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Chief Executive

AGENDA

| | |
|----------------------------|---|
| Committee: | AUDIT |
| Date and Time: | Monday 21st March 2016 at 7.30 p.m. |
| Venue: | Committee Room 1 |
| Membership: | Councillors Ladzrie (Chairman), Blackwell, Tucker, Walter and Mrs Wass |
| Officers attending: | Ian Stapleton, Financial Services Manager Craig Watts, Head of Performance and Service Support Linda Everard, Head of Internal Audit |
| Also attending | Martina Lee, Manager, EY Kevin Suter, Executive Director, EY |
| Enquiries: | John Riley, Ext. 2417 |

PART I (Business to be taken in public)

- 1. Apologies**
- 2. Members' Interests**
- 3. Minutes**

A copy of the Minutes of the meeting held on 6.1.2016 is attached.

- 4. Monitoring Report – Corporate Governance Arrangements**
Report of the Head of Performance and Service Support is attached.
- 5. Internal Audit Quarterly Performance Report**
Report of the Head of Internal Audit is attached.
- 6. EY: Audit Plan 2015/16**
Report of the External Auditor is attached.
- 7. Internal Audit Charter, Strategy and Interim Audit Plan 2016/17**
Report of the Head of Internal Audit is attached.

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AUDIT COMMITTEE

6th JANUARY 2016

PRESENT: Councillors Ladzrie (Chairman), Blackwell, Tucker and Mrs Wass.

Head of Performance and Service Support, Craig Watts, Head of Internal Audit, Linda Everard, Financial Services Manager, Ian Stapleton and External Auditors Zoe Thompson (BDO) and Martina Lee (EY) were also present.

Head of Housing and Communities, Wendy Buck and Eddie Mosuro, Community Support Manager were also present.

An apology for absence was received from Councillor Walter.

17. MEMBERS' INTERESTS

There were no disclosures of interest.

18. MINUTES

The Minutes of the meeting held on 21st September 2015 were taken as read and signed as correct.

19. BDO: GRANT CLAIMS AND RETURNS CERTIFICATION REPORT FOR THE YEAR ENDED 31 MARCH 2015

The External Auditor's Grants Claim Certification Report for 2013/14 was presented to the Committee.

Zoe Thompson, BDO, reported that the outturn fee for the housing benefit subsidy certification was higher than the planned fee due to the additional work required following the identification of errors in the initial samples and follow-up of prior year issues.

Discussion took place and the Committee received assurance on the miscalculation of income calculations and tax credit information across the benefit types.

Resolved - That the Audit Committee accepts the Grant Claim and Return Certification Report for the Year Ended 31 March 2015.

20. BDO PROGRESS REPORT TO THOSE CHARGED WITH GOVERNANCE

Zoe Thompson, BDO, reported on progress in delivering the 2014/15 Annual Audit Plan.

The progress report to those charged with governance was attached as an appendix to the report and Ms Thompson drew attention to key areas of work. It was reported that all work was expected to be completed on time.

The Council was required to have an external audit of its activities that complied with the requirements of the Audit Commission's Code of Audit Practice. By considering the report, the Committee satisfied itself that the requirement was being discharged.

Ms Thompson reported that this would be the last report by BDO and that EY had been appointed as the new External Auditors. She thanked staff at CPBC for their help and support over the years. The Chairman took opportunity on behalf of the Committee to thank Ms Thompson for all her hard work.

Resolved – That progress with the 2014/15 Audit Plan is noted.

21. RISK MANAGEMENT UPDATE

The Audit Committee received an update on the delivery of the Council's Risk Management Strategy.

The Head of Performance and Service Support presented the Corporate Risk Register, which was reviewed quarterly by the Executive Management Team.

The Head of Internal Audit presented a general update on risk management, anti fraud and corruption and insurance.

Discussion took place around the future arrangements for the counter fraud and investigation service since the Corporate Fraud Team had transferred to the Department for Work and Pensions (DWP) in September 2015. The Head of Housing and Communities assured the Committee that currently any corporate issues were being dealt with by a neighbouring authority.

With regard to Health and Safety, Members questioned how non compliance with health and safety by members of staff was identified, in particular the requirement of refuse collectors to wear eye protection when handling glass. A Member also queried whether the Council was liable for contract staff who did not comply with health and safety requirements. The Head of Internal Audit agreed to report back to the Committee on the issues raised.

During discussion on power outage a Member questioned if the Council had an uninterrupted power system so that it could keep running in the event of an emergency. The Head of Performance and Service Support agreed to report back.

Resolved - That the content of the report is noted.

22. QUARTERLY MONITORING REPORT OF THE COUNCIL'S GOVERNANCE ARRANGEMENTS

The findings from the quarterly monitoring of the governance arrangements in place for the Council were reported to the Committee.

The Head of Performance and Service Support highlighted the monitoring results for key governance processes set out in the report.

Discussion took place and Members raised concern that savings on services could affect performance. It was questioned whether the savings made were audited. It was confirmed that they were as part of the regular audit process and assurance could be obtained from the Performance Management Framework which would highlight any issues with performance.

With regard to complaints, a Member stated that the level of customer service given was equally important and highlighted the importance of ensuring that staff were properly trained on dealing with members of the public.

Resolved – That the Quarterly Monitoring Report is noted.

23. TREASURY MANAGEMENT AND INVESTMENT STRATEGY 2016/17

The Committee was informed that the Council must comply with the Code of Practice for Treasury Management in the Public Services, published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

As part of that Code of Practice the Council was required to set an annual Treasury Management and Investment Strategy for the forthcoming financial year which had to be approved prior to the start of that financial year.

The Audit Committee's attention was drawn to key points of change in the Strategy, particularly the addition of two new investments: Treasury Bills and Certificates of Deposit.

Following discussion it was:-

Resolved - That following scrutiny, the Treasury Management and Investment Strategy for 2016/17 is approved for onward submission to Council in February 2016 as part of the Policy Framework and Budget Setting Report for 2016/17.

24. INTERNAL AUDIT SERVICE, QUARTERLY PERFORMANCE REPORT

A progress report on the delivery of Internal Audit's Strategy for 2014/15 was presented to the Committee.

With regard to Appendix A - 'Managing Business' a Member questioned how complaints were logged, particularly with regard to Members' Enquiries which

were often passed on by Councillors as a result of complaints from residents but processed through a different system. The Head of Performance and Service Support agreed to report back.

Following consideration of the report it was:-

Resolved – That the progress made in delivering the Internal Audit Strategy for 2015/16 is noted.

25. EY AUDIT COMMITTEE PROGRESS REPORT

The Committee was given an overview of the external auditor's plans for 2015/16 and Martina Lee, EY, presented the key matters.

The Committee also considered a presentation on Value for Money. In response to questions the Committee was given assurance that arrangements in place were suitable to deliver value for money whilst maintaining the quality of service.

Following consideration of the report it was:-

Resolved – The plans for delivering the 2015/16 Audit Plan is noted.

26. AUDIT COMMITTEE TERMS OF REFERENCE AND WORK PROGRAMME

An updated Audit Committee Terms of Reference and Work Programme were presented to the Committee for consideration.

During discussion on the terms of reference of the Committee Members felt that it was not appropriate that Executive Members should be permitted to sit on the Audit Committee and that the wording should be amended as follows:

"The membership should not include: a councillor who is also a member of the Cabinet"

Resolved –

1. That the amended Terms of Reference is approved and its adoption recommended to Council subject to a change to the wording under 7.6 to state that the membership of the Committee should not include a Councillor who is also a member of the Cabinet.
2. That the Work Programme for 2016/17 is approved.

Chairman

Audit Committee - 06.01.2016 – Action Sheet

21. RISK MANAGEMENT UPDATE

How non compliance with health and safety by members of staff is identified, in particular the requirement of refuse collectors to wear eye protection when handling glass – **Linda Everard**

Is the Council liable for contract staff who did not comply with health and safety requirements? **Linda Everard**

Does the Council have an uninterrupted power system so that it can keep running in the event of an emergency? Speak to IT - **Craig Watts**

24. INTERNAL AUDIT SERVICE, QUARTERLY PERFORMANCE REPORT

How complaints were logged, are Members' Enquiries which were often passed on by Councillors as a result of complaints from residents included in the overall complaints system? **Craig Watts**

Committee: AUDIT COMMITTEE

Date: 21st March 2016

**Subject: Quarterly Monitoring Report of the Council's
Governance Arrangements**

1. Purpose of Report

To present the findings from the quarterly monitoring of the Council's governance arrangements.

2. Background

2.1 Part of the requirement of the Council's governance arrangements is a quarterly report on the operation of the assurance framework for the Council. The assurance process includes the work of external auditors and is supplemented by the work of the internal audit service, as well as other assurance processes, including internal officer and member processes.

2.2 The Committee will be aware that governance arrangements include individual staff leads who have taken responsibility for the governance processes set out below and are members of the Governance Group. This report was developed in consultation with officers from the governance group.

3. Monitoring Results for Key Governance Processes

3.1 Community Engagement

3.1.1 Assurance arrangements are satisfactory. Services undertake specific consultation as required and there are a number of customer satisfaction surveys. A calendar of planned consultation events over the year has been produced and planned consultation activities include consultation for a refreshed corporate plan to be undertaken in the Autumn of 2016.

3.2 Business Strategy and Planning

3.2.1 The arrangements for business strategy and planning are adequate. There is a corporate action plan, service plans and team plans in place. Highlight reporting to corporate management team remains in operation and team and service plans for 2016/17 have recently been developed by services and have been subject to a corporate challenge process. A refreshed corporate plan will be developed and considered by full Council in June. Following this, a more detailed review of the corporate plan will begin with public consultation planned to be undertaken in the Autumn of 2016.

