



WOKINGHAM BOROUGH COUNCIL

A Meeting of the **AUDIT COMMITTEE** will be held in David Hicks 1 - Civic Offices, Shute End, Wokingham RG40 1BN on **WEDNESDAY 25 JULY 2018 AT 7.00 PM**

A handwritten signature in black ink, appearing to read 'Manjeet Gill', is written over a light grey rectangular background.

Manjeet Gill
Interim Chief Executive
Published on 17 July 2018

This meeting may be filmed for inclusion on the Council's website.

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WOKINGHAM BOROUGH COUNCIL

Our Vision

A great place to live, an even better place to do business

Our Priorities

Improve educational attainment and focus on every child achieving their potential

Invest in regenerating towns and villages, support social and economic prosperity, whilst encouraging business growth

Ensure strong sustainable communities that are vibrant and supported by well designed development

Tackle traffic congestion in specific areas of the Borough

Improve the customer experience when accessing Council services

The Underpinning Principles

Offer excellent value for your Council Tax

Provide affordable homes

Look after the vulnerable

Improve health, wellbeing and quality of life

Maintain and improve the waste collection, recycling and fuel efficiency

Deliver quality in all that we do

MEMBERSHIP OF THE AUDIT COMMITTEE

Councillors

Chris Smith (Chairman)

David Chopping (Vice-Chairman)

Daniel Sargeant

Imogen Shepherd-DuBey

Oliver Whittle

ITEM NO.	WARD	SUBJECT	PAGE NO.
19.		APOLOGIES To receive any apologies for absence.	
20.	None Specific	MINUTES OF PREVIOUS MEETING To confirm the Minutes of the Meeting held on 6 June 2018.	5 - 12
21.		DECLARATION OF INTEREST To receive any declarations of interest	
22.		PUBLIC QUESTION TIME To answer any public questions A period of 30 minutes will be allowed for members of the public to ask questions submitted under notice. The Council welcomes questions from members of the public about the work of this committee. Subject to meeting certain timescales, questions can relate to general issues concerned with the work of the Committee or an item which is on the Agenda for this meeting. For full details of the procedure for submitting questions please contact the Democratic Services Section on the numbers given below or go to www.wokingham.gov.uk/publicquestions	
23.		MEMBER QUESTION TIME To answer any member questions	
24.	None Specific	EXTERNAL AUDIT - AUDIT RESULTS REPORT 2017/18 To receive the External Audit – Audit Results Report 2017/18.	To Follow
25.	None Specific	FINANCIAL STATEMENTS 2017/18 To receive the Financial Statements 2017/18.	To Follow
26.	None Specific	INTERNAL AUDIT CHARTER To receive the Internal Audit Charter.	13 - 32

- | | | | |
|------------|---------------|--|----------------|
| 27. | None Specific | 2018/19 INTERNAL AUDIT AND INVESTIGATION Q1
PROGRESS REPORT
To receive the 2018/19 Internal Audit and Investigation
Q1 Progress Report. | 33 - 38 |
| 28. | None Specific | FORWARD PROGRAMME 2018/19
To consider the Forward Programme for the remainder
of the municipal year. | 39 - 40 |

Any other items which the Chairman decides are urgent

A Supplementary Agenda will be issued by the Chief Executive if there are any other items to consider under this heading

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**MINUTES OF A MEETING OF THE
AUDIT COMMITTEE
HELD ON 6 JUNE 2018 FROM 7.00 PM TO 8.30 PM**

Committee Members Present

Councillors: Chris Smith (Chairman), David Chopping (Vice-Chairman), Daniel Sargeant, Imogen Shepherd-DuBey and Oliver Whittle

Also Present

Madeleine Shopland, Democratic & Electoral Services Specialist
Julie Barker, Audit & Investigation Senior Specialist
Michael Bateman, Customer Relations Officer
Manjeet Gill, Interim Chief Executive
Andrew Moulton, Assistant Director Governance
Bob Watson, Lead Specialist - Finance
Helen Thompson, Ernst and Young
Malcolm Haines, Ernst and Young

1. ELECTION OF CHAIRMAN 2018/19

RESOLVED: That Councillor Chris Smith be elected Chairman for the 2018-19 municipal year.

2. APPOINTMENT OF VICE CHAIRMAN FOR 2018-19

RESOLVED: That Councillor David Chopping be appointed Vice Chairman for the 2018-19 municipal year

3. APOLOGIES

An apology for absence was received from Councillor Anthony Pollock.

4. MINUTES OF PREVIOUS MEETING

The Minutes of the meeting of the Committee held on 7 February 2018 were confirmed as a correct record and signed by the Chairman.

5. DECLARATION OF INTEREST

There were no declarations of interest submitted.

6. PUBLIC QUESTION TIME

There were no Public questions.

7. MEMBER QUESTION TIME

There were no Member questions.

8. EXTERNAL AUDIT PROGRESS REPORT

The Committee received an update on the progress of External Audit.

During the discussion of this item the following points were made:

- The external audit would be undertaken between 25 June and 20 July. The results would be considered at the Committee's meeting on 25 July.
- Payroll had been tested for months 1 to 9.
- Members were assured that although it was a compressed timescale the 31 July deadline should be achieved.

RESOLVED: That the External Audit Progress Report be noted.

9. EXTERNAL AUDIT ANNUAL FEE 2018-19

The Committee was updated on the External Audit Fee for 2018-19.

During the discussion of this item the following points were made:

- For the 2018/19 financial year PSAA had set the scale fee for each audited body that had opted into its national auditor appointment scheme. Following consultation on its Work Programme and Scale of Fees, PSAA had reduced the 2018/19 scale audit fee for all opted in bodies by 23% from the fees applicable for 2017/18.
- As the audit for 2017/18 had not yet been completed, the audit planning process for 2018/19 would continue as the year progressed. Fees would be reviewed and updated as necessary.
- The indicative audit fee would be billed in four quarterly instalments of £20,331.
- Members were informed that the appointment of an auditor to certify the Council's 2018/19 housing benefit subsidy claim was not covered by the PSAA appointment.
- Councillor Smith questioned whether Ernst & Young were confident that what needed to be delivered to sign off the opinion could be achieved for the reduced fee. Helen Thompson commented that it would be challenging but deliverable. Should significant issues arise with regards to value for money, further conversations would need to be had.

RESOLVED: That the External Audit Fee 2018-19 be noted.

10. UPDATE ON COMPLAINTS AND COMPLIMENTS

The Customer Relations Officer updated the Committee on complaints and compliments.

