one due in the 2022/23 financial year.
	1320	Reporting on the Quality Assurance and Improvement Programme. <i>The results of the quality and assurance programme and progress against any improvement plans must be reported in the annual report.</i>	✓			Progress on delivery of the Quality Assurance and Improvement Programme is included in the annual report.
	1321	Use of the statement 'Conforms with the International Standards for the Professional Practice of Internal Auditing'	✓			The opinion of the Corporate Assurance and Improvement Manager is that the service conforms to the International Standards for the Professional Practice of Internal Auditing, and this was supported by the results of the external quality assessment completed in September 2017.

Standard	Reference	Summary of Standard and Requirement	Yes	Partial	No	Evidence
	1322	<p>Disclosure of non-conformance. <i>Instances of non-conformance must be reported to the Audit Committee.</i></p> <p>Where non-conformance with the Code of Ethics or the Standards impacts the overall scope or operation of internal audit, this must be highlighted by the CAE to be considered for inclusion in the Annual Governance Statement.</p>	✓			The Corporate Assurance and Improvement Manager has considered this and concluded that no such statement is required for 2018/19. No further action proposed at this time.
2000 – Managing the Internal Audit Activity	2010	<p>Planning. <i>The CAE must establish risk based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals.</i></p>	✓			The annual audit plan is developed based upon a review of the Council's risks and objectives, in consultation with senior management and the Audit & Ethics Committee. Audit assignments themselves are carried out using a Risk Based Internal Auditing methodology.
	2020	<p>Communication and Approval. <i>The CAE must communicate the annual internal audit plan and resource requirements, including significant interim changes, to senior management and the Audit Committee for review and approval. The CAE must also communicate the impact of resource limitations.</i></p>	✓			The audit plan, including any significant changes during the financial year are communicated to, and approved by, the Audit & Ethics Committee.

Standard	Reference	Summary of Standard and Requirement	Yes	Partial	No	Evidence
	2030	Resource Management. <i>The annual risk based internal audit plan must explain how internal audit's resource requirements have been assessed. Where the CAE believes that the level of agreed resources will impact adversely on the provision of the annual internal audit opinion, the consequences must be brought to the attention of the Audit Committee.</i>	✓			<p>Internal Audit resources are reviewed annually once ongoing service needs have been agreed with management, to ensure that resources are appropriate, efficient and effectively employed. Such a review includes consideration of the mix of knowledge, skills and other competencies required to deliver the range of assignments. Details of the review of resources are reported to Senior Management and the Audit & Ethics Committee.</p> <p>In the opinion of the Corporate Assurance and Improvement Manager the resources in place enable provision of a soundly based annual internal audit opinion.</p>
	2040	Policies and Procedures. <i>The CAE must establish policies and procedures to guide the internal audit activity.</i>	✓			The Audit Charter and Audit Manual were both fully reviewed and updated during 2017/18.
	2050	Co-ordination. <i>The CAE should share information and coordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimise duplication of efforts.</i>	✓			<p>Co-ordination of activity takes place with external audit and where relevant the scope of assignments is adjusted to reflect work carried out by external audit. Furthermore, assurances received by external audit are considered when setting the annual audit plan; full details are presented to Senior Management and Committee at the same time that the annual audit plan is presented. Reliance is currently placed upon IT audit work carried out by TIAA. The services are provided under a framework agreement. There is an annual meeting of all parties to the framework at which the competency and due professional care of TIAA is considered. Confirmation has been provided that TIAA operate in conformance to the Standards.</p>

Standard	Reference	Summary of Standard and Requirement	Yes	Partial	No	Evidence
	2060	Reporting to Senior Management and the Board. <i>The CAE must report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility and performance relative to its plan. Reporting must also include significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by senior management or the Audit Committee.</i>	✓			Progress reports are presented regularly to the Audit & Ethics Committee; details of the assurance ratings are provided, with a focus on any assignments resulting in a Limited or No Assurance opinion. Periodic progress reports are also submitted to the Senior Management Team.
2100 – Nature of Work	2110	Governance. <i>The internal audit activity must evaluate and contribute to the improvement of governance, risk management and control processes.</i>	✓			The Corporate Assurance Manager is actively engaged in the development of the Annual Governance Statement. The annual audit plan includes assignments related to governance, which are used to evaluate and contribute to improvement. The linkages between significant control issues identified during audits and the risk management system have been improved.
	2120	Risk Management. <i>The internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes.</i>	✓			Strategic and operational risk registers are referred to during the annual audit planning exercise. An internal audit review of risk management was completed in 2017/18 with Substantial assurance provided. The internal audit plan for 2019/20 includes a programme of reviews to assess the effectiveness of risk management processes for a range of departments across the service areas.

