



NOTICE OF MEETING

Governance & Audit Committee

Wednesday 28 March 2018, 7.30 pm

**Council Chamber, Fourth Floor, Easthampstead House, Town Square,
Bracknell, RG12 1AQ**

To: The Governance & Audit Committee

Councillor Allen (Chairman), Councillor Thompson (Vice-Chairman), Councillors Heydon, Leake, McLean, Ms Miller, Mrs Temperton and Worrall

cc: Substitute Members of the Committee

Councillors Mrs Hayes MBE, Dr Hill, McCracken, Mrs McKenzie-Boyle and Peacey

ALISON SANDERS
Director of Resources

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Published: 19 March 2018



Governance & Audit Committee
Wednesday 28 March 2018, 7.30 pm
Council Chamber, Fourth Floor, Easthampstead House, Town
Square, Bracknell, RG12 1AQ

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AGENDA

Page No

1. **Apologies for Absence**

To receive apologies for absence and to note the attendance of any substitute members.

2. **Declarations of Interest**

Members are asked to declare any disclosable pecuniary or affected interests in respect of any matter to be considered at this meeting.

Any Member with a Disclosable Pecuniary Interest in a matter should withdraw from the meeting when the matter is under consideration and should notify the Democratic Services Officer in attendance that they are withdrawing as they have such an interest. If the Disclosable Pecuniary Interest is not entered on the register of Members interests the Monitoring Officer must be notified of the interest within 28 days.

Any Member with an affected Interest in a matter must disclose the interest to the meeting. There is no requirement to withdraw from the meeting when the interest is only an affected interest, but the Monitoring Officer should be notified of the interest, if not previously notified of it, within 28 days of the meeting.

3. **Minutes of previous meeting**

To approve as a correct record the minutes of the meetings of the Committee held on 31 January 2018.

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4. **Urgent Items of Business**

Any other items which, pursuant to Section 100B(4)(b) of the Local Government Act 1972, the Chairman decides are urgent.

5. **External Audit Update**

To consider the Council's External Auditor's update report including a focus on faster accounts closedown and audit.

11 - 18

6. **Internal Audit Plan 2018-19**
To approve the Internal Audit Plan for 2018/19. 19 - 30
7. **Internal Audit Charter**
To approve the updated Internal Audit Charter. 31 - 46

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GOVERNANCE & AUDIT COMMITTEE
31 JANUARY 2018
7.30 - 8.50 PM



Bracknell Forest Borough Council:

Councillors Allen (Chairman), Thompson (Vice-Chairman), Heydon, Leake, Mrs Temperton and Worrall

Apologies for absence were received from:

Councillor McLean

20. Declarations of Interest

There were no declarations of interest.

21. Minutes of the previous meeting

It was noted that Helen Thompson from Ernst & Young was recorded as being at the meeting on 20 September 2017 when she had not been present.

RESOLVED that subject to the above amendment being made, the minutes of the meeting of the committee held on the 20 September 2017 be approved as a correct record, and signed by the Chairman.

22. Urgent Items of Business

There were no urgent items of business.

23. 2017/18 External Audit Planning Board Report

Helen Thompson, Associate Partner, Ernst & Young, attended the meeting to present the Audit plan covering the 2017/18 financial year.

Helen Thompson introduced Justine Thorpe, Auditor, Ernst & Young, who would be taking over the audit management role.

The Committee considered the initial risk identification for the upcoming audit and changes in risks identified in the current year. Two new risks had been identified for 2017/18:

- The Council was required to prepare group accounts for the first time as the Council's local housing company had increased its activity to a material value during 2017/18 - this would be an area of focus to ensure the accounting was correct, and

- For 2017/18, officers would be changing the method of calculating its MRP from the straight line method to the annuity method which they considered to be more appropriate.

The Committee noted that as a result of the Government being keen to improve the timeliness of audit reporting by all organisations in 'UK PLC', from 2017/18 the timetable for the preparation and approval of accounts had been brought forward with draft accounts needing to be prepared by 31 May and publication of audited accounts by 31 July. This had successfully been achieved and resources were planned and ongoing discussions were taking place on how to bring audit results forward without impacting on year-end pressures. The consequence of not meeting the earlier deadlines would not be financial or legal but would mean the Council would receive a delayed opinion which could attract a reputational consequence, the impact of which was variable dependent upon press attention.

It was noted that the Council's pension fund was administered by Windsor & Maidenhead and overseen by KPMG and the role of the Auditor was to confirm information supplied to them was able to be relied upon to ensure that any financial transactions were reliable. For example, this would include changes in membership data which would impact on the Council's pension fund liability.

RESOLVED that the Audit plan for the 2017/18 financial year be noted.

24. **2016/17 Grant Certification Report**

Helen Thompson, Associate Partner, Ernst & Young, presented to the Committee the report on the result of the grant claims audit for 2016/17.

Housing benefit subsidy claims with a total value (in terms of subsidy claimed) of £31,313,050 had been checked and certified. A qualification letter was issued on the submission deadline date of 30 November 2017, the details of which were included in the report. The certification work found errors which resulted in extra testing and extrapolation in a qualification letter, as per the PSAA's Module 1 guidance. However, no amendments were made to the claim as a result of the work. The Committee was advised that the Council had completed the testing workbooks for the 2016-17 housing benefit work and would therefore be provided with a 20% discount on the fee for this work.

The Committee was pleased to note the number of errors found had been low. The sample tested had been small and could not be considered a statistical sample but the testing had followed the requirement set by the DWP. Where errors had been found that amounted to an underpayment being made to a claimant, those cases were reviewed internally to ensure the affected claimants were given the right amount of benefit. From 2018-19, the Council would be responsible for appointing a suitably qualified auditor to undertake the certification of the housing benefit subsidy claim in accordance with the Housing Benefit Assurance Process (HBAP) requirements that were being established by the DWP.

RESOLVED that the External Auditor's Annual Report on grant claims and returns for 2016/17 be noted.

25. **Contract Standing Orders**

Stuart McKellar, Borough Treasurer presented the report which sought a recommendation to Council on changes to Contract Standing Orders, which formed part of the Council's Constitution. The changes were principally to reflect the need to transform procurement processes in line with the approach taken to the Council Wide Support Services review. Specifically, the aim was to make procurement practices and processes more streamlined and more commercial, though the opportunity had also been taken to make other minor changes.

As part of the Council Wide Support Services review, a 10% reduction in staffing costs had been secured in all support services, including Procurement.

The proposed changes to Contract Standing Orders reduced the decision points in the procurement process and increased the thresholds above which decisions must formally be taken to Executive Members and the Executive. This meant that procurement plans above the thresholds stated in the "tick sheets" would now be approved by the Executive, as opposed to just an Executive Member, bringing greater visibility to this key stage. For example, for Supplies & Services, Works and Social & Other Specific Services, this applied to Contracts valued at >£1m.

Councillor Leake perceived that the decision to approve high value Contracts at the beginning of the Procurement Plan process rather than at the Contract Award stage would amount to a lack of Member involvement and lack of transparency. Stuart McKellar said that the change was intended to provide more input and accountability for higher value expenditure at the beginning of the process by reducing the number of awards presented only at the end of the procurement process to Members or to Executive for decision and to reduce the period between tender evaluation and formal award due to the lengthy lead-in time for formal decision making. Councillor Leake said he was concerned that whilst the strategic procurement plan would be included in a PRG paper, not enough time would be allowed for Members to put forward their views before the process moved forward.

RECOMMENDED to Council that adoption of the proposed changes to the Contract Standing Orders set out in the report and in Appendices A and B to the Borough Treasurer's report be agreed.

It was noted that Councillors Leake and Mrs Temperton did not agree to the recommendation but it was carried 3 to 2.

26. **Internal Audit Interim Report**

Stuart McKellar, Borough Treasurer presented the Committee with the report summarising Internal Audit activity during the period April to December 2017.

The report summarised progress and outcome of work carried out by both internal audit contractors and the in-house team in accordance with the Annual Internal Audit Plan.

Delivery against the planned programme was on track with the majority of quarter 1-3 audits finalised, issued in draft, or already in progress.

An update on the limited assurance opinions given in 2016/17 was noted by the Committee in Appendix B of the report. This showed that as at December 2017, follow up audits had been finalised in 12 cases and in 8 out of 12 cases this established that the significant issues previously found had been addressed.

RESOLVED that the Internal Audit Interim Report be noted.

