AUDIT AND ETHICS COMMITTEE – 26 MARCH 2019

A meeting of the Audit and Ethics Committee will be held at 6pm on Tuesday 26 March 2019 in Committee Room 1 at the Town Hall, Rugby.

Adam Norburn
Executive Director

A G E N D A

PART 1 – PUBLIC BUSINESS

1. Minutes

    To confirm the minutes of the meeting held on 23 October 2018.

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.

Proud of our past, fit for the future

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. Statement of Accounts 2018/19 (report to follow)

5. Certification of Claims and Returns – Annual Report 2017/18

6. Draft External Audit Plan 2018/19

7. Risk Management Strategy

8. Role and Effectiveness of the Audit and Ethics Committee

9. 2018/19 Internal Audit Plan – Progress Update

10. 2019/20 Internal Audit Plan

11. 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. Grants to Community Groups Internal Audit Report

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, Mistry, Pacey-Day and Roodhouse

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: Certification of Claims and Returns - Annual Report 2017/18

Name of Committee: Audit and Ethics Committee

Date of Meeting: 26 March 2019

Report Director: Head of Corporate Resources and CFO

Portfolio: Corporate Resources

Ward Relevance: All

Prior Consultation: None

Contact Officer: Ruth Barnett, Acting Financial Services Manager and Acting Deputy Section 151 Officer
Tel: 01788 533448

Public or Private: Public

Report Subject to Call-In: No

Report En-Bloc: No

Forward Plan: No

Corporate Priorities:

(CR) Corporate Resources
(CH) Communities and Homes
(EPR) Environment and Public Realm
(GI) Growth and Investment

This report relates to the following priority(ies):
☒ To provide excellent, value for money services and sustainable growth
☐ Achieve financial self-sufficiency by 2020
☐ Enable our residents to live healthy, independent lives
☒ 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

Summary: This is an annual report from the Council's appointed external auditor, Grant Thornton, relating to the certification of the Council's claims and returns for 2017/18.

Financial Implications: There are no financial implications for this report.

Risk Management Implications: There are no risk management implications for this report.

Environmental Implications: There are no environmental implications for this report.

Legal Implications: There are no legal implications for this report.

Equality and Diversity: There are no equality and diversity implications for this report.

Options: Not applicable

Recommendation: The annual report on the certification of the Council's claims and returns for 2017/18 be noted.

Reasons for Recommendation: The Annual Report on the Certification of the Council's claims and returns for 2017/18 summarises the appointed external auditor's work, findings and related fees.

Audit and Ethics Committee - 26 March 2019

Certification of Claims and Returns - Annual Report 2017/18

Public Report of the Head of Corporate Resources and CFO

Recommendation

The Annual Report on the Certification of the Council's claims and returns for 2017/18 be noted.

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1. Introduction

Grant Thornton, the Council's appointed external auditor, has submitted the Annual Report of the Certification of Council's claims and returns for 2017/18.

A representative from Grant Thornton will attend the meeting to answer any questions the committee may have in relation to this report.

2. Housing Benefit Subsidy Claim

The Annual Report on the Certification of the Council's claims and returns for 2017/18 summarises the appointed external auditor's work, findings and related fees regarding their work on the certification of the Council's Housing Benefit Subsidy Claim. The certification letter is appended.

3. Other grants

The accounting arrangements and submissions for other grants are considered as part of Grant Thornton's overall audit of the Council's financial statements. The fee for this work is encompassed within the overall annual audit fee.

Name of Meeting: Audit and Ethics Committee

Date of Meeting: 26 March 2019

Subject Matter: Certification of Claims and Returns - Annual Report 2017/18

Originating Department: Corporate Resources
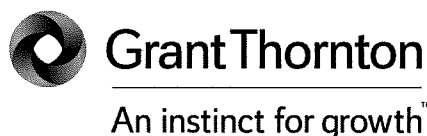
DO ANY BACKGROUND PAPERS APPLY   ☐ **YES**   ☒ **NO**

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

GrantThornton
An instinct for growth™

Mannie Grewal Ketley
Head of Corporate Resources and Chief Financial Officer
Rugby Borough Council
Town Hall
Evreux Way
Rugby
CV21 2RR

24 January 2019

Dear Mannie

Certification work for Rugby Borough Council for year ended 31 March 2018

We are required to certify the Housing Benefit subsidy claim submitted by Rugby Borough Council ('the Council'). This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

The Local Audit and Accountability Act 2014 gave the Secretary of State power to transfer Audit Commission responsibilities to other bodies. Public Sector Audit Appointments (PSAA) took on the transitional responsibilities for HB COUNT issued by the Audit Commission in February 2015.

We have certified the Housing Benefit subsidy claim for the financial year 2017/18 relating to subsidy claimed of £16.01 million. We identified a number of issues from our certification work and, as a result of the errors identified, the claim was amended and qualified, and we reported our findings to the DWP in our Qualification Letter dated 29 November 2018.

Further details of the matters we reported upon are set out in Appendix A. Those which we particularly wish to highlight for your attention are that there:

- was one amendment of £1,709 (increase in subsidy) made in respect of errors found within the Non-HRA rent rebate testing
- were three errors from the extended testing that we carried out on this year's subsidy return which recurred from 2016/17, and
- five new errors were identified as a result of the testing undertaken.

The indicative fee for 2017/18 for the Council was based on the final 2015/16 certification fees, reflecting the amount of work required by the auditor to certify the Housing Benefit subsidy claim that year. The indicative scale fee set by PSAA for the Council for 2017/18 was £9,149 and we will not seek any variations from this set fee.

Yours sincerely

Grant Thornton UK LLP

Grant Thornton UK LLP

grantthornton.co.uk

Appendix A - Details of claims and returns certified for 2017/18

Claim or return	Value	Amended?	Amendment value	Qualified?	Comments
Housing benefits subsidy claim	£16,012,908	Yes	1,709	Yes	See below

Findings from certification of housing benefits subsidy claim

There were three errors that had also been identified in prior years, these were as follows;

1) Throughout our testing we have identified instances where the authority has been unable to provide us with audit trails that balance the cases to subsidy paid. The council has discussed this with Civica and the imbalances are due to RTI re-assessments that result in underlying entitlement. Civica are working on a solution to this issue.This was included within the Qualification Letter as required.
2) Testing of rent rebates identified one error where the claimant's earnings had been incorrectly calculated, resulting in an overpayment of benefit and two errors where this resulted in an underpayment of benefit. This was included within the Qualification Letter as required.
3) Testing of rent allowances identified two errors where the claimants earnings had been incorrectly calculated, resulting in an overpayment of benefit and three errors where this resulted in an underpayment of benefit. This was included within the Qualification Letter as required.

There were also five new errors identified this year, these were as follows;

1) Testing of rent rebates identified one error where the incorrect child tax credit had been used in the benefit calculation, resulting in an overpayment of benefit. This was included within the Qualification Letter as required.
2) Testing of rent allowances identified eight errors where there was no up to date Rent Officers Determination held by the Council, resulting in an overpayment of benefit. This was included within the Qualification Letter as required.
3) Testing of rent rebates identified one error where the claimant's pension savings credit had been incorrectly entered onto the system, resulting in an underpayment of benefit. This was included within the Qualification Letter as required.
4) Testing of rent allowances identified one case where the other income had been duplicated in the benefit entitlement assessment, resulting in an underpayment of benefit. This was included within the Qualification Letter as required
5) Testing of non-HRA rent rebates identified errors in relation to expenditure misclassification and incorrect working tax credit used in the calculation. Given the small population officers undertook 100% testing of non-HRA cases for these error resulting in an amendment to the claim of £1,709

Appendix B: Fees for 2017/18 certification work

Claim or return	2015/16 fee (£)	2017/18 indicative fee (£)	2017/18 actual fee (£)	Variance (£)	Explanation for variances
Housing benefits subsidy claim (BEN01)	£8,149	£9,149	£9,149	£0	N/A

AGENDA MANAGEMENT SHEET

Report Title:	External Audit Plan 2018/19
Name of Committee:	Audit and Ethics Committee
Date of Meeting:	26 March 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:	Ruth Barnett, Acting Financial Services Manager and Acting Deputy Section 151 Officer Tel: 01788 533448
Public or Private:	Public
Report Subject to Call-In:	No
Report En-Bloc:	No
Forward Plan:	No

Corporate Priorities:

(CR) Corporate Resources
(CH) Communities and Homes
(EPR) Environment and Public Realm
(GI) Growth and Investment

This report relates to the following priority(ies):
☒ To provide excellent, value for money services and sustainable growth
☐ Achieve financial self-sufficiency by 2020
☐ Enable our residents to live healthy, independent lives
☒ 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: The External Audit Plan 2018/19 has been developed by our appointed external auditor (Grant Thornton) and sets out the proposed external audit work and fee relating to the 2018/19 annual audit at Rugby.

Financial Implications: The proposed fee for the 2018/19 annual audit can be met from existing budget provision.

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 External Audit Plan and fee for 2018/19 be approved.

Reasons for Recommendation: The External Audit Plan 2018/19 proposes an appropriate level and scope of external audit work to audit the 2018/19 statement of accounts and give an opinion on the Council's value for money arrangements. Appointed Auditor's work and findings and the charges relating to their work.

Audit and Ethics Committee - 26 March 2019

External Audit Plan 2018/19

Public Report of the Head of Corporate Resources and CFO

Recommendation

The External Audit Plan and proposed fee for 2018/19 be approved.

Background

Grant Thornton, the Council's appointed external auditor, has submitted their External Audit Plan and fee proposal for the 2018/19 annual audit (attached at Appendix) following consultation with the Chief Financial Officer and Deputy Chief Financial Officer.

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

Name of Meeting: Audit and Ethics Committee

Date of Meeting: 26 March 2019

Subject Matter: External Audit Plan 2018/19

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.

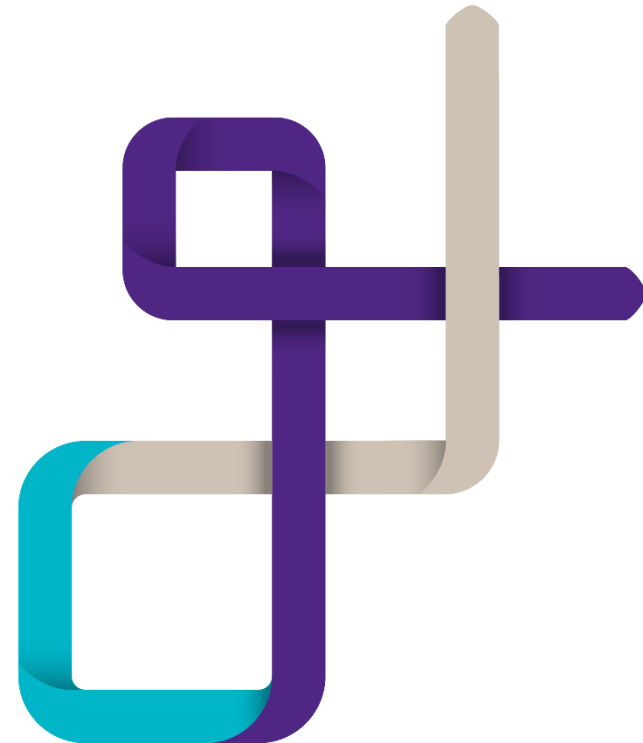☐ Exempt information is contained in the following documents:

Doc No	Relevant Paragraph of Schedule 12A

GrantThornton

External Audit Plan

Year ending 31 March 2019

Rugby Borough Council

31 January 2019

Contents

Your key Grant Thornton team members are:

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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 planning 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 the Authority or all 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.

Introduction & headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Rugby Borough Council ('the Authority') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Rugby Borough Council. We draw your attention to both of these documents on the PSAA website.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the :

- Authority's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit & Ethics committee); and

- Value for Money arrangements in place at the Authority for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit & Ethics Committee of your responsibilities. It is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Authority is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Authority's business and is risk based.

Significant risks	Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as: • Management override of control – Under ISA240 it is presumed that the risk of management override of controls is present in all entities • Valuation of pension fund net liability – the Council's pension fund asset and liability as reflected in its Balance Sheet represents a significant estimate in the financial statements. • Valuation of property, plant and equipment – The carrying value of property, plant and equipment on the Balance Sheet represents a significant estimate in the financial statements. We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.
Materiality	We have determined planning materiality to be £1m (PY £1.117m), which equates to 1.8% of your prior year gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £50k (PY £56k). We have set a lower level of materiality for Senior Officer Remuneration disclosures.
Value for Money arrangements	Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risks: • Budget delivery and reserves management
Audit logistics	Our interim visit will take place across January, February and March and our final visit will take place in July. Our key deliverables are this Audit Plan and our Audit Findings Report. Our fee for the audit will be £42,325 (PY: £54,968) for the Authority, subject to the Authority meeting our requirements set out on page 12.
Independence	We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements..

Key matters impacting our audit

External Factors		Internal Factors	

The wider economy and political uncertainty

Local Government funding continues to be stretched with increasing cost pressures and demand from residents. On 7th January 2019 the Cabinet received an updated Draft Revenue & Capital Budget for 2019/2020 and Medium Term Financial Plan (MTFP) 2019 to 2023.

The draft budget for 2019/2020 currently indicates a deficit of £242k. This is based upon a series of Key Decisions totalling £260k being agreed by Members.

Further savings need to be identified in order to deliver a balanced budget in the short and medium term. In particular, the high level of uncertainty around retained Business Rates and the potential reset of the system presents a considerable risk to the council from 2020/2021 onwards

Under a partial reset there is a cumulative deficit of approximately £1m over the 4 year MTFP which increases to £1.4m under a full reset scenario.

Changes to the CIPFA 2018/19 Accounting Code

The most significant changes relate to the adoption of:

- IFRS 9 Financial Instruments which impacts on the classification and measurement of financial assets and introduces a new impairment model.

- IFRS 15 Revenue from Contracts with Customers which introduces a five step approach to revenue recognition.

New audit methodology

We will be using our new audit methodology and tool, LEAP, for the 2018/19 audit. It will enable us to be more responsive to changes that may occur in your organisation and more easily incorporate our knowledge of the Authority into our risk assessment and testing approach.

2018/19 Out-turn

The Quarter 2 Finance and Performance Report indicates an in year favourable variance of £225k mainly due to:

- Vacancies across the organisation

- Underspends within Minimum Revenue Provision (MRP) (primarily through a change to an 'asset life – annuity' method for the calculation) and net cost of borrowing.

In addition, the Corporate Savings target is also on track to deliver £360,000 of in year savings.

Changes within the finance team

We are aware that the Financial Services Manager, who plays a pivotal role in co-ordinating the preparation of the financial statements will be leaving the Authority before the end of the financial year.

Our response			

- 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 consider whether your financial position leads to material uncertainty about the going concern assumption and will review related disclosures in the financial statements.

- 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.

- As part of our opinion on your financial statements, we will consider whether your financial statements reflect the financial reporting changes in the 2018/19 CIPFA Code.

- You will see changes in the terminology we use in our reports that will align more closely with the ISAs

- We will ensure that our resources and testing are best directed to address your risks in an effective way.

- We will review the change in MRP policy as part of our opinion on your financial statements.

- We will work closely with the finance team to understand any changes in roles and responsibilities that could potentially impact upon our audit approach.
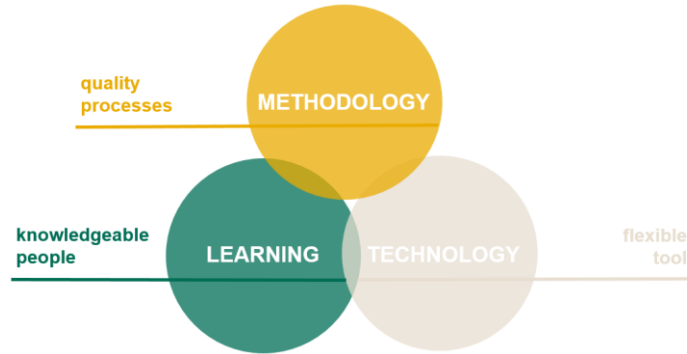
Audit approach

Use of audit, data interrogation and analytics software

LEAP

Audit software

- A globally developed ISA-aligned methodology and software tool that aims to re-engineer our audit approach to fundamentally improve quality and efficiency
- LEAP empowers our engagement teams to deliver even higher quality audits, enables our teams to perform cost effective audits which are scalable to any client, enhances the work experience for our people and develops further insights into our clients' businesses
- A cloud-based industry-leading audit tool developed in partnership with Microsoft

quality processes — **METHODOLOGY**

knowledgeable people — **LEARNING** **TECHNOLOGY** — flexible tool

IDEA

- We use one of the world's leading data interrogation software tools, called 'IDEA' which integrates the latest data analytics techniques into our audit approach
- We have used IDEA since its inception in the 1980's and we were part of the original development team. We still have heavy involvement in both its development and delivery which is further enforced through our chairmanship of the UK IDEA User Group
- In addition to IDEA, we also other tools like ACL and Microsoft SQL server
- Analysing large volumes of data very quickly and easily enables us to identify exceptions which potentially highlight business controls that are not operating effectively

Appian

Business process management

- Clear timeline for account review:
  - disclosure dealing
  - analytical review
- Simple version control
- Allow content team to identify potential risk areas for auditors to focus on

Inflo

Cloud based software which uses data analytics to identify trends and high risk transactions, generating insights to focus audit work and share with clients.

REQUEST & SHARE
- Communicate & transfer documents securely
- Extract data directly from client systems
- Work flow assignment & progress monitoring

ASSESS & SCOPE
- Compare balances & visualise trends
- Understand trends and perform more granular risk assessment

VERIFY & REVIEW
- Automate sampling requests
- Download automated work papers

INTERROGATE & EVALUATE
- Analyse 100% of transactions quickly & easily
- Identify high risk transactions for investigation & testing
- Provide client reports & relevant benchmarking KPIs

FOCUS & ASSURE
- Visualise relationships impacting core business cycles
- Analyse 100% of transactions to focus audit on unusual items
- Combine business process analytics with related testing to provide greater audit and process assurance

INSIGHTS
- Detailed visualisations to add value to meetings and reports
- Demonstrates own performance and benchmark comparisons

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent transactions	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted as we have concluded that there is no risk of material misstatement due to fraud relating to revenue recognition.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Rugby Borough Council, mean that all forms of fraud are seen as unacceptable Therefore we do not consider this to be a significant risk for Rugby Borough Council.
Management over-ride of controls	Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	We will: • evaluate the design effectiveness of management controls over journals • analyse the journals listing and determine the criteria for selecting high risk unusual journals • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Significant risks identified – Valuation of land and buildings

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings (Periodic revaluation with desktop valuation in intervening years)	The Council revalues its land and buildings on a rolling five year basis. In the intervening years, such as 2018/19, to ensure the carrying value in the Authority financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, the Authority carries out a desktop revaluation/requests a desktop valuation from its valuation expert to ensure that there is no material difference. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£238m) and the sensitivity of this estimate to changes in key assumptions. We therefore identified valuation of land and buildings as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.	We will: • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluate the competence, capabilities and objectivity of the valuation expert • write to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding • test revaluations made during the year to see if they had been input correctly into the Authority's asset register

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in July 2019.

Significant risks identified – Valuation of the pension fund net liability

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£41 million in the Authority's balance sheet) and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.	We will: • update our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • agree any advance payment made to the pension fund during the year to the expected accounting treatment and relevant financial disclosures. • obtain assurances from the Pension Fund auditor as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in July 2019.

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement and any other information published alongside your financial statements to check that they are consistent with the financial statements on which we give an opinion and consistent with our knowledge of the Authority.

- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued by CIPFA.

- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.

- We consider our other duties under legislation and the Code, as and when required, including:
  - Giving electors the opportunity to raise questions about your 2018/19 financial statements, consider and decide upon any objections received in relation to the 2018/19 financial statements;
  - issue of a report in the public interest or written recommendations to the Authority under section 24 of the Act, copied to the Secretary of State.
  - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
  - Issuing an advisory notice under Section 29 of the Act.

- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the Authority's ability to continue as a going concern" (ISA (UK) 570). We will review management's assessment of the going concern assumption and evaluate the disclosures in the financial statements.

Materiality

The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.
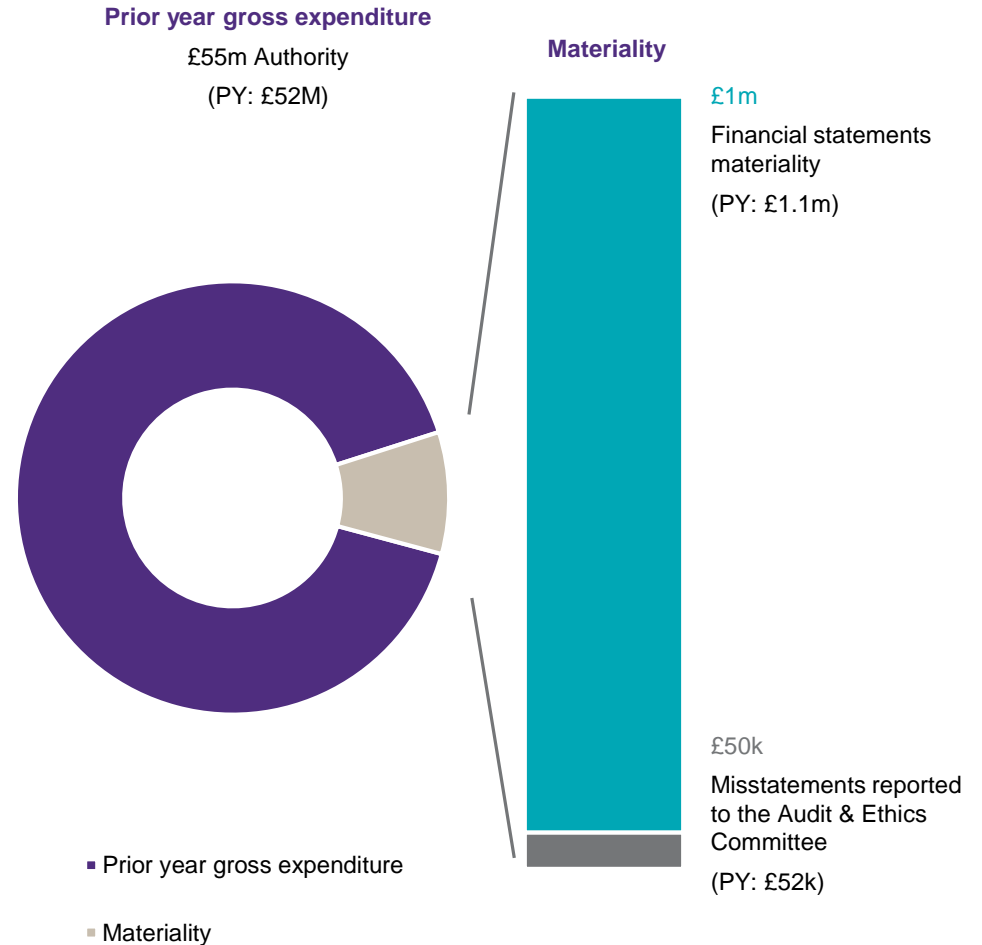
Materiality for planning purposes

We have determined financial statement materiality based on a proportion of the gross expenditure of the Authority for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £1m (PY £1.117m), which equates to 1.8% of your prior year gross expenditure for the year. We deem seem officer remuneration as a specific sensitive area for the users of the accounts and have applied a lower materiality of 2% based on the remuneration disclosure.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Matters we will report to the Audit & Ethics Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £50k (PY £56k).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit & Ethics Committee to assist it in fulfilling its governance responsibilities.

Prior year gross expenditure

£55m Authority

(PY: £52M)

Materiality

£1m

Financial statements materiality

(PY: £1.1m)

£50k

Misstatements reported to the Audit & Ethics Committee

(PY: £52k)

▪ Prior year gross expenditure

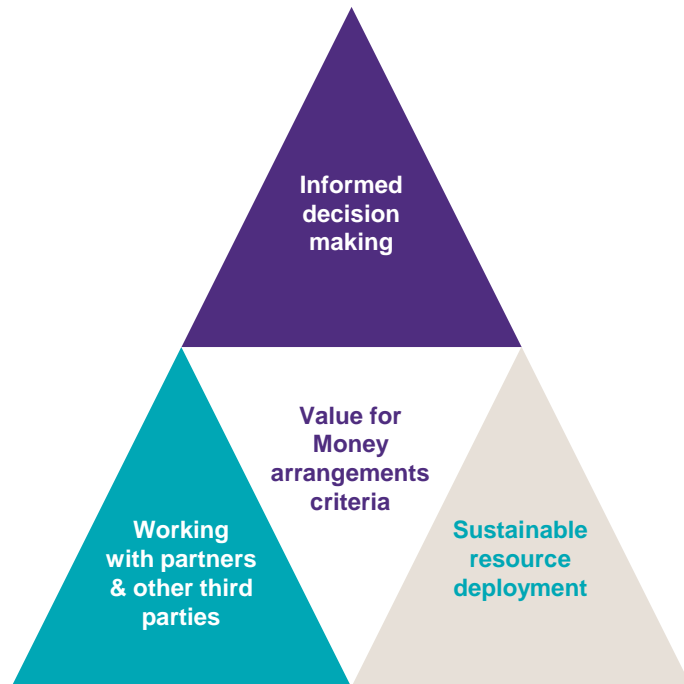▪ Materiality

Value for Money arrangements

Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work in November 2017. The guidance states that for Local Government bodies, auditors are required to give a conclusion on whether the Authority has proper arrangements in place to secure value for money.

The guidance identifies one single criterion for auditors to evaluate:

"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."

This is supported by three sub-criteria, as set out below:

Informed decision making

Value for Money arrangements criteria

Working with partners & other third parties

Sustainable resource deployment

Significant VFM risks

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Authority to deliver value for money.

Financial Standing

The Council are currently in the process of finalising the budget for 2019/20 and the Medium Term Financial Plan (MTFP for 2019 to 2023.

On 3rd December 2018 a proposed deficit for 2019/2020 of £333k was presented to Cabinet.

Further savings need to be identified in order to deliver a balanced budget in the medium term . In particular the high level of uncertainty around retained Business Rates and the potential reset of the system presents a considerable risk to the council from 2020/2021 onwards

Under a partial reset there is a cumulative deficit of approximately £1m over the 4 year MTFP which increases to £1.4m under a full reset scenario.

To address this risk we will discuss key strategic challenges and the Council's proposed response. Review of reports to members on:

a)   the outturn position for 2019/2020 and the budget plans up to 2021/2023

b) the Council's progress in updating its medium term financial strategy and progress against savings plans.

Audit logistics, team & fees

Audit and Ethics Committee 31 January 2019

Audit and Ethics Committee 27th March 2019

Audit and Ethics Committee July 2019

Audit and Ethics Committee August 2019

Interim audit Jan-March 2019

Year end audit July 2019

Planning and risk assessment

Audit Plan

Interim Progress Report

Audit Findings Report

Audit opinion

Annual Audit Letter

Grant Patterson, Engagement Lead

Overall quality control; accounts opinions; final authorisation of reports; attendance at Audit Committee.

Mary Wren, Engagement Manager

Overall audit management; consideration of VFM work; quality assurance of audit work and outputs

Martin Stevens, Audit In-charge

Management of audit fieldwork, coordination of work completed by CAST and audit assistants; coordination of work of specialists and advisors where delegated by the Manager

Audit fees

The planned audit fees are £42,325 (PY: £54,968) for the financial statements audit completed under the Code. Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

In setting your fee, we have assumed that the scope of the audit, and the Authority and its activities, do not significantly change.

Our requirements

To ensure the audit is delivered on time and to avoid any additional fees, we have detailed our expectations and requirements in the following section 'Early Close'. If the requirements detailed overleaf are not met, we reserve the right to postpone our audit visit and charge fees to reimburse us for any additional costs incurred.

Any proposed fee variations will need to be approved by PSAA.

Early close

Meeting the 31 July audit timeframe

In the prior year, the statutory date for publication of audited local government accounts was brought forward to 31 July, across the whole sector. This was a significant challenge for local authorities and auditors alike. For authorities, the time available to prepare the accounts was curtailed, while, as auditors we had a shorter period to complete our work and faced an even more significant peak in our workload than previously.

We have carefully planned how we can make the best use of the resources available to us during the final accounts period. As well as increasing the overall level of resources available to deliver audits, we have focused on:

• bringing forward as much work as possible to interim audits

• starting work on final accounts audits as early as possible, by agreeing which authorities will have accounts prepared significantly before the end of May

• seeking further efficiencies in the way we carry out our audits

• working with you to agree detailed plans to make the audits run smoothly, including early agreement of audit dates, working paper and data requirements and early discussions on potentially contentious items.

 We are satisfied that, if all these plans are implemented, we will be able to complete your audit and those of our other local government clients in sufficient time to meet the earlier deadline.

Client responsibilities

Where individual clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. We will therefore conduct audits in line with the timetable set out in audit plans (as detailed on page 12). Where the elapsed time to complete an audit exceeds that agreed due to a client not meetings its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit by the statutory deadline. Such audits are unlikely to be re-started until very close to, or after the statutory deadline. In addition, it is highly likely that these audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit or additional audit fees being incurred, you need to ensure that you:

• produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement

• ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you

• ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples

• ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit

• respond promptly and adequately to audit queries.

In return, we will ensure that:

• the audit runs smoothly with the minimum disruption to your staff

• you are kept informed of progress through the use of an issues tracker and weekly meetings during the audit

• we are available to discuss issues with you prior to and during your preparation of the financial statements.

Independence & non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 and PSAA's Terms of Appointment which set out supplementary guidance on ethical requirements for auditors of local public bodies.

Other services provided by Grant Thornton

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority. The following other services were identified

Service	£	Threats	Safeguards
Audit related			
Certification of Housing capital receipts grant	2,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Authority's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit & Ethics Committee. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.
None of the services provided are subject to contingent fees

Grant Thornton

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AGENDA MANAGEMENT SHEET

Report Title: Risk Management Strategy

Name of Committee: Audit and Ethics Committee

Date of Meeting: 26 March 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):
                               ☒ To provide excellent, value for money
(CR) Corporate Resources   services and sustainable growth
(CH) Communities and Homes ☐ Achieve financial self-sufficiency by 2020
(EPR) Environment and Public ☐ Enable our residents to live healthy,
Realm   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: Not applicable

Summary: The Council introduced its first Risk Management Strategy in 2003. Since then progress has been made in implementing both Operational and Strategic Risk Management across the organisation.This latest version of the strategy identifies the additional work planned to ensure that Risk Management is embedded within the day to day work of the Council.

Financial Implications: No direct implications

Risk Management Implications: 1. As contained within the revised Risk Management Strategy dated 2017.
2. If the Audit and Ethics Committee does not endorse the strategy, the Council's approach to risk management will not be properly documented and outdated processes could be followed.

Environmental Implications: No direct implications

Legal Implications: No direct implications

Equality and Diversity: No direct implications

Options: None

Recommendation: That the Risk Management Strategy be recommended for approval by Cabinet.

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 - 26 March 2019

Risk Management Strategy

Public Report of the Head of Corporate Resources and CFO

Recommendation:

That the Risk Management Strategy be recommended for approval by Cabinet.

---

1. Background

1.1 The Council introduced its first Risk Management Strategy in 2003. Since then progress has been made in implementing both Operational and Strategic Risk Management across the organisation.

1.2 The previous Risk Management Strategy was endorsed by the Audit and Ethics Committee in June 2017.

2. Report

2.1 A specialist was commissioned in 2018 to deliver risk management training in house to all managers. Given that the Risk Management Strategy was due for review, the specialist was also asked to undertake a review of the previous Risk Management Strategy as a "critical friend". The feedback from the specialist was largely positive. The comments made were all considered and, where appropriate, addressed within the updated Strategy.

2.2 The new Risk Management Strategy is included with this report at Appendix A. The key changes within the new Strategy are as follows:

- To emphasise that the Council is making its risk management processes "built in not bolted on" (page 2).
- A summary has been added of the progress made by the Council towards embedding effective risk management since the Strategy was first introduced in 2003 (page 3).
- A paragraph has been added to explain what is meant by 'opportunity' in the context of risk management (page 4).
- A paragraph has been added in line with best practice, stating the Council's approach to 'Risk Appetite' (page 4).
- Section 5 (pages 9-11) has been expanded to include a mosaic diagram showing how risk management links with other management processes, an explanation of the action planning process and how it links with risk management, and an explanation of how the Council uses insurance as a mechanism for managing risk.
- On page 14, statements have been amended to reflect that service managers should take ownership for operational risk registers for their

service areas and to emphasise that the Risk Management and Insurance Officer does not own risks.

- The terms of reference for the Strategic Risk Management Group has been updated to reflect its expanded role in overseeing governance issues and matters arising from the work of internal audit (page 19).

2.3   In addition to the new Risk Management Strategy, an action plan has been developed to facilitate the Council in achieving effective risk management. The action plan is included with this report at Appendix B. In addition to the investment in training for all managers, the plan includes:

- Delivering risk management awareness training to Councillors.
- Developing a risk management training package for all future managers and team leaders.
- Developing written guidance for all managers, setting out their responsibilities in relation to risk management, instructions on how to update their risk registers and action plans within the Council's RPMS system, and details of the support offered by the Corporate Assurance and Improvement team. This will be complemented with a further briefing being provided to all managers via the Corporate Management Forum.
- Developing a corporate risk register detailing the operational risks which are common across the Council. Such risks will then be managed at the senior management level. A draft corporate risk register has been prepared for review by the Senior Management Team.
- Embedding risk management assurance and compliance monitoring. This will be addressed through delivery of targeted internal audit work in 2019/20.

Name of Meeting: Audit and Ethics Committee

Date of Meeting: 26 March 2019

Subject Matter: Risk Management Strategy

Originating Department: Corporate Resources

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

LIST OF BACKGROUND PAPERS

Doc No	Title of Document and Hyperlink
Appendix A	Risk Management Strategy 2019
Appendix B	Risk Management Action Plan 2019-20

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

RISK MANAGEMENT STRATEGY

2019

CONTENTS

SECTION ONE - Rugby Borough Council Risk Management Statement

Risk Management is a business critical aspect for everyone at Rugby Borough Council. It is imperative that RBC demonstrate to the public, and all other stakeholders, that full consideration has been given to all risks when delivering services for the residents and businesses in the local area.

This Strategy outlines how RBC will manage risk through identification, analysis, treatment and monitoring of each risk. This Strategy also details the roles and responsibilities for all employees and members. Everyone has a part to play to ensure that this process is embedded as an integral element of the daily operational and strategic thinking used at RBC. We will continue to embrace and develop risk management to ensure that it is built in and not bolted on to achieve a focused approach to risk management.

………………………………….
Adam Norburn
Executive Director

…………………………………..
Michael Stokes
Leader of the Council

…………………………………
Date

……………………………….…
Date

………………………………….
Mannie Ketley
Head of Corporate Resources and Chief Finance Officer

…………………………………..
Carolyn Robbins
Portfolio Holder for Corporate Resources

SECTION TWO - Introduction

2.1   Background

The Council introduced its first Risk Management Strategy in 2003.   Since then steady progress has been made in implementing Risk Management throughout the organisation with changes and improvements such as:

- An annual review of the Risk Management Strategy to ensure it is up to date and relevant as well as meeting the demands of continually changing audit requirements
- Utilisation of new software to manage and enhance the process, such as Covalent and now the RPMS
- Regular reviews of the Strategic Risk Register by the Strategic Risk Management Group and ongoing re writing of this risk register to work alongside revised Corporate Strategies and Priorities
- Changes to the reports to Audit and Ethics Committee to meet the requirements of the committee
- Reviewing and amending how operational risk registers are monitored and reported
- Relaunching the Strategic Risk Management Group
- Implementing and developing project risk registers
- Inclusion of Risk Management as a topic on the Employee Induction Day
- The Risk Management and Insurance Officer becoming an active member of project groups such as the design and build of a new leisure centre, the development of new housing at Pettiver Crescent and the celebration of the Rugby World Cup in 2015

This latest revision of the Strategy aims to look at the future plans for Risk Management in RBC and the future work planned to ensure that Risk Management becomes embedded in the every day work of the Council.

2.2   What is Risk Management?

Risk Management can be defined as: -

'Risk is the threat that an event or action will adversely affect an organisation's ability to achieve its objectives and to successfully execute its strategies. Risk Management is the process by which risks are identified, evaluated and controlled. It is a key element of the framework of governance together with community focus, structures and processes, standards of conduct and service delivery arrangements'

(Audit Commission)

2.3 The Benefits of Risk Management

The benefits of an effective Risk Management programme are numerous, a selection of the benefits are: -

- Increased focus on the action(s) that should be taken to meet objectives
- Improved delivery of services
- Effective management of change
- Delivering better Value For Money
- More efficient use of resources
- Supporting innovation
- Reduced complaints
- Protection of, and improved, reputation
- Getting things right first time
- Continual assessment of business opportunities

The term Risk Management also includes the management of opportunities, as risk should not be considered just as a negative. The management of opportunities is as important as the management of risk, and we should always look to see if there is a positive outcome to any risk.

An opportunity is the chance to take a positive outcome from a risk. It is an action that could enhance the ability to achieve the objective and could be shared to maximise the potential benefits to others as well as the operational business area It could be the chance to take advantage of a new system, process or technology. Taking that action could increase the likelihood of positive impact of that opportunity.

2.4 Risk Appetite

The Council must take risks in order to achieve its strategic objectives and deliver beneficial outcomes to the community. Risks will be taken in a considered and controlled manner. Exposure to risks will be kept to a level of impact deemed acceptable by the Strategic Risk Management Group, and the level of acceptable risk may vary from time to time.

SECTION THREE – Purpose & Objectives

3.1   Purpose

The purpose of this Strategy is to set out Rugby Borough Council's approach to Risk Management, including outlining roles and responsibilities, reporting and communication methods and a description of the 4 stages of the Risk Management process.

It is a continuous and developing process, which ultimately aims to create a culture of risk awareness within the Council whereby staff and Members naturally consider risk issues as a part of day-to-day activities.

The Strategy is designed to be a reference source rather than to provide detailed answers to specific questions. It is a foundation for embedding a Risk Management culture across the organisation but is not intended to be a manual.

3.2   Objectives

The objectives of the Risk Management Strategy are to:

3.2.1   Develop Risk Management and raise its profile across the Council
3.2.2   Integrate Risk Management into the culture of the Council
3.2.3   Embed Risk Management through the ownership and management of risk as part of all business planning and decision making processes
3.2.4   Manage risks in accordance with best practice
3.2.5   Prevent injury, damage and losses and to reduce the cost of risk
3.2.6   Raise awareness of the need for Risk Management by all those connected with the Council's delivery of services

These objectives will be achieved by: -

- Establishing clear roles and responsibilities and reporting lines within the Council for Risk Management
- Reinforcing the importance of effective Risk Management as part of the everyday work of employees
- Developing training and awareness
- Including Risk Management as an agenda item at meetings
- Providing relevant training on Risk Management to employees and Members
- Continuing to demonstrate the application of Risk Management principles
- Developing Risk Management toolkits, procedures and guidelines for use across the Council
- Making all partners, providers and delivery agents aware of the Council's expectations on risk, both generally as set out in its Risk Management policy, and where necessary in particular areas of service delivery
- Maintaining a Risk Management framework that will secure the consideration and review on a rolling basis of the Strategic and Operational risks confronted by the Council
- Inclusion of Risk Management in service plans

SECTION FOUR – Risk Management Process

4.1   Process

Risk Management is an ongoing process, which involves continual identification, analysis, treatment and monitoring of the risks and opportunities faced by the Council.

4.2   Risk Identification

The first step is to identify the 'significant' risks that could cause an objective not to be achieved as expected and, as a result, have an adverse impact upon the Council. *(Section 4.3 describes what is classed as a significant risk).* It is important that those involved with the process clearly understand the service or organisation's key business objectives to be able to identify the potential barriers to their achievement.