Standard	Reference	Summary of Standard and Requirement	Yes	Partial	No	Evidence
	2130	Control. <i>The internal audit activity must assist the organisation in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.</i>	✓			Audit reports provide a clear statement of the level of compliance with the controls reviewed during the course of the assignment. Audits also evaluate the effectiveness and efficiency of controls.
2200 – Engagement Planning	2201	Planning Considerations. <i>In planning the engagement, internal auditors must consider the objectives of the area being reviewed, the governance of the area being reviewed, the significant risks and the means by which the potential impact of risk is kept to an acceptable level, and the opportunities for making significant improvements.</i>	✓			An audit Terms of Reference is issued in advance of all assignments following a full discussion with the relevant officers and approval is required before assignments commence. The Terms of Reference include the objectives of the area being reviewed, governance arrangements and risks to achievement of objectives.
	2210	Engagement Objectives. <i>Objectives must be established for each engagement. A preliminary assessment of the risks relevant to the activity must be completed, and the assignment objectives must reflect the results of this assessment. The probability of significant error, fraud or non-compliance must be considered. It is expected that reviews will incorporate consideration of value for money.</i>	✓			Assignments are risk based and the risks are documented in the Terms of Reference. Assignment objectives reflect the risks identified. Preliminary risk scores are documented on the Terms of Reference. Where applicable assignments include consideration of the risk of fraud, failure to effectively manage performance, and failure to demonstrate value for money. These considerations are set out within the documented Terms of Reference for assignments.

Standard	Reference	Summary of Standard and Requirement	Yes	Partial	No	Evidence
	2220	Engagement Scope. <i>The established scope must be sufficient to satisfy the objectives of the engagement.</i>	✓			Assignment scopes are set out in agreed Terms of References (TOR). The TOR also includes statements of limitations. All assignments are designed following a full consultation with the relevant officers in advance.
	2230	Engagement Resource Allocation. <i>Internal auditors must determine appropriate and sufficient resources to achieve engagement objectives based on an evaluation of the nature and complexity of each engagement, time constraints and available resources.</i>	✓			Audit TORs state the number of days allocated to each assignment; this is aligned with a consideration of assignment scope, nature and complexity.
2300 – Performing the Engagement	2310	Identifying Information. <i>Internal auditors must identify sufficient, reliable, relevant and useful information to achieve the engagement's objectives.</i>	✓			Audit files contain sufficient appropriate information to demonstrate the work carried out and the conclusions reached.
	2320	Analysis and Evaluation. <i>Internal auditors must base conclusions and engagement results on appropriate analyses and evaluations.</i>	✓			File reviews conducted by the Corporate Assurance Manager confirm the quality of evidence and basis for the conclusions reached. Clearance discussions are held with clients to discuss findings and the basis for conclusions, to provide the opportunity to confirm the accuracy of findings, and to avoid surprises when draft reports are issued.
	2330	Documenting Information. <i>Internal auditors must document relevant information to support the conclusions and engagement results.</i>	✓			Retention of evidence to support conclusions and engagement results is saved in dedicated network folders, where access is limited to officers deployed within the Corporate Assurance and Improvement team.