27. **Strategic Risk Register**

Stuart McKellar, Borough Treasurer presented the Committee with an updated Strategic Risk Register. In accordance with the Risk Management Strategy the Strategic Risk Register had been updated and reviewed by the Strategic Risk Management Group (SRMG) on a quarterly basis and by the Corporate Management Team (CMT) at least twice a year.

Key changes in the updated Register were:

- A reduction in the Finance risk to reflect reduced budget pressures, making this now an amber rather than red risk.
- The combining of risks that a) jobs in the town centre impact on Council and Council contractors ability to recruit and b) loss of key staff. This was being tracked in part around Social Care providers.
- Reducing the risk on school places as proposals were now being put forward hence reducing this from red to amber.
- To remove the risk on the Coral Reef project which had now been delivered.
- Reducing the safeguarding risk following the outcome of the OFSTED inspection hence reducing this from red to amber.
- The risk on IT had been reframed to focus on the IT Strategy implementation and now incorporated cyber risks.
- With respect to the risk on the Binfield Learning Village, it was expected that the next monthly report on the programme would indicate it was no longer a red risk but would move to amber. If this was confirmed, CMT's view was that the project would continue to be closely monitored by CMT acting as the Programme Board but should not be included in the Strategic Risk Register.

The Committee was advised that whilst the Coral Reef scheme had overspent against budget, the matter was being addressed.

The Committee was advised that Nikki Edwards, Director of Children, Young People and Learning, was comfortable with the reduction in the risk related to safeguarding from red to amber even with the loss of staff following the successful OFSTED inspection.

The Committee was advised that the risk in respect of Binfield Learning Village related to the absence of a proper electrical connection to the site and the concern that SSE would not be able to install the connection in time for the planned opening.

With regard to the risk that the Council and its outsourced providers were unable to recruit and retain staff, the loss of key Council staff through redundancy, retirements, etc. and the management of services with reduced capacity, Councillor Mrs Temperton said vacancy and absenteeism rates, particularly in relation to sickness, were also needed in order to assess the health, wellbeing and strength of the Council. Stuart McKellar said he would question the reporting of these issues with Nikki Gibbons, Chief Officer, Human Resources. The Committee noted that the problems of vacancy rates and retention and absenteeism of staff was primarily in Adult Social Care due to the increasing demand for its services and in Children's Social Care due to high caseloads. Additionally, the Council had a good reputation which led to a loss of staff who had been poached by other Local Authority's and a struggle to attract new staff due to the high cost of living in the area.

RESOLVED that the Committee's comments be noted.

28. Treasury Management Report 2018/19 and the 2017/18 Mid-Year Review

Stuart McKellar, Borough Treasurer presented the report which updated Members on progress in 2017/18 and asked them to review the Treasury Management Report for 2018/19 to be submitted to Council for approval.

The Committee was advised that no changes were proposed to the report. However, there was one significant difference in that as at 31 December 2017, the Council was now in a borrowing position which included £70m of PWLB loans. The report set out the amount, interest rate and start and end date of each of the 6 loans and it was noted that the loan for £20m (the other five each being for £10m) was a short-term loan of 7 years which accounted for the low interest rate of 1.85%, whilst the other long-term loan interest rates ranged from 2.41% - 2.60%.

RESOLVED that:

- i) the Mid-Year Review Report be considered and reviewed;
- ii) the Mid-Year Review Report be circulated to all Members of the Council; and
- iii) the Treasury Management Report for 2018/19 be recommended to Council.

29. Auditor Appointment

Stuart McKellar, Borough Treasurer notified the Committee of the conclusion of the Public Sector Auditor Appointment (PSAA) collective procurement process to appoint an External Auditor from the 2018/19 financial year.

At its meeting on 27 January 2017 the Committee agreed to recommend to Council that Bracknell Forest join the Public Sector Auditor Appointments collective procurement arrangement to appoint an External Auditor from the 2018/19 financial year. The PSAA wrote to Chief Executives and Chief Finance Officers to advise that the process had concluded that Ernst and Young should be re-appointed as the Council's auditor and as such there was no reason to object, given that the relationship with the firm was a constructive one.

There was a risk of over-familiarity to be addressed as Helen Thompson was entering her seventh year of working on the Council's account when the usual term was five years with an extension of up to two years. This meant that the

2017/18 audit would be Helen's final audit and Ernst and Young had proposed a managed transition of their senior managers, which would be overseen by Helen, in order to ensure that an appropriate level of independence was maintained over time.

RESOLVED that the appointment of Ernst & Young LLP as the Council's External Auditor from the 2018/19 financial year through the collective procurement process run by PSAA be noted.

CHAIRMAN

**TO: GOVERNANCE AND AUDIT COMMITTEE
28 MARCH 2018**

EXTERNAL AUDIT UPDATE BOROUGH TREASURER

1 PURPOSE OF REPORT

- 1.1 To enable the Council's External Auditor to present to the Committee an update report including a focus on faster accounts closedown and audit.

2 RECOMMENDATION

- 2.1 **The Committee notes the report from the External Auditor.**

3 REASONS FOR RECOMMENDATION(S)

- 3.1 To ensure that the Committee is kept up to date with issues affecting the audit of the Council's accounts.

4 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 None available.

5 SUPPORTING INFORMATION

- 5.1 The Council's External Auditor Ernst and Young has provided the Committee a report setting out arrangements to achieve faster close and audit of the accounts, as required by the Accounts and Audit Regulations. Helen Thompson, Director, Ernst and Young will attend the meeting to present the report and answer questions.

6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 6.1 Nothing to add to the report.

Borough Treasurer

- 6.2 Nothing to add to the report.

Equalities Impact Assessment

- 6.3 Not applicable

Strategic Risk Management Issues

- 6.4 None arising from this report.

Other Officers

- 6.5 Not applicable

7 CONSULTATION

Principal Groups Consulted

- 7.1 Not applicable

Background Papers

Report from the External Auditor

Contact for further information

Stuart McKellar, Borough Treasurer - 01344 352180

Stuart.mckellar@bracknell-forest.gov.uk

Bracknell Forest Council

Governance & Audit Committee Progress Report

March 2018



Governance & Audit Committee
Time Square
Market Street
Bracknell
Berkshire
RG12 1JD

28 March 2018

Audit Progress Report

We are pleased to attach our Audit Progress Report.

This progress report summarises the work we have undertaken since the last meeting of the Governance & Audit Committee in January 2018.

Our audits are undertaken in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.

We welcome the opportunity to discuss this report with you at your meeting on 28 March 2018.

Yours faithfully

Helen Thompson
Associate Partner
For and on behalf of Ernst & Young LLP
Enc.

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued “Statement of responsibilities of auditors and audited bodies”. It is available from the via the PSAA website (www.PSAA.co.uk).

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The “Terms of Appointment (updated February 2017)” issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Governance & Audit Committee and management of Bracknell Forest Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Governance & Audit Committee, and management of Bracknell Forest Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Governance & Audit Committee, and management of Bracknell Forest Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

Progress on 2017/18 external audit

Our planning procedures for 2017/18 are complete, and our audit plan was presented to the 31 January Governance & Audit Committee meeting. We have also undertaken our walkthroughs of key financial systems for 2017/18 as part of our planning and risk assessment audit work.

We performed our interim audit in February and completed the following:

- Use of data analytics tools for an efficient selection and testing of samples for months 1 to 10 testing.
- Good progress has been made in completing the planned programme of interim substantive testing, with samples being tested for income and expenditure, payroll, and property, plant and equipment (PPE). The challenge of meeting the faster close deadline of 31 July remains considerable, but the work completed during our interim audit will make a significant contribution to doing so.
- Early work is underway to address some of the areas of focus identified in our audit plan, principally around the Council's group accounts assessment, accounting estimates and accounting policies (the last two forming part of our work to address the risk of management override).
- Value for Money work on the Council's arrangements for the production of a sustainable medium term financial plan.
- We have held regular catch-up meetings with the Borough Treasurer and the finance team to update on audit progress, discuss and resolve audit issues promptly, and to identify any further steps which may need to be put in place for the year-end audit visit.

Our year-end audit is due to commence on 4 June 2018. In advance of this visit, we are meeting with finance staff again on 3 April to discuss our detailed working papers request to help ensure the audit can commence promptly on the agreed date. We will also maintain an open dialogue with officers to understand any issues emerging from the production of the financial statements and the supporting working papers.

