

18 May 2018

AUDIT AND ETHICS COMMITTEE – 29 MAY 2018

A meeting of the Audit and Ethics Committee will be held at 6pm on Tuesday 29 May 2018 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 27 March 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.

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

4. Draft Statement of Accounts 2017/18 (report to follow)
5. Annual Report of the Corporate Assurance and Improvement Manager
6. Draft Annual Governance Statement 2017/18
7. Outstanding Internal Audit Recommendations
8. 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. Whistle Blowing Incidents – Standing Item – to receive any updates
2. 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 Lowe, 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:	Annual Report of the Corporate Assurance and Improvement Manager
Name of Committee:	Audit and Ethics Committee
Date:	29 May 2018
Report Director:	Head of Corporate Resources and Chief Financial Officer
Portfolio:	Corporate Resources
Ward Relevance:	None
Prior Consultation:	Head of Corporate Resources and Chief Financial Officer
Contact Officer:	Chris Green, Corporate Assurance and Improvement Manager, Tel: (01788) 533 451
Public or Private:	Public
Corporate Priorities:	Ensure that the Council works efficiently and effectively
Statutory/Policy Background:	Public Sector Internal Audit Standards (PSIAS)
Summary:	The report sets out the Corporate Assurance and Improvement Manager's annual opinion of the overall adequacy and effectiveness of the Council's internal control environment, with an appended summary of the audit work undertaken to formulate the opinion.
Financial Implications:	There are no financial implications arising directly from this report.
Risk Management Implications:	There are no direct risks arising from this report. The Annual Report of the Corporate Assurance and Improvement Manager forms part of the evidence that supports the Council's Annual Governance Statement and provides assurance over the adequacy and effectiveness of the Council's internal controls to manage its key risks and inform risk management arrangements.
Environmental Implications:	There are no environmental implications arising from this report.

Legal Implications:	There are no legal implications arising from this report. Internal Audit is a statutory function as detailed in the Audit and Accounts Regulations 2015 (England), and Section 151 of the Local Government Act 1972.
Equality and Diversity:	There are no equalities and diversity implications arising from this report.
Options:	Not applicable
Recommendation:	The report be considered and noted.
Reasons for Recommendation:	To comply with the requirements of the terms of reference of the Audit and Ethics Committee, and to discharge the Committee's responsibilities under the Constitution.

Audit and Ethics Committee – 29 May 2018

Annual Report of the Corporate Assurance and Improvement Manager

Report of the Head of Corporate Resources and Chief Finance Officer

Recommendation

The report be considered and noted.

1. Introduction

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

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

2. Report Details

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

2.1 It is the responsibility of the CAIM to provide the annual Internal Audit opinion and to detail the basis for this opinion. Based upon the work undertaken by Internal Audit during 2017/18, the CAIM's overall opinion is that **Substantial Assurance** can be given that there is an adequate and effective governance, risk and control framework in place, designed to meet the organisation's objectives. Whilst some elements of the control environment require attention, agreed actions have been put in place to address those issues and responsible managers have agreed reasonable timetables for their implementation. The progress made by management in implementing the agreed actions has been generally sound.

2.2 **Appendix A** to this report provides a copy of the Internal Audit Annual Report which includes the CAIM's opinion on the control framework for 2017/18 and the basis for this opinion.

Effectiveness of Internal Audit

- 2.3 The Annual Report also includes an overview of the performance of the Internal Audit service against its key performance measures and ways in which it has added value to the Council during 2017/18. The annual audit plan for 2017/18 has been delivered except for one audit which has not yet been fully completed.

Compliance with the Public Sector Internal Audit Standards

- 2.4 An external quality assessment of the internal audit service was completed in September 2017. The results were reported to and considered by the Audit and Ethics Committee in November 2017. The report concluded that there are “no areas of non-compliance with the standards that would affect the overall scope or operation of the internal audit activity. Significant progress has been made over the last two years to update the audit approach”. The report also highlighted “some minor actions needed to ensure full compliance with the standards, especially to makes the terms of reference more explicit”. At the time of writing this report the formal recommendations arising from the assessment, details of which were reported to the Audit and Ethics Committee in November 2017, have all been implemented. The Internal Audit service is therefore, in the opinion of the Corporate Assurance and Improvement Manager, operating in conformance to the Standards. A further self-assessment of compliance with the Standards will be completed in 2018/19.

Statement of Organisational Independence and Objectivity

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

been established in order to avoid any actual or perceived impairment to independence and objectivity; these safeguards have been reported to, considered and approved separately by the Committee.

Name of Meeting: Audit and Ethics Committee
Date of Meeting: 29 May 2018
Subject Matter: Annual Report of the Corporate Assurance and Improvement Manager
Originating Department: Corporate Assurance and Improvement

LIST OF BACKGROUND PAPERS

Document No.	Date	Description of Document	Officer's Reference	File Reference
Appendix A	29 May 2018	Annual Report of the Corporate Assurance and Improvement Manager		



ANNUAL REPORT OF INTERNAL AUDIT

2017/18

Date: 29 May 2018



Annual Report of Internal Audit 2017/18

1. BACKGROUND

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

2. INTERNAL AUDIT OPINION 2017/18

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

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

Of the 12 graded assignments undertaken for 2017/18, 8 resulted in an opinion of Substantial Assurance with 4 assignments receiving only Limited Assurance. The Values and Behaviours audit resulted in a maturity rating of 'Defined'.

The progress made by management in implementing the actions arising from audits has been generally sound. 72% of agreed actions arising from audits were implemented on time and 12% were implemented late, resulting in an overall implementation rate of 84%. In relation to the 20 agreed actions which were overdue at the time of reporting, appropriate management action is in progress in all cases. A total of 101 agreed actions have been implemented by the Council during 2017/18 as a result of internal audit work.

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

- 2.2 The basis for this opinion is derived from an assessment of the range of individual opinions arising from assignments within the agreed internal audit plan that have been undertaken throughout the year. This assessment has taken account of the relative materiality of these areas and management's progress in respect of addressing any control weaknesses.
- 2.3 The internal audit of Corporate Health and Safety completed in the previous financial year resulted in only Limited Assurance and highlighted a number of areas for improvement. Owing to resourcing issues progress has been slow in implementing 4 key actions arising from this audit. The Corporate Assurance and Improvement Manager can provide assurance that the Senior Management Team is doing all it can to address the resourcing issues in an appropriate manner. Given the slow progress, however, and the ongoing weakness in internal control in this area, the matter is referred to in the Annual Governance Statement for 2017/18.
- 2.4 As noted above, there were 4 audits which resulted in only Limited assurance during 2017/18. In forming the annual opinion the Corporate Assurance and Improvement Manager considered management's response to these audits and where applicable the progress being made to address the issues identified, and concluded that the management response and, where applicable progress, was satisfactory. A summary of Audit opinions is shown in Table 1 below:

Table 1 – Summary of Audit Opinions 2017/18

<u>Assurance Area</u>	<u>High</u>	<u>Substantial</u>	<u>Limited</u>	<u>No</u>
Financial	0	2	0	0
IT	0	1	0	0
Counter Fraud	0	1	1	0
Governance	0	3	0	0
Strategic and Operational Risks	0	1	3	0
Total	0	8	4	0
Summary	0%	67%	33%	0%

Note: There was an additional ethics related audit, entitled Values and Behaviours, which was graded using a maturity framework developed by the Institute of Internal Auditors (IIA). The resulting grade was "Defined". Further details are provided in Section 7.

- 2.5 At the time of reporting there was one audit from the 2017/18 internal audit plan which had not been fully completed; the audit has been substantially completed but the officer carrying out the audit became suddenly ill in April 2018. The audit, which

involved a review of the processes for managing housing rent arrears, will be completed and finalised as soon as possible.

3. REVIEW OF AUDIT COVERAGE

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

Table 2 – Assurance Categories

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

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

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

3.3 Summary of Audit Work

Table 3 details the assurance levels resulting from all audits undertaken in 2017/18 and the assessment of the levels of risk exposure:

Table 3 – Details of Audit Opinions Issued in 2017/18

Audit Area	Assurance Opinion	Risk Exposure Opinion
Green Waste	Substantial	Low
Housing Repairs Stock Control	Substantial	Medium
ICT Infrastructure	Substantial	Medium
CCTV Code of Operations	Not Graded	
PTC Interface	Not Graded	
Council Tax and NDR Fraud	Substantial	Medium
Corporate Credit Cards	Limited	Medium
Partnership Governance	Substantial	Medium
Risk Management	Substantial	Medium
Annual Governance Statement	Substantial	Not Applicable
RAGM Income	Substantial	Medium
Benn Hall	Limited	High
Play and On Track	Limited	Medium
Fleet Management	Limited	High
Values and Behaviours	Maturity rating of "Defined"	

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

3.5 Implementation of Internal Audit Recommendations

Internal Audit follows up on progress against all recommendations arising from completed assignments to ensure they have been appropriately implemented in a timely manner. Updates are provided to the Audit and Ethics Committee during the course of the year. Details of the combined implementation rate for audit recommendations made during 2016/17 and 2017/18 are provided in Table 4 below:

Table 4 – Implementation of Audit Recommendations

Audit	No. of Recs	Implemented on Time	Implemented Late	Not yet due	Overdue	Rejected Medium or High Risk Actions
Stocks and Stationery	3	3	0	0	0	0
ICT Service Desk	4	0	4	0	0	0
Corporate Health and Safety	15	10	1	0	4	0
Fees and Charges	8	7	0	0	1	0
ICT Infrastructure Resilience	5	0	5	0	0	0
Payment Card Industry Data Security Standards	7	5	0	0	2	0
Business Continuity and Emergency Planning	8	7	0	0	1	0
Benn Hall Investigation	8	7	1	0	0	0
Discretionary and Consultant Expenditure	7	5	2	0	0	0
ICT Systems Administration	7	6	1	0	0	0
Procurement and Contract Management	8	4	0	0	4	0
Financial System Key Controls	11	7	0	3	1	0
Corporate Credit Cards	9	8	0	0	1	0
Play and On Track	12	9	0	3	0	0
RAGM Income	14	8	0	0	6	0
Green Waste	1	1	0	0	0	0
ICT Infrastructure	6	0	0	6	0	0
Benn Hall	18	0	0	18	0	0
Council Tax and NDR Fraud	10	0	0	10	0	0
Fleet Management	13	0	0	13	0	0
Partnership Governance	2	0	0	2	0	0
Risk Management	7	0	0	7	0	0
Due for Completion	121	87 (72%)	14 (12%)	-	20 (16%)	0
Totals	183	87 (48%)	14 (8%)	62(33%)	20(11%)	0

4. HOW HAS INTERNAL AUDIT ADDED VALUE?

- 4.1 It is important that Internal Audit demonstrates its value to the organisation. The service provides assurance to management and members via its programme of work and also offers support, advice and insight to assist the Council in new areas of work or to proactively review and improve the control framework.
- 4.2 Beyond delivery of the core assurance assignments, the service added value in a number of additional areas during 2017/18, as set out in Table 5:

Table 5 – Internal Audit Contribution

Area of Activity	Benefit to the Council
Support towards the Council’s Counter fraud activity in the following areas: <ul style="list-style-type: none"> • Support towards implementation and embedding of the Anti-Fraud, Bribery and Corruption Strategy; • Support towards implementation and embedding of the Fraud Response and Action Plans; • Support to the review and update the Confidential Reporting Code; • Completion of 1 corporate investigation; • Provision of assurance work in relation to two areas of fraud risk – namely council tax and NDR reductions, and use of corporate credit cards; • Provision of fraud bribery and corruption awareness training at the Corporate Management Forum, and the Development and Enforcement team. 	Greater strategic and procedural clarity, leading to a more consistent and coherent organisational approach to tackling the risks of fraud, bribery and corruption. Greater awareness amongst staff and a targeted action plans to address any significant gaps in controls, which should in turn reduce the Council’s level of risk exposure.
Provision of annual training to members of the Audit and Ethics Committee.	The Audit and Ethics Committee is more effective in its role as an assurance provider.
Housing Management System	Provided insight, independent challenge and advice on the design of appropriate controls to be implemented alongside the new system.
A total of 101 agreed actions have been implemented by management following completion of internal audit work.	Reduction in exposure to risk and improved organisational efficiency and effectiveness.



