

28 October 2016

## **AUDIT AND ETHICS COMMITTEE – 8 NOVEMBER 2016**

A meeting of the Audit and Ethics Committee will be held at 5.30pm on Tuesday 8 November 2016 in Committee Room 1 at the Town Hall, Rugby.

Adam Norburn  
Executive Director

### **A G E N D A**

#### **PART 1 – PUBLIC BUSINESS**

1. Minutes

To confirm the minutes of the meeting held on 13 September 2016.

2. Apologies

To receive apologies for absence from the meeting.

3. Declarations of Interest

To receive declarations of:

(a) non-pecuniary interests as defined by the Council's Code of Conduct for Councillors;

(b) pecuniary interests as defined by the Council's Code of Conduct for Councillors;  
and

(c) notice under Section 106 Local Government Finance Act 1992 – non-payment of Community Charge or Council Tax.

***Note: Members are reminded that they should declare the existence and nature of their non-pecuniary interests at the commencement of the meeting (or as soon as the interest becomes apparent). If that interest is a pecuniary interest the Member must withdraw from the room unless one of the exceptions applies.***

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

4. Treasury Management Report 2016/17 – Progress Report
5. Improvement Plan Progress Update
6. Internal Audit Progress Update
7. Motion to Exclude the Public under Section 100(A)(4) of the Local Government Act 1972

To consider passing the following resolution:

“Under Section 100(A)(4) of the Local Government Act 1972 the public be excluded from the meeting for the following items on the ground that they involve the likely disclosure of information defined in paragraphs 1 and 2 of Schedule 12A of the Act.”

## **PART 2 – EXEMPT INFORMATION**

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

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

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

Mr P Dudfield (Chairman), Mr J Eves (Vice-Chairman), Councillors Butlin, Mrs Crane, Mistry and Roodhouse

*If you have any general queries with regard to this agenda please contact Veronika Beckova, Democratic Services Officer (01788 533591 or e-mail [veronika.beckova@rugby.gov.uk](mailto:veronika.beckova@rugby.gov.uk)). Any specific queries concerning reports should be directed to the listed contact officer.*

*If you wish to attend the meeting and have any special requirements for access please contact the Democratic Services Officer named above.*

***AGENDA MANAGEMENT SHEET***

<b>Report Title:</b>	Treasury Management Report 2016/17 - Progress Report
<b>Name of Committee:</b>	Audit and Ethics Committee
<b>Date:</b>	8 November 2016
<b>Report Director:</b>	Head of Corporate Resources and Chief Financial Officer
<b>Ward Relevance:</b>	All
<b>Prior Consultation:</b>	Treasury Management Strategy 2016/17 - 2018/19 Council 23 February 2016
<b>Contact Officer:</b>	Mannie Ketley – Head of Corporate Resources and Chief Financial Officer, Tel: 01788 533416
<b>Public or Private:</b>	Public
<b>Corporate Priorities:</b>	All
<b>Statutory/Policy Background:</b>	The Council's Treasury Management activities are strictly regulated by the Local Government Act 2003 and the CIPFA Code of Practice on Treasury Management.
<b>Summary:</b>	The report sets out the Treasury Management activities for the first half of 2016/17.
<b>Financial Implications:</b>	The report ensures that the Council is aware of the current Treasury Management position.
<b>Risk Management Implications:</b>	There are no risk management implications arising from this report.
<b>Environmental Implications:</b>	There are no environmental implications arising from this report.
<b>Legal Implications:</b>	There are no legal implications arising from this report.
<b>Equality and Diversity:</b>	There are no environmental implications arising from this report.

**Options:** N/A

**Recommendation:** (1) the report be noted; and  
(2) the monitoring and the review of the Treasury Management indicators be agreed.

**Reasons for Recommendation:** To comply with the Code of Practice

**Audit and Ethics Committee – 8 November 2016**

**Treasury Management Report 2016/17 – Progress Report**

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

**Recommendation**

- (1) the report be noted; and
- (2) the monitoring and the review of the Treasury Management indicators be agreed.

**1. INTRODUCTION**

On 12 April 2016, the Audit and Ethics Committee agreed that scrutiny of the Council's treasury management activities be incorporated into the annual timetable of the Committee. Subsequently treasury management training for the committee members was provided in advance of the meeting on 13 September 2016.

This is a report on the council's treasury management activities for the first half of 2016/17 (the mid-year report). This mid-year monitoring report is the first treasury management report that has been presented to the committee, following the Treasury Management Strategy for 2016–19 that was approved by Council on 23 February 2016.

Following the scrutiny of the mid-year report by the committee, a mid-year report will also be considered by Cabinet and Council on 28 November 2016 and 13 December 2016 respectively. The annual report will be presented to the committee in June 2017.

The Head of Corporate Resources is pleased to report that all treasury management activity undertaken during the period complied with the approved strategy, the *CIPFA Code of Practice*, and the relevant legislative provisions.

**2. BACKGROUND**

Treasury Management is defined as:

“ The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”.

*(CIPFA Code of Practice for Treasury Management in the Public Sector)*

In addition to its own resources (General Fund and Housing Revenue Account (HRA) balances, capital receipts, etc.) the Council also collects council tax on behalf of Warwickshire County Council, the Office of the Police and Crime Commissioner for Warwickshire, and Parish Councils. This means that at given

points of time during the financial year, the Council has significant cash holdings which require management prior to scheduled payment dates to the preceptors. A summary of transactions, and the levels of investments and borrowings held, is contained within this report.

### 3. ECONOMIC REVIEW APRIL – SEPTEMBER 2016

The referendum vote for Brexit in June this year delivered an immediate shock fall in confidence indicators and business surveys, pointing to an impending sharp slowdown in the economy. However, subsequent surveys have shown a sharp recovery in confidence, though it is generally expected that although the economy will now avoid flat lining, growth will be weak through the second half of 2016 and in 2017.