Appendix 1 – Faster Close Key Messages

Following the discussion held at the 31 January 2018 Governance & Audit Committee meeting as part of presenting our audit plan, we have set out below the key messages which we are communicating consistently to all authorities with regard to the earlier timetable for accounts production and audit completion for 2017/18. We would be happy to discuss this again at your March Committee meeting if you would like to do so.

The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines for the 2017/18 financial year. For this year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the accounts by 31 July.

These changes provide risks for both the preparers and the auditors of the financial statements:

- The Council now has less time to prepare the financial statements and supporting working papers. Risks to the Council include internal quality assurance arrangements, late working papers, and slippage in delivering data for analytics work in format and to the timescales required.
- As your auditor, we have a more significant peak in our audit work and a shorter period to complete the audit. Risks for auditors relate to delivery of all audits within the same compressed timetable. Slippage at one client could potentially put delivery of others at risk.

To mitigate this risk we will require:

- good quality draft financial statements and good supporting working papers by the agreed deadline of 4 June;
- appropriate Council staff to be available throughout the agreed audit period; and
- complete and prompt responses to audit questions and information requests.

If you are unable to meet key dates within our agreed timetable, we will notify you of the impact on the timing of your audit, which may include postponing your audit until later in the summer and redeploying the team to other work to meet deadlines elsewhere.

Where additional work is required to complete your audit, due to additional risks being identified, additional work being required as a result of scope changes, or poor audit evidence, we will notify you of the impact on the fee and the timing of the audit. Such circumstances may result in a delay to your audit while we complete other work elsewhere.

To support the Council we will:

- work with the Council to engage early to facilitate early substantive testing where appropriate.
- provide an early review on the Council's streamlining of the Statement of Accounts where non-material disclosure notes are removed.
- continue to work with the Council to implement EY Client Portal, this will:
 - streamline our audit requests through a reduction of emails and improved means of communication;
 - provide on –demand visibility into the status of audit requests and the overall audit status;
 - reduce risk of duplicate requests; and
 - provide better security of sensitive data.
- Agree the team and timing of each element of our work with you.
- Agree the supporting working papers that we require to complete our audit.

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**TO: GOVERNANCE AND AUDIT COMMITTEE
28 MARCH 2018**

INTERNAL AUDIT PLAN 2018/19 Head of Audit and Risk Management

1 PURPOSE OF REPORT

- 1.1 The purpose of this report is to set out the underlying principles applied in the Internal Audit planning process and seek the Governance and Audit Committee's approval of the Internal Audit Plan for 2018/19. It should be noted that the planned IT audits are provisional as proposals will be discussed with the new Chief Officer: ICT once he is settled into post.

2 EXECUTIVE SUMMARY

- 2.1 To review and approve the Annual Internal Audit Plan.

3 RECOMMENDATION

- 3.1 **To approve the Internal Audit Plan for 2018/19 attached at Appendix 1.**

4 REASONS FOR RECOMMENDATION

- 4.1 To ensure that the Council meets its statutory responsibilities for internal audit.

5 ALTERNATIVE OPTIONS CONSIDERED

- 5.1 There is no alternative option.

6 SUPPORTING INFORMATION

INTERNAL AUDIT PLAN

Internal Audit Requirements

- 6.1 All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2015. The latter states that authorities must "undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance." The Council delegates its statutory responsibilities for the provision of the internal audit service under the Accounts and Audit (England) Regulations 2015 to the Borough Treasurer.
- 6.2 More specifically, Internal Audit aims to: -
- satisfy the legal requirements of a Local Authority Internal Audit Service and provide an annual opinion on the adequacy of the Council's control environment risk management and governance processes;
 - comply with Public Sector Internal Audit Standards;

- examine, evaluate and report independently and objectively on the adequacy of management's arrangements to secure the proper use of resources (economy, efficiency and effectiveness);
- assist management in achieving its objectives, managing its risks and establishing and maintaining adequate systems of internal control;
- assist management, where appropriate, in the investigation of alleged fraud, theft, corruption or other irregularity; and
- ensure External Audit can place reliance on Internal Audit's work to inform their planning, avoid duplication and minimise audit fees.

6.3 Internal Audit provides independent assurance on the control environment but for Internal Audit to provide full assurance on all activities and transactions across the organisation, the Council would need to commit significantly more resources to internal audit services than is realistically available. Historically, the Council has taken the view that spend on internal audit should be limited to only what is necessary to undertake sufficient audit work to enable an annual evidence based opinion to be given. In the current financial climate that approach has and will be maintained. Full assurance could only ever be achieved by checking every transaction and this would not deliver value for money. Internal Audit's work is planned so that Members and Officers can rely on Internal Audit to detect significant control weaknesses for the areas audited and transactions sampled and is hence directed to areas of greatest risk.

6.4 Managing the risk of fraud and corruption is the responsibility of managers. Internal Audit will however be alert in all its work to the risk of fraud and corruption. In addition, a number of probity audits are included in the Plan to provide assurance over the proper administration of the Authority's activities. In drawing up the annual Internal Audit Plan, focus has been placed on ensuring there is coverage of areas where there is potential risk of internal or external abuse of processes for fraudulent purposes. In addition, a number of days have been targeted for proactive Counter Fraud work and training during 2018/19.

Development of the Annual Internal Audit Plan

6.5 Given the finite resources available to spend on internal audit, the Internal Audit Plan seeks to optimise the limited resources available to provide assurance on the control environment. It is largely risk driven to ensure optimum use of audit resources.

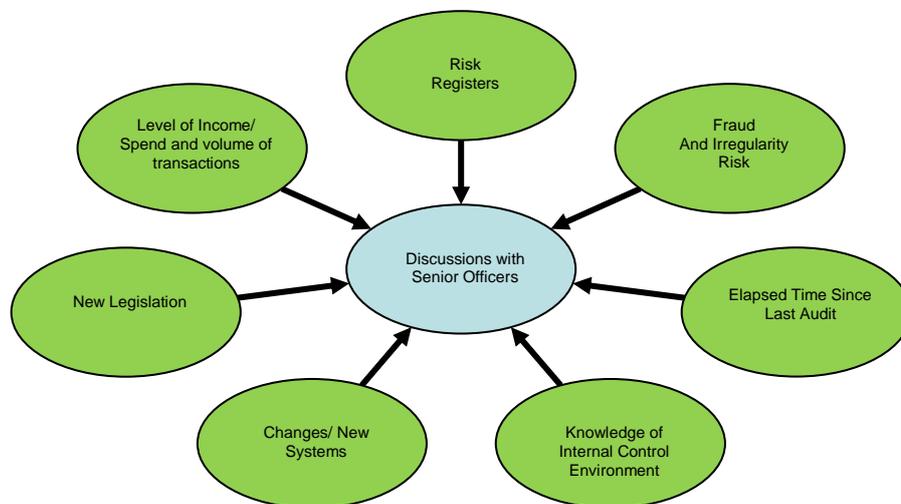
6.6 The process begins with listing audits that have been given a limited assurance opinion in the previous 12 months as our procedure is to re-visit these in the following year and grants requiring audit sign off as a condition of funding. Expenditure and income streams in each directorate are then reviewed to identify those areas of highest value. Directorate risk registers are used to identify significant risk areas. Key IT systems particularly those with direct financial and financial reporting impact are identified. Minutes are reviewed to identify potential changes such as upgrades or new IT systems.

6.7 Fraud and irregularity is a key risk for all local authorities. Whilst as noted above, the responsibility for managing this risk rests with managers, the potential risk of fraud and irregularity is taken into account when developing the audit plan thus ensuring there is adequate audit coverage of areas of greatest risk such as where there is cash income. In addition for 2018/19, to address potential fraud risks that are often

common to all local authorities, the Plan includes a number of days for proactive counter fraud work and for fraud awareness training following on from the training provided in Adult Social Care Health and Housing and Environment, Culture and Communities during 2016/17.

- 6.8 Heads of Internal Audit are required to give an opinion on the effectiveness of governance and risk management arrangements. This will be addressed through audits such as officers expenses, gifts and hospitality and social media.
- 6.9 Having identified these potential areas for audit focus these are then listed and plotted against audit coverage over the last few years to establish a preliminary view of where audit resources might be directed for the forthcoming year. This is then discussed at one to one meetings with officers. This is a vital element of the methodology for developing the plan. Discussions are held with the Chief Executive, Borough Treasurer, Directors, Chief Officers, Group Accountants and IT officers. These discussions provide the opportunity for the Head of Audit and Risk Management to confirm her knowledge of new legislation and systems and their potential impact, seek input officers on the areas that would benefit from audit review and ensure proposed audits cover all major risks and areas of concern that could impact on delivery of the Council's strategic themes.