During the discussion of this item the following points were made:

- The total number of corporate complaints had remained consistent with the last 2-3 financial years.
- Stage 1 complaints received this year had increased by 8.5% compared with 2016-17, but had decreased by 9.1% in comparison with 2015-16.
- Stage 2 complaints this year had remained consistent with the volumes received in the previous two financial years.
- It was noted that between April 2017 and March 2018, 89 Stage 1 corporate complaints had been received, of which 20 had been escalated to Stage 2. 30 Children's Services Social Care Complaints had been received, of which 9 had been dealt with at early resolution, 11 were received at Stage 1 and 2 were escalated to Stage 2. 11 had been out of scope.
- In response to a question from Councillor Shepherd-DuBey, the Customer Relations Officer explained how a complaint could be escalated from Stage 1 to Stage 2.
- Councillor Whittle asked what constituted a complaint. The Customer Relations Officer explained the difference between a 'service request' and a 'complaint.'
- It was confirmed that complaints from councillors were processed in the same way as those received from residents.
- The Committee asked who decided whether a matter was a complaint or not. The Customer Relations Officer commented that it could depend on how the enquiry

was received. He would liaise with the relevant service area. The Committee asked whether there was a policy document on how such decisions were made.

- Councillor Whittle questioned whether the number of complaints overall was decreasing. The Customer Relations Officer reiterated that the number of complaints compared to the total interactions, was very low.
- Members asked about the impact of the 21st century council programme and was informed that there was greater input from customer services in resolving issues as the first point of contact.
- It was noted that 10 complaints had been escalated to the Local Government Ombudsman/Housing Ombudsman. 1 had been upheld, which had related to a school transport appeal, 3 had been partially upheld and 6 had not been upheld.

RESOLVED: That the update on complaints and compliments be noted.

11. TREASURY MANAGEMENT OUTTURN 2017-18

The Lead Specialist Finance presented the Treasury Management Outturn Report 2017-18 which detailed the Treasury Management operations during 2017/18.

During the discussion of this item the following points were made:

- It was noted that the Council had adhered to all the agreed prudential indicators during 2017/18.
- The investment return for 2017/18 was £1.3m. The Lead Specialist Finance explained that the Council tended to restrict external investments to other local authorities. The security of the investment was of key importance.
- Councillor Whittle asked why an investment broker was used for external investments when officers could go directly to those authorities with who they may have developed a relationship who may be willing to lend. The Lead Specialist Finance commented that officers could potentially contact other known local authorities regarding investments and if this was unsuccessful, make use of a broker. The broker fee tended to be with the lending authority.
- Councillor Chopping asked about short term loans and the council owned companies.

RESOLVED: That

- 1) the Treasury Management Outturn Report 2017-18 be noted;
- 2) the actual 2017/18 prudential indicators within the report, be noted;
- 3) the report be recommended to Council for approval.

12. ANNUAL GOVERNANCE STATEMENT 2017/18

Members received the Annual Governance Statement 2017-18.

During the discussion of this item the following points were made:

- The Annual Governance Statement had been produced by the Corporate Leadership Team following consideration of a number of Management Assurance Statements produced by the Directors and some Assistant Directors. These had been signed by the relevant Director and Executive Lead Member to provide accountability and assurance to the Chief Executive and Leader of the Council.

- It had been concluded that the Council's governance arrangements were fit for purpose.
- A number of exceptions had been identified. An action plan around these exceptions had been produced. Members requested an update report on the exceptions identified, in six months' time.
- Councillor Whittle commented that reference should be made to the impact on budget and resources that increasing demand in adult and children's services would have. The Assistant Director Governance commented that the Annual Governance Statement had been produced at a certain point in time. He agreed to feed the Committee's proposal back to the Corporate Leadership Team.

RESOLVED: That the Annual Governance Statement be approved prior to its inclusion in the final Statement of Accounts subject to reference being made to increasing costs in People Services as a result of increasing service demand.

13. UPDATE ON INTERNATIONAL FINANCIAL REPORTING STANDARD 15

The Committee was updated on International Financial Reporting Standard 15 (IFRS 15) by the Lead Specialist Finance.

During the discussion of this item the following points were made:

- IFRS 15 provided guidance on accounting for revenue from contracts with customers.
- The Lead Specialist Finance advised that there would be some impact to the Council with regards to disclosures and contracts. However, largescale changes were not anticipated for local authorities.
- Members were informed that there would be an item regarding standards not yet adopted within the Statement of Accounts.
- An update on accounting policies would be taken to the Committee's February 2019 meeting.

RESOLVED: That the update on International Financial Reporting Standard 15 be noted.

14. EXTERNAL QUALITY ASSESSMENT OF CONFORMANCE TO THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS

The Committee considered a report on the External Quality Assessment of Conformance to the Public Sector Internal Audit Standards.

During the discussion of this item the following points were made:

- The Shared Internal Audit Service had been created in 2014. A self-assessment was completed annually.
- The Public Sector Internal Audit Standards (PSIAS) required periodic self-assessments and an assessment by an external person at least every five years.
- The overall conclusion had been that the service generally conformed to the requirements of PSIAS and the Local Government Application Note.
- The Committee noted the summary of observations, recommendations and suggestions. There had been one incident of non-compliance around the Internal Audit Charter. An updated Charter would be presented at the next Committee meeting. Members felt that it was reassuring that only one 'red' had been identified.
- Members thanked the Audit and Investigation Senior Specialist and the team for their hard work.

- The Assistant Director Governance stated that the assessment would assist in the service winning further external business.
- An action plan had been produced. Councillor Smith commented that many of the proposed completion dates were July and August. He requested an update on the completion of the actions at the November committee meeting.
- Councillor Whittle questioned whether the Royal Borough of Windsor and Maidenhead Council Audit Committee would also receive the report and was informed that they would.

RESOLVED: That the results of the external assessment of the Shared Audit and Investigations against the Public Sector Internal Audit Standards, be noted.

15. INTERNAL AUDIT OF 21ST CENTURY COUNCIL PROGRAMME

The Committee was updated on the Internal Audit of the 21st Century Council Programme.

During the discussion of this item the following points were made:

- The Assistant Director Governance commented that Internal Audit work had been conducted on various aspects of the 21st century council programme; governance, risk management, finance and the IT work stream programme management. This had been part of a rolling programme of audit work that would continue over the lifetime of the project.
- The Executive and Overview and Scrutiny Committees also monitored the progress of the 21st century council programme.
- An audit opinion category 2 – Substantially Complete and Generally Effective (the second highest of the four Audit Opinions) had been assigned as a result of the audit review.
- Members asked that the results of the audit be sent to the relevant Executive Member and Deputy Executive Member if not already done so.

RESOLVED: That the internal audit memorandum summarising the conclusion from the audit of the 21st Century Council programme be noted.

16. CORPORATE RISK REGISTER

The Interim Chief Executive presented the Corporate Risk Register.

During the discussion of this item the following points were made:

- The Interim Chief Executive indicated that the picture was broadly the same as when she had last updated the Committee.
- Members were advised that there were risks around financial constraints.
- The 21st century council programme was discussed. Lessons had been and continued to be learnt as the programme progressed.
- With regards to People Services, demand for children and adult services was greatly increasing. This was a national problem.
- Discussions regarding efficiencies were being had with partners.
- Members questioned how the risk level was decided. The Assistant Director Governance indicated that within each Directorate there was a Directorate Risk Register which was agreed by the relevant Director in consultation with the relevant Assistant Directors and Executive Member. The Corporate Risk Register was managed by the Corporate Leadership Team in conjunction with the Executive Members.