The identification of risk should happen in all business areas.

4.3   Risk Analysis

The information gathered is then analysed by completing a Risk Assessment. The assessment details the risks to the achievement of a specific business objective, the opportunities that can be gained from that risk, the consequences of the risk and any existing internal controls.

The analysis will then consider the likelihood and impact of the risks. An initial score against likelihood and impact is made (see Appendix 1, Risk Matrices).

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:

8–16	High Risk (Red)	Immediate attention
4-6	Medium Risk (Amber)	Moderate risk, mitigation action required
1–3	Low risk (Green)	Regular review

Amber and red risks are classed as *'significant'* risks. All risks are to be kept under review so as to identify when the likelihood or impact is changing (or will change) and to therefore enable further control actions to be determined and implemented.

4.4   Risk Treatment / Control

Once a risk has been identified and analysed, a decision must be made as to how the Council will react. There are four options: -

1.   *Tolerate* – Decide to live with the risk and the possibility that it might occur and its possible consequences, but continue to monitor
2.   *Terminate* – Eliminate the risk, usually by deciding to change a course of action or stop a particular activity

3. *Transfer* – Some of the financial impact of a risk may be transferred and it may be possible to transfer liability through contractual arrangements

4. *Treat* – Control the risk and take action to reduce the likelihood that an event will occur or the impact if it does.

The existing controls need to be reviewed before considering further action as these controls may no longer be relevant.

The potential for controlling the risks identified further will be investigated through an Action Plan. The implementation of the Action Plan is monitored through RPMS, the Council's performance management system.

4.5   Risk Monitoring and Reporting

Effective Risk Management requires an appropriate reporting and review structure to ensure that risks and opportunities are effectively identified and assessed and that appropriate control measures are in place.

The process requires regular reviews in order to provide the maximum benefit to the Council, including the Strategy, and all the processes and activities outlined within it, to ensure their effectiveness.

A framework of monitoring & reporting has been established to allow regular monitoring to take place.

This requires: -

Cabinet - To receive annual updates on the position of the Council's Risk Management programme; to review the Strategic Risk Register and any amendments made to it and to agree the Risk Management Strategy and any changes made. To appraise options contained within submitted reports.

Audit and Ethics Committee – To consider the effectiveness of the Council's Risk Management arrangements. To receive annual reports which provide assurance on the effective management of the Council's 'Top Level' risks and to agree the Risk Management Strategy and any changes made.

Senior Management Team - To review the Strategic Risks on a quarterly basis and respond to any actions for which they are responsible in the interim.

Individual Risk Owners – To regularly monitor Risk Registers and Action Plans at team meetings – making any adjustments within RPMS or reporting them to the Risk Management and Insurance Officer; to implement and monitor outstanding actions and monitor the effectiveness of the actions in controlling the risks; to identify new risks / opportunities and to regularly review the Operational Risk Registers.

Strategic Risk Management Group – to consider and discuss regular updates received from the Risk Management and Insurance Officer and Risk Owners on outstanding risk actions and to annually review the Risk Management Strategy.

The risk process itself will be reviewed annually to ensure that it is still appropriate and includes learning from other Authorities. Training and research can be applied.

4.6 Risk Management Fund

The Corporate Assurance and Improvement Manager is responsible for a small Risk Management fund. Service areas can 'bid' for full or partial funding for Risk Management initiatives that will benefit the Council as a whole.

SECTION FIVE – Links with Existing Processes

As detailed in Section 1, the Risk Management Statement, Risk Management is a business critical aspect for everyone at Rugby Borough Council. Everyone has a part to play to ensure that this process is embedded as an integral element of the daily operational and strategic thinking used at RBC. It is imperative that we demonstrate that full consideration has been given to all risks when delivering services for the residents and businesses in the local area.

Effective risk management is fundamental to the success of any organisation and the diagram below illustrates how it links with other management processes.

The following paragraphs set out each stage of our risk management process in detail.

5.1   Action Planning

The Council's objectives are set out within the Corporate Strategy. The current Corporate Strategy covers the period 2017-20 and details the objectives for each portfolio area.
The action planning process is the mechanism through which the Council's objectives are translated into actions. The process is facilitated by the Corporate Assurance and Improvement Team and involves, for each operational team:

• Identifying and documenting the key projects and change initiatives (actions) which will enable services to achieve their objectives in line with the Corporate Strategy;
• Identifying and documenting the risks associated with delivering those projects and initiatives (and therefore the Council's objectives); and
• Identifying and documenting the key performance indicators (KPIs) which demonstrate that Council services are performing well.

Risk Owners are expected to monitor the risks associated with delivering service objectives during team meetings and as part of normal day to day business.

5.2   Performance Management

The monitoring of the Risk Management action plans is facilitated through the performance management software RPMS. Risk Owners will monitor and update risk assessments and actions plans on a regular basis.

5.3   Project Management

Work is currently underway to improve the robustness of Risk Management within projects, with project risk registers being used more now than ever before with a register in place for each specific project.

5.4   Partnerships

The Council defines a partnership as "working with another organisation to deliver common objectives with a formal agreement of roles (through contract, memorandum of understanding, funding agreement, Service Level Agreement etc)".
The Council has entered into a number of partnerships which have common objectives in line with its Corporate Strategy. Decision making processes are documented for each partnership and there are risk registers in place for significant partnerships, which are effectively managed and monitored.

5.5   Reporting

Each report prepared for Cabinet / Panels requires that the report writer consider the risks and benefits associated with each option presented within the report.

5.6   Emergency Planning and Business Continuity

It is a requirement under the Civil Contingency's Act that the Council assess the risk of emergencies occurring and use this to inform contingency planning; and put in place emergency plans and business continuity arrangements.
Rugby Borough Council chaired the Warwickshire Local Resilience Forum Risk Group which updated the Warwickshire Risk Assessment (September 2015) and created the public facing 'Preparing for Emergencies in Warwickshire' publication (January 2017).
The Council has a Major Emergency Plan (December 2016), a public facing version of which can be found on the extranet.
The Council has a Business Continuity Strategy (2015) and a Council wide Business Continuity Plan (May 2016) as well as service specific business continuity plans for 'critical services'.

5.7   Health and Safety

The Council has demonstrated a commitment to Health and Safety with the development of policies and guidance specifically addressing the management of risk.

It is essential that the established links to the Risk Management process be maintained with emphasis on identification, analysis, treatment/control and

monitoring of risks. The commitment and involvement of all employees will be supported at service level by specific training and guidance.

5.8   Corporate Strategy

The Strategic Risk Register aims to address all elements of risk in delivering the Council's corporate objectives. These in turn cascade into the Operational Risk Registers. The Senior Management Team need to consider the Risk Management Strategy in line with the Corporate Strategy.

5.9   Internal Audit

The Council has implemented Risk Based Internal Auditing (RBIA), which is recognised best practice. Actions arising from internal audits are subject ot a risk assessment. The linkages between the results of internal audits, relevant risks, and their mitigating actions is therefore enhanced. The process also facilitates more regular and timely updates of the Operational Risk Registers by Risk Owners during the course of the year with the Corporate Assurance and Improvement Team providing oversight and challenge as required.

5.10   Insurance

Insurance is a key form of risk management and the Council has a number of policies in place which are designed to protect it from contingent or uncertain losses. The policies cover the Council's assets including property and fleet, as well as employers' and public liability.
The Council's insurance premiums are determined by a number of factors, one of which is its claims history. Minimising the level and impact of insurance claims helps the Council to keep its insurance premium costs as low as possible. The Council therefore proactively manages the risk of insurance claims in a number of ways, including through operational health and safety management and education of fleet vehicle users.

SECTION SIX – Information and Communication

6.1   Information

Risk Management information is available from a number of different sources:

- Intranet web page
- Individual managers
- Risk Champions (see Appendix 3, Contact Information)
- Corporate Assurance and Improvement Manager (see Appendix 3, Contact Information)
- Risk Management and Insurance Officer (see Appendix 3, Contact Information)

6.2   Communication

Risk Management at Rugby Borough Council is an evolving process, therefore regular communication with staff and managers is essential to ensure everyone is kept up to date and has the opportunity to further their understanding of the Council's risk programme.

Risk information updates and general awareness are communicated through a number of different sources:

- Intranet updates
- Team meetings
- Workshops and awareness sessions
- New employee induction day
- Members Briefings

SECTION SEVEN – Roles and Responsibilities

The following describes the roles and responsibilities that Members and Officers will play in embedding and owning Risk Management:-

7.1   Cabinet and other Elected Members
- To oversee the effective management of risk by Council Officers
- To annually consider the Strategic Risk Register
- To take decisions which are informed by an assessment of associated risks
- To approve overall strategic Risk Management proposals
- To agree the Risk Management Strategy and any changes to the Strategy

7.2   Senior Management Team
- To ensure that the Council manages risk effectively through the development of a comprehensive Risk Management Strategy and the analysis and control of strategic risks
- To take decisions which are informed by an assessment of associated risks
- To provide corporate direction to all Risk Management proposals and to support the Strategic Risk Management Group
- To review the Strategic Risk Register
- To receive and consider an annual report on the Risk Management Strategy
- To identify any emerging strategic risks and report them to the Strategic Risk Management Group
- To identify any movements in the likelihood and / or impact severity of existing Strategic risks
- To be the service liaison for strategic and operational risks
- To include Risk Management and emerging risks through business planning and decision making
- To provide oversight and challenge

7.3   Strategic Risk Management Group
- To support the Council and its services in the effective development, implementation and review of the Risk Management Strategy
- To review the Risk Management Strategy on an annual basis
- To review the Strategic Risk Register and to identify and support any emerging Strategic risks
- To provide training on and to otherwise facilitate the practice of good Risk Management for Councillors and Officers
- To provide oversight and challenge
- To review the full risk portfolio to ensure it is acceptable
- To provide oversight and challenge

7.4 Risk Champions
(see appendix 3, Contact Information)
- To be a member of the Strategic Risk Management Group
- To support the Senior Management Team and Service Managers in the effective management of risk
- To champion Risk Management within their service
- To be their service liaison for Strategic and Operational risks
- To disseminate Risk Management information
- To facilitate and encourage good Risk Management practices
- To co-ordinate the Operational Risk Assessment programme for their service

7.5 Service Managers
- To manage their service whilst taking in to account all associated risks
- To consider the positive and negative aspects of risk in all decisions taken
- To consider and produce/review and take ownership of Operational Risk Registers for their service areas during their business planning process and to report these assessments to the Risk Management and Insurance Officer
- To consider and record additional or strengthened controls that are needed to protect their service area and to incorporate these in to their service action and improvement plans
- To report these assessments, actions and improvement plans to the Risk Management and Insurance Officer

7.6 Risk Management and Insurance Officer

Although the Risk Management and Insurance Officer does not own the risk, this sits with the Risk Owner, they do provide the following areas of support and advice

- To advise and assist the Strategic Risk Management Group in their functions
- To facilitate meetings of the Strategic Risk Management Group
- To provide day-to-day Risk Management advice to Council Officers and Members
- To assist in the development of the Council's Risk Management programme in association with external advisors and Council Officers
- To advise and assist the Senior Management Team with the quarterly reviews of the Strategic Risk Register
- To maintain a continuous review of the adequacy of the Risk Management programme
- To advise on progress reports to Cabinet and to Audit and Ethics Committee
- To advise on annual reports on the Council's 'Top Level' risks to Audit and Ethics Committee
- To advise on an annual report on the Strategic Risk Register to Cabinet
- To advise on an annual report on the Risk Management Strategy to Cabinet and to Audit and Ethics Committee
- To review systems and procedures for Risk Management and implement improved working practices wherever possible
- To review Strategic and Operational risk registers on a regular basis

- To maintain a continuous review of the adequacy of the Risk Management programme
- To identify instances of best practice through networking and discussions with brokers

7.7   All Employees
- To manage risk effectively in their job
- To report risks to their Service Managers, Risk Champions or the Risk Management and Insurance Officer
- To have an understanding of the risks identified within their service area
- To assist in the identification and control of risk
- To complete the options appraisal on all Senior Management Team, Panel and Cabinet reports

STRATEGIC RISK MATRIX APPENDIX 1

LIKELIHOOD

Almost certain	=	Strong/very strong/inevitable possibility (over 75%)	Score 4
Possible	=	Likely to occur (50% – 75%)	Score 3
Unlikely	=	Slight chance/could occur (10% – 49%)	Score 2
Remote	=	Almost impossible/only occurring in exceptional circumstances (Below 10%)	Score 1

IMPACT

Extreme	=	Financial loss over £1m, significant service disruption, disabling injury/death, adverse national media coverage, severe stakeholder concern	Score 4
Major	=	Financial loss of between £250,000 and £1m, major service disruption, major injury, adverse regional media coverage, significant stakeholder concern	Score 3
Moderate	=	Financial loss of between £50,000 and £250,000, moderate service disruption, loss time injury, local media coverage, more service user complaints, moderate stakeholder concern	Score 2
Minor	=	Financial loss up to £50,000, short term inconvenience, minor injury, isolated user service complaints, stakeholder concerns	Score 1

		Likelihood			
	4	M	H	H	H
Impact	3	L	M	H	H
	2	L	M	M	H
	1	L	L	L	M
		1	2	3	4

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OPERATIONAL RISK MATRIX

LIKELIHOOD		
Almost certain =	Strong/very strong/inevitable possibility (over 75%)	Score 4
Possible =	Likely to occur (50% - 75%)	Score 3
Unlikely =	Slight chance/could occur (10% - 49%)	Score 2
Remote =	Almost impossible /only occurring in exceptional circumstances (Below 10%)	Score 1

IMPACT		
Extreme =	Financial loss over £250,000, total service loss for a significant period, fatality/disabling injury, adverse national media coverage, severe stakeholder concern, mass complaints	Score 4
Major =	Financial loss of between £75,000 and £250,000, major service disruption, major injury, regional media coverage, significant user complaints, significant stakeholder concern	Score 3
Moderate =	Financial loss of between £10,000 and £75,000, moderate service disruption, loss time injury, local media coverage, more service user complaints, stakeholder concern	Score 2
Minor =	Financial loss up to £10,000, short term inconvenience, minor injury, isolated user service complaints, minor local media coverage, minor stakeholder concerns	Score 1

		Likelihood			
Impact	4	M	H	H	H
	3	L	M	H	H
	2	L	M	M	H
	1	L	L	L	M
		1	2	3	4

PROJECT RISK MATRIX

LIKELIHOOD		
Almost certain =	In excess of 50% possibility	Score 4
Possible =	Between 25% and 50% possibility	Score 3
Unlikely =	Between 10% and 25%	Score 2
Remote =	Below 10%	Score 1

IMPACT		
Extreme =	Financial change in excess of 20% of budget National media coverage, permanent impact on reputation Change in output of more than 80%	Score 4
Major =	Financial change of between 11% and 20% of budget Local media/TV coverage, long term impact on reputation Change in output of between 50% and 80%	Score 3
Serious =	Financial change of between 5% and 10% of budget Local newspaper coverage, temporary impact on reputation Change in output of between 25% and 50%	Score 2
Minor =	Financial change of less than 5% of budget Local gossip, internal impact on reputation Change in output of under 5%	Score 1

		Likelihood			
Impact	4	M	H	H	H
	3	L	M	H	H
	2	L	M	M	H
	1	L	L	M	M
		1	2	3	4

STRATEGIC RISK MANAGEMENT GROUP

TERMS OF REFERENCE

The role of the Strategic Risk Management Group (SRMG) is crucial to the implementation of a successful Risk Management programme.

The SRMG is a facilitating group and will enable and empower all aspects of a Risk Management programme, providing where necessary, links with Insurance, Health and Safety, Emergency Planning and Business Continuity.

The SRMG will be the focal point for co-ordinating the Strategic and Operational Risk Registers.

The terms of reference of the SRMG are:-

- To support the Council and its services in the effective development, implementation and review of the Risk Management Strategy
- To identify and monitor key Risk Management indicators and matrices
- To produce an annual report reviewing the Risk Management Strategy to the Audit and Ethics Committee and Cabinet
- To identify and support the identification of any emerging Strategic risks
- To review the Strategic Risk Register on a quarterly basis and respond to any actions for which they are responsible in the interim
- To share good Risk Management practice within the Authority
- To provide training on, and to otherwise facilitate, the practice of good Risk Management for Councillors and Service Officers
- To review and consider progress on the delivery of the Annual Governance Statement Action Plan
- To review significant issues arising from the work of Internal Audit

MEMBERS

The Strategic Risk Management Group comprises of the following staff:-

- Senior officer representatives from:
    - Growth and Investment
    - Environment and Public Realm
    - Communities and Homes
    - Corporate Resources

- Executive Director
- Risk Management and Insurance Officer
- Safety and Resilience Manager
- The Council's Risk Management and Insurance consultant representative
- The Council's Risk Member Champion (usually the Corporate Resources Portfolio Holder)

The Head of Corporate Resources will act as the Group Chairman.
Additional members of staff will attend the Group as and when their expertise
are needed.

Each of the representatives is a Risk Champion for their area and will be
responsible for co-ordinating the Risk Management programme within their
own service. This will include:

- To be a member of the Strategic Risk Management Group
- To support Service Managers in the effective management of risk
- To champion Risk Management within their service
- To be their service liaison officer for Strategic and Operational risks
- To disseminate Risk Management information
- To facilitate and encourage good Risk Management practices
- To co-ordinate the Operational Risk Register reviews for their service
  areas

CONTACT INFORMATION

Risk Champions:

Elected Members	Cllr Carolyn Robbins	Ext: 3401
	carolyn.robbins@rugby.gov.uk	
Communities and Homes	Raj Chand	Ext: 3870
	raj.chand@rugby.gov.uk	
Environment and Public Realm	Dan Green	Ext: 3850
	dan.green@rugby.gov.uk	
Growth and Investment	Steph Chettle-Gibrat	Ext: 3720
	stephanie.chettle-gibrat@rugby.gov.uk	
Corporate Resources Group Chairman	Mannie Grewal-Ketley	Ext: 3430
	mannie.grewalketley@rugby.gov.uk	
Health & Safety/Business Continuity	Vacancy	Ext:
Corporate Assurance and Improvement	Chris Green	Ext: 3451
	chris.green@rugby.gov.uk	
Risk Management and Insurance	Verity Knighton	Ext: 3418
	verity.knighton@rugby.gov.uk	

Risk Management Action Plan 2019/2020

Action	Resources required	Lead Officer(s)	Target date	What we want to achieve	How customers will benefit
1. Conduct a review of the Risk Management Strategy	Strategic Risk Management Group (SRMG)	SRMG	February 2019 *Action Completed*	Robust and effective Risk Management Strategy	Clarity as to the roles and responsibilities for risk management. Clarity as to methods of communicating the Strategy. Officers will be equipped with a current working document in order to assess risk scores.
2. Publish the Risk Management Strategy on the Intranet	Internet and Communications Officer Risk Management and Insurance Officer	Risk Management and Insurance Officer	June 2019	Publishing the Councils Risk Management Strategy	Clarity as to the roles and responsibilities for risk management across the Council.
3. Deliver Risk Management awareness training to Councillors	Agreement by SRMG Development and delivery by Corporate Assurance and Improvement Manager	Corporate Assurance and Improvement Manager	June 2019	To raise awareness of the need for effective Risk Management through service delivery Knowledge of the tools available and confidence to use them to take positive action in cases	Councillors will have an increased awareness of Risk Management and their role in relation to it.