Figure 1



- 6.10 The proposed plan of audits developed from the discussion meetings as at Appendix 1 is finally cross-checked against the Strategic Risk Register to ensure that there is adequate audit coverage against all key risks. A summary of the main audits against each strategic risk is attached at Appendix 2.
- 6.11 The plan at Appendix 1 of audits indicates where the audit relates to a key financial system or is included to provide assurance on governance, risk management or address the risk of fraud (probity).
- 6.12 The approach to school audits was changed in 2017/18 after senior management and Members queried the practice of each school being subject to an audit visit at least every 3 years and a robust audit of financial and governance controls undertaken. The necessity to do this was challenged and senior management were

also keen that Audit undertake more themed audits. It is in the interests of the Council for schools to be financially sustainable and therefore to have sound financial and governance controls and our audits over the past few years have highlighted some significant weaknesses which would not have been identified or addressed if the audits had not taken place. In the view of the Head of Audit and Risk Management it would not be appropriate to cease all individual school audits but a reduction in audits was achieved in 2017/18 and will again be achieved in 2018/19 by carrying out a risk assessment of each school due for audit on rotation to determine if an audit visit is not required. This approach is set out in the CYPL section of the audit plan in Appendix 1. It should be noted that as with any area, regular internal audit of schools is a fraud deterrent and the reduction in audit coverage increases fraud risk.

Resourcing Delivery of the Audit Plan

- 6.13 Delivery of the audits in the Council's internal audit plan is outsourced. Internal audit services are delivered via two main sources. Mazars LLP are expected to deliver approximately three quarters of the 2018/19 general internal audit reviews. Whilst a small proportion of general audits are carried out in-house, most of the remaining one third of the Annual Internal Audit Plan audits will be undertaken by the-house Internal Audit Team at Wokingham Borough Council, via an agreement under a S113 of the Local Government Act 1972 which permits local authorities to provide staffing resources to other authorities. IT audit will be delivered by TIAA Ltd.

7 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 7.1 There are no specific legal implications arising from the recommendation in this report

Borough Treasurer

- 7.2 The work of Internal Audit is key to fulfilment of the section 151 responsibilities by identifying weaknesses in internal control arrangements that can then be rectified. The Internal Audit Plan will delivered within the financial budget allocated.

Equalities Impact Assessment

- 7.3 Not applicable.

Strategic Risk Management Issues

- 7.4 Robust internal audit arrangements are an important part of effective risk management. Audit plans should be targeted to areas of greatest risk to the Council and individual internal audit reviews should focus on controls in place to mitigate risk and highlight any gaps in assurance.

8 CONSULTATION

Principal Groups Consulted

- 8.1 The Chief Executive, Borough Treasurer, Directors and Chief Officers at the Council, the Council's external auditors and the Council's internal audit services contractors (Mazars and TIAA).

Method of Consultation

- 8.2 The development of the Annual Internal Audit Plan for 2018/19 has involved extensive consultation with a range of stakeholders, to ensure that their views on risks and current issues, within individual departments and corporately, are identified and considered. This was based on one to one discussion with the Borough Treasurer, Directors, chief officers and Group Accountants followed by discussions with the Corporate, Departmental Management and Operational IT Management teams. Feedback was also been sought from the Chief Executive and from Mazars and TIAA as our key internal audit service providers for general and IT audit . Feedback on the content of the draft Plan and timing of audits has been taken into account in the Plan attached at Appendix 1.

Representations Received

- 8.3 Not applicable.

Background Papers

Public Sector Internal Audit Standards
Contact for further information
Sally.hendrick@bracknell-forest.gov.uk
01344 352092

SUMMARY OF ANNUAL INTERNAL AUDIT PLAN 2018/19

| AUDIT | DAYS BY QUARTER | | | | TOTAL DAYS |
|---------------------------------------|-----------------|-----|-----|----|------------|
| | Q1 | Q2 | Q3 | Q4 | |
| COUNCIL WIDE AUDITS | 16 | 32 | 8 | 2 | 58 |
| RESOURCES | 40 | 38 | 70 | 32 | 180 |
| ENVIRONMENT CULTURE AND COMMUNITIES | 15 | 31 | 3 | 25 | 74 |
| ADULT SOCIAL CARE, HEALTH AND HOUSING | 17 | 11 | 32 | 10 | 70 |
| CHILDREN, YOUNG PEOPLE AND LEARNING | 19 | 7 | 36 | 10 | 72 |
| TOTAL | 107 | 119 | 149 | 79 | 454 |

COUNCIL WIDE AUDITS

| AUDIT | Days | Qtr 1 | Qtr 2 | Qtr 3 | Qtr 4 | Key System | Link to Strategic Risk | Probity | Governance |
|----------------------------------|-----------|-----------|-----------|----------|----------|------------|------------------------|---------|------------|
| COUNCIL WIDE | | | | | | | | | |
| Officer Expenses | 7 | 7 | 0 | 0 | 0 | | | ✓ | ✓ |
| Apprenticeship Levy | 4 | 4 | 0 | 0 | 0 | | | | ✓ |
| Absence Management | 8 | 0 | 0 | 8 | 0 | | | ✓ | ✓ |
| Budgeting | 10 | 0 | 10 | 0 | 0 | ✓ | ✓ | ✓ | ✓ |
| Delegations | 6 | 0 | 6 | 0 | 0 | | | ✓ | ✓ |
| Cleaning Contract | 5 | 5 | 0 | 0 | 0 | | | ✓ | ✓ |
| Bracknell Forest Lottery | 2 | 0 | 0 | 0 | 2 | | | | ✓ |
| Gifts and Hospitality | 4 | 0 | 4 | 0 | 0 | | | | |
| Counter Fraud Training | 2 | 0 | 2 | 0 | 0 | | | ✓ | ✓ |
| Proactive fraud work | 10 | 0 | 10 | 0 | 0 | | | ✓ | ✓ |
| TOTAL COUNCIL WIDE AUDITS | 58 | 16 | 32 | 8 | 2 | | | | |

RESOURCES

| AUDIT | Days | Qtr 1 | Qtr 2 | Qtr 3 | Qtr 4 | Key System | Link to Strategic Risk | Probity | Governance |
|---|------|-------|-------|-------|-------|------------|------------------------|---------|------------|
| Creditors including Controcc transactions | 15 | 0 | 0 | 0 | 15 | ✓ | ✓ | ✓ | ✓ |
| Debtors including Controcc transactions | 6 | 0 | 0 | 6 | 0 | ✓ | ✓ | ✓ | ✓ |
| Main Accounting including reconciliations | 10 | 0 | 10 | 0 | 0 | ✓ | ✓ | ✓ | ✓ |
| Payroll and pre | 15 | 0 | 0 | 15 | 0 | ✓ | ✓ | ✓ | ✓ |

| AUDIT | Days | Qtr 1 | Qtr 2 | Qtr 3 | Qtr 4 | Key System | Link to Strategic Risk | Probity | Governance |
|--|------------|-----------|-----------|-----------|-----------|------------|------------------------|---------|------------|
| employment checks | | | | | | | | | |
| Cash Management | 7 | 0 | 0 | 7 | 0 | ✓ | ✓ | ✓ | ✓ |
| Council Tax | 8 | 0 | 0 | 8 | 0 | ✓ | ✓ | ✓ | ✓ |
| Business Rates | 9 | 0 | 0 | 9 | 0 | ✓ | ✓ | ✓ | ✓ |
| Mayor's fund | 2 | 2 | 0 | 0 | 0 | | | ✓ | ✓ |
| Registrars | 5 | 0 | 5 | 0 | 0 | | | ✓ | ✓ |
| Home to School Transport Follow Up (P1 recommendation 2017/18) | 3 | 3 | 0 | 0 | 0 | | ✓ | ✓ | ✓ |
| Minor capital works | 5 | 0 | 5 | 0 | 0 | | ✓ | ✓ | ✓ |
| IT AUDIT (PROVISIONAL) Disaster Recovery Follow Up (P1 recommendation 2017/18) | 3 | 3 | 0 | 0 | 0 | ✓ | ✓ | | ✓ |
| iTrent Follow Up (Ltd 2017/18) | 3 | 0 | 0 | 3 | 0 | | | | ✓ |
| Cyber security/VOIP Follow Up (Ltd 2017/18) | 3 | 0 | 3 | 0 | 0 | | ✓ | ✓ | ✓ |
| Enterprise Agreement programme management | 7 | 7 | 0 | 0 | 0 | ✓ | ✓ | ✓ | ✓ |
| IT asset management | 7 | 7 | 0 | 0 | 0 | ✓ | ✓ | ✓ | ✓ |
| Social Media | 8 | 8 | 0 | 0 | 0 | | ✓ | ✓ | ✓ |
| Agresso | 7 | 0 | 0 | 7 | 0 | ✓ | ✓ | ✓ | ✓ |
| Helpdesk | 7 | 0 | 0 | 0 | 7 | | ✓ | | |
| IT AUDIT CONTINGENCY | 10 | 0 | 5 | 5 | 0 | | | | |
| CONTINGENCY | 40 | 10 | 10 | 10 | 10 | | | | |
| TOTAL RESOURCES | 180 | 40 | 38 | 70 | 32 | | | | |