- The Assistant Director Governance explained how risks were identified.
- The Interim Chief Executive indicated that the Corporate Risk Register would be reviewed. The Committee asked that training on risk management be provided prior to a future meeting. The Chairman requested a timetable for the review of the risk register and that the Committee be able to comment on the refreshed Corporate Risk Register. An additional committee meeting would be arranged if required.

RESOLVED: That the risks and mitigating actions of the Council's Corporate Risk Register as set out in the report, be noted.

17. ANNUAL REPORT 2017/18 - SHARED AUDIT & INVESTIGATION SERVICES

The Committee received the Annual Report 2017/18 – Shared Audit and Investigation Services.

During the discussion of this item the following points were made:

- The report detailed the work of the team during 2017/18 which had also been reported on a quarterly basis.
- During the year Internal Audit had undertaken audits of key financial systems in order to complement the work of External Audit.
- The Assistant Director Governance advised Members that approximately 80% of the approved 2017-18 Internal Audit Plan had been completed and that the work outstanding was predominantly complete.
- Progress against the plan had been affected by an officer being seconded to the 21st Century Council programme and another resulting vacancy from the end of quarter one.
- Savings achieved by Investigations were noted.
- The Committee discussed the Debtor and Housing Rents audits. It was noted that a lot of work was being undertaken in these areas to make improvements, the results of which the Committee would be informed of.
- With regards to council tax collection, Councillor Whittle proposed that less time be given before non-payment was chased up.
- The Lead Specialist Finance commented that sundry debtors were now contacting those with outstanding payments by phone as well as by letter.

RESOLVED: That the 2017/18 Shared Audit and investigation Service Annual Report be noted.

18. FORWARD PROGRAMME 2018-19

The Committee considered the Forward Programme 2018-19.

During the discussion of this item the following points were made:

- The Internal Audit Charter would be taken to the Committee's July meeting.
- A number of items would be taken to the Committee's November meeting:
 - Corporate Risk Register training and review;
 - Update on International Financial Reporting Standard 15;
 - Update on progress made against the exceptions identified within the Annual Governance Statement;

- Update on progress made against actions identified within the External Audit Quality Assessment of Conformance to the Public Sector Internal Audit Standards action plan.
- Changes to accounting policies would be presented at the Committee's February meeting.

RESOLVED: That the forward programme be noted.

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TITLE	Internal Audit Charter
FOR CONSIDERATION BY	Audit Committee on 25 July 2018
WARD	None Specific;
DIRECTOR	Director of Corporate Services - Graham Ebers

OUTCOME / BENEFITS TO THE COMMUNITY

The Internal Audit Charter describes the purpose, authority, responsibilities and other relationships of the council's Internal Audit Service. As such, it is a key document in respect of the council's internal control, risk management and corporate governance framework.

RECOMMENDATION

The Audit Committee is asked to consider and approve the Internal Audit Charter (attached) with the changes highlighted.

SUMMARY OF REPORT

As part of the effectiveness of internal audit external review conducted by the Chartered Institute of Public Finance and Accountancy (CIPFA) there were actions identified in relation to amending the Internal Audit Charter to bring it in line with the Public Sector Internal Audit Standards (PSIAS) that were revised in 2017. The changes are tracked in the document and include minor changes and formatting alterations but the main areas changed are as follows:

- (R1) Para 5 – Addition of the Shared Audit and Investigation Service (SAIS) Mission Statement as required by the revised (2017) PSIAS, which conforms to the specific wording of the PSIAS.
- (S2) Para 5 – Clarification that Assistant Director, Governance performs the function of the Chief Audit Executive for the two Councils of the Shared Service in to the Audit Charter.
- (R2) Para 18 – Inclusion of reference to the core principles of internal audit plus the other mandatory guidance along with replacing the generic term 'board' with the Audit Committee.
- (R3) Para 12 – Amendment of the audit charter and the audit protocol between the SAIS and Wokingham Borough Council, to set out clearly the potential impairment to the Chief Audit Executive's independence and objectivity from directly managing a range of services that the SAIS may review, and how and where the SAIS will report the results of audits carried out in these areas. (PSIAS 1000 Purpose, Authority and Responsibility).

Appendix A shows the Audit Charter with tracked changes. Appendix B presents a clean copy of the Audit Charter after changes have been made.

Key:-

R – PSIAS Recommendation

S – PSIAS Suggestion

Background

The Internal Audit Charter sets out to communicate key information around the following areas:

- The purpose or authority of Internal Audit and its definition.
- The role, purpose and function of Internal Audit with a stress on the independence to preserve objectivity.
- The objectives of internal audit and the scope of the audit function.
- The professional standards and ethics to be followed by Internal Audit and its employees.
- Reference to the responsibilities retained by Council's management.
- Audit style content including reference to a prepared audit protocol.
- Audit resources and training.
- Audit reporting.

The Internal Audit Charter shall be subject to annual review and approval by the Audit Committee.

Analysis of Issues

The Internal Audit Charter provides the authority for the practice of Internal Audit in the council and is a key governance document in this respect. The Audit Committee should consider whether the Charter provides Internal Audit with the necessary authority to enable it to fulfil its responsibilities in providing independent and objective assurance to the Audit Committee.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council faces severe financial challenges over the coming years as a result of the austerity measures implemented by the Government and subsequent reductions to public sector funding. It is estimated that Wokingham Borough Council will be required to make budget reductions in excess of £20m over the next three years and all Executive decisions should be made in this context.

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	N/A	Yes	N/A
Next Financial Year (Year 2)	N/A	Yes	N/A
Following Financial Year (Year 3)	N/A	Yes	N/A

Other financial information relevant to the Recommendation/Decision

Not applicable

Cross-Council Implications

Not applicable

Reasons for considering the report in Part 2
Not applicable

List of Background Papers
None

Contact Catherine Hickman	Service Governance
Telephone No Tel: 07917 265742	Email catherine.hickman@wokingham.gov.uk

[Appendix A](#)

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Wokingham Borough Council

INTERNAL AUDIT CHARTER

The Terms of Reference for the provision of the Internal Audit Service within the Shared Audit and Investigation Service at Wokingham Borough Council.

(This document revises and updates the previous Audit Charter approved by Audit Committee Reviewed on a regular basis annually. Last approved by Audit Committee 28 September 25 July 2016)

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INTERNAL AUDIT CHARTER

Introduction

1. The purpose of this Audit Charter is to set out the Terms of Reference for the provision of the Internal Audit Service within Wokingham Borough Council. The Charter is reviewed on an annual basis to ensure that current needs are met. The latest Charter was approved by Audit Committee on ~~28~~ 25 September July 2018~~6~~ and it demonstrates how the Internal Audit Service complies with the Public Sector Internal Audit Standards (PSIAS), which came into effect in April 2013 and revised in March 2017 April 2016.

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Authority

2. The Local Government Accounts and Audit Regulations 2015 require every local authority to undertake 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.
3. Under S151 of the Local Government Finance Act 1972, the S151 Officer is responsible for ensuring that proper arrangements exist for the management of the Council's financial affairs. Reliance upon Internal Audit is fundamental to the fulfilment of that responsibility.

