

# Notice of Meeting

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## Governance and Ethics Committee

**Monday, 24th April, 2017 at 5.00 pm**  
in Committee Room 2 Council Offices  
Market Street Newbury

Date of despatch of Agenda: Wednesday 12 April 2017

For further information about this Agenda, or to inspect any background documents referred to in Part I reports, please contact Andy Day/Moira Fraser/Stephen Chard on (01635) 519459/519045/519462

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WestBerkshire  
C O U N C I L

**Agenda - Governance and Ethics Committee to be held on Monday, 24 April 2017**  
(continued)

**To:** Councillors Steve Ardagh-Walter, Jeff Beck (Vice-Chairman), Chris Bridges, Graham Bridgman, Keith Chopping (Chairman), James Cole, Barry Dickens, Lee Dillon, Anthony Pick and Quentin Webb

**Substitutes:** Councillors Billy Drummond, Sheila Ellison and Tim Metcalfe

## Agenda

### Part I

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| 1 | <b>Apologies</b>                |  |       |
|   |                                 | To receive apologies for inability to attend the meeting (if any).   |       |
| 2 | <b>Minutes</b>                  |  | 1 - 4 |
|   |                                 | To approve as a correct record the Minutes of the meeting of this Committee held on 13 <sup>th</sup> February 2017.  |       |
| 3 | <b>Declarations of Interest</b> |  |       |
|   |                                 | To remind Members of the need to record the existence and nature of any personal, disclosable pecuniary or other registrable interests in items on the agenda, in accordance with the Members' <a href="#">Code of Conduct</a> . |       |
| 4 | <b>Forward Plan</b>             |  | 5 - 8 |
|   |                                 | <i>Purpose: To consider the Forward Plan for the next 12 months.</i>   |       |

### Standards Matters

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| 5 | <b>Monitoring Officer's Quarterly Report 2016/17 Year End (C3083)</b> |  | 9 - 26  |
|   |   | <i>Purpose: To provide an update on local and national issues relating to ethical standards and to bring to the attention of the Committee any complaints or other problems within West Berkshire. To present the Annual Governance and Ethics Committee report to Full Council.</i> |         |
| 6 | <b>Internal Audit Plan 2017/18 (GE3081)</b>                           |  | 27 - 60 |
|   |   | <i>Purpose: This report sets out the proposed plan of work for internal audit over the next three years. The report outlines the method used to compile the plan, which is based around risk.</i>  |         |



**Agenda - Governance and Ethics Committee to be held on Monday, 24 April 2017**  
(continued)

- |   |  |         |
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| 7 | <b>External Audit Plan 2017-18 (GE3082)</b><br><i>Purpose: To provide Members with a copy of the external audit plan from KPMG for 2016/17.</i>              | 61 - 80 |
| 8 | <b>External Review of Internal Audit (GE3268)</b><br><i>Purpose: The report outlines the options for commissioning an external review of Internal Audit.</i> | 81 - 84 |

Andy Day  
Head of Strategic Support

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Note: These Minutes will remain DRAFT until approved at the next meeting of the Committee

## **GOVERNANCE AND ETHICS COMMITTEE**

### **MINUTES OF THE MEETING HELD ON MONDAY, 13 FEBRUARY 2017**

**Councillors Present:** Jeff Beck (Vice-Chairman), Graham Bridgman, Keith Chopping (Chairman), Barry Dickens, Tim Metcalfe (Substitute) (In place of James Cole), Anthony Pick and Quentin Webb

**Also Present:** Sarah Clarke (Acting Head of Legal Services), Julie Gillhespey (Audit Manager), Ian Priestley (Chief Internal Auditor), Andy Walker (Head of Finance) and Moira Fraser (Democratic and Electoral Services Manager)

**Apologies for inability to attend the meeting:** Councillor Steve Ardagh-Walter, Chris Bridges, Councillor James Cole and Councillor Lee Dillon

#### **PART I**

##### **24 Minutes**

The Minutes of the meeting held on 28<sup>th</sup> November 2016 were approved as a true and correct record and signed by the Chairman.

Moira Fraser agreed to circulate a note about Berkshire County Council Assets requested at the 05<sup>th</sup> September 2016 meeting to the Committee.

##### **25 Declarations of Interest**

There were no declarations of interest received.

##### **26 Forward Plan**

The Committee considered the Governance and Ethics Committee Forward Plan (Agenda Item 4). It was noted that currently there were no scheduled items for discussion on the 19 June 2017 and if no items were forthcoming this meeting would be cancelled. It was also noted that it might be necessary to move the 21 August 2017 meeting. A new date would be agreed outside of the meeting and circulated to all Members.

**RESOLVED that** the Governance and Ethics Committee Forward Plan be noted.

##### **27 Update on Ethical Matters – Quarter 3 of 2016/17 (GE3092)**

The Committee considered a report (Agenda Item 5) which updated on local and national issues relating to ethical standards and brought to the attention of the Committee any complaints or other problems within West Berkshire.

Sarah Clarke noted that during the third quarter of 2016/17 no formal standards complaints had been received by the Council, no dispensations were granted and a small number of gifts and hospitality offers were declared by Members. She also noted that the revised West Berkshire Council Councillors' Code of Conduct had been circulated to all Parish and Town Councils post the Council adopting it in September 2016.

**RESOLVED that** the report be noted.

**28 Webcasting Procedure (GE3189)**

The Committee considered a report (Agenda Item 6) concerning the Webcasting Procedure, which outlined the process for choosing which meetings were webcast and offered guidance to those involved.

Moira Fraser noted that the principle of webcasting had been agreed at the 15<sup>th</sup> September 2016 Council meeting as part of a response to a Motion on this issue. The Council also agreed that a Webcasting Procedure should be developed and presented to the Governance and Ethics Committee for adoption.

A Webcasting Task Group was set up and they were consulted on the Procedure. In particular she wished to thank Councillor Graham Bridgman and Jo Reeves for the work they had put into developing the document.

Members requested that an update be circulated to the Committee and Members more generally on when it would be possible to webcast meetings.

Councillor Bridgman noted that a Webcasting Task Group had been set up and they had been tasked with considering webcasting in general and to give thoughts to a policy which he and Jo Reeves had drafted. He thanked Jo Reeves for the work she had done on producing the policy.

Members raised some concerns about the ability to webcast meetings that were not held in the Council Chamber most notably the Eastern Area Planning Committee. They discussed the possibility of being able to record these meetings and then broadcast them later on when access to Wi-Fi was not an issue. Moira Fraser commented that audio quality might also be an issue in the current venue. Members were concerned about the possibility of all planning meetings having to be held in the Council Chamber or the possibility of Western Area Planning meetings being broadcast and Eastern Area Planning meetings not.

It was noted by Councillor Bridgman that the procedure set out a process for deciding which meetings would be webcast. Councillor Bridgman also highlighted that all meeting notices would contain a paragraph to the effect that the Council webcasts certain meetings and that the meeting in question might be webcast, although speakers might opt not to be videoed.

Members were however happy to support the adoption of the procedure.

**RESOLVED** that the Webcasting Procedure be agreed.

**29 Public Sector Audit Appointments (C3211)**

The Committee considered a report (Agenda Item 7) concerning the merits of West Berkshire Council opting into the national scheme for auditor appointments for the financial year 2018/19 onwards.

Andy Walker noted that this matter had come to the November 2016 meeting and Members had asked for clarification on two issues. Firstly they sought assurance that by buying into the procurement framework best value in respect of price would be achieved in 2018/19. Secondly they also sought additional information on indicative costs of setting up a Local Independent Audit Panel (LIAP).

In respect of the second query the Head of Finance reported that it would cost around £15k to set up an LIAP and that there would be ongoing revenue costs of circa £1k to £2k per annum associated with member attendance and additional costs associated with procurement. These costs did not include the cost of the audit itself.

Andy Walker explained that currently only around nine companies had sufficient expertise and suitable qualified auditors to audit local authorities. It was therefore likely

## **GOVERNANCE AND ETHICS COMMITTEE - 13 FEBRUARY 2017 - MINUTES**

that even if the Council decided to undertake the procurement on its own it would still end up procuring services from one of these companies. This was likely to be more expensive as economies of scale would not be achieved.

To date 350 of 493 local authorities had indicated that they would sign up to the procurement framework and as the deadline of the 09 March 2017 to do so approached it was likely that this number would increase.

Members thanked Andy Walker for the comprehensive report and Councillor Quentin Webb stated that he was happy to support the recommendation as outlined in the report.

### **RESOLVED that:**

- The Governance and Ethics Committee agreed to accept the invitation to opt into the national scheme for auditor appointments.
- The Committee to recommend that Full Council consider and endorse the Governance and Ethics Committee's decision.

## **30 Accounting Policies (GE3209)**

The Committee considered a report (Agenda Item 8) concerning the Accounting Policies that would be used to produce the Annual Accounts for the year ending 31<sup>st</sup> March 2017. The accounting policies were defined as the specific principles, bases, conventions, rules and practices applied by an authority in preparing and presenting the financial statements in the Annual Accounts. The Code of Practice required that authorities should select and apply their accounting policies consistently for similar transactions.

Andy Walker noted that it had been identified that the Council did not always review its accounting policies in advance of the external audit process. It had therefore been agreed that this year in advance of the year end close down Members would be afforded the opportunity to do so.

Members considered the policies and commented that they did not wish to make any amendments.

**RESOLVED that** the Accounting Policies be agreed.

## **31 Internal Audit Interim Report 16-17 (GE3091)**

The Committee considered a report (Agenda Item 9) concerning the outcome of internal audit work carried out during the first half of 2016-17.

The Public Sector Internal Audit Standards, as adapted by CIPFA's "Local Government Application Note", required the Chief Internal Auditor to make a formal report annually to the Council in order to present an opinion of the Council's internal control framework. In addition to the formal annual report the Chief Internal Auditor provided an interim report to the organisation in the course of the year. The interim report aimed to address emerging issues in respect of the whole range of areas to be covered in the formal annual report. This report provided an interim view looking at the first six months of the year.

