

16 March 2018

## AUDIT AND ETHICS COMMITTEE – 27 MARCH 2018

A meeting of the Audit and Ethics Committee will be held at 5.30pm on Tuesday 27 March 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 30 January 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. Statement of Accounts 2017/18
5. 2017/18 Audit Progress Report and Sector Update (report to follow)
6. Informing the Audit Risk Assessment (report to follow)
7. Managing High Priority Strategic Risks
8. 2017/18 Internal Audit Plan – Progress Update
9. 2018/19 Internal Audit Plan
10. 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. Corporate Credit Cards Internal Audit Report – Action Plan Update
2. Whistle Blowing Incidents – Standing Item – to receive any updates
3. Fraud and Corruption Issues – Standing Item – to receive any updates

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

### **Membership of the Committee:**

Mr P Dudfield (Chairman), Mr J Eves (Vice-Chairman), Councillors Miss Lawrence, 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](mailto: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***

<b>Report Title:</b>	Statement of Accounts 2017/18
<b>Name of Committee:</b>	Audit and Ethics Committee
<b>Date:</b>	27 March 2018
<b>Report Director:</b>	Head of Corporate Resources and Chief Financial Officer
<b>Portfolio:</b>	Corporate Resources
<b>Ward Relevance:</b>	All
<b>Prior Consultation:</b>	N/A
<b>Contact Officer:</b>	Chris Blundell, Financial Services Manager, Tel: 01788 533401
<b>Public or Private:</b>	Public
<b>Report subject to Call-In:</b>	No
<b>Corporate Priorities:</b>	All
<b>Statutory/Policy Background:</b>	The Local Audit and Accountability Act 2014 and Accounts and Audit Regulations 2015.
<b>Summary:</b>	<p>This report provides the context within which the 2017/18 statement of accounts are being produced and risks presented to meeting the new faster closedown requirements.</p> <p>Approval is sought for the Council's accounting policies for 2017/18 and for consideration to be given to the update to the 2016/17 audit action plan.</p>
<b>Financial Implications:</b>	There are no financial implications for this report.
<b>Risk Management Implications:</b>	There are no risk management implications for this report.
<b>Environmental Implications:</b>	There are no environmental implications for this report.
<b>Legal Implications:</b>	There are no legal implications for this report.

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

**Recommendation:** The Committee note the update to the 2016/17 audit action plan.

The Committee approve the Council's accounting policies for 2017/18.

**Reasons for Recommendation:** Accounting policies are the specific principles, bases, conventions, rules and practices applied in preparing and presenting financial statements. The Committee is responsible for approving the financial statements and therefore required to understand the basis on which they have been prepared.

**Audit and Ethics Committee – 27 March 2018**

**Statement of Accounts 2017/18**

**Report of the Head of Corporate Resources and Chief Financial Officer**

**Recommendation**

The Committee note the update to the 2016/17 audit action plan.

The Committee approve the Council's accounting policies for 2017/18.

**1. Introduction**

- 1.1. This report provides the Committee with some context within which the 2017/18 statement of accounts are being produced and the challenges and risks presented to the Council in meeting the new faster closedown requirements.
- 1.2. Approval is sought for the Council's accounting policies for 2017/18 and for consideration to be given to the update to the 2016/17 audit action plan.

**2. Faster Close**

- 2.1. For 2017/18 local authorities are required to approve and publish the accounts by 31 May and 31 July respectively (previously 30 June and 30 September). This represents a significant change to the Council's financial operations and a substantial challenge for the Financial Services team.
- 2.2. Last year the Council trialled a compressed closedown timetable and through sound project management and a raft of system and process improvements, the draft Accounts for 2016/17 were approved 31 May, significantly earlier than in previous years and in-line with this year's 2017/18 reduced statutory deadlines.
- 2.3. However, the Council was not able to publish the accounts by 31 July and recognises that in order to meet the requirements to publish the final accounts by the revised deadline more progress will need to be made. In particular, management have been working with the auditors and colleagues at other local authorities to further improve processes and working papers to aid the Council's efforts to achieve the earlier statutory deadline. Further detail is provided at section 4 below.

**3. Resourcing**

- 3.1. The Council's accountancy function consists of approximately 10 full time equivalent officers and has experienced a relatively high degree of turnover in recent months, compared to a long period of stability prior to that, with three senior officers leaving the service between November 2017 and March 2018. Recruitment to these posts has proved challenging and consequently the service's two Principal Accountant

Posts are currently vacant and replacement officers will not be in post until the end of April and May respectively.

- 3.2. Wherever possible tasks have been reallocated with resources flexed and some staff are being remunerated appropriately for accepting elevated duties. However, given the relatively small size of the service, these vacancies present a significant risk to the publication of the accounts in-line with the statutory deadline.

#### **4. Action Plan Update**

- 4.1. As part of the Audit Findings Report for 2016/17, Grant Thornton made a small number of recommendations, which were set out in an audit action plan. An update to this audit action plan is presented at Appendix 1.
- 4.2. All the actions have been either been completed or are nearing completion, in-line with the agreed deadlines. However, a number of the actions by their nature will continue to be reviewed and assessed on an on-going basis.
- 4.3. One of the main areas identified in the Audit Findings report was for improvement to made to the consistency and quality of the Council's working papers. This issue was a significant factor in the audit not being completed by the originally planned July deadline. As can be seen in the updated action plan, steps have been put in place to address this for 2017/18, including the introduction of a formal Quality Assurance process.

#### **5. Local Authority Accounting Framework**

- 5.1. There have been no substantial changes to accounting standards or other prescribed practice for the closure of the 2017/18 accounts for local authorities, which is partly in recognition of the challenges that authorities face in closing the accounts faster this year.
- 5.2. However, scanning the horizon, up-coming accounting changes that will have the potential to affect the Council's finances in the future are:

**IFRS 9 – Financial Instruments:** this new standard becomes applicable from 1 April 2018 and will affect how authorities account for their financial assets. The new standard will include a new basis for classification and measurement and also a new approach to impairment.

The adoption of this new standard could increase the financial risks the Council faces in holding some financial assets that have previously been classified as Available for Sale under the current IAS39 Financial Instruments. Under the existing IAS39 any changes in the valuation of these financial assets have been transferred to and held in an unusable Available for Sale reserve, with no cash impact on the Council's usable reserves and balances. However, under the new IFRS 9, depending on the asset classification, the movement in some of these assets will have to be charged to the General Fund balance. Notably this would impact on the accounting treatment of the Property Funds that the Council has invested £4 million in.

The local authority sector has been lobbying government to provide a statutory override so that these movements will not impact council's 'bottom-lines', but the outcome of this action remain uncertain.

**IFRS 16 – Leases:** this new standard will be in play from 2018/19 and will affect how organisations account for the assets that they lease from other organisations. Although it is a substantial standard change, the Council has only a limited number of leased assets and therefore at present it is expected the impact will be marginal.

5.3. Updates on these issues will be reported to the Committee in further detail in due course.

## **6. Accounting Policies**

6.1. Accounting policies are the specific principles, bases, conventions, rules and practices applied in preparing and presenting financial statements.

6.2. The Head of Corporate Resources and Chief Financial Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices and, in preparing those Accounts, is responsible for selecting suitable accounting policies and applying them consistently.

6.3. The Audit and Ethics Committee is responsible for approving the Statement of Accounts and should therefore be aware of and understand the basis on which those Accounts have been prepared. There have been no changes to the Council's draft accounting policies for 2017/18 and they are provided at Appendix 2 for consideration and approval.

Name of Meeting: Audit and Ethics Committee  
Date of Meeting: 27 March 2018  
Subject Matter: Statement of Accounts 2017/18  
Originating Department: Corporate Resources

**List of Background Papers**

There are no background papers relating to this item.



Rec no	Recommendation	Priority	Management response	Implementation date and responsibility
1	<p>Management should consider:</p> <ul style="list-style-type: none"> <li>• whether it wishes to put in place authorisation processes for journals raised by the Financial Services Manager; or</li> <li>• whether it wishes to document why it is willing to accept the risk arising from specific self-authorisation of journals.</li> </ul>	<p><b>Medium</b></p>	<p>The Financial Services Manager will again be required to complete some year-end journals in order to assist the team meet the faster closedown requirements. In response to concerns raised by the audit committee, the Financial Services Manager will ensure all their journals are reviewed and approved by another finance officer.</p>	<p>By 31 March 2018</p>
2	<p>Officers should consider how they can provide greater evidence of challenge of the work of experts, particularly in relation to material estimates such as the asset valuation and the valuation of pension liabilities.</p>	<p><b>Low</b></p>	<p>Completed but on-going continuous review</p> <p>Challenge processes have been discussed and agreed with auditors for information supplied by and assumptions applied by actuaries and asset valuers.</p>	<p>By 31 March 2018</p>
3	<p>Finance staff should review how the working papers to support the financial statements are produced and filed, so that they are easy to locate and understand by finance staff who have not been involved in the accounts production process. A quality assurance arrangement should be put in place for all working papers produced which should be appropriately evidenced</p>	<p><b>Medium</b></p>	<p>Completed but on-going continuous review</p> <p>Officers attended a Financial Statements and Working Papers workshop with colleagues from other authorities, which was hosted by Grant Thornton in January 2018. This was an opportunity to review closedown processes and share best practice with colleagues, some of which will be incorporated into RBC's the 2017/18 closedown process.</p> <p>Review of 2016/17 working papers is being completed by Business Finance Analyst, who is a senior finance officer that is not involved in the year-end process.</p> <p>The officer will also provide an independent quality assurance function for the 2017/18 working papers.</p>	<p>By 31 March 2018</p>

4	Officers should review year end processes and identify areas where they could be streamlined or undertaken at different times in the year. In particular, where could the accounts rely on greater use of estimates and does the financial reporting system provide the necessary reports to enable an efficient close down.	<b>Medium</b>	<p>Completed</p> <p>Early adjustments made for immaterial items, such as:</p> <ul style="list-style-type: none"> <li>• Some stock items</li> <li>• Employee Accumulated Absences Account</li> </ul>	By 31 March 2018
5	Management should process misclassification adjustments to the accounts in the general ledger.	<b>Medium</b>	Completed	By 31 March 2018

## Draft Accounting Policies 2017/18

### 1. General Principles

The Statement of Accounts (the Accounts) summarises the Council's transactions for the 2017/18 financial year and its position at the year-end of 31<sup>st</sup> March 2018. The Council is required to prepare annual Accounts by the Accounts and Audit Regulations 2015, which require the Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code), supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

### 2. Accruals of Income and Expenditure

The Council's revenue and capital activity is accounted for in the year that it takes place, by including sums due to or from the Council in the year, not simply when cash payments are made or received.

Where material income and expenditure amounts have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected (bad debts).

This concept is not applied to electricity and gas supplies and other routine on-going business expenses. However, the Accounts do reflect twelve months' supply in each year and this does not have a material effect on the Accounts.

### 3. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than one month from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

### 4. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

## **5. Officers Remuneration**

### **Benefits payable during employment**

Short term employee benefits are those due to be settled within 12 months of the year-end. They include salaries, wages and other employment related payments and are recognised as an expense in the year in which the service is rendered by the employees. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end which employees can carry forward into the following financial year.

### **Termination Benefits**

Termination benefits are amounts payable as a result of the Council's decision to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. These are charged on an accruals basis to the relevant service line in the Comprehensive Income & Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

### **Pension Costs**

#### **Pension Benefits**

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments for those benefits and to disclose them at the time that the employees earn their future entitlement.

The pension scheme is operated under the framework of the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions investment sub-committee of Warwickshire County Council. Policy is determined in accordance with the Pensions Fund Regulations.

Statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement this means that there are appropriations to and from the Pension Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end. The negative balance that arise on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

#### **Recognition and Measurement**

The LGPS is accounted for as a defined benefit scheme:

- The liabilities of the pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method; which is an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of future earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.6% (broadly equivalent to the yield available on high quality corporate bonds with duration, consistent with the term of the liabilities).
- The fair value of the assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - Market quoted investments – current bid price on the final day of the accounting period

- Fixed interest securities – net market value based on their current yields
- Unquoted investments – professional estimate

The change in net pensions liability is analysed into the following components:

- **Service Cost** - comprising:
  - Current year service cost – the increase in the liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
  - Past service cost – the increases in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
  - Net interest on the net defined liability – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
- **Remeasurements** - comprising:
  - The return on plan assets – excluding amounts including in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
  - Actuarial gains and losses – change in the net pensions liability that arise because event have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- **Contributions paid to the pension fund** – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

## 6. Events after the Reporting Period

Events taking place after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Accounts are authorised for issued. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of 2016/17 – the Accounts are adjusted to reflect such events
- Those that are indicative of conditions that arose after the 31<sup>st</sup> March 2017 – the Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made of the nature of the event and their estimated financial effect.