The Bank of England meeting on 4 August 2016 addressed this expected slowdown in growth by a package of measures including a cut in Bank Rate from 0.50% to 0.25%. The Inflation Report included an unchanged forecast for growth for 2016 of 2.0% but cut the forecast for 2017 from 2.3% to just 0.8%. The Governor of the Bank of England, Mark Carney, had warned that a vote for Brexit would be likely to cause a slowing in growth, particularly from a reduction in business investment, due to the uncertainty of whether the UK would have continuing full access, to the EU single market. The new Chancellor Phillip Hammond announced after the referendum result, that the target of achieving a budget surplus in 2020 will be eased in the Autumn Statement on 23 November 2016.

The Inflation Report also included a sharp rise in the forecast for inflation to around 2.4% in 2018 and 2019. CPI has started rising during 2016 as the falls in the price of oil and food twelve months ago fall out of the calculation during the year and, in addition, the post referendum 10% fall in the value of sterling on a trade weighted basis is likely to result in a 3% increase in CPI over a time period of 3-4 years.

### 4. OUTLOOK FOR INTEREST RATES

The Council's treasury advisor, Capita Asset Services, has provided the following forecast:

%	Dec 16	Mar 17	Jun 17	Sep 17	Dec 17	Mar 18	Jun 18	Sep 18	Dec 18	Mar 19	Jun 19
Bank Rate	0.10	0.10	0.10	0.10	0.10	0.10	0.25	0.25	0.25	0.25	0.50
5yr PWLB Rate	1.00	1.00	1.10	1.10	1.10	1.10	1.20	1.20	1.20	1.20	1.30
10yr PWLB Rate	1.50	1.50	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.70	1.80
25yr PWLB Rate	2.30	2.30	2.40	2.40	2.40	2.40	2.50	2.50	2.50	2.50	2.60
50yr PWLB Rate	2.10	2.10	2.20	2.20	2.20	2.20	2.30	2.30	2.30	2.30	2.40

## 5. INTERIM INVESTMENT REPORT AND SUMMARY OF TRANSACTIONS

Interest earned on investments is an important source of income to the Council, and, like fees and charges, provides funding which would otherwise have to be met from increased council tax.

The average investment balance held between April and September 2016 was £52.217m and the average rate of return was 1.07%, 0.65% above the local authority benchmark of 0.42%. This generated investment income of £279,400. The investment income received exceeded the budgeted to date figure by approximately £52,870. Investment income is apportioned between General Fund, HRA, and other reserves (S106, Major Repairs Reserve, etc.) based on average balances and cash-flows during the course of the financial year.

The average debt balance held between April and September 2016 (General Fund and Housing Revenue Account) was £98.914m and the average rate paid was 2.29%, generating interest payable of £1,150,000. Interest payable was lower than the budgeted to date figure by approximately £18,700.

The latest year end position for 2016/17 for the net cost of borrowing (interest paid less interest received) is to be £22,500 under budget<sup>1</sup>. This is based on the forecast for interest rates to fall during the next six months and utilising the investment products prescribed in the 2016/17 – 2018/19 investment strategy.

The following table summarises the treasury management transactions undertaken during the first half of this financial year:

	Principal Amount £m	Interest Rate %
Investments		
- as at 31 March 2016	40.775	1.17
- matured in period	48.426	
- arranged in period	<u>67.665</u>	
- as at 30 Sept 2016	<b>60.014</b>	0.94
Debt		
- as at 31 March 2016	96.221	2.29
- matured/repaid in period	10.000	
- arranged in period	<u>14.000</u>	
- as at 30 Sept 2016	<b>100.221</b>	2.30
<b>Net Investments at 31 March 2016</b>	<b>-55.446</b>	
<b>Net Investments at 30 September 2016</b>	<b>-40.207</b>	

No debt restructuring took place during the period 1 April 2016 to 30 September 2016.

Does not include interest received from non-investment sources – i.e. car loans.

## 6. DEBT MANAGEMENT STRATEGY

The borrowing strategy approved (in February) did not identify a specific need for the Council to borrow this financial year to support the capital programme, but highlighted the diminishing level of capital receipts available to finance the General Fund 'standard' capital programme from 2016/17 onwards. The Council will look to match financing with asset life where appropriate and has the option to utilise the

Public Works Loan Board (PWLB), other authorities, or 'internal borrowing', that is cash supporting the Council's reserves, balances and cash flow as a temporary measure.

The outlook for interest rates (1.3 above) shows a slight rise in PWLB rates over the medium term, although rates remain at historic lows compared to long term trends. The Council has some flexibility to borrow funds this year for use in future years, subject to capital financing requirements, and consideration will be given to undertaking new loans in advance of need where a pre-determined interest cost is important to the whole-life cost of a project. The Council continues to monitor the progress of the UK Municipal Bonds Agency (UKMBA), created by the Local Government Association with local authority shareholders. UKMBA's business case suggests that local authorities may be able to access funding from it at sub-PWLB rates during 2016/17.

In addition to borrowing from external sources the Council has the option of 'intra-fund' borrowing – that is, loans between the General Fund and Housing Revenue Account (HRA). In consultation with its treasury management advisors the Council will continue to look at this facility over the term of the General Fund Medium Term Financial Plan and the HRA Business Plan To ensure opportunities are maximised.

## 7. TREASURY MANAGEMENT INDICATORS

The Council measures its exposures to treasury management risks using the following indicators. Council is asked to note the following indicators as at 30th September 2016.

### Security: average credit rating

To measure the security of its portfolio, the Council compares the historic risk of default of its investments against a maximum target rate.

As an example, based on historic data, a AAA (least risk) rated investment has 0% chance of default within 1 year and a 0.05% chance of default within 3 years. A BBB+ (most risk) rated investment has a 0.22% chance of default within 1 year and a 1.21% chance of default within 3 years.

Using these criteria, the Council's overall portfolio at 30<sup>th</sup> September 2016 had a 0.017% risk of default.

Credit quality	£000's of portfolio at 30 September	Historic Risk of Default (within 1 year)	£000's Estimated loss (weighted by length of investment)
AAA	33,643	0.00%	0
AA-	1,000	0.06%	1
A-	21,371	0.08%	17
BBB+	0	0.22%	0
<b>Total/average</b>	<b>56,014<sup>1</sup></b>	<b>0.017%</b>	<b>18</b>

This total excludes investments in property funds which are not categorised by the above methodology.