Area of Activity	Benefit to the Council
<p>Furthermore, the internal audit service has, where appropriate, recommended actions to reduce or eliminate wasteful or inefficient processes. Examples include:</p> <ul style="list-style-type: none"> Increasing the use of direct debits to reduce the number of recurring corporate credit card transactions; Consolidating the application and change of circumstance notification processes for the various council tax and NDR reductions, discounts and exemptions. 	

5. HOW WELL IS INTERNAL AUDIT PERFORMING?

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

Table 6 – Internal Audit Performance Indicators

Theme	Title of Performance Indicator	Performance
Delivery	Delivery of the Internal Audit Plan – Percentage of assignments delivered to at least draft report stage by 31 March 2018	<p>76% - Four reports had not been issued in draft by 31 March 2018. This was due to resourcing issues during the year which have now been addressed.</p> <p>Prior year result: 85%</p>
Adding Value	Customer Satisfaction – Average Rating	<p>Insufficient data – this is due to a lack of survey returns. Options for improving the response rate will be considered early in 2018/19</p> <p>Prior year average rating: 2.78</p> <p>3 = Good 2 = Satisfactory 1 = Poor</p>



Timeliness	Timeliness of Reporting – Average time taken to issue draft reports following fieldwork completion	6.2 days Prior year result: 7.1 days
Effectiveness	Implementation of Agreed Actions by Officers – Percentage either fully or partially implemented on time	72% Prior year result: 88% To put the current year result into context, there were 43 agreed actions implemented in 2016/17. In 2017/18 this figure increased to 101.

6. COMPLIANCE WITH PROFESSIONAL STANDARDS

6.1 The Public Sector Internal Audit Standards (the Standards) were adopted by the Chartered Institute of Public Finance and Accountancy (CIPFA) from April 2013. The standards are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of Internal Audit across the public sector.

6.2 The objectives of the Standards are to:

- Define the nature of internal auditing within the public sector;
- Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations; and
- Establish the basis for evaluation of internal audit performance and to drive improvement planning.

6.3 An external quality assessment of the internal audit service was completed in September 2017. The results were reported to and considered by the Audit and Ethics Committee in November 2017. **The report concluded that there are “no areas of non-compliance with the standards that would affect the overall scope or operation of the internal audit activity. Significant progress has been made over the last two years to update the audit approach”.** The report also highlighted “some minor actions needed to ensure full compliance with the standards, especially to makes the terms of reference more explicit”. At the time of writing this report the formal recommendations arising from the assessment, details of which were reported to the Audit and Ethics Committee in November 2017, have all been implemented. The Internal Audit service is therefore, in the opinion of the Corporate Assurance and Improvement Manager, operating in conformance to the Standards. A further self-assessment of compliance with the Standards will be completed in 2018/19.

7. SUMMARY OF AUDIT FINDINGS

Audit Area	Assurance Opinion	Risk Exposure Opinion	Summary of Key Findings
Green Waste	Substantial	Low	<p>With effect from April 2017, the Council started charging £40 per year per bin for garden waste collections. The service was previously provided free of charge to all households in the borough. Introduction of the chargeable service is being seen as a success, with over 22,000 sign ups in 2017/18 and a level of income £456k higher than budgeted. This audit was designed to provide assurance that appropriately designed controls are in place, and operated consistently to ensure that all income is accurately and completely accounted for.</p> <p>The audit considered the processes in place for registering and receiving the green waste service whilst taking into consideration the customer journey and the back-office functions.</p> <p>The audit did not highlight any examples of significant control weaknesses, although a number of minor issues were identified. A formal reconciliation of the monies received for the garden waste service had not been fully completed at the time of the audit. The charging system and updating of the rounds records will be automated for 2018/19; this should improve the efficiency of the system whilst addressing the minor issues identified in the report.</p>
Housing Repairs Stock Control	Substantial	Medium	<p>This audit was designed to provide assurance that appropriately designed and embedded stock control and stocktaking procedures are in place for the property repairs service.</p>

Audit Area	Assurance Opinion	Risk Exposure Opinion	Summary of Key Findings
Housing Repairs Stock Control (continued)			<p>The audit confirmed that:</p> <ul style="list-style-type: none"> • A stocktaking procedure has been developed and is in the process of being implemented; • Stock on all vehicles has been counted twice in the last six months; • Sample testing confirmed that the stock auto replenishment system controls are operating as expected; and • Appropriate security arrangements are in place to cover the materials held at Albert Street and in the operatives' vans. <p>The audit also highlighted a number of improvement opportunities. Whilst the stock checks are being performed in line with the written procedures the results are not yet being analysed, discrepancies are not yet being discussed with operatives and write offs have not been processed. Furthermore, whilst post job completion inspections guidelines have been prepared, the control has not yet been implemented.</p>
Infrastructure Resilience	Substantial	Medium	<p>As part of the continuing improvement of the IT Disaster Recovery planning processes and to compliment the Council's move from Exchange to an Office 365 environment, a project was implemented during 2017 to make the technical infrastructure fit for business continuity planning (BCP) and to make the Recovery Time Objective (RTO) negligible. The Council's chosen implementation partner for the project were HSO who as part of the project are now managing the MPLS cloud solution and outbound firewall.</p>

Audit Area	Assurance Opinion	Risk Exposure Opinion	Summary of Key Findings
Infrastructure Resilience (continued)			<p>An interim audit report covering in scope aspects of the infrastructure design configuration was completed during April 2017. Due to the ongoing nature of the project overlapping into 2017/18, it was agreed that the review would be split, with a concluding part undertaken once the project was completed and testing undertaken.</p> <p>This audit considered the actions arising from the initial report, testing of the new processes introduced and the physical and environmental controls in place over the replication site located at the Rugby crematorium.</p> <p>Whilst the audit provided Substantial assurance, it was noted that testing of the changes resulting from the disaster recovery infrastructure project had not been documented, which increases the risk of a lack of detail to assist in identifying the cause of any subsequent failures. Any lessons learned from the testing may not be implemented or applied as a result. It was also noted that aspects of the physical and environmental security of the new disaster recovery room could be improved, for example by fitting a lock to the inner disaster recovery room door and by considering environmental monitoring to alert on excessive temperature levels within the inner disaster recovery room.</p>
CCTV Code of Operations	Not Graded		<p>As part of the Council's preparations to meet compliance with the General Data Protection Regulations (GDPR) due to become law on 25th May 2018, the Council's internal IT auditors, TIAA, provided supporting advice in the area of CCTV compliance to the Council's nominated Data Protection Officer.</p>

Audit Area	Assurance Opinion	Risk Exposure Opinion	Summary of Key Findings
CCTV Code of Operations (continued)			<p>An action plan for the Data Protection Officer was developed, setting out steps which need to be taken to document processing, review CCTV signage and undertake Data Protection Impact Assessments (formerly privacy impact assessments). The key actions arising were to finalise the CCTV policy, to form a data protection governance group, to complete the inventory of camera locations, coverage and impact assessments, and to update the information asset register. To ensure best practice a Data Protection Impact Assessment template was also provided to the Data Protection Officer.</p>
PTC Interface	Not Graded		<p>The PTC interface is used by IT to make the running of batch jobs for the Open Revenues and Ohms Housing system more efficient through automated scripts. A key benefit of PTC is it avoids having to manually enter and manage jobs to a run queue. A process is started through the PTC diary, which runs constantly in the background to initiate batch scripts which control scheduled jobs to commence at pre-defined times. This review formed an addition to the recent financial controls audit and as such no separate assurance rating was included in this report. The scope of the review was to assess the computer security controls within the PTC interface to ensure they provide a secure operating environment for information processed between systems. The review highlighted three key improvement opportunities:</p> <ul style="list-style-type: none"> • Testing of new scripts is currently informal and undocumented and the review recommended that in future the testing be documented and signed off. To agree the retention period for the archived temporary files generated a part of the process, ensuring that those files outside the retention period are deleted.



Audit Area	Assurance Opinion	Risk Exposure Opinion	Summary of Key Findings
Council Tax and NDR Fraud	Substantial	Medium	<p>The objectives of this audit were:</p> <ul style="list-style-type: none"> • To provide assurance that appropriately designed controls are in place to prevent and detect council tax and NDR fraud. • To provide assurance, based upon sample testing, that such fraud is not taking place. <p>The audit reviewed all the various types of discounts, reductions and exemptions from council tax and NDR, and how these are assessed at time of application, reviewed periodically and proactively monitored. It also reviewed participation in the National Fraud Initiative for council tax and the visiting officer regime. For NDR, the audit also reviewed the proactive work done to capture businesses operating from an address.</p> <p>For both council tax and NDR, the controls are broadly well designed and all applications for reductions in council tax and NDR have the necessary checks carried out before they are applied. These checks vary from a desktop exercise checking evidence to an officer visiting the property, depending on the type of discount.</p> <p>The arrangements in place to investigate whether these discounts and exemptions continue to be valid are extensive but ad-hoc. Officers who enjoy the work will investigate thoroughly, but there is no formal requirement to do so.</p> <p>Periodic entitlement reviews should be carried out every two years but in many cases these have not taken place since 2015.</p>

Audit Area	Assurance Opinion	Risk Exposure Opinion	Summary of Key Findings
Council Tax and NDR Fraud (continued)			<p>The visiting officer regime in place is thorough and ensures the necessary properties are visited on a timely basis.</p> <p>The main areas for improvement were to formalise the framework for proactive counter fraud activity, ensuring all types of discount are reviewed on a regular basis (at least every two years), and working more closely with other areas of the council to share information.</p>
Corporate Credit Cards	Limited	Medium	<p>The audit was designed to provide assurance that:</p> <ul style="list-style-type: none"> • The corporate credit card transaction request, review and authorisation procedures are operating efficiently and effectively; and • Corporate credit card expenditure transactions are appropriate, are in line with the objectives of the Council and represent reasonable value for money. <p>The audit included testing of 50 corporate credit card transactions, selected across all cardholders throughout the 12 months from June 2016 to May 2017 (statement dates July 2016 to June 2017); testing did not highlight any examples of potentially fraudulent or inappropriate expenditure. The audit did, however, highlight a number of issues related to the efficiency and effectiveness of controls designed to minimise the risks of fraud and to ensure that expenditure represents value for money. In particular:</p> <ul style="list-style-type: none"> • Cardholders were checking off their own expenditure against the credit card statements. Furthermore, it was possible for the requester,