ENVIRONMENT CULTURE AND COMMUNITIES

| AUDIT | Days | Qtr 1 | Qtr 2 | Qtr 3 | Qtr 4 | Key System | Link to Strategic Risk | Probity | Governance |
|---|------|-------|-------|-------|-------|------------|------------------------|---------|------------|
| Reactive highways maintenance | 7 | 0 | 7 | 0 | 0 | | ✓ | ✓ | ✓ |
| Continental-contract landscape and street cleansing | 5 | 5 | 0 | 0 | 0 | | ✓ | ✓ | ✓ |
| Brown bins- management by contractor | 3 | 3 | 0 | 0 | 0 | | | ✓ | ✓ |
| Leisure Contract Management | 10 | 0 | 10 | 0 | 0 | | | ✓ | ✓ |
| Libraries including use of volunteers | 6 | 0 | 0 | 0 | 6 | | | ✓ | ✓ |
| Concessionary Fares | 7 | 7 | 0 | 0 | 0 | | | ✓ | ✓ |
| CIL/S106 | 7 | 0 | 7 | 0 | 0 | | | ✓ | ✓ |
| Highways Adoptions | 6 | 0 | 0 | 0 | 6 | | | ✓ | ✓ |
| Development Controls | 5 | 0 | 0 | 0 | 5 | | | ✓ | ✓ |

| AUDIT | Days | Qtr 1 | Qtr 2 | Qtr 3 | Qtr 4 | Key System | Link to Strategic Risk | Probity | Governance |
|---|-----------|-----------|-----------|----------|-----------|------------|------------------------|---------|------------|
| Land charges | 3 | 0 | 0 | 3 | 0 | | | ✓ | |
| IT AUDITS | | | | | | ✓ | | | ✓ |
| Library self service and stock purchasing systems | 8 | 0 | 0 | 0 | 8 | | | | |
| GRANTS | | | | | | | | ✓ | ✓ |
| Bus Service Operators Grant | 1 | 0 | 1 | 0 | 0 | | | | |
| Integrated Transport Block Allocation | 3 | 0 | 3 | 0 | 0 | | | ✓ | ✓ |
| COUNTER FRAUD | | | | | | | | ✓ | ✓ |
| Cash Spot Checks | 3 | 0 | 3 | 0 | 0 | | | | |
| ECC TOTAL | 74 | 15 | 31 | 3 | 25 | | | | |

ADULT SOCIAL CARE, HEALTH AND HOUSING

| AUDIT | Days | Qtr 1 | Qtr 2 | Qtr 3 | Qtr 4 | Key System | Link to Strategic Risk | Probity | Governance |
|--|-----------|-----------|-----------|-----------|-----------|------------|------------------------|---------|------------|
| Domiciliary care including contract management and supplier resilience | 10 | 0 | 0 | 0 | 10 | ✓ | ✓ | ✓ | ✓ |
| Residential care contract management and supplier resilience | 3 | 0 | 3 | 0 | 0 | | ✓ | ✓ | ✓ |
| Direct payments | 10 | 0 | 0 | 10 | 0 | | | ✓ | ✓ |
| Financial assessments | 5 | 0 | 5 | 0 | 0 | | | ✓ | ✓ |
| Forestcare Follow Up (Ltd 2017/18) | 3 | 0 | 3 | 0 | 0 | | | ✓ | ✓ |
| Housing Benefit and Council Tax Reduction | 12 | 0 | 0 | 12 | 0 | ✓ | ✓ | ✓ | ✓ |
| Housing Rents and Deposits including Downshire Homes | 10 | 0 | 0 | 10 | 0 | | | ✓ | ✓ |
| Public Health | 7 | 7 | 0 | 0 | 0 | | | ✓ | ✓ |
| IT AUDITS | | | | | | ✓ | | | ✓ |
| GIS system | 5 | 5 | 0 | 0 | 0 | | | | |
| My Benefits | 5 | 5 | 0 | 0 | 0 | ✓ | | ✓ | ✓ |
| ASCHH TOTAL | 70 | 17 | 11 | 32 | 10 | | | | |

CHILDREN, YOUNG PEOPLE AND LEARNING

| AUDIT | Days | Qtr 1 | Qtr 2 | Qtr 3 | Qtr 4 | Key System | Link to Strategic Risk | Probity | Governance |
|---|------|-------|-------|-------|-------|------------|------------------------|---------|------------|
| Adoption Services (shared services to be audited by Oxfordshire County Council Internal Auditors) | 0 | 0 | 0 | 0 | 0 | | ✓ | ✓ | ✓ |
| Allowances for Fostering, Adoption and Special Guardianships | 6 | 0 | 0 | 6 | 0 | | ✓ | ✓ | ✓ |
| Residential placements | 5 | 0 | 0 | 0 | 5 | | ✓ | ✓ | ✓ |

| AUDIT | Days | Qtr 1 | Qtr 2 | Qtr 3 | Qtr 4 | Key System | Link to Strategic Risk | Probity | Governance |
|---|-------------|--------------|--------------|--------------|--------------|-------------------|-------------------------------|----------------|-------------------|
| Supervision including under the Family Safeguarding Model | 6 | 0 | 0 | 6 | 0 | | ✓ | ✓ | ✓ |
| Margaret Wells-Furby House (Child Development Centre) | 5 | 5 | 0 | 0 | 0 | | ✓ | ✓ | ✓ |
| SEN Resource Provision Follow up (Ltd 2017/18) | 3 | 3 | 0 | 0 | 0 | | | ✓ | ✓ |
| The Rise | 4 | 4 | 0 | 0 | 0 | | | | |
| PEP Follow up (Ltd 2017/18) | 3 | 3 | 0 | 0 | 0 | | | ✓ | ✓ |
| Recruitment and retention incentives | 4 | 0 | 0 | 4 | 0 | | ✓ | ✓ | ✓ |
| SCHOOLS School 1 (Follow up -Ltd 2017/18) | 4 | 0 | 0 | 4 | 0 | ✓ | ✓ | ✓ | ✓ |
| School 1 (Follow up Ltd 2016/17) | 2 | 0 | 2 | 0 | 0 | ✓ | ✓ | ✓ | ✓ |
| School 3 | 4 | 4 | 0 | 0 | 0 | ✓ | ✓ | ✓ | ✓ |
| SCHOOL AUDIT CONTINGENCY FOR SCHOOLS ON ROTATION | 16 | 0 | 0 | 16 | 0 | ✓ | ✓ | ✓ | ✓ |
| GRANTS Troubled Families | 10 | 0 | 5 | 0 | 5 | | | | ✓ |
| CYPL TOTAL | 72 | 19 | 7 | 36 | 10 | | | | |

* School due for audit on rotation will be risk assessed based on outcome of self assessment by the school, Statement for Financial Value in Schools assessment ,whether there are any concerns within the Education Authority and Ofsted inspection rating to determine if an audit visit is not required. Any visits will then be funded from the school audit contingency