	Target	Actual	Met?
Historic risk of default	0.25% (max)	0.017%	✓

#### Liquidity: cash available within 7 days (without penalty)

The Council has adopted a voluntary measure of its ability to access cash at short notice by monitoring the amount of cash available to meet unexpected payments. The target of £2m is based on average cash flow requirements. The actual level of liquid resources is much higher than this and reflects the current low interest rate environment.

	Target	Actual	Met?
Cash available at 7 days' notice (without penalty)	£2m	£16.385m	✓

#### Interest rate exposures

This indicator is set to control the Council's exposure to interest rate risk – fluctuation in interest rates available for borrowing and investment. The exposures to fixed and variable rate interest rates, expressed as a proportion of net principal borrowed (meaning, investments and borrowing combined) were:

	Limit <sup>1</sup> £000's	Actual £000's	Met?
Upper limit on fixed rate exposures based on net debt (investments and borrowing combined)	111,000	100,221	✓
Upper limit on variable rate exposures based on net debt (investments and borrowing combined)	0	-40,207	✓

- The upper limit on fixed rate exposures has been set at the equivalent of the Council's maximum borrowing requirement less its minimum investment level (or 100%).
- The upper limit on variable rate exposures has been set to ensure that the Council is not exposed to interest rate rises which could adversely impact on the revenue budget.
- The limit ensures the use of variable rate debt does not exceed the level of variable rate investments.

Fixed rate investments and borrowings are those where the rate of interest is fixed for 12 months or more. Instruments that mature during the financial year (regardless of their original length) are classed as variable rate. (This is the approach suggested in the Treasury Management Code guidance notes).

#### Maturity structure of borrowing

This indicator is set to control the Council's exposure to refinancing risk – that all borrowing falls due for repayment at the same time. The repayment structure of fixed rate borrowing was:

	Upper Limit	Lower Limit	Actual	Met?
Under 12 months	10%	0%	7%	✓
12 months and within 24 months	30%	0%	21%	✓
24 months and within five years	60%	0%	48%	✓
Five years and within 10 years	60%	0%	9%	✓
10 years to 20 years	75%	0%	1%	✓
20 years to 30 years	75%	0%	14%	✓
30 years +	75%	0%	0%	✓

The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Principal sums invested for periods longer than 364 days

The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. It is used in conjunction with the liquidity indicator to ensure sufficient cash resources are available without penalty during the short to medium term. The total principal sums invested to final maturities beyond the year end were:

	2016/17	2017/18	2018/19
Limit on principal invested beyond year end	£10m	£10m	£10m
Actual principal invested beyond year end	£7m	£6m	£0
Within limit?	✓	✓	✓

Name of Meeting: Audit and Ethics Committee  
Date of Meeting: 8 November 2016  
Subject Matter: Treasury Management Report 2016/17 – Progress Report  
Originating Department: Corporate Resources

**LIST OF BACKGROUND PAPERS**

Document No.	Date	Description of Document	Officer's Reference	File Reference
1.	23 February 16	Treasury Management Strategy 2015/16 - 2017/18	MF	

**AGENDA MANAGEMENT SHEET**

<b><i>Name of Meeting</i></b>	Audit and Ethics Committee
<b><i>Date of Meeting</i></b>	8 November 2016
<b><i>Report Title</i></b>	Internal Audit Improvement Plan – Progress Update
<b><i>Portfolio</i></b>	Corporate Resources
<b><i>Ward Relevance</i></b>	None
<b><i>Prior Consultation</i></b>	Head of Corporate Resources and Chief Finance Officer
<b><i>Contact Officer</i></b>	Chris Green – Corporate Assurance and Improvement Manager, Tel: 01788 533451
<b><i>Report Subject to Call-in</i></b>	This report is not subject to Call-In because the Committee has specific responsibility to review the work of the internal audit function.
<b><i>Statutory/Policy Background</i></b>	Public Sector Internal Audit Standards
<b><i>Summary</i></b>	The report sets out the progress made in delivering the improvement plan for the Internal Audit service. The improvement plan is required by the Public Sector Internal Audit Standards.
<b><i>Risk Management Implications</i></b>	If the Internal Audit service does not continually improve then the value added by the service will be compromised.
<b><i>Financial Implications</i></b>	Failure to continually improve the Internal Audit service may compromise the effective use of resources, and may result in additional unavoidable expenditure.
<b><i>Environmental Implications</i></b>	There are no environmental implications arising from this report.
<b><i>Legal Implications</i></b>	There are no legal implications arising from this report. Internal Audit is a statutory function as detailed in the Audit and Accounts Regulations 2003 (England), and Section 151 of the Local Government Act 1972.
<b><i>Equality and Diversity</i></b>	There are no equality and diversity implications arising from this report.

***Options***

None

***Recommendations***

The Internal Audit Improvement Plan and Progress Update be considered and noted.

The commissioning of Tilia Solutions to undertake the external assessment of the internal audit service be approved.

***Reasons for Recommendation***

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

**Audit and Ethics Committee – 8 November 2016**

**Internal Audit Improvement Plan – Progress Update**

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

**Recommendations**

1. The Internal Audit Improvement Plan and Progress Update be considered and noted.
2. The commissioning of Tilia Solutions to undertake the external assessment of the internal audit service be approved.

**1. Introduction**

- 1.1 The Public Sector Internal Audit Standards (PSIAS) came into effect from 1 April 2013. The PSIAS have been endorsed by the Chartered Institute of Public Finance and Accountancy (CIPFA). CIPFA is recognised as the standard setter for local government in the UK and, as such, the PSIAS are mandatory.
- 1.2 The PSIAS require the “Chief Audit Executive” to develop and maintain a quality assurance and improvement programme that covers all aspects of internal audit activity.