## 7. Financial Instruments

### Financial Liabilities (e.g. Borrowing)

Financial liabilities are initially measured at fair value and carried on the Balance Sheet at that value plus any interest due. Annual charges to the Comprehensive Income & Expenditure Statement for interest payable are based on the carrying amount of the liability multiplied by the effective rate of interest for that particular financial instrument. For most borrowings that the Council has this means that the amount presented in the Balance Sheet is the outstanding principal repayable, and interest charged to the Comprehensive Income & Expenditure Statement is the amount payable for the year in the loan agreement.

### Financial Assets (e.g. Investments)

Financial Assets are classified into two types:

- Loans and receivables – Investments that have fixed determinable payments but are not quoted in an active market
- Available-for-sale-assets – assets that have a quoted market price and/or do not have fixed or determinable payments

**Loans and Receivables** are initially measured at fair value and carried at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most loans that the Council has made, this means that the amount presented in the balance sheet is the outstanding principal receivable, and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement.

## 8. Fair Value Measurement

The Council measures some of its assets and liabilities at fair value at the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council uses external Valuers to provide a valuation of its assets and liabilities in line with the highest and best use definition within the accounting standard. The highest and best use of the asset or liability being valued is considered from the perspective of a market participant.

Inputs to the valuation techniques in respect of the Council's fair value measurement of its assets and liabilities are categorised within the fair value hierarchy as follows:

**Level 1** – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date.

**Level 2** – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

**Level 3** – unobservable inputs for the asset or liability.

## 9. Grant Income

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council and credited to the Comprehensive Income and Expenditure Statement when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments; and
- the grants or contributions will be received.

Monies advanced as grants or contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line or Taxation and Non Specific Grant line in the Comprehensive Income & Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where it has been applied to finance capital expenditure, it is posted to the Capital Adjustment Account. Where the grant has yet to be applied, it is posted to the Capital Grant Unapplied reserve. Amounts in the Capital Grant Unapplied reserve are subsequently transferred to the Capital Adjustment Account once they have been used to fund capital expenditure.

## 10. Heritage Assets

Heritage assets are assets that are held by the Council principally for their contribution to knowledge and culture. They are a distinct class of asset which is reported separately from property, plant, and equipment. Previously the majority of these assets had been held as Community Assets with the exception of one or two which were held in Infrastructure Assets or Other Land and Buildings. The heritage assets held by the Council have been categorised as follows:

- Art & Social History Collections
- Monuments & Statues
- Historic sites / buildings
- Civic Regalia

The Code requires councils to recognise heritage assets where the Council has information on the cost or value of the asset. However, the unique nature of many heritage assets makes reliable valuation complex. Where it is not practical to obtain a valuation for an asset (at a cost which is commensurate with the benefits to users of the financial statements) and cost information is available, the asset will be carried at historical cost (less any accumulated depreciation, amortisation and impairment losses) as permitted by the Code.

Valuations may be made by any method that is appropriate and relevant to the heritage asset: this includes insurance valuations for museum collections, monuments & statues, historic sites, and civic regalia. It is not a requirement of the Code for valuations to be carried out or verified by external valuers. Although there is no prescribed minimum period between full valuations, the Council considers it appropriate to seek a full valuation every five years.

Impairment reviews will only take place where there is physical deterioration or new doubts as to the authenticity of the heritage asset. Any impairment recognised will be treated in accordance with the Council's policy on impairments.

## **11. Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance are identifiable and controlled by the Council is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council. Normal examples are those of software or software licences, which have a value, but over a fairly short life of 3 –10 years and are therefore written down over that useful life.

## **12. Inventories and Long-term Contracts**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

## **13. Investment Properties**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income & Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustments Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

## **14. Joint Operations**

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Council in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Council as a joint operator recognises:

- Its assets, including any held jointly
- Its liabilities, including any share of any liabilities incurred jointly
- Its revenue from the sale of its share of the output arising from the joint operation
- Its expenses, including its share of any expenses incurred jointly
- The Council has a 50% interest in the Rainsbrook Crematorium Joint Committee with the other 50% relating to Daventry District Council. The decision making and operational arrangements of the Joint Committee fulfil the features associated with a jointly controlled operation in that:



- Each operator incurs its own expenses and liabilities and raises its own finance, which represent its own obligations; and
- The joint operation agreement provides a means by which the revenue from the service and any expenses incurred in common are shared among the operators.

Therefore, in line with the contractual arrangements set out in the joint agreement, the Council recognises its share of the operational assets and liabilities of the Joint Committee on its Balance Sheet and also debits and credits the Comprehensive Income and Expenditure Statement with 50% of the expenditure and income of the Joint Committee. This is also recognised in the Movement in Reserves Statement and the Cash Flow Statement as appropriate. Further detail on this Joint Operation is also provided in Note 36 Related Party Transactions.

### **15. Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and building elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets. This definition includes rental agreements, contract hire and licences.

### **16. Overheads and Support Services**

The cost of overheads and support services are charged to the Council's Portfolios in accordance with the Council's arrangements for accountability and financial performance.

### **17. Property Plant and Equipment**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

#### **Recognition**

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably.

Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as a revenue expense when it is incurred. The Council has established a de-minimis level of £10,000. Expenditure on assets under this level is not capitalised within the Accounts and the assets are fully depreciated within the year.

## Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have any commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure assets, community assets and assets under construction are carried at historic cost, net of depreciation where appropriate.
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective;
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. This includes assets such as the Queen's Diamond Jubilee Leisure Centre, Benn Hall and the John Barford Car Park.

Where non-property assets have short useful lives and/or low values, such vehicles and IT equipment, they are measured at depreciated historical cost as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Land and building assets under £10,000 are not revalued with the exception of investment properties. Increases in valuation are matched by credits to the Revaluation Reserve to recognise unrealised gains, or may be credited to the Comprehensive Income & Expenditure Statement to reverse a previous downward revaluation.

Where decreases in value are identified, they are accounted for:

- Where there is a balance of revaluation gains for the asset in the Revaluation reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income & Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1<sup>st</sup> April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

## Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall. Where impairment losses are identified, they are accounted for as per decreases in value noted above.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income & Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### **Impairment Losses**

No impairments were recognised in the year following a review of asset compliance with our componentisation policy.

### **Depreciation**

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable useful life (i.e. freehold land and Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Where depreciation is provided for, assets are depreciated using the straight-line method over the following periods:

- Dwellings and other buildings – 5-60 yrs.
- Vehicles, plant and equipment – 3-25 yrs.
- Infrastructure – 7-40 yrs.

Depreciation is charged on council dwellings in the year of disposal.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

### **Componentisation**

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. The Council has established a threshold of £500,000 for determining whether an asset needs to be componentised and an individual asset cost of more than 25% to determine whether an asset is considered as a component.

The carrying amount of a replaced or restored part of an asset (component) is derecognised, with the carrying amount of the new component being recognised subject to the principles set out in Recognition and Measurement above. This recognition and derecognition takes place regardless of whether the replaced part had been depreciated separately.

### **Subsequent Expenditure on Property Plant and Equipment**

Subsequent costs incurred on an asset previously recognised as Property, Plant and Equipment will only be capitalised if they result in items with physical substance and meet the recognition principle that

- It is probable that future economic benefits or service potential associated with the item will flow to the Council; and
- The cost of the item can be measured reliably.

Exceptions to the general approach of comparing the outcome of expenditure compared to previously assessed levels of performance:

- Where subsequent expenditure will actually increase the level of performance of an asset in generating economic benefits or providing service potential but does not increase the level of performance previously assessed by the Council for that asset, then the assessment can be updated (through a revaluation adjustment) and the new expenditure capitalised
- Where subsequent expenditure represents the replacement of a component of an existing asset provided that the old component can be written out of the Balance Sheet

## **Disposals**

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposal are credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts, whereas amounts below are classed as revenue income. A proportion of receipts relating to Right-to-Buy housing disposals are payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment. Receipts are appropriated to the Reserve from the General Fund or HRA Balance in the Movement in Reserves Statement.

The writing off of the remaining net book value of assets which are disposed of is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

## **Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income & Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale, adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision to sell.

## **18. Provisions, Contingent Liabilities & Contingent Assets**

Provisions represent amounts set aside to meet future liabilities which are likely or certain to be incurred but where it is not possible to determine exactly the amounts or timing of such events.

Provisions in respect of bad and doubtful debts are maintained, including amounts relating to rent, council tax and business rate arrears, which have been estimated in accordance with recommended practice and past experience and are charged as an expense to the appropriate service line in the Comprehensive Income & Expenditure Statement. When payments are eventually made these are charged to the provision carried in the Balance Sheet.

### **Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but are disclosed in the accounts.

**Contingent Assets**

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent assets are not recognised in the Balance Sheet but are disclosed in the accounts where it is probable that there will be an inflow of economic benefits or service potential.

**19. Value Added Tax (VAT)**

VAT is included in service revenue or capital income and expenditure accounts only when it is not recoverable.

**AGENDA MANAGEMENT SHEET**

<b><i>Name of Meeting</i></b>	Audit and Ethics Committee
<b><i>Date of Meeting</i></b>	27 March 2018
<b><i>Report Title</i></b>	Managing High Priority Strategic Risks
<b><i>Ward Relevance</i></b>	None
<b><i>Prior Consultation</i></b>	None
<b><i>Reporting Officer</i></b>	Corporate Assurance and Improvement Manager
<b><i>Contact Officer</i></b>	Chris Green, Corporate Assurance and Improvement Manager, Tel: 01788 533451
<b><i>Report Subject to Call-in</i></b>	This report is not subject to Call-In because: The Committee has specific responsibility to review the risk management arrangements and the framework of policies and standards within in which it operates.
<b><i>Corporate Priorities</i></b>	This report relates to the following priority: CORPORATE RESOURCES - Ensure that the council works efficiently and effectively.
<b><i>Statutory/Policy Background</i></b>	Section 3 of the Accounts and Audit Regulations 2015 states that the Council must ensure it has a sound system of internal control which includes effective arrangements for the management of risk.
<b><i>Summary</i></b>	The report details the Council's strategic risks and the arrangements in place for monitoring and managing those risks.
<b><i>Risk Management Implications</i></b>	Failure to implement, improve and embed the Risk Management programme would increase the risk that the Council does not achieve its objectives.
<b><i>Financial Implications</i></b>	There are no financial implications arising directly from this report.
<b><i>Environmental Implications</i></b>	There are no environmental implications arising from this report.

***Legal Implications***

There are no legal implications arising from this report.

***Equality and Diversity***

No assessment carried out as no policy or service delivery decision is being taken.

***Recommendation***

The Strategic Risk Register be considered and noted.

***Reasons for Recommendation***

To comply with the requirements of the terms of reference of the Audit and Ethics Committee.

**Audit and Ethics Committee – 27 March 2018**

**Managing High Priority Strategic Risks**

**Report of the Head of Corporate Resources and Chief Finance Officer**

**Recommendation**

The Strategic Risk Register be considered and noted.

**1. Introduction**

- 1.1 The Council monitors and manages its strategic risks through the Strategic Risk Register. The contents of the report highlight the high-priority strategic risks and show the arrangements in place to ensure these risks are monitored and managed appropriately.

**2. Strategic Risks**

- 2.1 The Strategic Risk Register is reviewed in detail and updated on a quarterly basis by the Senior Management Team at the Strategic Risk Management Group (SRMG) meeting. The last review took place in January 2018 with the next scheduled for May 2018.
- 2.2 In accordance with the Risk Management Strategy the Audit and Ethics Committee receives annual reports which provide assurance on the effective management of the Council's 'Top Level' risks. This report provides details of those 'Top Level' risks, but has been expanded to provide members with the full Strategic Risk Register.
- 2.3 It is not always possible to eliminate risk and given the nature and breadth of the Council's activity and the ever-changing climate within which it operates, high level risks are unavoidable. It is also possible that risks are rated as high level even though controls are in place to manage the level of risk. In such situations the level of risk would be even higher without those controls. Risk management is an ongoing process, which involves continual identification, analysis, treatment and monitoring. The Council's approach to managing each risk depends upon the nature of the issue at hand. There are four options:
- *Tolerate* – Decide to live with the risk and the possibility that it might occur and its possible consequences;
  - *Terminate* – Eliminate the risk, usually by deciding to change a course of action or stop a particular activity;
  - *Transfer* – Some of the financial risk may be transferred and it may be possible to transfer liability through contractual arrangements;
  - *Treat* – Control the risk and take action to reduce the likelihood that an event will occur or the impact if it does.



2.4 In order that risks may be prioritised according to their severity, the Council operates a traffic light system. Risks are scored within one of the following levels: -

Risk rating:

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

The Council's 'Top Level' risks are those which are assessed as 'red'. There are five 'Top Level' risks within this report and details are included within Appendices A, B and C.

### **3. Managing Risk Arrangements**

- 3.1 All of the risks contained within the Strategic Risk Register are monitored and managed on a regular basis.
- 3.2 The Strategic Risk Register is reviewed by Senior Management and subsequently endorsed by Cabinet on an annual basis. The Strategic Risk Register has been issued for endorsement by Cabinet in April 2018.
- 3.3 Senior Management review the Strategic Risk Register and update the action plan on a quarterly basis – making any amendments to the register as required – thus ensuring that the Strategic Risk Register remains as up to date as possible. The date of the next review is May 2018.