Action	Resources required	Lead Officer(s)	Target date	What we want to achieve	How customers will benefit
4. Deliver Risk Management training to all line managers of staff	Agreement by SRMG Delivery by Amberwing Ltd	Head of Corporate Resources and Chief Finance Officer	November 2018 *Action Completed*	Increased awareness and understanding of the benefits of effective risk management and the Council's risk management process.	Managers will understand their role in relation to risk management and what is expected of them. The Risk Management Strategy will therefore be more effective.
5. Develop risk management training package for future participants in the "Way We Manage" course.	Agreement by SRMG Development and delivery by Corporate Assurance and Improvement Manager	Corporate Assurance and Improvement Manager	September 2019	Increased awareness and understanding of the benefits of effective risk management and the Council's risk management process (for new line managers).	New managers will understand their role in relation to risk management and what is expected of them.
6. Develop written guidance for managers explaining Risk Management practices.	Development by the Risk Management and Insurance Officer	Risk Management and Insurance Officer Corporate Assurance and Improvement Manager	June 2019	Managers will understand what is expected of them in relation to risk management.	The Risk Management Strategy will be more effective.

Action	Resources required	Lead Officer(s)	Target date	What we want to achieve	How customers will benefit
7. Provide a briefing for managers at the Corporate Management Forum (CMF) which covers the new Risk Management Strategy, the new written guidelines and the working practices expected of managers.	Development and delivery by Head of Corporate Resources and Chief Finance Officer, and Corporate Assurance and Improvement Manager	Head of Corporate Resources and Chief Finance Officer Corporate Assurance and Improvement Manager	August 2019	Managers will understand what is expected of them in relation to risk management.	The Risk Management Strategy will be more effective.
8. Develop the corporate risk register.	Development by Risk Management and Insurance Officer Approval by SRMG	SRMG	March 2019	Increased visibility of operational risks which are common across the Council.	Co-ordinated action to effectively manage common operational risks.
9. Implement and embed formal risk management compliance monitoring.	Development of formal reporting mechanism Ongoing review and support from SRMG	SRMG	September 2019	Consistent application of the Council's risk management processes.	The Risk Management Strategy will be more effective.

AGENDA MANAGEMENT SHEET

Report Title: Role and Effectiveness of the Audit and Ethics Committee

Name of Committee: Audit and Ethics Committee

Date of Meeting: 26 March 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):

☐ To provide excellent, value for money services and sustainable growth

(CR) Corporate Resources   ☐ Achieve financial self-sufficiency by 2020

(CH) Communities and Homes   ☐ Enable our residents to live healthy, independent lives

(EPR) Environment and Public Realm   ☐ Optimise income and identify new revenue opportunities (CR)

(GI) Growth and Investment   ☐ 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) CIPFA Audit Committee Practical Guidance

Summary: The report summarises the guidance recently published by CIPFA on effective audit committees.

Financial Implications: No direct implications

Risk Management Implications: No direct implications

Environmental Implications: No direct implications

Legal Implications: No direct implications

Equality and Diversity: No direct implications

Options: None

Recommendation: That the Committee considers the results of the self assessment questionnaires and determines the next steps to be taken.

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 - 26 March 2019

Role and Effectiveness of the Audit and Ethics Committee

Public Report of the Head of Corporate Resources and CFO

Recommendation:
That the Committee considers the results of the self assessment questionnaires and determines the next steps to be taken.

1. Introduction

1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) has in 2018 published guidance on the function and operation of audit committees in local authorities and police bodies and represents best practice for the operation of audit committees throughout the UK.

1.2 The Audit and Ethics Committee is an important source of assurance about the Council's arrangements for managing risk, maintaining an effective control environment and reporting on financial and other performance.

1.3 The Head of Corporate Resources and Chief Finance Officer (s151 Officer) has overarching responsibility for discharging the requirement for sound financial management at the Council. To be truly effective, the s151 Officer requires an effective audit committee to provide support and challenge. An essential role for the audit committee is to oversee internal audit, helping to ensure that it is adequate and effective. Both these elements are now enshrined in the Public Sector Internal Audit Standards (PSIAS).

1.4 Best practice dictates that governance, risk management and strong financial controls be embedded in the daily and regular business of the Council. The existence of the Audit and Ethics Committee does not remove responsibility from senior managers and councillors but provides an opportunity and resource to focus on these issues.

2. Role of an Audit Committee

2.1 The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and governance processes. By overseeing both internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.

2.2   The CIPFA guidance states that the Council should have in place a model which establishes the audit committee as independent and effective. The committee should:

- Act as the principal non-executive, advisory function supporting those charged with governance;
- Be independent of both the executive and scrutiny functions and include an independent member where not already required to do so by legislation;
- Have clear rights of access to other committees/ functions, for example scrutiny committees and the risk management board; and
- Be directly accountable to the Council's governing body.

2.3   The CIPFA guidance also defines the core functions of the audit committee as being to:

- Be satisfied that the authority's assurance statements, including the annual governance statement, properly reflect the risk environment and any actions required to improve it, and demonstrate how governance supports the achievement of the Council's objectives;
- Oversee the independence, objectivity, performance and professionalism of the internal audit service;
- Support the effectiveness of the internal audit process;
- Promote the effective use of internal audit within the assurance framework;
- Consider the effectiveness of the Council's risk management arrangements and the control environment, reviewing the risk profile of the Council and assurances that action is being taken on risk-related issues;
- Monitor the effectiveness of the control environment, including arrangements for ensuring value for money, supporting standards and ethics and for managing the Council's exposure to the risks of fraud and corruption;
- Consider the reports and recommendations of external audit and inspection agencies and their implications for governance, risk or control;
- Support effective relationships between external audit and internal audit, inspection agencies and other relevant bodies, and encourage active promotion of the value of the audit process; and
- Review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit.

2.4   The guidance also notes that audit committees can support Councils by undertaking a wider role in other areas such as:

- Considering specific governance, risk or control matters at the specific request of other committees or statutory officers;
- Working with other committees to support ethical values;
- Reviewing and monitoring treasury management arrangements in accordance with the CIPFA treasury management code of practice; and
- Providing oversight of other public reports such as the annual report.

2.5   Good audit committees are characterised by:

- A membership that is balanced, objective, independent of mind, knowledgeable and properly trained to fulfil its role;
- A membership that is supportive of good governance principles and their practical application towards the achievement of the Council's objectives;
- A strong independently minded Chair displaying a depth of skills, knowledge and interest;
- Unbiased attitudes – treating auditors, the executive and management fairly; and
- The ability to challenge the executive and senior managers when required.

2.6   To discharge its duties effectively the audit committee should:

- Meet regularly – at least four times per year, and have a clear policy on those items to be considered in private and those to be considered in public;
- Be able to meet privately and separately with the external auditor and with the head of internal audit (Corporate Assurance and Improvement Manager);
- Include, as regular attendees, the chief finance officer, the chief executive, the head of internal audit and the external auditor;
- Have the right to call any other officers of the Council as required; and
- At least annually report an assessment of its performance. An annual report should demonstrate how the Committee has discharged its responsibilities.

2.7   Where it operates effectively, the audit committee adds value to the Council by supporting improvement across a range of objectives. The key areas where the committee can influence and add value are:

- Promoting the principles of good governance and their application to decision making;
- Raising awareness of the need for sound internal control and contributing to the development of an effective control environment;
- Supporting arrangements for the governance of risk and for effective arrangements to manage risks;
- Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively;
- Reinforcing the objectivity, importance and independence of internal audit and external audit and therefore the effectiveness of the audit functions;
- Aiding the achievement of the Council's goals and objectives through helping ensure appropriate governance, risk, control and assurance arrangements;
- Supporting the development of robust arrangements for ensuring value for money;
- Helping the Council to implement the values of ethical governance, including effective arrangements for countering the risks of fraud and corruption; and
- Promoting measures to improve transparency and accountability and effective public reporting to the Council's stakeholders and the local community.

3.   Self-Assessment and Next Steps

3.1   As agreed at the last meeting on 23 October 2018, self-assessment checklist and effectiveness evaluation forms were circulated to all members named substitutes of the Committee. Of the 10 circulated, six responses have been received comprising the Chair and Vice Chair, two members and two substitute members. Appendix A contains a summary of the responses along with the comments submitted. It should be noted however that of the six responses, two were only partially completed and the summary therefore reflects the views of only approximately half of the Committee.

3.2   The responses to the self-assessment checklist questions indicate that:

- Members are not clear as to whether the Committee reports directly to full Council.
- Members are not sure whether the role and purpose of the Committee is understood and accepted across the Council.
- Members are not sure whether there are satisfactory arrangements in place to hold the Committee to account for its performance, to evaluate whether it is adding value, and to obtain feedback on its performance.
- The Terms of Reference for the Committee should be reviewed, and that an evaluation may be required to assess whether the Terms of Reference is being fulfilled.
- The Committee has not considered the wider areas identified in the CIPFA guidance and whether it should undertake them.
- It may be necessary to assess the membership of the Committee against the CIPFA Core Knowledge and Skills Framework (see Appendix C).
- An annual report should be published setting out the Committee's work and how it has performed.

3.3   The responses to the effectiveness questionnaire indicate that the Committee could enhance its contribution by:

- Promoting the principles of good governance.
- Holding risk owners to account for major/ strategic risks.
- Reviewing major projects and programmes to ensure that adequate governance and assurance arrangements are in place.
- Reviewing the effectiveness of performance management arrangements.
- Ensuring there are more explicit arrangements to provide assurance on value for money.
- Assessing the effectiveness of ethical governance arrangements.

3.4   Members are asked to consider the next steps to be taken to enhance its effectiveness. The following information is included with the report to assist members in their discussions:

- The current terms of reference of the Committee (Appendix B).
- The CIPFA Knowledge and skills framework for audit committee members (Appendix C).

Name of Meeting: Audit and Ethics Committee

Date of Meeting: 26 March 2019

Subject Matter: Role and Effectiveness of the Audit & Ethics Committee

Originating Department: Corporate Resources

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

LIST OF BACKGROUND PAPERS

Doc No	Title of Document and Hyperlink
Appendix A	Summary of self-assessment checklist and effectiveness evaluation responses
Appendix B	Terms of Reference of the Audit & Ethics Committee
Appendix C	CIPFA Knowledge and skills framework for audit committee members

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.

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☐ Exempt information is contained in the following documents:

Doc No	Relevant Paragraph of Schedule 12A

<u>AUMMARY OF SELF-ASSESSMENT CHECKLIST AND EFFECTIVENESS EVALUATION RESPONSES</u>

<u>No.</u>	<u>Good Practice Questions</u>	<u>Yes</u>	<u>Partly</u>	<u>No</u>	<u>Comments</u>
	Audit Committee purpose and governance				
1	Does the Council have a dedicated audit committee?	6*	0	0	*the numbers indicate the number of respondents who gave that particular answer
2	Does the audit committee report directly to full Council?	2	1	1	1. It can if it chooses to 2. Do minutes go? 3. Reports should go to full Council but it shouldn't be answerable to full council.
3	Do the Terms of Reference clearly set out the purpose of the Committee in accordance with the CIPFA audit committee guidance?	4	0	0	
4	Is the role and purpose of the audit committee understood and accepted across the Council?	0	5	0	1. I'm not sure I have the evidence to answer this. 2. Not clear on awareness across non-member Councillors.
5	Does the audit committee provide support to the Council in meeting the requirements of good governance?	6	0	0	
6	Are the arrangements to hold the committee to account for its performance operating satisfactorily?	1	4	0	No formal performance monitoring, although the external assessment last year commented positively. This is also the start of the process.

No.	Good Practice Questions	Yes	Partly	No	Comments
	Functions of the Committee				
7	Do the committee's terms of reference explicitly address all the core areas identified in the CIPFA guidance? • Good governance • Assurance framework • Internal audit • External audit • Financial reporting • Risk management • Value for money • Counter fraud and corruption • Supporting the ethical framework	4	1	0	Need to review Terms of Reference, very focussed on internal audit functions with only passing reference to external audit, risk management etc.
8	Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?	0	5	0	1. I don't think we formally undertake this. Should it be an independent review? 2. This has happened in the past but not recently.
9	Has the committee considered wider areas identified in the CIPFA guidance and whether it would be appropriate for the committee to undertake them?	0	0	3	
10	Where coverage of core areas has been found to be limited, are plans in place to address this?	4	0	0	This self-assessment is part of that.
11	Has the committee maintained its advisory role by not taking on any decision making powers that are not in line with its core purpose?	5	0	0	

No.	Good Practice Questions	Yes	Partly	No	Comments
	Membership and support				
12	Has an effective audit committee structure and composition been selected? This should include: • Separation from the executive • An appropriate mix of skills and knowledge among the membership • A size of committee that is not unwieldly • Consideration has been given to the inclusion of at least one independent member (where it is not already a mandatory requirement)	6	0	0	Better continuity of 'member' membership would help knowledge.
13	Have independent members appointed to the committee been recruited in an open and transparent way and approved by full council?	4	1	0	
14	Does the chair of the committee have appropriate knowledge and skills?	6	0	0	
15	Are arrangements in place to support the committee with briefings and training?	6	0	0	
16	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?		4	1	Not necessarily but each group nominates.
17	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the chief finance officer?	5			
18	Is adequate secretariat and administrative support to the committee provided?	5			
	Effectiveness of the Committee				
19	Has the committee obtained feedback on its performance from those interacting with it or relying on its work?		2	2	Only via the independent external assessment completed last year.

No.	Good Practice Questions	Yes	Partly	No	Comments
20	Are meetings effective with a good level of discussion and engagement from all the members?	4	1		At times there is an over-reliance on the independent members.
21	Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?	2	2		Where appropriate, for instance where concerns are identified.
22	Does the committee make recommendations for the improvement of governance, risk and control and are these acted upon?	6			
23	Has the committee evaluated whether and how it is adding value to the Council?	1	3	1	Implicitly this has been discussed but not explicitly undertaken.
24	Does the committee have an action plan to improve any areas of weakness?		2	3	Will arise from this assessment exercise.
25	Does the committee publish an annual report to account for its performance and explain its work?	2		3	Need to publish an annual report.

Areas where the Committee can add value	Examples of how the Committee can add value and provide evidence of effectiveness	Comments - Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5 to 1 See key below
Promoting the principles of good governance and their application to decision making	• Providing a robust review of the AGS and the assurances underpinning it • Working with key members to improve their understanding of the AGS and their contribution to it • Supporting reviews/ audits of governance arrangements • Participating in self-assessments of governance arrangements • Working with partner audit committees to review governance arrangements in partnerships	Fully covered, annual review and challenge evident. Not specifically undertaken. Via training – lack of continuity has impacted. Covered, clear in audit plan. Not until now. Not undertaken.	3.3* *calculated average scores
Contributing to the development of an effective control environment	• Actively monitoring the implementation of recommendations from auditors • Encouraging ownership of the internal control framework by appropriate managers • Raising significant concerns over controls with appropriate senior managers	This is done at each meeting, via internal audit and external audit routine reporting. This is part of the Committee's culture. Completed where problems are identified. Senior managers called before Committee. Where/ when appropriate.	4.6

Areas where the Committee can add value	Examples of how the Committee can add value and provide evidence of effectiveness	Comments - Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5 to 1 See key below
Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks	• Reviewing risk management arrangements and their effectiveness • Monitoring improvements • Holding risk owners to account for major/ strategic risks	Comments as per the above. Via risk review, risk audit and strategy. Yes via the above. Only via reviewing the above.	4.3
Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively	• Specifying its assurance needs, identifying gaps or overlaps in assurance • Seeking to streamline assurance gathering and reporting • Reviewing the effectiveness of assurance providers, e.g. internal audit, risk management, external audit	Embedded within the agenda. Only for significant risks identified in the risks referred to the Committee. By maintaining good working relationships with management. This is done as part of the ongoing business of the Committee. Reviewed internal audit via the external assessment, and informally on a continual basis.	3.8

Areas where the Committee can add value	Examples of how the Committee can add value and provide evidence of effectiveness	Comments - Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5 to 1 See key below
Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence	• Reviewing the audit charter and functional reporting arrangements • Assessing the effectiveness of internal audit arrangements, providing constructive challenge and supporting improvements • Actively supporting the quality assurance and improvement programme of internal audit	Via the plan each year. Through good relations with internal audit. Continually and via external assessment. Yes, regularly considered.	4.7
Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements	• Reviewing how the governance arrangements support the achievement of sustainable outcomes • Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place • Reviewing the effectiveness of performance management arrangements	This isn't formally/ explicitly undertaken – areas covered by audits and the AGS. Not specifically done, but where featured in the audit plan. Not specifically done; only to the extent covered in the risk based audit plan.	3.2

Areas where the Committee can add value	Examples of how the Committee can add value and provide evidence of effectiveness	Comments - Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5 to 1 See key below
Supporting the development of robust arrangements for ensuring value for money	• Ensuring that assurance on value for money arrangements is included in the assurances received by the audit committee • Considering how performance in value for money is evaluated as part of the AGS	This is fully covered. Not evident. Partially via actions described and undertaken.	3.4
Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks	• Reviewing arrangements against the standards set out in the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption • Reviewing fraud risks and the effectiveness of the Council's strategy to address those risks • Assessing the effectiveness of ethical governance arrangements	Via risk management reporting to the Audit Committee. Via reporting to the Audit Committee. Reviewed by external assessment but not explicit.	3.8
Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability	• Improving how the Council discharges its responsibilities for public reporting; for example, improved targeting at the audience, use of plain English • Publishing an annual report from the Committee	Accounts have improved significantly although this wasn't explicitly driven by Audit Committee. Internal audit reporting has significantly improved. Not completed to date.	2.8

<u>**KEY**</u>

5 = Clear evidence is available from a number of services that the Committee is actively supporting improvements across all aspects of this area. The improvements made are clearly identifiable.

4 = Clear evidence from some sources that the Committee is actively and effectively supporting improvements across some aspects of this area.

3 = The Committee has had mixed experience in supporting improvements in this area. There is some evidence that demonstrates their impact but there are also significant gaps.

2 = There is some evidence that the Committee has supported improvements, but the impact of this support is limited.

1 = No evidence can be found that the Committee has supported improvements in this area.

Audit and Ethics Committee Terms of Reference

The Audit and Ethics Committee shall have the following functions:

Function	Statutory Reference
1. Oversight of internal and external audit matters, the Council's arrangements for corporate governance and risk management and any other arrangements for the maintenance of probity including: • approval of the internal audit strategy/plan • approving the internal audit charter • receiving communication from the Corporate Assurance and Improvement Manager on internal audit activity's performance relative to its plan and other matters • making appropriate enquiries of management and the Corporate Assurance and Improvement Manager to determine whether there are inappropriate scope or resource limitations • approval for any significant additional consulting services not already included in the audit plan, prior to accepting the engagement • agreeing the scope of an external assessment • receiving the results of an external assessment including the progress against any improvement plans • considering any instances of non-conformance with the *Definition of Internal Auditing*, the *Code of Ethics* or the *Standards* • considering instances where the Corporate Assurance and Improvement Manager believes that the level of agreed resources will impact adversely on the provision of the annual internal audit opinion (these consequences must be brought to the attention of the committee) • considering the Corporate Assurance and Improvement Manager's annual report • review of the statement of internal control and any opinions or reports of external or internal audit or inspection agencies • assessing the effectiveness of the council's control environment, risk management and corporate governance arrangements • seeking any required assurances to ensure appropriate action is taken • monitoring performance in relation to any action required and making recommendations to Cabinet or Council as appropriate where executive action is required	S27 Localism Act 2011
2. Provision of independent scrutiny of the council's financial and non-financial performance, to the extent that it affects the council's exposure to risk and weakens the control environment	None
3. Review and approval of the council's Statement of Accounts	Local Audit and Accountability Act 2014 The Accounts and Audit Regulations 2015

Function	Statutory Reference
4. Review and approval of the council's Annual Governance Statement	Local Audit and Accountability Act 2014 The Accounts and Audit Regulations 2015
5. Promoting and maintaining high standards of conduct by councillors, co-opted members and church parent governor representatives and officers	S27 Localism Act 2011
6. Assisting councillors, co-opted members and church and parent governor representatives to observe the members' Code of Conduct	S27 Localism Act 2011
7. Advising the Council on the adoption or revision of the Members' Code of Conduct	S27 Localism Act 2011
8. Monitoring the operation of the Members' Code of Conduct	S27 Localism Act 2011
9. Advising, training or arranging to train councillors, co-opted members and church and parent governor representatives on matters relating to the Member Code of Conduct	S27 Localism Act 2011
10. Considering the outcomes of investigations into complaints about members under the Code of conduct in accordance with the complaint process agreed by the Council (Hearing Sub-committee)	S28 Localism Act 2011
11. Granting dispensations to councillors, co-opted members and church and parent governor representatives from requirements relating to disclosable pecuniary interests (Dispensation Sub-Committee)	S33 Localism Act 2011
12. Dealing with the grant and supervision of exemptions from political restriction (Political Restriction Sub-committee)	S3A Local Government and Housing Act 1989
13. Acting as the panel that will advise the Council in relation to the dismissal of the Executive Director, the Head of Paid Service, the Monitoring Officer or the Chief Financial Officer	Local Authorities (Standing Orders) (England) (Amendment) Regulations 2015

Hearing Sub-Committee

The Audit and Ethics Committee will appoint a Hearing Sub-Committee as and when required to consider complaints about members in relation to the code of conduct and to determine whether there has been a failure to comply with the code.