**2. Report Details**

- 2.1 The Internal Audit Improvement Plan was considered and approved by the Audit and Ethics Committee at its meeting on 2 February 2016. The Committee resolved that regular updates on the progress of the Internal Audit Service Improvement Plan be presented to the committee until completed. Accordingly, this report sets out the progress achieved to date.
- 2.2 With one exception, delivery of the Improvement Plan remains on track: 19 out of 24 (79%) of the agreed actions have been fully implemented. All of the remaining five actions (21%) are in progress.
- 2.3 Appendix A sets out the progress on delivery of the Improvement Plan in detail. There is one action for which the full implementation is likely to be completed one month later than planned. This action relates to the review and update of the Audit Manual. The review and update is in progress but has not progressed as quickly as planned. There was a need to respond to requests for delivery of high priority work such as corporate investigations and the reviews of housing repairs and stock control. It is expected that the review of the Audit Manual will be complete by the end of November 2016. This is not expected to impact significantly on the overall delivery of the Improvement Plan. Delivery of the Plan will remain the responsibility

of the Corporate Assurance and Improvement Manager, monitored by the Head of Corporate Resources, with progress regularly reported to the Senior Management Team and the Audit and Ethics Committee.

**2.4** In accordance with the Improvement Plan, and as discussed at the previous Committee meeting in September, options have been considered for commissioning the external assessment of the Internal Audit service, scheduled to be completed in June 2017. Indicative quotes have been received from two interested parties.

**2.5** One interested party, GEB Business Solutions, is offering three review options: basic, intermediate and full. The basic review would provide an assessment of where the function is in relation to Internal Auditing standards i.e. a compliance review. The basic review would comprise a review of documentation and interviews with the Corporate Assurance and Improvement Manager and the Audit and Ethics Committee Chair, and would cost circa £3,000. The review would cover:

- Objectives and purpose of the Internal Audit function
- The audit process
- Quality of working papers
- Quality of reporting

The intermediate review would be wider ranging and would incorporate compliance with Internal Auditing standards, but also include competency of the function. This type of review may help to identify the processes needed to add value to the organisation and thus better meet organisational objectives. The intermediate review would comprise a wider range of interviews with other members of the Audit and Ethics Committee and senior management and would cost circa £5,000. The review would cover:

- Objectives and purpose of the Internal Audit function
- The audit process
- Quality of working papers
- Quality of reporting
- Reporting lines
- Type of audit work carried out
- Quality control and performance measurement

The full review would aim to identify all issues and work with the client to provide suitable solutions. This review could also include a 'skills audit'. The review would also include questionnaires being sent out to a wide range of Internal Audit 'customers' and would cost circa £9,000. The review would cover:

- Objectives and purpose of the Internal Audit function
- The audit process
- Quality of working papers
- Quality of reporting
- Reporting lines
- Type of audit work carried out
- Quality control and performance measurement
- Relationship management
- Training and development of staff
- Customer feedback mechanisms

**2.6** The second interested party, Tilia Solutions, would conduct a structured review at a cost of £3,636. The review would encompass the following:

- Interviews of key stakeholders to understand how the audit process works in reality and how it is perceived by those being audited. Those being interviewed would include:
  - The Corporate Assurance and Improvement Manager.
  - The audit team
  - The chair of the Audit and Ethics committee and other audit committee members if possible
  - The s151 officer
  - The Monitoring Officer
  - The Executive Director.
  - The external auditor, if possible
  - A selection of auditees, ideally those whose audit files are reviewed
  - Those with responsibility for risk, governance, IT and fraud if not included in the above
- A review of documents to understand how audit reports, and what is reported, to include:
  - The Charter
  - The Audit Manual
  - Audit and Ethics Committee reports and minutes
  - The audit plan
  - The annual audit report
- A review of up to seven audit files and working papers to cover audits of:
  - Risk
  - Governance
  - IT
  - Ethics
  - Performance
- Subject to time being available, attendance at an Audit and Ethics Committee meeting to assess how well the committee and auditors work together to provide information and support.

**2.7** One further option, which has previously been discussed, would involve a reciprocal arrangement where two 'heads of audit' assess each other's service. This option has not been explored further on the basis that such an arrangement may not provide for a fully independent and objective assessment.

**2.8** It is recommended that Tilia Solutions be appointed to undertake the external assessment. It is considered that the review offered by Tilia Solutions is comprehensive and represents better value for money when compared with the intermediate review option offered by GEB Business Solutions. Tilia Solutions are also the lead PSIAS reviewer for CIPFA and developed the external assessment methodology used by CIPFA. Tilia Solutions have significant experience, having undertaken external assessment reviews of organisations including counties, districts and boroughs, the European Commission and the United Nations.

Name of Meeting: Audit and Ethics Committee  
Date of Meeting: 8 November 2016  
Subject Matter: Quality Assurance and Improvement Plan  
Originating Department: Corporate Assurance and Improvement

**LIST OF BACKGROUND PAPERS**

Document No.	Date	Description of Document	Officer's Reference	File Reference
Appendix A	8 November 2016	Internal Audit Improvement Plan – Progress Update		

## APPENDIX A - INTERNAL AUDIT SERVICE QUALITY ASSURANCE AND IMPROVEMENT PLAN

<u>Action Number</u>	<u>PSIAS Ref. Number</u>	<u>Summary of Improvement Opportunity</u>	<u>Proposed Action</u>	<u>Target Delivery Date</u>	<u>Priority</u>	<u>Status and Evidence of Delivery</u>
1	1130	There is currently no agreed mechanism through which the Audit and Ethics Committee approves, in between Committee meetings, any significant additional consultancy activity, and prior to such activities being undertaken.	Draft a report setting out proposed arrangements for the agreement of any significant changes to the Internal Audit plan, which become necessary in between Committee meetings. Obtain approval from the Audit and Ethics Committee.	12/04/2016	MEDIUM	<b>Action Completed</b>  Proposed mechanism approved by the Audit and Ethics Committee on 11 May 2016.
2	1220	When planning assignments, there is limited consideration of the adequacy and effectiveness of the design of control processes, and of the cost of assurance in relation to the potential benefit.	All assurance assignments to incorporate a risk based evaluation of both the design and effectiveness of control processes.  The standard "Audit Brief" document will be redesigned to reflect the new audit approach.	31/03/2016	HIGH	<b>Action Completed</b>  The standard "Audit Brief" document has been redesigned to incorporate a risk based evaluation of both the design and effectiveness of control processes.
3	1310	There is no Internal Audit Improvement Plan in place.	Not Applicable – requirements addressed through development and implementation of this Improvement Plan.	To be aligned with final completion date.	HIGH	<b>Action in Progress</b>  Delivery of the Improvement Plan is in progress.
4	1311	Formal performance monitoring of the internal audit service is currently limited.	Formalise and agree arrangements for Internal Audit performance monitoring and reporting, including Key Performance Indicators (KPIs), with senior management and the Audit and Ethics Committee.	30/04/2016	MEDIUM	<b>Action Completed</b>  Arrangements for ongoing performance monitoring and reporting were

