



17 April 2024

AUDIT AND ETHICS COMMITTEE – 25 April 2024

A meeting of Audit and Ethics Committee will be held at 6.00pm on Thursday 25 April 2024 in Committee Room 1 at the Town Hall, Rugby.

Mannie Ketley
Chief Executive

A G E N D A

PART 1 – PUBLIC BUSINESS

1. Minutes.

To confirm the minutes of the meeting held on 1 February 2024.

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: Councillors 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 Councillor 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 Councillor does not need to declare this interest unless the Councillor chooses to speak on a matter relating to their membership. If the Councillor does not wish to speak on the matter, the Councillor may still vote on the matter without making a declaration.

4. Financial Statements Update 2023/24.
5. Accounting Policies Update 2023/24.
6. Internal Audit Progress Update.
7. Draft Annual Report of Internal Audit.
8. Internal Audit Plan 2024/25.
9. Risk Management Approach and Update (verbal update).
10. External Audit Update 2023/24.
11. Motion to Exclude the Public under Section 100(A)(4) of the Local Government Act 1972.

To consider passing the following resolution:

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

PART 2 – EXEMPT INFORMATION

1. Whistle Blowing Incidents – Standing Item – to receive any updates.
2. Fraud and Corruption Issues – Standing Item – to receive any updates.

Any additional papers for this meeting can be accessed via the website.

The Reports of Officers are attached.

Membership of the Committee: Mr P Dudfield (Chair), Mr J Eves (Vice-Chair), Councillors Mrs A’ Barrow, Mrs Hassell, Roodhouse and Slinger.

Named Substitutes: Councillors Gillias, Lawrence, Srivastava and one vacancy.

If you have any general queries with regard to this agenda please contact Sharon Keenlyside, Democratic and Support Services Officer by emailing sharon.keenlyside@rugby.gov.uk. Any specific queries concerning reports should be directed to the listed contact officer.

Agenda No 4

AGENDA MANAGEMENT SHEET

Report Title:	Financial Statements Update 2023/24
Name of Committee:	Audit and Ethics Committee
Date of Meeting:	25 April 2024
Report Director:	Chief Officer - Finance and Performance
Portfolio:	Finance, Performance, Legal and Governance
Ward Relevance:	ALL
Prior Consultation:	None
Contact Officer:	Paul Conway, Finance Manager, 01788 533405, paul.conway@rugby.gov.uk
Public or Private:	Public
Report Subject to Call-In:	No
Report En-Bloc:	No
Forward Plan:	No
Corporate Priorities:	This report relates to the following priority(ies): <input type="checkbox"/> Rugby is an environmentally sustainable place, where we work together to reduce and mitigate the effects of climate change. (C) <input type="checkbox"/> Rugby has a diverse and resilient economy that benefits and enables opportunities for all residents. (E) <input type="checkbox"/> Residents live healthy, independent lives, with the most vulnerable protected. (HC) <input checked="" type="checkbox"/> Rugby Borough Council is a responsible, effective and efficient organisation. (O) Corporate Strategy 2021-2024 <input type="checkbox"/> This report does not specifically relate to any Council priorities but
(C) Climate (E) Economy (HC) Health and Communities (O) Organisation	
Summary:	The report provides an update on preparations for the 2023/24 Financial Statements.
Financial Implications:	None as a direct result of this report.
Risk Management Implications:	There are no implications for this report.

Environmental Implications:	There are no environmental implications for this report.
Legal Implications:	There are no legal implications for this report.
Equality and Diversity:	There are no equality and diversity implications for this report.
Options:	N/A
Recommendation:	The update on preparations for the 2023/24 Financial Statements be noted.
Reasons for Recommendation:	N/A.

Audit and Ethics Committee - 25 April 2024

Financial Statements Update 2023/24

Public Report of the Chief Officer - Finance and Performance

Recommendation

The update on preparations for the 2023/24 Financial Statements be noted.

1. INTRODUCTION

- 1.1. This report provides the Committee with some context within which the 2023/24 Statement of Accounts are being produced.

2. STATEMENT OF ACCOUNTS APPROVAL AND PUBLICATION

- 2.1. At the end of each financial year, we are required by the Accounts and Audit Regulations 2015 to publish a Statement of Accounts setting out the financial position of the council and the transactions that have been made during the year.
- 2.2. After being approved by the council's Chief Financial Officer as a true and fair view, the draft accounts for the year are published, along with the council's annual governance statement. For 2023/24 the deadlines in accordance with the statutory timetable are:
- Available for public inspection by 03 Jun 2024, on the council's website.
 - Audited Accounts published on the council's website by 30 September 2024.
- 2.3. Once the draft accounts are approved, they must be made available for public inspection, along with the supporting accounting records and associated documents for 30 working days. During this period, local electors can ask the external auditors questions about the draft accounts or raise objections to them.
- 2.4. It is proposed that the draft accounts are included on the agenda at the June meeting of the Committee.

3. AUDITORS

- 3.1. Azets are our appointed auditors, the expectation is that they will be in a position to give the council an opinion on its Statement of Accounts by 30 September.

- 3.2. During February the Azets team conducted an interim audit that involved preliminary audit work prior to the fiscal year-end.
- 3.3. The main audit fieldwork is currently planned to take place in July.
- 3.4. To facilitate the timely completion of their work, the council's working papers for the key risk areas of PPE valuations and IAS 19 Pension liability estimates will be provided in May. This should reduce the delays in the auditor concluding their work.

4. TIMETABLE

- 4.1. Financial Services have a timetable that will produce the Statement of Accounts by 31 May. It is currently on-track.
- 4.2. Key cut-off dates for updating the financial statements are in place.
- 4.3. Key year end guidance from CIPFA and the Department for Levelling Up, Housing and Communities is expected shortly, which is in line with previous years.
- 4.4. Financial Services have responded to all the initial enquiries from Azets

5. 2022/23 CONCLUSION

- 5.1 The Accounts and Value for Money statement for 2022/23 have been signed off.

Name of Meeting: Audit and Ethics Committee
Date of Meeting: 25 April 2024
Subject Matter: Financial Statements Update 2023/24
Originating Department: Finance and Performance

DO ANY BACKGROUND PAPERS APPLY YES NO

LIST OF BACKGROUND PAPERS

Doc No	Title of Document and Hyperlink

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

Exempt information is contained in the following documents:

Doc No	Relevant Paragraph of Schedule 12A

Agenda No 5

AGENDA MANAGEMENT SHEET

Report Title: Accounting Policies Update 2023/24

Name of Committee: Audit and Ethics Committee

Date of Meeting: 25 April 2024

Report Director: Chief Officer - Finance and Performance

Portfolio: Finance, Performance, Legal and Governance

Ward Relevance: ALL

Prior Consultation: None

Contact Officer: Paul Conway, Finance Manager, 01788 533405, paul.conway@rugby.gov.uk

Public or Private: Public

Report Subject to Call-In: No

Report En-Bloc: No

Forward Plan: No

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

(C) Climate Rugby is an environmentally sustainable place, where we work together to reduce and mitigate the effects of climate change. (C)

(E) Economy Rugby has a diverse and resilient economy that benefits and enables opportunities for all residents. (E)

(HC) Health and Communities Residents live healthy, independent lives, with the most vulnerable protected. (HC)

(O) Organisation Rugby Borough Council is a responsible, effective and efficient organisation. (O)

[Corporate Strategy 2021-2024](#)

This report does not specifically relate to any Council priorities but

Summary: The report sets out the proposed accounting policies to be used in preparing the 2023/24 financial statements.

Financial Implications: The report ensures that the committee is aware of the policies for 2023/24.

Risk Management Implications:	There are no risk management implications for this report.
Environmental Implications:	There are no environmental implications for this report.
Legal Implications:	There are no legal implications for this report.
Equality and Diversity:	There are no equality and diversity implications for this report.
Options:	Approve the 2023/24 accounting policies or suggest alternative policies.
Recommendation:	The council's accounting policies (Appendix A) underpinning the production of the 2023/24 Statement of Accounts be approved.
Reasons for Recommendation:	At the end of each financial year, we are required by the Accounts and Audit Regulations 2015 to publish a Statement of Accounts setting out the financial position of the council and the transactions that have been made during the year.

Agenda No 5

Audit and Ethics Committee - 25 April 2024

Accounting Policies Update 2023/24

Public Report of the Chief Officer - Finance and Performance

Recommendation

The council's accounting policies (Appendix A) underpinning the production of the 2023/24 Statement of Accounts be approved.

1. INTRODUCTION

- 1.1. This report provides the Committee with some context within which the 2023/24 Statement of Accounts (the Accounts) are being produced.

2. ACCOUNTING POLICIES

- 2.1. Accounting policies are the specific principles, bases, conventions, rules and practices applied in preparing and presenting financial statements and is detailed within Appendix A.
- 2.2. The 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.
- 2.3. 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.

3. LOCAL AUTHORITY ACCOUNTING FRAMEWORK

- 3.1. For the completion of the 2023/24 Statement of Accounts there are no material updates to the CIPFA Code of Practice from 2022/23 that the Committee needs to be aware of.

Name of Meeting: Audit and Ethics Committee
Date of Meeting: 25 April 2024
Subject Matter: Accounting Policies Update 2023/24
Originating Department: Finance and Performance

DO ANY BACKGROUND PAPERS APPLY YES NO

LIST OF BACKGROUND PAPERS

Doc No	Title of Document and Hyperlink

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

Exempt information is contained in the following documents:

Doc No	Relevant Paragraph of Schedule 12A

Draft Accounting Policies 2023/24

1. General Principles

The Statement of Accounts (the Accounts) summarises the Council's transactions for the 2023/24 financial year and its position at the year-end of 31 March 2024. 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 2023/24 (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. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure 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 in financing and investment income and expenditure for the income that might not be collected.

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 because of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, that is, 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. Charges to Revenue for Non-current Assets

Services, support services and trading accounts are charged with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the revaluation reserve against which the losses can be written off
- amortisation of intangible assets attributable to the service

The authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement [equal to either an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance (England and Wales) or the statutory repayment of loans fund advances (Scotland)]. Depreciation, revaluation and impairment losses, and amortisation are therefore replaced by the contribution in the General Fund balance [MRP (Minimum Revenue Provision) or the statutory repayment of loans fund advances], by way of an adjusting transaction with the capital adjustment account in the Movement in Reserves Statement for the difference between the two.

6. Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the collection fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the collection fund, billing authorities, major preceptors, and central government (for NDR) share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement (CIES) is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the collection fund adjustment account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the taxation and non-specific grant income and expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

7. Employee Benefits

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.

The accrual is made at the wage and salary rates applicable in the in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that leave benefits are charged to revenue in the financial year in which the leave of absence occurs.

Termination Benefits

Termination benefits are amounts payable because 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 accrual's basis to the relevant service line in the Comprehensive Income and Expenditure Statement when the Council can no longer withdraw the offer of those benefits or when the Council recognises the costs for restructuring.

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 and Housing Revenue Account balances 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 arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund and Housing Revenue Account of being required to account for retirement benefits based on cash flows rather than as benefits are earned by employees.

Recognition and Measurement

The LGPS (Local Government Pension Scheme) 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 xx.x% (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 because 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/(asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Actuarial gains and losses – changes in the net pensions liability that arise because events 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.

8. 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 issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of 2023/24 – the Accounts are adjusted to reflect such events
- Those that are indicative of conditions that arose after the 31 March 2024 – 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.

9. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the Council’s borrowings, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid.

The reconciliation of amounts charged to the CIES to the net charge required against the General Fund and Housing Revenue Account Balances is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e., where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

The Council recognises expected credit losses on all its financial assets held at amortised cost either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not

increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measured at Fair Value through Profit of Loss (FVPL)

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

10. Government Grants and Contributions

Grants

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 and 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.

Revenue from contracts with customers

Where revenue is charged or received for goods or services provided to customers there will be an assessment of this income following the following five step approach:

- 1) Identify contract - agreement that creates enforceable rights and obligations
- 2) Identify performance obligations in the contract
- 3) Determine transaction price
- 4) Allocate transaction price to performance obligations
- 5) Recognise revenue when or as an entity satisfies performance obligations

The outcome of this evaluation will determine how this will be accounted for within the statement of accounts.

11. 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 and Social History Collections
- Monuments and 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 and 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.

12. 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 are initially recognised at cost, and which have a useful life, of 3 –10 years and the depreciable amount is therefore written down over that useful life.

13. Interests in Companies and Other Entities

The authority has material interests in companies and other entities that have the nature of subsidiaries, associates, and joint ventures and currently it is not required to prepare group accounts. In the authority's own single-entity accounts.

The interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

14. 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 based on 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.

15. 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 and 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.

16. 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 West Northamptonshire 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 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 XX Related Party Transactions.

17. 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.

18. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received.

19. 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 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, the Benn Hall and the John Barford Car Park.

Where non-property assets have short useful lives and/or low values, for example, 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 except for 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 and 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); and
- 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 and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 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 to determine 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 and 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 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; and
- 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 of £10,000 or more are categorised as capital receipts, whereas amounts below £10,000 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 (Housing Revenue Account) Balance in the Movement in Reserves Statement.

The remaining net book value of assets which are disposed of is written off but 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 its 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 and 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.

20. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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 and 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 Council 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 Council. 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 a note to the Accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council 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 Council. Contingent assets are not recognised in the Balance Sheet but are disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

21. Reserves

The authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund balance so that there is no net charge against council tax for the expenditure. Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement, and employee benefits and do not represent usable resources for the authority – these reserves are explained in the relevant policies.

22. Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund balance to the capital adjustment account then reverses out the amounts charged so that there is no impact on the level of council tax.

23. Value Added Tax (VAT)

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

24. Fair Value Measurement of Non-Financial Assets

The authority's accounting policy for fair value measurement of financial assets is set out in note x. The authority also measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings [other financial instruments as applicable] at fair value at each reporting date. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset takes place either:

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

The authority measures the fair value of an asset using the assumptions that market participants would use when pricing the asset, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 – unobservable inputs for the asset.

AGENDA MANAGEMENT SHEET

Report Title: Internal Audit Progress Update

Name of Committee: Audit & Ethics

Date of Meeting: 25 April 2024

Report Director: Chief Officer - Finance and Performance

Portfolio: Finance & Performance

Ward Relevance: None

Prior Consultation: Chief Officer - Finance and Performance

Contact Officer: Richard Green - Interim Corporate Assurance
Manager 01788 533533
richard.green@rugby.gov.uk

Public or Private:

Report Subject to Call-In: No

Report En-Bloc: No

Forward Plan: No

Corporate Priorities: This report relates to the following priority(ies):
 Rugby is an environmentally sustainable place, where we work together to reduce and mitigate the effects of climate change. (C)
 Rugby has a diverse and resilient economy that benefits and enables opportunities for all residents. (E)
 Residents live healthy, independent lives, with the most vulnerable protected. (HC)
 Rugby Borough Council is a responsible, effective and efficient organisation. (O)
[Corporate Strategy 2021-2024](#)
 This report does not specifically relate to any Council priorities but

Summary: The report sets out progress towards delivery of the annual internal audit plan and provides an update on service performance.

Financial Implications: None

Risk Management/Health and Safety Implications:	Non delivery of an adequate internal audit plan would have an adverse impact on the level of assurance provided in the Annual Governance Statement.
Environmental Implications:	None
Legal Implications:	None
Equality and Diversity:	No implications
Options:	None
Recommendations:	1. The internal audit progress update be noted.
Reasons for Recommendations:	To comply with the requirements of the terms of reference of the Audit & Ethics Committee, and to discharge the Committee's responsibilities under the Constitution.

Audit and Ethics Committee - 25 April 2024

Internal Audit Progress Update

Public Report of the Chief Officer - Finance and Performance

Recommendations:

1. The internal audit progress update be noted.

1. Introduction

- 1.1 The purpose of this report is to set out progress against the Internal Audit Plan for 2023/24.

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

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

This work is normally referred to as Section 151 work.

2. Summary of Audit Work

- 2.1 The Internal Audit plan for 2023/24 was approved by the Audit and Ethics Committee on March 30th 2023. Progress against delivery of that plan is set out at Appendix A.

3. Revisions to the 2023/24 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. There are currently no proposed amendments to the internal audit plan.