Definition of Internal Auditing

4. In accordance with the PSIAS, 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 the effectiveness of risk management, control and governance processes.

Mission Statement

5. The purpose of the Shared Audit and Investigation Service (SAIS) is to provide independent, objective assurance and consulting services designed to add value and improve WBC's operations. The mission of internal audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight. The Shared Audit and Investigation Service helps WBC accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes. The role of the Chief Audit Executive (CAE) is performed by the Assistant Director, Governance.

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Role, Purpose and Function

5. ~~The Internal Audit Service is delivered by the Shared Audit and Investigation Service (SAIS), a Shared Service between Wokingham Borough Council (WBC) and the Royal Borough of Windsor and Maidenhead (RBWM), hosted by WBC. The role of the Head of Internal Audit (HoIA) is performed by the Service Manager, Shared Audit & Investigation Service.~~
6. The Internal Audit Service provides:-

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- Senior Management and the Board (the Audit Committee) with assurances on the adequacy of control within the Council's systems and activities.
 - the S151 Officer with the assurances required to discharge their statutory responsibilities.
 - a service to monitor the efficient and effective delivery of the Council's objectives.
 - evidence regarding compliance with the Council's Constitution, Corporate procedures and the Council's policies and objectives.
7. The existence of Internal Audit does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner.
8. For the purposes of clarification, Senior Management is defined as those posts that are within the organisation at Head of Service level and above.
9. The "Board" (this function at WBC is provided by the Audit Committee) Board is the highest level of governing body charged with the responsibility to direct and/or oversee the activities and management of the organisation.

Independence

10. The main determinant of the effectiveness of Internal Audit is that it is seen to be independent. To ensure this, Internal Audit operates within a framework that allows:-
- unrestricted access to the Head of Paid Service and Senior Management.
 - unrestricted access to the Chair of the Audit Committee and other Council Members.
 - segregation from operations.
11. Every effort is made to preserve objectivity by ensuring that all audit members of staff are free from any conflicts of interest with regard to both audit and ~~non-audit~~ non-audit activities.

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12. Where there is a potential impairment to the CAE's independence and objectivity from directly managing a range of services that the SAIS may review, then the audit will be undertaken under the management of the Deputy Chief Executive and Director of Corporate Services.

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Objectives of Internal Audit

13. As an independent appraisal function within the Council, the primary objective of Internal Audit is to review, appraise and report upon the adequacy of internal controls as a contribution to the proper, economic, efficient and effective use of resources. In addition, the other objectives of the function are to:
- Ensure compliance with the Accounts and Audit Regulations 2015.
 - Deliver an annual internal audit opinion on the strength of the Council's governance arrangements and control environment to support the Council's review of the effectiveness of internal control and the production of the Annual Governance Statement (AGS).
 - Support managers with the management of risk including: -
 - In the delivery of services
 - Protection of assets from loss
 - Maintaining the reputation of the Council

- Protecting the organisation from litigation
- Meeting statutory obligations
- Meeting corporate objectives
- Being aware of environmental implications
- Being alert to the risk of fraud or irregularity
- Contingency planning
- Provide managers with support and advice to encourage consultation and the adoption of best practice.

- Perform testing of key systems to inform the work of the External Auditors.
- Undertake projects to meet the current concerns of the Audit Committee, Head of Paid Service, Directors, Heads of Service, the Section 151 Officer and Monitoring Officer.
- Undertake an annual review of the effectiveness of the Council's system of internal audit, required under the PSIAS. The ~~Assistant Director, Governance Service Manager, Shared Audit and Investigation Service~~ arranges this work and the outcomes are presented to the Audit Committee.
- Assist management with the provision of consultancy work where appropriate, e.g. in the preparation for inspections, to implement best practice.

~~143.~~ The assurance set out above is provided for the internal use of Wokingham Borough Council. Where the Audit Sponsor (Chief Executive/Director) decides it is prudent and increases efficiency these assurances can be used by 3rd parties. Examples include, but are not limited to, other local authorities, local authority trading companies, grant awarding bodies, regulatory and inspection bodies. Where this assurance is provided to external bodies these are limited to the primary purpose of providing reasonable assurance to Wokingham Borough Council, except where this is agreed within the scope of the applicable internal audit Terms of Reference.

Scope of Internal Audit

~~154.~~ The scope of Internal Audit allows for unrestricted coverage of the Council's activities and unrestricted access to all records (~~both electronic or either electronic or~~ otherwise), assets, personnel and premises and for obtaining such information and explanations it considers necessary to fulfil its responsibilities. These rights of access also apply to the Council's partner organisations and contractors. This unrestricted access also extends to any person carrying out an investigation on behalf of the ~~Chief Audit Executive~~ ~~HoA~~.

~~165.~~ In addition, Internal Audit, has unrestricted access to Members, the Head of Paid Service, Directors, Heads of Service, all other council employees, External Audit, suppliers and contractors.

~~176.~~ Internal Audit work covers all systems and activities in all directorates and locations throughout the Council.

Professional Standards and Ethics

~~187.~~ The ~~Assistant Director, Governance Service Manager, Shared Audit and Investigation Service~~ has adopted the mandatory PSIAS which applies the IIA International Standards to the UK Public Sector. The objectives of these Standards are to;

- Define the nature of internal auditing within the UK public sector.
- Set basic principles for carrying out internal audit in the UK public sector.
- Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations, and

Appendix A

- Establish the basis for the evaluation of internal audit performance and to drive improvement planning.
- Ensure that the core principles for the Professional Practice of Internal Auditing are present and operating effectively.

198. All Internal Auditors will endeavour to conform with the IIA's Code of Ethics and rules of conduct and the requirements of any other professional bodies for which they are a member. Internal Auditors also have regard to the Committee on Standards of Public Life's *Seven Principles of Public Life* ("Nolan Principles").

2049. Instances of non-conformance to the PSIAS will be reported to the ~~Board~~ (Audit Committee). More significant deviations will be considered for inclusion in the AGS.

210. Any offers of gifts or hospitality will be reported to the Assistant Director, Governance Service Manager, Shared Audit and Investigation Service and an appropriate record made in accordance with the Council's gift and hospitality policy. Auditors must avoid the perception of any impairment to their objectivity and independence.

Responsibility

224. Internal Audit has no executive responsibility for the Council's systems of internal control other than an appraisal of their effectiveness with regard to Council objectives.

232. Internal Audit is not an extension of, or a substitute for, the functions of management. Responsibility for internal control rests fully with managers, who should ensure that arrangements are appropriate and adequate. It is for management to address Internal Audit concerns or to accept the risk resulting from not taking action. However, it is the Shared Audit and Investigation Service's responsibility to consider taking matters to higher levels of management or to Council Members if it is felt that the risk should not (or need not) be borne.

243. The internal auditor should have regard to the possibility of such malpractice and should seek to identify serious defects in internal control, which might permit the occurrence of such an event.

254. An internal auditor who discovers evidence of, or suspects, malpractice should report, through the Assistant Director, Governance Service Manager, Shared Audit and Investigation Service, firm evidence, or reasonable suspicions, to the appropriate level of management. It is a management responsibility to determine what further action to take.