### **4. Current and Future Work**

- 4.1 The rolling programme of Operational Risk Register reviews has highlighted a number of risks which apply across the Council, and which would therefore benefit from being considered and managed at the corporate level. Those risks which would benefit from a more corporate approach will form part of a new corporate risk register, which will be reported to and considered by the SRMG. It is expected that managing such risks at the corporate level will lead to a more effective, and consistent, response across the Council.
- 4.2 The Senior Management Team is committed to ensuring that effective risk management is built in to the day to day normal operation of the Council. With that commitment in mind, a Corporate Assurance Officer was appointed in November 2017 to provide additional resilience and support to the risk management function. This will enable the Corporate Assurance and Improvement team to deliver an enhanced level of ongoing support to managers to ensure more effective day to day management of risks.
- 4.3 Furthermore, the Senior Management Team has determined that all managers will be required to attend a one day risk management training course in the summer of 2018. By making the training compulsory, managers will understand and recognise that the Council is committed to embedding effective risk management. Managers will understand their own risk management duties and recognise this as a core component of their day to day role.

- 4.4 Service managers are expected to review and update their Operational Risk Registers as soon as planned operational changes are identified. Such changes might include changes in resources, or changes in operational procedures and controls. Identifying, evaluating and managing such risks and opportunities at an early stage, and ensuring that appropriate mitigating actions are implemented, could reduce the likelihood or impact of an adverse event whilst ensuring that opportunities are effectively managed.
- 4.5 The Corporate Assurance and Improvement team is currently facilitating workshops across the Council to identify and document the projects/ initiatives that will be implemented to support delivery of the new Corporate Strategy. Operational risk registers are being reviewed and updated during these workshops, ensuring that they remain up to date and reflect the risks associated with delivering new projects and initiatives.
- 4.6 The annual review and update of the Risk Management Strategy is due to be carried out. The opportunity will be taken to re-review the content of the document in line with the latest best practice and to incorporate the planned future work, as outlined above. The new Strategy will be reviewed at the next meeting of the SRMG in May 2018.

Name of Meeting: Audit and Ethics Committee  
Date of Meeting: 27 March 2018  
Subject Matter: Managing High Priority Strategic Risks  
Originating Department: Corporate Assurance and Improvement

**LIST OF BACKGROUND PAPERS**

Document No.	Date	Description of Document	Officer's Reference	File Reference
Appendix A	27 March 2018	Strategic Risk Register - Effectiveness		
Appendix B	27 March 2018	Strategic Risk Register - Funding		
Appendix C	27 March 2018	Strategic Risk Register - Governance		
Appendix D	27 March 2018	Strategic Risk Matrix		

MANAGING HIGH PRIORITY STRATEGIC RISKS – APPENDIX A

**RUGBY BOROUGH COUNCIL  
RISK ASSESSMENT FORM**

<b>CORPORATE STRATEGY PRIORITY :</b> <u>Effectiveness</u>		<i>[Risk Management Officer to complete]</i>	
<b>RISK TYPE :</b> Strategic		<b>Risk Code :</b>	
<b>COMPLETED BY:</b> Senior Management Team (SMT) & SRMG		<b>DATE:</b> January 2018	
		<b>Category :</b>	

Risk	Opportunities	Consequences	Existing Internal Controls	Assessment of Risk based on the review of existing controls			Direction of Risk
				Likelihood	Impact	Risk Rating	
Failure to recruit and retain key staff at all levels of the organisation  (1)	- Places focus on 'growing our own', which is motivating for internal staff	- Repeated failed recruitment rounds leading to consequent loss of organisational drive, key skills and corporate knowledge - Key staff leaving with consequent loss of organisational drive, key skills and corporate knowledge	- Ongoing review and assessment by individual members of SMT - Active horizon scanning of current and emerging circumstances which may affect assessment and/or judgements - Action plans developed as required - Market supplements - Benchmarking - Apprenticeship scheme - Maximise opportunities to enhance the apprenticeship levy - Training and development - Development and greater use of digitalisation and IT	4	2	8	↔
Current support services model unable to respond to rapidly changing service demands  (2)	- Closer work between front line and support services to articulate future service direction and needs	- Failure to support infrastructure development of new services	- Ongoing review and assessment by individual members of SMT - Active horizon scanning of current and emerging circumstances which may affect assessment and/or judgements - Action plans developed as required - Development and greater use of digitalisation and IT	2	3	6	↔

## MANAGING HIGH PRIORITY STRATEGIC RISKS – APPENDIX A

Risk	Opportunities	Consequences	Existing Internal Controls	Likelihood	Impact	Risk Rating	Direction
<p>Failure to deliver the Council's Emergency Plan</p> <p>(3)</p>	<ul style="list-style-type: none"> <li>- Increase resilience in coping with disaster</li> </ul>	<ul style="list-style-type: none"> <li>- Loss of life</li> <li>- Loss of property</li> <li>- Economic damage</li> <li>- Loss of reputation</li> <li>- Major service disruption/failure (in the event of pandemic illness affecting RBC employees)</li> <li>- Loss of data</li> <li>- National censure</li> </ul>	<ul style="list-style-type: none"> <li>- Cyclical system embedded to ensure controls and risks are checked, actions developed and then implemented</li> <li>- Active review and consideration of changing circumstances which may affect existing assessment and/or judgements</li> <li>- Periodic testing and exercises</li> <li>- Regular reviews</li> <li>- Insurance in place</li> <li>- New plan in place</li> <li>- Partnership working with WLRP (Warwickshire Local Resilience Forum)</li> <li>- Horizon scanning</li> <li>- Periodic testing and exercises</li> </ul>	1	3	3	↔
<p>Insufficient safety and resilience resources resulting in a failure to manage corporate health &amp; safety risks</p> <p>(4)</p>	<ul style="list-style-type: none"> <li>- Overall review of corporate focus and effectiveness</li> <li>- Create a safer working environment</li> <li>- Reduced level of insurance claims</li> </ul>	<ul style="list-style-type: none"> <li>- Increased likelihood of unsafe working practices</li> <li>- Limited organisational resource and capability to respond to emergencies</li> <li>- Loss of life</li> <li>- Injury</li> </ul>	<ul style="list-style-type: none"> <li>- Ongoing review of resources by SMT</li> <li>- Partner support and communication</li> <li>- Clarity on existing internal arrangements</li> <li>- Action plans developed as required</li> <li>- Regular pattern of assessment of risks in the Council's operational environments</li> <li>- Embedded policy and practice</li> <li>- Health and safety is a standing agenda item on team meetings and 1:1 agendas</li> </ul>	4	3	12	New
<p>Increased sickness absence leading to reduced service resilience</p> <p>(5)</p>		<ul style="list-style-type: none"> <li>- Customer complaints</li> <li>- Reputational damage</li> <li>- Failure of statutory service</li> </ul>	<ul style="list-style-type: none"> <li>- Absence management policy in place including return to work procedure</li> <li>- Occupational health referrals</li> <li>- Mentoring process</li> <li>- 1 to 1s</li> <li>- Flu jabs offered to staff</li> <li>- Safe systems of work</li> <li>- Provision of counselling support</li> </ul>	3	2	6	New

**MANAGING HIGH PRIORITY STRATEGIC RISKS – APPENDIX A**

**RUGBY BOROUGH COUNCIL  
RISK ACTION PLAN**

This action plan is to be used when the risk assessment form has been completed.

Original Risk Score	Further Action / Controls	Desired Score			Status: Being considered /In progress /Completed	Officer Responsible	Target completion date	Actual completion date	Review Frequency
		Likelihood	Impact	Residual Risk Rating					
6 (2)	Corporate strategy action planning	1	3	3	In progress	Chris Green	April 2018		Monthly
12 (4)	Address training gaps	1	3	3	Being considered	Dan Green	September 2018		Quarterly
	Compliance monitoring				Being considered	Dan Green	September 2018		Quarterly
	Service managers to raise health & safety concerns at next CMF				Being considered	Dan Green	March 2018		Monthly
	Recruit and appoint to vacant posts				In progress	Dan Green	May 2018		Quarterly
6 (5)	Consider training customer service staff to cover control centre	2	2	4	Being considered	Raj Chand	June 2018		Quarterly
	Promote use of support groups				Being considered	SMT	June 2018		Quarterly

MANAGING HIGH PRIORITY STRATEGIC RISKS – APPENDIX B

**RUGBY BOROUGH COUNCIL  
RISK ASSESSMENT FORM**

<b>CORPORATE STRATEGY PRIORITY :</b> <u>Funding</u>	<i>[Risk Management Officer to complete]</i>
<b>RISK TYPE :</b> Strategic	<b>Risk Code :</b>
<b>COMPLETED BY:</b> Senior Management Team (SMT) & SRMG	<b>DATE:</b> January 2018
	<b>Category :</b>

Risk	Opportunities	Consequences	Existing Internal Controls	Assessment of Risk based on the review of existing controls			Direction of Risk
				Likelihood	Impact	Risk Rating	
Unable to meet the requirements of our community  (1)	- Reframe service expectations	- Inability to maintain all current services - Possible reduction of services at short notice - Increase in customer complaints - Failure to deliver all statutory services - Reputational damage - Inability to maintain inward investment - Failure to maintain the momentum and consistency of the Systems Thinking programme - Budget pressure - Council Tax increases - Overspending - Reduced resources - Pressure from partners - Poor audit judgement - Reducing staff morale - Central Government Censure - Procurement of goods and services do not provide Value for Money - Partnerships are ineffective - Social exclusion - Increase in crime and disorder	- Ongoing review and assessment by individual members of SMT, including partnership arrangements - Active horizon scanning of current and emerging circumstances which may affect assessment and/or judgements - Action plans developed as required - Dialogue with central government - Medium term financial planning - Further exploration of shared collaborative and devolved service arrangements - Scrutiny - Internal and external audit - Finance and Performance Quarterly reports - Peer reviews - Cabinet and Council reports - Ongoing review and assessment - Performance management - Corporate Change and Improvement Plan - Refresh Corporate Strategy - Constitution and legislation provides guidance and direction - Communication with the community when changes take place - Detailed service analysis	3	3	9	↔

## MANAGING HIGH PRIORITY STRATEGIC RISKS – APPENDIX B

Risk	Opportunities	Consequences	Existing Internal Controls	Likelihood	Impact	Rating	Direction
Insufficient local economic growth  (2)	- Economic plans to embrace wider range of business opportunities	- Inability to maintain all current services - Reduction in NNDR income - Redundancies - Reduced quality of service - Reduced customer satisfaction - Reputational loss	- Ongoing review and assessment by individual members of SMT - Active horizon scanning of current and emerging circumstances which may affect assessment and/or judgements - Action plans developed as required - Economic development service – work with WCC and LEP to provide additional business support services - Local Plan	1	3	3	↔



**MANAGING HIGH PRIORITY STRATEGIC RISKS – APPENDIX B**

**RUGBY BOROUGH COUNCIL  
RISK ACTION PLAN**

This action plan is to be used when the risk assessment form has been completed.