APPENDIX 2

| Strategic Risk | Risk Rating | Proposed Audit(s) to Address Risk |
|--|-------------|--|
| Significant pressures on the Council's ability to balance its finances whilst maintaining satisfactory service standards | Amber | <ul style="list-style-type: none"> ➤ Key financial system audits ➤ Budgeting ➤ Contract management audits |
| <p>Council unable to deliver the transformation programme due to:</p> <ul style="list-style-type: none"> • Difficulties in delivering individual projects • Difficulties in tracking transformation changes • Benefits/savings not being achieved <p>Linkages between individual transformation projects and knock on effects across transformation projects not adequately identified and taken into consideration.</p> | Amber | <ul style="list-style-type: none"> ➤ Budgeting ➤ Enterprise Agreement ➤ Library IT system audit and libraries audits |
| Council and its outsourced providers are unable to recruit and retain staff at all levels together with loss of key Council staff through redundancy, retirements, etc. and managing services with reduced capacity and with staff resources re-allocated to the transformation programme | Red | <ul style="list-style-type: none"> ➤ Domiciliary care ➤ Residential care ➤ Absence management |
| Impact of the national and global economy on economic activity in the Borough including potential for businesses to relocate following Brexit and other international business decisions | Amber | |
| The Council Policy of providing local school places for local children results in overprovision and a surplus of school places across the borough | Amber | <ul style="list-style-type: none"> ➤ Pupil places audited in 2016/17 ➤ SEN resource provision follow up |
| Council unable to predict and plan for or respond to future changes in demands for services arising from demographic changes and national policy initiatives. | Red | <ul style="list-style-type: none"> ➤ Budgeting ➤ Domiciliary Care ➤ Public Health ➤ Residential Placements |
| Council unable to sustain delivery of services to support adult social care needs due to external providers of adult social care withdrawing from the market for local authority funded care as a result of factors impacting on financial viability. | Red | <ul style="list-style-type: none"> ➤ Domiciliary care |
| Factors outside the control of the Council may result in the injury, death or sexual exploitation of a vulnerable child or adult in the community. | Amber | <ul style="list-style-type: none"> ➤ Supervision under family safeguarding model ➤ Domiciliary care ➤ Residential placements (CYPL) ➤ Residential care contract management (ASCHH) |
| IT Strategy and digital infrastructure fails to meet the needs of the organisation. Pressure on ICT resources to deliver substantial and complex changes introduced under the Enterprise Agreement (EA) and potential end user resistance to both disruption during implementation and the changes being introduced. IT controls or staff vulnerabilities fail to prevent a cyber attack and/or unable to respond effectively to an attack to enable IT services to be sustained | Amber | <ul style="list-style-type: none"> ➤ Enterprise Agreement ➤ Cyber security follow up ➤ Disaster recovery follow up |
| Council unable to comply with data protection/security requirements to secure data resulting in inappropriate disclosure, loss or theft of sensitive data. Uncertainty of impact of placing more responsibility on end users by changing IT controls to meet business needs (E.g. changes | Amber | <ul style="list-style-type: none"> ➤ GDPR gap analysis audited 2017/18. Action plan put in place with oversight of the Council's Information Management Group" |

| Strategic Risk | Risk Rating | Proposed Audit(s) to Address Risk |
|--|-------------|-----------------------------------|
| to protective marking, access to Windows 10 and removal of Endpoint).Failure to meet requirements of GDPR. | | |

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**TO: GOVERNANCE AND AUDIT COMMITTEE
28 MARCH 2018**

INTERNAL AUDIT CHARTER Head of Audit and Risk Management

1 PURPOSE OF REPORT

- 1.1 To present the updated Internal Audit Charter for approval.

2 EXECUTIVE SUMMARY

- 2.1 The Internal Audit Charter was approved in January 2015 and is now due for review and update.

3 RECOMMENDATION

- 3.1 **To approve the updated Internal Audit Charter with tracked changes attached at Appendix 1.**

4 REASONS FOR RECOMMENDATION

- 4.1 To ensure the Charter is current.

5 ALTERNATIVE OPTIONS CONSIDERED

- 5.1 None

6 SUPPORTING INFORMATION

- 6.1 With effect from 1st April 2013, a common set of Public Sector Internal Audit Standards (PSIAS) were introduced which are applicable to and mandatory for all UK public sector organisations including local authorities. PSIAS require the Council to formally define the purpose, authority and responsibility of internal audit in an internal audit charter which must be presented to and approved by senior management and “the Board”. The role of “the Board” is undertaken by the Governance and Audit Committee at Bracknell Forest Council. The Internal Audit Charter was developed in accordance with PSIAS and approved in January 2018. This is now due for review and the updated Charter with tracked changes is attached at Appendix 1 for review and approval.

7 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 7.1 There are no specific legal implications arising from the recommendation in this report

Borough Treasurer

7.2 There are no specific financial implications arising from the report.

Equalities Impact Assessment

7.3 No applicable

Strategic Risk Management Issues

7.4 Internal audit is a key element of the internal control environment which manages risk which is a fundamental part of the risk management framework.

8 CONSULTATION

Principal Groups Consulted

8.1 The Corporate Management Team.

Method of Consultation

8.2 Reviewed at the Corporate Management Team on 14th March 2018.

Representations Received

8.3 Not applicable

Background Papers

Public Sector Internal Audit Standards

Contact for further information

Sally Hendrick, Head of Audit and Risk Management - 01344 352092

Sally.hendrick@bracknell-forest.gov.uk



BRACKNELL FOREST COUNCIL INTERNAL AUDIT CHARTER

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| VERSION | DATE APPROVED BY GOVERNANCE AND AUDIT COMMITTEE | DATE OF NEXT REVIEW |
|------------------|--|----------------------------|
| Version 1 | 28/1/2015 | January 2018 |
| Version 2 | | |

Introduction

A professional, independent and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector. With effect from 1st April 2013, a common set of Public Sector Internal Audit Standards (PSIAS) were introduced which are applicable to and mandatory for all UK public sector organisations including local authorities. The PSIAS applies to all internal audit service providers, whether in house, shared services or outsourced. The PSIAS are based on the following mandatory elements of the Institute of Internal Auditors International Practices Framework:

- Definition of internal auditing
- Code of ethics; and
- International Standards for the Professional Practice of Internal Auditing.

The purpose of the PSIAS is to:

- Define the nature of internal auditing within the public sector
- Set basic principles for carrying out the 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.

PSIAS require the Council to formally define the purpose, authority and responsibility of internal audit in an internal audit charter which must be presented to and approved by senior management and “the Board”. The role of “the Board” is largely undertaken by the Governance and Audit Committee at Bracknell Forest Council. The Charter will be reviewed every 3 years.

Statutory and Regulatory Basis for Internal Audit

The statutory requirement for an Internal Audit function is contained in Regulation 6 of the Accounts and Audit Regulations 2014⁵ which requires the Council to **“undertake an adequate and effective internal audit to evaluate the effectiveness of its risk management control and governance processes , taking into account public sector internal auditing standards or of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control guidance”**.

Internal Audit will govern itself by adherence to Public Sector Internal Audit Standards (PSIAS) which are mandatory and are deemed to be “the proper practices” for the purposes of compliance with the Accounts and Audit Regulations.

Internal Audit assists the Section 151 Officer (the Borough Treasurer) in discharging his delegated responsibilities under Section 151 of the Local Government Act 1972 which requires the Council to “make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs”.

The Council’s Financial Regulations set out officer responsibilities in respect of Internal Audit. See Appendix 1.

Purpose, Authority and Responsibility

Internal Audit’s Purpose, Authority and Responsibility

The Standards **set out that the mission of internal audit is “to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight” and defines**

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Internal auditing as an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. The scope of Internal Audit's remit extends to the entire control environment of the organisation. It is the responsibility of Internal Audit to review, appraise and report upon the soundness, adequacy and application of internal control, risk management and corporate governance.

In order to meet its responsibilities, Internal Audit will be given right of access to all records, assets, personnel and premises, including those of partner organisations, as it considers necessary to fulfil those responsibilities. This right is established in the Council's Financial Regulations within the Constitution and also set out in statute under the Accounts and Audit Regulations which state that

*“Any officer or member of a relevant body must, if the body requires—
(a) make available such documents and records as appear to that body to be necessary for the purposes of the audit; and
(b) supply the body with such information and explanation as that body considers necessary for that purpose.”*

CORE PRINCIPLES

PSIAS were revised in 2016 to set out the core principles of effective internal audit as:

- Demonstrates integrity.
- Demonstrates competence and due professional care.
- Is objective and free from undue influence (independent).
- Aligns with the strategies, objectives, and risks of the organisation.
- Is appropriately positioned and adequately resourced.
- Demonstrates quality and continuous improvement.
- Communicates effectively.
- Provides risk-based assurance.
- Is insightful, proactive, and future-focused.
- Promotes organisational improvement.

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Independence and Objectivity

As required by the PSIAS, the internal audit activity is independent and internal auditors are objective in performing their work. Threats to independence and objectivity are managed at the organisational, functional, engagement and individual auditor level.