265. The Assistant Director, Governance Service Manager, Shared Audit and Investigation Service will use information from fraud activities to inform the annual audit opinion and the risk-based plan.

276. The Assistant Director, Governance Service Manager, Shared Audit and Investigation Service will manage any conflict of interest from non-audit activities and details of these will be provided to the Audit Committee. This includes any advisory and non-audit services that SAIS provides to management.

Audit Style and Content

287. The primary task of Internal Audit is to review the systems of internal control operating throughout the Council and in doing this will adopt a predominantly risk-based approach to

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audit, aligned to the WBC Risk Register. Internal Audit will also provide advice and consultancy services to management on any issues related to governance, risk management and internal control matters where this does not negatively impact on their primary responsibility. This advice and consultancy work can be used to contribute to the annual internal audit opinion.

~~29.28.~~ The Assistant Director, Governance Service Manager, Shared Audit and Investigation Service will be required to manage the provision of a complete Internal Audit Service to the Council which will include risk based compliance, computer and contract audit and in discharging this duty, ~~the~~ the Assistant Director, Governance Service Manager, Shared Audit and Investigation Service will:

- prepare an annual risk-based audit plan in consultation with the Head of Paid Service, Section 151 Officer, Directors, Heads of Service, client managers and External Audit for formal endorsement by the Audit Committee. This Plan will be regarded as flexible rather than as an immutable expression of audit policy.
- ensure that current entries in the WBC Risk Register are reflected and included in the Audit Plan on a rolling basis and any significant changes to the Audit Plan to be brought to the attention of the Audit Committee~~Board~~.
- ensure a system of close supervision of audit work, and maintain a review of audit files through the supervisory structure and a standardisation of documentation, as there may occasionally be a requirement to provide working papers, where requested.

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Audit Resources and Training

~~30.29.~~ Internal Audit resource will be determined by the Audit Committee in consultation with the S151 Officer in order to enable him to discharge his statutory duties and will reflect the corporate needs of the Council. Resources will also reflect requirements needed to allow the S151 Officer to discharge his obligations. The Assistant Director, Governance Service Manager, Shared Audit and Investigation Service must ensure that the internal audit function has appropriate resources in order to meet its objectives and to comply with the PSIAS.

~~31.0.~~ The staffing structure of the Service will comprise of suitably qualified posts with a mix of professional specialisms and skills to reflect the varied functions of the Service and the need to evaluate the efficiency and effectiveness of the complex range of processes undertaken by WBC. The Assistant Director, Governance Service Manager, Shared Audit and Investigation Service will arrange, as and when necessary and/or if such specialisms cannot be provided in-house, for such expertise to be provided by external providers.

~~32.4.~~ The Assistant Director, Governance Service Manager, Shared Audit and Investigation Service will carry out a continuous review of the development and training needs of all audit personnel and will arrange appropriate in-service training. Internal Auditors have a personal responsibility to undertake a programme of continuing professional development (CPD) to maintain and develop their competence.

~~33.2.~~ All Internal Audit staff will receive an annual appraisal.

Audit Reporting

Appendix A

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34. The Assistant Director, Governance~~Service Manager, Shared Audit and Investigation Service~~ reports operationally directly to the Head of Governance and Improvement who is a member of the Council's Corporate Leadership Team (CLT). The Head of Paid Service reviews the performance appraisal of the Service Manager, Shared Audit and Investigation Service. Feedback is sought from the Chair of the Audit Committee on the performance of the Assistant Director, Governance~~Service Manager, Shared Audit and Investigation Service~~.

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354. Timely reporting is a key part of Internal Audit and reporting takes place: -

- a. To the responsible Director, Head of Service and Unit/Lead Specialist~~Service Manager~~/Head Teacher at the conclusion of each audit review setting out an overall opinion and the main concerns.
- b. To the Chief Executive and External Audit at the conclusion of each audit review (School's audits are issued to the Chair of Governors).
- c. To the Audit Committee on a quarterly and on an annual basis and to the CLT on a regular basis, reporting progress against the Audit Plan, summarising the outcome of audit reviews, to highlight where management have not responded to audit concerns, to identify the progress made by management in implementing the treatment of concerns and to emphasise any other key issues.
- d. The annual report to the Audit Committee will also include an overall opinion on the strength of the governance arrangements and control environment (which will also contribute towards the production of the AGS) and an assessment of the system of internal control, as required by the Accounts and Audit Regulations 2015.

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Wokingham Borough Council

INTERNAL AUDIT CHARTER

The Terms of Reference for the provision of the Internal Audit Service within the Shared Audit and Investigation Service at Wokingham Borough Council.

(This document revises and updates the previous Audit Charter approved by Audit Committee Reviewed on a regular basis. Last approved by Audit Committee 25 July 2018)

INTERNAL AUDIT CHARTER

Introduction

1. The purpose of this Audit Charter is to set out the Terms of Reference for the provision of the Internal Audit Service within Wokingham Borough Council. The Charter is reviewed on an annual basis to ensure that current needs are met. The latest Charter was approved by Audit Committee on 25 July 2018 and it demonstrates how the Internal Audit Service complies with the Public Sector Internal Audit Standards (PSIAS), which came into effect in April 2013 and revised in March 2017.

Authority

2. The Local Government Accounts and Audit Regulations 2015 require every local authority to undertake 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.
3. Under S151 of the Local Government Finance Act 1972, the S151 Officer is responsible for ensuring that proper arrangements exist for the management of the Council's financial affairs. Reliance upon Internal Audit is fundamental to the fulfilment of that responsibility.

Definition of Internal Auditing

4. In accordance with the PSIAS, 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 the effectiveness of risk management, control and governance processes.

Mission Statement

5. The purpose of the Shared Audit and Investigation Service (SAIS) is to provide independent, objective assurance and consulting services designed to add value and improve WBC's operations. The mission of internal audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight. The Shared Audit and Investigation Service helps WBC accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes. The role of the Chief Audit Executive (CAE) is performed by the Assistant Director, Governance.

Role, Purpose and Function

6. The Internal Audit Service provides:-
 - Senior Management and the Board (the Audit Committee) with assurances on the adequacy of control within the Council's systems and activities.
 - the S151 Officer with the assurances required to discharge their statutory responsibilities.
 - a service to monitor the efficient and effective delivery of the Council's objectives.
 - evidence regarding compliance with the Council's Constitution, Corporate procedures and the Council's policies and objectives.

7. The existence of Internal Audit does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner.
8. For the purposes of clarification, Senior Management is defined as those posts that are within the organisation at Head of Service level and above.
9. The “Board” (this function at WBC is provided by the Audit Committee) is the highest level of governing body charged with the responsibility to direct and/or oversee the activities and management of the organisation.