Standard	Reference	Summary of Standard and Requirement	Yes	Partial	No	Evidence
	2340	Engagement Supervision. <i>Engagements must be properly supervised to ensure objectives are achieved, quality is assured and staff are developed.</i>	✓			Supervision discussions are regularly held to discuss the progress being made with each assignment, issues encountered, workload and immediate priorities. Audit reports, including all supporting working papers, are reviewed by the Corporate Assurance and Improvement Manager prior to issue. Evidence of the review is retained on the relevant audit file. Any audit work conducted by the Corporate Assurance and Improvement Manager is reviewed by another member of the team.
2400 – Communicating Results	2410	Criteria for Communicating. <i>Internal auditors must communicate the results of engagements, and communications must include the engagement's objectives and scope as well as the applicable conclusions, recommendations and action plans.</i>	✓			A report is issued following completion of each assignment, which contains details of the area reviewed, the conclusions, assurance ratings, recommendations and agreed actions.
	2420	Quality of Communications. <i>Communications must be accurate, objective, clear, concise, constructive, complete and timely.</i>	✓			Reports are reviewed by the Corporate Assurance and Improvement Manager prior to issue. Reports are detailed; they include details of all significant and relevant information and observations to support the recommendations and conclusions.
	2421	Errors and Omissions. <i>If a final communication contains a significant error or omission, the CAE must communicate corrected information to all parties who received the original communication.</i>	✓			The Corporate Assurance and Improvement Manager is not aware of any recent incidents of any significant errors or omissions in reports. Any such incidents would be suitably escalated for resolution.

Standard	Reference	Summary of Standard and Requirement	Yes	Partial	No	Evidence
	2430	Use of 'Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing'. <i>Internal auditors may report that their engagements are "conducted in conformance with the International Standards for the Professional Practice of Internal Auditing", only if the results of the quality assurance and improvement programme support the statement.</i>	✓			The opinion of the Corporate Assurance and Improvement Manager is that the results of the quality assurance and improvement programme support a statement that the service conforms with the International Standards for the Professional Practice of Internal Auditing.
	2431	Engagement Disclosure of Non-Conformance. <i>Where non-conformance is identified, the areas of non-conformance, the reasons, and the impacts must be disclosed.</i>	✓			In the opinion of the Corporate Assurance and Improvement Manager no such statement is required for 2018/19.
	2440	Disseminating Results. <i>The CAE must communicate the results of engagements to the appropriate parties.</i>	✓			The circulation of reports is reviewed and agreed prior to any reports being issued. Ongoing arrangements for reporting the results of assignments to members have been agreed by the Audit & Ethics Committee.

Standard	Reference	Summary of Standard and Requirement	Yes	Partial	No	Evidence
	2450	Overall Opinions. <i>The CAE must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual opinion must conclude on the overall adequacy and effectiveness of the framework of governance, risk management and control. The annual report of the CAE must include a statement on conformance with the PSIAS and the results of the quality assurance and improvement programme.</i>	✓			An annual internal audit opinion is issued which incorporates these requirements.
	2500	Monitoring Progress	✓			A summary of implemented and outstanding internal audit recommendations is included within progress reports provided to the Audit & Ethics Committee. The Corporate Assurance and Improvement Manager continually reviews the content and level of detail contained within progress reports and consults with members and senior management, to ensure that the needs of stakeholders are met.



<u>Standard</u>	<u>Reference</u>	<u>Summary of Standard and Requirement</u>	<u>Yes</u>	<u>Partial</u>	<u>No</u>	<u>Evidence</u>
	2600	Communicating the Acceptance of Risks	✓			<p>Where an identified risk is accepted by management this would be reflected in the audit report. Where the risk is subsequently accepted because the agreed action is no longer feasible this would be discussed with senior management and details and context would be reported to the Committee.</p> <p>Issues identified during audits are subject to a risk assessment and, in line with the Risk Management Strategy, a score below 3 does not automatically require action to be taken by management – the response may be to monitor and review. If the Corporate Assurance and Improvement Manager had concerns about the level of risk accepted by management this would be reported to the Committee.</p>

Limitations and Responsibilities

Limitations inherent to the Internal Auditor's work

Internal Audit is undertaking a programme of work agreed by the council's senior managers and approved by the Audit & Ethics Committee subject to the limitations outlined below.

Opinion

Each audit assignment undertaken addresses the control objectives agreed with the relevant responsible managers. There might be weaknesses in the system of internal control that Internal Audit are not aware of because they did not form part of the programme of work, were excluded from the scope of individual internal audit assignments, or were not brought to the attention of Internal Audit. As a consequence, the Audit & Ethics Committee should be aware that the Audit Opinion for each assignment might have differed if the scope of individual assignments was extended or other relevant matters were brought to Internal Audit's attention.

Internal Control

Internal control systems identified during audit assignments, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision making, human error, control processes being deliberately circumvented by employees and others management overriding controls, and unforeseeable circumstances.