<u>Action Number</u>	<u>PSIAS Ref. Number</u>	<u>Summary of Improvement Opportunity</u>	<u>Proposed Action</u>	<u>Target Delivery Date</u>	<u>Priority</u>	<u>Status and Evidence of Delivery</u>
						discussed and agreed with the Leadership and Operations Team on 22 March 2016. Proposed Key Performance Indicators (KPI's) were presented to and approved by Audit and Ethics Committee on 11 May 2016.
5	1311	The results of customer satisfaction surveys are not currently summarised for senior management or the Audit and Ethics Committee.	Internal Audit performance reporting to management and Committee will include a summary of customer satisfaction and details of any constructive feedback on the service.  The Customer Satisfaction Questionnaire will be redesigned to maximise the response rate, and to ensure it is aligned with clients' needs and expectations of the service.	30/04/2016	MEDIUM	<b>Action Completed</b>  The questionnaire has been redesigned and approved by the Leadership Team and the Audit and Ethics Committee. Performance reporting will include a summary of customer feedback.
6	1312	An external assessment of the service has not yet been carried out by a qualified assessor. Such an assessment is required every five years. The Standards came into effect on 1 April 2013 and an external assessment must therefore be conducted by 31 March 2018.	Ensure that an external assessment of the internal audit service is completed once the Improvement Plan has been implemented and embedded.  Suggested timescale 30/06/2017.	30/06/2017	LOW	<b>Action in Progress</b>  The external assessment will be commissioned during Quarter 4 of 2016/17.  Options are currently being considered.

<u>Action Number</u>	<u>PSIAS Ref. Number</u>	<u>Summary of Improvement Opportunity</u>	<u>Proposed Action</u>	<u>Target Delivery Date</u>	<u>Priority</u>	<u>Status and Evidence of Delivery</u>
7	1320	A Quality Assurance and Improvement Programme is not in place, and progress on delivery of an improvement plan has not previously been included in the Annual Report of Internal Audit in accordance with the standards.	<p>Improvement Programme requirements will be addressed through development and implementation of this Improvement Plan.</p> <p>Formalise and agree reporting arrangements with the Senior Management Team. Update the Audit Manual to reflect the agreed arrangements. Incorporate progress on delivery of the Improvement Plan within the Annual Report of Internal Audit.</p>	To be aligned with the final completion date.	HIGH	<p><b>Action in Progress</b></p> <p>Reporting arrangements were agreed by the Senior Management Team on 22 March 2016. Progress on delivery of the Improvement Plan was incorporated within the Annual Report of Internal Audit, which was presented to the Audit and Ethics Committee on 28 June 2016. The Audit Manual will be updated by 30 November 2016.</p>
8	2010	The annual audit plan is developed based upon a review of the Council's risks and objectives, in consultation with senior management. Audit assignments themselves, however, are not consistently conducted by applying a risk based audit methodology. Audit reviews currently focus on control compliance, rather than the design and operation of controls to mitigate identified risks.	<p>All assurance assignments to incorporate a risk based evaluation of both the design and effectiveness of control processes.</p> <p>The standard "Audit Brief" document will be redesigned to reflect the new audit approach.</p> <p>Audit work programmes will be redesigned to incorporate an evaluation of both the design and effectiveness of control processes.</p> <p>Internal Audit reports will be redesigned to</p>	31/03/2016	HIGH	<p><b>Action Completed</b></p> <p>The annual audit plan has been developed in line with the new risk based methodology, approved by the Audit and Ethics Committee on 2 February 2016. Audit briefs, work programmes and reports have been redesigned in line with</p>

<u>Action Number</u>	<u>PSIAS Ref. Number</u>	<u>Summary of Improvement Opportunity</u>	<u>Proposed Action</u>	<u>Target Delivery Date</u>	<u>Priority</u>	<u>Status and Evidence of Delivery</u>
			include an opinion on both the design and effectiveness of controls, and the level of risk exposure.			the new methodology.
9	2030	Internal Audit resources.  One Auditor position is currently vacant.	Internal Audit resources will be reviewed by the management team to establish ongoing service needs, to ensure that resources are appropriate, efficient and effectively employed. Such a review will include consideration of the mix of knowledge, skills and other competencies required to deliver the risk based audit plans. Any issues which cause an adverse impact on the annual audit opinion will be raised in the Annual Internal Audit Report.	30/06/2016	HIGH	<b>Action Completed</b>  Resource requirements have been reviewed. The Corporate Assurance and Improvement Manager is confident that the proposed internal audit plan can be delivered with support from other services where required, without the need to recruit to the vacant position.
10	2040	Audit Manual, Audit Charter and operational procedures.	Review and update the Audit Manual, Audit Charter and procedural documentation to reflect changes to the audit methodology and working practices implemented as part of the Improvement Plan.	31/10/2016	LOW	<b>Action In Progress</b>  An updated Audit Charter has been submitted to the Audit and Ethics Committee for review and approval on 13/09/2016. The Audit Manual will be reviewed and updated by the end of November 2016.