Audit Area	Assurance Opinion	Risk Exposure Opinion	Summary of Key Findings
Corporate Credit Cards (continued)			<p>authoriser and transaction checker to all be the same person. This does nothing to mitigate the risk of fraud.</p> <ul style="list-style-type: none"> • There was no procedure written down anywhere for cardholders to follow when making and authorising purchases. Therefore, there were many varying methods and practices in place. Credit card transaction request forms were not consistently completed prior to expenditure taking place; in such instances the control adds no value and does not mitigate the risk of fraud. <p>The audit highlighted examples of the corporate credit card being used to purchase 'big ticket' items such as white goods and furniture. In these cases there was a lack of evidence to demonstrate from a value for money perspective whether alternatives had been considered.</p>
Partnership Governance	Substantial	Medium	<p>The following key partnerships were within the scope of this audit review:</p> <ul style="list-style-type: none"> • The Crematorium joint venture between Rugby Borough Council and Daventry District Council. • The Leisure Centre partnership. • The Home Environment Assessment and Response Team (HEART) partnership between the Warwickshire County Council Occupational Therapy Team, Rugby Borough Council, Nuneaton and Bedworth Borough Council, North Warwickshire Borough Council, Stratford District Council, and Warwick District Council. • The Family Weight Management partnership.

Audit Area	Assurance Opinion	Risk Exposure Opinion	Summary of Key Findings
Partnership Governance (continued)			<ul style="list-style-type: none"> The Warwickshire Together Homelessness Early Intervention Project comprising North Warwickshire Borough Council, Stratford-on-Avon District Council and Warwick District Council. <p>The review found that all of the Partnerships listed above, had some form of partnership agreement, whether Memorandum of Understanding, Terms of Reference, service agreement or contract. All such agreements included confirmation of all partners and the aims, objectives and expected outcomes for each partnership were clearly stated. There were clear links to the Council’s strategic objectives and monitoring of progress and performance is regularly reported. In addition, all partnerships are managed by a nominated Council officer.</p> <p>Whilst there were no major concerns, there is no corporate Policy, Policy Statement, or related procedures providing managers with a clear understanding of the Council’s view on partnership working, or of issues including the opportunities and risks associated with partnership working. Therefore, there is no formal statement defining the governance framework and associated monitoring controls to manage partnership arrangements.</p>

Audit Area	Assurance Opinion	Risk Exposure Opinion	Summary of Key Findings
Risk Management	Substantial	Medium	<p>The audit, which was completed by TIAA, concluded that the Council has a well developed risk management process, with an increasing focus on producing accurate risk management information and that Cabinet is also well engaged with risk management. Furthermore, the report noted that the strategy effectively sets out the ownership and accountability for risks.</p> <p>The key opportunities for improvement were:</p> <ul style="list-style-type: none"> • To include a Risk Management Policy or Policy Statement within the next iteration of the Risk Management Strategy, detailing the Council's attitude to risk and risk appetite. • To formalise processes for ensuring compliance with the Risk Management Strategy, particularly where there have been issues around operational risk registers not being monitored and updated. • To develop the Corporate Risk Register.
Annual Governance Statement	Substantial	Not Applicable	<p>The overall governance framework provides a substantial level of assurance of effectiveness, although a number of further development areas have been highlighted. Delivery of the Action Plan will be monitored during 2018/19.</p>
RAGM Income	Substantial	Medium	<p>The objectives of the assignment were:</p> <ul style="list-style-type: none"> • To provide assurance that there are appropriately designed controls in place in respect of Visitor Centre sales, including World Rugby Merchandise, tickets and our own Visitor Centre souvenir stock and that these procedures are operating efficiently and effectively. To



Audit Area	Assurance Opinion	Risk Exposure Opinion	Summary of Key Findings
RAGM Income (continued)			<p>further confirm that the Council is securing the best value for money in purchasing goods for sale.</p> <ul style="list-style-type: none"> To provide assurance that the reporting of World Rugby Hall of Fame WRHOF merchandise sales and related accounting transactions are accurate. To provide assurance that there are robust procedures for recording and monitoring all ticket sales and income, in particular in relation to the Hall of Fame. <p>The audit considered the processes in place with regard to the numerous income streams which flow through the Visitor Centre, including ticket and merchandise sales. The audit did not highlight any examples of significant weakness, although the number of different processes does increase the risk of human error and/ or fraud. The controls the team have in place to minimise these risks were found to be operating for the most part effectively, however the audit did highlight a number of issues related to the efficiency and effectiveness of controls where improvement may be made. In particular:</p> <ul style="list-style-type: none"> The till system, card machine and various ticketing systems were not linked and therefore require manual reconciliations to ensure all transactions are input appropriately. The value of stock discrepancies at year end is no longer reported or analysed. Controls around access to the back office safe should be improved.



Audit Area	Assurance Opinion	Risk Exposure Opinion	Summary of Key Findings
RAGM Income (continued)			<ul style="list-style-type: none"> The Ticketmaster agreement currently being considered did not appear to have a clear financial business plan in terms of revenue expectations or ongoing costs.
Benn Hall	Limited	High	<p>Assurance was sought that income and expenditure is appropriately accounted for, with a focus on sales, stock control and cash receipting. Furthermore that the Action Plan produced following an investigation conducted by the Corporate Assurance and Improvement Manager during 2016/17 had been fully implemented.</p> <p>The audit confirmed that the above investigation action plan had been implemented for the most part resulting in, amongst other positives, a significantly improved CCTV system in situ and documented training and induction programmes for new starters. The banking procedures have been documented, are conducted more securely and without delay. The performance of the Hall is regularly reviewed at Business Development Group meetings and robust oversight against the two year business plan was evidenced in the Brooke Overview and Scrutiny Committee meeting minutes.</p> <p>However, the lack of any form of stock control system within the Bar area represents a significant risk to the Council. Similarly ticket sales conducted face to face or over the telephone are not reconciled to the income received and therefore also present an opportunity for error or misappropriation of funds. Recent changes have been made to systems to move to a less paper based room booking process resulting in some</p>

Audit Area	Assurance Opinion	Risk Exposure Opinion	Summary of Key Findings
Benn Hall (continued)			early teething errors which are to be expected. However, there is no documented invoicing procedure and numerous different services which could be utilised by a hirer which are charged for at different times throughout the booking representing a risk that charges could be missed.
Play and On Track	Limited	Medium	<p>The audit was designed to provide assurance that:</p> <ul style="list-style-type: none"> • There are appropriately designed processes in place to accurately and completely record income. • All service related costs have been appropriately considered and understood when setting prices. • There are suitable arrangements in place to monitor income levels and take appropriate remedial action if targets are not being met. • The Council has appropriate processes in place to efficiently and effectively fulfil its responsibilities as a caretaker of the children using the service. <p>Overall the review found that whilst the team are highly aware of their safeguarding responsibilities with regard to children in their care, there were a number of areas where controls could be significantly improved and the following issues were identified:</p> <ul style="list-style-type: none"> • There was no clear pricing policy for either the Play or On Track service, with local discretion being applied to reduce fees below the published rates within the Finance Handbook.



Audit Area	Assurance Opinion	Risk Exposure Opinion	Summary of Key Findings
Play and On Track (continued)			<ul style="list-style-type: none"> • No formal contracts or service level agreements were in place with the schools that the Play and On Track team provide services to. The lack of formal agreements leaves the council in a vulnerable position if a school decided it was no longer using the team's services. • There was a lack of a defined process or business model in place to plan, resource, monitor and deliver the service. • Whilst the team work very closely, both service areas did not have a final permanent record of delivered services. This could leave the team open to challenge in the event of a customer disputing an invoice, and increases the risk that services provided are not billed for in full. • Current schedules were prepared generally by half term period, by activity and used for staff resource planning, however they did not include any income or expenditure costings. There was therefore a lack of awareness and ownership within the team of the day to day financial situation until any significant variances to budget are raised by the finance team. • Whilst all staff interviewed confirmed that they had had the appropriate first aid, child protection and safeguarding training and held the expected qualifications, testing confirmed that this was not documented consistently within either the ITrent system or within the

Audit Area	Assurance Opinion	Risk Exposure Opinion	Summary of Key Findings
Play and On Track (continued)			<p>team itself potentially resulting in regular refresher/requalification training, such as First Aid, not being scheduled or completed.</p>
Fleet Management	Limited	High	<p>The Council operates a fleet of 122 vehicles to run its services, in addition to 7 parks vehicles. The Council holds a Goods Vehicle Operators Licence because it uses vehicles above the prescribed levels of weight. Drivers employed by the Council must also have the correct licence and training.</p> <p>This audit was undertaken to provide assurance that the Council's fleet of vehicles is managed and operated in an efficient and effective manner, and in compliance with operator licence regulations.</p> <p>The contract for supply of tyres has expired; the Council is currently looking either to join a framework with Nuneaton and Bedworth Borough Council, or to conduct a joint procurement exercise with North Warwickshire Borough Council.</p> <p>The key issues identified are listed below:</p> <ul style="list-style-type: none"> • There is a lack of a strategic approach to the purchasing/ replacement of vehicles. Managers hold their own budgets and this means they could take decisions to purchase or replace vehicles when a more strategic view might indicate that such expenditure isn't necessary. This represents a Value for Money issue.