Original Risk Score	Further Action / Controls	Desired Score			Status: Being considered /In progress /Completed	Officer Responsible	Target completion date	Actual completion date	Review Frequency
		Likelihood	Impact	Residual Risk Rating					
9 (1)	- Adoption of new Borough Local Plan	3	3	9	In progress	Rob Back	Mar 2018		Quarterly
3 (2)	- Adoption of new Borough Local Plan	1	3	3	In progress	Rob Back	Mar 2018		Quarterly

MANAGING HIGH PRIORITY STRATEGIC RISKS – APPENDIX C

**RUGBY BOROUGH COUNCIL  
RISK ASSESSMENT FORM**

<b>CORPORATE STRATEGY PRIORITY : <u>Governance</u></b>		<i>[Risk Management Officer to complete]</i>	
<b>RISK TYPE :</b> Strategic		<b>Risk Code :</b>	
<b>COMPLETED BY:</b> Senior Management Team (SMT) & SRMG		<b>DATE:</b> January 2018	
		<b>Category :</b>	

Risk	Opportunities	Consequences	Existing Internal Controls	Assessment of Risk based on the review of existing controls			Direction of Risk
				Likelihood	Impact	Risk Rating	
Loss of local sovereignty through failure to manage partnership arrangements and emerging development of combined authority  (1)	- Explore shared or integrated local service provision	- Lack of local voice - Potential for short or medium term service disruption - Cost of transition - Loss of funding - Lack of clarity on roles and responsibilities - Damage to reputation - Poor Value for Money - Silo working - Failure of contractors	- Ongoing review and assessment by individual members of SMT - Active horizon scanning of current and emerging circumstances which may affect assessment and/or judgements - Action plans developed as required - Regular pattern of review and assessment of risks and operational environments - Where assessment identifies actions required these are discussed at SMT, some matters will be raised informally with Cabinet and/or Portfolio holders - Action plans developed as required - Executive Director joining Warwickshire-wide Integration Executive as part of Warwickshire Cares: Better Together - Work co-operatively with other council and public sector organisations (to be implemented/actioned when combined/shared authorities being considered)	1	3	3	↓

## MANAGING HIGH PRIORITY STRATEGIC RISKS – APPENDIX C

Risk	Opportunities	Consequences	Existing Internal Controls	Likelihood	Impact	Risk Rating	Direction
<p>Loss of senior staff leading to potential weakness in organisational management</p> <p>(3)</p>	<p>- Review/revise corporate focus and priorities</p>	<ul style="list-style-type: none"> <li>- Potential for short to medium term service disruption</li> <li>- Competing demands</li> <li>- Regular meetings leading to saturation of officer time</li> <li>- Other jobs not being completed on time, if at all</li> <li>- Impact on morale</li> <li>- Mistakes being made</li> <li>- Contribution value drops</li> </ul>	<ul style="list-style-type: none"> <li>- Ongoing review and assessment by individual members of SMT</li> <li>- Active horizon scanning of current and emerging circumstances which may affect assessment and/or judgements</li> <li>- Action plans developed as required</li> <li>- Regular pattern of review and assessment of risks and operational environments</li> <li>- Where assessment identifies actions required these are discussed at SMT, some matters will be raised informally with Cabinet and/or Portfolio holder</li> </ul>	3	2	6	↑
<p>Change of political leadership</p> <p>(4)</p>	<p>- Review/revise corporate focus and priorities</p>	<p>- Potential for medium to long term disruption</p>	<ul style="list-style-type: none"> <li>- Ongoing review and assessment by individual members of SMT</li> <li>- Active horizon scanning of current and emerging circumstances which may affect assessment and/or judgements</li> <li>- Action plans developed as required</li> <li>- Regular pattern of review and assessment of risks and operational environments</li> <li>- Where assessment identifies actions required these are discussed at SMT, some matters will be raised informally with Cabinet and/or Portfolio holder</li> <li>- New Corporate Strategy in place</li> </ul>	1	3	3	↔

## MANAGING HIGH PRIORITY STRATEGIC RISKS – APPENDIX C

Risk	Opportunities	Consequences	Existing Internal Controls	Likelihood	Impact	Risk Rating	Direction
Breach of legislation  (5)		<ul style="list-style-type: none"> <li>- Legal action taken against RBC</li> <li>- Adverse publicity</li> <li>- Fines/prison sentences</li> </ul>	<ul style="list-style-type: none"> <li>- Ongoing review and assessment by individual members of SMT</li> <li>- Active horizon scanning of current and emerging circumstances which may affect assessment and/or judgements</li> <li>- Action plans developed as required</li> <li>- Regular pattern of review and assessment of risks and operational environments</li> <li>- Where assessment identifies actions required these are discussed at SMT, some matters will be raised informally with Cabinet and/or Portfolio holder</li> <li>- Internal/external audit</li> <li>- Scrutiny</li> <li>- Departmental checks</li> <li>- Peer reviews</li> <li>- Insurance arrangements in place</li> </ul>	3	3	9	↑

## MANAGING HIGH PRIORITY STRATEGIC RISKS – APPENDIX C

<p>Failure to deliver statutory requirements</p> <p>(6)</p>		<ul style="list-style-type: none"> <li>- Legal action taken against RBC</li> <li>- Cost implication</li> <li>- Adverse publicity</li> <li>- Central Government censure</li> </ul>	<ul style="list-style-type: none"> <li>- Ongoing review and assessment by individual members of SMT</li> <li>- Active horizon scanning of current and emerging circumstances which may affect assessment and/or judgements</li> <li>- Action plans developed as required</li> <li>- Regular pattern of review and assessment of risks and operational environments</li> <li>- Where assessment identifies actions required these are discussed at SMT, some matters will be raised informally with Cabinet and/or Portfolio holder</li> <li>- Internal/external audit</li> <li>- Scrutiny</li> <li>- Departmental checks</li> <li>- Peer reviews</li> <li>- Business Continuity Plan in place</li> </ul>	2	3	6	↑
<p>Failure to comply with GDPR leading to loss of data, fines, reputational damage and stakeholder concern</p> <p>(7)</p>	<ul style="list-style-type: none"> <li>- Streamlining record keeping and retention</li> </ul>	<ul style="list-style-type: none"> <li>- Substantial fines and damages</li> <li>- Reputational damage</li> <li>- Adverse media coverage</li> <li>- Stakeholder concern</li> <li>- Potential takeover of Council</li> <li>- Inability to provide services</li> </ul>	<ul style="list-style-type: none"> <li>- Ongoing assessments with departments including consideration of the nature of personal data held, the purpose of processing, location, retention periods, legal basis for processing, policy covering the use of data where applicable, the volume of processing, whether third parties are involved and whether or not there is a compliant contract in place.</li> <li>- Briefing session at CMF</li> <li>- Data protection officer in post</li> <li>- Cyber essentials security certification</li> <li>- ISO27002 compliance</li> <li>- Compulsory induction training</li> </ul>	3	3	9	New

**MANAGING HIGH PRIORITY STRATEGIC RISKS – APPENDIX C**

**RUGBY BOROUGH COUNCIL  
RISK ACTION PLAN**

This action plan is to be used when the risk assessment form has been completed.

Original Risk Score	Further Action / Controls	Desired Score			Status: Being considered /In progress /Completed	Officer Responsible	Target completion date	Actual completion date	Review Frequency
		Likelihood	Impact	Residual Risk Rating					
3 (1)	- Constitutional updates to ensure that appropriate powers are delegated to officers	1	3	3	Completed	Lynne Rothwell	Oct 2017	Dec 2017	Quarterly
9 (5)	- Full review and update of licensing procedures	2	3	6	In progress	Dan Green	April 2018		Quarterly
9 (7)	Identify who all our information owners are  Internal audit review to be incorporated within work plan for 2018/19  Training programme for information owners  Complete GDPR implementation project	1	2	2	In progress  Being considered  In progress  In progress	Matthew Deaves  Chris Green  Matthew Deaves  Matthew Deaves	March 2018  March 2019  May 2018  May 2018		Monthly  Quarterly  Monthly  Quarterly

## STRATEGIC RISK MATRIX

## APPENDIX D

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

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

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

**AGENDA MANAGEMENT SHEET**

<b><i>Name of Meeting</i></b>	Audit and Ethics Committee
<b><i>Date of Meeting</i></b>	27 March 2018
<b><i>Report Title</i></b>	2017/18 Internal Audit Plan – Progress Update
<b><i>Portfolio</i></b>	Corporate Resources
<b><i>Ward Relevance</i></b>	None
<b><i>Prior Consultation</i></b>	Head of Corporate Resources and Chief Finance Officer
<b><i>Contact Officer</i></b>	Chris Green, Corporate Assurance and Improvement Manager, Tel: 01788 533451
<b><i>Report Subject to Call-in</i></b>	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.
<b><i>Statutory/Policy Background</i></b>	Public Sector Internal Audit Standards (PSIAS)
<b><i>Summary</i></b>	The report sets out progress against delivery of the Internal Audit Plan for 2017/18.
<b><i>Risk Management Implications</i></b>	There are no risk management implications arising directly from this report.
<b><i>Financial Implications</i></b>	There are no financial implications arising directly from this report.
<b><i>Environmental Implications</i></b>	There are no environmental implications arising from this report.
<b><i>Equality and Diversity</i></b>	There are no Equality and Diversity implications arising from this report.
<b><i>Legal Implications</i></b>	There are no legal implications arising from this report.
<b><i>Recommendations</i></b>	<ol style="list-style-type: none"><li>1. That the report be considered and noted.</li><li>2. That the deferral of the Residential Landlord Health and Safety compliance audit to the first quarter of 2018/19 be approved.</li></ol>



***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 – 27 March 2018**

**2017/18 Internal Audit Plan – Progress Update**

**Report of the Head of Corporate Resources and Chief Finance Officer**

**Recommendations**

1. That the report be considered and noted.
2. That the deferral of the Residential Landlord Health and Safety compliance audit to the first quarter of 2018/19 be approved.

**1. Introduction**

- 1.1 The purpose of this report is to set out progress against the Internal Audit Plan for 2017/18.

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

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

This work is normally referred to as Section 151 work.

**2. Summary of Audit Work**

- The Internal Audit plan for 2017/18 was approved by the Audit and Ethics Committee on 4 April 2017.
- The Internal Audit plan was formally reviewed and updated in October 2017; the revised plan was approved by the Committee in November 2017.
- Progress against delivery of that plan is set out at Appendix A.

- 2.2 Appendix A also sets out the progress against the recommendations made by Internal Audit for 2016/17 and the current financial year.

**3. Revisions to the 2017/18 Audit Plan**

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

proactively responding to and aligning its work with the most significant risks facing the organisation.

- 3.2 There is one proposed change to the internal audit plan, which is to DEFER the planned review of Residential Landlord Health and Safety compliance to the first quarter of the 2018/19 financial year. This is because the Asset Maintenance team are currently completing their own compliance action plan, following on from recruitment to two key posts that have been vacant: the Property Services Manager and the Asset Maintenance Team Leader. A high-level review has been carried out by the team and they have documented all the areas where action needs to be taken. The action plan is expected to be complete within the next month and the internal audit will provide independent confirmation that the Council is complying with its statutory landlord health and safety responsibilities.

Name of Meeting: Audit and Ethics Committee  
Date of Meeting: 27 March 2018  
Subject Matter: 2017/18 Internal Audit Plan – Progress Update  
Originating Department: Corporate Assurance and Improvement

**LIST OF BACKGROUND PAPERS**

Document No.	Date	Description of Document	Officer's Reference	File Reference
Appendix A	27 March 2018	Internal Audit Progress Update		



**INTERNAL AUDIT PROGRESS UPDATE  
MARCH 2018**

**Date: 27 March 2018**

## ***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 aims to provide the Committee with details on progress made in delivering planned work, the key findings of audit assignments completed since the last Committee meeting, updates on the implementation of actions arising from audit reports and an overview of the performance of the team.

## ***Performance***

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

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

- 7 assignments have been completed;
- 6 assignments are at draft report stage;

As reported at previous meetings, progress on delivery of the internal audit plan has been behind due to the delay in successfully recruiting to the vacant Corporate Assurance Officer position. There have also been two cases of long-term sickness absence within the Corporate Assurance and Improvement team. Savings achieved by not appointing to the vacant position earlier in the year have been used to commission TIAA to deliver three audit assignments.

Since the last Committee meeting on 30 January 2018, two final and six draft reports have been issued. There are four assurance assignments which are still in progress (one of which is being delivered by TIAA) and it is expected that fieldwork will be complete on these assignments by the middle of April. Reports will be issued shortly afterwards and the annual report of the Corporate Assurance and Improvement Manager will be submitted as planned to the next Committee meeting on 29 May. There will be no impact on delivery of the internal audit plan for 2018/19, which has been prepared on a prudent basis making allowances for the small amount of time required in April to finish the current year's plan.

Progress on individual assignments is shown at pages 6 to 8 of this report.

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

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

## Results of Audit Work

Two audits have been finalised since the previous meeting and the results are summarised below.

### Green Waste

Assurance Rating: Substantial, Risk Exposure: Low

The 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. The audit examined the process from the point of initial customer contact through to payment and the issue of stickers. No significant control weaknesses were identified.

It was, however, noted that a formal reconciliation of monies received taking into account transaction charges and refunds, and compared with the number of stickers issued, lost and returned, had not been finalised at the time of the audit. The reconciliation was in the process of being completed but had not been finished. An action was included in the report to address this issue.

### ICT Infrastructure

Assurance Rating: Substantial, Risk Exposure: Medium

As part of ongoing improvements in the Council's IT Disaster Recovery planning and to complement the move to an Office 365 environment, a project was implemented in 2017 to make the technical infrastructure fit for business continuity planning purposes, and to minimise recovery time. This audit reviewed the new processes introduced and the physical and environmental controls in place at the replication site located at the Rugby Crematorium. The arrangements in place were assessed as being fundamentally sound although some areas for improvement were identified. The key issues were:

- Testing of the changes resulting from the disaster recovery infrastructure project has not been documented. This means there is a lack of detail available to assist in identifying the cause of any subsequent failures and any lessons learned from the testing might not be applied. There is an agreed action to retrospectively document the testing as far as is possible.
- Aspects of the physical and environmental security of the new disaster recovery room could be improved, for example: fitting a lock to the inner disaster recovery room door, and improved monitoring to ensure that an alert is triggered if the temperature in the disaster recovery room becomes excessive.

An action plan has been agreed to address the issues raised.

### 2.3 Are clients progressing audit recommendations with appropriate urgency?

At the date of reporting, 75% of management actions have been implemented by the agreed implementation date. A summary analysis of progress on implementation of audit recommendations is shown at pages 9 to 10. At the time of reporting there are 11 agreed management actions for which implementation is overdue. The details of these actions, along with a summary of the latest position, are set out at pages 11 to 14 of this report. Implementation of the actions will continue to be monitored by the Corporate Assurance and Improvement Team and reported to each Committee meeting.