<u>Action Number</u>	<u>PSIAS Ref. Number</u>	<u>Summary of Improvement Opportunity</u>	<u>Proposed Action</u>	<u>Target Delivery Date</u>	<u>Priority</u>	<u>Status and Evidence of Delivery</u>
11	2050	The current audit plan does not outline the approach to using other sources of assurance, or the level of work required to place reliance upon those other sources.	In developing future annual internal audit plans, other sources of assurance will be considered and shared to ensure both appropriate coverage, and minimisation of any duplication of effort. Where reliance is placed on other sources of assurance, this will be stated explicitly.	30/04/2016	MEDIUM	<b>Action Completed</b>  Other sources of assurance have been considered as the internal audit plan has been developed. The Corporate Assurance Manager is confident that there is no duplication of effort within the proposed internal audit plan. Reliance is not currently being placed on other sources of assurance.
12	2060	Reporting to Senior Management and the Audit and Ethics Committee.  The Corporate Assurance Manager now reports directly to the Head of Resources (s151 officer) with effect from December 2015. Progress reports are presented at every meeting of the Audit and Ethics Committee; details of the assurance ratings are provided, with a specific focus on any assignments resulting in less than a Moderate Assurance opinion.	Review and update the content and frequency of internal audit progress and performance reports, based upon the needs of senior management and members.	30/04/2016	MEDIUM	<b>Action Completed</b>  The content and frequency of reporting to senior management was agreed with the Leadership Team on 22 March 2016. The content of internal audit reports to members has been updated, and will be amended further to incorporate the results of customer feedback.

<u>Action Number</u>	<u>PSIAS Ref. Number</u>	<u>Summary of Improvement Opportunity</u>	<u>Proposed Action</u>	<u>Target Delivery Date</u>	<u>Priority</u>	<u>Status and Evidence of Delivery</u>
13	2110	Linkages between internal audit and the risk management system.	Ensure that significant risks and control issues highlighted during audits are recorded and managed through the risk management system.	30/09/2016	MEDIUM	<b>Action in Progress</b>  Audit reports have been redesigned to demonstrate the linkages between internal audit and risk management. This action will be implemented once the initial tranche of audits is delivered in 2016/17.
14	2130	Audit reports provide a clear statement of the level of compliance with the controls reviewed during the course of the assignment. Audits do not currently evaluate the effectiveness and efficiency of controls.	Redesign Internal Audit reports to include an opinion on both the design and effectiveness of controls, and the level of risk exposure.	31/03/2016	HIGH	<b>Action Completed</b>  Audit reports have been redesigned to include opinions on both the design and effectiveness of controls, and the level of risk exposure.
15	2201	Audit briefs do not currently include the objectives of the area being reviewed. Risks to achievement of objectives are not consistently considered and, where they are, this relates only to the risks identified by management rather than any risks identified by internal audit. This limits the ability of the	All assurance assignments to incorporate a risk based evaluation of both the design and effectiveness of control processes.  The standard "Audit Brief" document will be redesigned to include: <ul style="list-style-type: none"> <li>• The objectives of the area being reviewed;</li> <li>• The assurance to be provided;</li> </ul>	31/03/2016	HIGH	<b>Action Completed</b>  Addressed through the review and redesign of Audit Briefs, work programmes and audit reports.

<u>Action Number</u>	<u>PSIAS Ref. Number</u>	<u>Summary of Improvement Opportunity</u>	<u>Proposed Action</u>	<u>Target Delivery Date</u>	<u>Priority</u>	<u>Status and Evidence of Delivery</u>
		service to identify significant improvements and also the ability to ensure the service is meeting the Council's overall aims and objectives.	<ul style="list-style-type: none"> <li>The scope and limitations of the assignment; and</li> <li>Assessment of the significant risks to achievement of objectives and the means by which the potential impact of risk is kept to an acceptable level.</li> </ul> <p>Where relevant, all assignments will incorporate consideration of value for money.</p> <p>Assignments will not commence unless and until the relevant "sponsoring" client manager has agreed the terms for the assignment.</p>			
16	2210	Preliminary risk assessments are not consistently completed and, where they are, relate only to the risks identified by management. Internal audit reviews do not currently incorporate consideration of value for money. Assignment objectives are currently generic in nature.	Refer to Action 15	31/03/2016	HIGH	<b>Action Completed</b>  Refer to Action 15
17	2220	Audit briefs do not clearly specify the scope, and limitations, of assignments. This increases the risk that assignments do not meet the expectations of clients. Furthermore, there is an increased risk that resources may not be deployed in the most	Refer to Action 15	31/03/2016	HIGH	<b>Action Completed</b>  Refer to Action 15

<u>Action Number</u>	<u>PSIAS Ref. Number</u>	<u>Summary of Improvement Opportunity</u>	<u>Proposed Action</u>	<u>Target Delivery Date</u>	<u>Priority</u>	<u>Status and Evidence of Delivery</u>
		efficient and effective manner, for example by completing more work than is necessary, or by failing to address key risks.				
18	2230	Audit briefs state the number of days allocated to each assignment, although this is not currently based upon any consideration of assignment objectives, scope and limitations.	Ensure that the number of days allocated to each audit assignment is based upon an evaluation of the objectives, scope, complexity, and risks related to the area being reviewed.	31/03/2016	MEDIUM	<b>Action Completed</b>  The number of days allocated to each assignment has taken into account an initial assessment of the objectives, scope, complexity and risks related to each area being reviewed.
19	2320	Clearance meetings are not consistently held with clients to discuss findings and the basis for conclusions, to provide the opportunity to confirm the accuracy of findings, and to avoid surprises when draft reports are issued.	Draft internal audit reports will only be issued once the draft findings and recommendations have been discussed with the relevant manager/s.	31/01/2016	MEDIUM	<b>Action Completed</b>  Draft internal audit reports are now only issued once the draft findings and recommendations have been discussed with the relevant manager/s.
20	2340	Supervision meetings have not consistently been held to discuss the progress being made with each assignment, issues encountered, workload and immediate priorities.	Staff supervision discussions will take place at least once per month, and whenever required.	31/01/2016	MEDIUM	<b>Action Completed</b>  Staff supervision discussions are completed at least once per month with