Audit Area	Assurance Opinion	Risk Exposure Opinion	Summary of Key Findings
Fleet Management (continued)			<ul style="list-style-type: none"> • There is no monitoring of vehicle utilisation although there is technology available to do it. This again represents a Value for Money issue because the Council could be incurring expenditure on vehicles which are not actually required. • The Council currently only has one person with an operators' licence which could leave the Council exposed, for example if the current licence holder were to leave the Council.
Values and Behaviours	Maturity rating of "Defined"		<p>This assignment was designed to provide assurance that the Council has implemented and embedded a set of meaningful values and behavioural standards which meet the expectations of members, officers, the public and any other stakeholders.</p> <p>The Council implemented a new framework of values and behaviours in 2017. The framework recognises that employees are the Council's most important resource and the role they play in delivering quality services and achieving the corporate priorities. The framework was introduced to ensure consistency across the organisation, make the Council a better place to work and to improve customer service and performance. The values and behaviours framework was evaluated against 6 attributes, based upon guidance issued by the Institute of Internal Auditors (IIA) on evaluating ethics related programmes and activities. Each attribute was assessed using a maturity model issued by the IIA with the levels of maturity being Immature, Repeatable, Defined, Mature and World Class. The overall maturity rating was assessed as being "Defined".</p>



Audit Area	Assurance Opinion	Risk Exposure Opinion	Summary of Key Findings
Values and behaviours (continued)			<p>The values themselves have been very clearly defined, along with clear examples of behaviours that management do and do not expect. The document is easy to understand. The equality objectives have been incorporated indirectly. The framework was endorsed by the senior management team and members provided positive feedback on the proposals. There are currently no arrangements in place to periodically review the framework.</p> <p>There was extensive communication and guidance made available when the framework was launched. The values have been incorporated within the "Way we Manage" training programme and as part of the new HR Strategy there is a chart which enables staff to see how training is linked to the different values.</p> <p>The framework is not reflected in job descriptions but the 'CAN DO' logo is used on job adverts. A new job application form is being developed which will include a specific question relating to the values, testing whether the applicant can demonstrate the right sort of thinking and behaviours.</p> <p>Employees' compliance with the values framework is monitored at 1-1 meetings, using a new standard template. At the meetings, managers are expected to discuss successes as well as instances of working outside the values.</p> <p>Embedding the values is a constant process and it is to be expected that at this relatively early stage there is progress to be made. In particular,</p>

Audit Area	Assurance Opinion	Risk Exposure Opinion	Summary of Key Findings
Values and behaviours (continued)			<p>there is scope to reinforce the accountability structure applying lessons learnt from the initial roll out of the framework. This is evident when considering the results of an employee survey, which showed a mixed level of compliance with the 1 to 1 supervision regime. It is also recommended that periodic review and reporting on the effectiveness of the framework be carried out.</p>

Limitations and Responsibilities

Limitations inherent to the Internal Auditor's work

Internal Audit is undertaking a programme of work agreed by the council's senior managers and approved by the Audit and 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 and Ethics Committee should be aware that the Audit Opinion for each assignment might have differed if the scope of individual assignments was extended or other relevant matters were brought to Internal Audit's attention.

Internal Control

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

Future Periods

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

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

Responsibilities of Management and Internal Auditors

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

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

AGENDA MANAGEMENT SHEET

Report Title:	Draft Annual Governance Statement 2017/18
Name of Committee:	Audit and Ethics Committee
Date:	29 May 2018
Report Director:	Head of Corporate Resources and Chief Financial Officer
Portfolio:	Corporate Resources
Ward Relevance:	None
Prior Consultation:	Head of Corporate Resources and Chief Financial Officer, Executive Director, Senior Management Team, Monitoring Officer
Contact Officer:	Chris Green, Corporate Assurance and Improvement Manager, Tel: (01788) 533 451
Public or Private:	Public
Corporate Priorities:	Ensure that the Council works efficiently and effectively
Statutory/Policy Background:	The Accounts and Audit Regulations 2015 require the Council to publish an Annual Governance Statement (AGS)
Summary:	The report describes how the Annual Governance Statement (AGS) for 2017/18 was produced. The AGS itself forms an appendix to the report.
Financial Implications:	There are no financial implications arising directly from this report.
Risk Management Implications:	There are no risk management implications arising directly from this report.
Environmental Implications:	There are no environmental implications arising from this report.
Legal Implications:	There are no legal implications arising from this report.
Equality and Diversity:	There are no equalities and diversity implications arising from this report.

Options: Not applicable

Recommendation: The Committee recommends to Council that the AGS 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 – 29 May 2018

Draft Annual Governance Statement 2017/18

Report of the Head of Corporate Resources and Chief Finance Officer

Recommendation

The Committee recommends to Council that the AGS be approved.

1. Introduction

- 1.1 The purpose of this report is to set out an Annual Governance Statement (AGS) for 2017/18, describing the governance arrangements that were in place during the financial year.
- 1.2 The AGS is formally approved by Council and signed by the Executive Director and Leader of the Council, who take personal responsibility for the control framework described and for the delivery of the identified improvements to the framework.
- 1.3 The AGS for 2017/18 was drafted by the Corporate Assurance and Improvement Manager and considered by the Executive Director and Head of Corporate Resources.
- 1.4 A copy of the AGS for 2017/18 is appended.

2. Report Details

- 2.1 Corporate governance is defined as the systems and processes, and cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and where appropriate lead their communities.
- 2.2 There is a strong correlation between effective governance and effective service delivery and achievement of corporate objectives. To deliver the Council's vision and support the drive for continuous improvement strong governance arrangements need to be in place.
- 2.3 A number of evidence sources were utilised for the purpose of drafting the AGS, including:
 - Consultation with, and assurances provided by, key officers. Meetings were held with each Head of Service, the Executive Director, and the Democratic Services Manager. Governance arrangements were reviewed with each officer and examples of effectiveness and outcomes were also discussed at the meetings. Further evidence was provided by various officers across the Council.

- Work undertaken during the year by Internal Audit and other inspection bodies.
- Key corporate documents including the Corporate Strategy, Committee reports, the Annual Audit Letter, the Constitution, the draft financial statements, the Annual Report of the Corporate Assurance and Improvement Manager, the Learning and Development Strategy, and the officer and member training programmes.

2.4 The Council is satisfied that its overall governance framework provides a **Substantial** level of assurance of effectiveness, although a number of further development areas have been highlighted. Delivery of the Action Plan will be monitored during 2018/19. The full AGS is set out at Appendix A.

Name of Meeting: Audit and Ethics Committee
Date of Meeting: 29 May 2018
Subject Matter: Draft Annual Governance Statement 2017/18
Originating Department: Corporate Assurance and Improvement

LIST OF BACKGROUND PAPERS

Document No.	Date	Description of Document	Officer's Reference	File Reference
Appendix A	29 May 2018	Annual Governance Statement		



ANNUAL GOVERNANCE STATEMENT

2017/18

PROUD OF OUR PAST, FIT FOR THE FUTURE



Annual Governance Statement 2017/18

1. SCOPE OF RESPONSIBILITY

- 1.1 Rugby Borough Council is responsible for ensuring that it conducts its business in accordance with the law and proper standards. Public money must be used economically, efficiently and effectively, safeguarded and properly accounted for. The Council must have in place proper governance arrangements and carry out its functions effectively, including suitable risk management arrangements.
- 1.2 The Council must conduct a review, at least once a year, of the effectiveness of its system of internal control and report the findings in an annual governance statement. The statement must be prepared in accordance with proper practices and be reported to a Committee of Councillors. This document comprises the Council's annual governance statement for 2017/18.

2. WHO IS RESPONSIBLE FOR ENSURING GOOD GOVERNANCE?

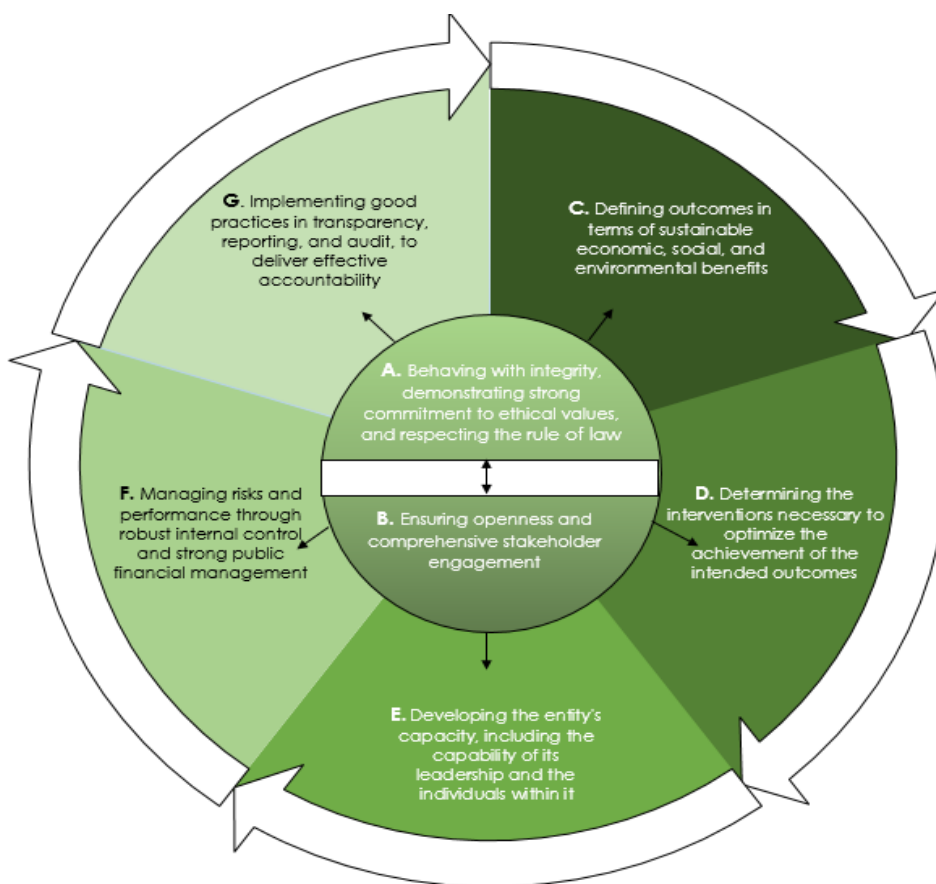
- 2.1 The Council's governance arrangements are overseen by the Audit and Ethics Committee. The Executive Director has overall responsibility for ensuring that effective controls and processes are implemented across the Council and these are regularly reviewed and updated. Regular reports are submitted to the Audit and Ethics Committee highlighting any identified enhancements. The Head of Corporate Resources and Chief Finance Officer (s151 Officer) is responsible for ensuring that effective financial controls are in place, for the maintenance of an effective internal audit function and for reviewing the overall effectiveness of the governance framework. The overview and co-ordination of this process is undertaken by the Corporate Assurance and Improvement Manager.

3. WHAT THIS STATEMENT TELLS YOU

- 3.1 This Statement provides a summarised account of how the Council's management arrangements are set up to meet the principles of good governance set out in the Constitution and how assurance is obtained that these are both effective and appropriate. It is written to provide the reader with a clear, simple assessment of how the governance framework has operated over the past financial year, how effective that framework has been in enabling the Council to achieve its intended outcomes, and to identify any improvements made and any weaknesses or gaps in arrangements that need to be addressed. Its main aim is to provide the reader with confidence that the Council is managed effectively and efficiently; that services are delivered in accordance with current legislation, the corporate strategy and in a way that optimises value for money.

4. THE PRINCIPLES OF GOOD GOVERNANCE

- 4.1 The principles of good governance are set out in the CIPFA Framework for Delivering Good Governance in Local Government 2016. The framework positions the attainment of sustainable economic, societal, and environmental outcomes as a key focus of governance processes and structures. This statement explains how the Council has complied with the framework and also meets the requirements of the Accounts and Audit Regulations 2015 (England).
- 4.2 Good governance is dynamic, and the Council is committed to improving its governance on a continuing basis through a process of evaluation and review. The diagram below, taken from the International Framework for Good Governance in the Public Sector, illustrates the various principles of good governance in the public sector and how they relate to each other.