Future Periods

The assessment of each audit area is relevant to the time that the audit was completed in. In other words, it is a snapshot of the control environment at that time. This evaluation of effectiveness may not be relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulatory requirements or other factors; or
- The degree of compliance with policies and procedures may deteriorate.

Responsibilities of Management and Internal Auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance, and for the prevention or detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

Internal Audit endeavours to plan its work so that there is a reasonable expectation that significant control weaknesses will be detected. If weaknesses are detected, additional work is undertaken to identify any consequent fraud or irregularities. However, Internal Audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and its work should not be relied upon to disclose all fraud or other irregularities that might exist.

RUGBY BOROUGH COUNCIL

**INTERNAL AUDIT QUALITY
ASSURANCE AND IMPROVEMENT
PROGRAMME**

QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

1. INTRODUCTION

- 1.1 Internal auditing is defined as “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”. (Source: Public Sector Internal Audit Standards – PSIAS).
- 1.2 The Council's internal audit function aims to meet the expectations of its stakeholders and deliver consistently high quality services. This requires a lot of hard work and commitment to identify and consistently apply effective professional practice. This is why PSIAS Standard 1300 requires the Corporate Assurance and Improvement Manager to develop and maintain a Quality Assurance and Improvement Programme (QAIP).
- 1.3 Standard 1310 of the PSIAS states that the QAIP must include both internal and external assessments. This acknowledges that high standards can be delivered by internal audit managers but it also implies that further improvements can be delivered by subjecting the internal audit service to periodic external assessments.
- 1.4 In relation to quality assurance and improvement there are three key requirements of the PSIAS, as follows:
 - Ongoing monitoring of the performance of the internal audit activity. This refers to the day to day supervision, review and measurement of internal audit activity that is built into policies and routine procedures.
 - Periodic self-assessments (or assessments by other persons within the organisation with sufficient knowledge) of internal audit practices to assess conformance with the PSIAS.
 - External assessments of conformance to the PSIAS once every five years by a qualified, independent assessor from outside the Council. External assessments can be in the form of a full external assessment, or a self-assessment with an independent external validation. The Council's internal audit service received a full external assessment in September 2017 and the next external assessment is due by September 2022.

- 1.5 It is also a requirement of the Standards that the nature of the QAIP and reviews of effectiveness are regularly reported to the Council's Audit & Ethics Committee and senior management.
- 1.6 The QAIP is designed to provide stakeholders with assurance that internal audit:
- Performs its work in accordance with the Audit Charter (approved by the Audit & Ethics Committee in November 2017), which is consistent with the PSIAS definition of Internal Auditing and the Code of Ethics;
 - Operates in an effective and efficient manner; and
 - Is perceived by stakeholders as adding value and leading to improvements in the Council's operations.
- 1.7 This QAIP covers all aspects of the Internal Audit activity in accordance with PSIAS Standard 1300 (Quality Assurance and Improvement Programme), including:
- Monitoring internal audit to ensure it operates in an efficient and effective manner (PSIAS Standard 1300);
 - Evaluating compliance with the PSIAS Definition of Internal Auditing and Code of Ethics (PSIAS Standard 1300);
 - Helping internal audit to add value and improve the Council's operations (PSIAS Standard 1300);
 - Undertaking both periodic and on-going internal assessments of internal audit (PSIAS Standards 1311 and 1312);
 - Commissioning an external assessment of internal audit at least once every five years, and communicating the results to the Audit & Ethics Committee and Senior Management (PSIAS Standard 1320); and
 - Communicating the results of this QAIP to Senior Management and the Audit & Ethics Committee (PSIAS Standard 1320), including disclosure of
 - The scope and frequency of internal and external assessments;
 - The qualifications and independence of the assessor(s) or assessment team including any potential conflicts of interest;
 - The conclusions of the assessors; and
 - Details of any corrective action plans.
- 1.8 The Corporate Assurance and Improvement Manager is responsible for the QAIP, which covers all areas of internal audit activity including consultancy engagements.

2. INTERNAL ASSESSMENTS

2.1 In accordance with PSIAS Standard 1300, internal assessments are undertaken through both on-going and periodic reviews.