Where it is found that there has been a failure to comply with the code, the sub-committee may impose sanctions with the agreement of the member concerned or make recommendations to Council on the imposition of sanctions.

Dispensation Sub-Committee

The Audit and Ethics Committee will appoint a Dispensation Sub-Committee as and when required with the following terms of reference:

To grant dispensations from either or both of the restrictions in section 31(4) Localism Act 2011 i.e. restrictions on participation and voting in relation to matters in which a member has a disclosable pecuniary interest, if in all the circumstances it considers that:

(a)   without the dispensation the number of persons prohibited from participating in any particular business would be so great a proportion of the body transacting the business as to impede the transaction of the business;

(b)   without the dispensation the representation of different political groups on the body transacting any particular business would be so upset as to alter the likely outcome of any vote relating to the business;

(c)   granting the dispensation is in the interests of persons living in the authority's area;

(d)   without the dispensation each member of the authority's executive would be prohibited from participating in any particular business to be transacted by the authority's executive; or

(e)   it is otherwise appropriate to grant a dispensation.

Political Restriction Sub-Committee

The Audit and Ethics Committee will appoint a Political Restriction Sub-Committee as and when required with the following terms of reference:

To deal with any particular matter relating to political restrictions and whether an exemption should be granted.

Membership of the Hearing Sub-Committee, Dispensation Sub-Committee and Political Restriction Sub-Committee

The Executive Director shall select members to sit, as and when required, as one of the sub-committees referred to in Sections 9, 10 and 11, to deal with a particular matter or matters.

The sub-committee shall consist of three or more elected members of the Audit and Ethics Committee, where possible including members of at least two of the political groups represented on the Council.

AUDIT COMMITTEE MEMBERS – CIPFA KNOWLEDGE AND SKILLS FRAMEWORK

Knowledge Area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
Core areas of knowledge		
Organisational knowledge	- An overview of the governance structures of the authority and decision-making processes. - Knowledge of the organisational objectives and major functions of the authority.	This knowledge will be core to most activities of the audit committee including review of the AGS, internal and external audit reports and risk registers.
Audit committee roles and functions	- An understanding of the audit committee's role and place within the governance structures. Familiarity with the committee's terms of reference and accountability arrangements. - Knowledge of the purpose and role of the audit committee.	This knowledge will enable the audit committee to prioritise its work in order to ensure it discharges its responsibilities under its terms of reference and to avoid overlapping the work of others.
Governance	- Knowledge of the seven principles of the CIPFA/ Solace Framework and the requirements of the AGS. - Knowledge of the local governance arrangements.	- The committee will review the local governance arrangements and how they align to the principles of the framework. - The committee will plan the assurances it is to receive in order to adequately support the AGS. - The committee will review the AGS and consider how the authority is meeting the principles of good governance.

Knowledge Area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
Core areas of knowledge (continued)		
Internal audit	• Awareness of the Public Sector Internal Audit Standards (PSIAS) and the Local Government Advisory Note (LGAN). • Knowledge of the arrangements for delivery of the internal audit service in the authority and how the role of the head of internal audit is fulfilled.	• The audit committee has oversight of the internal audit function and will monitor its adherence to professional internal audit standards. • The audit committee will review the assurances from internal audit work and will review the risk-based audit plan. The committee will also receive the annual report, including an opinion and information on conformance with professional standards. • In relying on the work of internal audit, the committee will need to be confident that professional standards are being followed. • The audit committee chair is likely to be interviewed as part of the external quality assessment and the committee will receive the outcome of the assessment and action plan.
Financial management and accounting	• Awareness of the financial statements that a local authority must produce and the principles it must follow to produce them. • Understanding of good financial management principles. • Knowledge of how the organisation meets the requirements of the role of the Chief Finance Officer, as required by the "Role of the Chief Finance Officer in Local Government (CIPFA, 2016)".	• Reviewing the financial statements prior to publication, asking questions. • Receiving the external audit report and opinion on the financial audit. • Reviewing both external and internal audit recommendations relating to financial management and controls. • The audit committee should consider the role of the Chief Finance Officer and how this is met when reviewing the AGS.

Knowledge Area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
Core areas of knowledge (continued)		
External audit	- Knowledge of the role and functions of the external auditor and who currently undertakes this role. - Knowledge of the key reports and assurances that external audit will provide. - Knowledge about arrangements for the appointment of auditors and quality monitoring undertaken.	- The audit committee should meet with the external auditor regularly and receive their reports and opinions. - Monitoring external audit recommendations and maximising benefit from the audit process. - The audit committee should monitor the relationship between the external auditor and the authority and support delivery of an effective service.
Risk management	- Understanding of the principles of risk management, including linkage to good governance and decision making. - Knowledge of the risk management policy and strategy of the organisation. - Understanding of risk governance arrangements, including the role of members and of the audit committee.	- In reviewing the AGS, the committee will consider the robustness of the authority's risk management arrangements and should also have awareness of the major risks the authority faces. - Keeping up to date with the risk profile is necessary to support the review of a number of audit committee agenda items, including the risk based internal audit plan, external audit plans and the explanatory foreword of the accounts. Typically, risk registers will be used to inform the committee. - The committee should also review reports and action plans to develop the application of risk management practice.

Knowledge Area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
Core areas of knowledge (continued)		
Counter fraud	• An understanding of the main areas of fraud and corruption risk to which the organisation is exposed. • Knowledge of the principles of good fraud risk management practice in accordance with the "Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014)". • Knowledge of the organisation's arrangements for tackling fraud.	• Knowledge of fraud risks and good fraud risk management practice will be helpful when the committee reviews the organisation's fraud strategy and receives reports on the effectiveness of that strategy. • An assessment of arrangements should support the AGS and knowledge of good fraud risk management practice will support the audit committee member in reviewing that assessment.
Values of good governance	• Knowledge of the Seven Principles of Public Life. • Knowledge of the authority's key arrangements to uphold ethical standards for both members and staff. • Knowledge of the whistleblowing arrangements in the authority.	• The audit committee member will draw on this knowledge when reviewing governance issues and the AGS. • Oversight of the effectiveness of whistleblowing will be considered as part of the AGS. The audit committee member should know to whom concerns should be reported.

Knowledge Area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
Core areas of knowledge (continued)		
Treasury management (if within terms of reference)	• Effective Scrutiny of Treasury Management is a CIPFA assessment tool for reviewing the arrangements for undertaking scrutiny of treasury management. The key knowledge areas identified are: • Regulatory requirements. • Treasury risks. • The organisation's treasury management strategy. • The organisation's policies and procedures in relation to treasury management.	• Core knowledge on treasury management is essential for the committee undertaking the role of scrutiny.
Specialist knowledge that adds value to the audit committee		
Accountancy	• Professional qualification in accountancy.	• More able to engage with the review of the accounts and financial management issues coming before the committee. • Having an understanding of the professional requirements and standards that the finance function must meet will provide helpful context for discussion of risks and resource issues. • More able to engage with the external auditors and understand the results of audit work.
Internal audit	• Professional qualification in internal audit.	• This would offer in-depth knowledge of professional standards of internal audit and good practice in internal auditing. • The committee would be more able to provide oversight of internal audit and review the output of audit reports.

Knowledge Area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
Specialist knowledge that adds value to the audit committee (continued)		
Risk management	• Risk management qualification • Practical experience of applying risk management • Knowledge of risks and opportunities associated with major areas of activity	• Enhanced knowledge of risk management will inform the committee's oversight of the development of risk management practice. • Enhanced knowledge of risks and opportunities will be helpful when reviewing risk registers.
Governance and legal	• Legal qualification and knowledge of specific areas of interest to the committee, for example constitutional arrangements, data protection or contract law.	• Legal knowledge may add value when the committee considers areas of legal risk or governance issues.
Service knowledge relevant to the functions of the organisation	• Direct experience of managing or working in a service area similar to that operated by the authority. • Previous scrutiny committee experience.	• Knowledge of relevant legislation, risks and challenges associated with major service areas will help the audit committee to understand the operational context.
Programme and project management	• Project management qualifications or practical knowledge of project management principles.	• Expert knowledge in this area will be helpful when considering project risk management or internal audit reviews.
IT systems and IT governance	• Knowledge gained from management or development work in IT.	• Knowledge in this area will be helpful when considering IT governance arrangements or audit reviews of risks and controls.
Core skills		
Strategic thinking and understanding of materiality	• Able to focus on material issues and overall position, rather than being side tracked by detail.	• When reviewing audit reports, findings will include areas of higher risk or materiality to the organisation but may also highlight more minor errors or control failures. The audit committee member will need to pitch their review at an appropriate level to avoid spending too much time on detail.

Knowledge Area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
Core skills (continued)		
Questioning and constructive challenge	• Able to frame questions that draw out relevant facts and explanations. • Challenging performance and seeking explanations while avoiding hostility or grandstanding.	• The audit committee will review reports and recommendations to address weaknesses in internal control. The audit committee member will seek to understand the reasons for weaknesses and ensure a solution is found.
Focus on improvement	• Ensuring there is a clear plan of action and allocation of responsibility.	• The outcome of the audit committee will be to secure improvements to the governance, risk management or control of the organisation, including clearly defined actions and responsibilities. • Where errors or control failures have occurred, then the audit committee should seek assurances that appropriate action has been taken.
Able to balance practicality against theory	• Able to understand the practical implications of recommendations to understand how they might work in practice.	• The audit committee should seek assurances that planned actions are practical and realistic.
Clear communication skills and focus on the needs of users	• Support the use of plain English in communications, avoiding jargon, acronyms, etc.	• The audit committee will seek to ensure that external documents such as the AGS and the narrative report in the accounts are well written for a non-expert audience.
Objectivity	• Evaluate information on the basis of evidence presented and avoid bias or subjectivity.	• The audit committee will receive assurance reports and review risk registers. There may be differences of opinion about the significance of risk and the appropriate control responses and the committee member will need to weigh up differing views.

Knowledge Area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
Core skills (continued)		
Meeting management skills	• Chair the meetings effectively: summarise the issues raised, ensure all participants are able to contribute, focus on the outcome and the actions from the meeting.	• These skills are essential for the audit committee chair to help ensure that meetings stay on track and address the items on the agenda. The skills are desirable for all other members.

AGENDA MANAGEMENT SHEET

Report Title: 2018/19 Internal Audit Plan - Progress Update

Name of Committee: Audit and Ethics Committee

Date of Meeting: 26 March 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:

(CR) Corporate Resources
(CH) Communities and Homes
(EPR) Environment and Public Realm
(GI) Growth and Investment

This report relates to the following priority(ies):

☒ To provide excellent, value for money services and sustainable growth
☐ Achieve financial self-sufficiency by 2020
☐ Enable our residents to live healthy, independent lives
☐ 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)

Summary: The report sets out progress against delivery of the Internal Audit Plan for 2018/19.

Financial Implications: No direct implications

Risk Management Implications: No direct implications

Environmental Implications: No direct implications

Legal Implications: No direct implications

Equality and Diversity: No direct implications

Options: None

Recommendation:
1. That the report be considered and noted.
2. That the proposed amendments to the internal audit plan be approved.

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 - 26 March 2019

2018/19 Internal Audit Plan - Progress Update

Public Report of the Head of Corporate Resources and CFO

Recommendations:

1. That the report be considered and noted.
2. That the proposed amendments to the internal audit plan be approved.

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1.   Introduction

1.1   The purpose of this report is to set out progress against the Internal Audit Plan for 2018/19.

The Council has a legal duty to maintain an adequate and effective Internal Audit service. The primary role of Internal Audit is to provide independent assurance that the Council has put in place appropriately designed internal controls to ensure that:

- The Council's assets and interests are safeguarded;
- Reliable records are maintained;
- Council policies, procedures and directives are adhered to; and
- Services are delivered in an efficient, effective and economic manner.

This work is normally referred to as Section 151 work.

2.   Summary of Audit Work

2.1   The Internal Audit plan for 2018/19 was approved by the Audit and Ethics Committee on 27 March 2018. Progress against delivery of that plan is set out at Appendix A.

2.2   Appendix A also sets out the progress against the recommendations made by Internal Audit and details the latest position in relation to agreed actions which are overdue.

3.   Revisions to the 2018/19 Audit Plan

3.1   The Committee's role as gatekeeper requires it to approve any significant changes to the internal audit plan, in accordance with the Public Sector Internal Audit Standards. It is also good practice to continually review the audit plan in light of emerging issues, to ensure that the work of internal audit adds maximum value by proactively responding to and aligning its work with the most significant risks facing the organisation.

3.2 There are two proposed amendments to the internal audit plan as follows:

Assignment Name	Amendment Proposed	Rationale
Workforce Planning and Development Consultancy Review	Defer	Bereavement suffered by the Corporate Assurance and Improvement Manager, who will undertake the work in Q1 2019/20.
Values and Behaviours Follow Up	Defer	This work was planned for completion in the current quarter. The intention was to gauge employee opinions about the framework via a survey, in addition to following up on the action plan agreed following last year's review. It was agreed that employees would be canvassed as part a wider staff survey covering a range of topics. This survey has not yet been issued and, as such, the internal audit follow up work cannot yet be completed. The fieldwork will be carried out once the results of the survey have been analysed.

The proposed changes will not have a significant effect on delivery of a broad-based internal audit opinion for the full year; only one of the two deferred reviews would have resulted in an assurance opinion. There will still be 19 assurance rated audits completed for 2018/19, compared with 13 in 2017/18 and 14 in 2016/17.

Name of Meeting: Audit and Ethics Committee

Date of Meeting: 26 March 2019

Subject Matter: 2018/19 Internal Audit Plan - Progress Update

Originating Department: Corporate Resources

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

LIST OF BACKGROUND PAPERS

Doc No	Title of Document and Hyperlink
Appendix A	Internal Audit Progress Update

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

INTERNAL AUDIT PROGRESS UPDATE
MARCH 2019

Date**: 26 March 2019**

Introduction

1.1   The Public Sector Internal Audit Standards (the Standards) require the Audit & Ethics Committee to scrutinise the performance of Internal Audit and to satisfy itself that it is receiving appropriate assurance that the controls put in place by management address the identified risks to the Council. This report aims to provide the Committee with details on progress made in delivering planned work, the key findings of audit assignments completed since the last Committee meeting, updates on the implementation of actions arising from audit reports and an overview of the performance of the team.

Performance

2.1   **Will the Internal Audit Plan be delivered?**

The expected position by the date of the Committee meeting is as follows:

- 11 assignments have been completed;
- 8 assignments are at the draft report stage; and
- 4 assignments are in progress (1 of which is being delivered by TIAA)

The number of assignments either completed or at draft report stage is significantly increased compared with the same time last year (19 reports have been issued with a comparative figure of 13). The Internal Audit plan is close to completion; however, a small amount of time will be required in April to finalise the remaining assignments. This will have no impact on the delivery of the annual Internal Audit opinion, which will be presented on time at the next meeting.

Progress on individual assignments is shown at pages 8 to 10 of this report.

2.2   **Based upon recent Internal Audit work, are there any emerging issues that impact upon the Internal Audit opinion of the Council's Control Framework?**

At this stage there are no emerging issues arising from the work of Internal Audit which significantly impact upon the Internal Audit opinion of the Council's Control Framework.

2.3   **Summary of completed Internal Audit work**

Housing Repairs: Substantial Assurance

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:

- 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.

- Oneserve (the system used for managing housing repairs) accurately calculates the cost of labour and materials, each job is subject to review which provides assurance that financial inaccuracies are unlikely to go unnoticed.

- 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.

Grants to Community Groups: Limited Assurance

Refer to the separate report submitted to the Committee.

Independent Living: Substantial Assurance

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.

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.

There was an issue highlighted prior to the commencement of this 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 is not known exactly, but 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. This is currently being rectified, with electronic means being developed to notify the Revenues team of invoices which need to be raised.

<u>IT Backup:</u> Substantial Assurance

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.

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.

The review also highlighted the following issues:
- The Veeam application was only configured to retain 30 days backup data; and new cloud hosted backup system is to be implemented which will enable up to 3 months of data to be backed up.
- No fire suppression system had been deployed to protect IT server hardware; management are obtaining quotes to assess the cost of a new fire suppression system.

2.4 **Are clients progressing audit recommendations with appropriate urgency?**

At the date of reporting, a combined **93% of management actions related to 2017/18 and 2018/19 have been implemented by the agreed implementation date, with a further 7% implemented late, giving an overall implementation rate of 100%.** A summary analysis of progress on implementation of audit recommendations is shown at pages 11 to 12. **At the time of reporting there are 3 agreed management actions for which implementation is overdue; these all relate to 2016/17.** The details of these actions, along with a summary of the latest position, are set out at pages 13 to 14 of this report. Implementation of the actions will continue to be monitored by the Corporate Assurance and Improvement Team and reported to each Committee meeting.

2.5 **Internal Audit Performance Indicators**

The effectiveness with which Internal Audit discharges its section 151 responsibilities is being measured by the following indicators, as agreed by the Audit & Ethics Committee:

Theme	**Title of Performance Indicator**	**Current Performance**
Delivery	Average end to end time for audits (number of days)	Average total: 102.4 days Average - Terms of Reference to draft report issue: 66.7 days Average – Draft report to final report issue: 35.7 days New indicator for 2018/19. Increase of 10.4 days compared with October 2018. The team is working to bring this down.
Adding Value	Customer Satisfaction – Average Rating	Will be reported as an annual measure.
Timeliness	Timeliness of Reporting – Average time taken to issue draft reports following fieldwork completion	7.6 days Following a short-term increase over the Christmas period, performance has improved. Prior year result: 7.0 working days.
Effectiveness	Implementation of Agreed Actions – Percentage implemented on time	93% - at the time of reporting there are 3 recommendations which are past their agreed implementation date. Refer to pages 13 to 14. Increase of 10% compared with the previous quarter.

Following a query raised at the last Committee meeting, the Corporate Assurance and Improvement Manager has compared Internal Audit performance with the information published by three other authorities within the Warwickshire area. The results were as follows:

Council 1 reports annually on the percentages of audits completed and high priority recommendations implemented; both reported as 100% for 2017/18.

Council 2 reports annually on the percentage of recommendations implemented (94% for 2017/18), based on a sample of 8 follow up reviews. This Council also reports annually on the percentage audit plan completion (88% for 2017/18).

Council 3 reports annually on the percentage of recommendations implemented (64% for 2017/18) and the percentage audit plan completion (81% for 2017/18). Customer satisfaction was reported annually for 2017/18 as being good overall, with the majority being good or excellent.