3.3 Financial Planning, Reporting and Budgetary Control

3.3.1 Robust processes are evident to be assured that the arrangements for financial planning, reporting and budgetary control are effective. For example, a budget exception report is considered by the Executive Management Team and

Councillors on a monthly basis. Variances at year end are reported on all service areas, with commentary on those in excess of +/- £10k, and analysis of changes in income and expenditure from the previous financial year. External assurance has been provided by the annual audit of the Council's Statement of Accounts and the work of external audit. The processes in place give adequate officer and member assurance.

- 3.3.2 The Council maintains a five year rolling financial forecast which is reviewed and reported through to Cabinet on a bi-monthly basis unless there is no significant change to report. The forecast is supported by three years detailed budget workings with the final two years of the forecast being adjusted for future anticipated cost pressures. Assumptions adopted in the forecast are contained in a detailed report made to Special Council in February annually.
- 3.3.3 The Council maintains a level of reserves in excess of the minimum level recommended by the Council's Chief Finance Officer and has set a balanced budget for 2016/17, with only a minor budget gap in 2017/18. Full Council agreed the Policy Framework and Budget Setting report in February which includes the financial planning strategy, the medium term financial forecast and a summary of completed efficiency work.
- 3.3.4 However, significant savings are required for the medium term from 2018/19 onwards and the Council is undertaking a number of actions through the efficiency programme and the Austerity and commercial strategy.

3.4 Asset Management

- 3.4.1 There are adequate routine assurance processes for Asset Management which include bi-monthly Asset Management sessions, which are integrated into programmed meetings of the Operational Management Team. Significant Asset Management based projects conform to the Councils project management methodology (PROMPT) and are reported to Cabinet.
- 3.4.2 A programme of works is in place to address planned repairs and maintenance issues. Funding provision has been earmarked and completion of all works is planned within the lifetime of the current medium term financial forecast.

3.5 Policy Framework

- 3.5.1 The policy framework operates satisfactorily, and policies and strategies largely continue to be refreshed by services. A register of policies and strategies is in place as well as guidance on the elements of a good strategy or policy and an assessment of key policies and strategies. The policy framework is set out in the Business Planning and Budget Framework and was reported to Cabinet in February 2016.

3.6 Risk Management including Fraud & Corruption, Whistleblowing, Money Laundering and Health & Safety

- 3.6.1 A corporate risk register continues to be in place and is subject to monitoring by Executive Management team and was considered by the Audit Committee in January 2016. Risks have been identified as part of the development of team and service planning and risks get escalated to the corporate risk register should the identified issue be considered significant. The corporate risk register will be re-assessed in April following the completion of service plans and will be reported to the June Audit Committee.

3.7 Business Continuity

- 3.7.1 Satisfactory progress has been made to the business continuity arrangements in place. Impact assessments have been completed by all services and have been used to help services develop their Service Delivery Action Plans. A corporate generic business continuity plan is also in place which is refreshed biennially. During December to February 2016 a refresh of service specific business continuity plans was undertaken and any relevant changes will be incorporated into the corporate business continuity plan as appropriate.

3.8 Performance Management

- 3.8.1 Core processes operate satisfactorily, including highlight reporting to Corporate Management Team and the production of a corporate scorecard which is considered quarterly by Cabinet, the most recent of which was in the February Cabinet for the third quarter period.
- 3.8.2 Control arrangements include the production of quarterly reports of performance indicators by all services for consideration by EMT. Further work is currently being undertaken to re-clarify performance measures and targets as part of the development of team and service planning, and a revised set of indicators for services will be monitored from April 2016.

3.9 Data Quality

- 3.9.1 Arrangements are satisfactory. The service planning process includes a requirement for team managers and heads of service to sign a declaration which includes consideration of data quality and the commitment to spot checking of data. An internal audit of planning processing performance data undertaken in October last year found the information reported in the cabinet scorecard to be accurate and as required by government performance indicator definitions.

3.10 Value for Money

- 3.10.1 Arrangements are in place and the assurance processes are operating appropriately. For example, a programme of work to identify and obtain efficiencies is in place for council services and is set out in the corporate plan. The Council has also identified a set of value for money ratios taken from the and these are used to monitor progress and retain understanding of comparative value for money.

3.11 Procurement

- 3.11.1 There are satisfactory arrangements in place and the assurance processes are operating appropriately. Procurement is integrated into the meetings of the Operational Management Team and assists in the implementation of corporate requirements. The Council's Commissioning and Procurement Strategy and Procurement Toolkit was updated in 2015 to take into account changes in legislative requirements. An internal audit of procurement arrangements was held during the summer. Agreed recommendations contained within the audit report are to be incorporated into action plans.

3.12 Partnerships

- 3.12.1 Assurance processes are subject to further development work. A partnership strategy is planned to be progressed which will set out the key partnerships and how these link to each other. Partnership work is also being audited and progress will be monitored.

3.13 Project Management

- 3.13.1 The arrangements are satisfactory. The service plans that have been recently drafted include an indication of planned projects with a prioritisation. These will be incorporated into a corporate programme and the most important projects will be set out as part of the corporate plan.

3.14 Complaints

- 3.14.1 An internal audit of the complaints system has been undertaken and a number of recommendations have been set out. This includes the need for the procedure to refer to how complaints handled by the Council's contractors are dealt with, the development of standard letter templates and additional training for staff, as well as further requirements to ensure consistency of use. This work will be progressed and more detailed reporting of progress will be set out to the next meeting of the Audit Committee.

3.15 Ethical Governance

- 3.15.1 Satisfactory arrangements are in place. A common code of conduct is in place along with appropriate mechanisms including a governance committee. A recent audit of the arrangements found these to be satisfactory with a need to undertake various actions including reporting progress of the governance group to EMT and Audit Committee, updating the Protocol on the use of IT and ensuring the Council is compliant with the Local Government Transparency Code.

3.16 Officer Conduct

- 3.16.1 There are appropriate assurance arrangements in place to ensure robust officer conduct. This includes a range of human resource policies and procedures. The processes in place continue to give adequate assurance. Following the ethical governance audit, the Employee Code of Conduct is to be amended to include ethical standards, the Nolan principles and relevant information from the new Fraud and Bribery Act. In addition, the expected behaviour on social media will be added to the Employee Code of Conduct.

3.17 Information Governance

- 3.17.1 The Council has implemented an information governance strategy, which is underpinned by associated guidance. The Council's Head of Law acts as the Senior Information Risk Owner. The 'How it Works' guidance also contains a section on information governance.

4. Corporate Implications

a. Legal implications

There are no direct legal implications arising from this report.

b. Financial implications

There are no direct financial implications arising from this report.

c. Human Resource & Equality

The monitoring and development of the assurance framework is delivered within existing resources.

The Council's equality policy is applied as an inherent element of the assurance processes. Equality is also an area that is subject to audit scrutiny. All key decisions require an Equality Impact Assessment.

d. IT and Asset Management implications

There are no direct IT or Asset Management implications arising from this report.

5. Links to Council's priorities and objectives

All assurance processes and improvement work support the corporate priority of Improving the Council.

6. Timescale for implementation and risk factors

The monitoring of the effectiveness of the assurance framework will be undertaken every three months and reported to the Audit Committee. The Council will not be able to fully achieve its objectives and priorities without a robust assurance framework.

Recommendation:

- 1. Committee are invited to consider the findings of this report as outlined in section 3 and question officers as appropriate.**

Resolution required.

Background Papers: Local Code of Governance

Report Author: Craig Watts, Head of Performance & Service Support

AUDIT COMMITTEE

21 March 2016

Subject: Internal Audit Service, Quarterly Performance Report

1. Purpose of Report

To update the Audit Committee on the progress made in delivering the Internal Audit's Strategy for 2015/16.

2. Internal Audit Plan Status

Appendix A sets out the current status of the audit work planned for the year as at 26th February 2016.

Since the last Audit Committee:

- three audits have been deleted from the programme as:
 - Development Control and Building Control are in the process of going through a service review so will be considered for inclusion in the Audit Plan for 2017/18
 - the project to license houses in multiple occupation is still in progress.
- the work on partnerships has been extended to include assessing the governance of the Health and Well Being Board and Crime and Disorder Partnership.

Otherwise, the service should have substantially completed the fieldwork for all the audits planned by the end of March 2016. The aim is to get any outstanding reports finalised by the end of April 2016.

3. Audit Opinions and Themes

Appendix B summarises the results from each audit completed this quarter. No minimal assurance reports have been issued during this period.

Appendix C summarises the audit opinions given on work completed to date.

4. Internal Audit Performance Targets

As at 26th February 2016, the service remains on target to:

- deliver sufficient work to enable the Head of Internal Audit to give an annual opinion on the adequacy and effectiveness of the Council's risk management, control and governance arrangements as:
 - sickness absence remains low at 0.78 days per FTE compared to a target of under 5 days per FTE
 - productivity is 77.3% compared to a target of 75%
 - 82% of planned work has either been delivered or is at draft report stage. The target is to complete the Audit Plan by 30 April 2016.

- remain substantially compliant with professional standards.

The service has revised its approach to obtaining feedback from stakeholders at the conclusion of audits. The purpose of the stakeholder survey is to obtain evidence of compliance with some of the less tangible elements of the UK Public Sector Internal Audit Standards (the Standards).

The intention is to pilot it for the remainder of 2015/16. The results of these surveys will be included in the Head of Internal Audit's Annual Report.

A performance target will then be developed to apply to all 2016/17 audits.