Ongoing Reviews

- 2.2 Continual assessments are conducted through:
- Supervision of all engagements by the Corporate Assurance and Improvement Manager;
 - Structured, documented reviews of Terms of References, working papers and draft reports;
 - A detailed Audit Manual setting out the procedures used for each engagement to ensure consistency, quality and compliance with appropriate planning, fieldwork and reporting standards;
 - Quality control checklist completed for each assignment;
 - In the case of work carried out by the Corporate Assurance and Improvement Manager, review by another member of the team;
 - Feedback from clients obtained through satisfaction questionnaires issued at the closure of each engagement;
 - Monitoring of performance against agreed performance indicators and regular reporting to the Audit & Ethics Committee and Senior Management Team;
 - Periodic reporting to the Audit & Ethics Committee and the Head of Corporate Resources and Chief Finance Officer, setting out the content and progress on delivery of the improvement plan;
 - Review and approval of all draft and final reports, recommendations, levels of assurance and risk exposures by the Corporate Assurance and Improvement Manager;
 - Follow up and reporting on the implementation of actions agreed at the end of each engagement; and
 - Where appropriate, feedback on the quality of work during monthly one to one meetings.

Periodic Reviews

2.3 Internal periodic assessments are designed to assess conformance with the PSIAS and to ensure that internal audit is efficient and effective in meeting the needs of its various stakeholders. Periodic assessments are conducted through:

- Progress and performance reports, presented to the Audit & Ethics Committee and periodically to the Senior Management Team;
- Annual risk assessments completed for audit planning purposes completed in March each year;
- An annual self-assessment against the PSIAS;
- An annual review of compliance against the requirements of this QAIP, including progress on delivery of the agreed improvement plan.

2.4 The results of internal assessments are included in an improvement plan which is continually monitored and included in the annual report and opinion of the Corporate Assurance and Improvement Manager. This is in turn used to inform the Council's Annual Governance Statement (AGS).

3. EXTERNAL ASSESSMENTS

3.1 External assessments will appraise and express an opinion about internal audit's conformance with the PSIAS and will include recommendations for improvement, as appropriate.

3.2 An external assessment will be conducted at least every 5 years, as required by the PSIAS. The appointment of the external assessor and the scope of the external assessment will be formally determined and approved by the Audit and Ethics Committee.

3.3 An external assessment was completed in September 2017 which provided an opinion on the level of compliance with the PSIAS and the Local Government Application Note. The assessment concluded that there were "no areas of non-compliance that would affect the overall scope or operation of the internal audit activity". A number of recommendations were made to ensure full compliance with the PSIAS. The report and associated action plan were reported to the Audit & Ethics Committee and Senior Management Team in November 2017, in line with the PSIAS.

3.4 The next external assessment is due by September 2022 at the latest. The scope of this review will be determined nearer the time. Any identified areas of significant non-compliance with the PSIAS will be included in the annual report of the Corporate Assurance and Improvement Manager and, if applicable, in the AGS.

4. REVIEW OF THE QAIP

4.1 This document will be subject to periodic review and will be updated accordingly following any changes to the PSIAS or the operating environment of internal audit.

5. TIMELINE OF ASSESSMENT WORK

5.1 The following table sets out the timeline and frequency of the assessment work:

<u>Nature of Assessment Work</u>	<u>Timeline and Frequency</u>
Engagement supervision	Ongoing
Reviews of Terms of References, working papers and draft reports	Ongoing
Compliance with the Audit Manual	Ongoing
Quality control checklist	At completion of each assignment
Review of audit work completed by the Corporate Assurance and Improvement Manager	As and when required
Customer feedback	At completion of each assignment
Progress and performance monitoring	Aligned with each Audit & Ethics Committee meeting (five times per year)
Progress reporting on improvement plan	Aligned with each Audit & Ethics Committee meeting (five times per year)
Corporate Assurance and Improvement Manager review and approval of: <ul style="list-style-type: none">• Draft and final reports• Recommendations• Levels of assurance• Risk exposure assessments	Ongoing
Follow up and reporting on the implementation of agreed audit actions	Aligned with each Audit & Ethics Committee meeting (five times per year)
One to one feedback on quality of audit work	Monthly
Audit plan risk assessments	Annually (March)
PSIAS self-assessments	Annually (May)
Review of compliance with this QAIP	Annually (May)
External assessment	Every 5 years (due September 2022)