### 2.4 Internal Audit Performance Indicators

The effectiveness with which Internal Audit discharges its section 151 responsibilities is being measured by the following indicators, as agreed by the Audit and Ethics Committee in May 2016:

<b><u>Theme</u></b>	<b><u>Title of Performance Indicator</u></b>	<b><u>Current Performance</u></b>
Delivery	Delivery of the Internal Audit Plan – Percentage of assignments delivered to at least draft report stage by 31 March 2017	Annual measure 2016/17 result: 85%
Adding Value	Customer Satisfaction – Average Rating	Will be reported as an annual measure
Timeliness	Timeliness of Reporting – Average time taken to issue draft reports following fieldwork completion	7.0 working days
Effectiveness	Implementation of Agreed Actions – Percentage either fully or partially implemented on time	75% - at the time of reporting there are 11 recommendations which are past their agreed implementation date. Refer to pages 11 to 14



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

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

### ***Responsibilities of Management and Internal Auditors***

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

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

**Progressing the Annual Internal Audit Plan**

**KEY**  
Current status of assignments is shown by ✓

Assignment	Budget (days)	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
Financial Risks									
Housing Rents	10			✓					Assurance assignment. In progress
Green Waste	12						✓	Substantial	See comments at Page 3
Counter Fraud									
Fraud Awareness	8								A range of training sessions to be delivered by 31/03/18
Council Tax and NDR Fraud	12					✓			
Corporate Credit Cards	10						✓	Limited	Results reported in November 2017
ICT									
ICT Infrastructure	6						✓	Substantial	Delivered by TIAA
CCTV –Code of Operations	10					✓			Consultative support being delivered by TIAA
Cyber Security	8			✓					Assurance assignment being delivered by TIAA
Corporate Risks									
Change Management - Digitalisation	5								Ongoing consultative support.
Partnership Governance	15					✓			Being delivered by TIAA
Values and Behaviours	15			✓					Assurance assignment. In progress
Risk Management	10					✓			Being delivered by TIAA.
Operational Risks									
Benn Hall	20					✓			
Housing Repairs	15			✓					Assurance assignment. In

Assignment	Budget (days)	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
Stock Control									progress
RAGM Income	12						✓	Substantial	Results reported in Jan 2018
Play Service and On Track	20						✓	Limited	Results reported in November 2017
Fleet Management	20					✓			Being delivered by TIAA
Licensing	20			✓					Fieldwork will run into 2018/19 – substantial service process redesign project.
General Data Protection Regulations	20			✓					Consultative support being provided during February and March 2018.
Housing Restructure	30			✓					Consultative support being provided during February and March 2018.
Additional Support									
Annual Governance Statement	15						✓	Substantial	Statement endorsed by Audit and Ethics Committee in June 2017
National Fraud Initiative	8								Officers are reviewing and investigating “non-matches” where appropriate. This work is continuing during 2017/18.
Corporate Investigation Work	35						✓		One corporate investigation has been completed with a report issued.

**Summary: Implementation of Audit Recommendations Made in 2016/17**

<b>Audit</b>	<b>No. of Recs</b>	<b>Implemented on Time</b>	<b>Implemented Late</b>	<b>Not yet due</b>	<b>Overdue</b>	<b>Rejected Medium or High Risk Actions</b>
Stocks and Stationery	3	3	0	0	0	0
ICT Service Desk	4	0	0	0	4	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	3	0	4	0	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	1	0	1	0
ICT Systems Administration	7	6	1	0	0	0
Procurement	8	2	0	6	0	0
<b>Due for Completion</b>	<b>70</b>	<b>50 (71%)</b>	<b>9 (13%)</b>	<b>-</b>	<b>11 (16%)</b>	<b>0</b>
<b>Totals</b>	<b>80</b>	<b>50</b>	<b>9</b>	<b>10</b>	<b>11</b>	<b>0</b>

**Summary: Implementation of Audit Recommendations Made in 2017/18**

<b>Audit</b>	<b>No. of Recs</b>	<b>Implemented on Time</b>	<b>Implemented Late</b>	<b>Not yet due</b>	<b>Overdue</b>	<b>Rejected Medium or High Risk Actions</b>
Corporate Credit Cards	9	8	0	1	0	0
Play Service and On Track	12	1	0	11	0	0
RAGM Income	14	0	0	14	0	0
Green Waste	1	0	0	1	0	0
ICT Infrastructure	6	0	0	6	0	0
<b>Due for Completion</b>	<b>9</b>	<b>9 (100%)</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>0</b>
<b>Totals</b>	<b>42</b>	<b>9</b>	<b>0</b>	<b>33</b>	<b>0</b>	<b>0</b>

**Combined Summary: Implementation of Audit Recommendations**

<b>Due for Completion</b>	<b>79</b>	<b>59 (75%)</b>	<b>9 (11%)</b>	<b>-</b>	<b>11 (14%)</b>	<b>0</b>
<b>Totals</b>	<b>122</b>	<b>59</b>	<b>9</b>	<b>43</b>	<b>11</b>	<b>0</b>

**Details of Overdue Audit Recommendations**

<b>Audit</b>	<b>Agreed Action</b>	<b>Original Target Date</b>	<b>Management Comments</b>	<b>Revised Timescale</b>
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	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. The Council then considered its options and is now entering a service level agreement with Coventry, Solihull and Warwickshire resilience team. This will enable support to be provided for the Council's emergency planning and business continuity functions. Management then reviewed the vacant role profiles within Corporate Safety and Resilience again. The positions have been advertised and candidates are being interviewed in March 2018.	31/06/2018
Health and Safety	Ensure that all temporary and agency staff receive appropriate induction training covering safe working practices, including DSE assessments where applicable.	31/03/2017	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	31/05/2018

Audit	Agreed Action	Original Target Date	Management Comments	Revised Timescale
			held with the film producer. It is expected that filming will take place in April/ May 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.	30/09/2018
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 that health and safety risk assessments have been completed and/or updated for all areas of significant risk.</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.	30/09/2018

Audit	Agreed Action	Original Target Date	Management Comments	Revised Timescale
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
Business Continuity and Emergency Planning	Draft and cascade an updated bomb threat procedure.	31/12/2017	A procedure has been drafted and is to be discussed with the new Head of Environment and Public Realm prior to its finalisation.	31/03/2018
Discretionary Expenditure	Obtain new quotes from at least three companies for the Christmas Light work currently carried out by Hi-Lite.	30/09/2017	*Awaiting update from manager*	TBC
ICT Service Desk	The benchmark performance metrics and how they should be interpreted to be documented within the service delivery document and Confluence.	31/08/2017	The ICT Service Desk Manager has advised that following investigation the current service desk system does not have the capability and functionality required to effectively manage performance of the service. The system is going to be replaced by June 2018 and it is expected that the new system will have the required capability.	30/06/2018
ICT Service Desk	The Service Delivery Lead should raise with SysAid/the user forum group the possibility of being	31/08/2017		30/06/2018

Audit	Agreed Action	Original Target Date	Management Comments	Revised Timescale
	provided with some basic data on the makeup of the category group populations used for the benchmarking stats.		The issues highlighted were all assessed as Low risk and in the opinion of the Corporate Assurance and Improvement Manager the delay does not significantly impact on the overall effectiveness of the Council's framework of control.	
ICT Service Desk	The ICT Manager and the Service Delivery Lead should agree a date for the first performance reporting period.	31/08/2017		30/06/2018
ICT Service Desk	A response from SysAid in respect of the lack of due dates showing in reports should be requested.	31/08/2017		30/06/2018



**AGENDA MANAGEMENT SHEET**

<b><i>Name of Meeting</i></b>	Audit and Ethics Committee
<b><i>Date of Meeting</i></b>	27 March 2018
<b><i>Report Title</i></b>	2018/19 Internal Audit Plan
<b><i>Ward Relevance</i></b>	Not ward specific
<b><i>Prior Consultation</i></b>	Executive Director and Heads of Service
<b><i>Reporting Director</i></b>	Head of Corporate Resources and Chief Financial Officer
<b><i>Contact Officer</i></b>	Chris Green, Corporate Assurance and Improvement Manager, Tel: 01788 533451
<b><i>Report Subject to Call-in</i></b>	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.
<b><i>Statutory/Policy Background</i></b>	Public Sector Internal Audit Standards
<b><i>Summary</i></b>	The Committee has specific responsibility to review the work of internal audit. The report outlines the internal audit plan for 2018/19.
<b><i>Risk Management Implications</i></b>	There are no risk direct management implications arising from this report.
<b><i>Financial Implications</i></b>	There are no direct financial implications arising from this report.
<b><i>Environmental Implications</i></b>	There are no environmental implications arising from this report.
<b><i>Legal Implications</i></b>	There are no legal implications arising from this report.
<b><i>Equality and Diversity</i></b>	No new or existing policy or procedure has been recommended.
<b><i>Recommendations</i></b>	<ol style="list-style-type: none"><li>1. Any additional work for inclusion in the plan be identified.</li><li>2. Subject to 1 above, the internal audit plan for 2018/19 be approved.</li></ol>

***Reasons for Recommendations***

To comply with the requirements of the terms of reference of the Audit and Ethics Committee.

**Audit and Ethics Committee – 27 March 2018**

**2018/19 Internal Audit Plan**

**Report of the Head of Corporate Resources and Chief Financial Officer**

**Recommendations**

1. Any additional work for inclusion in the plan be identified.
2. Subject to 1 above, the internal audit plan for 2018/19 be approved.

**1. Background**

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

**2. Internal Audit Plan**

- 2.1 The Internal Audit Plan is designed to support the provision of an annual Internal Audit Opinion. The basis for forming this opinion is as follows:
- An assessment of the design and operation of the systems underpinning Governance, Assurance and Risk Frameworks and supporting processes; and
  - An assessment of the range of individual opinions arising from the risk based assignments, which will be reported throughout the year.
- 2.2 The Internal Audit Plan covers the two key component roles of Internal Audit:
- The provision of an independent and objective opinion to the Section 151 Officer/Head of Corporate Resources and the Audit and Ethics Committee on the degree to which risk management, control and governance support the achievement of Council objectives; and
  - The provision of an independent and objective consultancy service specifically to help line management improve the organisation's risk management, control and governance arrangements.
- 2.3 The Committee approved the process for developing the internal audit plan for 2018/19, at the previous meeting on 30 January 2018. The long list of potential areas for internal audit review (the "audit universe") has been reviewed and updated, by identifying key risks from the following sources:
- Risk Management Framework, Strategic and Operational Risk Registers;
  - The Corporate Strategy;
  - Financial Statements;
  - The results of internal audit work carried out during 2017/18;

- Cumulative knowledge and experience; and
- Ongoing stakeholder engagement during 2017/18 – including with Members.

2.4 The long list of potential audits formed the basis of stakeholder discussions with the Senior Management Team during March 2018, from which the planned audit coverage for 2018/19 was refined and prioritised. At the stakeholder meetings senior management also provided details of additional areas of risk/ concern which would benefit from internal audit assurance work and/ or consultative support. Following this consultation, a draft Internal Audit Plan was compiled and approved by the Senior Management Team on 13 March 2018. The draft Internal Audit Plan is set out at Appendix A and covers a broad range of areas including financial risks, IT risks, fraud risks, governance and ethics risks, corporate/ strategic risks, and operational/ service risks.

2.5 The Head of Corporate Resources and Chief Financial Officer, and the Corporate Assurance and Improvement Manager, have reviewed the level of resources required to deliver the proposed risk based Internal Audit Plan. The level of resources required to deliver the plan has been assessed as 466 days; this represents an increase of 105 days (29%) compared with the previous year and follows the recent recruitment of a Corporate Assurance Officer. As such the proposed plan increases the level of audit coverage across the Council compared with recent years. The level of resources required was calculated on a prudent basis, taking into account:

- Management time
- Training and development
- Sickness
- Annual leave and bank holidays
- Time required in April to finalise completion of the 2017/18 audit plan

2.6 An external provider, TIAA, is already contracted to deliver the IT audits under a framework agreement via Warwickshire County Council. In the last two years it has been necessary to commission external contractors to support the delivery of internal audit work. Following the successful recruitment and appointment of the Corporate Assurance Officer, and assuming there are no unforeseen events, there will be no need to commission external contractors in 2018/19. The internal audit plan will, with the exception of IT audits, be delivered entirely by the core in house team.

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

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

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

- 3.2 Before authorising changes to the Internal Audit Plan, the Committee would need to be satisfied that such a change would not impact, negatively, on the ability for Internal Audit to provide an adequate level of assurance to the Council. For 2017/18 the Committee agreed that, due to the timing of meetings, and to avoid delays in completion of audit work, it was more appropriate to grant the Head of Corporate Resources and Chief Financial Officer delegated authority to approve such changes in consultation with the Chair. Such decisions were then subject to approval by the Committee at the subsequent meeting. It is proposed that this arrangement be continued for 2018/19.
- 3.3 In this context, significant changes to the Internal Audit Plan are regarded as any alteration in the allocation of resources of more than five days.