Southend-on-Sea Borough Council appointed BDO to undertake an independent review of the Internal Audit service. The brief was to consider:

- the requirements of the service
- the needs to external stakeholders
- whether resources are at the right level for the risks the organisations face
- alternative service delivery models.

The Council's Strategic Director, Transformation and Resources was interviewed as part of this process. The results of this review will be reported to the Audit Committee in due course.

5. Corporate Implications

Financial Implications

The Audit Plan will be delivered within the approved budget.

Any financial implications arising from identifying and managing fraud risk will be considered through the normal financial management processes.

Legal Implications

The UK Public Sector Internal Audit Standards require the Audit Committee to approve (but not direct) the annual Internal Audit Plan and then receive regular updates on its delivery. This report contributes to discharging this duty.

Human Resources and Equality Implications

Human Resources

People issues that are relevant to an audit will be considered as part of the review.

Equality Implications

The relevance of equality and diversity is considered during the initial planning stage of each audit before the Terms of Reference are agreed.

IT and Asset Management Implications

People or asset management issues that are relevant to an audit will be considered as part of the review.

6. Links to Council's Aims, Targets and Objectives

Audit work contributes to the delivery of all of the Council's Aims, Targets and Objectives.

7. Timescale for Implementation

The Audit Plan is resourced to be delivered by April 2016 at which time the Head of Internal Audit's Annual Report is produced for consideration by the Audit Committee at its June meeting.

This is a key piece of evidence available to the Audit Committee when reviewing the Annual Governance Statement, which is also presented to the June Audit Committee.

8. Risk Factors

Failure to operate a robust assurance process (which incorporates the internal audit function) increases the risk that there are inadequacies in the internal control framework that may impact on the Council's ability to deliver its corporate aims, targets and objectives. A key mitigating factor is the work of the Good Governance Group (the Group). Assurance provided by this Group is summarised in the Quarterly Monitoring Report of the Council's Governance Arrangements.

The main risks the team continues to manage are the:

- loss of in-house staff and the ability of the service to replace this resource in a timely manner
- possibility that the external supplier won't deliver contracted in work within the required deadlines to the expected quality standards.

With the loss of the Senior Audit & Resources Manager, limited time is currently available within the Audit Plan for managing this contract.

Recommendations:

The Audit Committee notes the progress made in delivering the Internal Audit Strategy for 2015/16.

Background Papers

- The Accounts and Audit Regulations 2015
- UK Public Service Internal Audit Standards
- CIPFA: Local Government Application Note for the UK Public Sector Internal Audit Standards

Appendices

Appendix A Internal Audit Plan 2015/16

Appendix B Audit Opinions and Themes

1 • High Assurance

2 • Partial Assurance

Appendix C Summary of Audit Opinions 2015/16

Report Author: Linda Everard, Head of Internal Audit

CPBC Appendix A: Internal Audit Plan 2015/16

| Dept | Council activity and focus of audit work | Work type * | Status as at 26 February 2016 |
|--|---|-----------------------|--|
| Managing the Business | | | |
| Efficient and Effective Customer Focused Services: Ensure the Council is fit for purpose by meeting national and local requirements to agreed timescales and to optimum performance standards | | | |
| All | Complaints, Compliments and Comments To assess whether complaints are effectively managed in line with a clear policy framework. | Core | Report with being finalised. |
| All | Procurement To assess compliance with the actions required by Contract Procedure Rules for expenditure between £5,000 and £50,000. | Core Fraud Risk | Report issued December 2015. |
| All | Quality of Management Information To assess the accuracy and usefulness of information on which management rely to make decisions. | Core | Report issued July 2015. |
| All | Working With Partners To assess whether for a number of partnerships there are robust governance arrangements. | Core | <ul style="list-style-type: none"> • Complete fieldwork: March 2016 • Draft report: April 2016 |
| Managing Service Delivery Risks | | | |
| Environment: Maintain a good quality refuse and recycling service which ensures over half of all domestic waste is recycled | | | |
| Env | Waste Collection To assess whether: <ul style="list-style-type: none"> • commercial and domestic waste collection services are effectively planned and managed • waste vehicles are properly maintained, drivers licensed and spare parts are kept to an optimum level. | Core Fraud Risk | Report issued December 2015. |
| Transforming Our Community: Progress development of the Local Plan for the Borough | | | |
| R&N | Regeneration To assess whether the Council through the Regeneration partnership has evidence it has: <ul style="list-style-type: none"> • achieved its 2008-13 Regeneration Framework ambitions and key priorities | Core | Report issued November 2015. |

CPBC Appendix A: Internal Audit Plan 2015/16

| Dept | Council activity and focus of audit work | Work type * | Status as at 26 February 2016 |
|--|---|---------------------|---|
| | <ul style="list-style-type: none"> effective arrangements and processes to deliver future regeneration ambitions. | | |
| Efficient and Effective Customer Focused Services: Develop an organisational change programme to transform the Council by March 2017 by using new technology and working practices | | | |
| R&N | Data Quality Spot Check, Planning Applications To assess whether the planning application indicators being reported can be relied upon and comply with the National Planning Guidance 2014. | New In year risk | Work completed November 2015. |
| R&N | Development Control To assess whether the re-engineered business processes are fully embedded, planning applications are effectively and promptly assessed and all income due is received. | Core Fraud Risk | This review has been deleted due to the service review which is underway. |
| R&N | Building Control To assess whether the re-engineered business processes Building Control cases are robustly managed. | Core Fraud Risk | This review has been deleted due to the service review which is underway. |
| Efficient and Effective Customer Focused Services: Ensure the Council is fit for purpose by meeting national and local requirements to agreed timescales and to optimum performance standards | | | |
| R&N | Repair and Renew (Flood) Grant To certify approved claims for the flood support scheme as required by the memorandum of understanding between the Department for the Environment, Food and Rural Affairs and the Council. | New In year risk | Grant Claim signed off November 2015. |
| All | Debt Collection To assess whether there are robust processes in place to ensure all debt due is cost effectively collected. | Core Fraud Risk | <ul style="list-style-type: none"> Start date: March 2016 Complete fieldwork: March 2016 Draft report: April 2016 |
| Res | IT Disaster Recovery To assess whether there are robust plans, systems and processes to ensure the Council's IT systems and data are recoverable following a disaster incident. | Core | <ul style="list-style-type: none"> Start date: March 2016 Complete fieldwork: March 2016 Draft report: April 2016 |
| Res | Capita IT Contract Management To assess whether there is robust management of the IT contract. | Core | Report issued December 2015. |

CPBC Appendix A: Internal Audit Plan 2015/16

| Dept | Council activity and focus of audit work | Work type * | Status as at 26 February 2016 |
|------|---|-----------------------|---|
| Res | IT Governance To understand and assess whether there is sufficient clarity over roles and responsibilities for key IT-related tasks and outcomes (per Information Technology Infrastructure Library practices). | Core | Report issued December 2015. |
| Env | Disabled Facilities Grants To assess whether applications for Disabled Facilities Grants are assessed accurately and promptly and works are carried out to specification and budget. | Core Fraud Risk | Report issued December 2015. |
| Env | Landlord Management To assess whether: <ul style="list-style-type: none"> licensing of Houses in Multiple Occupation (HMO) is robust the Council is maximising the opportunities around legal redress schemes and selective licensing of landlords. | Core | Deleted as the HOM licensing project is still being implemented. |
| H&C | Housing IT System To assess whether the new Housing IT system is effectively specified, procured and implemented. | In year risk | Deleted as the system is not being replaced during 2015/16. |
| H&C | Residential Leaseholder Charging To assess whether all works chargeable to leaseholders are accurately calculated and completely received. | Core Fraud Risk | Report issued September 2015. |
| H&C | Right to Buy To assess whether Right to Buy applications are correctly assessed and all required supporting evidence is obtained. | Core Fraud Risk | Report issued December 2015. |
| H&C | Allocations To assess whether adequate processes and procedures are in place to enable Council housing to be allocated and empty properties re-let, fairly, consistently, promptly and in line with the Allocations Policy. | Core Fraud Risk | Report issued July 2015. |

CPBC Appendix A: Internal Audit Plan 2015/16

| Dept | Council activity and focus of audit work | Work type * | Status as at 26 February 2016 |
|---|---|-------------------|--|
| Key Financial Systems | | | |
| Efficient and Effective Customer Focused Services: Ensure the Council is fit for purpose by meeting national and local requirements to agreed timescales and to optimum performance standards | | | |
| To assess whether the key controls in each of the key financial systems effectively prevent or detect material errors on a timely basis so that this information can be relied upon when producing the Council's statement of accounts. | | | |
| H&C | Housing Rents(2014/15) | Core Fraud Risk | Report issued July 2015. |
| Res | Accounts Payable | Annual Fraud Risk | Draft report issued to client |
| H&C | Accounts Receivable | | Draft report issued to client |
| H&C | Business Rates | | Draft report produced |
| H&C | Council Tax | | Draft report produced |
| Res | General Ledger | | Draft report issued to client |
| H&C | Housing Benefit | | Draft report produced |
| H&C | Housing Rents | | Draft report issued to client |
| H&C | Income Receipting and Banking | | Draft report issued to client |
| Res | Payroll | | Draft report issued to client |
| Res | Treasury Management | | Report issued February 2016 |
| Implementing Action Plans | | | |
| Efficient and Effective Customer Focused Services: Ensure the Council is fit for purpose by meeting national and local requirements to agreed timescales and to optimum performance standards | | | |
| All | Audit Reports to be Revisited To check that actions agreed have been implemented, properly, in a timely manner. | Core | |
| | • Safeguarding Arrangements | | • Complete fieldwork: March 2016 • Draft report: April 2016 |

| Dept | Council activity and focus of audit work | Work type * | Status as at 26 February 2016 |
|--|--|-------------|-------------------------------|
| Managing Delivery of the Audit Plan | | | |
| | Audit Planning and Resourcing | | |
| | Managing Contractor work | | |
| | Reporting to Management Team and Audit Committee | | |
| | Contingency for In-Year Unplanned Work | | |

Audit Plan Definitions

Departments:

- H&C: Housing and Communities
- Env: Environmental Services
- R&N: Regeneration and Neighbourhoods
- Res: Resources
- L&G: Legal and Governance

***Core work** means those service activities that score as high risk (i.e. risk level 1 or 2 out of 4) from an audit perspective based on the criteria set out in the Internal Audit Strategy.