Organisational Independence

Organisational independence is achieved through the Head of Audit and Risk Management reporting directly to the Governance and Audit Committee acting as “the Board” for the purposes of PSIAS which includes the Committee:-

- approving the Internal Audit Charter
- approving the Annual Internal Audit Plan
- receiving reports from the Head of Audit and Risk Management on performance against the Plan
- making appropriate enquiries of management and the Head of Audit and Risk Management to ensure that there are factors which could have compromise the independence of internal audit.

Status of the Chief Internal Auditor

The Internal Audit Team sits within the Finance section in Corporate Services. To achieve the degree of independence necessary to effectively carry out the responsibilities of the internal audit activity, the PSIAS state that the Head of Audit should have direct and unrestricted access to senior management and “the board” and must report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities.

The Head of Audit and Risk Management reports to the Borough Treasurer who acts as Section 151 officer and is a member of the Council’s Corporate Management Team. The Head of Audit and Risk Management has unrestricted access to:

- the Chief Executive,
- the Monitoring Officer
- the Corporate Management Team
- the Governance and Audit Committee
- the Chair of the Governance and Audit Committee and/or other Members as necessary
- all levels of management and
- other Council employees as necessary

The Head of Audit and Risk Management meets formally with the Chief Executive on a quarterly basis to discuss progress on the Internal Audit Plan and emerging issues.

Independence of Auditors

Individual auditors must have an impartial, unbiased attitude and avoid any Conflict of Interest. Individual auditors will be required to conform to the Chartered Institute of Internal Auditors (CIIA’s) Code of Ethics and relevant requirements of other professional bodies such as the ICAEW or CIPFA of which they may be a member. In addition to this, all Internal Auditors will have regard to the Standards of Public Life’s “Seven Principles of Public Life”. The Head of Audit and Risk Management will seek assurance from outsourced providers that they have ensured that their staff are complying with the Code of Ethics and have disclosed any conflict of interest.

The Head of Audit and Risk Management and Internal Audit Contract Manager will sign an annual declaration to confirm that they will work in compliance with the Code of Ethics as well as Council’s standards and policies such as the Council’s Codes of Conduct. Where potential areas of conflict may arise during the year, they will be required to disclose this.

Impairment to Independence or Objectivity

The Head of Audit and Risk Management will report annually to the Section 151 Officer (Borough Treasurer) and the Governance and Audit Committee that independence and objectivity has been maintained. If this is not the case, disclosure will be made. Examples of where this might arise include potential conflicts of interest or restricted access to records. Audit engagements covering insurance and risk management, for which the Head of Audit and Risk Management has functional responsibility will be overseen by the Borough Treasurer.

Internal Audit Proficiency and Due Professional Care

In accordance with the PSIAS, audit engagements will be performed with proficiency and due care.

Proficiency

Internal auditors must possess the knowledge, skills and other competencies needed to perform their individual responsibilities. The internal audit activity collectively must possess or obtain the knowledge, skills and other competencies needed to perform its responsibilities. At Bracknell Forest Council this is achieved through the outsourcing of audits which enables specific areas of expertise to be bought in as required e.g. IT, tax and contract audit.

The qualification, skills and competencies required for the Head of Audit and Risk Management and the Internal Audit Contract Manager are set out in the approved job descriptions and person specifications. These satisfy the PSIAS requirement that the Head of Audit and Risk Management must hold a professional qualification (CMAA, CCAB or equivalent) and be suitably experienced. A robust internal appraisal process is in place and in line with Council policy and the Standards, the in-house team will be assessed against the set predetermined competencies and annual objectives. Development and training plans will be regularly reviewed, monitored and agreed. This process is informed by the records of continual professional development maintained in line with professional body requirements.

The specification for the internal audit contracts and the S113 agreement with Reading and Wokingham Borough Council for the sharing of internal audit services require our internal audit providers to have appropriate training programmes in place to ensure auditors have the appropriate skills to deliver audits. Proficiency of individual auditors for each provider will be monitored through quality reviews of all reports and a sample of working papers by the Head of Audit and Risk Management and Internal Audit Contract Manager.

Due Professional Care

Internal auditors will exercise due professional care by considering the:

- Extent of work needed to achieve the engagement's objectives;
- Relative complexity, materiality or significance of matters to which assurance procedures are applied;
- Adequacy and effectiveness of governance, risk management and control processes;
- Probability of significant errors, fraud, or non-compliance; and
- Cost of assurance in relation to potential benefits.

In exercising due professional care, internal auditors will be alert to significant risks that may affect the objectives.

The internal audit service providers' conformance with standards for due professional care is ensured through the specification for the internal audit contract and the S113 agreement and through the quality control checking of all reports and a sample of audit working paper files.

Nature of Work

Internal audit activity evaluates and contributes to the improvement of governance, risk management and control processes as required under the PSIAS using a systematic and disciplined approach.

Governance

Internal Audit will assess governance processes and make appropriate recommendations for improving these processes in:

- promoting appropriate ethics and values within the organisation;
- ensuring effective organisational performance management and accountability;
- communicating risk and control information to appropriate areas of the organisation; and
- coordinating the activities of and communicating information among Internal Audit, senior management, the external auditors and the Governance and Audit Committee.

Internal Audit focus may include coverage of ethics and information governance of the organisation as appropriate.

Risk Management

Managers are responsible for identifying risk and putting appropriate risk mitigation in place.

Internal Audit will evaluate the effectiveness and contribute to the improvement of risk management processes. Internal Audit activity will evaluate risk exposures relating to the organisation's governance, operations and information systems regarding the:

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

Control

Internal Audit assists the organisation in maintaining effective controls which is a management responsibility by evaluating their effectiveness and efficiency and by promoting continuous improvement. It evaluates the adequacy and effectiveness of controls in responding to risks within the organisation's governance, operations and information systems regarding the:

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

Fraud

Responsibility for preventing and detecting fraud rests with managers and Internal Audit will not necessarily detect fraud, corruption, bribery, theft or financial irregularities as part of its work as management is responsible for mitigating these risks. Whilst it is not a primary role of Internal Audit to detect fraud, Audit does have a role in providing an independent assurance on the effectiveness of the processes put in place by management to manage the risk of fraud. Internal Audit will

- consider fraud risk at every audit as appropriate;
- review fraud prevention controls and detection processes put in place by management; and
- make recommendations to improve processes.

↓

The Council's Financial Regulations require that Directors inform the Borough Treasurer or the Head of Audit and Risk Management of all suspected irregularities. The Borough Treasurer will decide on the arrangements for the investigation of such irregularities and will inform the Head of Audit and Risk Management of any significant irregularities. Internal Audit can investigate potential irregularities and respond to whistle blowers if requested to do so.

Audit Delivery

Planning

The Head of Audit and Risk Management develops a risk based audit plan, which can be updated to reflect changing risks and priorities of the organisation, to enable the production of the annual internal audit opinion.

In order to prepare this risk based audit plan, the Head of Audit and Risk Management:

- reviews all risk registers;
- meets with all senior managers and seeks input from internal audit providers and external audit;
- considers national issues e.g. new legislation, economic climate;
- considers local issues e.g. service plans, on-going projects, changes to IT systems;
- reviews budgets and outturns to identify areas of high spend/income;
- considers risks arising from changes to key personnel;
- considers elapsed time since the last audit;
- considers potential fraud risks;
- considers assurances provided by other bodies e.g. inspections;
- identifies grants requiring Internal Audit certification; and
- assesses the time required to deliver each audit and the skills and expertise needed

Resourcing

The PSIAS state that the Head of Audit must ensure that internal audit resources are appropriate, sufficient and effectively deployed.

The Head of Audit and Risk Management will quantify resources and identify the mix of knowledge, skills and other competencies required to deliver the Annual Audit Plan. Delivery of the majority of audits is outsourced enabling the Council to manage resources effectively by buying in the required level of days and relevant audit specialisms needed in any given year to deliver the approved Plan. Mazars Public Sector Internal Audit Limited is the Council's main internal audit provider under a contract with the London Borough of Croydon's to utilise their framework agreement for audit and anti fraud services. During 2017/18, the London Borough of Croydon retendered for the service provider, procured in line with the Public Contracts Regulations and Mazars retained the contract as service provider. -and Council's Financial Regulations and Contract Standing Orders. In addition, all IT audits are carried out under a contract with TIAA Ltd which was procured in accordance with the Council's Financial Regulations and Contract Standing Orders and some around one third of audits are delivered by Wokingham ~~and Reading~~ Borough Council's internal audit teams under an agreement under Section 113 of the Local Government Act

1972 which permits local authorities to share staffing resources. A small number of audits and grant certifications are undertaken in-house by the Head of Audit and Risk Management and Internal Audit Contract Manager.