Independence

10. The main determinant of the effectiveness of Internal Audit is that it is seen to be independent. To ensure this, Internal Audit operates within a framework that allows:-
 - unrestricted access to the Head of Paid Service and Senior Management.
 - unrestricted access to the Chair of the Audit Committee and other Council Members.
 - segregation from operations.
11. Every effort is made to preserve objectivity by ensuring that all audit members of staff are free from any conflicts of interest with regard to both audit and non-audit activities.
12. Where there is a potential impairment to the CAE’s independence and objectivity from directly managing a range of services that the SAIS may review, then the audit will be undertaken under the management of the Deputy Chief Executive and Director of Corporate Services.

Objectives of Internal Audit

13. As an independent appraisal function within the Council, the primary objective of Internal Audit is to review, appraise and report upon the adequacy of internal controls as a contribution to the proper, economic, efficient and effective use of resources. In addition, the other objectives of the function are to:
 - Ensure compliance with the Accounts and Audit Regulations 2015.
 - Deliver an annual internal audit opinion on the strength of the Council’s governance arrangements and control environment to support the Council’s review of the effectiveness of internal control and the production of the Annual Governance Statement (AGS).
 - Support managers with the management of risk including: -
 - In the delivery of services
 - Protection of assets from loss
 - Maintaining the reputation of the Council
 - Protecting the organisation from litigation
 - Meeting statutory obligations
 - Meeting corporate objectives
 - Being aware of environmental implications
 - Being alert to the risk of fraud or irregularity
 - Contingency planning
 - Provide managers with support and advice to encourage consultation and the adoption of best practice.

- Perform testing of key systems to inform the work of the External Auditors.
 - Undertake projects to meet the current concerns of the Audit Committee, Head of Paid Service, Directors, Heads of Service, the Section 151 Officer and Monitoring Officer.
 - Undertake an annual review of the effectiveness of the Council's system of internal audit, required under the PSIAS. The Assistant Director, Governance arranges this work and the outcomes are presented to the Audit Committee.
 - Assist management with the provision of consultancy work where appropriate, e.g. in the preparation for inspections, to implement best practice.
14. The assurance set out above is provided for the internal use of Wokingham Borough Council. Where the Audit Sponsor (Chief Executive/Director) decides it is prudent and increases efficiency these assurances can be used by 3rd parties. Examples include, but are not limited to, other local authorities, local authority trading companies, grant awarding bodies, regulatory and inspection bodies. Where this assurance is provided to external bodies these are limited to the primary purpose of providing reasonable assurance to Wokingham Borough Council, except where this is agreed within the scope of the applicable internal audit Terms of Reference.

Scope of Internal Audit

15. The scope of Internal Audit allows for unrestricted coverage of the Council's activities and unrestricted access to all records (either electronic or otherwise), assets, personnel and premises and for obtaining such information and explanations it considers necessary to fulfil its responsibilities. These rights of access also apply to the Council's partner organisations and contractors. This unrestricted access also extends to any person carrying out an investigation on behalf of the Chief Audit Executive.
16. In addition, Internal Audit, has unrestricted access to Members, the Head of Paid Service, Directors, Heads of Service, all other council employees, External Audit, suppliers and contractors.
17. Internal Audit work covers all systems and activities in all directorates and locations throughout the Council.

Professional Standards and Ethics

18. The Assistant Director, Governance has adopted the mandatory PSIAS which applies the IIA International Standards to the UK Public Sector. The objectives of these Standards are to;
- Define the nature of internal auditing within the UK public sector.
 - Set basic principles for carrying out internal audit in the UK public sector.
 - Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations, and
 - Establish the basis for the evaluation of internal audit performance and to drive improvement planning.
 - Ensure that the core principles for the Professional Practice of Internal Auditing are present and operating effectively.
19. All Internal Auditors will endeavour to conform with the IIA's Code of Ethics and rules of conduct and the requirements of any other professional bodies for which they are a member. Internal Auditors also have regard to the Committee on Standards of Public Life's *Seven Principles of Public Life* ("Nolan Principles").

20. Instances of non-conformance to the PSIAS will be reported to the Audit Committee. More significant deviations will be considered for inclusion in the AGS.
21. Any offers of gifts or hospitality will be reported to the Assistant Director, Governance and an appropriate record made in accordance with the Council's gift and hospitality policy. Auditors must avoid the perception of any impairment to their objectivity and independence.

Responsibility

22. Internal Audit has no executive responsibility for the Council's systems of internal control other than an appraisal of their effectiveness with regard to Council objectives.
23. Internal Audit is not an extension of, or a substitute for, the functions of management. Responsibility for internal control rests fully with managers, who should ensure that arrangements are appropriate and adequate. It is for management to address Internal Audit concerns or to accept the risk resulting from not taking action. However, it is the Shared Audit and Investigation Service's responsibility to consider taking matters to higher levels of management or to Council Members if it is felt that the risk should not (or need not) be borne.
24. The internal auditor should have regard to the possibility of such malpractice and should seek to identify serious defects in internal control, which might permit the occurrence of such an event.
25. An internal auditor who discovers evidence of, or suspects, malpractice should report, through the Assistant Director, Governance, firm evidence, or reasonable suspicions, to the appropriate level of management. It is a management responsibility to determine what further action to take.
26. The Assistant Director, Governance will use information from fraud activities to inform the annual audit opinion and the risk-based plan.
27. The Assistant Director, Governance will manage any conflict of interest from non-audit activities and details of these will be provided to the Audit Committee. This includes any advisory and non-audit services that SAIS provides to management.

Audit Style and Content

28. The primary task of Internal Audit is to review the systems of internal control operating throughout the Council and in doing this will adopt a predominantly risk-based approach to audit, aligned to the WBC Risk Register. Internal Audit will also provide advice and consultancy services to management on any issues related to governance, risk management and internal control matters where this does not negatively impact on their primary responsibility. This advice and consultancy work can be used to contribute to the annual internal audit opinion.
29. The Assistant Director, Governance will be required to manage the provision of a complete Internal Audit Service to the Council which will include risk based compliance, computer and contract audit and in discharging this duty, the Assistant Director, Governance will:
 - prepare an annual risk-based audit plan in consultation with the Head of Paid Service, Section 151 Officer, Directors, Heads of Service, client managers and External Audit for formal endorsement by the Audit Committee. This Plan will be regarded as flexible rather than as an immutable expression of audit policy.

- ensure that current entries in the WBC Risk Register are reflected and included in the Audit Plan on a rolling basis and any significant changes to the Audit Plan to be brought to the attention of the Audit Committee
- ensure a system of close supervision of audit work, and maintain a review of audit files through the supervisory structure and a standardisation of documentation, as there may occasionally be a requirement to provide working papers, where requested.

Audit Resources and Training

30. Internal Audit resource will be determined by the Audit Committee in consultation with the S151 Officer in order to enable him to discharge his statutory duties and will reflect the corporate needs of the Council. Resources will also reflect requirements needed to allow the S151 Officer to discharge his obligations. The Assistant Director, Governance must ensure that the internal audit function has appropriate resources in order to meet its objectives and to comply with the PSIAS.
31. The staffing structure of the Service will comprise of suitably qualified posts with a mix of professional specialisms and skills to reflect the varied functions of the Service and the need to evaluate the efficiency and effectiveness of the complex range of processes undertaken by WBC. The Assistant Director, Governance will arrange, as and when necessary and/or if such specialisms cannot be provided in-house, for such expertise to be provided by external providers.
32. The Assistant Director, Governance will carry out a continuous review of the development and training needs of all audit personnel and will arrange appropriate in-service training. Internal Auditors have a personal responsibility to undertake a programme of continuing professional development (CPD) to maintain and develop their competence.
33. All Internal Audit staff will receive an annual appraisal.