Appendix B1: Audit Opinion and Themes

Assurance



Treasury Management

Objective

To assess whether the key controls in the Treasury Management system effectively prevent or detect material financial errors, on a timely basis, so that this information can be relied upon when producing the Council's statement of accounts.

Scope and Control Opinions

The audit evaluated the adequacy and effectiveness of the design and operation of the key controls listed in the table below, which also shows the assessed strength of each control.

| Key controls audited | Strength of control |
|---|---------------------|
| <ul style="list-style-type: none">There is appropriate formulation and approval of the Treasury Management Policy and regular reporting in line with the CIPFA Code of Practice. | High |
| <ul style="list-style-type: none">Treasury management transactions are properly authorised and supported by appropriate evidence to confirm their validity (including investments placed, recalled and borrowings made and repaid). | High |
| <ul style="list-style-type: none">Treasury management transactions are promptly and accurately reflected in the General Ledger system. | High |
| <ul style="list-style-type: none">Previous audit recommendations have been implemented properly, in a timely manner. | High |

Number of actions agreed: 0

Appendix B2: Audit Opinion and Themes

Assurance



Procurement

Objective

To assess compliance with the actions required by Contract Procedure Rules for medium-value contracts that total between £10,001 and £50,000.

Themes

Contract Procedure Rules (CPRs) were last updated in May 2015 to ensure compliance with the Public Contract Regulations 2015. They were largely fit for purpose but did not set out the process to be followed should an exemption from applying them, be sought. Consideration will also be given as to whether to include a de-minimis spend limit under which there would be no requirement to obtain quotes.

CPRs were not being consistently applied for all these medium-value contracts, although some services displayed better procurement practices than others. It is important that:

- all services retain evidence such spending is:
 - aggregated wherever possible, so value for money is obtained
 - regularly subject to market testing.
- formal, signed contracts are retained, the details of which, are included on the publically available contracts register
- senior management are informed of continual poor performers.

Therefore, the Council's existing Procurement Challenge Checklist for this value of spend, is being amended to require staff to evidence that these good practice procurement practices have been applied. This will be discussed with service managers, who will then be expected to go through this with their staff.

Number of actions agreed: 4

Appendix C: Summary of Audit Opinions 2015/16

| Audit Areas | Level of Assurance | | | |
|---|--|---|--|---|
| | High | Satisfactory | Partial | Minimal |
| Corporate Governance and Assurance Arrangements | | <ul style="list-style-type: none"> Quality of Management Information (Jul 2015) | <ul style="list-style-type: none"> Procurement (Dec 2015) | |
| Service Delivery Risks | | <ul style="list-style-type: none"> Capita IT Contract Management (Dec 2015) IT Governance (Dec 2015) Disabled Facilities Grants (Dec 2015) | <ul style="list-style-type: none"> Waste Collection (Dec 2015) Regeneration (Nov 2015) Residential Leaseholder Charging (Sept 2015) Allocations (Jul 2015) | <ul style="list-style-type: none"> Right to Buy (Dec 2015) |
| Key Financial Systems | <ul style="list-style-type: none"> Treasury Management (Feb 2016) | | | |

AUDIT COMMITTEE

21 March 2016

Subject: EY Audit Plan 2015/16

1. Purpose of Report

To present the External Auditor's Audit Plan for 2015/16 to the Audit Committee.

2. Background

As required by the National Audit Office's 2015 Code of Audit Practice (the Code), the external auditor must produce an audit planning document. This should set out how the auditors intend to carry out their responsibilities in light of their assessment of risk

A senior representative of EY (the appointed External Auditor to the Council) will present this report to the Audit Committee and respond to Members' questions.

3. Corporate Implications

Financial Implications

The prescribed requirements of what needs to be undertaken by the external auditor are defined in the National Audit Office's 2015 Code of Audit Practice and the fee scales are defined by Public Sector Audit Appointments (PSAA) Ltd. The plan and fees proposed reflect the application of these requirements to this Council based upon an assessment of risk which is set out in the Audit Plan for 2015/16.

The cost to the Council of external audit for 2015/16 is planned to be £56,265 for the Code Audit and £21,801 for the certification work.

Legal Implications

The Council is required to have an external audit of its activities that complies with the requirements of:

- the Local Audit and Accountability Act 2014
- the National Audit Office's 2015 Code of Audit Practice
- the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd
- Auditing Standards and other professional requirements.

By considering this report, the Committee can satisfy itself that this requirement is being discharged.

Human Resources and Equality Implications

Human Resources

None

Equality Implications

None.

IT and Asset Management Implications

None

4. Links to Council's Aims, Targets and Objectives

Audit work contributes to the delivery of all the Council's Aims, Targets and Objectives.

5. Timescale for Implementation and Risk Factors

Timescales for delivering elements of the Audit Plan are set out in the progress report.

Poor performance by the Council in the areas subject to review could result in either a qualified audit opinion or value for money conclusion and may also impact adversely on any corporate assessment.

Periodically considering whether the external auditor is delivering the agreed Annual Audit Plan helps mitigate the risk that the Council does not receive an external audit service that complies with the requirement of the Code.

6. Conclusion

None

Recommendation

The Audit Committee accepts EY's Audit Plan 2015/16.

Background Papers

- National Audit Office's 2015 Code of Audit Practice
- National Audit Office's Work Programme and Scales of Fees 2015/16

Attachments

- EY Audit Plan 2015/16 (to follow)

Report Author: Kevin Suter, Executive Director, EY

AUDIT COMMITTEE

21 March 2016

Subject: Internal Audit Charter, Strategy and Audit Plan for 2016/17

1. Purpose of Report

To present the Internal Audit Charter with the supporting Strategy and Audit Plan for 2016/17 to the Audit Committee for consideration.

2. Background

Accounts and Audit Regulations 2015 (Regulations) make it a requirement for internal audit to take into account public sector internal auditing standards or guidance in delivering the service.

The UK Public Sector Internal Audit Standards (the Standards) require the service to produce a risk based plan that:

- takes into account:
 - the requirement to produce an annual internal audit opinion
 - the Council's assurance framework.
- incorporates or is linked to a strategic or high level statement of how:
 - the service will be delivered and developed in accordance with the Charter
 - it links to the Council's aims, targets and objectives.

As outlined previously, the Global Institute of Internal Auditors updated the International Professional Practices Framework (IPPF) in July 2015. Although this does not technically apply to the public sector at present, the key changes to the IPPF have been taken into account (as consultation on this is underway).

3. Charter, Strategy and Audit Plan

In order to comply with the Standards, the approach proposed is set out in the:

- Charter that defines the purpose, authority and responsibility of the service
- Strategy that outlines how the service will be delivered in line with the Charter and includes the:
 - Internal Audit Plan for 2016/17
 - Audits Planned linked to Corporate Risks Statement
 - How We Will Work With You Statement.

The following paragraphs explain key amendments to the documents which were last presented to the Audit Committee in March 2015. These are also highlighted in **bold** within the documents themselves for ease of reference.

4. **Charter (Appendix A)**

The two amendments made to the Charter reflect the:

- new IPPF Mission Statement and Core Principles
- change in the Council's counter fraud and investigation arrangements.

5. **Strategy (Appendix B)**

The Strategy sets out:

- the ethical framework audit staff are expected to comply with
- the basis for the audit opinion and the audit approach to be adopted
- the approach to assessing risk and assurance as part of the audit planning process
- the Audit Plan, resource assessment and performance indicators
- how the service will work with key staff, members and groups within the Council
- how the team will operate on a day to day basis
- how it will assess its compliance with relevant professional standards and report upon this.

The main changes to the Strategy reflect:

- a refreshed risk assessment process, particularly in respect of financial systems
- the need to recalculate the staff resources available in 2016/17 once the service review is completed (refer Internal Audit Service, Quarterly Performance Report) and amend the Audit Plan accordingly
- the need for the Job Profiles and Career Development Scheme to be updated
- slightly amended performance targets for delivering the Audit Plan and obtaining stakeholder feedback.

The remaining amendments are cosmetic.

The coverage provided within the proposed **Audit Plan** for 2016/17 (**Appendix B1**) is based upon the audit approach outlined in the Strategy which complies with the requirements of the Standards. The total audit days is currently an estimated figure that includes a contingency which is currently the difference between work planned and the estimated total days figure that will be reviewed in due course (refer section above re staff resources). It has been discussed and agreed with senior management.

As is usual practice, any proposed future amendments to the Audit Plan will be reported to the Audit Committee for approval.

Appendix B2 identifies where audit reviews provide some assurance regarding the management of the Council's corporate risks.

The **performance indicators** are designed to enable the service to demonstrate:

- it provides **adequate coverage** by delivering sufficient work in year to enable the Head of Internal Audit to give an opinion on the adequacy and effectiveness of the Council's risk management, control and governance arrangements
- its **professional competence**
- its **costs** are competitive.