Ian Priestley noted that there had been one unsatisfactory audit follow up during the first half of the year. This related to procurement cards. Ironically the cards had been introduced to reduce the risks associated with imprest accounts. The action plan associated with the follow up audit was attached as Appendix C to the report. It was noted that the concerns related to service areas not adhering to the policies introduced to manage the use of the cards. The Portfolio Holder had been informed about the concerns and he agreed to ask his fellow Executive Members to remind services of the need to adhere to the policies.

## GOVERNANCE AND ETHICS COMMITTEE - 13 FEBRUARY 2017 - MINUTES

Ian Priestley noted that the issue of procurement cards would be revisited within the first six months of the next financial year. It had been agreed that the audit would be delayed in order to allow the amended policies to be embedded in service areas. Members noted that at the time of the audit around 30 cards had been issued. Each card had a maximum limit of around £4k but that this varied from card to card as limits were set based on operational requirements.

Officers noted that the risks associated with procurement cards were much lower than those associated with 'petty cash' as statements were provided for all purchases and therefore an audit trail was in place. Andy Walker had now had the opportunity to remind Heads of Service about the policies that were in place albeit that this happened later than the recommendation had set out. Julie Gillhespey noted that the audit had identified a few anomalies including the fact that cards were not only being used by the card holder, purchases did not always receive prior approval and that the card holders were often responsible for reconciling the statements.

Councillor Bridgman was concerned that only two of the 15 recommendations had been fully implemented and two had been partially implemented. In response to a query Officers confirmed that opportunities for fraudulent activity had been greatly reduced. Andy Walker noted that the statements were also seen by the Service Accountants although the returns to accountancy were not always timely.

Councillor Tim Metcalfe was concerned about the cost to the Council when invoices were not attached thereby preventing the Council from claiming back VAT. Ms Gillhespey noted that only one such occurrence had been identified.

The Chairman thanked the auditors for the excellent work that they had undertaken. Although this had been an unsatisfactory follow up it should be noted that procurement cards were to some degree self regulatory and therefore posed a lower risk to the Council. He was pleased to note that this issue would be revisited in the next annual audit plan.

**RESOLVED** that the report be noted.

*(The meeting commenced at 5.00 pm and closed at 5.59 pm)*

**CHAIRMAN** .....

**Date of Signature** .....

## Governance and Ethics Committee Forward Plan April 2017 - February 2018

No.	Ref No	Item	Purpose	Lead Officer	Lead Member	Governance/Audit/Ethics
<b>19 June 2017</b>						
1.	C3308	New Arrangements for Licensing Sub-Committees	To increase the number of Members on Licensing Committees from three to four with no substitute	Moira Fraser	Leader of Council, Strategy & Performance, Economic Growth	Governance
<b>21 August 2017</b>						
2.	GE3251	West Berkshire Council Financial Statements 2016/17 including external auditor's Opinion.	To provide Members with the final copy of the Council's Financial Statements	Andy Walker	Finance and Transformation (Cllr Anthony Chadley)	Audit
3.	GE3252	Annual Governance Statement - Statement in Support by the Monitoring Officer	To provide evidence and independent verification of governance matters which may impact on the Annual Governance Statement from the viewpoint of the Monitoring Officer.	Sarah Clarke	Corporate Services and External Affairs (Cllr James Fredrickson)	Governance
4.	GE3253	Annual Governance Statement - Statement in Support by the Section 151 Officer	To provide evidence and independent verification of governance matters which may impact on the Annual Governance Statement from the viewpoint of the Section 151 Officer.	Andy Walker	Corporate Services and External Affairs (Cllr James Fredrickson)	Governance
5.	GE3254	Internal Audit Annual Report 2016/17	To provide an opinion on the effectiveness of the Council's internal control framework	Ian Priestley	Corporate Services and External Affairs (Cllr James Fredrickson)	Audit
6.	GE3269	Annual Governance Statement	To allow the committee to review	Ian Priestley	Corporate	Governance

No.	Ref No	Item	Purpose	Lead Officer	Lead Member	Governance/Audit/ Ethics
			the Annual Governance Statement before it is signed by the Leader and Chief Executive		Services and External Affairs (Cllr James Fredrickson)	
7.	GE3255	Update on Ethical Matters - Quarter 1 of 2017/18	To provide an update on local and national issues relating to ethical standards and to bring to the attention of the Committee any complaints or other problems within West Berkshire.	Sarah Clarke	Chairman of Governance and Ethics (Cllr Keith Chopping))	Ethics
8.	GE3254	Internal Audit Report – 2016/17	To provide an opinion on the effectiveness of the Council's internal control framework	Ian Priestley	Finance and Transformation (Cllr Anthony Chadley)	Audit
9.	C3093	Amendments to the Constitution - Scheme of Delegation	To review and amend sections of the Scheme of Delegation in light of legislative changes and current practice.	Sarah Clarke	Leader of Council, Strategy & Performance, Economic Growth	Governance
<b>27 November 2017</b>						
10.	GE3256	Update on Ethical Matters - Quarter 2 of 2017/18	To provide an update on local and national issues relating to ethical standards and to bring to the attention of the Committee any complaints or other problems within West Berkshire.	Sarah Clarke	Chairman of Governance and Ethics (Cllr Keith Chopping))	Ethics
11.	GE3257	Financial Statements 2016/17 - Annual Audit Letter	To provide Members with the Final Annual Audit Letter 2015/16 from KPMG, this audit letter summarises the outcome from their audit work at	Lesley Flannigan	Finance and Transformation (Cllr Anthony Chadley)	Audit

No.	Ref No	Item	Purpose	Lead Officer	Lead Member	Governance/Audit/Ethics
			West Berkshire Council in relation to the 2015/16 audit year.			
12.	GE3270	Outcome of the External Review of Internal Audit	To provide Members with the results of the external review of internal audit and seek comments on any proposed actions.	Ian Priestley	Corporate Services and External Affairs (Cllr James Fredrickson)	Audit
<b>5 February 2018</b>						
13.	C3260	Amendments to the Constitution – Scheme of Delegation	To review and amend sections of the Scheme of Delegation in light of legislative changes and current practice.	Sarah Clarke	Corporate Services and External Affairs (Cllr James Fredrickson)	Governance
14.	GE3258	Internal Audit – Interim Report 2017-18	To update the Committee on the outcome of internal audit work.	Ian Priestley	Corporate Services and External Affairs (Cllr James Fredrickson)	Audit
15.	GE3259	Update on Ethical Matters- Quarter 3 of 2017/18	To provide an update on local and national issues relating to ethical standards and to bring to the attention of the Committee any complaints or other problems within West Berkshire.	Sarah Clarke	Chairman of Governance and Ethics (Cllr Keith Chopping))	Ethics

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## Monitoring Officer's Quarterly Update Report - 2016/17 Year End - Summary Report

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<b>Committee considering report:</b>	Council
<b>Date of Committee:</b>	09 May 2017
<b>Member:</b>	Councillor Keith Chopping (Chairman of Governance and Ethics)
<b>Report Author:</b>	Sarah Clarke
<b>Forward Plan Ref:</b>	C3083

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### 1. Purpose of the Report

- 1.1 To provide an update on local and national issues relating to ethical standards and to bring to the attention of the Committee any complaints or other problems within West Berkshire.
- 1.2 To present the Annual Governance and Ethics Committee report to Full Council.

### 2. Recommendations:

- (1) Members are requested to note the content of the report.
- (2) The report to be circulated to all Parish/Town Councils in the District for information.

### 3. Implications

- 3.1 **Financial:** There are no financial issues arising from this report. However the costs associated with external investigations and a lack of internal resources may lead to a budget pressure.
- 3.2 **Policy:** Revised policy and changes to processes adopted at Council in May 2012 and reviewed in December 2013 and September 2016.
- 3.3 **Personnel:** There are no personnel issues associated with this report.
- 3.4 **Legal:** There are no legal issues arising from this report. The matters covered by this report are generally requirements of the Local Government Act 2000 in so far as appropriate and the Localism Act 2011 and its supporting regulations.
- 3.5 **Risk Management:** The benefits of this process are the maintenance of the Council's credibility and good governance by a high standard of ethical behaviour. The threats are the loss of credibility of the Council if standards fall.
- 3.6 **Property:** There are no property issues associated with this report.
- 3.7 **Other:** A diminution in standards of behaviour by elected Members could have a significant reputational impact on

the Council.

**4. Other options considered**

4.1 None

## Executive Summary

### 5. Introduction / Background

- 5.1 Following the enactment of the Localism Act 2011 a number of changes were made to the Standards Regime. As part of the governance arrangements it was agreed that the Monitoring Officer would make quarterly reports to Governance and Ethics Committee which set out the number and nature of complaints received and informed Members of any other activity that was taking place around the Code of Conduct regime. It was also agreed that an annual report would be presented to Full Council at the Annual meeting and that the year end report would be circulated to all Town and Parish Councils.
- 5.2 The key issues identified in the report are:
- Only one dispensation was granted in 2016/17 by the Monitoring Officer to allow Councillor Nick Goodes to speak and vote on matters pertaining to Council Tax. A four year dispensation (expiring in May 2019) remains in place for the other 51 Members to speak and vote on any items pertaining to Council Tax.
  - The number of gifts and hospitality received by members remains relatively low although this could be as a result of under reporting by Members.
  - All elected Members of the West Berkshire Council have completed and submitted their Register of Interest forms.
  - There has been a significant decrease in the number of complaints received in 2016/17. All three complaints received pertained to parish councillors. Following the initial assessment it was agreed that one of these complaints would be investigated (NPC1/17), informal resolution was sought in respect of NPC2/17 and no further action was taken on NPC8/16.
  - There will be some changes to the Parish Council representatives on the Governance and Ethics Committee and the Advisory Panel for 2017/18. Details are noted in the Supporting Information.

### 6. Proposal

- 6.1 Members are asked to note the content of the report and agree that it should be circulated to all town and Parish Councils for information.

### 7. Conclusion

- 7.1 There has been a significant decrease in the number of complaints received in respect of alleged breaches of the Members' Code of Conduct during 2016/17. It is not clear whether the reduction in the number of complaints is due solely to compliance by Councillors with the Code of Conduct. It is possible that the limited sanctions available in the event of a breach has also deterred some complainants.
- 7.2 It is considered however that it is reasonable to conclude having regard to all the information in this report, that standards of ethical conduct are high across West Berkshire at both District and at Parish / Town Council levels.