The Head of Audit and Risk Management will explain to management, the Section 151 Officer and the Governance and Audit Committee how the internal audit resource requirements set out in Annual Audit Plan have been assessed. Where the Head of Audit and Risk Management has concerns over the level of financial budget allocated and is of the view that this may impact adversely on the provision of the annual internal audit opinion, the consequences of this will be brought to the attention of the Section 151 Officer and Governance and Audit Committee. If necessary, the Head of Audit and Risk Management will agree additional resources with the Section 151 Officer.

Engagement Planning

For each engagement, a terms of reference (tor) will be prepared, discussed and agreed with relevant managers. The tor will establish the objectives, scope and timing for the audit assignment and its resources and reporting requirements. In planning the audit work, the auditor will consider the objectives of the activity to be audited and significant risks to the activity. A risk based audit approach will be taken to:

- consider the adequacy of controls in place to ensure objectives are achieved;
- verify compliance with those controls;
- assess the risk of significant errors and/or fraud; and
- identify need /opportunities for improvement.

Performing the Engagement

Auditors will identify, analyse and evaluate sufficient relevant and reliable information to achieve the engagement's objectives. Auditors will document relevant information to support conclusion's and audit engagement results. All audits, both internally and externally delivered, will be subject to appropriate review processes to ensure satisfactory standards of work are met. Working papers evidencing audits will be held in compliance with the Councils' Record Retention and Destruction Schedule.

Communicating Results of Individual Audits

The results of individual engagements will be discussed at an exit meeting with the auditee before being formally communicated in an audit report. The audit report will include the key issues findings, conclusions, recommendations, management's responses with agreed actions and where appropriate will contain an Internal Audit opinion.

Table 1 provides the **levels of opinion** that can be provided with a short description;

Table 1



Significant Assurance

There is a sound system of internal controls to meet the system objectives and manage risks and testing performed indicates that controls tested are consistently complied with.



Satisfactory Assurance

There is basically a sound system of internal controls to manage risk although there are some minor weaknesses in controls and/or there is evidence that the level of non-compliance may put some minor systems objectives at risk.



Limited Assurance

There are some weaknesses in the adequacy of the internal control system and management of risks which put the systems objectives at risk and/or the level of compliance or noncompliance puts some of the systems objectives at risk.



No Assurance

Control is weak and management is inadequate leaving the system open to significant error or abuse and/or there is significant non-compliance with basic controls.

Our **recommendations** will be categorised according to their level of priority. Table 2 provides a short description of the 3 priority levels applied.

Table 2



Priority 1

Fundamental weakness in the design of controls or consistent non-compliance with controls that puts the achievement of systems objectives at risk (leads automatically to either a Limited or No Assurance opinion)



Priority 2

Weakness in the design of controls or inconsistency in compliance with controls puts the achievement of systems objectives at risk



Priority 3

Recommended best practice to improve overall control.

Overall Annual Opinion

The Head of Audit and Risk Management will deliver an annual internal audit opinion and report that can be used by the organisation to inform its annual governance statement. The annual report will include:

- the opinion which will cover controls, risk management and governance;
- a summary of the work that supports the opinion; and
- a statement on conformance with the PSIAS and the results of the quality assurance and improvement programme.

The report will identify:

- the scope including time period to which the opinion pertains;
- any scope limitations
- consideration of all related projects including the reliance on other assurance providers;
- the control framework used as a basis for the overall opinion; and
- the overall opinion reached with reasons given if an unfavourable overall opinion is given.

Quality Assurance and Improvement Programme

PSIAS require that a Quality Assurance and Improvement Programme (QAIP) is put in place. A QAIP has been developed to enable the Head of Audit and Risk Management to assess the Internal Audit's activity's conformance to the PSIAS and compliance with the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement. The QAIP must include both internal and external assessment and will form part of the annual assessment of the effectiveness of internal audit which is included in the Head of Audit and Risk Management's annual report. Where instances of non-conformances to the PSIAS are identified by the QAIP process they will be reported to the Section 151 Officer, the Corporate Management Team and the Governance and Audit Committee through the annual report. Any significant deviations will be detailed within the Annual Governance Statement.

Internal Assessment

PSIAS require that the internal assessment must include periodic self- assessment on compliance with the Standards and on-going monitoring of performance of the internal audit activity.

Periodic Self -Assessment

The Head of Audit and Risk Management ~~updates the~~ completes the CIPFA checklist on conformance ~~during 2013/14 following the introduction of the new standards every year~~ and the outcome ~~is~~ reported to the Governance and Audit Committee. ~~This checklist will be updated annually and reported to the Governance and Audit Committee~~ in the Head of Audit and Risk Management's Annual Report.

On-Going Monitoring

On-going monitoring includes:

- clear performance indicators set out in the contract/agreement with each external audit provider. These are monitored quarterly;
- monthly contract monitoring meetings with the main provider together with quarterly reports and quarterly meetings with the Managing Director;
- quarterly meetings with secondary providers;
- reporting delivery against the Annual Audit Plan to the Governance and Audit Committee twice a year together with and performance against the key indicator (delivery of draft reports within 15 days of the exit meeting);
- the Head of Audit and Risk Management undertaking formal quality review of reports and working papers for in-house work carried out by the Internal Audit Contract Manager;
- formal quality review undertaken by Head of Audit and Risk Management/Internal Audit Contract Manager on all reports and a sample of audit working paper files (including all key financial systems) for work outsourced to external providers;
- client questionnaires issued for completion to lead auditee with draft report. Questionnaires are returned to the client side and fed back to the relevant audit service provider for that audit. Where the auditee did not find the audit satisfactory, the provider is required to investigate and respond to the client side on the points raised. Client questionnaires are reported back at summary level to Governance and Audit Committee twice a year.

External Assessment

In compliance with the PSAIS, external assessment will be carried out at least once every five years. The preferred method would be an independent validation from a peer review of the internal self-assessment, providing there is no conflict of interest and impairment to objectivity in this arrangement. This arrangement and scope of any external assessment will be agreed with the Section 151 Officer and the Governance and Audit Committee.

APPENDIX 1

EXTRACT FROM APPNDIX C OF BRACKNELL FOREST COUNCIL'S FINANCIAL REGULATIONS

3.3 INTERNAL AUDIT

Why is this important?

The requirement for an internal audit function for local authorities is implied by Section 151 of the Local Government Act 1972, which requires that authorities "make arrangements for the proper administration of their financial affairs". The Accounts and Audit (England) Regulations 2011 more specifically require that a "relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with proper practices in relation to internal control".

Accordingly, internal audit is an independent and objective appraisal function established by the authority for reviewing the system of internal control. It examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.

Key controls

The key controls for internal audit are:

- (a) that it is independent in its planning and operation
- (b) the Head of Audit and Risk Management has direct access to the Chief Executive, all levels of management and directly to elected Members
- (c) the internal auditors comply with all relevant regulations and professional guidance.

Responsibilities of the Borough Treasurer

To ensure that internal auditors have the authority to:

- (a) access authority premises at reasonable times
- (b) access all assets, records, documents, correspondence and control systems
- (c) receive any information and explanation considered necessary concerning any matter under consideration
- (d) require any employee of the authority to account for cash, stores or any other authority asset under his or her control
- (e) access records belonging to third parties, such as contractors, when required
- (f) directly access the Chief Executive, the Executive and Governance and Audit Committee.

To prepare annual audit plans, which take account of the characteristics and relative risks of the activities involved for approval by the Governance and Audit Committee.

To ensure that effective procedures are in place to investigate promptly any fraud or irregularity.

Ensure that any person engaged in internal audit work is aware that they must maintain confidentiality regarding the operations and management information relating to the part of the Council being reviewed or investigated.

Responsibilities of Directors

To ensure that internal auditors are given access at all times to premises, personnel, documents and assets that the auditors consider necessary for the purposes of their work.

To ensure that auditors are provided with all information and explanations that they need in the course of their work to enable them to draw appropriate conclusions.

To ensure that Internal Auditors are not misled or provided incorrect information.

To consider and respond promptly to recommendations in audit reports.

To ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.

To notify the Borough Treasurer immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the authority's property or resources. Pending investigation and reporting, the Director should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.

To ensure that new systems for maintaining financial records, or records of assets, or changes to such systems, are discussed with and agreed by the Head of Audit and Risk Management prior to implementation.

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