If delivered, this suite of indicators provides evidence that the Council is maintaining an adequate and effective internal audit service that:

- operates in accordance with proper internal audit practices
- also adds value and helps the Council to improve its operations.

The **How We Will Work With You Statement (Appendix B3)** has been amended to reflect that the way the service works with officers and the Audit Committee is now the same whether the job is an initial audit or a revisit to check that agreed actions have been properly implemented.

6. Corporate Implications

Financial Implications

Financial risk is one of the categories used when assessing the risk profile of all the activities that the Council delivers.

The Audit Plan will be delivered within the agreed budget for the service.

Legal Implications

The Accounts and Audit Regulations 2015, Section 5 requires the Council to undertake an effective internal audit to evaluate the effectiveness of its governance, risk management and control framework, taking into account public sector internal auditing standards or guidance.

The Standards require:

- the Audit Committee to approve (**but not direct**) the annual internal Audit Plan and this report discharges that duty
- the Audit Committee to then receive regular updates on its delivery, as provided by the quarterly performance report
- the Head of Internal Audit to provide an annual audit opinion on the Council's governance, risk management and control framework and report on this to the Audit Committee, which is delivered to its June meeting.

Human Resources / Asset Management

People and property risk is one of the categories used when assessing the risk profile of all the activities that the Council delivers.

There are no specific asset management implications with regard to this report.

Equality Implications

Not applicable to these documents.

IT Implications

Not applicable to these documents.

The IT risk assessment is explained in the Strategy document.

7. Links to Council's Aims, Targets and Objectives

The Audit Plan contributes to the delivery of all of the Council's aims, targets and objectives.

8. Timescale for Implementation

The Audit Plan covers the 2016/17 financial year although work to deliver this will continue into April 2017 when the Head of Internal Audit's Annual report is produced.

9. Risk Factors

Failure to operate a robust assurance process (which incorporates the internal audit function) increases the risk that there are inadequacies in the internal control framework that may impact on the Council's ability to deliver its corporate aims, priorities and objectives. This risk is being mitigated by the work of the Good Governance Group. Assurance provided this Group is summarised in the 'Quarterly Monitoring Report of the Council's Governance Arrangements'.

The key team risks are:

- its inability to recruit or retain staff
- that external suppliers won't deliver contracted in work within the required deadlines to the expected quality standards.

Time has been built into the Audit Plan for managing external contractors.

Internal Audit maintains an audit risk assessment which is explained in the Strategy.

Recommendation:

The Audit Committee approves the Charter, Strategy and Audit Plan for 2016/17.

Background Papers

- The Accounts and Audit Regulations 2015
- UK Public Service Internal Audit Standards
- CIPFA: Local Governance Application Note for the UK Public Sector Internal Audit Standards

- CIPFA: The Role of the Head of Internal Audit in Public Service Organisations 2010
- CIPFA: Audit Committee Practical Guidance for Local Authorities and A Toolkit for Local Authority Audit Committees.

Appendices

- Appendix A: Internal Audit Charter
- Appendix B: Internal Audit Strategy
 - Appendix B1: Internal Audit Plan for 2016/17
 - Appendix B2: Audits Planned linked to Corporate Risks Statement
 - Appendix B3: How We Will Work With You Statement

Report Author: Linda Everard, Head of Internal Audit



Internal Audit Charter

To Executive Management Team: February 2015

To Audit Committee: March 2015

Appendix A: Internal Audit Charter

Introduction

This Charter sets out the purpose, authority and responsibility of the Council's Internal Audit function, in accordance with the UK Public Sector Internal Audit Standards (the Standards) and the CIPFA Local Government Application Note.

The Charter will be reviewed annually and presented to the Audit Committee for approval.

Service Objective

The key objective for Internal Audit is to complete sufficient work in order to enable it to provide an independent and objective annual opinion on the adequacy and effectiveness of the Council's **risk management, control and governance processes** established to enable it to achieve its objectives.

This includes the Council's working arrangements with partners, contractors and third parties.

In doing this, Internal Audit aims to:

- deliver a high quality, cost effective service in line with best practice and professional standards
- work constructively with management to support new developments and major change programmes
- be pragmatic and proportionate with its recommendations, having regard not just to risk, but also the cost of controls
- be flexible and responsive to the needs of the organisation in all its work
- promote an anti-fraud and corruption culture within the organisation.

Responsibilities

Internal Audit is '*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 effectiveness of risk management, control and governance processes*'¹.

In a local authority, internal audit:

- provides independent and objective assurance to the organisation, its Members and the Executive Management Team regarding the design and operation of its governance, risk management and control processes
- assists the Head of Resources in discharging her responsibilities under S151 of the Local Government Act 1972, relating to the proper administration of the Council's financial affairs.

It is a management responsibility to:

- establish and maintain appropriate governance arrangements and internal control systems

¹ Institute of Internal Auditors

Appendix A: Internal Audit Charter

- ensure that resources are properly applied, risks appropriately managed and outcomes achieved.

Statutory Role

Internal Audit is a statutory service in the context of the Local Audit and Accountability Act 2014 and its supporting Accounts and Audit Regulations 2015, which state in Part 2, Internal Control, Section 5, that:

“A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

Any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit:

- *make available such documents and records*
- *supply such information and explanation*

as are considered necessary by those conducting the internal audit.

Internal Audit operates under the Chief Financial Officers statutory authority to visit any Council land or premises should this be required.

This statutory framework is supported by the Council's Financial Regulations.

Independence and Accountability

Internal Audit will remain sufficiently independent of the activities that it audits to enable auditors to perform their duties in a way that allows them to make impartial and effective professional judgements and recommendations. Internal auditors have no operational responsibilities. Where the Head of Internal Audit is responsible for other services, arrangements are in place for ensuring that any internal audit work is subject to appropriate independent review and that any conflicts of interest are avoided.

Internal Audit determines its priorities in consultation with 'Those Charged with Governance'. The Head of Internal Audit has direct access to and freedom to report in her own name and without fear of favour to, all officers and Members and particularly 'Those Charged with Governance' including the Chief Executive and Chair of the Audit Committee. This independence is further safeguarded by ensuring that the Head of Internal Audit's annual appraisal / performance review is not inappropriately influenced by those subject to audit. This is achieved by ensuring that both the Chief Executive and the Chair of Audit Committee contribute to this performance review. The Head of Internal Audit must confirm to the Audit Committee, at least annually, on the organisational independence of the service.

Internal Audit may also provide consultancy services, at the request of the organisation, which would include activities like providing advice, facilitation and training. In such circumstances, appropriate arrangements will be put in place to safeguard the independence of Internal Audit.

Accountability for the response to the advice and recommendations of Internal Audit lies with management, who either accept and implement the advice or formally reject it.

Appendix A: Internal Audit Charter

All Internal Audit staff are required to make an annual declaration of interest to ensure that auditors' objectivity is not impaired and that any potential conflicts of interest are appropriately managed.

Internal Audit Scope

The scope of Internal Audit includes the entire control environment and therefore all of the Council's operations, resources, services and responsibilities in relation to other bodies. In order to identify audit coverage, activities are prioritised based on risk, using a combination of Internal Audit and management risk assessments (including those set out within Council's risk registers). Extensive consultation also takes place with key stakeholders.

The framework used for evaluating the Council's governance, risk management and control arrangements (as required by the Standards) is set out in the supporting Strategy.

If circumstances arise whereby assurances are to be provided to parties outside the Council, the nature of and approach to be adopted to providing them will be discussed with relevant senior management.

The Head of Internal Audit can consider accepting proposed consulting engagements (should resources allow), based on their potential to improve the management of risks, add value and improve the organisation's operations. Accepted engagements must also be included in the Audit Plan.

Reporting Lines and Relationships

Responsibility for ensuring that statutory internal audit arrangements are in place has been delegated to the Strategic Director, Transformation & Resources (who is a member of the Executive Management Team). These arrangements form a key element of the Council's corporate governance framework.

Therefore the Strategic Director, Transformation & Resources discharges the administrative responsibilities for managing the internal audit service whilst it reports functionally to the Audit Committee. Details of the functional role of the Audit Committee in this respect should be set out in its Terms of Reference (including its annual work programme).

In discharging this function role, the Audit Committee receives reports that cover the results of internal audit activity and details of Internal Audit performance, including progress on delivering the Audit Plan.

In addition, Internal Audit provides an annual report and opinion to senior management and the Audit Committee on the adequacy and effectiveness of the Council's system of internal control including its governance, risk management and control arrangements.

The Head of Internal Audit also:

- provides quarterly performance reports on audit matters that the Strategic Director, Transformation & Resources presents to the Executive Management Team which includes the Head of Paid Service, Section 151 Officer and Monitoring Officer

Appendix A: Internal Audit Charter

- sits on the Council's Good Governance Group which includes the Deputy Section 151 Officer and the Deputy Monitoring Officer and reports to the Executive Management Team.

Full details of how internal audit works with key officers, Members and groups are set out in the Strategy, Appendix B3, How We Will Work With You Statement.

Internal Audit Standards

There is a statutory requirement for Internal Audit to work in accordance with the 'proper audit practices'. These 'proper audit practices' are in effect the 'UK Public Sector Internal Audit Standards' (the Standards) as defined by the Institute of Internal Auditors (IIA) in conjunction with the Chartered Institute of Public Finance and Accountancy (CIPFA) **which are based upon the International Professional Practices Framework (IPPF)**. These Standards have been adopted by the Council's Internal Audit Service.