Name of Meeting: Audit and Ethic Committee  
Date of Meeting: 27 March 2018  
Subject Matter: 2018/19 Internal Audit Plan  
Originating Department: Corporate Assurance and Improvement

**LIST OF BACKGROUND PAPERS**

Document No.	Date	Description of Document	Officer's Reference	File Reference
Appendix A	27 March 2018	Draft Internal Audit Plan		
Appendix B	27 March 2018	Long List of Potential Audits		

**APPENDIX A - DRAFT INTERNAL AUDIT PLAN 2018/19**

<u>AUDIT ASSIGNMENT</u>	<u>SERVICE AREA/S</u>	<u>PROPOSED COVERAGE</u>	<u>TIMING</u>	<u>RATIONALE</u>	<u>ESTIMATE OF DAYS REQUIRED</u>
<u>Financial Risks</u>					
Creditors	Corporate Resources	To provide assurance that appropriately designed controls are in place, and operated consistently, to mitigate the key risks to the Council in respect of its creditors system. To include a review providing assurance that the new Agresso Fund Manager module is realising the expected benefits.	Q3	Fundamental financial systems. Risk of fraud, error and/ or financial loss.  Audit deferred from 2017/18.	20
Treasury Management	Corporate Resources	To provide assurance that effective treasury management strategy and practices are in place, that investments and borrowings are made in line with the strategy and practices in a way which safeguards the Council's interests, that there is effective oversight of the function and that accounting records are accurate and complete.	Q4	Fundamental financial system. Risk of fraud/ error and/ or financial loss.  Last audited in 2014.	12

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Benefits	Communities and Homes	To provide assurance that benefits are paid for the correct amounts to recipients who are entitled to receive them, and that accounting records are accurate and complete.	Q2	Fundamental financial system. Risk of fraud/ error and/ or financial loss.  The structure and workflows of the team have changed following the housing review, which increases the level of risk in this area.	20
				<b>Total – Financial Risks</b>	<b>52</b>
<b><u>Counter Fraud Risks</u></b>					
Fraud Awareness	Corporate Resources	Ongoing, targeted provision of training to raise awareness of fraud - what is fraud, types of fraud, how the risks can be reduced, and what to do if fraud is suspected.	Q1 to Q4	Supports ongoing delivery of the Anti-Fraud, Bribery and Corruption Strategy	6
Fraud Risk Assessments	Corporate	Review and update of risk assessments across the Council, following on from the review completed in 2016.	Q2	Supports ongoing delivery of the Anti-Fraud, Bribery and Corruption Strategy	10



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Grants to Community Groups	Communities and Homes	Assurance that grant monies are not being used for fraudulent purposes and that expected outcomes are being achieved.	Q2	Supports ongoing delivery of the Anti-Fraud, Bribery and Corruption Strategy  Supports delivery of corporate strategy	10
Lottery	Communities and Homes	Advice on the design of an appropriate control framework to ensure that the lottery, when introduced, is operated in a way which delivers its expected outcomes whilst safeguarding public money.	TBC	New Council initiative	5
				<b>Total - Counter Fraud</b>	<b>31</b>
<b><u>ICT Risks</u></b>					
Risk based programme of ICT assurance work	Communities and Homes	Details to be confirmed during Quarter 1.  Work to be delivered by the Council's contracted IT auditor, TIAA.	TBC	To be confirmed	24
				<b>Total - ICT</b>	<b>24</b>

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<b><u>Corporate Risks</u></b>					
Health and Safety Follow up	Corporate	To provide assurance that the action plan arising from the 2016/17 audit has been implemented.	Q3	High risk rating highlighted by the previous audit, which resulted in Limited Assurance.  Audit deferred from 2017/18.	15
Change Management	Corporate	Consultative support as required throughout the year. Where significant changes to the operation of internal controls are proposed, internal audit will provide support by reviewing the proposed changes in advance to ensure that the Council's internal control environment is not being compromised.	Q1 - Q4	A key element of the Council's strategy to achieve financial self-sufficiency. Increased risk of the control environment being compromised.	12
Corporate Strategy project assurance - Digitalisation	Corporate	A review of the effectiveness of the digitalisation programme	Q4	Supports achievement of the Corporate Strategy	15

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Workforce planning and development	Corporate	Assurance that appropriate workforce planning and development arrangements are in place, aligned with the current and future needs and direction of services. Analysis of recruitment activity to ensure lessons are learnt from unsuccessful recruitments and that advertising expenditure represents value for money. Assurance that recruitment activity is encouraging a diverse range of applicants and that the apprenticeship scheme is having the desired impact.	Q3	Strategic risk register highlights a risk of failure to recruit and retain key staff at all levels of the organisation.	15
Absence Management	Corporate	Assurance that the absence management policy is being applied consistently across the organisation. Assurance that the outcomes expected from the appointment of the occupational health service provider, Team Prevent, are being achieved and that the occupational health service specification is effectively designed.	Q1	Strategic risk register highlights a risk of increased sickness absence leading to reduced service resilience.	12

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Elections	Corporate	To provide assurance that the relevant and significant risks associated with the delivery of Elections and Electoral Registration have been identified, assessed and are being appropriately and effectively managed.	Q4	Risk of substantial reputational damage if elections do not run smoothly.	15
General Data Protection Regulations and the Law Enforcement Directive	Corporate	Assurance that the Council has put in place appropriate arrangements to ensure compliance with the new legislation and that departments are effectively managing the risks of non-compliance.	Q3	Strategic risk register highlights a risk of failure to comply with the GDPR leading to a loss of data, fines, reputational damage and stakeholder concern.	20

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<b><u>Ethical Risks</u></b>					
Values and Behaviours – follow up	Corporate	Assurance that the Council's values and expected standards of behaviour have been defined, are measured objectively and reported upon. To assess actual attitudes and behaviours (culture) through a series of interviews and/ or surveys. Assessment based upon an attributes maturity model. To review progress made since 2017/18.	Q4	Ethical review as required under the PSIAS. Embedding the framework of values and behaviours is a key Council initiative	12
				<b>Total - Corporate Risks</b>	<b>116</b>
<b><u>Operational Risks</u></b>					
Tenant Recharges	Corporate Resources	Assurance that recharges are accurate and complete, and correctly reflect the Council's expenditure incurred when carrying out repairs. Review of arrangements in place to maximise the collection of outstanding income.	Q1	New system of recharges introduced.  Audit deferred from 2017/18	10

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Housing Repairs	Corporate Resources	Assurance that the Oneserve system is delivering its expected outcomes. Review of the design and application of controls. To include a review of performance management arrangements.	Q1	New system implemented in 2016  Audit deferred from 2017/18	20
Car Parking Consultancy Review	Environment and Public Realm	A consultative review of: <ul style="list-style-type: none"> <li>• Car park income and occupation compared with running costs</li> <li>• Car parking charges in the borough compared with other local authorities</li> </ul>	Q1	Utilisation of corporate assets may in some instances be poor. To be delivered alongside development of new Asset Management Strategy.  Deferred from 2017/18	10
Car parking enforcement	Environment and Public Realm	Assurance that effective controls are in place to ensure that car parking enforcement is effective and that income from fees and excess charges is accurately and completely accounted for.	Q1	There are concerns that enforcement activity may be reduced as a result of entering agreements to support the delivery of enforcement activity at other authorities.	12

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Housing Options	Communities and Homes	Assurance that the restructure and amalgamation of the benefits and housing options services is delivering the expected outcomes for customers.	Q2	Changes to the structure and delivery of the service. Delivery of corporate strategy objectives and expected improvements in service efficiency and effectiveness might not be achieved.	10
Follow up work	All	Positive assurance that agreed actions arising from completed audits have been implemented.	Q1-Q4	Demonstrates that the internal audit service is effective and adds value. Provides assurance that risks highlighted by audits are being appropriately managed.	12
Insurance	Corporate Resources	Assurance that: <ul style="list-style-type: none"> <li>• There is an effective strategy and framework of control in place designed to minimise the Council's insurance costs and exposure to potential claims.</li> <li>• Administration of the insurance function is efficient and effective, and represents value for money.</li> </ul>	Q4	Risk of increased insurance costs in the future due to changes in the market. Area of substantial annual expenditure.  To avoid any perceived conflict of interest an external provider will be commissioned to deliver this review.	15

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Housing Management System	Communities and Homes	Provision of advisory support on the design of an appropriate framework of internal controls for housing allocations and lettings.	Q1-2	New system being implemented in 2018/19  Full audit to follow in 2019/20	6
Licensing	Environment and Public Realm	Mapping of current procedures to identify areas of inconsistency and waste.  Mapping of amended procedures and provision of assurance that appropriate and efficiently designed controls are in place to comply with all legislative requirements.	Q1-2	Concerns highlighted by management that the Licensing team are currently applying different procedures and that there are areas of inefficiency. The planned work will link to a redesign of the Flare system.	25
Planning Enforcement	Growth and Investment	Review of service process design to identify any areas of control deficiency and/ or duplication.  Assurance that appropriate, proportionate and effective enforcement action is taken to maintain public confidence in the planning system.	Q4	Officers have highlighted that there may be areas of deficiency and/ or duplication in controls.	12



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Independent Living Service	Communities and Homes	Assurance that residents are receiving the service that they are paying for, and that quality and effectiveness of the service has been maintained following a restructure.	Q2	There have been changes in the structure of the service and the delivery model.	15
Green Waste Optimisation	Environment and Public Realm	Assurance that route optimisation of the green waste service is realising the expected benefits (including a review of the missed bin reporting and follow up process).	Q1	Key project aimed at improving the efficiency and effectiveness of the service.	6
				<b>Total – Operational Risks</b>	<b>153</b>
<b><u>Additional Areas of Support</u></b>					
<b>Annual Governance Statement</b>		Assurance that the Council operates a robust framework of corporate governance, in accordance with the new “Delivering Good Governance in Local Government” framework.	Q1	Statutory requirement under the Accounts and Audit Regulations 2015.	<b>12</b>

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<b>National Fraud Initiative</b>		Ongoing co-ordination of the review of data matching, and assurance that investigations are conducted where required.	Q1-Q4	The Council participates in the National Fraud Initiative, in line with its Counter Fraud Strategy.	<b>8</b>
<b>Corporate Investigation Work</b>		Provision of independent investigatory support, in relation to allegations or suspicions of fraud, bribery and/ or corruption.	Q1-Q4	In line with the public interest and the Council's zero tolerance approach to fraud, bribery and corruption, as set out in the Strategy.	<b>40</b>
<b>Contingency Allowance</b>				An allowance to enable unforeseen events to be absorbed without the need to revise the approved audit plan. This represents the application of sound project management. For example, an audit might take longer than estimated due to an extension of the scope or additional testing being required.	<b>30</b>
<b>TOTAL DAYS</b>					<b>466</b>

## APPENDIX B - LONG LIST OF POTENTIAL AUDITS

### Corporate Risks

<u>Audit Title</u>	<u>Source</u>	<u>Rationale</u>	<u>Potential Coverage</u>	<u>Risk Rating and Priority</u>	<u>Included in 17/18 Audit Plan?</u>	<u>Rationale for Excluding</u>
Business Continuity/ Emergency Planning	Strategic and Operational Risk Registers	Consistently referred to as being high risk.	Assurance that plans are fit for purpose.	MEDIUM	No	Full audit in 2016/17  New SLA in place with CSW, will consider audit in 2019/20
Income generation/ Delivery of Savings/ Financial self sufficiency	Financial Reports	Challenging climate, financial sustainability of the Council depends on successful income generation and delivery of savings.	Assurance that schemes are on track to deliver the expected levels of income and savings.	HIGH	Yes	Yes, the following audits support this corporate priority: <ul style="list-style-type: none"> <li>• Tenant Recharges</li> <li>• Digitalisation</li> <li>• Car Parking Enforcement</li> <li>• Insurance</li> </ul>
Change Management	Operational Risk Registers	Critical to achievement of financial self-sufficiency, increased risk of the control environment being compromised.	Consultative support to ensure that reviews are delivering the intended outcomes/ benefits without compromising the Council's overall control environment.	HIGH	Yes	Digitalisation consultancy support included in the draft plan.

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Corporate Health and Safety	Health and Safety Operational Risk Register	Substantial damage to the Council in the event of a serious incident e.g. reputation, finance, fatality, loss of building.	Assurance that appropriate policies and procedures are in place and operated effectively, and that appropriate staff training, monitoring and remedial action is taken where necessary.	HIGH	Yes	Follow up review included in the draft plan.
Fraud Risk Review	Internal Audit	In order to implement the new Counter Fraud Strategy, the Council will need to assess its fraud risks, in order to develop and implement an appropriate fraud response plan.	Assurance that appropriate risk assessments have taken place, and that appropriate mitigating controls are being developed and implemented.	MEDIUM	Yes	Follow up on review completed in 2016.
Residential property (Communal Areas)	Internal Audit	Significant reputational and financial damage if the Council has not taken reasonable steps to ensure health and safety.	Assurance that the Council is operating in compliance with its statutory health and safety responsibilities in relation to communal areas.	HIGH	Yes	Residential health and safety audit included in the plan.