Name of Meeting: Audit and Ethics Committee

Date of Meeting: 25 April 2024

Subject Matter: Internal Audit Progress Update

Originating Department: Finance & Performance Finance and Performance

DO ANY BACKGROUND PAPERS APPLY YES NO

LIST OF BACKGROUND PAPERS

Doc No	Title of Document and Hyperlink

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

Exempt information is contained in the following documents:

Doc No	Relevant Paragraph of Schedule 12A

APPENDIX A

**INTERNAL AUDIT PROGRESS
UPDATE**

March 2024

RIGHT FOR RUGBY

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:

- 8 final reports have been issued - 3 since last meeting,
- 1 compliance assessment issued,
- 5 draft reports have been issued,
- 4 reviews are in progress,
- 1 review has been deferred due to an unexpected event within the team concerned,
- 1 review has been revised to a consultancy piece of work as there are plans to revise the Business Continuity Planning. A revised scope will be included in next year's audit plan.

By the end of March all the planned reviews are either at Final, draft or work in progress with all final reports expected to be issued by mid May.

The internal audit was supported by the Council's external contractor, Lighthouse Consulting Ltd, who were asked to deliver three audits within a short time span and have managed to do so.

Progress on individual assignments is shown at pages 10 to 13 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.

There have been four limited assurance reports that have been acted upon by management and improvements made.

2.3 Are clients progressing audit recommendations with appropriate urgency?

Since 2020, there has been 60% of recommended actions implemented by the agreed date and a further 25% implemented late and an overall implementation rate of 85%.

A summary analysis of progress on implementation of audit recommendations is shown at pages 12 to 13.

At the time of reporting there are 26 agreed management actions for which implementation is overdue, 3 of which are regarded as High risk, 10 regarded as Medium risk and 13 Low risk.

The details of the actions related to High or Medium risks, along with a summary of the latest position, are set out at pages 14 to 15. Implementation of the actions will continue to be monitored by the Corporate Assurance 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:

<u>Theme</u>	<u>Title of Performance Indicator</u>	<u>Current Performance</u>
Delivery	Average end to end time for audits (number of days)	83 days This has reduced slightly but still high due to delays with some delays in finalising reports and getting times in with staff.
Audit Delivery	Average time from Fieldwork start to draft report issued	5 days This is a new measure but is high as it includes all days during that period and the exact dates were not recorded previously and have been estimated.
Adding Value	Customer Satisfaction – Average Rating	Reported as an annual measure.
Timeliness	Timeliness of Reporting – Average time taken to issue draft reports following fieldwork completion	8 days Performance is broadly stable and below the 10 days considered to be the benchmark followed by peers.
Report Clearance	Average time to move a draft report to final status	26 days This is a new measure and includes some reports that covered multiple service areas

Effectiveness	Implementation of Agreed Actions – Percentage implemented.	95% (85% since 2020/21) at the time of reporting there are 26 recommendations which are past their agreed implementation date out of 244 agreed since 2020/21.
---------------	--	--

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 to prevent or detect 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.

Progress to date

Since the last Audit & Ethics committee meeting in February 2024, there have been three final audit reports issued.

Fuel Usage - gave rise to **Substantial Assurance**

Only one recommendation that more use should be made of the Fuel report to monitor usage and identify any issues.

Fuel stocks are well secured and access restricted to drivers with allocated fobs and pin numbers.

The small amount of petrol needed is obtained using fuel cards at a local garage.

Complaints and FOIs - Gave rise to **Substantial Assurance** although there were 16 recommendations none were high risk.

Complaints and Freedom of Information requests are being handled effectively on a regular basis and all complaints have been resolved with the customer. Whilst this is the case, although it is mandatory for customers to receive a written response, some complaints were resolved verbally.

Work is needed to ensure that the recording of letters from MPs is kept up to date

Complaint and FOI requests are monitored on a regular basis and reporting is provided to the Management Team, Leadership Team and Cabinet.

Housing Benefits – gave rise to **Substantial Assurance** with 6 recommendations.

The main concern was that the reports produced by Open Revenues to capture those cases where overpayments are present but no recovery action has been put in place are not being actioned.

Errors/omissions identified during Quality Assurance checks are not always followed through to ensure that they have been corrected.

The Civica CX system is unable to identify the housing benefit payments in respect of overpayment recovery required for the HBDR return to the DWP.

The five draft reports being considered by management are

- Property Repairs inc Stock Control
- Sundry Debts
- Housing Rents
- Benn Hall
- System Resilience
- Corporate Health & Safety

The remaining reviews are at field work stage work in progress and are moving towards reporting stage.

Progress against the Annual Plan

Audit	Assurance level	Recommendations			
		High	Medium	Low	Total
Housing Rents	Limited	4	7	3	14
Company Credit Cards	Limited		6	3	9
External Audit Recommendations	High			2	2
Ethical Governance	Substantial		7	2	9
Fleet Management	Limited	6	5	2	13
Fuel Usage.	Substantial			1	1
Complaints and FOIs	Substantial		12	4	16
Housing Benefits	Substantial	1	4	1	6
Property Repairs inc Stock Control					
Sundry Debts					
Housing Rents					
Benn Hall					
System Resilience					
Corporate Health & Safety					
Performance Management & Data Quality					
Project Mgmt & Corp Strat Delivery					
Bereavement Services					
Homelessness Grants					
Assets – Statutory Compliance					
Business Continuity & Emergency Planning	N/A				
WSU Health & Safety Action Plan	Deferred				

Progressing the Annual Internal Audit Plan

KEY
Current status of assignments is shown by ✓

Assignment	Budget (days)	Not Started	Planning	Field Work In Progress	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
Financial Risks									
Housing Benefits	20						✓	Substantial	
Sundry Debts	16						✓	Substantial	
Housing Rents	20						✓	Limited	
CIPFA Financial Management Code Compliance	10						✓	N/A	
Corporate Credit Cards	10						✓	Limited	
Counter Fraud									
Fraud Awareness	8		✓					Not applicable	
Transaction Testing	20		✓						
Transport – Fuel Usage.	12						✓	Substantial	

Assignment	Budget (days)	Not Started	Planning	Field Work In Progress	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
ICT									
System Resilience	8					✓			Being delivered by external contractor
Corporate Risks									
Business Continuity & Emergency Planning	12						✓		
Corporate Health & Safety	25						✓		
Performance Management & Data Quality	20						✓		Being delivered by external contractor
Project Management & Corporate Strategy Delivery	16						✓		Being delivered by external contractor
Customer Access Strategy	12								Deferred
Governance & Ethical Risks									
Ethical Governance	15						✓	Substantial	Delivered by external contractor

Assignment	Budget (days)	Not Started	Planning	Field Work In Progress	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
Operational Risks									
Follow up work	28		✓					Not Applicable	
Business Improvement District	15	✓							
Benn Hall	16						✓		
Bereavement Services	20			✓					
Complaints and Freedom of Information	18						✓		
Fleet Management	20						✓	Limited	
WSU Health & Safety Action Plan	10								Deferred
Property Repairs including Stock Control	25						✓	Limited	
Homelessness Grants	8			✓					

Assignment	Budget (days)	Not Started	Planning	Field Work In Progress	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
Assets – Statutory Compliance	12			✓					
Additional Support									
Annual Governance Statement	12	✓							
External Audit Recommendations	5						✓	High	
National Fraud Initiative	8							Not applicable	Ongoing co-ordination of the Council's NFI work.
Control Environment - Advice	25							Not applicable	
Corporate Investigation Work	40							Not applicable	

Summary Of Audit Recommendations 2020 - 2024 to date

Year	Audit	Not yet due	Within time	Extended time	Out of time	Cancelled	Overdue2	Total Recs
2020/21	Local Government Transparency Code	0	1	0	2	0	0	3
2020/21	Expenses	0	1	0	2	0	0	3
2020/21	Payroll	0	2	2	2	0	0	6
2020/21	Covid Business Grants	0	0	1	1	2	0	4
2020/21	Test and Trace Support Payments	0	1	1	1	1	0	4
2020/21	Equal Pay & Single Status	2	3	2	1	0	0	8
2021/22	Payment Card Industry Data Security Standards (PCI DSS)	1	5	3	0	0	0	9
2021/22	Policies, Procedures and Strategies	0	1	0	0	0	0	1
2021/22	Treasury Management	0	3	0	8	0	1	12
2021/22	Fraud Risk Review	0	4	0	0	0	0	4
2021/22	Trade Waste	0	1	2	0	10	0	13
2021/22	Housing Rent Arrears	0	2	0	3	2	4	11
2021/22	Council Tax	0	1	0	3	0	0	5
2021/22	Service Desk Management	0	0	0	0	0	3	3
2021/22	Budget Setting & Budgetary Control	0	4	0	1	0	0	5
2021/22	Housing Standards	0	1	0	0	0	0	1




Year	Audit	Not yet due	Within time	Extended time	Out of time	Cancelled	Overdue	Total Recs
2022/23	Workforce Training	1	5	4	1	0	0	11
2022/23	Procurement & Contact Management	0	4	1	1	0	0	6
2022/23	ICT Financial Processes Review	0	0	0	1	0	0	1
2022/23	Voids Review	1	3	1	5	0	6	16
2022/23	Risk Management	0	0	0	2	0	0	2
2022/23	Licensing	1	3	2	1	0	0	7
2022/23	NDR	1	4	0	0	0	0	5
2022/23	Food Safety	1	0	3	0	0	1	5
2022/23	Right to Buy	0	1	0	1	0	2	4
2022/23	Section 106 Agreements	0	3	0	0	0	0	3
2022/23	Systems Resilience	3	2	0	0	1	0	6
2022/23	Data Protection/Records Management	7	1	0	1	0	0	9
2022/23	Counter Fraud Framework	1	2	1	1	0	0	5
2022/23	Growth Hub Grants	0	2	1	0	0	0	3
2022/23	Impact Assessments	0	0	0	1	1	0	2
2023/24	Housing Rents	1	3	1	2	0	7	14
2023/24	Corporate Credit Cards	9	0	0	0	0	0	9
2023/24	Ethical Governance	8	0	0	0	0	1	9
2023/24	Fleet Management	1	11	0	1	0	0	13
2023/24	Complaints & FOI Requests	13	3	0	0	0	0	16
2023/24	Housing Benefits	6	0	0	0	0	0	6
	Totals	57	77	25	42	17	26	244
2017/20	Totals	0	114	72	60	14	0	260
	Overall Total	57	191	97	102	31	26	502






Notes:




Extended time: This is where the Corporate Assurance and Improvement Manager had agreed an extension to the original timescale.


Out of time: This is where the action was implemented later than the agreed timescale

Details of Overdue High and Medium Risk Audit Recommendations

Audit	Title	Due Date	Latest Note	Latest Note Date	Risk Rating	Responsible Manager
Housing Rents 2023/24	Ensure there is resilience in the Rent Setting process by training other people to complete the rent calculations/service charge estimates and upload them to the system.	29-Feb-2024	<p>10/04/2024 - Update from Housing Services Manager</p> <p>This was completed during the rent setting process for this year. There have been lessons learnt that we will look at when we complete the process again next year.</p> <p>04/04/2024 - RH - Update from Lead Accountant:</p> <p>There are plans to build more resilience into our tasks in Finance now we have recruited into all the business partner roles, this should be happening once we have closed the accounts for the year.</p> <p>Assessed as 50 % complete</p>	10-Apr-2024	 High Risk	Housing Services Manager; Finance Manager
Housing Rents 2023/24	Implement checks to the system after uploading the new year rent and service charge figures system each year. This would ensure that they are ensure they have been uploaded correctly and that rent accounts have the correct amounts.	29-Feb-2024	RH 02/02 - Update from Housing Services Manager - <i>There is a plan in place to complete this task in the up coming year end process as described in the process map.</i>	02-Feb-2024	 High Risk	Team Manager
Housing Rent Arrears 2021/22	Ensure former tenant arrears are understood and addressed appropriately. This work needs to take place in parallel with managing current tenant arrears.	31-Jul-2023	<p>10/04/2024 - Update from Housing Services Manager - <i>Met to discuss this with Revenues Manager. Had meeting with Bristow & Sutor who are in the process of setting Housing Services up on their systems. Then need to write a process.</i></p> <p>Assessed as 30% complete</p>	10-Apr-2024	 High Risk	Housing Services Manager

Audit	Title	Due Date	Latest Note	Latest Note Date	Risk Rating	Responsible Manager
Housing Rents 2023/24	Update the target rent/standard rent held on the CX system to ensure they are correct	31-Oct-2023	Update from Housing Services Manager - <i>Having been referred back to an RBC employee, it now appears that they are not able to assist us to the extent we require with this work and therefore I will be re-requesting external assistance if approved</i>	10-Apr-2024	 Medium Risk	Housing Services Manager
Housing Rents 2023/24	Resolve at what level the rents should be set at (target or chargeable) when properties are re-let and bring the rents to the correct level.	31-Oct-2023	Update from Housing Services Manager - <i>Having been referred back to an RBC employee, it now appears that they are not able to assist us to the extent we require with this work and therefore I will be re-requesting external assistance if approved.</i>	10-Apr-2024	 Medium Risk	Housing Services Manager
Housing Rents 2023/24	A thorough review of the system access controls is recommended to ensure that staff access is appropriate for the job role they have, and that leavers/movers CX profiles are deactivated if access is no longer required.	31-Dec-2023	Update from Housing Services Manager - <i>Some of this work has been completed, with access levels reduced so different departments but it is ongoing.</i> <i>Assessed as 50% complete</i>	10-Apr-2024	 Medium Risk	Housing Services Manager
Housing Rent Arrears 2021/22	Publish a write-off policy for rents and ensure write-offs are carried out in accordance with the policy.	30-Nov-2023	10/04/2024 - Update from Housing Services Manager - <i>Have spoken to Revenues Manager & to Legal & gathered info required on authority for write offs. Now need to write procedure.</i> <i>Assessed as 50% complete</i>	10-Apr-2024	 Medium Risk	Housing Services Manager
Payment Card Industry Data Security Standards 21/22	Review the security assessment and implement the recommendations.	31-Mar-2024	Update from Stuart Mewes - No change to the PCIDSS status, still in review, whilst this sits under IT this should be noted this is an organisational requirement and requires input from several services areas to achieve fully, as well as suppliers and their systems. We have also been slowed by lack of resource following our	22-Nov-2023	 Medium Risk	IT & Digital Services Manager

Audit	Title	Due Date	Latest Note	Latest Note Date	Risk Rating	Responsible Manager
			restructure which went live in Oct 27th 2023, but we currently have 7 vacancies.			
Right to Buy	Procedure notes & process map be updated to reflect current processes and systems; recommend that processes are extended to incorporate the legal process. Procedures should include timescales that all depts involved in the process need to work toward	30-Sep-2023	10/04/2024 - Housing Services Manager has confirmed no changed rom previous update: Orton (Admin), Catherine , 16 Jan 2024 Update from Housing Services Manager 14/1/24: <i>This remains started but not finished yet. The Project Officer/me will pick it up asap as it will form some of the training for the new Housing Co-ordinators</i> <i>Assessed as 30% complete</i>	10-Apr-2024	 Medium Risk	Housing Services Manager
Right to Buy	A clear policy on how to calculate the Cost Floor figure be produced along with a process to ensure that all relevant costs are included in the final calculations.	30-Sep-2023	10/04 - Housing Services Manager has advised there's no change from previous update. Orton (Admin), Catherine , 16 Jan 2024 Update from Housing Services Manager 14/1/4: <i>This remains started but not finished yet. The Project Officer/me will pick it up asap as it will form some of the training for the new Housing Co-ordinators</i> <i>Assessed as 30% complete</i>	10-Apr-2024	 Medium Risk	Housing Services Manager
Service Desk Management 21/22	Management to review options around Service Desk management and oversight.	31-Mar-2024	Update from Stuart Mewes - We have also been slowed by lack of resource following our restructure which went live in Oct 27th 2023, but we currently have 7 vacancies, one of which is the Senior Service Desk Analyst who will undertake these actions.	22-Nov-2023	 Medium Risk	IT & Digital Services Manager

Audit	Title	Due Date	Latest Note	Latest Note Date	Risk Rating	Responsible Manager
Service Desk Management 21/22	The development and documentation of problem management processes and controls should be assigned to a nominated owner.	31-Mar-2024	Update from Stuart Mewes - We have also been slowed by lack of resource following our restructure which went live in Oct 27th 2023, but we currently have 7 vacancies, one of which is the Senior Service Desk Analyst who will undertake these actions.	22-Nov-2023	 Medium Risk	IT & Digital Services Manager

AGENDA MANAGEMENT SHEET

Report Title: Annual Report of Internal Audit

Name of Committee: Audit and Ethics Committee

Date of Meeting: 25 April 2024

Report Director: Chief Officer - Finance and Performance

Portfolio: Finance, Performance, Legal and Governance

Ward Relevance: None

Prior Consultation: Chief Officer - Finance and Performance

Contact Officer: Richard Green - Interim Corporate Assurance
Manager 01788 533533
richard.green@rugby.gov.uk

Public or Private: Public

Report Subject to Call-In: No

Report En-Bloc: No

Forward Plan: No

Corporate Priorities: This report relates to the following priority(ies):
 Rugby is an environmentally sustainable place, where we work together to reduce and mitigate the effects of climate change. (C)
 Rugby has a diverse and resilient economy that benefits and enables opportunities for all residents. (E)
 Residents live healthy, independent lives, with the most vulnerable protected. (HC)
 Rugby Borough Council is a responsible, effective and efficient organisation. (O)
[Corporate Strategy 2021-2024](#)
 This report does not specifically relate to any Council priorities but

(C) Climate
(E) Economy
(HC) Health and Communities
(O) Organisation

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

Financial Implications:	None
Risk Management/Health and Safety Implications:	No direct implications. This report forms part of the evidence that supports the Council's Annual Governance Statement and provides assurance over the adequacy and effectiveness of the Council's internal controls to manage its key risks.
Environmental Implications:	None
Legal Implications:	No direct implications
Equality and Diversity:	No implications
Options:	None
Recommendation:	The report be considered and NOTED.
Reasons for Recommendation:	To comply with the requirements of the terms of reference of the Audit & Ethics Committee, and to discharge the Committee's responsibilities under the Constitution.