Therefore its Mission (as set out in the IPPF) is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. In delivering this, the service commits to operating in accordance with the IPPF's core principles, which requires it:

- **demonstrates integrity**
- **demonstrates competence and due professional care**
- **is objective and free from undue influence (independent)**
- **aligns with the strategies , objectives and risks of the organisation**
- **is appropriately positioned and adequately resourced**
- **demonstrates quality and continuous improvement**
- **communicates effectively**
- **provides risk-based assurance**
- **is insightful, proactive and future-focused**
- **promotes organisational improvement.**

With regard to the application of these Standards only, the Council's 'Audit Committee' takes the role of the 'board' and 'Executive Management Team', that of 'senior management'.

In accordance with the Standards, Internal Audit is subject to a quality assurance and improvement regime. This consists of an annual self assessment of the service against the Standards, ongoing performance monitoring **of individual reviews** and an external assessment at least every five years by a suitably qualified, independent assessor. The results of all of this activity are reported to the Executive Management Team and the Audit Committee, along with details of any instances of non-conformance. Where non-conformance is considered significant, this will also be included within the Council's Annual Governance Statement.

Appendix A: Internal Audit Charter

The Accounts and Audit Regulations 2015 require local authorities to produce an Annual Governance Statement in accordance with proper practices. CIPFA's Delivering Good Governance guidance has been given 'proper practice' status by the Department for Communities and Local Government for this purpose. Therefore, the Head of Internal Audit aims to comply with the CIPFA Statement on The Role of the Head of Internal Audit in Public Service Organisations 2010, wherever possible, as required by the guidance.

Internal Audit Resources

It is a requirement that Internal Audit must be appropriately staffed in terms of numbers, grades, qualification levels and experience, having regard to its objectives and to professional standards. Internal Auditors need to be properly trained to fulfil their responsibilities and maintain their professional competence through an appropriate ongoing development programme.

The Head of Internal Audit is responsible for appointing the staff of the Internal Audit Service and will ensure that appointments are made in order to achieve the appropriate mix of qualifications, experience and audit skills.

In addition to in-house audit staff, the Head of Internal Audit may engage the use of external resources where it is considered appropriate, including the use of specialist providers.

The Head of Internal Audit is responsible for ensuring that the resources of the Internal Audit Service are sufficient to meet its responsibilities and achieve its objectives. If a situation arose whereby she concluded that resources were insufficient, she must formally report this to the Strategic Director, Transformation & Resources and, if the position is not resolved, to the Audit Committee.

The Internal Audit budget is reported to Cabinet and Full Council for approval annually as part of the overall Council budget.

Fraud and Corruption

Managing the risk of fraud and corruption is the responsibility of management not Internal Audit. Internal Audit will, however, be alert in all its work to risks and exposures that could allow fraud or corruption. **The service will work collaboratively where necessary, with whatever counter fraud and investigation service the Council has, to ensure system or process weaknesses identified during investigations are addressed.**

The Head of Internal Audit must also be informed of all suspected or detected cases of fraud, corruption, bribery or impropriety in order to consider the adequacy of the relevant controls, and evaluate the implication of fraud and corruption for the annual opinion on the control environment.



Internal Audit Strategy

Subject to annual review by the Head of Internal Audit

Reported to Executive Management Team and Audit Committee March 2016

Appendix B: Internal Audit Strategy

Introduction

The Internal Audit Charter sets out the service objective for Internal Audit, which is to provide an annual opinion on the adequacy and effectiveness of the Council's risk management, control and governance processes, designed to deliver its aims, targets and objectives.

This Strategy sets out how the service will be delivered and developed in accordance with the Charter and how it links to the delivery of the Council's aims, targets and objectives.

Code of Ethics

All internal auditors working for the Council will comply with:

- the Code of Ethics contained within the UK Public Sector Internal Audit Standards which define:
 - principles that are relevant to the profession and practice of internal auditing
 - rules of conduct that describe behaviour norms expected of internal auditors.
- the ethical standards of any professional body they are members of
- the Nolan Committee's *Seven Principles of Public Life* as defined in the Local Code of Governance.

The four key principles they will adopt are as follows:

- The **integrity** of internal auditors establishes trust and this provides the basis for reliance on their judgement.
- Internal auditors:
 - exhibit the highest level of professional **objectivity** in gathering, evaluating and communicating information about the activity or process being examined
 - make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements.
- Internal auditors respect the value and ownership of information they receive and do not disclose information (**confidentiality**) without appropriate authority unless there is a legal or professional obligation to do so
- Internal auditors apply the knowledge, skills and experience (**competency**) needed in the performance of internal auditing services.

Inappropriate disclosure of information or breaches of the Code of Ethics by internal auditors could be a disciplinary offence.

All staff working on the Council's audit will be required to sign an Ethical Governance Statement. In house staff will be required to declare any interests prior to starting an audit and to formally update their statement as part of their six monthly appraisal meeting.

Appendix B: Internal Audit Strategy

Basis for Annual Audit Opinion

In summary, the audit opinion will be based upon an assessment of:

- the design and operation of the key processes operated by the Council in order to manage its business (e.g. governance arrangements)
- the range of individual opinions arising from risk-based and other audit assignments delivered during the year (e.g. service activities and financial systems)
- an assessment of how robustly recommendations agreed are implemented and whether this is achieved in a timely manner
- the outcome of any other relevant work undertaken (whether internally or externally) where independence assurance is provided about the operation or performance of a service / system.

Audit Approach

The audit approach is designed to provide the Council with assurance that its risk management, control and governance processes are robust enough to ensure its aims, priorities and objectives will be delivered.

It also takes into account, where applicable, of the need for the Council to gain assurance that any partnership or other agreement to which it is party, is also operating successfully to this achieve this end.

The framework used for evaluating the Council's governance, risk management and control arrangements (as required by the Standards) is set out below.

Governance

Over a suitable period, an assessment will be made of the adequacy of governance process in accomplishing the following objectives:

- promoting appropriate ethics and values within the Council
- ensuring effective organisational performance management and accountability
- communicating risk and control information to appropriate areas of the Council
- co-ordinating the activities of, and communicating information among, the audit committee, external and internal auditors and management.

In doing this, Internal Audit will:

- evaluate the design, implementation and effectiveness of ethics-related objectives, programme and activities
- assess whether the information technology governance supports the delivery of the Council's aims, targets and objectives.

Risk Management

In determining how effective risk management arrangements are, assessments will be made of whether:

Appendix B: Internal Audit Strategy

- the Council's aims, targets and objectives support and align with its mission
- significant risks are identified and assessed
- appropriate risk responses are selected that align risks with the Council's risk appetite
- relevant risk information is captured and communicated in a timely manner across the Council, enabling staff, management and the Audit Committee to carry out their responsibilities.

This information will be gathered from many sources including audit assignments undertaken each year.

Risk exposures relating to governance, operations and information systems will also be evaluated regarding the:

- achievement of the Council's strategic aims, targets and objectives
- reliability and integrity of financial and operational information
- effectiveness and efficiency of operations and programmes
- safeguarding of assets
- compliance with laws, regulations, policies, procedures and contracts.

Internal Audit will also evaluate the potential for the occurrence of fraud, corruption, bribery, theft or financial irregularities and how the Council manages these risks.

Control

An evaluation will be made of the adequacy, effectiveness and efficiency of controls in responding to risks within the Council's governance, operations and information systems (taking into account the same areas outlined in the bullet points in the risk exposures paragraph above).

Types of Assurance Provided

Audit assignments will apply one or a combination of approaches which include assessing:

- the adequacy of system design
- whether key controls within a system, process or service are operating effectively
- whether outcomes from systems, processes or services are in line with expectations.

Internal Audit will make recommendations for improving any services, systems or processes audited with a view to promoting continuous improvement.

Any knowledge gained from consultancy engagements will be incorporated into the evaluation of the Council's governance, risk or control processes.

Limitations

Internal Audit will not:

Appendix B: Internal Audit Strategy

- assume management responsibilities
- control the risks of the Council
- establish and maintain any systems of internal control
- determine operational policies or procedures
- necessarily detect fraud, corruption, bribery, theft or financial irregularities as part of its work as management is responsible for mitigating these risks.

Risk Assessment

A risk based approach will be used to identify areas for review, which takes into account the risk maturity of the Council. The risk assessment will be based on professional judgement but be informed by:

- key corporate and service level documents (e.g. plans and risk registers)
- regular discussions with the Strategic Director, Transformation & Resources and the Head of Performance & Service Support
- at least annual discussions with Heads of Service and the Head of Law & Deputy Monitoring Officer
- the work of the Good Governance Group
- the audit risk assessment
- horizon scanning to establish potential new risks that may materialise during the year
- outcomes from other relevant, independent audits, inspections or work undertaken.

An audit risk assessment will be maintained which includes all service activities **as well as key financial systems** and business management processes. This helps identify activities that:

- **are 'higher risk' because, for example, they are inherently complex, material or susceptible to fraud but well controlled**
- **will not be audited unless a specific, one-off risk arises or their general risk profiles increases.**

It is more important for higher risk activities, that management obtain periodic, independent evidence that the controls remain appropriate and are consistently applied. A significant control failure in these areas could have a serious impact on the Council's ability to deliver its services and overall aims, targets and objectives.

In assessing the level of assurance required and **therefore the priority attached to each Council service**, account will be taken of:

- financial risk
- public related risks (including satisfaction and reputational)
- operational risks (including importance in delivering corporate aims, targets and objectives)
- legal and political risks

Appendix B: Internal Audit Strategy

- people and property risks (including health & safety and safeguarding)
- inherent risk (including that of fraud).