2.6 Internal Audit Performance Trend Graphs

Rolling percentage of agreed audit actions fully implemented on time▾

● 2017/18   ● 2018/19
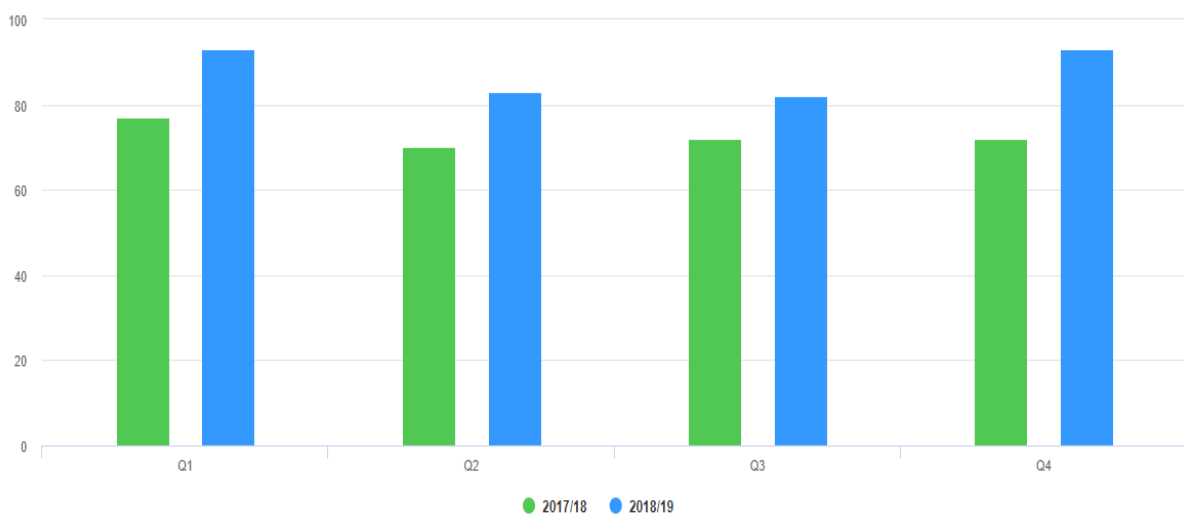
Internal Audit Fieldwork Performance Trend▾

Rolling average time (in days) between fieldwork completion and issue of draft report
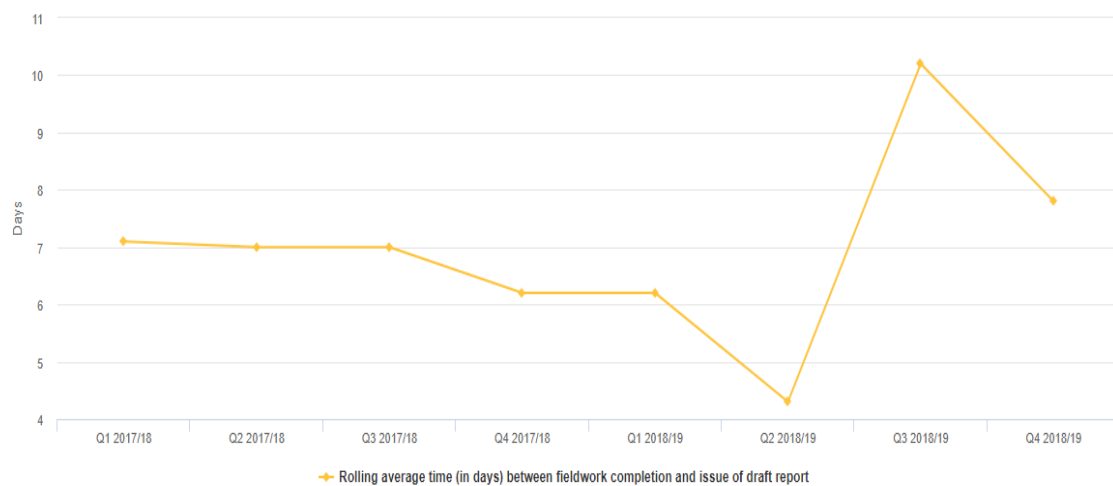
Limitations and Responsibilities

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 at which the audit was completed. 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.

Progressing the Annual Internal Audit Plan

KEY
Current status of assignments is shown by ✓

Assignment	Budget (days)	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
Financial Risks									
Creditors	20			✓					
Treasury Management	12					✓			
Benefits	20			✓					
Housing Rent Arrears	12						✓	Not Graded	
Counter Fraud									
Fraud Awareness	6							Not Applicable	
Fraud Risk Assessments	10						✓	Substantial	
Grants to Community Groups	10						✓	Limited	
Lottery	5						✓	Not Graded	

Assignment	Budget (days)	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
ICT									
ICT Backup Arrangements	8						✓	Substantial	
ICT System Patching Arrangements	8					✓			
Corporate Risks									
Health & Safety Follow Up	15			✓					
Corporate Strategy Project Assurance - Digitalisation	15					✓			
Absence Management	12					✓			
Elections	15					✓			
GDPR and the Law Enforcement Directive	20					✓			
Operational Risks									
Tenant Recharges	10					✓			
Housing Repairs	20						✓	Substantial	

Assignment	Budget (days)	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
Car Parking Enforcement	12						✓	Substantial	
Follow up Work	12								Work completed for 2018/19
Insurance	15			✓					Being delivered by TIAA.
Housing Management System	6								Ongoing consultancy support; work completed for 2018/19.
Licensing	25								Ongoing consultative support; work completed for 2018/19.
Independent Living Service	15						✓	Substantial	
Green Waste Optimisation	6				✓				
Additional Support									
Annual Governance Statement	12						✓	Substantial	Statement endorsed by Audit & Ethics Committee in May 2018 and by SMT in June 2018
National Fraud Initiative	8							Not applicable	Ongoing co-ordination of the Council's NFI work; work completed for 2018/19.
Corporate Investigation Work	25						✓	Not applicable	Two corporate investigations have been completed with reports issued.

Summary: Implementation of Audit Recommendations Made in 2017/18

Audit	No. of Recs	Implemented on Time	Implemented Late	Not yet due	Overdue	Rejected Medium or 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
Due for Completion	**85**	**78 (92%)**	**7 (8%)**	**-**	**0* (0%)**	**0**
Totals	**118**	**78 (66%)**	**7 (6%)**	**33 (28%)**	**0* (0%)**	**0**

Summary: Implementation of Audit Recommendations Made in 2018/19

Audit	No. of Recs	Implemented on Time	Implemented Late	Not yet due	Overdue	Rejected Medium or High Risk Actions
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
Due for Completion	**18**	**18 (100%)**	**0 (0%)**	**38**	**0* (0%)**	**0**
Totals	**56**	**18 (32%)**	**0 (0%)**	**38 (68%)**	**0* (0%)**	**0**

* There are 3 overdue recommendations from 2016/17. Details are set out on the following pages.

Combined Totals

Due for Completion	**103**	**96 (93%)**	**7 (7%)**	**-**	**0 (0%)**	**0**
Totals	**174**	**96 (55%)**	**7 (4%)**	**71 (41%)**	**0 (0%)**	**0**

Details of Overdue Audit Recommendations

Audit	Agreed Action	Original Target Date	Management Comments	Revised Timescale
Health & Safety	Review the level of Health and Safety Advisor support across the Council. Ensure there is appropriate advisory support in place so high risk operational activities are undertaken safely.	31/03/2017	Action in progress. Unfortunately the Council was unable to recruit to the Safety & Resilience Manager position and next steps are being considered. An Internal Audit follow up review is scheduled for the current quarter, which will report on the action taken by the Council since the original audit was completed in 2017. The report will be presented to the Audit & Ethics Committee.	Revised timescales will be discussed and agreed during the follow up audit.
Health & Safety	Consider requiring staff to attend health and safety refresher training on a programmed, targeted basis.	30/06/2017	Timing is linked to resourcing of the Corporate Safety and Resilience team (see above). A key element of the Senior Health and Safety Officer role is staff training. A training programme has been created but does not yet cover the provision of refresher training.	Revised timescales will be discussed and agreed during the follow up audit.

Audit	Agreed Action	Original Target Date	Management Comments	Revised Timescale
Health & Safety	Publish the list and authors of risk assessments on the Extranet, and ensure that significant risks are communicated to the relevant staff and stakeholders.

Ensure that risk assessments are periodically reviewed and updated, with any further training needs highlighted and communicated.

Ensure that accident reports include a statement to demonstrate exactly how the risk assessment has changed as a result.

Undertake periodic management monitoring checks to provide assurance that health and safety risk assessments have been completed and/or updated for all areas of significant risk. | 31/03/2017 | The Council's Sharepoint area has been set up to hold the documents. Publication will begin as a trial for the Environment and Public Realm service area before being rolled out across the Council.

An audit programme of risk assessment reviews is to be implemented.

Action completed.

A risk assessment checklist has been developed and the monitoring will be implemented alongside the audit reviews. | Revised timescales will be discussed and agreed during the follow up audit. |

AGENDA MANAGEMENT SHEET

Report Title: 2019/20 Internal Audit Plan

Name of Committee: Audit and Ethics Committee

Date of Meeting: 26 March 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:

(CR) Corporate Resources
(CH) Communities and Homes
(EPR) Environment and Public Realm
(GI) Growth and Investment

This report relates to the following priority(ies):

☒ To provide excellent, value for money services and sustainable growth
☐ Achieve financial self-sufficiency by 2020
☐ Enable our residents to live healthy, independent lives
☐ 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)

Summary: The report presents the 2019/20 Internal Audit Plan for approval.

Financial Implications: No direct implications

Risk Management Implications: No direct implications

Environmental Implications: No direct implications

Legal Implications: No direct implications

Equality and Diversity: No direct implications

Options: None

Recommendation: 1. That any additional work for inclusion in the internal audit plan be identified.
2. That, subject to 1 above, the internal audit plan for 2019/20 be approved.

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 - 26 March 2019

2019/20 Internal Audit Plan

Public Report of the Head of Corporate Resources and CFO

Recommendations:

1. That any additional work for inclusion in the internal audit plan be identified.
2. That, subject to 1 above, the internal audit plan for 2019/20 be approved.

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1. Background

1.1 The Public Sector Internal Audit Standards require the annual Internal Audit Plan to be reviewed and approved by the 'Audit Committee'. The Internal Audit Plan should be developed based upon an evaluation of the Council's key risks.

2. Internal Audit Plan

2.1 The Internal Audit Plan is designed to support the provision of an annual Internal Audit Opinion. The basis for forming this opinion is as follows:

- An assessment of the design and operation of the systems underpinning Governance, Assurance and Risk Frameworks and supporting processes; and
- An assessment of the range of individual opinions arising from the risk-based assignments, which will be reported throughout the year.

2.2 The Internal Audit Plan covers the two key component roles of Internal Audit:

- The provision of an independent and objective opinion to the Section 151 Officer/Head of Corporate Resources and the Audit and Ethics Committee on the degree to which risk management, control and governance support the achievement of Council objectives; and
- The provision of an independent and objective consultancy service specifically to help line management improve the organisation's risk management, control and governance arrangements.

2.3 The internal audit plan has been developed using the same approach as approved by the Committee last year. The long list of potential areas for internal audit review (the "audit universe") has been reviewed and updated, by identifying key risks from the following sources:

- Risk Management Framework, Strategic and Operational Risk Registers;
- The Corporate Strategy;
- Financial Statements;

- The results of internal audit work carried out during the last four years;
- Cumulative knowledge and experience; and
- Ongoing stakeholder engagement during 2018/19 – including with Members.

2.4 The long list of potential audits formed the basis of stakeholder discussions with the Senior Management Team during February 2019, from which the planned audit coverage for 2019/20 was refined and prioritised. At the stakeholder meetings senior management also provided details of additional areas of risk/concern which would benefit from internal audit assurance work and/or consultative support. Following this consultation, a draft Internal Audit Plan was compiled and approved by the Senior Management Team on 18 March 2019. The draft Internal Audit Plan is set out at Appendix A and covers a broad range of areas including financial risks, IT risks, fraud risks, governance and ethics risks, corporate/strategic risks, and operational/ service risks.

2.5 In a change to recent years, the internal audit plan also includes dedicated work to provide assurance that risk and performance management are effective across the Council. Previous assurance work has focussed on the overall framework for managing these areas; in 2019/20 the Corporate Assurance and Improvement team will assess in more depth how effective the Council is at managing those areas. This will involve challenging the rationale of the risks and performance measures in place as a 'critical friend', suggesting areas of risk or performance measures which have not previously been considered, testing the extent to which risk management action plans have been implemented, testing the accuracy and completeness of performance data, and establishing how performance data is being used to drive service improvement including a review of the outcome of such work. This work is a key step in the Council's journey towards being a more efficient and effective organisation and will result in assurance opinions, which will be summarised and presented in a future report to the Audit and Ethics Committee.

2.6 The Head of Corporate Resources and Chief Financial Officer, and the Corporate Assurance and Improvement Manager, have reviewed the level of resources required to deliver the proposed risk based Internal Audit Plan. The level of resources required to deliver the plan has been assessed as 509 days; this is an increase of 43 days compared with 2018/19 and of 148 days compared with 2017/18; reflecting the currently stable staffing position within the Corporate Assurance and Improvement team. The level of resources required was calculated on a prudent basis, taking into account:

- Management time
- Training and development
- Sickness
- Annual leave and bank holidays
- Administrative time
- The small amount of time required in April to finalise completion of the 2018/19 audit plan

2.7   An external provider, TIAA, is already contracted to deliver the IT audits under a framework agreement via Warwickshire County Council. In previous years it has been necessary to commission external contractors to support the delivery of internal audit work. Assuming there are no unforeseen events, there will be no need to commission external contractors in 2019/20. The internal audit plan will, with the exception of IT audits, be delivered entirely by the core in house team.

2.7   The full long list of potential audits is also set out at Appendix B; this enables members to see the basis upon which assignments have been included or excluded from the Internal Audit Plan. The Plan is flexible and members can request amendments to the audits included.

2.8   During consultation discussions with the Chair and Vice Chair, it was suggested in the context of the current local government operating environment that an internal audit review of financial planning and governance may be appropriate. An internal audit review has been considered but it is felt this would not add much value at the present time because the future financial position of the Council remains very uncertain. The Head of Corporate Resources and Chief Finance Officer would be happy to provide a briefing on financial planning and governance to members at a future meeting of the Committee. It is considered this may be most beneficial once the decisions related to the reset of business rates have been taken and the Council's future financial position becomes clearer; this is currently expected to be in Autumn 2019.

3.   Arrangements for Approving In Year Changes to the Internal Audit Plan

3.1   The Public Sector Internal Audit Standards require the Audit and Ethics Committee to act as the 'Gate Keeper' to any significant changes to the Internal Audit Plan. It may be necessary during the year to change the Plan in response to emerging risks and to ensure that internal audit work adds the maximum value and remains aligned with the needs of the organisation.

3.2   Before authorising changes to the Internal Audit Plan, the Committee would need to be satisfied that such a change would not impact, negatively, on the ability for Internal Audit to provide an adequate level of assurance to the Council. In previous years the Committee agreed that, due to the timing of meetings, and to avoid delays in completion of audit work, it was more appropriate to grant the Head of Corporate Resources and Chief Financial Officer delegated authority to approve such changes in consultation with the Chair. Such decisions were then subject to approval by the Committee at the subsequent meeting. It is proposed that this arrangement be continued for 2019/20.

3.3   In this context, significant changes to the Internal Audit Plan are regarded as any alteration in the allocation of resources of more than five days.

Name of Meeting: Audit and Ethics Committee

Date of Meeting: 26 March 2019

Subject Matter: 2019/20 Internal Audit Plan

Originating Department: Corporate Resources

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

LIST OF BACKGROUND PAPERS

Doc No	Title of Document and Hyperlink
Appendix A	Draft Internal Audit Plan
Appendix B	Long List of Potential Audits

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

DRAFT INTERNAL AUDIT PLAN 2019/20

AUDIT ASSIGNMENT	SERVICE AREA/S	PROPOSED COVERAGE	TIMING	RATIONALE	ESTIMATE OF DAYS REQUIRED
Financial Risks					
Completeness of Income (Sundry Debts)	Corporate Resources	Assurance that income is billed in full and in a timely manner. This work will involve a review with service managers, comparing invoices issued by the Revenues team with records held by departments.	Q1-Q4	Fundamental financial system. Risk of fraud, error, financial loss.	15
Housing Rent Arrears	Corporate Resources Communities and Homes	Assurance that the Council is efficiently, effectively and proactively managing its housing rent arrears, in a way which is consistent with the needs of its tenants, many of whom may be in vulnerable situations.	Q2	The level of arrears has been increasing.	10
Cash and Bank	Corporate Resources	Assurance that income from all sources is received and accounted for in full in a timely manner. Review of system access controls, accuracy and completeness of accounting records.	Q3	Key financial system processing a high amount of monies. Risk of fraud, error and financial loss.	20
				Total – Financial Risks	**45**

DRAFT INTERNAL AUDIT PLAN 2019/20

AUDIT ASSIGNMENT	SERVICE AREA/S	PROPOSED COVERAGE	TIMING	RATIONALE	ESTIMATE OF DAYS REQUIRED
Counter Fraud Risks					
Fraud Awareness	Corporate Resources	Ongoing, targeted provision of training to raise awareness of fraud - what is fraud, types of fraud, how the risks can be reduced, and what to do if fraud is suspected.	Q1 to Q4	Supports ongoing delivery of the Anti-Fraud, Bribery and Corruption Strategy	8
Note: The Cash and Bank audit will include testing to provide assurance that fraud is not taking place. The IT Security audit will include testing to provide assurance that the risk of fraud by officers who have enhanced access to Council systems is appropriately mitigated. The risk of fraud/ bribery and corruption will be evaluated prior to the commencement of all audits and where appropriate testing will be carried out. In addition, delivery of the action plan arising from the Fraud Risk Review completed in 2018/19 will be monitored by Internal Audit as part of its follow up work.					
				Total - Counter Fraud	**8**
ICT Risks					
IT Security	Communities and Homes	Assurance that appropriately embedded IT Security measures are in place. Assurance that the risks of fraud by officers who may have enhanced access to Council systems is appropriately mitigated.	Q2	Risk of data loss or theft, substantial reputational damage. Highlighted in the recent Fraud Risk Review.	8

DRAFT INTERNAL AUDIT PLAN 2019/20

AUDIT ASSIGNMENT	SERVICE AREA/S	PROPOSED COVERAGE	TIMING	RATIONALE	ESTIMATE OF DAYS REQUIRED
IT Business Continuity	Communities and Homes	Assurance that the IT Business Continuity Plan, which is undergoing review, is fit for purpose and has been adequately tested.	Q3	Risk of substantial service disruption and reputational damage.	8
CCTV	Communities and Homes	Assurance that all camera locations have been assessed, that data protection impact assessments have been completed, and that access to the system and images is effectively controlled.	Q3	A new CCTV policy has been adopted. Risk of data protection requirements being breached.	8
				Total - ICT	**24**
Corporate Risks					
Workforce Planning and Development	Corporate	Consultative review to assist the HR team by identifying and reporting on best practice followed by other organisations who have implemented effective workforce planning and development strategies.	Q1	Deferred from 2018/19	12

DRAFT INTERNAL AUDIT PLAN 2019/20

AUDIT ASSIGNMENT	SERVICE AREA/S	PROPOSED COVERAGE	TIMING	RATIONALE	ESTIMATE OF DAYS REQUIRED
Residential Property (Communal Areas)	Corporate	Assurance that the action plan arising from a recent external review has been implemented.	Q2	Significant reputational and financial damage if the Council has not taken reasonable steps to ensure health and safety.	8
Freedom of Information	Corporate	To provide assurance that the Council meets its statutory obligations in relation to the Freedom of Information Act, and that the arrangements are efficient and effective.	Q2	Significant risk of reputational damage. To be included with a review of compliance with the Transparency Code and handling of comments, complaints and compliments.	10
Complaints, Compliments and Suggestions	Corporate	Assurance that complaints are handled in an appropriate and timely manner, and that learning lessons are consistently applied.	Q2	Reputational damage if complaints are not dealt with appropriately. To be included with a review of compliance with the Transparency Code and Freedom of Information.	10