## **8. Appendices**

8.1 Appendix A – Supporting Information

8.2 Appendix B – Gifts and Hospitality Register

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# Monitoring Officer's Quarterly Update Report - 2016/17 Year End – Supporting Information

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## 1. Introduction/Background

- 1.1 The Localism Act 2011 was enacted on 15th November 2011 and it made fundamental changes to the system of regulation of the standards of conduct for elected and co-opted members of Councils and Parish Councils.
- 1.2 In order to ensure that the process was working effectively locally it was agreed that the Monitoring Officer would make quarterly reports to Governance and Ethics Committee which set out the number and nature of complaints received and inform Members of any other activity that was taking place around the Code of Conduct regime. It would also provide a means of updating the Committee on the progress of investigations.
- 1.3 It was also agreed that an annual report would be presented to Full Council at the Annual meeting and that the year end report would be circulated to all Town and Parish Councils. The annual report would include the quarter four activity. This report also includes a look forward to the forthcoming Municipal Year.

## 2. Governance Arrangements

- 2.1 At the Full Council meeting on the 02 July 2015 the then Standards and Governance and Audit Committees were merged. It was agreed that the membership of the revised Governance and Ethics Committee would comprise ten members (eight District Councillors appointed on a proportional basis and two co-opted non-voting Parish/Town Councillors).
- 2.2 The Advisory Panel and Independent Persons would be retained. The Monitoring Officer would be authorised to appoint three Independent Persons who would be used on a rotational basis on the Initial Assessment Panel and Advisory Panel. The Advisory Panel would comprise 8 Members: 2 from the Administration, 2 from the main opposition party, 2 parish/town councillors and 2 independent persons.
- 2.3 A revised Code of Conduct was adopted in September 2016. The Code and Governance arrangements are supported by a number of documents including:
  - Terms of Reference for the Governance and Ethics Committee and Advisory Panel;
  - Code of Conduct for West Berkshire District Councillors;
  - Gifts and Hospitality Code;
  - Complaints procedures for breaches of that code;
  - Dispensations procedure.

### **3. Independent Persons**

- 3.1 Under Section 28 of the Localism Act 2011 the Council has to ensure it has appointed at least one Independent Person who is consulted before any decision is made to investigate an allegation against any Member of the Council or any Parish Councillor. It was agreed at the Full Council meeting on the 27 September 2012 that the Independent Person may be consulted directly either by the person who has made the complaint or the person the complaint has been made about. Three Independent Persons have therefore been appointed in order to ensure that a conflict situation does not arise.
- 3.2 James Rees, Mike Wall and Lindsey Appleton were appointed as the Council's Independent Persons for the 2016/17 Municipal Year. All three Independent Persons have agreed to remain as Independent Persons for the 2017/18 Municipal Year.
- 3.3 A person is not considered to be "independent" if:-
- (i) They are or have been, within the last five years, an elected or co-opted Member or officer of the Council or of any Parish Council's within this area. This also applies to committees or sub-committees of the various Councils.
  - (ii) They are a relative or close friend of a current elected, or co-opted, Member or officer of the Council or any Parish Council within its area, or any elected or co-opted member of any committee or sub-committee.
  - (iii) The definition of relative includes the candidate's spouse, civil partner, grandparent, child etc.

In addition The Local Authorities (Standing Orders) (England) (Amendment) Regulations 2015 require provisions to be made relating to the potential dismissal or disciplining of the Head of Paid Service, Monitoring Officer or Section 151 Officer. A panel needs to be set up to advise on matters relating to the dismissal of these Officers. The Act requires at least two Independent Persons who have been appointed under section 28(7) of the Localism Act 2011 to be appointed to the panel. The role of the Independent Persons therefore includes the requirement of this legislation.

### **4. Governance and Ethics Committee**

- 4.1 The overall purpose of the Governance and Ethics Committee is to provide effective challenge across the Council and independent assurance on the risk management and governance framework and associated internal control environment to members and the public, independently of the Executive. The Governance and Ethics Committee is also responsible for receiving the annual Audit Letter and for signing off the Council's final accounts.
- 4.2 The Committee is charged with promoting and maintaining high standards of conduct throughout the Council. They promote, educate and support Councillors (both District and Parish) in following the highest standards of conduct and ensuring that those standards are fully owned locally. The roles and functions of the Governance and Ethics Committee are set out in paragraph 2.8.4 of the Constitution (Part 2 Articles of the Constitution).

4.3 During 2016/17 the Governance and Ethics Committee comprised the following Members:

- (1) Steve Ardagh-Walter (Conservative)
- (2) Jeff Beck (*Vice-Chairman*) (Conservative)
- (3) Graham Bridgman (Conservative)
- (4) Keith Chopping \* (*Chairman*) (Conservative)
- (5) James Cole (Conservative)
- (6) Anthony Pick (Conservative)
- (7) Quentin Webb (Conservative)
- (8) Lee Dillon (Liberal Democrat)
  
- (9) Sheila Ellison (Substitute) (Conservative)
- (10) Tim Metcalfe (Substitute) (Conservative)
- (11) Billy Drummond (Substitute) (Liberal Democrat)

\* Councillor Keith Chopping replaced Councillor Rick Jones on this Committee in September 2016 when Councillor Jones was appointed to the Executive.

4.4 The Governance and Ethics Committee has a special responsibility to the 56 Town and Parish Councils within the District. It is responsible for ensuring that high standards of conduct are met within the parishes and that all Parish and Town Councillors are aware of their responsibilities under their Codes of Conduct.

4.5 The District Councillors are therefore supported on the Governance and Ethics Committee by two co-opted Parish Councillors who are appointed in a non-voting capacity. During 2016/17 the Governance and Ethics Committee comprised the following Parish Councillors:

- (1) Barry Dickens (co-opted non voting Parish Councillor)
- (2) Chris Bridges (co-opted non voting Parish Councillor)

4.6 Councillor Chris Bridges has indicated that due to work and personal commitments he will no longer be able to undertake this role. The Monitoring Officer has therefore undertaken a recruitment process to identify a replacement. It is proposed that for the 2017/18 Municipal Year the Council will also appoint one substitute Parish/Town Councillor to the Committee. The Council is asked to recognise Councillor Bridge's contribution to the Committee and to thank him for that contribution.

4.7 It is proposed that during 2017/18 the Governance and Ethics Committee will comprise the following Parish Councillors:

- (1) Barry Dickens (co-opted non voting Parish Councillor)
- (2) Geoff Mayes (co-opted non voting Parish Councillor)
- (3) Jane Langford (substitute co-opted non voting Parish Councillor)

## **5. Advisory Panel**

5.1 The Advisory Panel is responsible for dealing with complaints where evidence of a breach of the Code has been identified by an independent investigator and reports its findings to the Governance and Ethics Committee for formal decision.

5.2 The District Councillors on the Advisory Panel are representatives of both political groups within the Council and are not appointed in accordance with the proportionality rules. During 2016/17 the Advisory Panel comprised the following District Councillors:

- Adrian Edwards (Conservative)
- Marigold Jaques (Conservative)
- Mollie Lock (Liberal Democrat)
- Alan Macro (Liberal Democrat)

5.3 During the 2016/17 Municipal Year the following Parish Councillors were appointed to the Advisory Panel:

- Tony Renouf
- Darren Peace

6. It is anticipated that for the 2017/18 Municipal Year the Council will also seek to appoint one substitute Parish/Town Councillors to the Panel. It is proposed that during 2017/18 the Governance and Ethics Committee' Advisory Panel will comprise the following Parish Councillors:

- Tony Renouf
- Darren Peace
- Bruce Laurie (substitute)

## **7. The Monitoring Officer**

7.1 In West Berkshire Council the role of the Monitoring Officer is a statutory post and rests with the Head of Legal Services. The Monitoring Officer has a key role in promoting and maintaining standards of conduct. The Monitoring Officer acts as legal adviser to the Governance and Ethics Committee and Advisory Panel.

7.2 The Monitoring Officer also carries out the following functions:

- reporting on contraventions or likely contraventions of any enactment or rule of law and reporting on any maladministration or injustice where the Ombudsman has carried out an investigation;
- establishing and maintaining registers of Members' interests and gifts and hospitality;
- maintaining, reviewing and monitoring the Constitution;
- advising Members and Parish Councillors on interpretation of the Code of Conduct;
- conducting or appointing an external investigator to look into allegations of misconduct;
- performing ethical framework functions in relation to Parish Councils;
- acting as the proper officer for access to information;
- undertaking an initial assessment , in consultation with the Independent Person, when complaints relating to alleged breach of the Code of Conduct are received;

- making arrangements for relevant matters to be considered by the Governance and Ethics Committee and Advisory Panel;
- advising whether Executive decisions are within the policy framework; and
- advising on vices issues and maladministration, and in consultation with the Section 151 Officer financial impropriety, probity, and budget and policy issues to all Members.

## **8. The Work of the Committee 2016 – 2017**

- 8.1 A small member Task Group was set up to review the Code of Conduct for West Berkshire Councillors as well as the Gifts and Hospitality Protocol. Following this piece of work the Councillors Code of Conduct and the Gifts and Hospitality protocol (Appendices to Part 13 of the Constitution) were amended at the September 2016 Council meeting.
- 8.2 One of the functions of the Governance and Ethics Committee is to oversee the Council's Constitution. The Council is therefore asked to note that since April 2016 Part 11 (Contract Rules of Procedure) has been amended by Full Council.
- 8.3 The Monitoring Officer, under their delegated authority, has authorised changes to the following parts of the Constitution since April 2016: Part 1 (Summary and Explanation), Part 2 (Articles of the Constitution), Part 3 (Scheme of Delegation), Part 4 (Council Rules of Procedure), Part 5 (Executive Rules of Procedure), Part 6 (Overview and Scrutiny Rules of Procedure), Part 7 (Regulatory and Other Committees Rules of Procedure), Part 10 (Finance Rules of Procedure), Part 11 (Contract Rules of Procedure) and Part 13 (Codes and Protocols).
- 8.4 The Head of Paid Service under his delegated authority has authorised changes to Part 15 (Management Structure) following the Senior Management Review that was agreed at the December 2016 Executive meeting.
- 8.5 Only one dispensation was granted in 2016/17 by the Monitoring Officer to allow Councillor Nick Goodes to speak and vote on matters pertaining to Council Tax.
- 8.6 The Monitoring Officer, under delegated authority, granted a dispensation to all West Berkshire Councillors to speak and vote on any items pertaining to Council Tax. This dispensation will remain in place until May 2019.