Principles A and B permeate implementation of principles C to G

5. THE GOVERNANCE FRAMEWORK

- 5.1 The governance framework comprises the policies, plans, systems, processes, culture and values (the system of 'internal control') that the Council has in place to ensure its intended outcomes for stakeholders and the community are defined and delivered. To deliver good governance objectives must be achieved whilst also acting in the public interest. The framework enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 5.2 The governance arrangements are designed to ensure that an appropriate and proportionate approach is taken to managing risk whilst ensuring that objectives are achieved. The governance framework has been in place for the year to the date of approval of this annual governance statement. The arrangements are not designed to eliminate all risks but rather provide a reasonable degree of assurance of effectiveness.
- 5.3 The governance framework and an assessment of its effectiveness are set out on the following twelve pages.



PRINCIPLE A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Arrangements in place

- Member and officer codes of conduct
- Confidential Reporting Code
- Counter Fraud, Bribery and Corruption Strategy
- Fraud Response Plan
- Contract Standing Orders
- Declaration of interests procedure
- Register of interests
- Register of gifts and hospitality
- Customer feedback and complaints procedure
- Equalities and Diversity policy statement
- Information security policies and a senior information security officer in post (SIRO).
- Corporate values in place which all employees are expected to act in accordance with
- Recruitment/ selection procedures aligned with corporate values
- A standard format is in place for 1 to 1 meetings between managers and staff, designed to ensure that the corporate values are embedded and adhered to
- The Council participates in the National Fraud Initiative
- Delivery of fraud and corruption awareness training
- Any planning applications submitted by staff are reviewed in public
- Agenda management sheets of Council reports include a requirement to highlight the legal implications of decisions
- Records of regulatory training required and undertaken are retained on the Council's HR system
- There is an appointed group of individuals in place who are available for consultation regarding any conduct related complaints. The group provides advice to the Council on the appropriate course of action to take to address such complaints.
- The Council has implemented plans to ensure compliance with the requirements of the new Homelessness Reduction Act.

Effectiveness and future developments

Implementation of the Counter Fraud Strategy and Fraud Response Plan has led to a more consistent approach to investigation of irregularities across the Council and improved awareness amongst staff. Furthermore, dedicated time has been set aside within the internal audit work plan to ensure that resources are available to thoroughly investigate any allegations and to enable proactive risk based testing to be conducted during the year. Counter Fraud, Bribery and corruption awareness training was delivered to all managers in March 2018 and the roll out of training to individual teams has commenced. Further work will take place in 2018/19 to further embed the Strategy. This will include continuing the roll out of training to teams, delivering awareness training to Members, and requiring all officers to confirm that they have read and understood the Counter Fraud Strategy and Fraud Response Plan as part of the new programme of meta compliance. A further review of fraud risks and mitigating controls will also be completed in 2018/19. **See Action 1**

Following full consultation with almost 200 employees a framework of corporate values and behaviours was implemented. There is a high commitment to embedding the values across the organisation. A behaviours document was issued to all officers with a covering letter and compliance is mandatory. There five core corporate values: Customer First, Acting With Respect, Nurturing People, Driving Excellence, and Owning It. Communications regarding the framework took place via the Corporate Management Forum, Core Briefs, Employee Briefs, and toolbox talks in team meetings. In line with the new values all members of staff are expected to have regular one to one meetings with their line manager at which success is recognised and any concerns regarding conduct are also raised. This replaced the previous Review and Development Scheme and also ensures that staff development needs are considered on a rolling basis rather than once or twice per year. Customer Care training is being made mandatory for all staff in accordance with the Council's value of putting "customers first". An internal audit review was completed which assessed the extent to which the values framework was embedded across the Council. The review concluded that the overall level of maturity of the framework was "Defined". A further internal audit review will be completed in late 2018/19 which will consider and report on the progress made and the direction of travel.

Rolling licensing committee training has been provided to members leading to a clearer evaluation of prosecution cases. The Council has invested in the provision of enhanced regulatory training to planning committee members leading to a greater awareness and understanding when making decisions, and a reduction in appeals.

The feedback and complaints procedure is robust, and senior management has taken steps during the year to ensure that positive feedback and successes are celebrated and recognised. Recognising success is built in to the one to one process. Furthermore, notable successes are celebrated at employee briefing sessions and at the Corporate Management Forum. The Council is trialling use of a new system which enables employees to record compliments about each other and more formal recognition options are being considered by senior management.

The Council's information security procedures are comprehensive but the new General Data Protection Regulations take effect in May 2018. Steps have been taken during the year to prepare the Council for implementation of the new regulations. These steps include the roll out of eLearning training to officers and completing data reviews across the organisation. Whilst the Council has comprehensive information security policies and a senior responsible officer in place, further work is required in 2018/19 to strengthen the information assurance arrangements, and an Information Board will be established, reporting periodically to the Senior Management. Further work will be carried out early in 2018/19 to implement and embed the regulations across the Council; this will include a procedure for reporting any breaches of the regulations and the provision of further officer training on information security. **See Action 2**

PRINCIPLE B: Ensuring openness and comprehensive stakeholder engagement

Arrangements in place

- The Council publishes a range of information including meeting agendas and reports, financial and procurement data, invitations to tender, senior officer salaries, the contracts register, annual governance statement and financial statements, corporate performance information, planning applications and decisions and section 106 agreements.
- The strategic risk register is scrutinised by the Audit and Ethics Committee with open reporting to Cabinet.
- The Council consults widely and comprehensively with stakeholders on its proposals. Wider engagement takes place via the West Midlands Combined Authority and the Local Enterprise Partnership.
- There is a Scrutiny Committee work programme in place, with members of the public invited to recommend topics and attend annual work planning meetings.
- A Forward Plan is in place setting out what consultation will be undertaken in advance of decisions being made, and with whom.
- The Council has retained its Equality and Diversity “excellent” accreditation and Equality Impact Assessments are completed for Council decisions.
- Communications strategy in place
- Customer feedback and complaints procedure
- Active engagement with employees takes place in a number of ways including through a bi-annual survey, regular employee briefings, core briefs, and the corporate management forum and through the Joint Union Consultation Forum.
- Employment policies are developed in consultation with staff and trade unions.
- Cross party working parties are operated as an additional measure which ensures engagement with all members on key Council decisions.

Effectiveness and future developments

On 24 May 2017, the Council was reaccredited as “excellent” under the equalities framework for local government, the first and only district Council to have achieved the reaccreditation. Equality and diversity training is mandatory for all staff. Equality Impact Assessments are a key element of the Council’s decision making. A revised template for completing the assessments has been put in place and all managers will receive training in 2018/19 to ensure that the assessments are carried out in a consistent manner. **See Action 3**

The Council uses a range of approaches to engage with communities including through associations, forums, leafletting, parish councils, drop in events, Facebook, our website, surveys, and face to face. There is a contract with language line to support any face to face communication issues and the Council accesses the Warwickshire County Council interpretation and translation service to translate written documents. The Council is a partner of Warwickshire Observatory, which provides information and intelligence about Warwickshire and its people. The information provided was used to inform the Council’s vision for Rugby Town Centre and to inform the development of the Corporate Strategy for 2017-20. The information is also used by staff when completing Equality Impact Assessments, which

helps to ensure that decisions are taken after due consideration of the impacts across the community.

In 2017/18 residents were consulted on a final draft of the Local Plan for a 12 week period; this was double the required length of time. The consultation generated over 6,000 submissions in relation to the development proposals. This fed in to the public examination of the Local Plan and the Council summarised and responded to every submission.

The Council is reviewing options for the future of the Borough's Council owned multi storey flats and has been consulting extensively with residents. An example of this is the Biart Place tower block with a public meeting being held, letters delivered by hand and one to one discussions held on doorsteps. An in depth report has also been placed in the public domain.

There is an annual 'Our Rugby, Our Future' event which enables voluntary and community sector and statutory partners to contribute their views on progress on the Regeneration Strategy priorities and amend them as appropriate. This informs the work which is undertaken with community partners.

As part of the strategy of ensuring the Council is fit for the future, residents helped shape changes to the way the housing warden service is delivered. This resulted in improved service resilience and consistency of service quality whilst delivering greater efficiency and value for money. Furthermore, the residents' panel and housing association champions provide greater community involvement and shaping of decisions which concern them.

PRINCIPLE C: Defining outcomes in terms of sustainable economic, social, and environmental benefits

Arrangements in place

- A new Corporate Strategy was approved in April 2017 which was subject to a public consultation exercise
- Medium Term Financial Plan is regularly reviewed and updated, with the latest iteration approved in April 2018.
- Cabinet and Committee reports set out the impact of changes on stakeholders
- Strategic and operational risk registers are in place, and a register of corporate risks will be developed in 2018.
- A "clean" Value for Money opinion was received from the external auditors in 2017.
- As part of plans to ensure the Council is fit for the future, decisions are taken for the long term including the recent implementation of green waste charges, digitalisation of services and internal processes, a forward plan for the Rugby Art Gallery and Museum, and through the commercialisation agenda.
- The Council consults widely on its proposals considering the economic, social and environmental impacts of plans, policies and decisions.
- There is a clear vision for Rugby Town Centre including an action plan and marketing plan.
- All planning and development decisions are considered openly and transparently in terms of their economic, social and environmental benefits and impacts.



Effectiveness and future developments

An additional paragraph will be added outlining outcomes from the family weight management programme and the Play/On Track service.

The Council has implemented further measures to support independent living during the year. An Independent Living Officer is running coffee mornings with sheltered housing tenants to help them determine how they can live their lives more independently. Research activity is also being used to help those tenants who feel lonely. The usage of communal areas within sheltered housing has been reviewed to ensure that Council resources are well utilised, the outcome being that such communal areas are now being used to facilitate group activities aimed at supporting individuals to live independently. This is in line with the Council's health and wellbeing agenda. In 2018/19 homelessness and financial inclusion strategies will be developed in line with the corporate strategy aim of ensuring that residents have a home that works for them and is affordable.

The Council has recently established an informal tourism partnership of local businesses and other organisations which have an interest in generating more visitors to the Borough. Although in its infancy it is envisaged that the new partnership will result in additional benefits to the local economy.

The RAGM/World Rugby Hall of Fame education programme has been expanded during 2017/18. The programme provides facilitated education sessions at the Roman Gallery, Art Gallery and The World Rugby Hall of Fame for primary school Key Stage 2 pupils. In addition the RAGM runs a programme for persons suffering with dementia, which enables individuals to develop and utilise their skills, for example by doing craft activities, in an environment which also provides a form of social therapy.

The Council is working with the local community to make improvements to the Whitehall Recreation Ground. External funding has been secured and added to the Council's own capital programme, and the improvements will soon be undertaken in a phased approach in line with the available funding. As part of the first phase the Council has undertaken a further round of consultation with the local community to update the original masterplan developed in 2012. Stakeholder suggestions were then fed in to a final, more detailed design stage consultation to ensure the refurbished park will meet the needs of those that use, or want to use it. The consultation was promoted both physically on site and also on the Council website and social media platforms, to ensure a cross section of responses were received from the community.

Future plans include the introduction of a lottery which will support community and voluntary sector activity and the specific organisations that the community values. This will protect funding for community based projects whilst ensuring that the community has a direct stake in determining which projects and activity will be supported. Furthermore, following consultation the Council is transferring management of allotments to community groups enabling them to be directly run for the benefit of the community.