<u>Action Number</u>	<u>PSIAS Ref. Number</u>	<u>Summary of Improvement Opportunity</u>	<u>Proposed Action</u>	<u>Target Delivery Date</u>	<u>Priority</u>	<u>Status and Evidence of Delivery</u>
		Arrangements for review of any audit work conducted by the Corporate Assurance Manager are yet to be determined.	Local government peers will be consulted, to establish how the work of the "Chief Audit Executive" is quality assured by other authorities. Following this exercise, a practical solution will be implemented.	30/06/2016		<p>effect from December 2015, and more frequently on an informal basis.</p> <p><b>Action Completed</b>  The Corporate Assurance and Improvement Manager has consulted with local peers. This established that our peer authorities have not implemented any specific arrangements for quality assuring work carried out by the "Chief Audit Executive". The Corporate Assurance and Improvement Manager (CAIM) will not conduct any assurance assignments in isolation. Assurance work conducted by the CAM will be subject to a Quality Assurance review within the team prior to finalisation.</p>

<u>Action Number</u>	<u>PSIAS Ref. Number</u>	<u>Summary of Improvement Opportunity</u>	<u>Proposed Action</u>	<u>Target Delivery Date</u>	<u>Priority</u>	<u>Status and Evidence of Delivery</u>
21	2420	Quality of communications. Whilst reports are concise, they focus on areas of non-compliance and are therefore not appropriately balanced. Constructive communications are helpful to the engagement of the client and the organisation, and are more likely to lead to improvements being made. Reports are not sufficiently detailed; they do not include details of all significant and relevant information and observations to support the recommendations and conclusions.	Audit reports will be redesigned to include: <ul style="list-style-type: none"> <li>• A constructive Executive Summary which sets out the areas in which assurance can be provided, alongside the opportunities for improvement; and</li> <li>• A summary of all significant findings and observations, sufficient to enable the reader to understand the recommendations and conclusions reached.</li> </ul>	31/03/2016	HIGH	<b>Action Completed</b>  This action has been implemented through the review and redesign of internal audit reports.
22	2440	Ongoing arrangements for reporting the results of assignments to members are yet to be agreed.	Members will be consulted and, following this, internal audit reports will be shared with members as agreed.	30/04/2016	MEDIUM	<b>Action Completed</b>  Consultation with members of the Audit and Ethics Committee was completed on 11 May 2016. Current reporting arrangements are regarded as appropriate.
23	N/A	Corporate Assurance staff training	Deliver briefing to audit staff explaining changes to the working methodology; new reporting arrangements; and ongoing arrangements to support staff.	31/03/2016	HIGH	<b>Action Completed</b>  Changes in working methodology have been explained to

<u>Action Number</u>	<u>PSIAS Ref. Number</u>	<u>Summary of Improvement Opportunity</u>	<u>Proposed Action</u>	<u>Target Delivery Date</u>	<u>Priority</u>	<u>Status and Evidence of Delivery</u>
						staff. Some time has been utilised during the first quarter of 2016/17 to embed the new working methodology.
24	N/A	Management engagement and buy in.	Deliver presentations to the Senior Management Team, and the wider management team, setting out the proposed changes in the way that audit assignments are to be planned, conducted and reported, and how this will benefit the Authority.	31/03/2016	HIGH	<b>Action Completed</b>  Presentation delivered to the Senior Management Team on 22 March 2016. A presentation was delivered to the wider management team at the Corporate Management Forum meeting on 20 April 2016.

**AGENDA MANAGEMENT SHEET**

<b><i>Name of Meeting</i></b>	Audit and Ethics Committee
<b><i>Date of Meeting</i></b>	8 November 2016
<b><i>Report Title</i></b>	2016/17 Internal Audit Plan – Update
<b><i>Portfolio</i></b>	Corporate Resources
<b><i>Ward Relevance</i></b>	None
<b><i>Prior Consultation</i></b>	Head of Corporate Resources and Chief Finance Officer
<b><i>Contact Officer</i></b>	Chris Green – Corporate Assurance and Improvement Manager, Tel: 01788 533451
<b><i>Report Subject to Call-in</i></b>	This report is not subject to Call-In because the Committee has specific responsibility to review the work of the internal audit function and the framework of policies and standards within which it operates.
<b><i>Statutory/Policy Background</i></b>	Public Sector Internal Audit Standards (PSIAS)
<b><i>Summary</i></b>	The report sets out progress against delivery of the Internal Audit Plan for 2016/17.
<b><i>Risk Management Implications</i></b>	There are no risk management implications arising directly from this report.
<b><i>Financial Implications</i></b>	There are no financial implications arising directly from this report.
<b><i>Environmental Implications</i></b>	There are no environmental implications arising from this report.
<b><i>Equality and Diversity</i></b>	There are no Equality and Diversity implications arising from this report.
<b><i>Legal Implications</i></b>	There are no legal implications arising from this report.
<b><i>Recommendations</i></b>	<ol style="list-style-type: none"><li>1. The report be considered and noted.</li><li>2. The proposed amendment to the Internal Audit Plan for 2016/17 be approved.</li></ol>

***Reasons for Recommendation***

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

**Audit and Ethics Committee – 8 November 2016**

**2016/17 Internal Audit Plan – Update**

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

**Recommendation**

1. The report be considered and noted.
2. The proposed amendment to the Internal Audit Plan for 2016/17 be approved.

**1. Introduction**

The purpose of this report is to set out progress against the Internal Audit Plan for 2016/17.

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

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

This work is normally referred to as Section 151 work.

**2. Summary of Audit Work**

The Internal Audit plan for 2016/17 was approved by the Audit and Ethics Committee on 11 May 2016. Progress against delivery of that plan is set out at Appendix A.

Appendix A also sets out the progress against the recommendations made by Internal Audit for 2015/16 and the current financial year.

**3. Revisions to the 2016/17 Audit Plan**

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

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

The Committee is asked to approve the removal of the Right to Buy audit from the plan, on the basis that a full independent external review of the service was completed in November 2015. It is considered that completion of a further internal audit review of this area would add little value at the present time, whilst duplicating assurances which have been recently received by the Council. It is proposed that the 10 days saved be added to the Corporate Investigation budget of 25 days, on the basis that four investigations have already been requested so far in 2016/17; the resource budget for this area would otherwise be exceeded.