Audit Reporting

34. The Assistant Director, Governance reports operationally directly to the Head of Governance and Improvement who is a member of the Council's Corporate Leadership Team (CLT). The Head of Paid Service reviews the performance appraisal of the Service Manager, Shared Audit and Investigation Service. Feedback is sought from the Chair of the Audit Committee on the performance of the Assistant Director, Governance.
35. Timely reporting is a key part of Internal Audit and reporting takes place: -
 - a. To the responsible Director, Head of Service and Unit/Lead Specialist/Head Teacher at the conclusion of each audit review setting out an overall opinion and the main concerns.
 - b. To the Chief Executive and External Audit at the conclusion of each audit review (School's audits are issued to the Chair of Governors).
 - c. To the Audit Committee on a quarterly and on an annual basis and to the CLT on a regular basis, reporting progress against the Audit Plan, summarising the outcome of audit reviews, to highlight where management have not responded to audit concerns, to identify the progress made by management in implementing the treatment of concerns and to emphasise any other key issues.

- d. The annual report to the Audit Committee will also include an overall opinion on the strength of the governance arrangements and control environment (which will also contribute towards the production of the AGS) and an assessment of the system of internal control, as required by the Accounts and Audit Regulations 2015.

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TITLE	2018/19 Internal Audit and Investigation Q1 Progress Report
FOR CONSIDERATION BY	Audit Committee on 25 July 2018
WARD	None Specific;
DIRECTOR	Director of Corporate Services - Graham Ebers

OUTCOME / BENEFITS TO THE COMMUNITY

The Internal Audit and Investigation Progress Report details the work of the team from the 1 April 2018 to 30 June 2018. This is an update on the progress towards the formation of the Chief Audit Executive's annual audit opinion on the Council's internal control and governance framework, which forms part of the Annual Governance Statement. It provides assurance through the Audit Committee to the Council and the wider public that the Council is managing its key risks and identifies any weaknesses identified in the governance, risk management and internal control environment. This assurance supports the Council in the achievement of its vision, priorities, principles and objectives and provides for better and improved outcomes for our residents.

RECOMMENDATION

The Audit Committee is asked to note the 2018/19 Internal Audit and Investigation Quarter 1 Progress Report (attached).

SUMMARY OF REPORT

The report summarises the work completed by Internal Audit and Investigation during the period and enables the Committee to discharge its oversight function in relation to these activities.

The report provides the opportunity for the Assistant Director, Governance (and Chief Audit Executive) to provide details of the work undertaken this financial year and highlight any areas of weakness the Committee should be aware of.

Background

This Progress Report fulfils two functions for the Audit Committee:

- It enables the Committee to hold the Assistant Director, Governance (and Chief Audit Executive) to account for the performance of Internal Audit and Investigation.
- It facilitates the Audit Committee in holding management to account for managing weaknesses identified during the course of Internal Audit and Investigation activities.

Analysis of Issues

The Audit Committee should ensure that it receives the coverage, performance and results of Internal Audit and Investigation activity and any other appropriate additional assurances.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council faces severe financial challenges over the coming years as a result of the austerity measures implemented by the Government and subsequent reductions to public sector funding. It is estimated that Wokingham Borough Council will be required to make budget reductions in excess of £20m over the next three years and all Executive decisions should be made in this context.

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	N/A	Yes	N/A
Next Financial Year (Year 2)	N/A	Yes	N/A
Following Financial Year (Year 3)	N/A	Yes	N/A

Other financial information relevant to the Recommendation/Decision

Not applicable

Cross-Council Implications

Not applicable

Reasons for considering the report in Part 2

Not applicable

List of Background Papers

Not applicable

Contact Catherine Hickman	Service Governance
Telephone No 07885 983378	Email Catherine.Hickman@wokingham.gov.uk

Shared Audit and Investigation Service
Wokingham Borough Council Performance Report
2018/19 to 30 June 2018
Audit Committee 25 July 2018

2018/19 Quarterly Progress Report (to 30 June 2018)

1. Introduction

1.1 This report summarises the work of Internal Audit and Investigation to 30 June 2018.

2. Internal Audit

Performance against Audit Plan to 30 June 2018

- 2.1 Appendix A(I) presents progress made against the approved 2018/19 Internal Audit and Investigation Plan approved at the meeting of this Committee on 7 February 2018. We are reporting progress as at the 30th June 2018 and are actively managing the Audit Plan to take account of developments regarding the 21st Century Council initiative to ensure that our audit work is focussed on assisting the organisation to achieve its objectives and to add value.
- 2.2 There were 10 audits carried forward from 2017/18, 3 are at final report stage and 7 at draft report stage. For 2018/19 audits there are 13 that are work in progress and there is 1 grant certification.

Third Category Audit Opinion Reviews

- 2.3 There has been one audit review receiving the third category of audit opinion (Range of Risk Mitigation Controls is incomplete and risks are not effectively Mitigated) and no audit reviews receiving the fourth category of audit opinion (There is no effective Risk Management process in place) that has been completed to Final Report stage since the 2017/18 Annual Shared Audit and Investigation Service report submitted to the Audit Committee on 6 June 2018 that relate to the 2017/18 financial year. A summary of the issues relating to the audit receiving the third category of audit opinion is shown below.

Housing Rents Follow up

Considerable progress has been made to address the concerns raised last year, with the majority of countermeasures either implemented or near to being implemented. The former and current tenant arrears figures, however, have not reduced and collectively stand at approximately £900k as at 4 March 2018.

Despite the work that has been done, the audit opinion remains 3rd of 4 due to the amount of debt involved and the lack of reduction since the previous audit.

The levels had slightly reduced by mid-June when the final report was issued, but not significantly. However, considerable work has been carried out to improve the position in order to reduce the debt going forward.

- 2.4 Where concerns are classified as being Very High or High that have been tolerated by management, these are highlighted to the Audit Committee. There have been no cases in Quarter 1 of Very High or High concerns being tolerated by management.
- 2.5 Management are given one month between the draft and final reporting stage to address any countermeasures and, where applicable, improve the overall audit opinion. There was 1 audit (as shown in Appendix A(I)) during the quarter where the opinion was improved from the draft to final report stage. This was due to a) additional supporting evidence being supplied to reduce concerns and/or b) compensating or mitigating controls implemented by management to address concerns raised between the draft and final report stages.
- 2.6 Contingency days to date have been spent on consultancy work requested by management in the following areas. All are currently in progress and the outcome of the reviews will be reported in the next quarterly report:
- Planning Controls – Work in progress
 - Fosters Extra Care Scheme – Work in progress

3. Corporate Investigations

Regulation of Investigatory Powers Act

- 3.1 No new investigations have been undertaken during 2018/19 that has required Regulation of Investigatory Powers Act surveillance approval to be requested.