Following a number of public meetings and the involvement and support of the National Society of Allotment and Leisure Gardeners, the Council identified a self-management

model as the most sustainable way to secure affordable allotments for future generations. The benefits of this approach are; the ability for tenants to determine site rents and what rules to apply to their site; the allotment holders can influence the future management of the sites; the ability to apply for external funding to improve sites and membership benefits from the National Allotment Society. Further site specific meetings were held and working groups were formed from each allotment site to work through the details of self-management. This led to the creation of fully elected and constituted allotment associations at all sites that lease the land from the Council. The Council remains as landlord with some residual responsibilities but all the day to day management and maintenance is now undertaken by the allotment tenants themselves.

PRINCIPLE D: Determining the interventions necessary to optimise the achievement of intended outcomes

Arrangements in place

- We manage performance through local and management performance indicators; this enables intervention to be targeted where it is needed.
- The service planning process is designed to ensure that we target the actions necessary to deliver our Corporate Strategy.
- The corporate performance management system (RPMS) is used to monitor the delivery of action plans.
- There are four distinct service areas with a Head of Service and dedicated member portfolio holder for each area.
- Committee and Cabinet reports set out the risks and options associated with decisions.
- A "clean" Value for Money opinion was received from the external auditors in 2017 and the Contract Standing Orders and financial instructions are designed to ensure best value.
- Quarterly finance and performance reports are submitted to and reviewed by Cabinet.
- An annual budget report is submitted and there is an established budget setting and monitoring process.
- The Medium Term Financial Plan is regularly reviewed and updated with the latest iteration approved in April 2018.
- The Council consults widely on its proposals considering the economic, social and environmental impacts of plans, policies and decisions.
- There is a Forward Plan of key decisions and a scrutiny committee arrangement in place.
- A customer feedback and complaints procedure is in place.

Effectiveness and future developments

An additional paragraph will be added setting out the outcomes of the early intervention project.

As part of the corporate strategy the Council continued to facilitate investment and growth in Rugby. This is evidenced by progress in developing the site of the old Rugby Radio Station and the implementation of phase 2 of the Elliott's Field retail park. The new community development at the old Rugby Radio station now has people living there, the first school has been built and a major link road is being developed linking the site to the town centre. Both

the school and the new road are being delivered ahead of schedule. Furthermore, a marketing plan was developed and implemented including sponsorship of £600,000 for the Rugby Hall of Fame. The Council is also working in partnership with Warwickshire County Council to develop a sustainable transport plan for the Borough, including where interventions could be made to expand road capacity in Rugby.

The Council has continued to take difficult decisions to ensure it is financially fit for the future, including the introduction of green waste collection charges with effect from April 1st 2017. These decisions enabled the Council to continue presenting a sustainable balanced budget and will enable highly valued local services to be preserved whilst delivering the outcomes set out in the corporate strategy.

Route optimisation software is being implemented for the refuse services; this will ensure that refuse rounds are completed in a more efficient manner requiring fewer rounds to be completed. The software will result in an improved customer experience as reports of missed bins will be addressed more quickly. It is expected that significant financial savings will also be realised, helping to ensure that the Council has the funds available to achieve the corporate strategy outcomes.

Action was taken in 2017/18 to implement the business plan for the Benn Hall, improving the events offering for the local community and improving its financial sustainability. The café in Caldecott park was leased to a local business which resulted in an improved community facility.

Every department in the Council participated in workshops to determine the projects and actions which will be initiated across the Council to ensure successful delivery of the corporate strategy. This included the development of a new updated suite of key performance indicators linked to the outcomes set out in the strategy. Improved reporting arrangements will be implemented early in 2018/19 to ensure that delivery of associated projects and action plans is closely monitored **See Action 4**

PRINCIPLE E: Developing the entity's capacity, including the capability of its leadership and the individuals within it

Arrangements in place

- Each member of the senior management team undertakes professional development appropriate to their role.
- The respective roles of the Executive Director and Leader are clearly defined.
- The senior management team meets formally every two weeks and informally every week and Cabinet meets on a regular basis.
- Section 151 (Chief Finance) and Monitoring Officers are in post.
- The Constitution sets out roles and responsibilities and the Council's decision making process. An approved scheme of delegation is in place. Contract Standing Orders and associated toolkits were reviewed in 2017/18 and are designed to ensure procurement activity is cost effective and ethical.
- Registers of gifts, hospitality and conflicts of interest in place.
- Protocol in place setting out the relationship between and roles of members and officers.

- Member training and development programme in place including dedicated training for planning and licensing committee members.
- Thorough induction processes are in place for all new employees and members, linked to the corporate values.
- Job profiles clearly set out the responsibilities of officers throughout the organisation.
- Learning and Development Strategy and Corporate Learning Group in place.
- There is a system of regular team meetings and one to one meetings between managers and staff.
- Employee health and wellbeing days are arranged and confidential employee counselling support is available at all times.
- A comprehensive suite of training and development courses is offered to all employees.
- All managers are expected to complete the "Way We Manage" training programme.
- Corporate Management Forum in place, where managers work together to review what has gone well and where the Council can do better.
- The Council has a comprehensive suite of HR policies covering employee capability, disciplinary, recruitment and selection, disciplinary and grievance, and flexible working.
- An established Corporate Apprenticeship Scheme in place.
- Where projects are required, teams are put in place based upon the skills and experience available.
- The Council develops the capacity of community groups to do things themselves.
- The Council participates in the Local Authority Challenge.

Effectiveness and future developments

The Council has a Corporate Apprenticeship scheme and there have been 24 apprentices since the scheme started. The apprentices provide a range of valuable support to various Council services whilst undergoing a structured programme of self-development.

Over 100 managers have completed the Council's "Way We Manage" corporate training programme. This is a significant investment in the workforce. The training includes governance issues such as financial management, performance management, health and safety and procurement procedures.

A more consistent format has been implemented for one to one meetings between managers and staff. A standard formal agenda is in use which enables staff development needs to be identified and addressed throughout the year rather than at six monthly intervals. Furthermore, the Council's HR Strategy now links training to the corporate values and there are a number of mandatory training courses directly linked to those values.

A review of the Constitution was completed in 2017/18 and given that there is no longer a Standards Board, there was also review and update of the protocol for member/ officer relations.

A Housing restructure and realignment exercise was completed during 2017/18 to ensure that resources and capacity are directed towards the priorities set out within the Corporate Strategy. The Tourism and Town Centre team structure was also reviewed to create capacity to support the visitor economy and the town centre.

The Council trialled a reward and recognition system during 2017/18 and is developing plans for an employee forum including the appointment of mental health first aiders. These people will be trained in how to spot the signs and symptoms of mental ill health and provide help on a first aid basis. In the same way as learning physical first aid, Mental Health First Aiders will know how to recognise those crucial warning signs of mental ill health and feel confident to guide someone to appropriate support. Embedding this initiative within the Council will encourage people to talk more freely about mental health, reducing stigma and creating a more positive culture. **See Action 5**

PRINCIPLE F: Managing risks and performance through robust internal control and strong public financial management

Arrangements in place

- The Council has a risk management strategy in place which is reviewed and refreshed regularly. Strategic and operational risk registers are in place. Senior management, Audit and Ethics Committee, Cabinet, Strategic Risk Management Group, and the Health and Safety Members Working Party, all oversee the risk management arrangements.
- A regular risk assessment of the Council's financial reserves and balances is conducted. Key risks are identified and the financial impacts are quantified. Reserves are reviewed annually in the context of the risk assessments.
- Financial information is published on a regular basis and established and embedded budget setting and monitoring procedures are in place.
- Cabinet and Committee system in place including two scrutiny committees and an Audit and Ethics Committee with independent Chair and Vice Chairs.
- Counter fraud strategy, fraud response plan and confidential reporting code in place.
- The internal audit service provides an independent and objective annual report and opinion.
- Service planning and Key Performance Indicators (KPIs) have been developed in line with the Corporate Strategy.
- A corporate system is used to monitor, manage and report performance and conduct verification checks on the quality of our data. Performance data is reported quarterly to Cabinet and is reviewed by a scrutiny committee.
- Data sharing protocols are in place covering, for example, the HEART service, Trailblazer and the County Counter Fraud Initiative.

Effectiveness and future developments

The annual report of the Corporate Assurance and Improvement Manager provides a Substantial level of assurance that the Council has an adequate and effective control environment in place. An internal audit review of corporate Health and Safety conducted in 2016/17, however, resulted in only Limited assurance. A full action plan was agreed with management and delivery is being monitored by internal audit, senior management, and the health and safety members' working party and by the Audit and Ethics Committee. Whilst the Council is taking appropriate steps within its means, the action plan has not yet been fully implemented and, as such, risks identified at the time of the audit have not yet been fully mitigated. **See Action 6**



The Internal Audit Service uses Risk Based Internal Auditing (RBIA), which is recognised as best practice. The work of internal audit is aligned closely with the aims and risk profile of the organisation and the service is responsive to emerging issues and risks.

A full review and update of corporate performance indicators was completed during the final quarter of year to ensure that measures are relevant to the needs and objectives of the organisation, and in line with the new Corporate Strategy. The content, format and presentation of the Council's performance data will also be radically changed in 2018 to ensure it reflects the things that matter and is easier for stakeholders to read and understand. To add an additional level of independent review, scrutiny and assurance, corporate performance reporting will also be submitted to the Audit and Ethics Committee for consideration. **See Action 7**

An internal audit of fleet management completed in March 2018 highlighted a number of deficiencies, most notably the lack of a strategic approach towards the purchasing and replacement of vehicles, and the lack of monitoring of vehicle usage. Management has agreed an action plan which will improve the financial management of this area. Delivery of the action plan will be monitored by the Audit and Ethics Committee. **See Action 8**

Further progress has been made to implement the Anti-Fraud, Bribery and Corruption Strategy in 2017/18. Proactive assurance work was completed in related to two areas of potential fraud risk – Council Tax and NDR, and use of the corporate credit cards. Fraud awareness training was provided to all managers via the Corporate Management Forum. The same awareness training will be delivered to members in July 2018, and to individual teams with the first team already having received the training. Furthermore, the Council's fraud risks and mitigating controls will be subject to a re-review during 2018/19. **See Action 1**

A review of operational risk registers carried out during corporate strategy action planning workshops highlighted a number of risks which cut across service areas and which need to be considered at a corporate level. Officers will develop a corporate risk register in 2018 to ensure these risks are effectively managed through the Strategic Risk Management Group. **See Action 9**

Future plans include the implementation of a new housing management system across the Council in 2018/19. It is expected that this will provide an improved customer experience in line with the corporate strategy priorities, specifically ensuring that the Council works efficiently and effectively, ensuring that residents have a home which works for them and is affordable, and delivering digitally enabled services that residents can access.

The Council has continued to implement policies to support its route to financial self sufficiency by 2020. This includes ongoing work to understand the costs of running the various services and the benefits to customers, ensuring that services are run efficiently and effectively. A review of fees and charges was also carried out during the year.