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Agency Staff	Internal Audit	Risk of poor Value for Money; excessive need for agency staff may indicate an ineffective workforce retention strategy.	Assurance that use of Agency Staff is for appropriate reasons, authorised in advance, and not used to circumvent procedures such as restrictions on filling vacant positions. Assurance that use is not for extended periods of time.	MEDIUM	No	Management has reported that the new contract with Commensura is operating well. Will reconsider the need for an audit review in 2019/20.
Business Improvement District	Stakeholder consultation meetings	SLA being reviewed in 2016/17. Some concerns have been expressed around financial transparency.	Review of income and expenditure to provide assurance that monies are utilised for the purposes intended and that value for money is achieved.	MEDIUM	No	Reviewed in 2016/17
Partnership Governance	Strategic Risk Register	Risk of loss of sovereignty.	Appropriate arrangements to manage partnerships such that corporate objectives and VFM are achieved.	MEDIUM	No	Reviewed in 2017/18
Workforce Planning and Development	Common theme throughout the Council's strategic and operational risk registers.	Critical to the success of the organisation; higher risk due to the economic climate and recovery of the private sector. Workforce planning currently in progress.	Review of design and effectiveness of the Council's strategy to develop and retain its workforce in key areas.	HIGH	Yes	Recently highlighted during a review of the Strategic Risk Register. Included on the plan.

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Consultancy Expenditure	Internal Audit	Poor Value for Money, failure to achieve intended outcomes.	Assurance that expenditure on consultants is appropriately controlled, that there are clear terms of reference, that intended outcomes are delivered and Value for Money is secured.	MEDIUM	No	Reviewed in 2016/17
Financial Planning and Governance	Financial Reports	Challenging financial climate for local government.	Financial resilience, financial planning follows best practice. Openness and transparency. Priority assessed as Medium because external audit have concluded again that the Council has effective financial management arrangements in place.	MEDIUM	No	Reliance placed upon assurances provided by external audit.
Contract Management	Internal Audit	Failure to deliver outcomes and achieve value for money	Contract manager training, compliance with Contract Standing Orders, financial, project and risk management.	MEDIUM	No	Reviewed in 2016/17
Project Management	Internal Audit	Projects fail to deliver outcomes in a way which demonstrates value for money. Failure to achieve corporate objectives.	Project risk management, officer skills and expertise, design and operation of project governance and monitoring arrangements, consistency of application of good project management.	MEDIUM	No	Will be considered for review in 2019/20

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Capital Programme	Internal Audit	Risk of non-delivery of the programme and/ or poor use of monies.	Assurance that appropriate arrangements are in place to ensure delivery of the programme on time, and in a way which secures Value for Money.	MEDIUM	No	Will be considered for review in 2019/20
Fraud Awareness	Internal Audit	The Council is developing and implementing a new Counter Fraud Strategy	Training to raise awareness of fraud – what is fraud, types of fraud, how the risks can be reduced, what to do if fraud is suspected.	MEDIUM	Yes	Not Applicable
Member Development	Internal Audit	Risk of failure to hold officers to account, poor decision making, failure to achieve corporate priorities.	Review of arrangements designed to ensure that Members are equipped to effectively carry out their role, make effective decisions (where appropriate), and effectively scrutinise senior officers.	MEDIUM	No	Will be reconsidered for review in 2019/20
Freedom of Information	Internal Audit	Significant risk of reputational damage. Failure to minimise costs of compliance.	To provide assurance that the Council meets its statutory obligations in relation to the Freedom of Information Act, and that the arrangements are efficient and effective.	MEDIUM	No	Will be reconsidered for review in 2018/19

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Records Management	Internal Audit	Risk of inconsistent approach to records retention and disposal, including potentially unnecessary creation of records.	Assurance that the Council operates in compliance with the Code of Practice on Records Management, including a review of records retention and disposal procedures.	LOW	No	Review of GDPR compliance included in the plan, including the Law Enforcement Directive.
Equal Pay	Internal Audit	Risk of employee Equal Pay claims leading to significant financial loss and reputational damage.	Comparison of the pay of men and women carrying out equal work, identification and review of equal pay gaps, resolution of equal pay gaps, ongoing monitoring arrangements.	LOW	No	HR department has assurance arrangements in place.
Corporate credit/ purchase cards	Internal Audit	Potential fraudulent use of the card/s	Detailed review of transactions to provide assurance that purchases were appropriate and supported by valid receipts.	MEDIUM	No	Reviewed in 2017/18
Community Engagement and Consultation	Internal Audit	Risk of legal challenges if insufficient engagement and consultation is carried out.	Assurance that appropriate and effective community engagement and consultation arrangements are in place.	LOW	No	Regarded as low risk at present; will be reconsidered in 1 year.
Risk Management	Internal Audit	Failure to achieve organisational objectives.	Assessment of the effectiveness of the Council's arrangements to manage its risks, and the level of risk maturity of the Council.	MEDIUM	No	Reviewed in 2017/18



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Data Protection/ GDPR/ Law Enforcement Directive	Internal Audit	Risk of significant financial loss and reputational damage	Assurance that the Council operates in compliance with the Data Protection principles when storing and sharing data.	HIGH	Yes	Not applicable
Local Government Transparency Code	Internal Audit	Legal and reputational damage risk	Assurance that the Council is, as a minimum, operating in compliance with the mandatory elements of the Code	MEDIUM	No	Will be reconsidered for review in 2019/20
Elections	Stakeholder consultation	Risk of legal and reputational damage	Assurance that elections are managed efficiently and effectively to ensure the smooth running of elections.	MEDIUM	Yes	Not applicable
Procurement	Internal Audit	Risk of fraud/ corruption.	Design and operation of controls designed to ensure that the Council complies with statutory and policy requirements, and to ensure that value for money is demonstrated throughout procurement activities.	MEDIUM	No	Full audit completed in 2016/17
Complaints, Compliments and Suggestions	Internal Audit	Reputational damage if complaints are not dealt with appropriately	Assurance that complaints are handled in an appropriate and timely manner, and that learning lessons are consistently applied.	MEDIUM	No	Will be reconsidered for review in 2019/20

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Values and Behaviours	Internal Audit	Legal and reputational damage, low employee morale	Assurance that expected standards of behaviour and values have been defined, are measured objectively and reported upon. To assess and report on actual attitudes and behaviours (culture) through a series of interviews and surveys. Could be attributes based upon a maturity model.	MEDIUM	YES	Not applicable

## APPENDIX B - LONG LIST OF POTENTIAL AUDITS

### Service Risks – Communities and Homes

<u>Audit Title</u>	<u>Source</u>	<u>Rationale</u>	<u>Potential Coverage</u>	<u>Risk Rating and Priority</u>	<u>Included in 17/18 Audit Plan</u>	<u>Rationale for Excluding</u>
Equalities Act 2010 Compliance	Operational Risk Register, Stakeholder Consultation	Accreditation review to take place in Q4 2016/17. The Council is currently accredited as 'excellent'.	Equality Framework for Local Government, quality of Equality Impact Assessments, Employee Awareness, recruitment practices, review of evidenced outcomes.	MEDIUM	No	Reviewed in 2016/17
Stocks and Stationery	Stakeholder Consultation – Requested by Head of Communities and Homes	Assurance sought by the Head of Communities and Homes	The budget for this area has been halved. Assurance sought that procurement processes are being correctly followed, that best value is obtained when purchasing supplies, and that the issue of stationery is appropriately controlled.	LOW	No	Reviewed in 2016/17
Customer Service Centre Demand Management	Customer and Business Support Services Operational Risk Register	Risk of inconsistent approach to dealing with customers either on demand or through appointments. Reputational damage.	Review organisational arrangements in place to ensure that customers are attended to in a fair consistent and timely manner.	MEDIUM	No	Will be reconsidered for inclusion in 2019/20
ICT Disaster Recovery/ Backup Procedures	ICT Services Operational Risk Register	Loss or outage of various systems is highlighted on the risk register; could cause significant disruption to services.	Appropriate arrangements in place to ensure, in the event of a disaster, that systems are restored in a prioritised and timely manner, and that there are appropriate arrangements to prevent loss of data.	MEDIUM	No	Reviewed in 2017/18

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IT Systems Admin	Stakeholder consultation	There might not be effective and controlled administration of the Council's IT network.	Administration of software and systems, including user access rights. Specific focus on administration of user account creation and deletion.	MEDIUM	No	Full review in 2016/17, substantial assurance provided
IT Helpdesk	Internal Audit	Fundamental back office service.	Assurance that the helpdesk service is managed, within its agreed level of resources, in a way which meets the needs of the Council.	LOW	No	Reviewed in 2016/17
Payment Card Industry Data Security Standards Compliance	Stakeholder Consultation	Failure to comply with standards leading to reputational damage and loss of ability to process card payments.	General review of compliance with the standards across the Council.	MEDIUM	No	Reviewed in 2016/17
IT Security	Internal Audit	Risk of data loss or theft, substantial reputational damage	Assurance that appropriately embedded IT Security measures are in place.	MEDIUM	TBC	IT audit plan to be discussed and agreed in Q1 2018/19
Cash and Banking	Internal Audit	Fundamental financial system; risk of fraud, error, financial loss.	Assurance that income from all sources is received and accounted for in full in a timely manner. System access controls, accuracy and completeness of accounting records.	LOW	No	Full audit completed in 2015/16. Banking procedures at RAGM and Housing Repairs reviewed in 2016/17 and at the Benn Hall in 2017/18.

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IT Strategy, Governance and Policies	Internal Audit	Effective ICT Governance is vital in ensuring that the ICT team are fully engaged with all services areas, can meet their needs and, in return, service areas also work in line with the Council's ICT requirements.	Assurance that appropriate and embedded ICT governance arrangements are in place, including strategy and policies.	MEDIUM	TBC	Full audit completed in 2015/16  IT audit plan to be discussed and agreed in Q1 2018/19
Community Engagement and Consultation	Internal Audit	Risk of legal challenges if insufficient engagement and consultation is carried out.	Assurance that appropriate and effective community engagement and consultation arrangements are in place.	LOW	No	Will be reconsidered in 2018/19
Housing Allocations	Internal Audit			MEDIUM	Yes	Not applicable
Independent Living Service	Internal Audit	The service might not meet the needs of stakeholders and charges might be insufficient to cover expenditure	Assurance that residents are receiving the service that they are paying for, and that quality and effectiveness of the service has been maintained following a restructure.	MEDIUM	Yes	Not applicable
Housing Options	Internal Audit	Risk of significant reputational damage, customer hardship	Assurance that the Council is complying with its statutory responsibilities in relation to the homeless.	MEDIUM	Yes	Not applicable

**APPENDIX B - LONG LIST OF POTENTIAL AUDITS**

<u>Audit Title</u>	<u>Source</u>	<u>Rationale</u>	<u>Potential Coverage</u>	<u>Risk Rating and Priority</u>	<u>Included in 17/18 Audit Plan</u>	<u>Rationale for Excluding</u>
Housing Rents	Internal Audit	Fundamental financial system; risk of fraud, error, financial loss.	Accuracy and completeness of billing, system access controls, maximisation of collection, accuracy and completeness of accounting records.	LOW	No	Full audit completed in 2015/16. Recovery and customer care elements reviewed in 2017/18
Cyber Security	Internal Audit	There have been a number of cyber attacks, both nationally and internationally. It was confirmed that the Council's IT network has been independently accredited as having satisfactory defences against cyber attack.		MEDIUM	No	Reviewed in 2017/18

## APPENDIX B - LONG LIST OF POTENTIAL AUDITS

### Service Risks – Environmental and Public Realm

<u>Audit Title</u>	<u>Source</u>	<u>Rationale</u>	<u>Potential Coverage</u>	<u>Risk Rating and Priority</u>	<u>Included in 16/17 Audit Plan</u>	<u>Rationale for Excluding</u>
Streetscene	Environmental Services Operational Risk Register	Operational risk register highlights the risk of deterioration of assets.	Assurance that the inspection regime is being operated as expected, and that repairs and maintenance is carried out in an effective and timely manner.	MEDIUM	No	Will be considered for inclusion in 2019/20
Crematorium	Stakeholder Consultation	Partnership governance risk	Review of the governance and operation of the Joint Venture with Daventry District Council. Assurance that recharges are appropriate and that any surplus is fairly distributed between the two authorities.	MEDIUM	No	Included in 2017/18 partnership review
Licensing	Stakeholder Consultation –	Changes in working practices and control design	Mapping of current procedures to identify areas of inconsistency and waste.  Mapping of amended procedures and provision of assurance that appropriate and efficiently designed controls are in place to comply with all legislative requirements.	MEDIUM	Yes	Will be considered for inclusion in 2018/19. Service will be offered support from finance to review cost base.