DRAFT INTERNAL AUDIT PLAN 2019/20

AUDIT ASSIGNMENT	SERVICE AREA/S	PROPOSED COVERAGE	TIMING	RATIONALE	ESTIMATE OF DAYS REQUIRED
Community Safety Partnership	Environment and Public Realm	Assurance that the partnership is delivering its action plans and expected outcomes. Assurance that statutory requirements under the Crime and Disorder Act are being fulfilled.	Q4	Corporate priority of protecting the public might not be achieved. Change in operational structure being implemented.	12
Risk Management Effectiveness	Corporate	Assurance that departments are effectively managing their operational risks. A sample of departments across all service areas will be reviewed, and an assurance opinion provided by Internal Audit.	Q1-Q4	Achievement of the Council's objectives is dependent on its risk management being effective. This work will underpin delivery of the new Risk Management Strategy.	80
Performance Management Effectiveness	Corporate	Assurance that departments are effectively managing their performance. This will include testing of data to ensure it is accurate, timely and complete. A sample of departments across all service areas will be reviewed, and an assurance opinion provided by Internal Audit.	Q1-Q4	Achievement of the Council's objectives is dependent on its performance management being effective.	80
				Total – Corporate Risks	**212**

DRAFT INTERNAL AUDIT PLAN 2019/20

AUDIT ASSIGNMENT	SERVICE AREA/S	PROPOSED COVERAGE	TIMING	RATIONALE	ESTIMATE OF DAYS REQUIRED
Ethical Risks					
Local Government Transparency Code	Corporate	Assurance that the Council is, as a minimum, operating in compliance with the mandatory elements of the Code.	Q2	Ethical review as required under the PSIAS. Legal and reputational damage risk. To be included with a review of compliance with the Freedom of Information Act and handling of comments, complaints and compliments.	8
Values and Behaviours Follow Up	Corporate	Assurance that expected standards of behaviour and values have been defined, are measured objectively and reported upon. To assess and report on actual attitudes and behaviours (culture) through a series of interviews and surveys. Could be attributes based upon a maturity model.	Q2	Follow up of review completed in Q4 2017/18.	8
				Total – Ethical Risks	**16**

DRAFT INTERNAL AUDIT PLAN 2019/20

<u>AUDIT ASSIGNMENT</u>	<u>SERVICE AREA/S</u>	<u>PROPOSED COVERAGE</u>	<u>TIMING</u>	<u>RATIONALE</u>	<u>ESTIMATE OF DAYS REQUIRED</u>
<u>Operational Risks</u>					
Follow up work	All	Assurance that agreed actions arising from internal audit reviews have been implemented.	Q1 to Q4	The work of internal audit would not be considered effective if this work was not completed.	12
Housing Management System	Communities and Homes	Validation testing of data being migrated to the new systems.	Q1 to Q2	System changes bring increased risks and testing by internal audit prior to the new system implementation will add greater value.	10
Customer Service Centre Demand Management	Communities and Homes	Review of the organisational arrangements in place to ensure that customers are attended to in a fair consistent and timely manner. Assurance that customer use of self-service digitalisation is being actively promoted, and that the service is operating efficiently and effectively.	Q3	Risk of inconsistent approach to dealing with customers leading to reputational damage. Corporate Strategy aims to deliver digitally enabled services that residents can access.	15
Licensing	Environment and Public Realm	Provision of assurance that efficient and effective controls are in place to comply with all legislative requirements.	Q4	Changes in working practices and control design – new system being implemented.	15

DRAFT INTERNAL AUDIT PLAN 2019/20

AUDIT ASSIGNMENT	SERVICE AREA/S	PROPOSED COVERAGE	TIMING	RATIONALE	ESTIMATE OF DAYS REQUIRED
Refuse and Recycling	Environment and Public Realm	Assurance that the service is operating efficiently and effectively, including compliance with applicable regulations.	Q3	Risk of substantial reputational damage if a quality service is not delivered, or if the Council breaches statutory requirements.	20
Planning Development and Enforcement	Growth and Investment	Assurance that planning admin, management and enforcement processes are consistently applied, efficiently and effectively, in line with the framework of Council policies and statutory requirements.	Q1	High level of officer judgement involved in decision making, and this could lead to inconsistent treatment and decision making. Risk of fraud/ corruption/ bribery.	15
RAGM – Visitor Centre and Town Centre Improvement Fund	Growth and Investment	Assurance that: • The Visitor Centre, including the shop, is efficiently and effectively managed. • The Town Centre Improvement Fund is being efficiently and effectively managed.	Q4	Key front-line service. Risk of financial loss due to poor value for money, if business decisions are not soundly based.	15

DRAFT INTERNAL AUDIT PLAN 2019/20

AUDIT ASSIGNMENT	SERVICE AREA/S	PROPOSED COVERAGE	TIMING	RATIONALE	ESTIMATE OF DAYS REQUIRED
HR Capability and Disciplinary	Corporate Resources	Assurance that there is a consistently embedded and effective framework in place for managing capability and disciplinary. This will include an analysis of cases to establish whether there are any recurring themes, how the Council learns lessons from such cases, and how they are used to reinforce the values and behaviours framework.	Q3	CANDO values and behaviours framework would not be effective without being underpinned by capability and disciplinary procedures.	12
				Total: Operational Risks	**114**
Additional Areas of Support					
Annual Governance Statement		Assurance that the Council operates a robust framework of corporate governance, in accordance with the new "Delivering Good Governance in Local Government" framework.	Q1	Statutory requirement under the Accounts and Audit Regulations 2015.	**12**
National Fraud Initiative		Ongoing co-ordination of the review of data matching, and assurance that investigations are conducted where required.	Q1-Q4	The Council participates in the National Fraud Initiative, in line with its Counter Fraud Strategy.	**8**

DRAFT INTERNAL AUDIT PLAN 2019/20

AUDIT ASSIGNMENT	SERVICE AREA/S	PROPOSED COVERAGE	TIMING	RATIONALE	ESTIMATE OF DAYS REQUIRED
Corporate Investigation Work		Provision of independent investigatory support, in relation to allegations or suspicions of fraud, bribery and/ or corruption.	Q1-Q4	In line with the public interest and the Council's zero tolerance approach to fraud, bribery and corruption, as set out in the Strategy.	**40**
Contingency Allowance				An allowance to enable unforeseen events to be absorbed without the need to revise the approved audit plan. This represents the application of sound project management.	**30**
TOTAL DAYS					**509**

DRAFT INTERNAL AUDIT PLAN 2019/20

<u>GROSS LIST OF POTENTIAL AUDITS</u>

<u>Corporate Risks</u>

<u>Audit Title</u>	<u>Source</u>	<u>Rationale</u>	<u>Potential Coverage</u>	<u>Risk Rating and Priority</u>	<u>Included in 19/20 Audit Plan?</u>	<u>Rationale for Excluding</u>
Business Continuity/ Emergency Planning	Strategic and Operational Risk Registers	Consistently referred to as being high risk. There have been recent resourcing issues in this area.	Assurance that plans are fit for purpose and that the agreement with CSW is operating effectively.	HIGH	No	Full audit in 2016/17 provided substantial assurance. Resilience agreement starting with CSW in April 2019, under which there will be a focus on emergency planning in Year 1 and BCP in Year 2. Will schedule an audit for 2020/21.
Corporate Health and Safety	Health and Safety Operational Risk Register	Substantial damage to the Council in the event of a serious incident e.g. reputation, finance, fatality, loss of building.	Assurance that appropriate policies and procedures are in place and operated effectively, and that appropriate staff training, monitoring and remedial action is taken where necessary.	HIGH	No	Follow up review being completed late Q4 2018/19. Reviewed in 2016/17. Limited Assurance.
Fraud Risk Review	Internal Audit	In order to implement the new Counter Fraud Strategy, the Council will need to assess its fraud risks, in order to develop and implement an appropriate fraud response plan.	Assurance that appropriate risk assessments have taken place, and that appropriate mitigating controls are being developed and implemented.	MEDIUM	No	Full review completed in 2018/19. Substantial assurance.

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Audit Title	Source	Rationale	Potential Coverage	Risk Rating and Priority	Included in 19/20 Audit Plan?	Rationale for Excluding
Residential property (Communal Areas)	Internal Audit	Significant reputational and financial damage if the Council has not taken reasonable steps to ensure health and safety.	Assurance that the Council is operating in compliance with its statutory health and safety responsibilities in relation to communal areas.	HIGH	Yes	Not applicable – the review will provide assurance that the action plan arising from a recent external review has been implemented.
Agency Staff	Internal Audit	Risk of poor Value for Money; excessive need for agency staff may indicate an ineffective workforce retention strategy.	Assurance that use of Agency Staff is for appropriate reasons, authorised in advance, and not used to circumvent procedures such as restrictions on filling vacant positions. Assurance that use is not for extended periods of time.	MEDIUM	No	Management has reported that the new contract with Commensura is operating well. Will reconsider the need for an audit review in 2020/21.
Business Improvement District	Stakeholder consultation meetings	SLA being reviewed in 2016/17. Some concerns have been expressed around financial transparency.	Review of income and expenditure to provide assurance that monies are utilised for the purposes intended and that value for money is achieved.	MEDIUM	No	Reviewed in 2016/17
Partnership/ Shared Service Governance	Strategic Risk Register	Risk of loss of sovereignty.	Appropriate arrangements to manage partnerships such that corporate objectives and VFM are achieved.	MEDIUM	No	Reviewed in 2017/18. Substantial assurance.

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Audit Title	Source	Rationale	Potential Coverage	Risk Rating and Priority	Included in 19/20 Audit Plan?	Rationale for Excluding
Workforce Planning and Development	Common theme throughout the Council's strategic and operational risk registers.	Critical to the success of the organisation; higher risk due to the economic climate and recovery of the private sector. Workforce planning currently in progress.	Review of design and effectiveness of the Council's strategy to develop and retain its workforce in key areas.	HIGH	Yes	Consultative review deferred from 2018/19.
Consultancy Expenditure	Internal Audit	Poor Value for Money, failure to achieve intended outcomes.	Assurance that expenditure on consultants is appropriately controlled, that there are clear terms of reference, that intended outcomes are delivered and Value for Money is secured.	MEDIUM	No	Reviewed in 2016/17. Substantial assurance.
Financial Planning and Governance	Financial Reports	Challenging financial climate for local government.	Financial resilience, financial planning follows best practice. Financial strategy modelling is robust. Openness and transparency. Priority assessed as Medium because external audit have concluded again that the Council has effective financial management arrangements in place.	MEDIUM	No	Reliance has previously been placed upon assurances provided by external audit. An internal audit review has been considered but it is felt this would not add much value at present. See comments in the covering report.
Contract Management	Internal Audit	Failure to deliver outcomes and achieve value for money.	Contract manager training, compliance with Contract Standing Orders, financial, project and risk management. Review of arrangements to monitor supplier resilience.	MEDIUM	No	Reviewed in 2016/17. Substantial assurance.

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Audit Title	Source	Rationale	Potential Coverage	Risk Rating and Priority	Included in 19/20 Audit Plan?	Rationale for Excluding
Project Management	Internal Audit	Projects fail to deliver outcomes in a way which demonstrates value for money. Failure to achieve corporate objectives.	Project risk management, officer skills and expertise, design and operation of project governance and monitoring arrangements, consistency of application of good project management.	MEDIUM	No	Digitalisation programme being reviewed in Q4 2018/19.
Capital Programme	Internal Audit	Risk of non-delivery of the programme and/ or poor use of monies.	Assurance that appropriate arrangements are in place to ensure delivery of the programme on time, and in a way which secures Value for Money.	MEDIUM	No	Review of programme delivery shows the Council has a good track record in this area. Will reconsider an audit in 1 year's time.
Fraud Awareness	Internal Audit	The Council is developing and implementing a new Counter Fraud Strategy	Training to raise awareness of fraud – what is fraud, types of fraud, how the risks can be reduced, what to do if fraud is suspected.	MEDIUM	Yes	Not Applicable

Training to be provided to 8 teams during 2019/20 |
| Member Development | Internal Audit | Risk of failure to hold officers to account, poor decision making, failure to achieve corporate priorities. | Review of arrangements designed to ensure that Members are equipped to effectively carry out their role, make effective decisions (where appropriate), and effectively scrutinise senior officers. | MEDIUM | No | New Monitoring Officer in post reviewing member training and development arrangements. Will schedule an internal audit for 2020/21. |

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Audit Title	Source	Rationale	Potential Coverage	Risk Rating and Priority	Included in 19/20 Audit Plan?	Rationale for Excluding
Freedom of Information	Internal Audit	Significant risk of reputational damage. Failure to minimise costs of compliance.	To provide assurance that the Council meets its statutory obligations in relation to the Freedom of Information Act, and that the arrangements are efficient and effective.	MEDIUM	Yes	To incorporate within a review which will also include compliance with the Local Government Transparency Code and handling of comments, compliments and complaints.
Equal Pay	Internal Audit	Risk of employee Equal Pay claims leading to significant financial loss and reputational damage.	Comparison of the pay of men and women carrying out equal work, identification and review of equal pay gaps, resolution of equal pay gaps, ongoing monitoring arrangements.	LOW	No	HR department has assurance arrangements in place.
Corporate credit/ purchase cards	Internal Audit	Potential fraudulent use of the card/s	Detailed review of transactions to provide assurance that purchases were appropriate and supported by valid receipts.	MEDIUM	No	Reviewed in 2017/18. Limited Assurance; however, follow up work has confirmed that the action plan has been completed with one minor exception.
Community Engagement and Consultation	Internal Audit	Risk of legal challenges if insufficient engagement and consultation is carried out.	Assurance that appropriate and effective community engagement and consultation arrangements are in place.	LOW	No	Considered low risk at present; will reconsider in 1 year.

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Audit Title	Source	Rationale	Potential Coverage	Risk Rating and Priority	Included in 19/20 Audit Plan?	Rationale for Excluding
Risk Management	Internal Audit	Failure to achieve organisational objectives.	Assessment of the effectiveness of the Council's arrangements to manage its risks, and the level of risk maturity of the Council.	MEDIUM	No	Reviewed in 2017/18. Substantial assurance.
Data Protection/ GDPR/ Law Enforcement Directive	Internal Audit	Risk of significant financial loss and reputational damage	Assurance that the Council operates in compliance with the Data Protection principles when storing and sharing data.	HIGH	No	Review being completed in Q4 2018/19.
Local Government Transparency Code	Internal Audit	Legal and reputational damage risk	Assurance that the Council is, as a minimum, operating in compliance with the mandatory elements of the Code	MEDIUM	Yes	To be included within a review which will also include Freedom of Information and handling of comments, complaints and compliments.
Elections	Stakeholder consultation	Risk of legal and reputational damage	Assurance that elections are managed efficiently and effectively to ensure the smooth running of elections.	MEDIUM	No	Review being completed in Q4 2018/19.
Procurement	Internal Audit	Risk of statutory breaches, not delivering value for money, and fraud/ corruption.	Design and operation of controls designed to ensure that the Council complies with statutory and policy requirements, and to ensure that value for money is demonstrated throughout procurement activities.	MEDIUM	No	Full audit completed in 2016/17. Substantial assurance. Will schedule for review in 2020/21.
Complaints, Compliments and Suggestions	Internal Audit	Reputational damage if complaints are not dealt with appropriately	Assurance that complaints are handled in an appropriate and timely manner, and that learning lessons are consistently applied.	MEDIUM	Yes	To be included within a review which will also include Freedom of Information and compliance with the Transparency Code.

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Audit Title	Source	Rationale	Potential Coverage	Risk Rating and Priority	Included in 19/20 Audit Plan?	Rationale for Excluding
Values and Behaviours	Internal Audit	Legal and reputational damage, low employee morale	Assurance that expected standards of behaviour and values have been defined, are measured objectively and reported upon. To assess and report on actual attitudes and behaviours (culture) through a series of interviews and surveys. Could be attributes based upon a maturity model.	MEDIUM	Yes	Follow up of review completed in Q4 2017/18.

Deferred from Q4 2018/19. |
| Ethical Governance | Internal Audit | Legal and reputational damage; low employee morale.

The PSIAS require the audit plan to cover the Council's ethical governance. | Review of the framework for ensuring the Council's activities are carried out in an ethical manner. This would include a review of the Code of Corporate Governance (Constitution), how decisions are made and the procedures / standards which are followed to ensure that these are efficient, transparent an accountable to local people. The review would also examine the monitoring of compliance against the code of conduct and ethical standards of councillors and officers including gifts, hospitality and declarations of interest. The review would also cover implementation and training on the Code of Conduct and ethical standards, and how the Council deals with complaints relating to the conduct of Councillors. | MEDIUM | No | The audit plan includes two ethics related audits – Values and Behaviours and compliance with the Transparency Code.

An ethical governance review will be included in the audit plan for 2020/21. |

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Audit Title	Source	Rationale	Potential Coverage	Risk Rating and Priority	Included in 19/20 Audit Plan?	Rationale for Excluding
Legal Services	Legal Services Operational Risk Register	Risk register highlights risks of failure to deliver prompt service and to meet deadlines.	Timeliness of service provision, prioritisation of workload, efficiency and effectiveness.	LOW	No	Regarded as low risk at present; will be reconsidered in 1 year.
Right to Buy	Stakeholder Consultation	Risk of fraud/ money laundering/ financial loss/ reputational damage	Assurance sought that property transactions are at the correct prices based upon market rates, the Council has appropriate procedures to prevent fraudulent abuse of the Right to Buy scheme (for example through identity checks), that tenancy length conditions have been met, and that management are operating appropriate monitoring controls.	LOW	No	External review in November 2015 concluded that the scheme was well administered by the Council. Regarded as low risk at present but will consider incorporating within the audit plan for 2020/21.
Equalities Act 2010 Compliance	Operational Risk Register, Stakeholder Consultation	Accreditation review to take place in Q4 2016/17. The Council is currently accredited as 'excellent'.	Equality Framework for Local Government, quality of Equality Impact Assessments, Employee Awareness, recruitment practices, review of evidenced outcomes.	MEDIUM	No	Reviewed in 2016/17

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Service Risks – Communities and Homes

Audit Title	Source	Rationale	Potential Coverage	Risk Rating and Priority	Included in 19/20 Audit Plan	Rationale for Excluding
Stocks and Stationery	Stakeholder Consultation – Requested by Head of Communities and Homes	Assurance sought by the Head of Communities and Homes	The budget for this area has been halved. Assurance sought that procurement processes are being correctly followed, that best value is obtained when purchasing supplies, and that the issue of stationery is appropriately controlled.	LOW	No	Reviewed in 2016/17. Substantial assurance.
Customer Service Centre Demand Management	Customer and Business Support Services Operational Risk Register	Risk of inconsistent approach to dealing with customers leading to reputational damage. Corporate Strategy aims to deliver digitally enabled services that residents can access.	Review organisational arrangements in place to ensure that customers are attended to in a fair consistent and timely manner. Assurance that customer use of self service digitalisation is being actively promoted, and that the service is operating efficiently and effectively.	MEDIUM	Yes	Not applicable.
ICT Disaster Recovery/ Backup Procedures	ICT Services Operational Risk Register	Loss or outage of various systems is highlighted on the risk register; could cause significant disruption to services.	Appropriate arrangements in place to ensure, in the event of a disaster, that systems are restored in a prioritised and timely manner, and that there are appropriate arrangements to prevent loss of data.	MEDIUM	No	Reviewed in 2018/19. Substantial assurance.
IT Systems Admin	Stakeholder consultation	There might not be effective and controlled administration of the Council's IT network.	Administration of software and systems, including user access rights. Specific focus on administration of user account creation and deletion.	MEDIUM	No	Full review in 2016/17, substantial assurance provided

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Audit Title	Source	Rationale	Potential Coverage	Risk Rating and Priority	Included in 19/20 Audit Plan	Rationale for Excluding
IT Helpdesk	Internal Audit	Fundamental back office service.	Assurance that the helpdesk service is managed efficiently and effectively, within its agreed level of resources, in a way which meets the needs of the Council.	LOW	No	Reviewed in 2016/17 with substantial assurance provided.
Payment Card Industry Data Security Standards Compliance	Stakeholder Consultation	Failure to comply with standards leading to reputational damage and loss of ability to process card payments.	General review of compliance with the standards across the Council.	MEDIUM	No	Reviewed in 2016/17. Substantial assurance.
IT Security	Internal Audit	Risk of data loss or theft, substantial reputational damage. Highlighted in the recent Fraud Risk Review.	Assurance that appropriately embedded IT Security measures are in place. Assurance that the risks of fraud by IT officers who may have enhanced access to Council systems is appropriately mitigated.	MEDIUM	Yes	Not applicable
Cash and Banking	Internal Audit	Fundamental financial system; risk of fraud, error, financial loss.	Assurance that income from all sources is received and accounted for in full in a timely manner. Review of system access controls, accuracy and completeness of accounting records.	MEDIUM	Yes	Not applicable

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Audit Title	Source	Rationale	Potential Coverage	Risk Rating and Priority	Included in 19/20 Audit Plan	Rationale for Excluding
IT Strategy, Governance and Policies	Internal Audit	Effective ICT Governance is vital in ensuring that the ICT team are fully engaged with all services areas, can meet their needs and, in return, service areas also work in line with the Council's ICT requirements.	Assurance that appropriate and embedded ICT governance arrangements are in place, including strategy and policies.	MEDIUM	No	Full audit completed in 2015/16. Substantial assurance. Will schedule for audit in 2021/21.
Homelessness and Housing Options	Internal Audit	Reputational damage and adverse media coverage.	Assurance that the Council is efficiently and effectively fulfilling its statutory duties to prevent homelessness in accordance with the Homelessness Reduction Act 2017.	MEDIUM	No	A full systems thinking review is currently taking place within the Customer Advice and Support Team. An audit will be scheduled for 2020/21, once the systems thinking review has been completed.
Independent Living Service	Internal Audit	The service might not meet the needs of stakeholders and charges might be insufficient to cover expenditure	Assurance that residents are receiving the service that they are paying for, and that quality and effectiveness of the service has been maintained following a restructure.	MEDIUM	No	Audit completed in 2018/19. Substantial assurance.
Housing Rents	Internal Audit	Fundamental financial system; risk of fraud, error, financial loss.	Accuracy and completeness of billing, system access controls, maximisation of collection, accuracy and completeness of accounting records.	MEDIUM	Yes	Full audit completed in 2015/16. Recovery and customer care elements reviewed in 2018/19, which resulted in Limited Assurance. Follow up audit scheduled for 2019/20.