Name of Meeting: Audit and Ethics Committee  
Date of Meeting: 8 November 2016  
Subject Matter: Internal Audit Progress Update  
Originating Department: Corporate Assurance and Improvement

**LIST OF BACKGROUND PAPERS**

Document No.	Date	Description of Document	Officer's Reference	File Reference
Appendix A	8 November 2016	Internal Audit Progress Update		



**INTERNAL AUDIT PROGRESS UPDATE  
NOVEMBER 2016**

**Date: 8 November 2016**

## ***Introduction***

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

## ***Performance***

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

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

- five assignments have been completed;
- three assignments are at draft report stage; and
- work is in progress on ten assignments.

There are seven assignments which have not yet been started; these assignments have all been scheduled for completion during Quarters 3 and 4. Of the seven remaining assignments, three are being delivered by TIAA and four by the in house team.

There are sufficient resources in place to deliver the internal audit plan for 2016/17. Progress on individual assignments is shown at pages 5 to 9 of this report.

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

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

#### **Fraud Risk Review**

The Committee reviewed and endorsed the Council's new Anti-Fraud, Bribery and Corruption Strategy in May 2016. A detailed review has been completed, in support of the new strategy, to identify and evaluate the Council's exposure to the risks of fraud, bribery and corruption. The results of this exercise are encouraging: the Council's controls have been assessed as generally appropriate to the risks identified. A small number of further actions have been identified and these actions will be presented to the Senior Management Team, alongside a summary of the results of the review, in November 2016. The Corporate Assurance and Improvement Manager is preparing a Fraud Response Plan which will be considered by senior management and then presented to the Committee for consideration in February 2017.

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

At the date of reporting, there are no agreed management actions which are overdue for implementation. Implementation of the actions will continue to be monitored by Internal Audit and reported to each Committee meeting.

An analysis of progress on implementation of audit recommendations is shown at page 9. Management progress on the implementation of audit recommendations is strong. At the time of reporting 87% of recommendations made in 2015/16 have been implemented on time, with the remaining 13% not yet due for implementation.

## ***Limitations and Responsibilities***

### ***Limitations inherent to the Internal Auditor's work***

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

### ***Opinion***

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

### ***Internal Control***

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

### ***Future Periods***

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

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

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

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

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

**Progressing the Annual Internal Audit Plan**

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

Assignment	Budget	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
Financial Risks									
Financial System Key Controls	30	✓							Scheduled to start in December 2016.
Counter Fraud									
Fraud Awareness	10	✓							Training sessions to be delivered by the Corporate Assurance and Improvement Manager during Quarter 3.
Fraud Risk Review	10						✓	Not Graded	Review Completed.
ICT									
Disaster Recovery and Backup	10	✓							Scheduled to be completed in Quarter 4 by TIAA.
Systems Administration	5			✓					In progress and being delivered by TIAA.
Helpdesk	10			✓					In progress and being delivered by TIAA.
Payment Card Industry Data Security Standards	5	✓							Scheduled to be completed in Quarter 3 by TIAA.
Corporate Risks									
Business Continuity/ Emergency Planning	15	✓							Scheduled to be completed in Quarter 3 and assigned to TIAA.

Assignment	Budget	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
Change Management – Consultancy Support	15			✓					Assistance has been/ is being provided in the following areas: <ul style="list-style-type: none"> <li>• Electronic mileage claim processing</li> <li>• Document retention procedures</li> <li>• Gifts and Hospitality procedures</li> <li>• Systems administration – paperless working</li> <li>• Potentially Violent Persons review</li> <li>• Agency staff commissioning arrangements</li> </ul>
Income, Fees and Charges	20			✓					Fieldwork in progress
Discretionary Expenditure	15			✓					Scoping completed. Assignment expected to be in progress by the time of the Committee meeting.
Corporate Health and Safety	25					✓			Results of the audit will be reported to the next Committee meeting.
Procurement and Contract Management	20					✓			Expect to issue draft report by 05/11/2016.
Expenditure on Consultants	15	✓							Assignment scheduled to commence in December 2016.

Assignment	Budget	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
Business Improvement District	15	✓							Assignment scheduled to be completed in Quarter 4.
Operational Risks									
Equalities and Diversity	10			✓					In progress
Stocks and Stationery	7					✓			Expect to issue draft report by 05/11/2016.
Integrated Housing Repairs	10			✓					In progress
Housing Repairs Stock Control	15			✓					In progress; fieldwork due to commence on 24/10/2016.
Right to Buy							✓	Not Graded	This audit has been removed from the plan, on the basis that a full independent external review of the service was completed in November 2015. The review concluded that the Council provides a good service, delivered by experienced knowledgeable officers within statutory timescales. Sample testing confirmed that discounts had been correctly applied and that the appropriate checks were made prior to transactions proceeding.

Assignment	Budget	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
Additional Support									
Annual Governance Statement	10						✓	Not Graded	Reported to the Committee in May 2016.
National Fraud Initiative	15			✓					In progress; data has been submitted with the exception of Council Tax Single Person Discount and the Electoral Register, which are scheduled to be submitted by December 2016. It is expected that the results of matching will be available for review in January 2017.
Corporate Investigation Work	35			✓					Three corporate investigations have been completed and reported upon so far during 2016/17. A further investigation is in progress and a verbal update will be provided at the Committee meeting.

**Implementation of Audit Recommendations Made in 2015/16**

<b>Audit</b>	<b>No. of Recs</b>	<b>Implemented on Time</b>	<b>Implemented Late</b>	<b>Not yet due</b>	<b>Overdue</b>	<b>Rejected</b>
Stocks and Stores – Visitors Centre	1	1	0	0	0	0
Enterprise Risk Management	3	1	0	2	0	0
Benefits	7	7	0		0	0
Council Tax	0	0	0	0	0	0
Payroll and Election Payments	4	4	0	0	0	0
Income Management	1	1	0	0		
<b>Totals</b>	<b>16</b>	<b>14 (87%)</b>	<b>0</b>	<b>2 (13%)</b>	<b>0</b>	<b>0</b>