## **9. Register of Interests**

- 9.1 All elected Members of the West Berkshire Council have completed and submitted their Register of Interest forms. District Councillors are reminded to review their interests on a regular basis and Parish Councils are reminded via their Clerks to complete and return Declarations of Interest forms to the Monitoring Officer in order that compliance with the Localism Act 2011 is maintained. The Council is under a duty to ensure that details of Parish Councillors interests are on the District Council's website in accordance with the Act.

## **10. Local Assessment of Complaints**

### ***Quarter 1 (April to June 2016) and Quarter 3 (October to December 2016)***

- 10.1 During Quarters 1 and 3 of 2016/17 no formal complaints were received by the Monitoring Officer.

**Quarter 2 (July to September 2016)**

- 10.2 During Quarter 2 of 2016/17 one formal complaint was received by the Monitoring Officer. This complaint related to a Parish Councillor (NPC8/16). Following the initial assessment of this complaint it was determined by the Monitoring Officer, in consultation with the Independent Person, that no breach had been identified and that no further action needed to be taken.

**Quarter 4 (January to March 2017)**

- 10.3 During Quarter 4 of 2016/17 two formal complaints were received by the Monitoring Officer and both pertained to Parish Councillors. Following the initial assessment of complaint NPC1/17 it was determined by the Deputy Monitoring Officer, in consultation with the Independent Person, that a potential breach had been identified and that the matter should be investigated. An independent investigator has been appointed and the outcome of that investigation will be reported to the Advisory Panel in due course.
- 10.4 Following the initial assessment of complaint NPC2/17 it was determined by the Monitoring Officer, in consultation with the Independent Person, while not making any findings of fact, if the allegations were substantiated they would constitute a breach of the Parish Council's Code of Conduct. They determined that it would be appropriate to seek informal resolution of the complaint. This decision was made having regard to the seriousness of the allegations and the potential outcomes if an investigation was carried out. It was considered that informal resolution was a cost effective option and was likely to produce a more effective result. Additional training was offered to the subject member and any other parish councillor wishing to receive such training. The subject member was also asked to write a letter of apology to the complainants. The letter has been written and sent to the complainant and the matter is considered to be closed.

**11. Year on Year Comparison of Complaints**

- 11.1 Table 1 Number of District and Parish Councillor Complaints Received 2009/10 to 2016/17

	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17
<b>District Councillors</b>	4	4	5	8	2	2	16	0
<b>Parish Councillors</b>	7	5	6	10	5	7	10	3
<b>Total</b>	11	9	11	18	7	9	26	3

- 11.2 There has been a significant decrease in the number of complaints received during 2016/17. It is difficult to determine whether the reduction in the number of complaints is due to adherence to the various Codes of Conduct by Councillors or if the effectiveness of the sanctions available has deterred complainants.

Table 2 Action Taken on Complaints Received 2009/10 to 2016/17

	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17
<b>No Further Action</b>	<b>1</b>	<b>3</b>	<b>6</b>	<b>11</b>	<b>3</b>	<b>2</b>	<b>21</b>	<b>1</b>
<b>Other Action</b>	<b>5</b>	<b>2</b>	<b>3</b>	<b>2</b>	<b>1</b>	<b>3</b>	<b>2</b>	<b>1</b>
<b>Investigation</b>	<b>5</b>	<b>4</b>	<b>2</b>	<b>2</b>	<b>0</b>	<b>3</b>	<b>1</b>	<b>1</b>
<b>Withdrawn/ not progressed</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>3</b>	<b>1</b>	<b>2</b>	<b>0</b>
<b>Outcome awaited</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>11</b>	<b>9</b>	<b>11</b>	<b>18</b>	<b>7</b>	<b>9</b>	<b>26</b>	<b>3</b>

Table 3 Outcome of Items Investigated 2009/10 to 2016/17

	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17
<b>Breach</b>	<b>2</b>	<b>1</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>0</b>
<b>No Breach</b>	<b>3</b>	<b>3</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>0</b>
<b>Outcome awaited</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>
<b>Total</b>	<b>5</b>	<b>4</b>	<b>2</b>	<b>2</b>	<b>0</b>	<b>3</b>	<b>1</b>	

## 12. Gifts and Hospitality

- 12.1 The Gifts and Hospitality Protocol has been incorporated into the Councillors Code of Conduct and is set out in Appendix H to Part 13 of the Constitution (Codes and Protocols). The intention of the Protocol is to ensure that the Council can demonstrate that no undue influence has been applied or could be said to have been applied by any supplier or anyone else dealing with the Council and its stewardship of public funds.
- 12.2 The Protocol sets out Councillors' obligations to declare any relevant gifts and hospitality which might be offered to or received by them in their capacity as a Councillor or to their spouse or partner as a result of their relationship with the Councillor.
- 12.3 A copy of the register for 2016/17 is attached at Appendix B to this report.

## 12. Conclusion

- 12.1 There has been a significant decrease in the number of complaints received in respect of alleged breaches of the Members Code of Conduct during 2016/17. It is not clear whether the reduction in the number of complaints is due solely to compliance by councillors with the Code of Conduct. It is possible that the limited sanctions available, in the event of a breach, has also deterred some complainants.
- 12.2 It is considered however that it is reasonable to conclude having regard to all the information in this report, that standards of ethical conduct are high across West Berkshire at both District and at Parish / Town Council levels.

### 13. Consultation and Engagement

- 13.1 The report will be circulated to all Town and Parish Councils following discussion at the Full Council meeting.

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#### Background Papers:

- Localism Act 2011
- Reports to Council 10 May 2012, Special Council on the 16 July 2012, Council on 15 September 2016
- Terms of Reference for the Governance and Ethics Committee and Advisory Panel;
- A new Code of Conduct for West Berkshire District Councillors
- Quarter 1, 2 and 3 of 2016/17 Monitoring Officer Reports to the Governance and Ethics Committee.

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#### Subject to Call-In:

Yes: ☐ No: ☒:

The item is due to be referred to Council for final approval ☒

Delays in implementation could have serious financial implications for the Council ☐

Delays in implementation could compromise the Council's position ☐

Considered or reviewed by Overview and Scrutiny Management Commission or associated Task Groups within preceding six months ☐

Item is Urgent Key Decision ☐

Report is to note only ☐

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#### Wards affected:

All

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#### Strategic Aims and Priorities Supported:

The proposals will help achieve the following Council Strategy aim(s):

☒ **MEC – Become an even more effective Council**

The proposals contained in this report will help to achieve the following Council Strategy priority:

☒ **MEC1 – Become an even more effective Council**

The proposals contained in this report will help to achieve the above Council Strategy aims and priorities by ensuring that high ethical standards are maintained

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#### Officer details:

Name: Sarah Clarke  
Job Title: Interim Head of Legal Services  
Tel No: 01635 519596  
E-mail Address: sarah.clarke@westberks.gov.uk

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## Members' Register of Offers of Gifts & Hospitality

Date Received	Member	Event	Offer	Value	Accepted?	Notes
5.4.16	Virginia von Celsing	The Watermill Theatre	Drinks reception and performance of One Million Tiny Plays About Britain.	<£25	Yes	Agreed by Andy Day 5.4.16
25.4.16	Graham Jones	The Jockey Club, Newmarket	Meal, Bed and Breakfast and tour around Jockey Club facilities	£100	Yes	Declared after event. Asked MO to advise. Asked to register and remind of need to adhere to Constitution and that hospitality will be published
26.4.16	Gordon Lundie	The Jockey Club, Newmarket	Meal, Bed and Breakfast and tour around Jockey Club facilities for two	Approx £200	Yes but requested invoice. 6.6.16 Update invoiced for and paid £160 for himself and wife	Declared after event. Asked MO to advise. Asked to register and remind of need to adhere to Constitution and that hospitality will be published.
16.5.16	Clive Hooker	Fairford Airshow	Attendance to the air show, coffee, lunch and afternoon tea on 9th July	£174	Yes	Referred to MO before acceptance MO advised need give a clear estimation of the value of the hospitality, given it will exceed £25 and should the guest be another Member from WBC, they too must declare this hospitality
8.5.16	Adrian Edwards	Freedom of Reading Borough for 7 Rifles	Food and drink at Reading Town Hall	£15	Yes	
20.5.16	Adrian Edwards	RBFRS awards ceremony at Easthampstead Conference Centre	Food and Drink	£30	Yes	
22.5.16	Adrian Edwards	Parade at Windsor Guildhall of Thames Valley Wing Air Training Corps on their 75th Anniversary	Food and drink	£15	Yes	