## APPENDIX B - LONG LIST OF POTENTIAL AUDITS

<u>Audit Title</u>	<u>Source</u>	<u>Rationale</u>	<u>Potential Coverage</u>	<u>Risk Rating and Priority</u>	<u>Included in 16/17 Audit Plan</u>	<u>Rationale for Excluding</u>
Car Parking and Enforcement	Internal Audit	Traditionally a risky area from an audit perspective.	Assurance that income is accounted for correctly and in full.	MEDIUM	Yes	Consultative review of income, occupation and running costs included for 2018/19  Enforcement audit scheduled for 2018/19
Fleet Management	Internal Audit	Risk of loss of operator's licence, risk of reputational damage	Compliance with operator licence regulations, value for money, planning of the fleet to ensure that operational needs are met, compliance with safety standards, purchasing and disposals.	MEDIUM	No	Reviewed in 2017/18
Use of s106 Monies	Stakeholder Consultation	As s106 commuted sum monies come to an end, the Council/ Parishes may be exposed to liabilities in relation to ongoing upkeep of open spaces.	Assurance that the Council is proactively mapping the timescale of reductions in s106 monies, and actively planning, including consideration of the costs, how the ongoing upkeep of open spaces will be delivered.	MEDIUM	No	Management action already in progress.
Pest Control	Internal Audit	Financial loss, reputational damage	Accuracy and completeness of income and expenditure, compliance with statutory obligations, value for money.	MEDIUM	No	Fees and charges reviewed in 2016/17



## APPENDIX B - LONG LIST OF POTENTIAL AUDITS

<u>Audit Title</u>	<u>Source</u>	<u>Rationale</u>	<u>Potential Coverage</u>	<u>Risk Rating and Priority</u>	<u>Included in 16/17 Audit Plan</u>	<u>Rationale for Excluding</u>
Transport – Fuel Usage	Transport Operational Risk Register	Risk of fuel loss due to theft.	Assurance that appropriate controls are operated to mitigate the risk of fuel theft, either by officers or by members of the public.	MEDIUM	Yes	Included in review of fleet management completed in 2017/18
Trade Waste	Internal Audit	Risk of financial loss, reputational damage due to failure to deliver a quality service.	Accuracy and completeness of billing, value for money of the service, financial sustainability of the service, collection and recovery of outstanding income.	LOW	No	Considered low risk at present

## APPENDIX B - LONG LIST OF POTENTIAL AUDITS

### Service Risks – Growth and Investment

<u>Audit Title</u>	<u>Source</u>	<u>Rationale</u>	<u>Potential Coverage</u>	<u>Risk Rating and Priority</u>	<u>Included in 16/17 Audit Plan</u>	<u>Rationale for Excluding</u>
Benn Hall	Stakeholder Consultation	Investigation in 2016/17 highlighted procedural weaknesses	Assurance requested that income and expenditure is appropriately accounted for, with a particular focus on ticket sales, stock control and cash receipting.	HIGH	No	Reviewed in 2017/18. Agreed actions will be followed up in 2018/19
Land Charges	Internal Audit	Risk of financial loss and/ or reputational damage.	Maintenance and update of the land charges register, efficient and timely completion of search requests, accuracy and completeness of land charge search income, system access controls.	LOW	No	Considered low risk at present.
Planning Development and Enforcement	Internal Audit	Risk of fraud/ corruption/ bribery	Assurance that planning admin, management and enforcement processes are consistently applied, efficiently and effectively, in line with Council policies/ statutory requirements.	MEDIUM	Yes	Planning enforcement review included in the plan.
Building Control	Internal Audit	Risk of financial loss	Assurance that charging is timely and accurate, and that income is collected in full and correctly accounted for. Service managed by Warwick District.	LOW	No	An audit has recently been completed by Warwick District Council.

## APPENDIX B - LONG LIST OF POTENTIAL AUDITS

<u>Audit Title</u>	<u>Source</u>	<u>Rationale</u>	<u>Potential Coverage</u>	<u>Risk Rating and Priority</u>	<u>Included in 16/17 Audit Plan</u>	<u>Rationale for Excluding</u>
RAGM	Stakeholder consultation	New systems in place. Hall of Fame income is a key element of the Council's financial strategy.	Assurance that: <ul style="list-style-type: none"> <li>• There are appropriately designed controls in place for selling World Rugby stocks.</li> <li>• There are robust procedures for recording and monitoring Hall of Fame ticket sales and income.</li> <li>• The café profit sharing arrangement is operating as expected.</li> </ul>	MEDIUM	No	Reviewed in 2017/18
Play Service/ On Track	Stakeholder consultation	There are significant income targets for the service, with the potential to significantly reduce the net costs to the community.	Assurance that there are appropriately designed processes in place to accurately and completely record income. Assurance that all service related costs have been appropriately considered and understood when setting prices. Assurance that there are suitable arrangements in place to monitor income levels and take appropriate remedial action if targets are not being met.	MEDIUM	No	Reviewed in 2017/18

## APPENDIX B - LONG LIST OF POTENTIAL AUDITS

### Service Risks – Corporate Resources

<u>Audit Title</u>	<u>Source</u>	<u>Rationale</u>	<u>Potential Coverage</u>	<u>Risk Rating and Priority</u>	<u>Including in 16/17 Audit Plan</u>	<u>Rationale for Excluding</u>
Creditors	Financial Services Operational Risk Register, Fundamental Financial System	Risk register highlights risk of incorrect payments, late payments, and fraud.	Accuracy and timeliness of payments, system accuracy, recovery of duplicate payments, accuracy of accounting records.	MEDIUM	Yes	Not applicable
Absence Management	Human Resources Operational Risk Register	Risk register highlights the risk of adverse impacts on services and teams caused by sickness absence. Leadership Team review currently in progress.	Assurance that policy and procedures are appropriately designed, and consistently applied to ensure that absence is effectively managed.	MEDIUM	Yes	Not applicable
Income Collection and Recovery (Sundry Debtors)	Internal Audit	Fundamental financial system. Risk of fraud, error, financial loss.	Assurance that income is billed in full and in a timely manner, and that procedures are sufficiently robust to ensure that collection rates are maximised. System access review. Accuracy and completeness of accounting records.	MEDIUM	No	Reviewed in 2016/17

## APPENDIX B - LONG LIST OF POTENTIAL AUDITS

<u>Audit Title</u>	<u>Source</u>	<u>Rationale</u>	<u>Potential Coverage</u>	<u>Risk Rating and Priority</u>	<u>Including in 16/17 Audit Plan</u>	<u>Rationale for Excluding</u>
Council Tax and NDR Fraud	Internal Audit	Risk of financial loss and reputational damage, limited internal resource capacity to undertake proactive work in this area.	Review of the design of controls in place to mitigate the risk of Council Tax and/ or NDR fraud. Proactive sample testing of a sample of accounts to confirm the operation of controls and to provide assurance that fraud is not taking place.	MEDIUM	No	Reviewed in 2016/17
Fixed Assets	Internal Audit	Fundamental financial system; risk of fraud, error, financial loss.	Valuations, additions and disposals, accuracy and completeness of accounting records.	MEDIUM	No	Reliance placed on assurance provided by external audit
NDR	Internal Audit	Fundamental financial system; risk of fraud, error, financial loss.	Accuracy and completeness of billing, processing and authorisation of reliefs, system access controls, maximisation of collection, accuracy and completeness of accounting records.	MEDIUM	No	Reviewed in 2016/17
Main Accounting System	Internal Audit	Fundamental financial system; risk of fraud, error, financial loss.	Assurance that the Main Accounting System is secure, and adequately supports the production of accurate financial statements.	MEDIUM	No	Reliance placed on assurance work provided by external audit

## APPENDIX B - LONG LIST OF POTENTIAL AUDITS

<u>Audit Title</u>	<u>Source</u>	<u>Rationale</u>	<u>Potential Coverage</u>	<u>Risk Rating and Priority</u>	<u>Including in 16/17 Audit Plan</u>	<u>Rationale for Excluding</u>
Treasury Management	Financial Services Operational Risk Register, Fundamental Financial System	Risk register highlights risk of financial losses on investments, higher than necessary debt, and insufficient cash.	Authorisation of transactions, compliance with Treasury Management Practices, assurance that there is an appropriate strategy in place, system access controls, accuracy and completeness of accounting records.	MEDIUM	Yes	Included in plan; last reviewed in 2014.
Budget Setting and Monitoring	Financial Services Operational Risk Register, Fundamental Financial System	Risk register highlights risk of significant budget setting errors.	Assurance that the budget setting process is robustly designed to mitigate the risk of significant error. Assurance that budget monitoring is sufficiently robust to identify and address any in year financial pressures.	MEDIUM	No	Will be scheduled for 2019/20 following changes to the budget monitoring process.
Recruitment and Selection	Internal Audit	Risk of fraud/ corruption. Recruitment may not meet the needs of the Council e.g. if the officer does not have the skills or potential to carry out the duties of the post.	Review of design and compliance with recruitment and selection procedures.	LOW	No	Regarded as low risk at present; will be reconsidered in 1 year.

## APPENDIX B - LONG LIST OF POTENTIAL AUDITS

<u>Audit Title</u>	<u>Source</u>	<u>Rationale</u>	<u>Potential Coverage</u>	<u>Risk Rating and Priority</u>	<u>Including in 16/17 Audit Plan</u>	<u>Rationale for Excluding</u>
Insurance	Internal Audit	The Council's insurance coverage might be inappropriate for its needs and might not represent value for money; claims processing arrangements might not be sufficiently robust.	Assurance that: <ul style="list-style-type: none"> <li>There is an effective strategy and framework of control in place designed to minimise the Council's insurance costs and exposure to potential claims.</li> <li>Administration of the insurance function is efficient and effective, and represents value for money.</li> </ul>	MEDIUM	Yes	Not applicable
Benefits	Internal Audit	Fundamental financial system; risk of fraud, error, financial loss.	Accuracy of payments to claimants, system access control, recovery of overpayments, accuracy and completeness of accounting records.	MEDIUM	Yes	Not applicable
Council Tax	Internal Audit	Fundamental financial system; risk of fraud, error, financial loss.	Accuracy and completeness of billing, system access controls, maximisation of collection, accuracy and completeness of accounting records.	LOW	No	Full audit completed in 2015/16, will be reconsidered in 1 year
Payroll	Internal Audit	Fundamental financial system; risk of fraud, error, financial loss.	Payroll processing including deductions, administration of starters and leavers, system access controls, accuracy and completeness of accounting records.	LOW	No	Full audit completed in 2015/16, will be reconsidered in 1 year

## APPENDIX B - LONG LIST OF POTENTIAL AUDITS

<u>Audit Title</u>	<u>Source</u>	<u>Rationale</u>	<u>Potential Coverage</u>	<u>Risk Rating and Priority</u>	<u>Including in 16/17 Audit Plan</u>	<u>Rationale for Excluding</u>
Performance management and data quality	Corporate Assurance and Improvement Operational Risk Register	Risk of ineffective management, failure to achieve outcomes, inappropriate targeting of resources.	Governance, accuracy of information.	LOW	No	Regarded as low risk at present; will be reconsidered in 1 year following review of data quality strategy
Legal Services	Legal Services Operational Risk Register	Risk register highlights risks of failure to deliver prompt service and to meet deadlines.	Timeliness of service provision, prioritisation of workload, efficiency and effectiveness.	LOW	No	Regarded as low risk at present; will be reconsidered in 1 year.
Right to Buy	Stakeholder Consultation	Risk of fraud/ money laundering/ financial loss/ reputational damage	Assurance sought that property transactions are at the correct prices based upon market rates, the Council has appropriate procedures to prevent fraudulent abuse of the Right to Buy scheme (for example through identity checks), that tenancy length conditions have been met, and that management are operating appropriate monitoring controls.	LOW	No	External review in November 2015 concluded that the scheme was well administered by the Council. Regarded as low risk at present.



## APPENDIX B - LONG LIST OF POTENTIAL AUDITS

<u>Audit Title</u>	<u>Source</u>	<u>Rationale</u>	<u>Potential Coverage</u>	<u>Risk Rating and Priority</u>	<u>Including in 16/17 Audit Plan</u>	<u>Rationale for Excluding</u>
Tenant Recharges	Stakeholder consultation	New system implemented	Assurance that recharges are accurate and complete, and correctly reflect the Council's expenditure incurred when carrying out repairs. Assurance that there are appropriate arrangements in place to maximise the collection of outstanding income.	HIGH	Yes	Included in draft plan.
Housing Repairs	Stakeholder consultation	New system implemented in 2016	Assurance that the Oneserve system is delivering its expected outcomes. Assurance that appropriately designed controls are in place, consistently applied. To include a review of performance management arrangements.	HIGH	Yes	Included in draft plan
Housing Repairs Stock Control	Stakeholder consultation	New system. Robust stock control procedures are fundamental to ensure that the service runs efficiently, that material costs are appropriately controlled, and that opportunities for theft or fraud are minimised.	Assurance that appropriately designed and embedded stock control and stock taking procedures are in place.	HIGH	No	Reviewed in 2017/18