Audit and Ethics Committee - 25 April 2024

Draft Annual Report of Internal Audit

Public Report of the Chief Officer - Finance and Performance

Recommendation:

The report be considered and NOTED.

1. Introduction

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

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

2. Report Details

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

2.1 It is the responsibility of the CAM to provide the annual Internal Audit opinion and to detail the basis for this opinion. Based upon the work undertaken by Internal Audit during 2023/24, the CAM's overall opinion is that **Substantial Assurance** can be given that there is an adequate and effective governance, risk and control framework in place, designed to meet the organisation's objectives. Whilst some elements of the control environment require attention, agreed actions have been put in place to address those issues and responsible managers have agreed reasonable timetables for their implementation. The progress made by management in implementing the agreed actions has been generally sound.

2.2 **Appendix A** to this report provides a copy of the Draft Internal Audit Annual Report which includes the CAM's opinion on the control framework for 2024/25 and the basis for this opinion.

The report has been prepared in draft to enable the Annual Governance Statement to be prepared and the opinions included in the accounts. Whilst this is draft the assurance assessments for the drafts and work in progress are not expected to change, and can therefore be relied upon.

Effectiveness of Internal Audit

- 2.3** The Annual Report also includes an overview of the performance of the Internal Audit service against its key performance measures and ways in which it has added value to the Council during 2024/25.

Compliance with the Public Sector Internal Audit Standards

- 2.4** The Internal Audit service, in the opinion of the Corporate Assurance and Improvement Manager, is operating in general conformance to the Standards. Further details are contained within the Annual Report, the Quality Assurance and Improvement Plan (**Appendix B**) and the independent External Quality Assessment (**Appendix D**).

Statement of Organisational Independence and Objectivity

- 2.5** If independence or objectivity is impaired in fact or appearance, the CAM is required to disclose this. The CAM can confirm that the internal audit service is independent and objective, and this is currently demonstrated in a number of ways:
- The CAM reports directly to the Chief Officer Finance & Performance (s151 officer) and the Audit & Ethics Committee, and has unfettered access to the Chief Executive, and Chair of the Audit & Ethics Committee.
 - Any attempts to unduly influence the scope of audit reviews or the contents of reports will be reported by the CAM to the Chief Executive and the Chair of the Audit & Ethics Committee.
 - All officers responsible for internal audit work are required to complete an annual Register of Interests declaration form, which is in turn reviewed by their line manager. In the case of the CAM, the annual declaration of interests is reviewed by the Chief Officer Finance & Performance. Auditors are required to report any interests that might compromise the impartiality of their professional judgements – or give rise to a perception that this impartiality has been compromised. Any conflicts of interest are avoided when allocating assignments.
 - The Audit & Ethics Committee approves any significant consultancy activity included in the Audit Plan.

Further details are set out in the Audit Charter, which was approved by the Audit & Ethics Committee in December 2021.

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

reported to, considered and approved separately by the Committee. They are also set out in the Audit Charter.

Name of Meeting: Audit and Ethics Committee
Date of Meeting: 25 April 2024
Subject Matter: Draft Annual Report of Internal Audit
Originating Department: Finance and Performance

DO ANY BACKGROUND PAPERS APPLY YES NO

LIST OF BACKGROUND PAPERS

Doc No	Title of Document and Hyperlink

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

Exempt information is contained in the following documents:

Doc No	Relevant Paragraph of Schedule 12A

**ANNUAL REPORT OF INTERNAL
AUDIT
DRAFT
2023- 2024**

Date: April 2024

Annual Report of Internal Audit 2023/24

1. BACKGROUND

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

2. INTERNAL AUDIT OPINION 2023/24

- 2.1 Based upon the work undertaken by Internal Audit during the year, along with knowledge of the organisation gained from planning conversations, management discussions and risk management processes, the Corporate Assurance Manager's overall opinion on the Council's system of internal control is that:

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

Of the 18 graded assignments undertaken for 2023/24, 14 (78%) resulted in an opinion of either High or Substantial Assurance, and 4 (22%) resulted in an opinion of Limited Assurance.

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

The progress made by management in implementing the actions arising from audits has been good. 62% of agreed actions arising from audits were implemented within the agreed timescale and a further 10% were implemented late, resulting in an overall implementation rate of 72%. This is comparable with the outturn of 98% for previous year, and whilst lower still represents good performance.

There were 8 agreed actions which were overdue as at 31st March 2024, compared with 4 as at 31st March 2023. 2 of the overdue recommendations were graded as High and 5 were Medium Risk.

- 2.2 It is pleasing to report that despite the resourcing challenges experienced during 2023/24, and the late commencing of the work, the Corporate Assurance team has been able to deliver an annual internal audit plan in accordance with the requirements of the Public Sector Internal Audit Standards.
- 2.3 The basis for the annual opinion is derived from an assessment of the individual opinions arising from the assignments undertaken throughout the year as part of the agreed internal audit plan and supported by other assurances such as External Audit. This assessment has taken account of the relative materiality of these areas and management's progress in respect of addressing any control weaknesses.
- 2.4 The overall opinion on the effectiveness of the Council's risk management arrangements is based upon the overall results of internal audit testing of controls designed to manage risk undertaken as part of the audits.
- 2.5 A summary of Audit assurance opinions is shown in Table 1 below:

Table 1 – Summary of Audit Opinions 2023/24

<u>Assurance Area</u>	<u>High</u>	<u>Substantial</u>	<u>Limited</u>	<u>Total</u>
Financial	0	5	0	5
IT	0	1	0	1
Counter Fraud	0		1	1
Governance & Ethics	0	3		3
Strategic & Operational Risks	0	5	3	8
Total	0	14	4	18
Summary	0%	78%	22%	0%

* In addition to the subject specific reviews carried out, fraud risks are evaluated and tested on a sample basis as standard practice for all audits.

3. REVIEW OF AUDIT COVERAGE

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

Table 2 – Assurance Categories

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

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

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

3.2 Summary of Audit Work

Table 3 details the assurance levels resulting from all audits undertaken in 2024/24 and the assessment of the levels of risk exposure:

Those shown as blank are still to be finalised but the opinions are expected to be as indicated.

Table 3 – Details of Audit Opinions Issued in 2022/23

Audit Area	Assurance Opinion	Risk Exposure Opinion
Finance		
External Audit Recommendations	Substantial	Medium
Sundry Debts	Substantial	Medium
Assets – Statutory Compliance		
Performance Management & Data Quality		
Housing Benefits		
IT		
Systems Resilience		
Counter Fraud		
Corporate Credit Card	Limited	Medium
Governance & Ethics		
Annual Governance Statement 2022/23	Substantial	Not Applicable
Ethical Governance	Substantial	Medium
Complaints and FOIs	Substantial	Medium
Strategic & Operational Risks		
Homelessness Grants		
Housing Rents	Limited	Medium
Property Repairs inc Stock Control		
Project Management & Corporate Strategy Delivery		
Fleet Management	Limited	High
Fuel Usage.	Substantial	Medium
Benn Hall	Substantial	Medium
Bereavement Services		

Outlined at pages 11 to 18 is a short summary of the findings of each of the audits completed. It should be noted that many of these findings have previously been reported as part of the defined cycle of progress update reports provided to the Audit & Ethics Committee.

3.3 **Implementation of Internal Audit Recommendations**

Internal Audit follows up on progress against all recommendations arising from completed assignments to ensure they have been appropriately implemented in a timely manner. Updates are provided to the Audit & Ethics Committee during the course of the year. Details of the outstanding audit recommendations are provided in Table 4 below:

DRAFT

Summary: Outstanding Audit Recommendations as at March 2024

Year	Audit	Not yet due	Within time	Extended time	Out of time	Cancelled	Overdue	Total Recs
2021/22	Treasury Management	0	3	0	8	0	1	12
2021/22	Housing Rent Arrears	0	2	0	3	2	4	11
2021/22	Service Desk Management	0	0	0	0	0	3	3
2022/23	Voids Review	1	3	1	5	0	6	16
2022/23	Food Safety	1	0	3	0	0	1	5
2022/23	Right to Buy	0	1	0	1	0	2	4
	Totals 2021/23	2	9	4	17	2	17	51
2023/24	Housing Rents	1	3	1	2	0	7	14
2023/24	Ethical Governance	8	0	0	0	0	1	9
	Totals 2023/24	9	3	1	2	0	8	25
	Totals	11	12	5	19	2	25	76

4. HOW HAS INTERNAL AUDIT ADDED VALUE?

- 4.1 It is important that Internal Audit demonstrates its value to the organisation. The service provides assurance to management and members via its programme of work and also offers support, advice and insight to assist the Council in new areas of work or to proactively review and improve the control framework.
- 4.2 Beyond delivery of the core assurance assignments, the service added value in a number of additional areas during 2023/24. Examples are set out in Table 5 below:

Table 5 – Internal Audit Contribution

Area of Activity	Benefit to the Council
Support towards the Council’s Counter fraud activity in the following areas: <ul style="list-style-type: none"> • Review and update of the Anti-Fraud Bribery & Corruption Strategy and an independent external review of the Council’s Counter Fraud framework. • Completion of one corporate investigation, with support from other managers as required. • Provision of assurance work in relation to Corporate Credit Cards and the associated policy and procedures 	Greater strategic and procedural clarity, leading to a more consistent and coherent organisational approach to tackling the risks of fraud, bribery and corruption.
Risk Management – co-ordination and support to the Strategic Risk Management Group including preparation of updated strategic and operational risk registers. working with the Management and Leadership Teams. Complete overhaul of the risk recording and assessing process. Compiling and agreeing new risk registers for each operational area as well as a new corporate risk register and dashboards.	Implementation of best practice in relation to risk management, leading to more successful outcomes.
A total of 21 agreed actions have been implemented by management following completion of internal audit work. Furthermore, the internal audit service has, where appropriate, recommended actions to reduce or eliminate wasteful or inefficient processes.	Reduction in exposure to risk and improved organisational efficiency and effectiveness.

5. HOW WELL IS INTERNAL AUDIT PERFORMING?

- 5.1 Internal Audit maintains a number of agreed performance measures to enable ongoing monitoring by the Leadership Team and the Audit & Ethics Committee. Outturns against these indicators for the year ended 31st March 2023 are set out in Table 6 below:

Table 6 – Internal Audit Performance Indicators

Theme	Title of Performance Indicator	2022/23	2022/23	2021/22	2020/21
Delivery	Average end to end time for audits (number of days)	83 days	86 days	87 days	88 days
Adding Value	Customer Satisfaction – Average Rating 3 = Good 2 = Satisfactory 1 = Poor	2.5	2.80 See para. 5.3 below	See para. 5.2 below	3.00
Timeliness	Timeliness of Reporting – Average time taken to issue draft reports following fieldwork completion	8 days	8.5 days	6.0 days	8.3 days
Effectiveness	Implementation of Agreed Actions by Officers – Percentage implemented within agreed timescale	62%	67%	75%	74%

- 5.2 For 2021/22, owing to there being an inadequate number of responses to customer surveys issued following completion of audits during the year, an annual survey was issued to all members of the Corporate Management Forum. Overall, on a scale of 1 to 5 (1 being poor and 5 being excellent), the average score for the service based on the 16 responses received was 4.56.
- 5.3 In addition to the customer satisfaction data shown above, in April 2023 the External Quality Assessor issued a satisfaction survey to 13 key service stakeholders. The response rate was 73% and the feedback was 98% positive and 2% negative.

6. COMPLIANCE WITH PROFESSIONAL STANDARDS

- 6.1 The Public Sector Internal Audit Standards (the Standards) were adopted by the Chartered Institute of Public Finance and Accountancy (CIPFA) from April 2013. The standards are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of Internal Audit across the public sector.
- 6.2 The objectives of the Standards are to:
- Define the nature of internal auditing within the public sector;
 - Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations; and
 - Establish the basis for evaluation of internal audit performance and to drive improvement planning.
- 6.3 An external quality assessment of the internal audit service was completed in April 2023 and shows that the service is operating in “general conformance with the Standards”, the highest of the three possible grades.

6. SUMMARY OF AUDIT FINDINGS

Audit Area	Assurance Opinion	Risk Exposure Opinion	Summary of Key Findings
<p>Ethical Governance</p> <p>Scope The objectives of this audit were to provide assurance around: manage the risk of procurement related fraud, bribery and corruption The objective of the audit was to provide assurance that the Council's ethical governance arrangements are fit for purpose and effectively implemented. A key aim of the review was to provide assurance that the Council is appropriately applying its scheme of delegated authority, specifically in relation to its delegated and emergency decision processes.</p>	Substantial	Medium	<p>The review has confirmed that, overall, an effective ethical governance framework is in place. Responsibilities are clearly documented, with comprehensive policies and procedures in existence to ensure current levels of governance, including decision making processes, are maintained and developed. Compliance with ethical standards is clear. The review highlighted the following key issues</p> <ul style="list-style-type: none"> • No formal requirement for Declaration of Pecuniary Interest Forms to be completed annually by Members • No central record/summary document is retained of emergency decisions • No review/update of the Employee Code of Conduct since December 2018
Corporate Health & Safety	Substantial	Medium	

Audit Area	Assurance Opinion	Risk Exposure Opinion	Summary of Key Findings
<p>Complaints & FOIs</p> <p>Scope The objectives of this audit are to review and evaluate the efficiency and effectiveness of the complaints and freedom of information (FOI) processes applied across the Council. Identification of any areas of waste, inefficiency or duplication of controls, and any areas of potential control weakness. Assurance that complaints and FOI requests are being processed within expected timescales</p>	Substantial	Medium	<p>Complaints and Freedom of Information requests are being handled effectively on a regular basis and all complaints have been resolved with the customer. Whilst this is the case, although it is mandatory for customers to receive a written response, some complaints were resolved verbally. 71% of complaint cases and 67% of FOI cases sampled were completed on time. Work is needed to ensure that the recording of letters from MPs is kept up to date</p> <p>Complaint and FOI requests are monitored on a regular basis and reporting is provided to the Management Team, Leadership Team and Cabinet</p>
<p>External Audit Recommendations</p> <p>Scope To assess the implementation of the actions agreed with the external auditors.</p>	High	Medium	<p>This gave a high assurance rating with only 2 minor recommendations relating to deleting unused dummy accounts and reviewing the IT Risk Register.</p>
<p>Corporate Credit Card</p> <p>Scope The objective of the audit was to provide assurance that corporate credit card expenditure transactions are appropriate, are in line with the objectives of the Council and represent reasonable value for money</p>	Limited	Medium	<p>A number of issues were identified relating to the efficiency and effectiveness of the controls designed to minimise the risks of fraud, and that ensure expenditure represents value for money. In particular:</p> <ul style="list-style-type: none"> • There is no corporate policy or dedicated instructions in place to guide officers on the use of corporate credit cards and when expenditure by credit card may be appropriate over traditional procurement/invoice methods. • Physical card and EPay transaction monitoring procedures are not sufficiently robust. Overall, insufficient information/records are being provided to Finance (or are available centrally) to enable