2.6.16	Hilary Cole	Invitation to Cocktail Party and Beating Retreat ceremony at Denison Barracks	Food and drink at Reading Town Hall	£15	Yes	Agreed by MO in advance
6.6.16	Roger Croft and Mrs Croft	IKEA Swedish breakfast for store opening	Breakfast for two (Mrs Croft) (£5 each) and plant in IKEA basket (£15 approx)	£25	Yes	
14.6.16	Tony Linden	IKEA Swedish breakfast for store opening	Breakfast	less than £25	Yes	Cost less than £25 confirmed by IKEA (Helena Olmos)
16.6.16	Jeanette Clifford	Friends of Newbury Cemetery Open Day and AGM on 11th June 2016	Sandwich lunch and soft drinks	£10	Yes	Attended as Vice-Chairman of the Council
16.6.16	Jeanette Clifford	Royal Geographical Society Medals and Awards Ceremony - Annual Reception on 6th June 2016	Supper for individual society guests	£50	Yes	Invited to accompany husband - not in a Council capacity
16.6.16	Jeanette Clifford	Saxton Bampfylde Summer Party and Private Showing at the V&A on 14th June 2016	Summer party and private showing	£50	Yes	Invited to accompany husband - not in a Council capacity
16.6.16	Jeanette Clifford	American Embassy Independence Day reception on 30th June 2016	Reception	£50	Yes	Invited to accompany husband - not in a Council capacity
23.6.16	Adrian Edwards	South East Reserve forces briefing and supper at RMA Sandhurst	Briefing and supper	£30 approx	Yes	As Chairman
04.04.16	Peter Argyle	RAF Welford Memorial	Buffet and coffee - self		Yes	As Chairman
05.04.16	Peter Argyle	High Sherriff Inauguration	Lunch and drinks - self		Yes	As Chairman
06.04.16	Peter Argyle	Helen & Douglas House	Wine and canapés - self and wife		Yes	As Chairman
16.04.16	Peter Argyle	Guides Annual Thanks	Lunch and drinks - self		Yes	As Chairman
23.04.16	Peter Argyle	Hungerford Town Band	Tickets - self and wife		Yes	As Chairman
25.04.16	Peter Argyle	Records Office	Wine/canapés - self and wife		Yes	As Chairman
26.04.16	Peter Argyle	Mayor of Hungerford	Buffet and drinks - self and wife		Yes	As Chairman
29.04.16	Peter Argyle	Open Studio	Lunch and drinks - self and wife		Yes	As Chairman
30.04.16	Peter Argyle	Bradfield College	Lunch and drinks - self		Yes	As Chairman
06.05.16	Peter Argyle	Mayor of Thatcham	Dinner and drinks - self and wife		Yes	As Chairman
19.05.16	Peter Argyle	Volunteer	Coffee		Yes	As Chairman
2.6.16	Quentin Webb (Chairman)	High Sheriff Reception	Drinks and canapés	£20 each	Yes	Plus Chairman's Lady (Cllr Marigold Jaques)

3.6.16	Quentin Webb (Chairman)	Unveiling of painting at Newbury Town Council	Coffee/Tea and cake	£5 each	Yes	Plus Chairman's Lady (Cllr Marigold Jaques)
10.6.16	Quentin Webb (Chairman)	Queen's 90th Birthday cake competition	Coffee/Tea and cake	£2 each	Yes	Plus Chairman's Lady (Cllr Marigold Jaques)
10.6.16	Quentin Webb (Chairman)	Learner Awards	N/A			
11.6.16	Quentin Webb (Chairman)	Royal Naval Association AGM	Goody bag (containing sweets etc). Coffee.	£10	Yes	
19.6.16	Quentin Webb (Chairman)	DofE Awards	Drinks/minerals (non alcoholic) and biscuits.	£2	Yes	Plus Chairman's Lady (Cllr Marigold Jaques)
20.6.16	Quentin Webb (Chairman)	Visit to Kennet School	Coffee/Tea and cake	£1	Yes	Plus Chairman's Lady (Cllr Marigold Jaques)
20.6.16	Quentin Webb (Chairman)	ARE	Non alcoholic drinks and canap	£5	Yes	Plus Chairman's Lady (Cllr Marigold Jaques)
21.6.16	Quentin Webb (Chairman)	SERFCA briefing	Arrival coffee and biscuits. Dinner.	£25	Yes	Plus Chairman's Lady (Cllr Marigold Jaques)
26.6.16	Quentin Webb (Chairman)	AFD	Cold drinks/Tea and coffee	£2	Yes	Plus Chairman's Lady (Cllr Marigold Jaques)
26.6.16	Quentin Webb (Chairman)	Basingstoke Civic Service	Wine and light refreshments	£8	Yes	Plus Chairman's Lady (Cllr Marigold Jaques)
29.6.16	Quentin Webb (Chairman)	Parsons Down production	Wine and light refreshments	£5	Yes	Plus Chairman's Lady (Cllr Marigold Jaques)
1.7.16	Quentin Webb (Chairman)	Bishop's Supper	Wine and fork buffet	£25	Yes	Plus Chairman's Lady (Cllr Marigold Jaques)
3.7.16	Quentin Webb (Chairman)	Bluecoats School	Coffee/Tea and cake	£2	Yes	Plus Chairman's Lady (Cllr Marigold Jaques)
7.7.16	Quentin Webb (Chairman)	Freedom of the Town	One alcoholic drink and buffet	£10	Yes	Plus Chairman's Lady (Cllr Marigold Jaques)
11.7.16	Quentin Webb (Chairman)	Employer celebration at Newbury College	Coffee and cake	£2	Yes	
14.7.16	Quentin Webb (Chairman)	IKEA opening	Breakfast and gifts (plant, kitchen gadgets)	£25	Yes	
14.7.16	Quentin Webb (Chairman)	Theale Green 10 year celebration of Resource centre	Cake and coffee, buffet.	£5	Yes	Plus Chairman's Lady (Cllr Marigold Jaques)
19.7.16	Quentin Webb (Chairman)	Readibus AGM	Cold drinks (non alcoholic) and light buffet	£4	Yes	
20.7.16	Quentin Webb (Chairman)	Denison Barracks Cocktail Party	Drinks and canapés	£15	Yes	Plus Chairman's Lady (Cllr Marigold Jaques)

2.9.16	Jeanette Clifford	GWR - launch of Electrostar trains from Paddington	Coffee/canapés/first class return ticket from Newbury to Paddington (travelled standard class apart from outward Reading to Paddington)	£10 food & drink £70 estimate for part standard / part first class travel £80 total	Yes	MO consulted before invitation accepted
16.9.16	Hilary Cole	Newbury and District Agricultural Society building opening and drinks reception - morning	Drinks	£10	Yes	As Ward Member
16.9.16	Hilary Cole	Newbury and District Agricultural Society afternoon tea	Tea and cakes	£7.50 approx	Yes	As Ward Member
17.9.16	Hilary Cole	Newbury and District Agricultural Society Saturday lunch	Three courses and wine	£35	Yes	As Ward Member
8.10.16	Adrian Edwards	History and Times of the Boxford Basques in an exhibition at the West Berks Museum. This was on Saturday 8th October. I received	Food and drink to the approximate cost of £25.	£25	Yes	Requested MO to write and remind of need to ask permission to accept hospitality before the event
7.11.16	Hilary Cole	Corn Exchange - Pantomime	Ticket & refreshments		No	
16.11.16	Rgoer Croft	Lunch & Prime Minister's Questions with Richard Benyon at House of Commons	Lunch for Cllr Croft and wife	£60	Yes	Travel expenses not claimed
22.11.16	Hilary Cole	Farewell dinner at the Donnington Valley Hotel on Thursday evening 24th November, which I have accepted.	Dinner	Approx 40	Yes	WBC appointed governor & director of Mary Hare until May 2015, when stepped down as I had served 2 terms. Forwarded to MO on 23.11.16
27.10.16	Jeff Beck	Newbury Building Society Event at Vineyard.	Drinks reception and gift of ballpoint pen	Approx £25	Yes	Attended as trustee of West Berkshire Volunteer Bureau
14.12.16	Lynne Doherty	Kennet School Achievement Awards on Monday 12th December as guest of honour	Bottle of Champagne	Approx £26	Yes	

3.2.17	James Podger	Thank you gift from resident involved in planning issue	Case of wine		No	Returned it and explained any help given (advice in relation to a planning application, pointing him in the right direction) was as a Councillor and no thank-you gift was warranted, or expected and could not be accepted
20.2.17	Jeff Beck	Invitation to Canal & River Trust Trustees' Reception, Wednesday 22 March 2017, Kennet & Avon	Reception		No	Apologies given

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## Internal Audit Plan 2017-18 - Summary Report

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<b>Committee considering report:</b>	Governance and Ethics Committee on 24 April 2017
<b>Portfolio Member:</b>	Councillor James Fredrickson
<b>Date Portfolio Member agreed report:</b>	2 <sup>nd</sup> March 2017
<b>Report Author:</b>	Ian Priestley
<b>Forward Plan Ref:</b>	GE3081

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### 1. Purpose of the Report

- 1.1 This report sets out the proposed plan of work for internal audit over the next three years.
- 1.2 The report outlines the method used to compile the plan, which is based around risk.

### 2. Recommendation

- 2.1 The Committee should review and approve the work plan.

### 3. Implications

- 3.1 **Financial:** none
- 3.2 **Policy:** none
- 3.3 **Personnel:** none
- 3.4 **Legal:** none
- 3.5 **Risk Management:** Internal Audit work supports the risk management process by identifying weaknesses in systems and procedures and making recommendations to provide mitigation and improve service delivery
- 3.6 **Property:** none
- 3.7 **Other:** none

### 4. Other options considered

- 4.1 None

## 5. Executive Summary

- 5.1 The purpose of this report is to set out a risk based plan of work for Internal Audit that will provide assurance to the Governance and Ethics Committee on the operation of the Council's internal control framework and support the Committee's review of the Annual Governance Statement.
- 5.2 The work of internal audit is regulated by the "Public Sector Internal Audit Standards" based on the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF). These provide a:
- (1) Definition of Internal Auditing
  - (2) Code of Ethics
  - (3) International Standards for the professional practice of internal auditing (including interpretations and glossary)
- 5.3 The report covers the following points:
- (1) Audit objectives and outcomes
  - (2) How audit work is planned to ensure significant local and national issues are addressed.
  - (3) Basis for the opinion of the Chief Internal Auditor on the internal control framework
  - (4) Methods of providing and resourcing the service.
- 5.4 The Public Sector Internal Audit Standards provide the following definition of Internal Audit:
- "Internal auditing 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"*
- 5.5 Translated into plain English, Internal Audit is there to help Services deliver the Council Strategy by identifying and helping to mitigate weaknesses in service delivery systems and procedures, whilst staying within the statutory framework that governs local authorities.
- 5.6 The objectives for Internal Audit are set out in the Audit Charter which forms an appendix to the Terms of Reference of the Governance and Ethics Committee. The full charter is attached at appendix A.
- 5.7 The main outcomes from the work of Internal Audit are:
- (1) Audit reports produced at the conclusion of each audit, for the relevant Head of Service and Director.
  - (2) Monitoring reports on progress with implementation of agreed audit recommendations.

- (3) An annual assurance report and an interim update report for Management Board and Governance and Ethics Committee on the outcomes of Internal Audit work.