The audit risk assessments will be discussed at least annually with the Strategic Director, Transformation & Resources, the Head of Performance & Service Support and other key Heads of Service. **An annual assessment will be made with the Head of Resources as to whether any assurance is required regarding key financial systems to support the production of the financial statements.**

Internal Audit will decide which action plans to revisit on a risk basis. Where it is determined that further work is required to ensure agreed actions have been properly implemented, this will involve re-testing to ensure this is the case and the strengthened control arrangements are firmly established in the day to day running of the service.

Assurance Framework

Before producing the Audit Plan, an assessment will be made of the evidence already available about the operation of individual services and the management of their related risks or the Council's governance arrangements. This evidence will be recorded as part of the audit risk assessment documentation. As part of the planning audit, the value of this evidence will be evaluated by assessing:

- what risks and control such assurance covers
- at what stage in the process it takes effect (see Three Lines of Defence model outlined below) and therefore how quickly it would mitigate the risk
- how reliable it is, which is likely to include some re-performance work to confirm the validity of the findings before it is relied upon for audit purposes.

| | | | |
|---|--|---|---|
| 1 | The first level of the control is the service level business operations which perform day to day risk management activity (including supervision and review) and operate sound systems and processes. |  | Executive Management Team and Audit Committee |
| |   | | |
| 2 | Departmental or corporate oversight functions such as Management Teams, Groups, Finance and HR are the second line of defence as they set the direction for services / define policy and provide assurance over its implementation. |  | |
| |   | | |
| 3 | Internal and external audit and external inspectors / assessors are the third line of defence, offering independent challenge to the levels of assurance provided by business operations and oversight functions. |  | |

Appendix B: Internal Audit Strategy

Audit Plan

A programme of audits will be agreed with senior management based on the assessment of risk outlined above. The Audit Plan will:

- mainly focus on risk based reviews that assess how well core services are being delivered
- include time for:
 - some work on:
 - the Council's arrangements for managing its business
 - key financial systems
 - checking action plans have been implemented
 - **providing advise and support.**
 - audit planning, managing audit plan delivery which includes managing contractors and reporting.

Therefore the Audit Plan, attached at **Appendix B1**, reflects the results of the risk assessment and the information gathered about the Council's assurance framework. It shows how the work will provide evidence that risks relating to the delivery of the corporate aims, targets and objectives are being managed effectively. **Appendix B2** maps audit work against corporate risks.

A contingency budget has been built into the Audit Plan. Nevertheless any risks that arise during the year will be considered against the risk profile of the work already planned before a review is deleted and replaced by a new audit.

Consultancy engagements, if accepted in year, will also be included in the Audit Plan.

Changes to the Audit Plan will be reported to senior management and the Audit Committee for review and approval.

Fraud and corruption risks will be considered when determining the focus of each relevant audit. Any investigations into fraud, corruption, bribery, theft or financial irregularities that arise will **need to be undertaken by a specialist counter fraud and investigation service**. The Internal Audit team will work with **closely with whatever service the Council puts in place to undertake this work.**

Resources

Southend-on-Sea Borough Council and Castle Point Borough Council have an Internal Audit Joint Working Agreement to use their combined internal audit resources to provide a service to both councils. The core team is then supplemented as required, by resources obtained via a framework contract with an external supplier. **This service is managed by a jointly appointed Head of Internal Audit.**

The strategy will be to continue with this mixed economy approach to resourcing the service as long as costs remain competitive, productivity is high and quality standards are met as measured by delivery of the agreed performance indicators.

Appendix B: Internal Audit Strategy

A staff resource needs assessment will be maintained to calculate the overall capacity of the service. It will take into account the extent to which resources need to be bought in to cover vacancies or provide specialist skills.

Once the service review has been completed, the resource needs assessment will be updated to calculate the number of audit days available in 2016/17. The impact of this on the Audit Plan will then be reviewed and it will be revised accordingly. A view will also be given as to the level of assurance that can be given over a three year period at this resource level.

Work will be allocated to staff with the appropriate skills, experience and competence to complete it. Where the Head of Internal Audit is responsible for an area being audited, arrangements will be made for the work to be overseen by an appropriately qualified person from outside the service.

Job profiles will be updated during 2016/17, if capacity allows, to bring them in line with current professional requirements.

Staff will not be allowed to audit the same area for more than three consecutive years thus preventing over-familiarity and complacency that could influence objectivity.

Training and Development

Staff development needs will be continually assessed and fed into the service's training plan to ensure that appropriate skills are available to deliver the Strategy. Consideration will also be given to the need for staff to meet mandatory continued professional development requirements.

Staff will maintain individual training logs that satisfy relevant professional standards. These will be reviewed by line managers at least every six months as part of the corporate performance appraisal process.

Opportunities to purchase tailored training with other organisations will continue to be explored.

Service Performance Indicators

The performance indicators being proposed cover economy, efficiency and effectiveness and consist of:

- delivering **100%** of the Audit Plan by the **30 April**
- delivering **75%** of total available staff days on delivering the Audit Plan
- losing less than five days per full time equivalent due to sickness absence
- operating in the manner set out in the Standards at team and individual audit level as evidenced by the annual internal and five yearly external performance assessments
- **getting a xx% (to be confirmed) assessment from stakeholders of compliance with the Standards regarding aspects of planning and performing the audit, communicating the results and adding value**
- discharging the duties set out in the CIPFA Statement on the Head of Internal Audit role, wherever possible

Appendix B: Internal Audit Strategy

- demonstrating periodically that the cost of the service is competitive.

The results of the stakeholder surveys will be analysed so that themes can be identified and action taken to improve the service where required.

Performance against relevant targets set will be reported to senior management and the Audit Committee each quarter.

Service Risk Register

Internal Audit will maintain a service risk register that supports the delivery of this Strategy. This will be reviewed and reported upon periodically in the quarterly performance reports to management.

Delivering Audit Assignments

An audit manual will be maintained that guides staff in the performance of their duties. It will be reviewed regularly to reflect changes in working practices and standards. This will ensure that auditors obtain and record sufficient evidence to support their conclusions, professional judgements and recommendations. The standard of files will be such that an experienced auditor, with no previous connection with the audit, will be able to ascertain what work was performed, re-perform it if necessary and support the conclusions reached.

The service will adhere to the Council's clear desk policy with regard to client information and audit files.

Audit files will be retained in accordance with the Council's file retention and disposal policy.

Generally audit files and records are confidential. They will only be shared with the service being audited and external audit. If wider distribution is required, permission must first be obtained from the Head of Internal Audit.

How We Will Work With You

Appendix B3 sets out how the service will work with key officers and groups within the Council, which includes details of who will receive key documents and reports.

Internal Audit will liaise with senior management regarding the timing of individual assignments wherever possible.

Terms of Reference and Draft Reports will be discussed and agreed **as being factually correct** with service managers before being sent to Strategic Directors or Heads of Service to be **finalised**.

Distribution lists are contained on the front of each report and are agreed in principle, with the senior management.

Internal Audit reports contain a disclosure stating they should not be shared with anyone else without the permission of the Head of Internal Audit.

Audit reports will generally be designed to:

- give an opinion on the risk and controls in the area under review

Appendix B: Internal Audit Strategy

- **set out the issues arising, detail the action management is going to take to address them and note appropriate delivery dates.**

Those weaknesses giving rise to significant risks that are not agreed will be brought to the attention of senior management and if necessary the Audit Committee.

The Head of Internal Audit Annual Report will include:

- an annual opinion on the adequacy and effectiveness of the Council's governance, risk management and control framework
- a summary of work completed
- a statement of conformance with the Standards and the results of the Quality Assurance and Improvement Programme
- a comparison of actual work completed compared to what was planned as well as performance against its targets
- issues relevant to the preparation of the Annual Governance Statement
- progress in dealing with issues arising from any external performance assessment.

Audit Committee

To support the work of the Audit Committee, Internal Audit will:

- develop agendas and attend meetings
- facilitate the Committee's review of its own remit and effectiveness, if required
- help identify any training needs and work with others to ensure that these are met.

External Audit

Internal Audit will maintain an appropriate working relationship with the Council's external auditors, sharing documentation and reports as required to support the audit of the financial statements and any other work undertaken.

Partners

Internal Audit will continue to explore opportunities to work effectively with internal audit services of partner organisations where this is beneficial. It will continue to look to make best use of joint audit resources as well as provide opportunities to share learning and good practice.

Quality Assurance and Improvement Programme

The service will maintain a quality assurance and improvement programme that covers all aspects of internal audit activity. The internal assessment will reflect feedback obtained from:

- ongoing supervision and review of individual assignments
- staff performance assessment forms covering blocks of work as well as stakeholder surveys

Appendix B: Internal Audit Strategy

- regular monitoring of service delivery via agreed performance targets
- an annual self assessment of compliance with relevant professional standards
- a periodic assessment of compliance with the CIPFA statement on the Role of the Head of Internal Audit in Local Government.

Opportunities for peer reviews or independent challenge of the internal self assessment will continue to be proactively explored.

An external assessment will be conducted at least every five years by a qualified, independent assessor from outside the Council / service. The Head of Internal Audit will discuss and agree with senior management and the Audit Committee the:

- form of external assessment
- qualification and independence of the external assessor including any potential conflict of interest risks
- person who will act as the internal sponsor for this process.

The results of the quality assurance programme will be reported upon in the Head of Internal Audit's Annual Report and progress made against any improvement plans will be reported to senior management and the Audit Committee.