Audit Area	Assurance Opinion	Risk Exposure Opinion	Summary of Key Findings
			<p>meaningful independent scrutiny, oversight and challenge. As such, there remains a risk that fraud might not be identified.</p> <ul style="list-style-type: none"> Physical credit card transactions are not always authorised (or evidenced as such) prior to expenditure taking place; in such instances the control adds minimal value and does not mitigate the risk of fraud.
<p>Sundry Debts</p> <p>Scope The objective of this audit is to provide assurance that the billing and collection of sundry income is accurate, complete and timely. It is also to ensure that the appropriate controls are in place, and operated consistently, to ensure the Council collects sundry debts efficiently and effectively</p>	Substantial	Medium	<p>Most areas raise invoices once the service has been provided. The ways that Service Areas record the services they have provided varies and some Service Areas would benefit from reviewing this</p> <p>The audit has identified that-</p> <ul style="list-style-type: none"> invoices relating to Sundry Income are being requested, raised and paid on a regular basis. However, testing identified instances in three different service areas where invoices were not raised. higher charge for mobile based Lifelines was not being charged. Recharges for voids repairs adds an overhead charge of 90.7% of the labour costs to the amount charged and this would benefit from a review. The Financial Instructions need to be updated to include the section on the minimum amount that should be invoiced
Assets – Statutory Compliance	Substantial	Medium	Work in progress

Audit Area	Assurance Opinion	Risk Exposure Opinion	Summary of Key Findings
Performance Management	Substantial	Medium	Work in Progress
<p>Housing Benefits</p> <p>Scope The objective of this audit is to provide assurance that payments are processed accurately and correctly, that accounting records are accurate and complete, that overpayments are recovered, and that the system is secure</p>	Substantial	Medium	<p>The audit found a generally sound system of controls in place to ensure that accurate payments are made to customers in a timely manner. A good quality assurance process is in place to help minimise errors, although would benefit from higher volume checks The team are not following up on setting up recovery action as they should be due to a lack of resources. Although system generated reminders have been issued, there has been limited manual recovery activity due to initially the pandemic, and subsequently resourcing issues</p>
Systems Resilience	Substantial	Medium	<p>The objective of the audit was to provide assurance that there are appropriate arrangements in place to ensure that the Council's network and systems are resilient and can be restored in a prioritised and timely manner, and that there are appropriate arrangements to prevent loss of data.</p> <p>Systems Resilience involves the preparation and maintenance of an IT Disaster Recovery (DR) plan, annual testing to ensure that recovery plans are adequate and effective, clear communication of the Council's requirements for system recovery and ensuring that all server hardware is afforded both physical and environmental protection. In addition, assurances should be obtained that all 3rd party Cloud Hosting providers offer evidence of annual IT Disaster Recovery tests.</p>

Audit Area	Assurance Opinion	Risk Exposure Opinion	Summary of Key Findings
			The review confirmed that IT hardware was sited in a secure IT server room at Rugby Town Hall. To provide fallback protection, a Disaster Recovery facility has been established through Crown Commercial Services at their data centre in Farnborough.
Annual Governance Statement (2023/24)	Substantial	Not Applicable	The overall governance framework provides a substantial level of assurance of effectiveness, although a number of further development areas have been highlighted. Delivery of the Action Plan will be monitored during 2024/25.
<p>Housing Rents</p> <p>Scope The objective of this audit is to provide assurance that appropriately designed controls are in place to ensure the accuracy and completeness of billing and accounting records and that the system and access controls are effective</p>	Limited	Medium	<p>There is currently an issue sending Direct Debit letters which puts RBC at risk of providing poor service to tenants and breaching our regulatory requirements.</p> <p>The processes by which the rents and service charges are calculated each year are robust, in terms of regular uplifts and standard changes. However, the way these are updated to the system would benefit from additional checks.</p> <p>Service charges are applied, however, it would be beneficial to review whether RBC are charging for all the services they offer</p>



Audit Area	Assurance Opinion	Risk Exposure Opinion	Summary of Key Findings
<p>Homelessness Grants</p> <p>Scope An advisory review of how the grant pot is being utilised, including whether all applicable activity and costs are being charged to the grant pot.</p>	Substantial	Medium	Work in Progress
<p>Property Repairs inc Stock Control</p> <p>Scope The purpose of this audit was to: 1. Seek assurance that the new TF Cloud system is delivering its expected outcomes. 2. Provide assurance that appropriately designed controls are in place and consistently applied. 3. Review performance management arrangements, stock control, the handyperson service and implementation of the service plan</p>	Limited	Medium	<p>The TF Cloud system was predominantly designed and procured as an asset management system and is not ideal for a responsive repairs system. A new system called TotalConnect/TotalMobile is set to be introduced in April 2024 which will sit on top of TF and assist with the scheduling and management of responsive repairs along with voids and Street Scene. Van stocktakes are a time-consuming process and could be carried out in a smarter and more focussed way by using the data available to look at high frequency items on a rolling basis.</p> <p>There is a high level of discrepancy with stock, both over and under what the system is saying there should be</p> <p>There are containers at WSU which contain parts for jobs which are not monitored in any way and nor is access to the site.</p> <p>Performance management for operatives is carried out by Contract Officers but without an emphasis on misappropriation of stock because the system cannot be relied upon for accuracy. Therefore, the likelihood of fraud is possible.</p> <p>The Handyperson service is currently on hold as both operatives who cover this work have been off with long term sickness, however this service does make a financial loss, so its future is under consideration.</p>

Audit Area	Assurance Opinion	Risk Exposure Opinion	Summary of Key Findings
Project Management	Substantial	Medium	.Work in Progress
Fleet Management Scope The objectives of the review were to assess the arrangements for the management of vehicles used by the Council to ensure: <ul style="list-style-type: none"> • compliance with operator licence regulations, • value for money, planning of the fleet to ensure that operational needs are met, • compliance with safety standards including vehicle checks and maintenance, • purchasing and disposals. 	Limited	Medium	The council's fleet is split across four services and locations. A master spreadsheet is retained that records the service dates for all. However, this is not readily available at the other locations to allow for forward planning vehicles in the fleet Vehicle road taxes are managed by one officer and are paid annually on demand and by credit card. There is only one defects pad used for all PRS vehicles. The processes are all paper based including servicing and repairs and are therefore inefficient and prone to error. An It based approach would provided more control and information as well as better cost control. Driver's records and checks were not appropriate or completed fully.
Fuel Usage Scope The objectives or the review were to assess the arrangements for access and use of the Fuel pumps and to provide assurance that appropriate controls are operated to mitigate the risk of fuel theft, either by officers or by members of the public	Substantial	Low	There are three tanks at the WSU that are used for Diesel (2 tanks) and Add-blu. There are no supplies of Petrol, which is obtained from a local garage using a fuel card. Each vehicle has a fob that is dedicated to that vehicle and each driver has an individual pin number that have to be used in conjunction to allow the pump to operate. The vehicle mileage also has to be inserted to allow fuel usage to be monitored.

Audit Area	Assurance Opinion	Risk Exposure Opinion	Summary of Key Findings
			<p>Reports of fuel usage by vehicle are available but these are only used to monitor the fuel left in the tanks and identify when a new order needs to be placed.</p> <p>From the reports obtained it is apparent that the mileages inserted when using the pumps are not checked via the report.</p>
<p>Benn Hall</p> <p>Scope The objective for this audit was to provide assurance that the Benn Hall service is being run efficiently and effectively in line with the business plan.</p> <p>Assurance was also sought that income and expenditure is accurately and completely accounted for, with particular focus on ticket sales, stock control and any cash receipting</p>	Substantial	Medium	<p>Controls are generally good around ticket sales, with the vast majority being sold online. For the small percentage sold in person, there is an extra step required logging the payment on Paye.net which could be missed accidentally or deliberately, although there is no evidence of this, and the risk is low.</p> <p>The bar is a high-risk area and there are almost no stock control procedures in place, mainly due to having an outdated till system.</p>
<p>Bereavement Services</p> <p>Scope The objective for this audit was to provide assurance that the service is well governed and controlled, and is being operated efficiently and effectively</p>	Substantial	Medium	Work in Progress

Limitations and Responsibilities

Limitations inherent to the Internal Auditor's work

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

Opinion

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

Internal Control

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

Future Periods

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

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

Responsibilities of Management and Internal Auditors

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

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

AGENDA MANAGEMENT SHEET

Report Title: Internal Audit Plan 2024-25

Name of Committee: Audit Committee

Date of Meeting: 25 April 2024

Report Director: Chief Officer - Finance and Performance

Portfolio: Finance and Performance

Ward Relevance: None

Prior Consultation: Chief Officer - Finance and Performance
Leadership Team

Contact Officer: Richard Green - Interim Corporate Assurance
Manager 01788 533533
Richard.green@rugby.gov.uk

Public or Private:

Report Subject to Call-In: No

Report En-Bloc: No

Forward Plan: No

Corporate Priorities: This report relates to the following priority(ies):
 Rugby is an environmentally sustainable place, where we work together to reduce and mitigate the effects of climate change. (C)
 Rugby has a diverse and resilient economy that benefits and enables opportunities for all residents. (E)
 Residents live healthy, independent lives, with the most vulnerable protected. (HC)
 Rugby Borough Council is a responsible, effective and efficient organisation. (O)
[Corporate Strategy 2021-2024](#)
 This report does not specifically relate to any Council priorities but

Summary: The report presents the draft 2024/25 internal audit plan for review and approval subject to any changes.

Financial Implications: No implications arising directly from this report.

However as there may need to be additional use of an external contractor due to staff resources additional costs may be proposed through Cabinet

Risk Management/Health and Safety Implications:

If the internal audit plan does not cover the key risks to the Council the quality of the assurances it provides about the control framework would be compromised.

Environmental Implications:

None

Legal Implications:

No implications arising directly from this report.

Equality and Diversity:

No implications arising directly from this report.

Options:

None

Recommendations:

1. That any amendments to the proposed internal audit plan be identified and agreed.
2. That, subject to 1 above, the draft internal audit plan for 2024/25 be APPROVED.

Reasons for Recommendations:

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

Audit and Ethics Committee - 25 April 2024

Internal Audit Plan 2024/25

Public Report of the Chief Officer - Finance and Performance

Recommendations

1. That any amendments to the proposed internal audit plan be identified and agreed.
2. That, subject to 1 above, the draft internal audit plan for 2024/25 be APPROVED.

1. Background

- 1.1** The Public Sector Internal Audit Standards require the 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/ Chief Officer Finance & Performance and the Audit & Ethics Committee on the degree to which risk management, control and governance support the achievement of Council objectives; and
- The provision of an independent and objective consultancy service specifically to help line management improve the organisation's risk management, control and governance arrangements.

- 2.3** The internal audit plan has been developed using the long list of potential areas for internal audit review (the "audit universe") which has been reviewed and updated, by identifying key risks from the following sources:

- Risk Management Framework, Strategic and Operational Risk Registers;
- The Corporate Strategy and Delivery Plan;

- Financial Statements;
 - The results of internal audit work carried out during the last 4 years;
 - Cumulative knowledge and experience; and
 - Ongoing stakeholder engagement during 2023/24
- 2.4** The long list of potential audits formed the basis of stakeholder discussions with the Leadership Team from which the planned audit coverage was refined and prioritised. Leadership Team also provided details of additional areas of risk/ concern which would benefit from internal audit assurance work and/ or consultative support. Following this, a draft Internal Audit Plan was compiled and approved by the Leadership Team on 15 April 2023. The draft Internal Audit Plan is included 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 Chief Officer Finance & Performance and the Interim Corporate Assurance 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 707 days, an increase of 254 days on 2023/24 although that year was based on restricted time available (9 Months) so full year would have been 654 so the increase is only approximately 50 days a 11% increase.. The level of resources required was calculated on a prudent basis, taking into account:
- Management time
 - Training and development
 - Sickness
 - Annual leave and bank holidays
 - Administrative time
- 2.6** The Council has appointed an external contractor, Lighthouse Consulting Ltd, to deliver the IT audits. The contractor are also available where necessary to help deliver non IT audits; this helps to ensure the service is resilient and able to adapt to changing circumstances.
- 2.7** The full long list of potential audits is also included in the plan which enables members to see the basis upon which assignments have been included or excluded from the Annual 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 & Ethics Committee to act as the 'Gate Keeper' to any significant changes to the Internal Audit Plan. It may be necessary during the year to change the Plan in response to emerging risks and to ensure that internal audit work adds the maximum value and remains aligned with the needs of the organisation.
- 3.2** Before authorising changes to the Internal Audit Plan, the Committee would need to be satisfied that such a change would not impact, negatively, on the ability for Internal Audit to provide an adequate level of assurance to the Council. In previous years the Committee agreed that, due to the timing of meetings, and to avoid delays in completion of audit work, it was more appropriate to grant the Chief Officer – Finance and Performance 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 2024/25.
- 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 5 days.

Name of Meeting: Audit and Ethics Committee

Date of Meeting: 25 April 2024

Subject Matter: Internal Audit Plan 2024/25

Originating Department: Finance and Performance

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

LIST OF BACKGROUND PAPERS

Doc No	Title of Document and Hyperlink

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

Exempt information is contained in the following documents:

Doc No	Relevant Paragraph of Schedule 12A



**INTERNAL AUDIT
ANNUAL PLAN**

2024-25

RIGHT FOR RUGBY



INTERNAL AUDIT PLAN 2024-25

1. INTRODUCTION

- 1.1 The role of Internal Audit is best summarised through its definition within the Public Sector Internal Audit Standards (PSIAS) as:
“an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”.
- 1.2 The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively. The Council’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisations objectives
- 1.3 The aim of Internal Audit’s work programme is to provide independent and objective assurance to management, in relation to the business, activities, systems or processes under review that:
- the framework of internal control, risk management and governance is appropriate and operating effectively; and
 - risk to the achievement of the Council’s objectives is identified, assessed and managed to a defined acceptable level.
- 1.4 The Internal Audit Plan provides the mechanism through which the Corporate Assurance Manager (Chief Internal Auditor) can ensure most appropriate use of internal audit resources to provide a clear statement of assurance on risk management, internal control and governance arrangements.

2. CONFORMATION WITH STANDARDS

- 2.1 The Internal Audit Plan 2024/25 has been prepared in recognition of the responsibilities of the Chief Financial Officer under S.151 of the Local

Government Act 1972 and the Accounts & Audit Regulations 2015 and in accordance with the Public Sector Internal Audit Standards 2013 (the Standards).

- 2.2 The Standards require the Chief Internal Auditor to develop and maintain a risk-based strategy for delivering the internal audit service.

3. COUNCIL RISK

- 3.1 The corporate risks assessed by the Council are a key focus of our planning for the year to ensure it meets the assurance needs and contributes to the achievement of the objectives.
- 3.2 We will monitor the corporate and operational risk registers, which have been completely revised and reviewed in March 2024, closely over the course of the year to ensure our plan remains agile to the rapidly changing landscape.

4. DEVELOPING THE ANNUAL INTERNAL AUDIT PLAN

- 4.1 In accordance with the Public Sector Internal Audit Standards there is a requirement that internal audit establish a risk-based audit plan to determine the resourcing of the internal audit service, consistent with the organisation's goals.
- 4.2 In 2021-22 a long list of potential audits (Audit Universe) was compiled based on conversations with key stakeholders, review of risk registers, key corporate documents and our understanding of the organisation. This was fully reviewed in 2023 and has been updated as part of this planning exercise.
This is included at Appendix 1
- 4.3 This has since been used as the Strategic plan with the intention of covering all areas within 3 years, However the availability of resources have limited the achievement of this so that some areas have yet to be reviewed.
- 4.4 From that list, the results of audits undertaken, reviews of the current risks and assurances the Individual Annual Plans have been developed.

- 4.5 Audit planning is a perpetual process throughout the course of the year to ensure we are able to react to new and emerging risks and the changing needs of the council.
- 4.6 Internal audit is only one source of assurance and through the delivery of our plan we will not, and do not seek to cover all risks and processes within the organisation.
We will however continue to work closely with other assurance providers to ensure that duplication is minimised, and a suitable breadth of assurance is obtained.

In compiling the Internal Audit Plan for 2024-25 we considered any audit that was not completed as part of the Annual Plan for 2023-24 and reviewed the Audit Universe for completeness.

- 4.7 In addition there are some annual exercises that are not included in the plan such as assistance with and review of the Annual Governance Statement. as well as ad-hoc investigations, anti-fraud initiatives and consultations.

5. ANNUAL INTERNAL AUDIT PLAN 2024-25

- 5.1 Based on the above principles, the risk factor, consideration of current and new initiatives during the forthcoming year and liaison with key stakeholders, the Internal Audit Plan 2024-25 has been prepared as detailed below.
- 5.2 This Plan is endorsed by the Chief Officer Finance & Performance (Section 151) and the Corporate Assurance Manager (Chief Internal Auditor) as being sound, robust and sufficient to safeguard the Council's internal control framework and sufficient to enable the Corporate Assurance Manager to produce an Annual Assurance Statement at year end.