5.8 The work programme for Internal Audit for the period 2017-20 is attached at appendix B. The plan analyses the different areas of Council activity that Internal Audit feel require auditing. The Plan is laid out by, Corporate Audits, then by Head of Service and for each audit covers:

- (1) The key risks that the audit will cover
- (2) The level of risk associated with the subject, as assessed by Internal Audit
- (3) The complexity of the audit.
- (4) The type of audit
- (5) An initial estimate of the number of days that will be required to complete the audit, and the year in which the audit is planned

5.9 The process of putting the plan together is extensive in terms of the documents and people who are consulted. The following identifies the key drivers:

- (1) The views of stakeholders, Heads of Service, Corporate Board, Operations Board are key to identifying priorities for the team.
- (2) The Council Strategy is reviewed to ensure that audit resources are used to support the delivery of Council objectives.
- (3) The Council's risk registers. These are used to highlight areas where assurance is required for controls that are in place to significantly reduce levels of risk to the Council.
- (4) Results of previous audit, inspection and scrutiny work, by internal teams and external agencies, is considered.
- (5) Plans are made available to the Council's external auditor to ensure that there is no unnecessary duplication of effort.

5.10 The work programme is based on levels of risk. The risk registers are used to inform the level of risk where appropriate and this is supplemented by an audit view of risk. This takes account of:

- (1) Results of risk self assessments;
- (2) Complexity/scale of system and processes / volume and value of transactions;
- (3) Fraud and corruption - eg the risk of fraud or corruption occurring;
- (4) Inherent risk - eg degree of change/instability/confidentiality of information;

- (5) Internal Audit knowledge of the control environment based on previous audit work.
- 5.11 The work of Internal Audit forms the basis of the opinion given by the Chief Internal Auditor on the Council's internal control framework. The work of Internal Audit is regulated by the Public Sector Internal Audit Standards. This sets out the standards and methods that should be applied in doing the work. At an operational level Internal Audit have a procedure manual that explains in detail how work is delivered. In addition an Audit Protocol is published to all Heads of Service setting out how the service operates. A copy of this is at Appendix C.
- 5.12 There are a number of key elements to the process that ensure the output from audit is fit for purpose.
- (1) Consultation takes place at various stages of each audit with the service under review (Terms of reference, rough and formal draft and final reports and action plans are all discussed and agreed with the service under review).
  - (2) Audits are followed up, where appropriate, to ensure that agreed actions are implemented. (Method and approach to follow up work varies depending on the nature of the issues identified in the original audit).
  - (3) All audit work is reviewed before being released. (The review process is ongoing during the course of each audit).
  - (4) The External Auditor relies on the work of Internal Audit, and will raise any concerns in their annual audit letter, to date no concerns have been raised.
  - (5) An external (to the Council) review of the internal audit service will be carried out in 2017-18.
- 5.13 The work produced by Internal Audit is designed to identify and remedy weaknesses in the internal control framework. Weaknesses that are identified are categorised according to their severity (fundamental, significant, moderate and minor).
- 5.14 Taken together, the above provides a sound basis for the Chief Internal Auditor to provide an annual opinion of the internal control framework of the Council.
- 5.15 The Chief Internal Auditor now has the support of 4 FTE's. The service is provided entirely through in house provision.

## **6. Conclusion**

- 6.1 The work of internal audit is designed to provide the Council with assurance on the state of the Council's internal control framework. The work is also designed to highlight and remedy weaknesses identified in the Council's service delivery systems.

## 7. Appendices

- 7.1 Appendix A – Internal Audit Charter
- 7.2 Appendix B – Internal Audit Plan 2017-20
- 7.3 Appendix C – Internal Audit reporting protocol

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## **Appendix A**

### **AUDIT CHARTER**

#### **1 Definition and Purpose of Internal Audit**

- 1.1 The Public Sector Internal Audit Standards provide the following definition of Internal Audit.

Internal auditing 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

- 1.2 Internal Audit is a statutory service in the context of the Accounts and Audit Regulations, which state in respect of Internal Audit:
- 1.3 'A relevant body shall maintain an adequate and effective system of internal audit of its accounting records and its system of internal control in accordance with the proper internal audit practices.'
- 1.4 The existence of an Internal Audit function does in no way diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in an efficient, secure and well ordered manner within the Authority.

#### **2 Responsibility & Objectives**

- 2.1 As an independent appraisal function within the Authority, the objectives of Internal Audit are:
- To review, appraise and report on the adequacy of internal controls as a contribution to the economic, efficient and effective use of resources.
  - Ascertain the extent of compliance with procedures, policies, regulations and legislation.
  - Provide reassurance to management that their agreed policies are being carried out effectively.
  - Facilitate good practice in managing risks.
  - Recommend improvements in control, performance and productivity in achieving corporate objectives.
  - Review the value for money processes, systems and units within the Authority.
  - Work in partnership with External Audit.
  - Identify fraud as a consequence of its reviews and deter crime.

### **3 Scope and Accountability**

- 3.1 Internal Audit as a function will remain independent of the Authority's operational activities, and its auditors will undertake no operational duties. This will allow auditors to perform duties in a manner which facilitates impartial and effective professional judgements and recommendations.
- 3.2 The scope of Internal Audit allows for unrestricted coverage of the Authority's activities and access to all staff, records and assets deemed necessary in the course of the audit.
- 3.3 Accountability for the response to advice and recommendations made by Internal Audit lies with the management of the Authority. Management can accept and implement advice and recommendations provided or formally reject it. Internal Audit is not responsible for the implementation of recommendations or advice provided.
- 3.4 Internal Audit sits within the Finance Service and supports the statutory functions of the Head of Finance. However, Internal Audit is also accountable to the Governance and Ethics Committee for the delivery of assurance in relation to the Council's system of internal control.

### **4 Reporting**

- 4.1 All audit assignments will be the subject of a formal report written by the appropriate auditor. The report will include an 'opinion' on the adequacy of controls in the area that has been audited.
- 4.2 A follow-up review will be undertaken where the overall opinion of a report is, Weak or Very Weak. Where a Satisfactory opinion is given then a follow up may be carried out if felt necessary, by either management or internal audit. The follow up will ascertain whether actions stated by management in response to the audit report have been implemented in order to provide assurance that the control framework is now effective or flag up concerns where we consider this is not the case.
- 4.3 Internal Audit will prepare half yearly reports for the Governance and Ethics Committee and give an opinion on the Council's internal control framework.
- 4.4 Internal Audit will bring to the attention of the Governance and Ethics Committee any serious matters of concern that may arise in the course of audit work.

### **5 Resources**

- 5.1 Internal Audit will prepare an Audit Strategy each year that sets out the aims and objectives of the service.

- 5.2 A detailed risk based plan of work will be prepared for information for the Governance and Ethics Committee, including the resources required to carry out the work. This will set out the key areas / risks that are to be subject to audit.

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Key risks to be covered	Complexity (Using a scale of 1-4, 1 being least complex)	Risk Assessment Category	Audit Type	Date last audited	2017-18	2018-19	2019-20	TOTAL Est Days 2017-2020
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**AUDIT PLAN RATIONALE**

- 1) Frequency of review is based on the overall risk rating and when the previous review was carried out.
- 2) Level of audit resource is dependent on complexity of the area to be reviewed and the level of assurance required for the risks identified.
- 3) Risk assessment factors taken into account when determining the risk category:- degree of instability/complexity of system/sensitivity of information/likelihood of fraud or corruption/previous audit control opinion

**AUDIT TYPE - KEY**

SR	Strategic Risk
KFS	Key Financial System
AFW	Anti Fraud Work
ACW	Anti Corruption Work
VFM	Value for Money
OR	Operational Risk
Sch	Schools
ADV	Advisory

**APPENDIX B**
**Internal Audit Work Programme - 2017-2020**
**Corporate Audits**

	Key risks to be covered	Complexity (Using a scale of 1-4, 1 being least complex)	Risk Assessment Category	Audit Type	Date last audited	2017-18	2018-19	2019-20	TOTAL Est Days 2017-2020
Mileage Claims - Compliance with Council procedures	a) Inaccurate/inappropriate claims resulting in theft/fraud	1	Medium	AFW	2013-14				0
Income collection - spot checks	a) Theft/Fraud	1	High	AFW	2014-15				0
Commercialisation Projects	a) Legality of operations not fully explored or validated. b) Governance arrangements have not been clearly defined/established to monitor achievement of stated aims and objectives	4	High		New	20			20
Compilation and Monitoring of the Capital Programme	a) Ineffective project management - budgets exceeded/deadlines exceeded/outcome does not meet client needs b) Implementation and usage of PMM	4	High	SR	2012-13				0
IR35	a) Non compliance with legislation b) Inaccurate calculations could result in financial penalties and interest being incurred	3	High	SR	New	20			20
Capital Programme - Education Services	a) Ineffective project management - budgets exceeded/deadlines exceeded/outcome does not meet client needs	4	High	OR	2015-16				0
Establishing processes for Community Infrastructure Levy (CIL)	a) The Council is not effectively recording/monitoring CIL funds that are due/have been paid b) Policy targets are not met c) Corruption d) Income is not maximised	4	High	ADV	2013-14				0
NFI Investigation work	a) fraud by employees/residents	2	High	AFW	2016-17	25	25	25	75
Ensure information security	a) Non compliance with Data Protection Act b) Information not stored securely c) Personal information issued/sent to incorrect parties b) data could be amended/destroyed/sensitive data made public		High	SR	2014-15				0
Telecommunications	a) Inappropriate use of equipment/ineffective monitoring of personal calls resulting in unnecessary expenditure being incurred possibility of Fraud/abuse b) There isn't a consistent approach when determining who can be allocated telecoms equipment, therefore assessing the need for	3	Medium	AFW	2016-17				0
Procurement cards	Ineffective monitoring of card usage resulting in inappropriate expenditure being incurred	2	High	AFW/SR	2012-13	15			15
Online Grant Applications	a) Fraudulent applications made b) Grant conditions not met resulting in repayment and/or criticism	2	Medium	AFW	New	15			15
Grant Allocation/monitoring	a) Grants not awarded appropriately b) Grant allocations are not accurately recorded/effectively monitored.	2	Medium	SR	2006-07	15			15
Corporate Fraud Review	a) Council's approach to dealing with fraud does not meet the revised CIPFA guidance b) The Council is not being a pro-active as it could in deterring/highlighting fraud	2	Medium	AFW	2013-14				0
Archiving Council Records	a) Ineffective service provision b) Storage requirements not reviewed c) Unnecessary costs incurred	1	Medium	OR	201415				0
<b>total</b>						<b>110</b>	<b>25</b>	<b>25</b>	<b>160</b>