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Audit Title	Source	Rationale	Potential Coverage	Risk Rating and Priority	Included in 19/20 Audit Plan	Rationale for Excluding
Cyber Security	Internal Audit	There have been a number of cyber-attacks, both nationally and internationally. It was confirmed that the Council's IT network has been independently accredited as having satisfactory defences against cyber-attack.	To be confirmed.	MEDIUM	No	Staff awareness review completed in 2017/18. Cyber crime threat currently being considered by the Strategic Risk Management group, and at the time of writing and information governance and accountability audit is in progress. Will re-review during the year and add to the audit plan if necessary.
Benefits	Internal Audit	Fundamental financial system; risk of fraud, error, financial loss.	Accuracy of payments to claimants, system access control, recovery of overpayments, accuracy and completeness of accounting records.	MEDIUM	No	Being reviewed in Q4 2018/19
IT Business Continuity	Internal Audit	Risk of substantial service disruption and reputational damage.	Assurance that the IT Business Continuity Plan, which is undergoing review, is fit for purpose and has been adequately tested.	MEDIUM	Yes	Not applicable.
CCTV	Internal Audit/ Strategic Risk Management Group	A new CCTV policy has been adopted.

Risk of data protection requirements being breached. | Assurance that all camera locations have been assessed, that data protection impact assessments have been completed, and that access to the system and images is effectively controlled. | MEDIUM | Yes | Not applicable. |

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Audit Title	Source	Rationale	Potential Coverage	Risk Rating and Priority	Included in 19/20 Audit Plan	Rationale for Excluding
Travellers - Woodside	Internal Audit	Risk of failure to protect, engage with and support the local community.	Assurance that the Council's management of travellers' sites is compliant with the relevant legislation, and that the Council provides the same standards of management and support services to travellers' sites as to customers in other forms of social housing.	LOW	No	Considered low risk at present. Will reconsider in one year.

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Service Risks – Environmental and Public Realm

Audit Title	Source	Rationale	Potential Coverage	Risk Rating and Priority	Included in 19/20 Audit Plan	Rationale for Excluding
Streetscene	Environmental Services Operational Risk Register	Operational risk register highlights the risk of deterioration of assets.	Assurance that the bridge inspection regime is being operated as expected, and that repairs and maintenance is carried out in an effective and timely manner. Review of expenditure to provide assurance that it is efficient and effective, including a review of whether or not such spend is based upon necessity.	LOW	No	Considered low risk at present but will reconsider in one year.
Crematorium and Cemeteries	Stakeholder Consultation	Partnership governance risk	Review of the governance and operation of the Joint Venture with Daventry District Council. Assurance that recharges are appropriate and that any surplus is fairly distributed between the two authorities. Review of the efficiency and effectiveness of the services.	LOW	No	Joint partnership arrangement regarded as working well at present.
Licensing	Stakeholder Consultation	Changes in working practices and control design – new system being implemented.	Mapping of amended procedures and provision of assurance that efficient and effective controls are in place to comply with all legislative requirements.	MEDIUM	Yes	Not applicable.
Car Parking and Enforcement	Internal Audit	Traditionally a risky area from an audit perspective.	Assurance that income is accounted for correctly and in full.	LOW	No	Enforcement audit completed in 2018/19. Substantial assurance.

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Audit Title	Source	Rationale	Potential Coverage	Risk Rating and Priority	Included in 19/20 Audit Plan	Rationale for Excluding
Fleet Management	Internal Audit	Risk of loss of operator's licence, risk of reputational damage	Compliance with operator licence regulations, value for money, planning of the fleet to ensure that operational needs are met, compliance with safety standards, purchasing and disposals.	MEDIUM	No	Reviewed in 2017/18. Limited assurance. Ongoing follow up in 2019 by internal audit will provide assurance that the action plan is being delivered. New Fleet Manager being recruited.
Pest Control	Internal Audit	Financial loss, reputational damage	Accuracy and completeness of income and expenditure, compliance with statutory obligations, value for money.	LOW	No	Considered low risk at present.
Transport – Fuel Usage	Transport Operational Risk Register	Risk of fuel loss due to theft.	Assurance that appropriate controls are operated to mitigate the risk of fuel theft, either by officers or by members of the public.	MEDIUM	No	Included in review of fleet management completed in 2017/18
Trade Waste	Internal Audit	Risk of financial loss, reputational damage due to failure to deliver a quality service.	Accuracy and completeness of billing, value for money of the service, financial sustainability of the service, collection and recovery of outstanding income.	LOW	No	Considered low risk at present. Will reconsider in one year.
Refuse and Recycling	Internal Audit	Risk of substantial reputational damage if a quality service is not delivered, or if the Council breaches statutory requirements.	Assurance that the service is operating efficiently and effectively, including compliance with applicable regulations.	MEDIUM	Yes	Not applicable.

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Audit Title	Source	Rationale	Potential Coverage	Risk Rating and Priority	Included in 19/20 Audit Plan	Rationale for Excluding
Street Cleansing	Internal Audit	Risk of reputational damage if a quality service is not delivered.	Assurance that the service is being run efficiently and effectively.	LOW	No	Considered low risk at present. Will reconsider in one year.
Food Safety	Internal Audit	Risk of reputational damage if a quality service is not delivered.	Assurance that inspection regimes are being delivered efficiently and effectively to protect the public.	LOW	No	Subject to heavy regulation and considered low risk at present. Will reconsider in one year.
Environmental Health	Internal Audit	Risk of reputational damage if a quality service is not delivered.	Assurance that the service is being delivered efficiently and effectively in a way which protects the public.	LOW	No	Considered low risk presently. Will reconsider in one year.
Community Safety Partnership	Internal Audit	Corporate priority of protecting the public might not be achieved. Change in operational structure being implemented.	Assurance that the partnership is delivering its action plans and expected outcomes. Assurance that statutory requirements under the Crime and Disorder Act are being fulfilled.	MEDIUM	Yes	Not applicable.
Warden Services	Internal Audit	Risk of reputational damage if a quality service is not delivered.	Assurance that the service is being run efficiently and effectively.	LOW	No	Considered low risk at present. Will reconsider in one year.
Parks and Open Spaces	Internal Audit	Council priority to enhance local, open spaces to make them places where people want to be, might not be achieved.	Assurance that the service is being run efficiently and effectively.	MEDIUM	No	The service is currently undergoing an internal review; will reconsider scheduling an audit in one year's time.
WSU Garage	Internal Audit	Expenditure might not represent value for money. Risk of reputational damage if facilities are used inappropriately by officers.	Assurance that the garage is being run efficiently and effectively, in compliance with applicable health and safety regulations. Assurance that expenditure represents value for money.	MEDIUM	No	To be included in the audit plan for 2020/21.

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Service Risks – Growth and Investment

Audit Title	Source	Rationale	Potential Coverage	Risk Rating and Priority	Included in 19/20 Audit Plan	Rationale for Excluding
Benn Hall	Stakeholder Consultation	Investigation in 2016/17 highlighted procedural weaknesses	Assurance requested that income and expenditure is appropriately accounted for, with a particular focus on ticket sales, stock control and cash receipting.	MEDIUM	No	Reviewed in 2017/18. Limited Assurance; however, the agreed actions were followed up in 2018/19 and found to be implemented.
Land Charges	Internal Audit	Risk of financial loss and/ or reputational damage.	Maintenance and update of the land charges register, efficient and timely completion of search requests, accuracy and completeness of land charge search income, system access controls.	LOW	No	Considered low risk at present. Will reconsider in one year.
Planning Development and Enforcement	Internal Audit	High level of officer judgement involved in decision making, and this could lead to inconsistent treatment and decision making. Risk of fraud/ corruption/ bribery.	Assurance that planning admin, management and enforcement processes are consistently applied, efficiently and effectively, in line with the framework of Council policies and statutory requirements.	MEDIUM	Yes	Not applicable.
Building Control	Internal Audit	Risk of financial loss and reputational damage.	Assurance that charging is timely and accurate, and that income is collected in full and correctly accounted for. Service managed by Warwick District.	LOW	No	An audit has recently been completed by Warwick District Council. Considered low risk at present.

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Audit Title	Source	Rationale	Potential Coverage	Risk Rating and Priority	Included in 19/20 Audit Plan	Rationale for Excluding
RAGM – Visitor Centre and Town Centre Improvement Fund	Stakeholder consultation	Key front-line service. Risk of financial loss due to poor value for money, if business decisions are not soundly based.	Assurance that: • The Visitor Centre, including the shop, is efficiently and effectively managed. • The Town Centre Improvement Fund is being efficiently and effectively managed.	MEDIUM	Yes	Not applicable.
Play Service/ On Track	Stakeholder consultation	There are significant income targets for the service, with the potential to significantly reduce the net costs to the community.	Assurance that there are appropriately designed processes in place to accurately and completely record income. Assurance that all service related costs have been appropriately considered and understood when setting prices. Assurance that there are suitable arrangements in place to monitor income levels and take appropriate remedial action if targets are not being met.	MEDIUM	No	Reviewed in 2017/18. Limited assurance; however, the agreed actions are subject to follow up.
Leisure Grants	Internal Audit	Reputational damage if funds are misused or not used for the purposes intended	Assurance that grant monies received are delivering the expected outcomes and that funds are used for the intended purposes.	LOW	No	Considered low risk at present; grant terms have to be complied with and assurance arrangements are specified as appropriate.

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Service Risks – Corporate Resources

Audit Title	Source	Rationale	Potential Coverage	Risk Rating and Priority	Including in 19/20 Audit Plan	Rationale for Excluding
Creditors	Financial Services Operational Risk Register, Fundamental Financial System	Risk register highlights risk of incorrect payments, late payments, and fraud.	Accuracy and timeliness of payments, system accuracy, recovery of duplicate payments, accuracy of accounting records.	MEDIUM	No	Being reviewed in Q4 2018/19
Absence Management	Human Resources Operational Risk Register	Risk register highlights the risk of adverse impacts on services and teams caused by sickness absence. Leadership Team review currently in progress.	Assurance that policy and procedures are appropriately designed, and consistently applied to ensure that absence is effectively managed.	MEDIUM	No	Reviewed in 2018/19. Substantial assurance.
Completeness of Income (Sundry Debts)	Internal Audit	Fundamental financial system. Risk of fraud, error, financial loss.	Assurance that income is billed in full and in a timely manner. This work will involve a review with service managers, comparing invoices issued by the Revenues team with records held by departments.	MEDIUM	Yes	Not applicable.
Council Tax and NDR Fraud	Internal Audit	Risk of financial loss and reputational damage, limited internal resource capacity to undertake proactive work in this area.	Review of the design of controls in place to mitigate the risk of Council Tax and/ or NDR fraud. Proactive sample testing of a sample of accounts to confirm the operation of controls and to provide assurance that fraud is not taking place.	MEDIUM	No	Reviewed in 2016/17. Substantial assurance.

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Audit Title	Source	Rationale	Potential Coverage	Risk Rating and Priority	Including in 19/20 Audit Plan	Rationale for Excluding
Non – Current (Fixed) Assets	Internal Audit	Fundamental financial system; risk of fraud, error, financial loss.	Valuations, additions and disposals, accuracy and completeness of accounting records.	MEDIUM	No	Reliance placed on assurance work completed by external audit.
NDR	Internal Audit	Fundamental financial system; risk of fraud, error, financial loss.	Accuracy and completeness of billing, processing and authorisation of reliefs, system access controls, maximisation of collection, accuracy and completeness of accounting records.	MEDIUM	No	Reviewed in 2016/17. Substantial assurance.
Main Accounting System	Internal Audit	Fundamental financial system; risk of fraud, error, financial loss.	Assurance that the Main Accounting System is secure, and adequately supports the production of accurate financial statements.	MEDIUM	No	Reliance placed on assurance work completed by external audit.
Treasury Management	Financial Services Operational Risk Register, Fundamental Financial System	Risk register highlights risk of financial losses on investments, higher than necessary debt, and insufficient cash.	Authorisation of transactions, compliance with Treasury Management Practices, assurance that there is an appropriate strategy in place, system access controls, accuracy and completeness of accounting records.	MEDIUM	No	Being reviewed in Q4 2018/19.
Budget Setting and Monitoring	Financial Services Operational Risk Register, Fundamental Financial System	Risk register highlights risk of significant budget setting errors.	Assurance that the budget setting process is robustly designed to mitigate the risk of significant error. Assurance that budget monitoring is sufficiently robust to identify and address any in year financial pressures.	LOW	No	Last reviewed in 2014/15. Full assurance.

An upgrade to Agresso is due to be implemented which will enable greater ownership of the process by managers. An audit will be scheduled for 2020/21. |

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Audit Title	Source	Rationale	Potential Coverage	Risk Rating and Priority	Including in 19/20 Audit Plan	Rationale for Excluding
Recruitment and Selection	Internal Audit	Risk of fraud/ corruption. Recruitment may not meet the needs of the Council e.g. if the officer does not have the skills or potential to carry out the duties of the post.	Review of design and compliance with recruitment and selection procedures.	LOW	No	Considered low risk at present; will reconsider in one year.
Insurance	Internal Audit	The Council's insurance coverage might be inappropriate for its needs and might not represent value for money; claims processing arrangements might not be sufficiently robust.	Assurance that administration of the insurance function is efficient and effective and represents value for money.	MEDIUM	No	Being reviewed in Q4 2018/19.
Council Tax	Internal Audit	Fundamental financial system; risk of fraud, error, financial loss.	Accuracy and completeness of billing, system access controls, maximisation of collection, accuracy and completeness of accounting records.	LOW	No	Full audit completed in 2015/16. Full assurance. Will be reconsidered in 1 year.
Payroll	Internal Audit	Fundamental financial system; risk of fraud, error, financial loss.	Payroll processing including deductions, administration of starters and leavers, system access controls, accuracy and completeness of accounting records.	LOW	No	Full audit completed in 2015/16. Substantial assurance. Will schedule for audit in 2020/21.

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Audit Title	Source	Rationale	Potential Coverage	Risk Rating and Priority	Including in 19/20 Audit Plan	Rationale for Excluding
Performance management and data quality	Corporate Assurance and Improvement Operational Risk Register	Risk of ineffective management, failure to achieve outcomes, inappropriate targeting of resources.	Key management component to deliver efficient and effective outcomes.	MEDIUM	No	To schedule for review in 2020/21 following implementation of new performance management framework and data quality regime.
Tenant Recharges including Voids	Stakeholder consultation	New system implemented	Assurance that recharges are accurate and complete, and correctly reflect the Council's expenditure incurred when carrying out repairs. Assurance that there are appropriate arrangements in place to maximise the collection of outstanding income.	MEDIUM	No	Reviewed in 2018/19.
Housing Repairs including Handyman and Voids	Stakeholder consultation	New system implemented in 2016	Assurance that the Oneserve system is delivering its expected outcomes. Assurance that appropriately designed controls are in place, consistently applied. To include a review of performance management arrangements.	MEDIUM	No	Reviewed in 2018/19. Substantial assurance.
Housing Repairs Stock Control	Stakeholder consultation	New system. Robust stock control procedures are fundamental to ensure that the service runs efficiently, that material costs are appropriately controlled, and that opportunities for theft or fraud are minimised.	Assurance that appropriately designed and embedded stock control and stock taking procedures are in place.	MEDIUM	No	Reviewed in 2017/18. Substantial assurance.

DRAFT INTERNAL AUDIT PLAN 2019/20

Audit Title	Source	Rationale	Potential Coverage	Risk Rating and Priority	Including in 19/20 Audit Plan	Rationale for Excluding
Corporate Property and Asset Management Strategy	Internal Audit	New system being implemented. New Asset Management Strategy in place.	Assurance that the Council's property and assets are being managed efficiently and effectively.	MEDIUM	Yes	Consultative support to be provided in 2019/20. Audit to be scheduled for 2020/21 once the new system has been implemented.
HR Capability and Disciplinary	Internal Audit	CANDO values and behaviours framework would not be effective without being underpinned by capability and disciplinary procedures.	Assurance that there is a consistently embedded and effective framework in place for managing capability and disciplinary. This will include an analysis of cases to establish whether there are any recurring themes, how the Council learns lessons from such cases, and how they are used to reinforce the values and behaviours framework.	MEDIUM	Yes	Not applicable.
Internal Audit	Public Sector Internal Audit Standards	Mandatory requirement.	External Quality Assessment (EQA) of the effectiveness of the service, including compliance with the Standards.	LOW	No	EQA completed in September 2017; no significant areas of noncompliance. The "Standards" require an external review every 5 years; the next one is due in 2022.

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Audit Title	Source	Rationale	Potential Coverage	Risk Rating and Priority	Including in 19/20 Audit Plan	Rationale for Excluding
Change Management and Control	Internal Audit	The Council's change methodology may not be effective.	Assurance that the change management methodology is effective and delivering the desired outcomes. Assurance that the implementation of change is subject to effective risk management and control. Such a review would need to be delivered by an independent person outside of the Corporate Assurance and Improvement team.	LOW	No	Considered low risk at present; will be reconsidered in one year.
Expenses including Members	Internal Audit	Risk of fraud and/ or error	Assurance that expenses processed and paid to members and officers are accurate and bona fide.	MEDIUM	No	New expenses module due to be implemented on the HR iTrent system; will schedule for audit in 2021/21.
Fees and Charges	Internal Audit	The Council may not achieve financial self sufficiency if fees and charges are not set at optimum levels.	Assurance that fees and charges are subject to regular review and set at levels which are designed to achieve the optimal level of income. Assurance that fees and charges are being applied accurately and consistently, and that income is being collected.	MEDIUM	No	Reviewed in 2016/17. Substantial assurance provided.
Apprentices	Internal Audit	Apprenticeship scheme may not be effective.	Assurance that the apprenticeship scheme requirements are being complied with and take-up is being maximised. Review of the level of retention of apprentices and arrangements to ensure their integration within the organisation.	LOW	No	Considered low risk at present; will reconsider in one year.