INTERNAL AUDIT PLAN 2024-25

<u>Area</u>	<u>Audit Title</u>	<u>Rationale/ Risk</u>	<u>Potential Coverage</u>	<u>Risk Rating</u>	<u>No of Days</u>
Finance	Procurement	Failure to deliver outcomes and achieve value for money.	Compliance with Contract Standing Orders, financial, project and risk management. Review of arrangements to monitor supplier resilience.	MEDIUM	12
Finance/HR /Services	Consultancy Expenditure	Poor Value for Money, failure to achieve intended outcomes. The Council might not have robust systems of governance that ensure fairness, accountability and transparency.	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. Assurance that the requirements of IR35 are being met.	MEDIUM	17
Finance	Treasury Management	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	12
Finance/ services	Capital Programme	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	12
Finance	Fees & Charges/ Income shortfalls	Fees and charges may not be achieved	Assurance that fees are set at a realistic rate, Estimates are based on sound predictions Income is monitored and actions taken where appropriate	MEDIUM	12
Revenues	Council Tax	Fundamental financial system; risk of fraud, error, financial loss.	Accuracy and completeness of billing, system access controls, maximisation of collection, accuracy and completeness of accounting records.	MEDIUM	17

<u>Area</u>	<u>Audit Title</u>	<u>Rationale/ Risk</u>	<u>Potential Coverage</u>	<u>Risk Rating</u>	<u>No of Days</u>
Finance/ LT	Risk Management	Risk Management is not fully embedded into the day to day management and operations of services so that issues and incidents can arise without warning.	Assurance that the risk strategy, and approach is readily available to all staff. Risk registers are reviewed and updated at team and service meetings on an ongoing basis.	HIGH	25
HR/Finance	Flexitime	Staff flexi-time system is abused/manipulated to enable staff to take more paid time off.	Assurance that there are adequate checks and monitoring by managers and HR to prevent or identify any potential misuse. Staff flexi-time system is managed to overcome any abuse or manipulation of records	MEDIUM	17
HR/services	Agency Staff	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	17
HR/services	Absence Management	Risk register highlights the risk of adverse impacts on services and teams caused by sickness absence.	Assurance that policy and procedures are appropriately designed, and consistently applied to ensure that absence is effectively managed.	MEDIUM	17
HR	HR Capability and Disciplinary	CANDO values and behaviours framework would not be effective without being underpinned by capability and disciplinary procedures.	Assurance that there is a consistently embedded and effective framework in place for managing capability and disciplinary. Analysis of cases to establish whether there are any recurring themes, how the Council learns lessons from such cases, and how they are used to reinforce the values and behaviours framework.	MEDIUM	12



<u>Area</u>	<u>Audit Title</u>	<u>Rationale/ Risk</u>	<u>Potential Coverage</u>	<u>Risk Rating</u>	<u>No of Days</u>
HR/ Operations	Lone Working	Risk of harm or serious injury to staff who are working alone	Assurance that the policies and procedures are adequate and being followed in all instances where staff are working alone or in isolation.	HIGH	22
HR/all	Recruitment & Retention of Staff	Unable to recruit or maintain sufficient staff levels across the council	Assurance that the new recruitment arrangements are delivering. Staff exit interviews are used to identify any concerns that can be addressed	MEDIUM	17
HR	Staff Welfare	Staff mental welfare issues are not identify, acted upon and monitored.	Assurance that there are appropriate policies and processes in place to identify and support any staff with concerns. Appropriate monitoring and advisory activities are in place.	MEDIUM	12
Operations	Parks and Open Spaces	Council priority to enhance local, open spaces to make them places where people want to be, might not be achieved.	Assurance that the service is being run efficiently and effectively.	MEDIUM	12
Ops & Trade	Domestic Waste	The Domestic Waste operations do not provide an effective service in line with strategy.	Assurance that the domestic waste operations are managed effectively and meet the councils targets and requirements.	MEDIUM	17
Legal Services	Legal Services	Risk register highlights risks of failure to deliver prompt service and to meet deadlines.	Assurance that services are prioritised and workload managed efficiency and effectively to meet deadlines and any regulatory requirements.	LOW	12
Legal & Governance	Internal Constitution	Review of the Council's arrangements for monitoring compliance with the Internal Constitution, and targeted sample-based testing to provide assurance that the requirements are being followed.	New internal constitution developed for implementation in 2023. Effective implementation is key to successful delivery of the corporate strategy objectives for the Organisation.	MEDIUM	12

<u>Area</u>	<u>Audit Title</u>	<u>Rationale/ Risk</u>	<u>Potential Coverage</u>	<u>Risk Rating</u>	<u>No of Days</u>
Communities	Independent Living Service	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	17
Communities /finance	Travellers - Woodside	Risk of failure to protect, engage with and support the local community.	Assurance that the Council's management of travellers' sites is compliant with the relevant legislation, and that the Council provides the same standards of management and support services to travellers' sites as to customers in other forms of social housing.	HIGH	17
Housing	Tenant including former tenants and Voids	Risk of the Council not invoicing for repairs which should be the responsibility of the tenant.	Assurance that recharges are accurate and complete, and correctly reflect the Council's expenditure incurred when carrying out repairs. Assurance that there are appropriate arrangements in place to maximise the collection of outstanding income.	MEDIUM	12
Housing	Waiting lists and nominations	Risk that the council is not receiving the section 106 nominations and therefore reducing waiting lists	Assurance that registered providers are fulfilling their S106 requirements. Review the participation in common housing waiting lists	MEDIUM	12
Regulatory	Car Parking and Enforcement	Risk of financial loss, reputational damage, complaints, adverse media coverage.	Assurance that income is accounted for correctly and in full.	LOW	12
Regulatory	Emergency Planning and Business Continuity	Councils is unable to deal with a major natural disaster	Assurance that the emergency planning arrangements are sufficiently robust and adequate to meet major incidents. Arrangements are planned for relocation, additional equipment and services. Staff training is appropriate and arrangements are tested	MEDIUM	17

<u>Area</u>	<u>Audit Title</u>	<u>Rationale/ Risk</u>	<u>Potential Coverage</u>	<u>Risk Rating</u>	<u>No of Days</u>
IT	IT Strategy, Governance & Policies	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. To include a joint ICT/ HR review of policies including ICT security and code of conduct, and agile working. Review of arrangements in place to ensure agile staff are being effectively managed.	MEDIUM	12
IT	Loss of IT services	The IT services could be lost due to loss of access to the "Cloud"	Assurance that there are sufficient back-ups and safeguards in place in the event of any data loss.	MEDIUM	12
IT	Software Licenses	Rugby has unused licenses or are subscribing more than necessary. Staff are using unlicensed software	Assurance that there are adequate arrangements and controls over the issue and use of software and associated licenses.	MEDIUM	12
All	Project Management	projects are planned and managed to secure the most efficient and managed delivery	Assurance that projects are initiated with the relevant services involved. Projects are managed effectively involving key managers at the relevant stages of planning and delivery. Progress and outturn reports ensure delivery and success of the projects.	HIGH	17
Growth & Development	Local Plan Delivery	The local plan is not adopted to allow delivery on flexible uses	Assurance that the delivery of the local plan is on target and that the deliverables are being monitored and reported	HIGH	12
			Follow-ups		30
			Total Audit Days		456

Additional areas of support					
Annual Governance Statement		Statutory requirement under the Accounts and Audit Regulations 2021	Assurance that the Council operates a robust framework of corporate governance, in accordance with the "Delivering Good Governance in Local Government" framework		5
National Fraud		The Council participates in the National Fraud Initiative, in line with its Counter Fraud Strategy	Ongoing co-ordination of the review of data matching, and assurance that investigations are conducted where required		10
Advice		The earlier any significant risks are identified, the sooner they can be considered and any further changes in control implemented.	Ongoing ad hoc advice to senior management and officers in relation to the control environment. This will include a review of the new Medium Term Finance Strategy, once developed.		20
Investigation		In line with the public interest and the Council's zero tolerance approach to fraud, bribery and corruption, as set out in the Strategy.	Provision of independent investigatory support, in relation to allegations or suspicions of fraud, bribery and/ or corruption.		20
Contingency			An allowance to enable unforeseen events to be absorbed without the need to revise the approved audit plan. This represents the application of sound project management.		30
Insurance / Risk Management			Assistance with Insurance claims processing and risk registers management.		52
Management			Managing the team, attending meetings, assisting with Insurance and projects,		114
				Total	231
				Overall Total	707



LONG LIST OF POTENTIAL AUDITS (AUDIT UNIVERSE)

Appendix 1

Corporate Risks

<u>Audit Title</u>	<u>Corporate Strategy Priorities</u>	<u>Rationale/ Risk</u>	<u>Potential Coverage</u>	<u>Risk Rating</u>	<u>Last Audited</u>	<u>Comments/ Rationale for Excluding</u>	<u>In 2024/25</u>
Business Continuity/ Emergency Planning	Rugby Borough Council is a responsible, efficient and effective organisation	An area of concern highlighted on a number of risk registers. A new Emergency Plan has been approved and new Business Continuity Plans are being developed.	Assurance that plans are fit for purpose, properly tested and that the agreement with CSW is operating effectively.	H	2023/24	Full audit in 2016/17 substantial assurance. Resilience agreement with CSW. Overall BC planning in 2023/24 detailed plans review in 2024/25	Yes
Corporate Health & Safety	Rugby Borough Council is a responsible, efficient and effective organisation	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.	H	2023/24	Reviewed in 2016/17. Limited Assurance. Internal Audit also reviewed DSE assessment compliance in 2020/21. New SHE system implemented.	
Fraud Risk Review	Rugby Borough Council is a responsible, efficient and effective organisation	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.	M	2021/22	Full reviews completed in 2016/17, 2018/19 and 2021/22. Substantial assurance.	
Counter Fraud Framework	Rugby Borough Council is a responsible, efficient and effective organisation	Whilst proactive counter fraud work has been completed in recent years, the framework itself is due for review. Numerous risks recorded in this area.	Assurance that the Council's anti fraud, bribery and corruption framework is fit for purpose and has been effectively implemented.	M	2022/23		
Asset Maintenance	Rugby Borough Council is a responsible,	Significant reputational and financial damage if the Council has not	Assurance that the Council is operating in compliance with its statutory health and	M	2023/24	To be deferred from 2022/23	



<u>Audit Title</u>	<u>Corporate Strategy Priorities</u>	<u>Rationale/ Risk</u>	<u>Potential Coverage</u>	<u>Risk Rating</u>	<u>Last Audited</u>	<u>Comments/ Rationale for Excluding</u>	<u>In 2024/25</u>
	<p>efficient and effective organisation.</p> <p>Residents live healthy, independent lives, with the most vulnerable protected.</p>	taken reasonable steps to ensure health & safety.	safety responsibilities in relation to asset maintenance.				
Agency Staff	Rugby Borough Council is a responsible, efficient and effective organisation	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.	M		<p>The current contract is coming to an end and a corporate review is in progress to identify the Council's future requirements.</p> <p>Will review in 1 year.</p>	Yes
Business Improvement District	<p>Rugby has a diverse and resilient economy that benefits and enables opportunities for all residents.</p> <p>The Council is a responsible, efficient and effective organisation.</p>	There are governance and financial transparency related risks.	Review of income and expenditure to provide assurance that monies are utilised for the purposes intended and that value for money is achieved.	M		<p>Removed from plan in 2022/23 due to an external review being commissioned.</p> <p>Will define scope once the external and member reviews have completed.</p>	
Climate Change and Carbon Management	Rugby is an environmentally sustainable place, where we work together to reduce and mitigate the	<p>The Council might not achieve net zero carbon footprint by 2030.</p> <p>Connectivity and use of greener</p>	Assurance that effective arrangements are in place to ensure that the Council achieves the aims set out by the Climate Emergency Working Group.	H		<p>New Strategy adopted.</p> <p>Project management review will include arrangements</p>	



<u>Audit Title</u>	<u>Corporate Strategy Priorities</u>	<u>Rationale/ Risk</u>	<u>Potential Coverage</u>	<u>Risk Rating</u>	<u>Last Audited</u>	<u>Comments/ Rationale for Excluding</u>	<u>In 2024/25</u>
	effects of climate change.	<p>travel might not improve.</p> <p>The impact of residents and businesses on the environment might not be reduced.</p> <p>The Council might not deliver good quality green infrastructure and improved biodiversity.</p>				for ensuring delivery of climate related initiatives.	
Partnership/ Shared Service Governance	Rugby Borough Council is a responsible, efficient and effective organisation	Risk of loss of sovereignty and expected outcomes not delivered.	Appropriate arrangements to manage partnerships such that corporate objectives and VFM are achieved.	M		<p>Reviewed in 2017/18. Substantial assurance.</p> <p>Will consider UKPSF grant based outcomes testing and assurance for 2024/25.</p> <p>Operation of GLL contract reviewed in contract management audit.</p>	
Workforce Planning and Development /Training	Rugby Borough Council is a responsible, efficient and effective organisation	Critical to the success of the organisation; higher risk due to the economic climate and recovery of the private sector.	Review of design and effectiveness of the Council's strategy to develop and retain its workforce in key areas.	M	2022/23	Reviewed in 2022/23; Substantial assurance.	
Consultancy Expenditure	Rugby Borough Council is a responsible, efficient and effective organisation	<p>Poor Value for Money, failure to achieve intended outcomes.</p> <p>The Council might not have robust systems of governance that ensure fairness, accountability and transparency.</p>	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. Assurance that the requirements of IR35 are being met.	M		<p>Reviewed in 2016/17. Substantial assurance.</p> <p>2023/24 internal audit plan includes transactions testing and consultancy expenditure will be in scope.</p>	YES

<u>Audit Title</u>	<u>Corporate Strategy Priorities</u>	<u>Rationale/ Risk</u>	<u>Potential Coverage</u>	<u>Risk Rating</u>	<u>Last Audited</u>	<u>Comments/ Rationale for Excluding</u>	<u>In 2024/25</u>
Financial Planning & Governance	Rugby Borough Council is a responsible, efficient and effective organisation	The Council might not be able to set robust, comprehensive and achievable budgets.	Financial resilience, financial planning follows best practice. Financial strategy modelling is robust. Openness and transparency. Priority assessed as Medium because external audit have concluded again that the Council has effective financial management arrangements in place.	M		Reliance has previously been placed upon assurance work completed by external audit. An internal audit review has been considered but it is felt this would not add much value at present. Budget setting & control reviewed in 21/22 with Substantial assurance provided. Compliance with CIPFA Financial Mgmt Code also being reviewed.	
Contract Management	Rugby Borough Council is a responsible, efficient and effective organisation	Failure to deliver outcomes and achieve value for money.	Contract manager training, compliance with Contract Standing Orders, financial, project and risk management. Review of arrangements to monitor supplier resilience.	MEDIUM		Covered in 2022/23. Substantial assurance.	
Project Management	Rugby Borough Council is a responsible, efficient and effective organisation	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. Delivery of corporate strategy projects.	M		Digitalisation programme reviewed in Q4 2019/20. Housing project governance framework reviewed in 2021/22. New corporate framework developed and implemented in 2021/22 with external support.	Yes
Capital Programme	All (Economy, Communities & Homes, Climate, Organisation)	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	M		To be reviewed in 2024/25 following adoption of new	Yes



<u>Audit Title</u>	<u>Corporate Strategy Priorities</u>	<u>Rationale/ Risk</u>	<u>Potential Coverage</u>	<u>Risk Rating</u>	<u>Last Audited</u>	<u>Comments/ Rationale for Excluding</u>	<u>In 2024/25</u>
			time, and in a way which secures Value for Money.			strategy for 2023/24.	
Fraud Awareness	Rugby Borough Council is a responsible, efficient and effective organisation	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.	M		Not Applicable	Yes - Ongoing work supports strategy
Member Development	Rugby Borough Council is a responsible, efficient and effective organisation	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.	M		Member training programme updated. Consultative review completed in 2020/21 to examine how other Councils ensure members are effectively developed.	
Freedom of Information	Rugby Borough Council is a responsible, efficient and effective organisation	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.	M	2023/24	Audit completed in 2019/20. Substantial assurance. New system implemented in 2022/23	
Equal Pay/ Single Status	Rugby Borough Council is a responsible, efficient and effective organisation	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.	L	2020/21	Audit completed in 2020/21. Substantial assurance	
Corporate credit/ purchase cards	Rugby Borough Council is a responsible, efficient and effective organisation	Potential fraudulent use of the card/s	Detailed review of transactions to provide assurance that purchases were appropriate and supported by valid receipts.	M	2023/24		