**APPENDIX B**
**Internal Audit Work Programme - 2017-2020**

	Key risks to be covered	Complexity (Using a scale of 1-4, 1 being least complex)	Risk Assessment Category	Audit Type	Date last audited	2017-18	2018-19	2019-20	TOTAL Est Days 2017-2020
<b>Resources Directorate</b>									
Travel Claims	a) Fraudulent claims b) Inaccurate payments	1	Medium	AFW	2010-11				0
<b>total</b>									0
<b>Head of Finance and Property</b>									
<b>Accountancy</b>									0
General Ledger	a) Inaccurate information for management decisions b) Budgets exceeded c) Qualified accounts	2	Medium	KFS	2016-17				0
Asset Management Strategy	a) Non compliance with legislation, b) Ineffective management of asset portfolio	2	Medium	SR	2016-17				0
Fixed Asset Register	a) Non compliance with accounting standards b) Qualified Accounts	2	Low	SR	2010-11		15		15
Budget Monitoring	a) Inaccurate Information b) poor decision making	2	High	SR	2015-16				0
MTFS (to incorporate Business Rates estimating and profiling)	a) Council's financial targets are not realised b) Budget pressures c) Increases in Council Tax	4	High	SR	2013-14			15	15
Treasury Management	a) Inappropriate cashflow decisions - income not maximised b) Legislation/Internal policies not complied with	2	Low	KFS	2014-15		12		12
Bank Reconciliation (cover Chaps payments)	a) Inappropriate transactions processed through the bank b) Inaccurate year end accounts c) Qualified opinion from External Auditors	2	Medium	OR	2010-11	15			15
VAT	a) Non compliance with Revenues & Customs requirements - financial penalties	2	Medium	OR	2013-14			15	15
<b>H&amp;S/Insurance/Risk Management</b>									0
Insurance (claims management)	a) Inappropriate assessment of uninsured losses b) Inaccurate claims record for management information c) Ineffective claims management	2	High	SR	2015-16				0
Governance / Risk Management	a) Non compliance with Legal requirements b) Ineffective framework for AGS reporting	3	High	SR	2007-08	20			20
Health and Safety	a) Non compliance with H&S Legislation - legal action/penalties	2	Medium	SR	2012-13			15	15

**APPENDIX B**
**Internal Audit Work Programme - 2017-2020**

	Key risks to be covered	Complexity (Using a scale of 1-4, 1 being least complex)	Risk Assessment Category	Audit Type	Date last audited	2017-18	2018-19	2019-20	TOTAL Est Days 2017-2020
<b>Property</b>									<b>0</b>
Building Maintenance	a) Ineffective maintenance programme, b) Non compliance with legislation (internal, H&S, EU tendering policies)	3	High	OR	2014-15				<b>0</b>
Property Database - Assessment of implementation of phase 1	a) System does not meet the defined outcomes for phase 1 b) Data is not up-to-date/inaccurate which could lead to incomplete/inaccurate system reports and inappropriate management decisions.	2	High	OR	2015-16				<b>0</b>
Asset Project Management	a) Failure to deliver major projects on budget, timely manner, to meet need of clients, b) Non compliance with legislation	4	High	SR	2015-16				<b>0</b>
Commercial Rents	a) Non compliance with legislation, b) Loss of income/increased void periods, c) Misappropriation of leases	3	High	OR	2013-14		15		<b>15</b>
Facilities Management	a) Ineffective contract management which could result in lack of compliance with regulations b) Poor response to requests for service, resulting in staff Health and Safety issue.	3	Medium	OR	2011-12			15	<b>15</b>
<b>Exchequer</b>									<b>0</b>
Accounts Payable	a) Inappropriate/fraudulent payments b) budgets exceeded	2	High	KFS	2014-15	15			<b>15</b>
Accounts Receivable	a) Council's cash flow affected b) Income not maximised	2	High	KFS	2015-16			15	<b>15</b>
Car Loans & Car Leasing	a) Inaccurate payroll deductions b) Non compliance with Inland Revenue requirements	2	Low	OR	2013-14				<b>0</b>
Income Collection/Recording Processes	a) Inaccurate processing of income - affecting cash flow decisions b) Fraud/theft c) Accounts could be qualified	2	Medium	AFW	2016-17				<b>0</b>
<b>Revenues</b>									<b>0</b>
National Non-domestic Rates	a) Non compliance with legislation/local schemes for exemptions b) Income generation/collection not maximised c) Qualified accounts	3	High	KFS	2014-15		15		<b>15</b>
Housing Benefits	a) Non compliance with legislation b) Inaccurate/inappropriate payments made c) Accounts qualified	3	High	KFS	2014-15	15			<b>15</b>
Council Tax	a) Non compliance with legislation/local schemes for reductions b) Income generation/collection not maximised c) Accounts qualified	3	High	KFS	2015-16		15		<b>15</b>
Business Improvement District Levy	a) Accounting arrangement do not comply with regulations b) The billing and collection processes are not effective	2	Medium	OR	New	15			<b>15</b>
<b>Total</b>						<b>80</b>	<b>72</b>	<b>75</b>	<b>227</b>

## APPENDIX B

## Internal Audit Work Programme - 2017-2020

Key risks to be covered		Complexity (Using a scale of 1-4, 1 being least complex)	Risk Assessment Category	Audit Type	Date last audited	2017-18	2018-19	2019-20	TOTAL Est Days 2017-2020
<b>Head of HR</b>									
Recruitment (process)	a) Delays in appointing staff - disruption to service delivery b) Non compliance with employment legislation C) DBS failure	2	High	AFW/SR	2012-13			15	15
Absence Management	a) Council's sickness policy not being adhered to b) Inaccurate information for performance management	2	Medium	SR	2011-12		15		15
Code of Conduct / HR Policies & Procedures	a) Staff not being managed consistently/to the Council's standards required standards b) New managers not being aware of the required standards and related procedures	1	Low	SR	2007-08				0
Staff Training and Development (Corporate and Professional Training - across whole Council)	a) Failure to develop staff in accordance with good practice b) Failure to inform new employees of legislation, key corporate policies and procedures they need to be aware of adhere to c) VFM/cost effectiveness not taken into account within services when making spending decisions	1	Low	SR	2014-15				0
Payroll	a) Ghost employees set up b) Inaccurate payments made c) Inaccurate deductions made	3	High	KFS	2014-15	15			15
Apprenticeship Levy/Use of the Apprenticeship Service	a) Non compliance with legislation b) Budgets do not reflect the increase in costs c) Payment calculations are not correct d) Apprenticeship levy paid is not used therefore funds are lost.	3	High		New	15			15
<b>Total</b>						<b>30</b>	<b>15</b>	<b>15</b>	<b>60</b>
<b>Head of Legal Services</b>									
Legal Services	a) The collaborative agreement is not being effectively recorded/monitored b) Terms of the joint agreement are not being adhered to c) The service fails to retain its quality standard accreditation	2	Medium	OR	2010-11			15	15
<b>Total</b>						<b>0</b>	<b>0</b>	<b>15</b>	<b>15</b>

# APPENDIX B

## Internal Audit Work Programme - 2017-2020

	Key risks to be covered	Complexity (Using a scale of 1-4, 1 being least complex)	Risk Assessment Category	Audit Type	Date last audited	2017-18	2018-19	2019-20	TOTAL Est Days 2017-2020
<b>Head of Strategic Support</b>									
Service Planning/targets and performance management	Service Delivery / intervention / legal obligations / performance indicators / linkages to Timelord	4	Medium	SR	2013-14				0
Equality Impact Assessments	a) Non compliance with national guidance b) Unaware of impact of changes in policy/decisions on local community c) lack of transparency/accountability d) Judicial review overturns decisions	3	Medium	SR	2013-14				0
Members expenses	a) Inappropriate payments, b) Over payments on budgets, c) Non compliance with legislation/policies	1	Medium	OR	2014-15				0
Complaints / Code of Conduct	a) Ineffective policies and processes in place, b) Non compliance with policies/processes	3	Medium	SR	2012-13			15	15
Data Protection / Freedom of Information	a) Non compliance with legislation b) No Standard approach for dealing with requests c) Adequate records not maintained of requests/responses	3	High	SR	2014-15				0
Intranet/Internet/Communication/Publications	a) Ineffective processes and procedures, b) Inappropriate information published - version control.	2	Medium	SR	2011-12				0
Civil Contingencies	a) Contingency arrangements not in place/not effective b) Lack of compliance with legislation	2	Medium	SR	2011-12		15		15
Electoral Services	a) Non compliance with legislation, b) Inappropriate entries on register, b) Incorrect payments/expenditure/charges	2	Low	OR	2016-17				0
<b>total</b>							<b>15</b>	<b>15</b>	<b>30</b>

**APPENDIX B**
**Internal Audit Work Programme - 2017-2020**
**Head of Customer Services and I.C.T.**

Key risks to be covered	Complexity (Using a scale of 1-4, 1 being least complex)	Risk Assessment Category	Audit Type	Date last audited	2017-18	2018-19	2019-20	TOTAL Est Days 2017-2020
I.T. Strategy	a) Does not meet changing needs of the organisation b) Progress not measured/monitored - objectives not achieved	3	Medium	SR	2007-08		15	15
Software licences	a) Non compliance with legislation (software licences)	2	Low	OR	2003-04	15		15
Change Control Management	a) Inappropriate changes b) Changes do not meet the needs of users c) Changes not operationally effective	3	Medium	OR	2016-17			0
Project Management (IT investment)	a) Systems do not meet business/user needs b) Escalation of costs/time to implement	3	Medium	SR	2006-07	20		20
Post Implementation Reviews (IT investment)	a) Systems do not meet business/user needs b) Escalation of costs/time to resolve system issues	3	Medium	SR	2013-14			0
Ensure continuous service (Disaster Recovery for I.T. Service)	a) Contingency plan not in place/not effective - service delivery affected	3	High	SR	2011-12		15	15
PSN Compliance Certificate	a) Non compliance with Government I.T. Security requirements b) Not able to access government data/share data with other government bodies	4	Medium	SR	2010-11			0
Ensure systems security	a) Non compliance with Data Protection Act b) Unauthorised access to data b) data could be amended/destroyed/sensitive data made public	3	High	SR	2011-12	15		15
Manage problems and incidents (help desk)	a) Interruptions to service delivery b) Staff performance adversely affected	3	High	OR	2012-13			0
EDI (BACs)	a) Inaccurate/inappropriate electronic transactions	3	Low	OR	Not audited		15	15
Printing Service	a) Inefficient operations b) Delivery targets not met	2	Low	OR	2014-15			0
Business Continuity Planning	a)Flu / fire / flood / terrorism / service delivery	3	High	SR	2007-08	20		20
I.T. Asset Management	a) Loss of I.T assets - increased cost on replacement equipment	3	Medium	OR	2007-08			0
Superfast Broadband Project	a) Ineffective Contract Management b) Key deliverables not being achieved/achieved as per contract c) External Funding may be withdrawn	4	Low	OR	2014-15			0
<b>Total</b>					<b>30</b>	<b>40</b>	<b>45</b>	<b>115</b>