Appendices

- **Appendix B1: Internal Audit Plan for 2016/17**
- **Appendix B2: Audits Planned linked to Corporate Risks Statement**
- **Appendix B3: How We Will Work With You Statement**

Appendix B1: Internal Audit Plan 2016/17

| Dept | Service Activity | Est spend / income* | Fraud risk | Focus of the Audit |
|----------------------------------|--------------------------------------|---------------------|------------|---|
| | | | | |
| Managing the Business | | | | |
| | | | | |
| All Aims | | | | |
| | | | | |
| All | Risk Management | | | To assess whether departments are accurately identifying and taking appropriate action to manage risks effectively. |
| | | | | |
| Implementing Action Plans | | | | |
| All | Complaints, Compliments and Comments | | | To check that actions agreed have been effectively implemented and are now embedded into the day to day operation of the service. |
| All | Procurement | | | |
| | | | | |
| Managing Service Delivery Risks | | | | |
| | | | | |
| Aim: Public Health and Wellbeing | | | | |
| Env | Leisure Services | | √ | To assess whether the bookings, memberships and other income generating processes are fit for purpose. |
| | | | | |
| Aim: Environment | | | | |
| | | | | |
| Implementing Action Plans | | | | |
| Env | Waste Collection Service | | | To check that actions agreed have been effectively implemented and are now embedded into the day to day operation of the service. |
| | | | | |
| Aim: Transforming Our Community | | | | |
| | | | | |
| Implementing Action Plans | | | | |
| R&N | Regeneration | | | To check that actions agreed have been effectively implemented and are now embedded into the day to day operation of the service. |

Appendix B1: Internal Audit Plan 2016/17

| Dept | Service Activity | Est spend / income* | Fraud risk | Focus of the Audit |
|---|-----------------------------------|---------------------|------------|--|
| Aim: Efficient and Effective Customer Focused Services | | | | |
| Res | Accounts Payable | | √ | To assess whether the Accounts Payable system operates efficiently and effectively. |
| Res | Cyber Security | | | To assess the effectiveness of arrangements in place to protect the Council from cyber-attacks and other online vulnerabilities. |
| L&G | Individual Electoral Registration | | √ | To confirm that appropriate verification procedures have been applied when implementing Individual Electoral Registration. |
| H&C | Health and Safety | | | To assess whether actions are addressed when issues arise from health and safety inspections undertaken by South Essex Homes. |
| H&C | Housing Maintenance Contracts | | √ | To assess whether this contract(s) is/are effectively managed (still to be selected). |
| All | Income Collection | | √ | For a sample of income streams, assess whether all income due is raised in accordance Council policies / fees and charges framework. |
| L&G | Leases and Licences | | √ | To assess whether lease and license records are complete, reviewed in a timely manner and all income due is collected. |
| Implementing Action Plans | | | | |
| H&C | Allocations | | | To check that actions agreed have been effectively implemented and are now embedded into the day to day operation of the service. |
| H&C | Homelessness | | | |
| R&N | Licensing | | | |
| H&C | Residential Leaseholder Charging | | | |
| H&C | Right to Buy | | | |

Appendix B1: Internal Audit Plan 2016/17

| Dept | Service Activity | Est spend / income* | Fraud risk | Focus of the Audit |
|---|-------------------------------|---------------------|------------|---|
| Key Financial Systems | | | | |
| All Aims | | | | |
| Res | Accounts Payable | | √ | To assess whether the key controls in each of the key financial systems effectively prevent or detect material errors on a timely basis to ensure that the financial statements are not materially incorrect. |
| H&C | Accounts Receivable | | √ | |
| H&C | Business Rates | | √ | |
| H&C | Council Tax | | √ | To use computer-assisted audit techniques (CAATs) to automate audit testing and allow for a deeper analysis of large data sets. |
| Res | General Ledger | | | |
| H&C | Housing Benefit | | √ | |
| H&C | Housing Rents | | √ | |
| H&C | Income Receipting and Banking | | √ | |
| Res | Payroll | | √ | |
| Res | Treasury Management | | √ | |
| Advice and Support Work | | | | |
| | | | | |
| | | | | |
| | Contingency | | | To be allocated during the year |
| Managing Delivery of the Audit Plan | | | | |
| This includes audit planning, resourcing, managing contractor work, reporting to Executive Management Team and Audit Committee. | | | | |

* As the work is undertaken, the estimated spend or income processed by the systems / activities will be noted in the plan / terms of reference and reports. This is to help management and the Audit Committee to evaluate the level of risk if poor performance is reported and assurance provided if a good audit opinion is given.

Appendix B1: Internal Audit Plan 2016/17

| Risk Watch List | |
|-----------------|--|
| Res | Business Rates Pooling: Rationale and assumptions supporting the decision |
| R&N | Development Control and Building Control: Once service review is completed |
| Env | Environmental Health Service: Revisit to review whole service |
| H&C | Housing Build Projects: Future developments |
| Env | Houses in Multiple Occupation: Licensing of |
| All | Information Management: Application of the policy at service level |
| Res | IT Disaster Recovery: Testing of and potentially follow up of |
| Env | Private Sector Housing linked to Energy Efficiency Review |
| Res | Procurement Framework: Does it facilitate cost effective procurement. |

These are other potential audits that may be considered for inclusion in the Audit Plan during the year should resources permit.

Appendix B2: Internal Audit Plan 2016/17

| Resource Allocation | |
|-------------------------------------|--------------------------------|
| Audit Activities | % of total resources available |
| Managing the Business* | 3% |
| Managing Service Delivery Risks* | 52% |
| Key Financial Systems* | 24% |
| General Contingency | 16% |
| Managing Delivery of the Audit Plan | 5% |
| Total Council Audit Plan (estimate) | 330 |

*Include any work to revisit and retest action plans from previous reports.

| Analysis Over Departments | | |
|---------------------------|---------------------------------|-----|
| H&C | Housing and Communities | 44% |
| Env | Environmental Services | 7% |
| R&N | Regeneration and Neighbourhoods | 5% |
| Res | Resources | 20% |
| L&G | Legal and Governance | 10% |
| All | Cross cutting | 14% |

Appendix B2: Audits Planned linked to Corporate Risks Statement

| | Risk title | Corporate Risks 2015/16 | Audit work providing assurance in 2016/17 |
|---|---|---|--|
| 1 | Public Health & Wellbeing | Partnership working does not result in improved efficiency and effectiveness and reduces rather than increases organisational capacity. | Potential follow up of Partnership Review depending on audit opinion given |
| 2 | Transforming Our Community | The Vision for Regeneration is not fully clear and the achievement of outcomes is limited. | Regeneration follow up |
| 3 | Transforming Our Community | Local Plan is not progressed resulting in unwanted development and high legal costs. | No work planned |
| 4 | Efficient & Effective Customer Focused Services | Unable to provide full range of existing services for years 2017/18 and beyond due to reductions in government grant funding. | <p>Risk Management Procurement follow up</p> <p>Leisure Services Income Accounts Payable</p> <p>Management Income Collection</p> <p>Housing Maintenance Contracts Licensing follow up</p> <p>Leases and Licences</p> <p>Residential Leaseholder Charging follow up</p> |

Appendix B2: Audits Planned linked to Corporate Risks Statement

| | Risk title | Corporate Risks 2015/16 | Audit work providing assurance in 2016/17 |
|---|---|--|--|
| | | | |
| 5 | Efficient & Effective Customer Focused Services | Potential for too many priorities and inadequate staff capacity to pursue all priorities / insufficient corporate resources to implement change. | No work planned |
| | | | |
| 6 | Efficient & Effective Customer Focused Services | Power Outage (Electricity power cut / surge / spike) only limited coverage by current equipment in Capita Data Centre resulting in Server / Application downtime and potential loss of service to residents. | Potential follow up of IT Disaster Recovery Review depending on audit opinion given. |
| | | | |
| 7 | Efficient & Effective Customer Focused Services | Rent Reduction Proposals by Central Government will result in a Housing Revenue Account which is unsustainable in future years. | Allocations follow up Right to Buy follow up Homelessness follow up |
| | | | |

How We Will Work With You Statement

Appendix B3

| Internal Audit | Relevant Heads of Service (HoS) | Head of Resources (Section 151 Officer) | Strategic Director Transformation & Resources (see note 2 below) | Executive Management Team (EMT) (see note 1 below) | Audit Committee |
|---------------------------------|------------------------------------|---|--|--|--------------------------------|
| Charter and Strategy | | | Review annually February / March | Review annually February / March | Review annually March |
| Audit Plan | Review annually January / February | Review annually January / February | Review annually January / February Update quarterly | Review annually March Update quarterly | Approve March Update quarterly |
| Individual Terms of Reference * | Discuss all drafts Sign off final | Copy all final | Copy all final | | |
| Detailed audit work * | Discuss findings on ongoing basis | | Brief if issues of concern arise during the review | | |

How We Will Work With You Statement

Appendix B3

| Internal Audit | Relevant Heads of Service (HoS) | Head of Resources (Section 151 Officer) | Strategic Director Transformation & Resources (see note 2 below) | Executive Management Team (EMT) (see note 1 below) | Audit Committee |
|-------------------------------------|--------------------------------------|---|--|--|------------------|
| Individual audit reports * | Discuss all drafts Sign off final | Copy all final | Copy all final | Copy all final to Chief Executive (Head of Paid Service) | |
| IA Performance Report inc follow up | | | Review quarterly | Review quarterly | Review quarterly |
| Annual report | | | Review annually May /June | Review annually May /June | Approve June |

** This approach applies whether it is an original audit or whether we are revisiting an audit report to ensure agreed actions have been implemented and are embedded into the day to day operations of the service.*

Note 1 This group includes the Council's Head of Paid Service, Monitoring Officer and Section 151 Officer
 Note 2 All reports to Executive Management Team and the Audit Committee are signed off by the Strategic Director Transformation & Resources in a line management capacity