<u>Audit Title</u>	<u>Corporate Strategy Priorities</u>	<u>Rationale/ Risk</u>	<u>Potential Coverage</u>	<u>Risk Rating</u>	<u>Last Audited</u>	<u>Comments/ Rationale for Excluding</u>	<u>In 2024/25</u>
Community Engagement and Consultation	<p>Rugby is an environmentally sustainable place, where we work together to reduce and mitigate the effects of climate change.</p> <p>Rugby has a diverse and resilient economy that benefits and enables opportunities for all residents.</p> <p>Residents live healthy, independent lives, with the vulnerable protected.</p>	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.	L		Currently assessed as low risk.	
Risk Management	Rugby Borough Council is a responsible, efficient and effective organisation	Effective risk management increases the likelihood of the Council achieving its objectives.	<p>Assessment of the effectiveness of the Council's arrangements to manage its risks, and the level of risk maturity of the Council.</p> <p>To review risk management controls and identify any assurance gaps.</p> <p>Programme of testing to be delivered to provide assurance that stated controls are operating in practice.</p>	M			Yes
Data Protection/ GDPR/ Law Enforcement Directive	Rugby Borough Council is a responsible, efficient and effective organisation	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.	M	2022/23	Data Protection and Records Management review completed in 2022/23	



<u>Audit Title</u>	<u>Corporate Strategy Priorities</u>	<u>Rationale/ Risk</u>	<u>Potential Coverage</u>	<u>Risk Rating</u>	<u>Last Audited</u>	<u>Comments/ Rationale for Excluding</u>	<u>In 2024/25</u>
Local Government Transparency Code	Rugby Borough Council is a responsible, efficient and effective organisation	Legal and reputational damage risk	Assurance that the Council is, as a minimum, operating in compliance with the mandatory elements of the Code.	L	2020/21	Completed 19/20 Limited assurance. Follow up audit completed 2020/21 provided Substantial assurance.	
Procurement	Rugby Borough Council is a responsible, efficient and effective organisation	Risk of statutory breaches, not delivering value for money, and fraud/ corruption.	Design and operation of controls designed to ensure that the Council complies with statutory and policy requirements, and to ensure that value for money is demonstrated throughout procurement activities.	M	2022/23	Full audit completed in 2016/17 and 2022/23. Substantial assurance.	Yes
Complaints, Compliments & Suggestions	Rugby Borough Council is a responsible, efficient and effective organisation	Reputational damage if complaints are not dealt with appropriately	Review and evaluation of the efficiency and effectiveness of processes applied across the Council. Identification of any areas of waste, inefficiency or duplication of controls, and any areas of potential control weakness.	M	2023/24	New system implemented	
Values and Behaviours	Rugby Borough Council is a responsible, efficient and effective organisation	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.	M		Reviewed in 2017/18 and again in Q4 2019/20.	



<u>Audit Title</u>	<u>Corporate Strategy Priorities</u>	<u>Rationale/ Risk</u>	<u>Potential Coverage</u>	<u>Risk Rating</u>	<u>Last Audited</u>	<u>Comments/ Rationale for Excluding</u>	<u>In 2024/25</u>
Ethical Governance	Rugby Borough Council is a responsible, efficient and effective organisation	Supports achievement of corporate strategy outcomes related to the organisation.	Review of the framework for ensuring the Council's activities are carried out in an ethical manner. This could include a review of the Code of Corporate Governance (Constitution), how decisions are made and the procedures / standards which are followed to ensure that these are efficient, transparent and accountable to local people. Including the use of delegated decisions. The review could also examine the monitoring of compliance against the code of conduct and ethical standards of councillors and officers including gifts, hospitality and declarations of interest.	M	2023/24	Being reviewed in 2022/23.	
Right to Buy	Rugby Borough Council is a responsible, efficient and effective organisation. Rugby has a diverse and resilient economy that benefits and enables opportunities for all residents. Residents live healthy, independent lives, with the vulnerable protected.	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. Assurance that the Council is using the monies realised from sales in line with the recently amended legislation related to the purchasing of homes.	M	2022/23		



<u>Audit Title</u>	<u>Corporate Strategy Priorities</u>	<u>Rationale/ Risk</u>	<u>Potential Coverage</u>	<u>Risk Rating</u>	<u>Last Audited</u>	<u>Comments/ Rationale for Excluding</u>	<u>In 2024/25</u>
Impact Assessments	<p>Rugby is an environmentally sustainable place, where we work together to reduce and mitigate the effects of climate change.</p> <p>Rugby has a diverse and resilient economy that benefits and enables opportunities for all residents.</p> <p>Residents live healthy, independent lives, with the vulnerable protected.</p>	Quality impact assessments are essential to the Council making the right decisions for Rugby.	Review of the quality of environmental, equality and risk management assessments carried out as part of the Council's decision making process.	M	2022/23	Being reviewed in 2022/23	



Service Risks – Finance & Performance

Audit Title	Corporate Strategy Priorities	Rationale/ Risk	Potential Coverage	Risk Rating	Last Audited	Rationale for Excluding	In 2024/25
Creditors	Rugby Borough Council is a responsible, efficient and effective organisation	Operational 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.	M	2019/20	Completed 19/20. Substantial assurance.	
Completeness of Income (Sundry Debts)	Rugby Borough Council is a responsible, efficient and effective organisation	Fundamental financial system. Risk of fraud, error, financial loss.	Assurance that income is billed in full and in a timely manner. This work will involve a review with service managers, comparing invoices issued by the Revenues team with records held by departments.	M	2023/24	Deferred from 2022/23.	
Cash & Banking	Rugby Borough Council is a responsible, efficient and effective organisation	Fundamental financial system; risk of fraud, error, financial loss.	Assurance that income from all sources is received and accounted for in full in a timely manner. Review of system access controls, accuracy and completeness of accounting records.	M	2019/20	Completed in 2019/20 with Substantial assurance.	
Fees and Charges	Rugby has a diverse and resilient economy that benefits and enables opportunities for all residents. Rugby Borough Council is a responsible, efficient and effective organisation	The Council may not achieve financial self sufficiency if fees and charges are not set at optimum levels.	Assurance that fees and charges are subject to regular review and set at levels which are designed to achieve the optimal level of income. Assurance that fees and charges are being applied accurately and consistently, and that income is being collected.	M	2016/17	Reviewed in 2016/17. Substantial assurance provided. External review completed in 2022/23 as part of the transformation programme. Completeness of income will be reviewed as part of the Sundry Debts audit.	Yes



<u>Audit Title</u>	<u>Corporate Strategy Priorities</u>	<u>Rationale/ Risk</u>	<u>Potential Coverage</u>	<u>Risk Rating</u>	<u>Last Audited</u>	<u>Rationale for Excluding</u>	<u>In 2024/25</u>
Main Accounting System	Rugby Borough Council is a responsible, efficient and effective organisation	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.	L	Reliance placed on assurance work completed by external audit.	Reliance placed on assurance work completed by external audit.	
Non – Current (Fixed) Assets	Rugby Borough Council is a responsible, efficient and effective organisation	Fundamental financial system; risk of fraud, error, financial loss.	Valuations, additions and disposals, accuracy and completeness of accounting records.	M	2023/24	Reliance placed on assurance work completed by external audit.	
Treasury Management	Rugby Borough Council is a responsible, efficient and effective organisation	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.	M	2021/22	Carried out in 2018/19. Substantial Assurance Also reviewed in 2021/22 with substantial assurance.	Yes
Budget Setting & Monitoring	Rugby Borough Council is a responsible, efficient and effective organisation	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.	M	2021/22	Reviewed in 2021/22; Substantial assurance.	Yes
Council Tax and NDR Fraud	Rugby Borough Council is a responsible, efficient and effective organisation	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.	M	2021/22	Reviewed in 2016/17 and 2021/22. Substantial assurance in both cases.	



<u>Audit Title</u>	<u>Corporate Strategy Priorities</u>	<u>Rationale/ Risk</u>	<u>Potential Coverage</u>	<u>Risk Rating</u>	<u>Last Audited</u>	<u>Rationale for Excluding</u>	<u>In 2024/25</u>
Expenses including Members	Rugby Borough Council is a responsible, efficient and effective organisation	Risk of fraud and/ or error	Assurance that expenses processed and paid to members and officers are accurate and bona fide.	L	2020/21	Completed 2020/21 Substantial assurance.	
NDR	Rugby Borough Council is a responsible, efficient and effective organisation	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.	M	2022/23	Being reviewed in Q4 2022/23	
Council Tax	Rugby Borough Council is a responsible, efficient and effective organisation	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.	M	2021/22	Counter fraud arrangements reviewed in 2016/17. Full audit in 2021/22; Substantial assurance.	Yes
Performance management and data quality	All	Risk of ineffective management, failure to achieve outcomes, inappropriate targeting of resources.	Assurance the Council's performance management framework is fit for purpose, and that data is accurate, complete and timely.	M	2023/24	Internal management review of performance management framework completed in 2022/23 with revised indicators.	
Internal Audit	Rugby Borough Council is a responsible, efficient and effective organisation	Mandatory requirement & provides assurance that the service meets the requirements of the Public Sector Internal Audit Standards	External Quality Assessment (EQA) of the effectiveness of the service, including compliance with the Standards.	L	2022/23	Being reviewed in Q4 2022/23	
Change Management and Control	Rugby Borough Council is a responsible, efficient and	The Council's change methodology may not be effective.	Assurance that the change management methodology is effective and delivering the desired outcomes. Assurance	M	Methodology hasn't changed. The Corporat	Methodology hasn't changed. The Corporate Assurance team provides advice on various	n/a



<u>Audit Title</u>	<u>Corporate Strategy Priorities</u>	<u>Rationale/ Risk</u>	<u>Potential Coverage</u>	<u>Risk Rating</u>	<u>Last Audited</u>	<u>Rationale for Excluding</u>	<u>In 2024/25</u>
	effective organisation		that the implementation of change is subject to effective risk management and control.		e Assurance team provides advice on various change initiatives as documented in annual plans and the annual report of internal audit	change initiatives as documented in annual plans and the annual report of internal audit.	
Insurance	Rugby Borough Council is a responsible, efficient and effective organisation	The Council's insurance coverage might be inappropriate for its needs and might not represent value for money; claims processing arrangements might not be sufficiently robust.	Assurance that administration of the insurance function is efficient and effective and represents value for money.	L	2018/19	Carried out Q4 2018/19. High Assurance Substantial reduction in premiums achieved through 2022/23 tender is a reflection on the risk management arrangements.	
CIPFA Financial Management Code Action Plan	Rugby Borough Council is a responsible, efficient and effective organisation	Risk of external public criticism, reputational damage and stakeholder concern if the requirements of the Code are not met.	Assurance that the action plan is being implemented as expected.	M	2021/22	Being completed for 2021/22	
Growth Hub Grants – Post Payment Assurance	Rugby has a diverse and resilient economy that benefits and enables opportunities for all residents.	New time limited discretionary scheme to support business achieve their growth plans post Covid. Administered by a third party. Risk of monies not being used for the purposes intended.	Assurance that grants have been used for the purposes intended and in line with terms and conditions.	M	2022/23	Being reviewed in Q4 2022/23.	



Service Risks – Leisure & Well-being

Audit Title	Corporate Strategy Priorities	Rationale/ Risk	Potential Coverage	Risk Rating	Last Audited	Rationale for Excluding	In 2024/25
Play Service/ On Track	Residents live healthy, independent lives, with the most vulnerable protected.	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.	M	2017/18	Reviewed in 2017/18. Limited assurance. All activity is now coded separately. Staff costs and utilisation are being recorded and monitored by activity. Fees and charges reviewed as part of the transformation programme. Completeness of income will be reviewed as part of the Sundry Debtors audit.	
Benn Hall	Rugby has a diverse and resilient economy that benefits and enables opportunities for all residents.	Operational risk register highlights risks related to fraud, error and achievement of business objectives.	Assurance that income and expenditure is appropriately accounted for, with a particular focus on ticket sales, stock control and cash receipting. Assurance that the service is being run efficiently and effectively in line with the business plan.	M	2023/24	Reviewed in 2017/18. Limited Assurance; however, the agreed actions were followed up in 2018/19 and found to be implemented.	
RAGM – Visitor Centre	Residents live healthy, independent lives, with the most vulnerable protected.	Key front-line service. Risk of financial loss due to poor value for money, if business decisions are not soundly based.	Assurance that the Visitor Centre, including the shop, is efficiently and effectively managed.	M	2017/18	RAGM income completed 17/18, substantial assurance. Not high income/turnover. Considering how best to utilise the HoF space again currently.	



<u>Audit Title</u>	<u>Corporate Strategy Priorities</u>	<u>Rationale/ Risk</u>	<u>Potential Coverage</u>	<u>Risk Rating</u>	<u>Last Audited</u>	<u>Rationale for Excluding</u>	<u>In 2024/25</u>
Parks and Open Spaces	Residents live healthy, independent lives, with the most vulnerable protected.	Council priority to enhance local, open spaces to make them places where people want to be, might not be achieved.	Assurance that the service is being run efficiently and effectively.	M		Changes to the service are being implemented. Scheduling of works being examined as part of Section 106 22/23 audit.	Yes

Service Risks – Growth & Investment

<u>Audit Title</u>	<u>Corporate Strategy Priorities</u>	<u>Rationale/ Risk</u>	<u>Potential Coverage</u>	<u>Risk Rating</u>	<u>Last Audited</u>	<u>Rationale for Excluding</u>	<u>In 2024/25</u>
Planning Development and Enforcement	Rugby has a diverse and resilient economy that benefits and enables opportunities for all residents.	Operational risk register highlights high level of officer judgement involved in decision making, and this could lead to inconsistent treatment and decision making. Risk of fraud/ corruption/ bribery.	Assurance that planning admin, management and enforcement processes are consistently applied, efficiently and effectively, in line with the framework of Council policies and statutory requirements.	M	2021/22	Planning development income reviewed in 2021/22; High assurance. External review of service organisation currently being conducted; will reconsider in one year.	
Economic Development	Rugby has a diverse and resilient economy that benefits and enables opportunities for all residents.	New team formed to support corporate strategy delivery. Strategic risk register highlights numerous risks which the team will be helping to manage.	Assurance that the team is appropriately organised and delivering its borough objectives efficiently and effectively.	H		The team has only just been formed so it is too early to evaluate its effectiveness. Will look to schedule an audit in 2024.	
Land Charges	Rugby Borough Council is a responsible, efficient and effective organisation	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.	L		Data is transferring to a central government as part of a national digitalisation exercise.	

<u>Audit Title</u>	<u>Corporate Strategy Priorities</u>	<u>Rationale/ Risk</u>	<u>Potential Coverage</u>	<u>Risk Rating</u>	<u>Last Audited</u>	<u>Rationale for Excluding</u>	<u>In 2024/25</u>
Building Control	Rugby Borough Council is a responsible, efficient and effective organisation	Risk of financial loss and reputational damage.	Assurance that charging is timely and accurate, and that income is collected in full and correctly accounted for. Service managed by Warwick District.	L	2022/23	Audit completed by Warwick District Council in 2018/19 and 2022/23. Report reviewed and no significant issues identified.	
Section 106 Agreements	Rugby has a diverse and resilient economy that benefits and enables opportunities for all residents.	Risk that works are not planned and scheduled prior to agreements expiring.	Assurance that the requirements, as detailed in the agreements are being seen through to completion.	M	2022/23	Being reviewed in Q4 2022/23	

Service Risks – Legal & Governance

<u>Audit Title</u>	<u>Corporate Strategy Priorities</u>	<u>Rationale/ Risk</u>	<u>Potential Coverage</u>	<u>Risk Rating</u>	<u>Last Audited</u>	<u>Rationale for Excluding</u>	<u>In 2024/25</u>
Legal Services	Rugby Borough Council is a responsible, efficient and effective organisation	Risk register Hlights risks of failure to deliver prompt service and to meet deadlines.	Timeliness of service provision, prioritisation of workload, efficiency and effectiveness.	L		New case management system implemented to digitalise processes. More efficient and risks around document management have reduced.	Yes
Elections	Rugby Borough Council is a responsible, efficient and effective organisation	Risk of legal and reputational damage	Assurance that elections are managed efficiently and effectively to ensure the smooth running of elections.	L	2018/19	Completed in 18/19. High Assurance.	
Stocks and Stationery	Rugby Borough Council is a responsible, efficient and effective organisation	Risk of theft and/ or poor value for money	Assurance sought that procurement processes are being correctly folLed, that best value is obtained when purchasing supplies, and that the issue of stationery is appropriately controlled.	L	2016/17	Reviewed in 2016/17. Substantial assurance. Expenditure is relatively L in this area and has reduced due to increased digitalisation.	