Audit and Investigation - Other Work Areas

Audit

IIA External Review Against the Public Sector Internal Audit Standards

- 3.2. As reported in the Annual Report submitted to the Audit Committee on 6 June 2018, Internal Audit service providers are required to have an independent external assessment every five years. As such, a consultant representing CIPFA was engaged to complete this external assessment during quarter 4 of this year.
- 3.3 The report was received in April where the service achieved a “Generally Compliant” category which is the top opinion and a small number of recommendations were made to ensure full compliance with the Standards, plus a number of advisory points raised to assist the development of the Shared Service and the achievement of best practice going ahead.
- 3.4 The Audit Committee should note that the Audit Charter has been updated and is attached as a separate report within this meeting’s agenda. We are currently working on the other recommendations and suggestions made in the PSIAS assessment action plan and progress will be reported to future meetings of the Audit Committee.

**2018/19 Wokingham Borough Council Internal Audit Plan Status
(as at 30 June 2018)**

AUDIT TITLE	DIRECTORATE	STATUS	DRAFT AUDIT REPORT OPINION	FINAL AUDIT REPORT OPINION
<u>2018/19 Audits</u>				
<u>Key Financial Systems</u>				
BACS, CHAPS and Cheques	Corporate Services	WIP		
Fixed Asset Register	Corporate Services	WIP		
<u>Governance Building Blocks</u>				
Performance Management	Cross Cutting	WIP		
Risk Management	Cross Cutting	WIP		
Constitution	Cross Cutting	WIP		
<u>Key Corporate Risks</u>				
21 st Century Council	Cross Cutting	WIP		
Vulnerable Child	People	WIP		
<u>Servicing the Business</u>				
Emmbrook Secondary School	Corporate Services	WIP		
Hawthorn Primary School	Corporate Services	WIP		
Keep Hatch Primary School	Corporate Services	WIP		
Sonning C of E School	Corporate Services	WIP		
Walter Infant School	Corporate Services	WIP		
Troubled Families Grant	People			C
<u>Consultancy</u>				
Planning Controls	Corporate Services	WIP		
Fosters Extra Care Scheme	People	WIP		
<u>2017/18 Audits Carried Forward</u>				
<u>Key Financial Systems</u>				
Housing Rents	Corporate Services	FINAL	3	3
General Ledger	Corporate Services	FINAL	2	2
Benefits/CTRS	Corporate Services	DRAFT	1	
Budgetary Control and Reporting	Corporate Services	DRAFT	2	
Capital Programme	Corporate Services	DRAFT	1	
Creditors	Corporate Services	DRAFT	2	
Debtors	Corporate Services	DRAFT	3	
Payroll	Corporate Services	DRAFT	2	
<u>Key Corporate Risks</u>				
21 st Century Council	Cross Cutting	FINAL	2	2
<u>Servicing the Business</u>				
Colleton Primary School	Corporate Services	FINAL	2	1

Audit Opinion – Legend	
1. Complete and Effective	<ul style="list-style-type: none"> ♦ All necessary Treatment Measures are in place and are operating effectively. ♦ Residual risks have been reduced to an acceptable level ♦ There are no unacceptable financial implications. ♦ Concerns reported are minor. <p>(Risk management processes are strong and controls are adequate and effective).</p>
2. Substantially Complete and Generally Effective	<ul style="list-style-type: none"> ♦ Most key Treatment Measures are in place and these operate effectively. ♦ The majority of residual risks have been reduced to an acceptable level. ♦ There are some unacceptable financial implications. ♦ The majority of concerns are of a predominately moderate impact/likelihood. <p>(Risk management processes are good and controls are adequate although only partially effective).</p>
3. Range of Risk Mitigation Controls is incomplete and risks are not effectively mitigated	<ul style="list-style-type: none"> ♦ Not all key Treatment Measures are in place and / or do not operate effectively ♦ Residual risks have not all been reduced to an acceptable level ♦ There are some unacceptable financial implications associated with more than one risk mitigation control or because of a lack of risk mitigation control. ♦ There are a number of concerns that are predominantly of a major impact/likelihood. <p>(Risk management processes and controls are adequate but not effective in mitigating the identified risks).</p>
4. There is no effective Risk Management process in place	<ul style="list-style-type: none"> ♦ There are no appropriate Treatment Measures in place. ♦ Residual risks remain at an unacceptable level ♦ Reported concerns are predominantly of a catastrophic or major impact/likelihood. <p>(Risk management processes and controls are weak).</p>
C	Certification
E	Exempt from classification

**WOKINGHAM BOROUGH COUNCIL'S AUDIT COMMITTEE FORWARD PROGRAMME –
2018/19 MUNICIPAL YEAR**

DATE OF EXTRAORDINARY MEETING	ITEM No.	ITEM DESCRIPTION	RESPONSIBLE OFFICER
Tuesday 18 September 2018	1.	Corporate Risk Register	Graham Ebers, Director Corporate Services

DATE OF MEETING	ITEM No.	ITEM DESCRIPTION	RESPONSIBLE OFFICER
Wednesday 7 November 2018	1.	External Audit Progress Report	Ernst & Young
	2.	2018/19 Audit Plan	Ernst & Young
	3.	External Audit Annual Audit Letter 2017/18	Ernst & Young
	4.	Treasury Management Mid-Year Report 2018/19	Graham Ebers, Director Corporate Services
	5.	Internal Audit and Investigation Q2 Progress Report 2018/19	Shared Audit and Investigation Service
	6.	Corporate Risk Register review	Graham Ebers, Director Corporate Services
	7.	Update on Town Centre regeneration	Bernie Pich, Regeneration
	8.	Update on 21st century Council governance arrangements	Andrew Moulton, Assistant Director Governance
	9.	Update on International Financial Reporting Standard 15	Graham Ebers, Director Corporate Services

39

Agenda Item 28.

**WOKINGHAM BOROUGH COUNCIL'S AUDIT COMMITTEE FORWARD PROGRAMME –
2018/19 MUNICIPAL YEAR**

	10.	Update on exceptions identified within the Annual Governance Statement	Andrew Moulton, Assistant Director Governance
	11.	Update on progress made against actions identified within the External Audit Quality Assessment of Conformance to the Public Sector Internal Audit Standards action plan.	Shared Audit and Investigation Service

Risk management training prior to meeting.

DATE OF MEETING	ITEM No.	ITEM DESCRIPTION	RESPONSIBLE OFFICER
Wednesday 6 February 2019	1.	Certification of Claims and Returns – Annual Report 2017/18	Ernst & Young
	2.	Certification of Claims and Returns – Claims and Returns Organised by Local Authorities.	Graham Ebers, Director Corporate Services
	3.	Treasury Management Strategy 2018/19	Graham Ebers, Director Corporate Services
	4.	Corporate Risk Register Update	Graham Ebers, Director of Corporate Services
	5.	Update on changes to accounting policies	Graham Ebers, Director of Corporate Services
	6.	Internal Audit and Investigation Q3 Progress Report 2018/19	Shared Audit and Investigation Service