A cross party working group has been formed to examine and determine the Council's asset management plan, which forms part of a new Asset Management Strategy approved in April 2018. A list of projects was developed which the cross party group will prioritise. Delivery of the plan will ensure efficient and effective use of the Council's assets, in line with the

corporate strategy. Governance arrangements for the Housing Management Strategy have been formally documented.

PRINCIPLE G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Arrangements in place

- A range of information is published including an annual report of internal audit, the financial statements, the annual report of external auditor and this annual governance statement, which contains an action plan demonstrating a commitment to continuous improvement.
- All reports are subject to a robust internal review process to ensure they are presented in an understandable style.
- The performance information set out in the financial statements is prepared in consideration of the presentational approach adopted by other similar authorities.
- There is an open data section on the Council's website which includes details of senior officer salaries.
- Implementation of external audit recommendations is monitored by the Financial Services Manager and Deputy Section 151 officer.
- Implementation of internal audit recommendations is monitored by the Corporate Assurance and Improvement Manager and reported to senior management and the Audit and Ethics Committee.
- The Corporate Assurance and Improvement Manager is provided with direct unfettered access to the Chair and Vice Chairs of the Audit and Ethics Committee.
- The Council submits itself to external peer reviews including by the Local Government Association, and in May 2017 welcomed an equalities and diversity peer review and challenge. Action plans arising from these reviews are monitored by the senior management team.
- An internal audit review of governance arrangements for jointly managed organisations and partnerships was completed in 2017/18 and provided a Substantial level of assurance.
- Invitations to tender are published along with the contracts register.

Effectiveness and future developments

The Annual Audit Letter for 2016/17 provided assurance over the Council's financial control and overall governance arrangements.

The presentation of the Council's financial statements was redesigned in 2017 to make them easier to read and for stakeholders to understand. The design of this annual governance statement was also updated to make it easier to read, and it has been prepared in line with good practice guidelines published by the Chartered Institute of Public Finance and Accountability (CIPFA). Furthermore, the draft financial statements and annual governance statement are now published earlier; this provides stakeholders with more timely information.

In May 2017 the Council welcomed an external review which resulted in it being the first and only district authority to be reaccredited as “excellent” under the equalities framework for local government.

An internal audit review of the Council's governance arrangements for jointly managed organisations and partnerships has been scheduled for 2017/18 which provided a Substantial level of assurance. In line with recommended practice the results of this review have been published.

Whilst the Council's corporate performance information is published within Cabinet and scrutiny committee reports and in the financial statements, in 2018 this information will be made easier for stakeholders to access because it will be added to the open data section of the website. **See Action 7**

In September 2017 the internal audit service participated in an independent external quality assessment. The review compared the operation of the service with the Public Sector Internal Audit Standards (the Standards). The results were reported to senior management, Cabinet and the Audit and Ethics Committee. The report concluded that there are “no areas of non-compliance with the standards that would affect the overall scope or operation of the internal audit activity. Significant progress has been made over the last two years to update the audit approach”. The report also highlighted “some minor actions needed to ensure full compliance with the standards”. The formal recommendations arising from the assessment, details of which were reported to the Audit and Ethics Committee in November 2017, have all been implemented. The Internal Audit service is therefore operating in conformance to the Standards.

6. PROGRESS ON DELIVERY OF LAST YEAR'S ACTION PLAN

	Improvement Action	Assessment of Progress
1	Update the feedback and complaints procedure, ensuring that: <ul style="list-style-type: none"> • Common themes are identified for which lessons may need to be applied across the Council; and • There is a common approach to recognising and celebrating positive feedback from customers. 	<p>In Progress</p> <p>The arrangements are overseen by the Communications team, which reports to the Executive Director.</p> <p>A system for sharing and celebrating feedback has been trialled and a more formal option is currently being considered.</p> <p>See Action 5</p>
2	Implement and embed compliance with the new General Data Protection Regulations.	<p>In Progress</p> <p>Steps have been taken during the year to prepare the Council for implementation of the new regulations. These steps include the roll out of eLearning training to officers and completing data reviews across the organisation. Further work will be carried out early in 2018/19 to implement and embed the regulations across the Council; this will include a procedure for reporting any breaches of the regulations and the provision of further officer training on information security. See Action 2</p>
3	Review and update the service planning process, ensuring that delivery of action plans is monitored and that there are clear linkages between key performance measures and the outcomes envisaged in the corporate strategy.	<p>Completed</p> <p>The service planning process was reviewed and updated in September 2017.</p>
4	Review, update and communicate the protocol for member/officer relations	<p>Completed</p> <p>The protocol was reviewed and updated in December 2017.</p>
5	Develop a corporate risk register; ensuring risks are effectively managed through the Strategic Risk Management Group (SRMG).	<p>Not Completed</p> <p>When the service planning process was amended, it was recognised that the new process would highlight a more comprehensive list of risks which would benefit from being managed at the corporate level. It was therefore decided to delay the development of the corporate risk register until the service planning had been completed in the fourth quarter. The corporate risk register will be developed for consideration by the SRMG in August 2018.</p> <p>See Action 9</p>

	Improvement Action	Assessment of Progress
6	Complete and publish the review of governance arrangements for jointly managed organisations and partnerships.	Completed The results of the review were published in May 2018.
7	Add corporate performance information to the open data section of the Council website	Not Completed It was agreed that this information would be added once the service planning workshops had been completed, which included a full review and update of the Council's KPIs ensuring they contain the information that matters to stakeholders and reflecting the corporate priorities. The Council will begin publishing the information with effect from August 2018. See Action 7
8	Report the results of the internal audit external quality assessment to the Audit and Ethics Committee and update the service improvement plan to reflect the results of the assessment.	Completed The results were reported in November 2017 and the formal recommendations have all been implemented.
9	Develop Business Continuity Plans for critical services	Completed The plans were completed in December 2017.
10	Review and update of the Constitution, including the Code of Conduct for Officers	Completed An updated Constitution was approved in December 2017.
11	Introduce a dedicated governance forum, ensuring that any emerging governance issues are reviewed and addressed during the year.	Completed The remit of the SRMG was reviewed and amended to incorporate governance issues, which are considered at each quarterly meeting.
12	Fully implement and embed the new Anti-Fraud, Bribery and Corruption Strategy, including provision of further training to members and individual teams.	Substantially Completed Proactive assurance work was completed in related to two areas of potential fraud risk – Council Tax and NDR, and use of the corporate credit cards. Fraud awareness training was provided to all managers via the Corporate Management Forum. The same awareness training will be delivered to members in July 2018, and to individual teams with the first team already having received the training. Furthermore, the Councils fraud risks and mitigating controls will be subject to a re-review during 2018/19. See Action 1

7. UPDATED ACTION PLAN

	Action	Lead officer	Target completion date
1	Deliver fraud awareness training to teams and members. Re-review the Council's fraud risks. Require all employees to confirm that they have read and understand the Anti-Fraud, Bribery and Corruption Strategy and Fraud Response Plan.	Head of Corporate Resources and Chief Finance Officer	31/12/2018
2	Develop and implement a procedure for reporting any breaches of the GDPR regulations and provide further officer training on information security.	Executive Director	31/07/2018
3	Develop and implement a revised template for completing equality impact assessments. Provide training to all managers to ensure that the assessments are carried out in a consistent manner.	Head of Communities and Homes	31/12/2018
4	Implement new reporting arrangements to ensure that delivery of projects and action plans associated with the corporate strategy is closely monitored.	Head of Corporate Resources and Chief Finance Officer	30/09/2018
5	Implement the employee forum and mental health first aider initiatives.	Head of Corporate Resources and Chief Finance Officer	30/09/2018
6	Fully implement the action plan arising from the internal audit review of corporate health and safety.	Head of Environment and Public Realm	31/12/2018
7	Review and update the content, format and presentation of the Council's performance data. Submit corporate performance reports to the Audit and Ethics Committee for consideration. Add corporate performance information to the open data section of the Council website.	Head of Corporate Resources and Chief Finance Officer	30/09/2018
8	Implement the action plan arising from the internal audit review of fleet management.	Head of Environment and Public Realm	31/03/2019
9	Develop a corporate risk register; ensuring risks are effectively managed through the Strategic Risk Management Group (SRMG).	Head of Corporate Resources and Chief Finance Officer	30/09/2018

8. SUMMARY, CONCLUSION AND CERTIFICATION

- 8.1 Good governance is about running things properly. It is the means by which the Council shows it is taking decisions for the good of the people in the area, in a fair, equitable and open way. It also requires standards of behaviour that support good decision making – collective and individual integrity, openness and honesty. It is the foundation for the delivery of good quality services that meet all local people’s needs. It is fundamental to showing public money is well spent. Without good governance the Council will struggle to deliver the outcomes set out in the corporate strategy.
- 8.2 This statement has been considered by the Audit and Ethics Committee, which was satisfied that it is an accurate reflection of the governance framework and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. A number of future developments have been highlighted and these are specifically addressed within the Action Plan.
- 8.3 The Council is satisfied that its overall governance framework provides a substantial level of assurance of effectiveness, although a number of further development areas have been highlighted. Delivery of the Action Plan will be monitored during 2018/19.
- 8.4 Our overall assessment is that the Annual Governance Statement is a balanced reflection of the governance environment and that an adequate framework exists within the Council to ensure an effective internal control environment is maintained. We are also satisfied that there are appropriate plans in place to address any significant governance issues and will monitor their implementation and operations.

Adam Norburn - Executive Director

Date:

Councillor M Stokes - Leader of Rugby Borough Council

Date:

AGENDA MANAGEMENT SHEET

<i>Name of Meeting</i>	Audit and Ethics Committee
<i>Date of Meeting</i>	29 May 2018
<i>Report Title</i>	Overdue Internal Audit Recommendations
<i>Portfolio</i>	Corporate Resources
<i>Ward Relevance</i>	None
<i>Prior Consultation</i>	Head of Corporate Resources and Chief Finance Officer
<i>Contact Officer</i>	Chris Green, Corporate Assurance and Improvement Manager, Tel: (01788) 533 451
<i>Report Subject to Call-in</i>	This report is not subject to Call-In because the Committee has specific responsibility to review the work of the internal audit function and the framework of policies and standards within which it operates.
<i>Statutory/Policy Background</i>	Public Sector Internal Audit Standards (PSIAS)
<i>Summary</i>	The report sets out the latest position in respect of overdue internal audit recommendations.
<i>Risk Management Implications</i>	There are no risk management implications arising directly from this report.
<i>Financial Implications</i>	There are no financial implications arising directly from this report.
<i>Environmental Implications</i>	There are no environmental implications arising from this report.
<i>Equality and Diversity</i>	There are no Equality and Diversity implications arising from this report.
<i>Legal Implications</i>	There are no legal implications arising from this report.
<i>Recommendation</i>	That the report be considered and noted.

Reasons for Recommendation

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

Audit and Ethics Committee – 29 May 2018

Overdue Internal Audit Recommendations

Report of the Head of Corporate Resources and Chief Finance Officer

Recommendation

That the report be considered and noted.

1. Introduction

- 1.1 The Public Sector Internal Audit Standards (the Standards) require the Audit and 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 updates the Committee on the progress being made by management towards the implementation of actions arising from audit reports.