<u>Audit Title</u>	<u>Corporate Strategy Priorities</u>	<u>Rationale/ Risk</u>	<u>Potential Coverage</u>	<u>Risk Rating</u>	<u>Last Audited</u>	<u>Rationale for Excluding</u>	<u>In 2024/25</u>
Equalities Act 2010 Compliance	Rugby has a diverse and resilient economy that benefits and enables opportunities for all residents. Residents live healthy, independent lives, with the most vulnerable protected.	The Council is currently accredited as 'excellent'. Risk of non compliance with legislation and loss of the accreditation resulting in reputational damage.	Equality Framework for Local Government, quality of Equality Impact Assessments, Employee Awareness, recruitment practices, review of evidenced outcomes.	L	2022/23	Reviewed in 2016/17 Dedicated officer in post. Reaccredited in 2020/21. EQAs examined as part of Impact Assessments 22/23 audit.	

Service Risks – Communities & Homes

<u>Audit Title</u>	<u>Corporate Strategy Priorities</u>	<u>Rationale/ Risk</u>	<u>Potential Coverage</u>	<u>Risk Rating</u>	<u>Last Audited</u>	<u>Rationale for Excluding</u>	<u>In 2024/25</u>
Benefits	Rugby Borough Council is a responsible, efficient and effective organisation	Fundamental financial system; risk of fraud, error, financial loss.	Assurance that payments are processed accurately and correctly, that accounting records are accurate and complete, that overpayments are recovered, and that the system is secure.	M	2018/19	Not applicable. Last audit completed in 2018/19 – Substantial assurance.	
Homelessness and Housing Options	Residents live healthy, independent lives, with the most vulnerable protected.	Risk of statutory requirements not being met leading to reputational damage and adverse media coverage.	Assurance that the Council is efficiently and effectively fulfilling its statutory duties to prevent homelessness in accordance with the Homelessness Reduction Act 2017.	M		Housing options being integrated with the Housing Advice and Benefits Team in 2023. Will schedule an audit for 2024/25, which will focus on allocations. Advisory review in 2023/24 focussed on use of Homelessness Prevention grant funding.	Yes



<u>Audit Title</u>	<u>Corporate Strategy Priorities</u>	<u>Rationale/ Risk</u>	<u>Potential Coverage</u>	<u>Risk Rating</u>	<u>Last Audited</u>	<u>Rationale for Excluding</u>	<u>In 2024/25</u>
Grants to Community Groups and Lottery	Residents live healthy, independent lives, with the most vulnerable protected.	Risk of fraudulent use of grant monies.	Assurance that grant monies are being used for the purposes intended and that expected outcomes are being achieved.	M	2018/19	Reviewed in 2018/19. Limited Assurance. Action plan implemented with strengthened governance. Grants were paused during the pandemic. Administration of the Lottery is managed by a third party.	
Independent Living Service	Residents live healthy, independent lives, with the most vulnerable protected.	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.	M	2018/19	Audit completed in 2018/19. Substantial assurance. Changes being made to the service; will consider an audit for 2023/24. Completeness of income to be reviewed as part of the Sundry Debtors audit.	Yes
CCTV	Rugby Borough Council is a responsible, efficient and effective organisation	Risk of data protection requirements being breached.	Assurance that all camera locations have been assessed, that data protection impact assessments have been completed, and that access to the system and images is effectively controlled.	M		A corporate security review has recently been completed; an audit at this time is considered not to be of additional value.	
Housing Rents	Rugby Borough Council is a responsible, efficient and effective organisation	Fundamental financial system; risk of fraud, error, financial loss.	Accuracy and completeness of billing, system access controls, arrangements to ensure accuracy and completeness of accounting records. Evaluation to provide assurance that the	M	2023/24	Audit completed 2019/20 on housing rent arrears. Limited Assurance. A further arrears management audit in 2021/22 resulted in Substantial assurance.	



<u>Audit Title</u>	<u>Corporate Strategy Priorities</u>	<u>Rationale/ Risk</u>	<u>Potential Coverage</u>	<u>Risk Rating</u>	<u>Last Audited</u>	<u>Rationale for Excluding</u>	<u>In 2024/25</u>
			benefits of the new CX system are being realised as per the original business case.			This audit, deferred from 2022/23, will focus on accuracy and completeness of billing and accounting records, and benefits realisation following implementation of the new system.	
Travellers - Woodside	Residents live healthy, independent lives, with the most vulnerable protected.	Risk of failure to protect, engage with and support the local community.	Assurance that the Council's management of travellers' sites is compliant with the relevant legislation, and that the Council provides the same standards of management and support services to travellers' sites as to customers in other forms of social housing.	M		Provision is currently under review; will reconsider in one year.	Yes

Service Risks – Regulation & Safety

<u>Audit Title</u>	<u>Corporate Strategy Priorities</u>	<u>Rationale/ Risk</u>	<u>Potential Coverage</u>	<u>Risk Rating</u>	<u>Last Audited</u>	<u>Rationale for Excluding</u>	<u>In 2024/25</u>
Licensing	Rugby Borough Council is a responsible, efficient and effective organisation	Risk of non compliance with statutory requirements, inaccurate and/ or incomplete income.	Mapping of amended procedures and provision of assurance that efficient and effective controls are in place to comply with all legislative requirements.	M	2022/23	Audit completed in 2022/23; Substantial Assurance.	



<u>Audit Title</u>	<u>Corporate Strategy Priorities</u>	<u>Rationale/ Risk</u>	<u>Potential Coverage</u>	<u>Risk Rating</u>	<u>Last Audited</u>	<u>Rationale for Excluding</u>	<u>In 2024/25</u>
Car Parking and Enforcement	Rugby Borough Council is a responsible, efficient and effective organisation	Risk of financial loss, reputational damage, complaints, adverse media coverage.	Assurance that income is accounted for correctly and in full.	L		Enforcement audit completed in 2018/19. Income collection examined in Completeness of Income Audit in 2019/20. Both resulted in Substantial assurance.	yes
Pest Control	Rugby Borough Council is a responsible, efficient and effective organisation	Risk of financial loss, reputational damage	Accuracy and completeness of income and expenditure, compliance with statutory obligations, value for money.	L		Considered L risk at present. One man, not high value/cost.	
Food Safety	Rugby Borough Council is a responsible, efficient and effective organisation	Change in regulatory requirements. Risk of reputational damage and stakeholder concern if the Council is seen to be failing to protect the public	Assurance that inspection regimes are being delivered efficiently and effectively to protect the public. Assurance that schedules are designed so that the new requirements implemented by the Food Standards Agency, to ensure all visits are completed within two years, will be met.	L	2022/23	Audit being completed in 2022/23	
Environmental Health	Rugby Borough Council is a responsible, efficient and effective organisation	Risk of reputational damage if a quality service is not delivered.	Assurance that the service is being delivered efficiently and effectively in a way which protects the public.	L		Fly tipping, high interest among stakeholders and cost to Council (clean up). Measures often result in only a small number of prosecutions, although other options are also deployed	



<u>Audit Title</u>	<u>Corporate Strategy Priorities</u>	<u>Rationale/ Risk</u>	<u>Potential Coverage</u>	<u>Risk Rating</u>	<u>Last Audited</u>	<u>Rationale for Excluding</u>	<u>In 2024/25</u>
						including fixed penalty notices. Considered low risk at present. Reconsider in one year.	
Crematorium and Cemeteries	Rugby Borough Council is a responsible, efficient and effective organisation	Risks of poor governance and financial control.	Review of the governance and operation of the Joint Venture with Daventry District Council. Assurance that recharges are appropriate and that any surplus is fairly distributed between the two authorities. Review of the efficiency and effectiveness of the services with a focus on compliance with Council finance and procurement rules.	H	2023/24	Internal audit review completed by Daventry District Council in 2019/20 resulted in Full assurance. However, some governance concerns emerged in 2022/23. Recent changes in the management of the service. A number of commercialisation opportunities exist but still in early development.	
Community Safety Partnership	Residents live healthy, independent lives, with the most vulnerable protected.	Corporate priority of protecting the public might not be achieved.	Assurance that the partnership is delivering its action plans and expected outcomes. Assurance that statutory requirements under the Crime and Disorder Act are being fulfilled.	M		A new 'Safe' Strategy is being developed currently, starting at Board level first. Looking to improve engagement, become more strategic in focus and then cascade down the groups which operate under the CSP. Will consider an audit for 2023/24	



<u>Audit Title</u>	<u>Corporate Strategy Priorities</u>	<u>Rationale/ Risk</u>	<u>Potential Coverage</u>	<u>Risk Rating</u>	<u>Last Audited</u>	<u>Rationale for Excluding</u>	<u>In 2024/25</u>
Warden Services	Residents live healthy, independent lives, with the most vulnerable protected.	Risk of reputational damage if a quality service is not delivered.	Assurance that the service is being run efficiently and effectively.	L		Broad scope of role is unusual although not felt to be high risk. Will consider an audit for 2023/24.	

Service Risks – Operations & Traded Services

<u>Audit Title</u>	<u>Corporate Strategy Priorities</u>	<u>Rationale/ Risk</u>	<u>Potential Coverage</u>	<u>Risk Rating</u>	<u>Last Audited</u>	<u>Rationale for Excluding</u>	<u>In 2024/25</u>
Fleet Management	Rugby is an environmentally sustainable place, where we work together to reduce and mitigate the effects of climate change. Rugby Borough Council is a responsible, efficient and effective organisation	Risk of loss of operator's licence, significant area of expenditure, risk of accidents if vehicles are poorly maintained.	Compliance with operator licence regulations, value for money, planning of the fleet to ensure that operational needs are met, compliance with safety standards including vehicle checks and maintenance, purchasing and disposals.	M	2023/24	Reviewed in 2017/18. Limited assurance. Action plan subsequently implemented.	
Transport – Fuel Usage	Rugby Borough Council is a responsible, efficient and effective organisation Rugby is an environmentally sustainable place, where we work together to reduce and mitigate the effects of climate change	Risk of fuel loss due to theft and/ or poor value for money.	Assurance that appropriate controls are operated to mitigate the risk of fuel theft, either by officers or by members of the public.	M	2023/24	To be included in the Fleet Management audit.	



<u>Audit Title</u>	<u>Corporate Strategy Priorities</u>	<u>Rationale/ Risk</u>	<u>Potential Coverage</u>	<u>Risk Rating</u>	<u>Last Audited</u>	<u>Rationale for Excluding</u>	<u>In 2024/25</u>
Trade Waste	Rugby Borough Council is a responsible, efficient and effective organisation	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.	M	2021/22	<p>Completeness of billing and recovery arrangements reviewed in 2019/20.</p> <p>Audit completed 21/22 and squad in place as part of Transformation programme. Likely to be system admin changes; will consider an audit in one year's time.</p>	
Refuse & Recycling	<p>Rugby Borough Council is a responsible, efficient and effective organisation</p> <p>Rugby is an environmentally sustainable place, where we work together to reduce and mitigate the effects of climate change</p>	Risk of substantial reputational damage if a quality service is not delivered, or if the Council breaches statutory requirements.	Assurance that the service is operating efficiently and effectively, including compliance with applicable regulations.	M		<p>External review of service health & safety arrangements planned in the next few months.</p> <p>The 2023/24 review, which will be completed towards the end of the financial year, will focus on providing assurance that the agreed action plan arising from the review has been effectively implemented.</p>	yes
Street Cleansing	Rugby Borough Council is a responsible, efficient and effective organisation	Risk of reputational damage if a quality service is not delivered.	Assurance that the service is being run efficiently and effectively.	L		Considered low risk at present, will reconsider in one year.	

<u>Audit Title</u>	<u>Corporate Strategy Priorities</u>	<u>Rationale/ Risk</u>	<u>Potential Coverage</u>	<u>Risk Rating</u>	<u>Last Audited</u>	<u>Rationale for Excluding</u>	<u>In 2024/25</u>
WSU Garage	Rugby Borough Council is a responsible, efficient and effective organisation Rugby is an environmentally sustainable place, where we work together to reduce and mitigate the effects of climate change	Expenditure might not represent value for money. Risk of reputational damage if facilities are used inappropriately by officers.	Assurance that the garage is being run efficiently and effectively, in compliance with applicable health and safety regulations. Assurance that expenditure represents value for money.	M	2023/24	Included in the scope of the Fleet Management audit – see above.	
Streetscene	Rugby Borough Council is a responsible, efficient and effective organisation	Operational risk register highlights the risk of deterioration of assets.	Assurance that the bridge inspection regime is being operated as expected, and that repairs and maintenance is carried out in an effective and timely manner. Review of expenditure to provide assurance that it is efficient and effective, including a review of whether or not such spend is based upon necessity.	M		Changes in the service management expected in 2023; will look to schedule an audit in 2024/25.	
Tenant Recharges including Voids	Rugby Borough Council is a responsible, efficient and effective organisation	Risk of the Council not invoicing for repairs which should be the responsibility of the tenant.	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.	M	2018/19	Reviewed in 2018/19. Limited Assurance. Action plan implemented. Relatively minor system with income of less than £20k p.a.	yes



<u>Audit Title</u>	<u>Corporate Strategy Priorities</u>	<u>Rationale/ Risk</u>	<u>Potential Coverage</u>	<u>Risk Rating</u>	<u>Last Audited</u>	<u>Rationale for Excluding</u>	<u>In 2024/25</u>
Housing Repairs including Handyman and Voids	Rugby Borough Council is a responsible, efficient and effective organisation	New system implemented in May 2022	Assurance that the new TF system is delivering its expected outcomes. Assurance that appropriately designed controls are in place, consistently applied. To include a review of performance management arrangements, stock control, and implementation of the service improvement plan.	M	2018/19	Reviewed in 2018/19. Substantial assurance. New system implemented in 2022/23.	
Housing Repairs Stock Control	Rugby Borough Council is a responsible, efficient and effective organisation	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.	M	2023/24	Reviewed in 2017/18. Substantial assurance. New system implemented in 2022/23.	

Service Risks – Digital & Communications

<u>Audit Title</u>	<u>Corporate Strategy Priorities</u>	<u>Rationale/ Risk</u>	<u>Potential Coverage</u>	<u>Risk Rating</u>	<u>Last Audited</u>	<u>Rationale for Excluding</u>	<u>In 2024/25</u>
ICT Disaster Recovery/ Backup Procedures	Rugby Borough Council is a responsible, efficient and effective organisation	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.	M	2022/23	Reviewed in 2018/19. Substantial assurance. Systems Resilience reviewed in 2022/23; Substantial assurance.	