2. Summary

- 2.1 Appendix A also sets out the progress against the recommendations made by Internal Audit for 2016/17 and 2017/18.
- 2.2 At the time of reporting 72% of agreed actions arising from audits had been implemented on time and a further 12% had been implemented late, resulting in an overall implementation rate of 84%. A total of 101 agreed internal audit actions were implemented by the Council during 2017/18, this represents a substantial increase compared with the 43 actions implemented in 2016/17 and reflects the recent changes to the internal audit methodology. There were 20 agreed actions which were overdue at the time of reporting, details of which are set out in Appendix A along with management comments on the latest position.

Name of Meeting: Audit and Ethics Committee
Date of Meeting: 29 May 2018
Subject Matter: Overdue Internal Audit Recommendations
Originating Department: Corporate Assurance and Improvement

LIST OF BACKGROUND PAPERS

Document No.	Date	Description of Document	Officer's Reference	File Reference
Appendix A	29 May 2018	Overdue internal audit recommendations		

APPENDIX A: PROGRESS ON DELIVERY OF INTERNAL AUDIT RECOMMENDATIONS

Table 1 – Implementation of Audit Recommendations - Summary

Audit	No. of Recs	Implemented on Time	Implemented Late	Not yet due	Overdue	Rejected Medium or High Risk Actions
Stocks and Stationery	3	3	0	0	0	0
ICT Service Desk	4	0	4	0	0	0
Corporate Health and Safety	15	10	1	0	4	0
Fees and Charges	8	7	0	0	1	0
ICT Infrastructure Resilience	5	0	5	0	0	0
Payment Card Industry Data Security Standards	7	5	0	0	2	0
Business Continuity and Emergency Planning	8	7	0	0	1	0
Benn Hall Investigation	8	7	1	0	0	0
Discretionary/Consultant Expenditure	7	5	2	0	0	0
ICT Systems Administration	7	6	1	0	0	0
Procurement and Contract Management	8	4	0	0	4	0
Financial System Key Controls	11	7	0	3	1	0
Corporate Credit Cards	9	8	0	0	1	0
Play and On Track	12	9	0	3	0	0
RAGM Income	14	8	0	0	6	0
Green Waste	1	1	0	0	0	0
ICT Infrastructure	6	0	0	6	0	0
Benn Hall	18	0	0	18	0	0
Council Tax and NDR Fraud	10	0	0	10	0	0
Fleet Management	13	0	0	13	0	0
Partnership Governance	2	0	0	2	0	0
Risk Management	7	0	0	7	0	0
Due for Completion	121	87 (72%)	14 (12%)	-	20 (16%)	0
Totals	183	87 (48%)	14 (8%)	62(33%)	20(11%)	0

APPENDIX A: PROGRESS ON DELIVERY OF INTERNAL AUDIT RECOMMENDATIONS

Table 2 – Details of Overdue Recommendations

Audit	Agreed Action	Original Target Date	Management Comments	Revised Timescale
Health and Safety	<p>Review the level of Health and Safety Advisor support across the Council.</p> <p>Ensure there is appropriate advisory support in place so high risk operational activities are undertaken safely.</p>	31/03/2017	<p>Action in progress. Senior management has reviewed the level of support required. Two new positions were approved within an expanded Corporate Safety and Resilience team. Unfortunately, it was not possible to appoint to the vacant positions. Following a second attempt at recruitment one of the vacant positions has been filled. The Council has also been exploring a service level agreement with Coventry, Solihull and Warwickshire (CSW) resilience team. This would enable support to be provided for the Council's emergency planning and business continuity functions. If the service level agreement with CSW cannot be put in place then management will again explore in house resourcing options.</p>	31/08/2018
Health and Safety	<p>Ensure that all temporary and agency staff receive appropriate induction training covering safe working practices, including DSE assessments where applicable.</p>	31/03/2017	<p>The original agency worker checklist has been reviewed and the procedure updated. A health and safety video will be developed which must be watched by all such staff before they commence work with the Council. At the time of reporting, a meeting had been held with</p>	31/07/2018

APPENDIX A: PROGRESS ON DELIVERY OF INTERNAL AUDIT RECOMMENDATIONS

Audit	Agreed Action	Original Target Date	Management Comments	Revised Timescale
			the film producer. Filming has been booked for June 2018. The staff will be required to confirm that they have watched and understood the contents of the video. The Council's agency worker supplier will administer this on behalf of the Council.	
Health and 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 will be staff training.	30/10/2018
Health and Safety	<p>Publish the list and authors of risk assessments on the Extranet, and ensure that significant risks are communicated to the relevant staff and stakeholders.</p> <p>Ensure that risk assessments are periodically reviewed and updated, with any further training needs highlighted and communicated.</p> <p>Ensure that accident reports include a statement to demonstrate exactly how the risk assessment has changed as a result.</p> <p>Undertake periodic management monitoring checks to provide assurance</p>	31/03/2017	A programme of work for risk assessments has been planned for implementation once additional Safety Team resources are in place. See above.	30/11/2018

APPENDIX A: PROGRESS ON DELIVERY OF INTERNAL AUDIT RECOMMENDATIONS

Audit	Agreed Action	Original Target Date	Management Comments	Revised Timescale
	that health and safety risk assessments have been completed and/or updated for all areas of significant risk.			
Fees and Charges	The Finance Manager and Legal Services Manager should liaise with the Solicitor and Deputy Monitoring Officer to ensure that areas where services are free of charge currently but which have the potential to generate significant income are included in the next review. It would also be useful for Finance Officers to definitively know what the legal position is in the areas they look after i.e. whether generating an income rather than cost recovery is acceptable in statute.	31/05/2017	A revised timescale will be agreed. The previous Solicitor has now left the Council and attempts to recruit a Principal Lawyer have been unsuccessful. Resource needs are now being re-evaluated and timing is dependent upon an evaluation of the resources available.	TBC
Payment Card Industry Data Security Standards	The Customer Services Guidance should be adopted as a starting point for a formal PCI card payment procedure applicable to all business areas accepting card payments. The guidance should be reviewed and revised to include guidance on business continuity/service failure procedures and a formal owner agreed. Once the new procedure has been finalised it should be formally approved as a Council Policy.	31/02/2018	This issue hadn't been addressed owing to the long term absence of the Corporate ICT Manager. The Customer Services Guidance will be adopted as the formal procedure across the organisation.	31/07/2018

APPENDIX A: PROGRESS ON DELIVERY OF INTERNAL AUDIT RECOMMENDATIONS

Audit	Agreed Action	Original Target Date	Management Comments	Revised Timescale
Payment Card Industry Data Security Standards	Core elements of PCI payment card transaction training should be delivered centrally by Customer Services.	31/03/2018	This issue hadn't been addressed owing to the long term absence of the Corporate ICT Manager. Customer Services will arrange delivery of the training.	31/08/2018
Business Continuity and Emergency Planning	Draft and cascade an updated bomb threat procedure.	31/12/2017	A procedure has been drafted and is being considered by the Head of Environment and Public Realm. A copy has been forwarded to the counter terrorism unit for review and comment.	30/06/2018
Procurement and Contract Management	Ensure that requisitions and purchase orders are raised by officers on Agresso to ensure segregation of duties is applied within the procurement process.	30/04/2018	Monitoring reports are being developed and service accountants have been instructed to monitor compliance as part of their regular review meetings with managers.	30/06/2018
Procurement and Contract Management	Remind contract managers of their contract administration responsibilities.	31/03/2018	This is still in progress. Contract Management training is being sourced from a specialist training company and the content is being tailored to the Council's needs, which will include the contracts database, the procurement toolkit and the checklist.	31/07/2018
Procurement and Contract Management	Remind managers to work to the established governance procedures in relation to the retention of quotation and tender documentation.	31/03/2018	The procurement toolkit and checklist are ready for circulation to managers at the next Corporate Management Forum, and summarise the key considerations for their procurement to ensure they are compliant.	30/06/2018

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Procurement and Contract Management	Update the standard procurement documentation wording to make the nature of the required health and safety documentation absolutely clear. Include a health and safety section within the new commissioning document which sets out the additional health and safety requirements where projects are assessed as higher risk. Obtain advice and support from the new Corporate Safety and Resilience team where appropriate.	30/04/2018	The Health and Safety section of the invitation to tender documentation is still in development. Consultation is ongoing with officers. Part of the changes will be ensuring that contract managers determine the health and safety requirements of contracts whilst drawing up the specification. There will also be a requirement for contract managers to ensure that health and safety monitoring of their contracts takes place.	30/09/2018
Financial System Key Controls	Circulate a questionnaire to all organisations in receipt of mandatory NDR relief, in order to review eligibility. Ensure that each response is reviewed and eligibility for mandatory relief removed where necessary. Develop and maintain a schedule of mandatory NDR relief which includes details of the date of award and when entitlement reviews have been carried out.	31/03/2018	It is expected that this work will now be completed by the end of June 2018.	30/06/2018
Corporate Credit Card	Financial instructions to be updated and republished to include formalised credit card procedures for physical cards.	31/03/2018	Due to staff retention and recruitment issues, the financial instructions have not yet been updated. Two Principal Accountants have been appointed and they will be tasked with completing the	30/06/2018

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Audit	Agreed Action	Original Target Date	Management Comments	Revised Timescale
			update by the end of June 2018. Changes to the procedures have however been implemented and this has substantially addressed the issues raised in the audit.	
Rugby Art Gallery and Museum (RAGM)	Ensure that potential solutions to the till interface with the card machine and ticketing systems are fully explored.	30/04/2018	The integration was being examined by the previous Corporate ICT Manager who has now left the Council. A meeting is being held in May 2018 with a senior ICT officer, to review a proposal for upgrading the till system.	30/09/2018
RAGM	<p>The use of the RAGM PayPal account as the method of payment for all of the Councils' online Sportsbooker sales should be reviewed.</p> <p>Note: this issue relates to online ticket sales, which at present can only be processed via PayPal – this creating additional manual work with officers having to review transactions line by line and allocate income to the appropriate area.</p>	30/04/2018	See above. There is a proposal for upgrading the till system under consideration.	30/09/2018
RAGM	The Tourism and Town Centre Team Leader should consider the benefits to continuing with the Ticketmaster offering, including the percentage commission needed to ensure the proposition is viable. He should also	31/03/2018	This is still being considered by the Tourism and Town Centre Team Leader, who has received a revised version of the draft agreement from Ticketmaster.	30/06/2018

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	confirm the controls in place to ensure accurate records are maintained and appropriate financial controls exist when/if the agreement is finalised.			
RAGM	Guidelines on the circumstances under which the concessionary advance purchase option may be used should be detailed within the new retail strategy currently being written.	30/04/2018	This relates to the potential Ticketmaster offering (see above). The new town centre retail strategy is still in development.	31/07/2018
RAGM	Ensure that the new buying policy and sales policy (price reduction process) are included within the new Retail Strategy.	30/04/2018	The new town centre retail strategy is still in development.	31/07/2018
RAGM	Consideration should be given to the information the stock system could provide to help inform purchasing and stock management decisions.	30/04/2018	This is linked to the new town centre retail strategy, which is still in development.	31/07/2018