<u>Audit Title</u>	<u>Corporate Strategy Priorities</u>	<u>Rationale/ Risk</u>	<u>Potential Coverage</u>	<u>Risk Rating</u>	<u>Last Audited</u>	<u>Rationale for Excluding</u>	<u>In 2024/25</u>
IT Systems Admin	Rugby Borough Council is a responsible, efficient and effective organisation	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.	M	2019/20	Full review in 2016/17, substantial assurance provided. IT security audit completed in 2019/20 – Substantial assurance	Yes
IT Helpdesk	Rugby Borough Council is a responsible, efficient and effective organisation	Fundamental back office service. Ineffective service could lead to service disruption.	Assurance that the helpdesk service is managed efficiently and effectively, within its agreed level of resources, in a way which meets the needs of the Council.	M	2021/22	Reviewed in 2016/17 with substantial assurance provided. Audit completed in 2021/22; Substantial assurance.	
Payment Card Industry Data Security Standards Compliance	Rugby Borough Council is a responsible, efficient and effective organisation	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.	M	2021/22	Reviewed in 2016/17 and again in 2021/22.	No
IT Security including Cyber	Rugby Borough Council is a responsible, efficient and effective organisation	Risk of data loss or theft, substantial reputational damage. Highlighted in the Fraud Risk Review.	Assurance that appropriately embedded IT Security measures are in place. Assurance that the risks of fraud by IT officers who may have enhanced access to Council systems are appropriately mitigated.	M	2019/20	Completed 2019/20 Substantial assurance. The Council's IT network has been independently accredited as having satisfactory defences against cyber-attack.	Yes
IT Strategy, Governance & Policies	Rugby Borough Council is a responsible, efficient and effective organisation	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,	Assurance that appropriate and embedded ICT governance arrangements are in place, including strategy and policies. To include a joint ICT/	M	2022/23	Full audit completed in 2015/16. Substantial assurance. New policy framework	Yes



Audit Title	Corporate Strategy Priorities	Rationale/ Risk	Potential Coverage	Risk Rating	Last Audited	Rationale for Excluding	In 2024/25
		service areas also work in line with the Council's ICT requirements.	HR review of policies including ICT security and code of conduct, and agile working. Review of arrangements in place to ensure agile staff are being effectively managed.			implemented in 2020/21 with consultancy support from Internal Audit. Data Protection audit completed in 2022/23. Will schedule an internal audit review of service plan delivery for 2024/25.	
IT Business Continuity	Rugby Borough Council is a responsible, efficient and effective organisation	Risk of substantial service disruption and reputational damage.	Assurance that the IT Business Continuity Plan, which is undergoing review, is fit for purpose and has been adequately tested.	M	2019/20	Audited 2019/20 Substantial assurance. Systems resilience follow up review scheduled for 2023/24.	Yes
IT Financial Processes	Rugby Borough Council is a responsible, efficient and effective organisation	Risk of inefficient non joined up processes resulting in reduced value for money. Advisory review to support the transformation programme in line with the organisation objectives set out in the corporate strategy.	Review and evaluation of the efficiency and effectiveness of financial processes and workflows currently undertaken by officers in the IT & Digital Services team, and Customer Service Centre. Identification of any areas of waste, inefficiency or duplication of controls, and any areas of potential control weakness.	LOW	2022/23	Reviewed in 2022/23	
System Resilience	Rugby Borough Council is a responsible, efficient and effective organisation	Loss or outage of various systems is highlighted on the risk register; this could cause significant disruption to services. A network infrastructure review	Assurance that there are appropriate arrangements in place to ensure that the Council's network and systems are resilient and can be restored in a prioritised and timely manner, and that there are appropriate	M	2023/24	Reviewed in 2022/23; Substantial assurance The Chief Officer has requested a further audit to provide assurance that	



<u>Audit Title</u>	<u>Corporate Strategy Priorities</u>	<u>Rationale/ Risk</u>	<u>Potential Coverage</u>	<u>Risk Rating</u>	<u>Last Audited</u>	<u>Rationale for Excluding</u>	<u>In 2024/25</u>
		is currently being carried out.	arrangements to prevent loss of data.			the action plan has been implemented.	
Customer Service Centre Demand Management	Rugby has a diverse and resilient economy that benefits and enables opportunities for all residents. Rugby Borough Council is a responsible, efficient and effective organisation	Key area of the Corporate Strategy. Strategic Risk Register highlights a number of causes which could impact on the success of the Strategy.	Review organisational arrangements in place to ensure that customers are attended to in a fair consistent and timely manner. Assurance that customer use of self service digitalisation is being actively promoted, and that the service is operating efficiently and effectively.	M	2019/20	Audit completed 2019/20 Substantial assurance. 2023/24 review to provide assurance that the Council is on track to deliver the outcomes envisaged in the Customer Access Strategy.	yes
Apprentices	Rugby has a diverse and resilient economy that benefits and enables opportunities for all residents.	Apprenticeship scheme may not be effective.	Assurance that the apprenticeship scheme requirements are being complied with and take-up is being maximised. Review of the level of retention of apprentices and arrangements to ensure their integration within the organisation.	L		Considered low risk at present; will reconsider in one year.	No

Service Risks – Executive Directors

<u>Audit Title</u>	<u>Corporate Strategy Priorities</u>	<u>Rationale/ Risk</u>	<u>Potential Coverage</u>	<u>Risk Rating</u>	<u>Last Audited</u>	<u>Rationale for Excluding</u>	<u>In 2024/25</u>
Absence Management	Rugby Borough Council is a responsible, efficient and effective organisation	Risk register highlights the risk of adverse impacts on services and teams caused by sickness absence.	Assurance that policy and procedures are appropriately designed, and consistently applied to ensure that absence is effectively managed.	M	2018/19	Reviewed in 2018/19. Substantial assurance. New Occupational Health provider being procured and Management Team tasked with monitoring and oversight; will reconsider in one year.	Yes



<u>Audit Title</u>	<u>Corporate Strategy Priorities</u>	<u>Rationale/ Risk</u>	<u>Potential Coverage</u>	<u>Risk Rating</u>	<u>Last Audited</u>	<u>Rationale for Excluding</u>	<u>In 2024/25</u>
Recruitment and Selection	Rugby has a diverse and resilient economy that benefits and enables opportunities for all residents.	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.	L		Considered low risk at present; will reconsider in one year.	Yes
Payroll	Rugby Borough Council is a responsible, efficient and effective organisation	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.	M	2020/21	Full audit completed in 2015/16. Substantial assurance. Full Audit completed 2020/21. High assurance.	
HR Capability and Disciplinary	Rugby Borough Council is a responsible, efficient and effective organisation	CANDO values and behaviours framework would not be effective without being underpinned by capability and disciplinary procedures.	Assurance that there is a consistently embedded and effective framework in place for managing capability and disciplinary. Analysis of cases to establish whether there are any recurring themes, how the Council learns lessons from such cases, and how they are used to reinforce the values and behaviours framework.	M	2019/20	2019/20 Consultancy completed. HR policy framework currently under review. Will look to schedule an audit for 2024/25 once the new framework has been implemented.	Yes
Climate Change	Rugby Borough Council is a responsible, efficient and effective organisation	Climate change is a major concern for businesses and individuals alike. Extreme weather events, such as hurricanes, floods, and wildfires, are becoming more frequent and severe, causing significant damage to property and	Assurance that there are appropriate arrangements in place in the event of extreme weather conditions both in relation to service provision and population safety and welfare	M			



<u>Audit Title</u>	<u>Corporate Strategy Priorities</u>	<u>Rationale/ Risk</u>	<u>Potential Coverage</u>	<u>Risk Rating</u>	<u>Last Audited</u>	<u>Rationale for Excluding</u>	<u>In 2024/25</u>
		infrastructure. Climate change can also lead to food and water shortages, which can have a devastating impact on communities					
International Conflicts	Rugby Borough Council is a responsible, efficient and effective organisation. Rugby has a diverse and resilient economy that benefits and enables opportunities for all residents.	Geopolitical tensions are on the rise, and this can have a significant impact on businesses. Trade wars, sanctions, and political instability can disrupt supply chains and cause economic uncertainty	Assurance that the business continuity plans consider the impact of potential loss of suppliers or commodities and how the council can support businesses and individuals,				
Artificial Intelligence	Rugby Borough Council is a responsible, efficient and effective organisation	Artificial intelligence (AI) is becoming more prevalent in business operations, but it also poses new risks. In 2024, businesses must be prepared to deal with the ethical and legal implications of AI, including issues related to privacy, bias, and accountability	Assurance that there are appropriate policies and guidance for the use and application of AI. That there are appropriate controls to prevent inappropriate use or putting the council at risk or exposure.				
Pandemic	Rugby Borough Council is a responsible, efficient and effective organisation	The COVID-19 pandemic has highlighted the importance of being prepared for pandemics. In 2024, businesses must be prepared to deal with the impact of pandemics on their operations, including disruptions to supply chains and	Assurance that there are appropriate emergency arrangements to access relevant suppliers and supplies, adequate staffing coverage and support for residents and businesses.				

<u>Audit Title</u>	<u>Corporate Strategy Priorities</u>	<u>Rationale/ Risk</u>	<u>Potential Coverage</u>	<u>Risk Rating</u>	<u>Last Audited</u>	<u>Rationale for Excluding</u>	<u>In 2024/25</u>
		changes in customer behaviour					
Economic Uncertainty	Rugby Borough Council is a responsible, efficient and effective organisation	Economic uncertainty is always a concern for businesses, and in 2024, businesses must be prepared to deal with the impact of economic uncertainty on their operations. This includes being prepared for changes in interest rates, inflation, and currency fluctuations	Assurance that there are arrangements in place to support residents and businesses when possible, in the event of further costs of living increases or interest changes.				
Lone Working	Rugby Borough Council is a responsible, efficient and effective organisation	Risk of harm or serious injury to staff who are working alone	Assurance that the policies and procedures are adequate and being followed in all instances where staff are working alone or in isolation.	High			Yes
Staff Welfare	Rugby Borough Council is a responsible, efficient and effective organisation	Staff mental welfare issues are not identify, acted upon and monitored.	Assurance that there are appropriate policies and processes in place to identify, and support any staff with concerns. Appropriate monitoring and advisory activities are in place.				Yes

Agenda No 10

AGENDA MANAGEMENT SHEET

Report Title:	External Audit Update 2023/24
Name of Committee:	Audit and Ethics Committee
Date of Meeting:	25 April 2024
Report Director:	Chief Officer – Finance and Performance
Portfolio:	Finance, Performance, Legal and Governance
Ward Relevance:	All
Prior Consultation:	Chief Officer – Finance and Performance
Contact Officer:	Paul Conway - Finance Manager (Deputy S151 Officer) paul.conway@rugby.gov.uk
Public or Private:	Public
Report Subject to Call-In:	No
Report En-Bloc:	No
Forward Plan:	No
Corporate Priorities:	This report relates to the following priority(ies): <input type="checkbox"/> Rugby is an environmentally sustainable place, where we work together to reduce and mitigate the effects of climate change. (C) <input type="checkbox"/> Rugby has a diverse and resilient economy that benefits and enables opportunities for all residents. (E) <input type="checkbox"/> Residents live healthy, independent lives, with the most vulnerable protected. (HC) <input checked="" type="checkbox"/> Rugby Borough Council is a responsible, effective and efficient organisation. (O) Corporate Strategy 2021-2024 <input type="checkbox"/> This report does not specifically relate to any Council priorities but
(C) Climate (E) Economy (HC) Health and Communities (O) Organisation	
Summary:	The External Audit Progress report has been provided by the appointed external auditor (Azets) and sets out progress to date relating to the annual audit at Rugby Borough Council.
Financial Implications:	None as a direct result of this report.

Risk Management/Health and Safety Implications:	None as a direct result of this report
Environmental Implications:	None as a direct result of this report so no Climate Change Impact Assessment is required
Legal Implications:	None as a direct result of this report
Equality and Diversity:	None as a direct result of this report so no Equality Impact Assessment is required
Options:	Not applicable
Recommendation:	Progress on the external audit for 2023/24 be noted.
Reasons for Recommendation:	Not applicable

Audit and Ethics Committee - 25 April 2024

External Audit Update 2023/24

Public Report of the Chief Officer – Finance and Performance

Recommendation

Progress on the external audit for 2023/24 be noted.

Background

Azets, the Council's appointed external auditor, has submitted their External Audit Progress report (attached at Appendix 1).

A representative from the Azets team will attend the meeting to discuss the report.

Name of Meeting: Audit and Ethics Committee

Date of Meeting: 25 April 2024

Subject Matter: External Audit Update

Originating Department: Finance and Performance

DO ANY BACKGROUND PAPERS APPLY YES NO

LIST OF BACKGROUND PAPERS

Doc No	Title of Document and Hyperlink

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

Exempt information is contained in the following documents:

Doc No	Relevant Paragraph of Schedule 12A



Rugby Borough Council

Interim progress report

Year ended 31 March 2024

April 2024



Contents

Your key team members

Laura Hinsley

Key Audit Partner

Laura.Hinsley@azets.co.uk

Reshma Ravikumar

Senior Manager

Reshma.Ravikumar@azets.co.uk

Mohamed Raqib Ebrahim

In-Charge auditor

Mohamed.Raqib.Ebrahim@azets.co.uk

Introduction	3
Audit progress	5
Audit work plan tracker	6

Introduction

Adding value through the audit

All our clients demand of us a positive contribution to meeting their ever-changing business needs. Our aim is to add value to the Council through our external audit work by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way, we aim to help promote improved standards of governance, better management and decision making and more effective use of resources.

Purpose

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

The paper also includes:

- Details of progress made to date and whether it is on track
- Where progress is on track, any initial findings which may impact the final accounts audit

Members are invited to consider the progress reported in this paper and any actions considered necessary in response.



Introduction

Council responsibilities

The Council has responsibility for:

- Preparing financial statements which give a true and fair view, in accordance with the applicable financial reporting framework and relevant legislation;
- Preparing and publishing, along with the financial statements, an annual governance statement and narrative report;
- Maintaining proper accounting records and preparing working papers to an acceptable professional standard that support its financial statements and related reports disclosures; and
- Ensuring the proper financial stewardship of public funds, complying with relevant legislation and establishing effective arrangements for governance, propriety and regularity.

Our expectations and requirements

In our audit plan, we set out the following requirements to enable us to deliver the audit in line with the agreed fee and timetable:

- Draft financial statements to be produced to a good quality by the deadlines you have agreed with us. These should be complete including all notes, the Narrative Statement and the Annual Governance Statement;
- The provision of good quality working papers at the same time as the draft financial statements. These will be discussed with you in advance to ensure clarity over our expectations;
- The provision of agreed data reports at the start of the audit, fully reconciled to the values in the accounts, to facilitate our selection of samples for testing;
- Ensuring staff are available and on site (as agreed) during the period of the audit;
- Prompt and sufficient responses to audit queries within two working days (unless otherwise agreed) to minimise delays.

Audit progress

Continued progress of the audit

We have made enquiries of management, and the Chair of the Audit and Ethics Committee, to inform our planning.

We commenced the planning procedures in January 2024 and conducted an interim audit in February 2024.

Our work included, but not limited to, the following:

- Review of the entity's control environment and understanding of the financial systems;
- Population cleansing;
- Value for money risk assessment and planning;
- Preliminary going concern assessment;
- Walkthrough of controls – Property valuations;
- Walkthrough of controls – Pension liability;

- Payroll testing and reports up to Month 9;
- PPE additions early testing; and
- Review of internal audit reports.

We have liaised with the predecessor auditor to review their audit file to gain assurance over the opening balances of the 2023/24 financial year.

Engagement with management has been good and we have received responses to a range of planning enquiries and requests, enabling us to progress our planning work. Where information has been received, we have not at this stage identified any adverse findings to report to you.

Refer to page 6 for additional details on audit work that has been initiated and is currently in progress.

Should anything arise from our finalisation of the planning procedures that changes the risks or planned procedures, we will report these to you.

We extend our thanks to the finance team for their cooperation and positive engagement with the audit team.

Audit work plan tracker

We have outlined below progress to date on planning, risk assessment and early testing in relation to the financial statement audit

Planned activity	Progress	Issues, impact and actions	Progress	Findings
IT General controls	<p><u>Understanding of IT general controls</u> We commenced the IT General Controls review in November 2023 and we have made significant progress in this area. The work is under senior management review.</p> <p><u>Cyber security risk management</u> We have received information and documents in this area and the work is under the audit team's review. Any issues identified will be reported to the Audit and Ethics Committee in subsequent committee meetings.</p>	None identified at the time of writing this report	GREEN	No issues identified at the time of this report.
Value for money fieldwork	We have commenced the fieldwork stage and are currently reviewing the arrangements in place.	We are on track to complete this work in the previously assessed timeframe.	GREEN	No issues identified at the time of this report.
Other income testing	We have received the response and selected samples to confirm occurrence, accuracy and completeness of income. The audit testing is in progress, and any issues identified will be reported to the Audit and Ethics Committee in subsequent committee meetings.	None identified at the time of writing this report	GREEN	No issues identified at the time of this report.
Other expenditure testing	We have received the response and selected samples to confirm occurrence, accuracy and completeness of expenditure. The audit testing is in progress, and any issues identified will be reported to the Audit and Ethics Committee in subsequent committee meetings.	None identified at the time of writing this report	GREEN	No issues identified at the time of this report.

KEY:
RED: Information required significantly delayed and statutory deadline may not be met / significant issue identified as finding
AMBER: Information required is delayed / issue identified
GREEN: Information required received and audit on track / no significant adverse findings or issues identified

Audit work plan tracker

We have outlined below progress to date on planning, risk assessment and early testing in relation to the financial statement audit

Planned activity	Progress	Issues, impact and actions	Progress	Findings
PPE opening balances testing	We have received the response and selected high-value assets samples for physical verification to confirm rights and obligations. The audit team will conduct the testing, and any issues identified will be reported to the Audit and Ethics Committee in subsequent committee meetings.	None identified at the time of writing this report.	GREEN	No issues identified at the time of this report.

KEY:

RED: Information required significantly delayed and statutory deadline may not be met / significant issue identified as finding

AMBER: Information required is delayed / issue identified

GREEN: Information required received and audit on track / no significant adverse findings or issues identified

AZETS

We are an accounting, tax, audit, advisory and business services group that delivers a personal experience both digitally and at your door.

Accounting | Tax | Audit | Advisory | Technology

hello@azets.co.uk

Follow us