# APPENDIX B

## Internal Audit Work Programme - 2017-2020

Key risks to be covered		Complexity (Using a scale of 1-4, 1 being least complex)	Risk Assessment Category	Audit Type	Date last audited	2017-18	2018-19	2019-20	TOTAL Est Days 2017-2020
<b>Head of Commissioning</b>									
Brokerage/Care Commissioning Placement Processes	a) Value for money not obtained when choosing external providers b) Care provision not formalised/not monitored - escalation of costs/ care standards not met	3	High	OR	New	20			20
Contract Letting/Monitoring ASC (Supporting People/Block Bed contracts)	a) Value for money not obtained when choosing external providers b) Care provision not formalised/not monitored - escalation of costs/ care standards not met b) Non compliance with EU legislation	3	Medium	OR	2001-02		20		20
Contract letting	a) Non-compliance with Contract rules of Procedure b) Non compliance with EU legislation (Remedies Directive) c) Corruption	3	High	ACW	2014-15				
Contract monitoring	a) Non-compliance with Contract rules of Procedure b) Contract spec not met c) Contract costs exceeded	3	High	SR	2007-08				0
<b>Total</b>						<b>20</b>	<b>20</b>	<b>0</b>	<b>40</b>

# APPENDIX B

## Internal Audit Work Programme - 2017-2020

	Key risks to be covered	Complexity (Using a scale of 1-4, 1 being least complex)	Risk Assessment Category	Audit Type	Date last audited	2017-18	2018-19	2019-20	TOTAL Est Days 2017-2020
<b>Communities Directorate</b>									
Disclosure and Barring Service	a) Vulnerable adults/children could be put at risk due to the Council Scheme not meeting the requirements of the national guidance and/or local processes have not been established to ensure that backgrounds check are undertaken/recorded and updated.	2	High	SR	2014-15				0
Travel Claims	a) Fraudulent claims b) Inaccurate payments	1	Medium	AFW	2011-12				0
CareDirector Project	a) System control weaknesses are identified after implementation b) Migrated data may be inaccurate	4	High	ADV	2016-17	10			10
<b>total</b>						<b>10</b>			<b>10</b>
<b>Head of Adult Social Care</b>									
Better Care Fund	a) Ineffective governance/communication between parties b) Effectiveness of arrangement not monitored - objectives not achieved/budgets exceeded.	4	High	SR	New	20			20
Care Act (Implementation of national eligibility criteria/carers assessments)	a) Care Act is not adhered to b) Assessments not undertaken timely/ care plans not put in place c) Client's/carers initial needs not met which could result in increased demand on services/budgets.	3	High	SR	New		20		20
Client Information and support covering services and providers	a) Care Act not adhered to b) Uninformed decisions/lack of choice on care support options which may lead to care plans not being achieved	3	Medium	OR	New			15	15
New Way of Working (the three key offers)	a) Care Act not adhered to b) Aims of the initiative are not met c) Processes are not sufficiently robust to achieve the stated aims		High	SR	New		20		20
Agency Staff	a) Inappropriate people could be appointed - risk to client b) Budgets could be exceeded c) Standards of service required not met	2	High	OR	2009-10			15	15
Assessment of Needs/Purchase of Care - (MH/LD)	a) Legislation is not adhered to b) Inappropriate care packages c) Budgets could be overspent	3	Medium	OR	2008-9			15	15
Assessment of need /Purchase of Care - Respite	a) Legislation is not adhered to b) Inappropriate care packages c) Budgets could be overspent	3	Medium	OR	2012-13				0
Carers' Assessments/payments	a) Care Act is not adhered to b) Assessments not undertaken timely/ care plans not put in place c) Carers initial needs not met which could result in increased demand on services/budgets.	3	Medium	OR	New	15			15

**APPENDIX B**
**Internal Audit Work Programme - 2017-2020**

	Key risks to be covered	Complexity (Using a scale of 1-4, 1 being least complex)	Risk Assessment Category	Audit Type	Date last audited	2017-18	2018-19	2019-20	TOTAL Est Days 2017-2020
Resource Centres (3)	Establishment reviews - key risks - budgetary control/appropriateness of expenditure	1	Low	OR	2013-14			6	6
Residential Homes - Elderly (4)	Establishment review - key risks - budgetary control/appropriateness of expenditure	1	Low	OR	2010-11		6		6
Assessment of needs/Purchase of care - Home Care	a) Legislation is not adhered to b) Inappropriate care packages c) Budgets could be overspent	3	Medium	OR	2006-07	20			20
Assessment/Purchase of Care - Residential/Nursing	a) Legislation is not adhered to b) Inappropriate care packages c) Budgets could be overspent	2	Medium	OR	2016-17				0
Shared Lives - Placements and Payments	a) Scheme not effectively managed b) Incorrect/inappropriate payments, c) Overspends on budget	3	Medium	OR	New		15		15
O/T - Equipment - pooled budget	a) Ineffective governance/communication between parties b) Effectiveness of arrangement not monitored - objectives not achieved/budgets exceeded	2	Medium	OR	2011-12				0
Personal Budgets (Use of payment cards)	a) Legislation/internal procedures not adhered to b) Inappropriate care packages c) Budgets could be overspent	4	High	ADV	New	15			15
Personal Budgets - Direct Payments	a) Legislation/internal procedures not adhered to b) Inappropriate care packages c) Budgets could be overspent	3	High	OR	2013-14			15	15
Client Financial Assessments	a) Non compliance with legislation/Council's policy b) Inaccurate charges calculated c) Ineffective income collection/recovery procedures	3	High	OR	2016-17				0
Residents Property (Appointeeship/Deputyship)	a) Misappropriation of client property b) Inaccurate records of level/type of property held c) Non compliance with legislation	2	High	OR	2013-14			15	15
Social Fund Reform (Community Care Grants/Crisis Loans)	a) Grants not awarded in accordance with legislation/Council procedures b) Inappropriate payments made c) Records not up-to-date/accurate	2	Medium	OR	2014-15				0
<b>total</b>						<b>70</b>	<b>61</b>	<b>81</b>	<b>212</b>

**APPENDIX B**
**Internal Audit Work Programme - 2017-2020**

	Key risks to be covered	Complexity (Using a scale of 1-4, 1 being least complex)	Risk Assessment Category	Audit Type	Date last audited	2017-18	2018-19	2019-20	TOTAL Est Days 2017-2020
<b>Head of Education</b>									
Secondary Schools	Review of key risks - budgetary control, income collection, control of assets, school governance	2		Sch	Annual Programme	15	10	10	35
Primary Schools We may be able to save time on schools, and maybe do 10 x 4 days	Review of key risks - budgetary control, income collection, control of assets, school governance	1		Sch	Annual Programme	40	40	40	120
Nursery Schools (2) to include Children's Centres	Review key risks: Compliance with legislation, accurate completion of grant claims	1		Sch	2016-17				0
Special Schools (2)	Review key risks: Compliance with legislation, budgetary control, control of assets,	1		Sch	2016-17		8		8
Alternative Curriculum	Review key risks: Budgetary control, appropriateness of expenditure	1		OR	2015-16				0
Reintegration Service	Review key risks: Budgetary control, appropriateness of expenditure	1		OR	2015-16				0
Children's Centres	a) Centres have not been set up in accordance with government guidelines b) governance arrangements between the Centre and key	2		OR	New		12		12
Formula funding / DSG	a) Non compliance with legislation, b) Ineffective budget builds	2	Medium	OR	2009-10			20	20
School Census	a) Submission of incorrect returns, b) Inaccurate funding	1	Medium	OR	2012-13				0
Family Support Packages for Disabled Children (to include short breaks)	a) Non compliance with legislation, b) Inappropriate packages, c) Overspends on budgets	3	Medium	OR	2015-16				0
School Admissions Policy	a) Non compliance with legislation, b) Unsuitable school offers, c) Invalid admissions data	2	High	OR	2009-10			15	15
Home to School Transport Entitlement	a) Employment of inappropriate individuals, b) Misallocation of free transport,	2	Low	OR	2008-09		15		15
Safeguarding in Schools/Children's Centres/Early Years settings	a) Schools/Children's Centres/Early Years Providers are not adequately supported/trained by WBC b) non compliance with national guidance	2	Medium	OR	2008-09	15			15
Nursery Provision - early years grant	Review key risks: Compliance with legislation, accurate completion of grant claims	1	Medium	OR	2010-11	15			15
After Schools Clubs	a) Non compliance with government targets/legislation, b) Misuse of grant funds, c) Activities are not effectively monitored	3	Medium	OR	2007-08		15		15
Special Education Needs and Disability (SEND)	a) Not meeting requirements of the new legislation/guidance b) Expenditure may not be effectively monitored	3	Medium	OR	2016-17				0
School Library and Museum Services (Joint arrangement)	a) Contract not effectively monitored b) Service not meeting client needs c) Value for money not obtained	2	Low	OR	2015-16				0
Resource Units (7)	Review key risks: Compliance with legislation, budgetary control, control of assets.	1	High	OR	2011-12		5		5

APPENDIX B

Internal Audit Work Programme - 2017-2020

	Key risks to be covered	Complexity (Using a scale of 1-4, 1 being least complex)	Risk Assessment Category	Audit Type	Date last audited	2017-18	2018-19	2019-20	TOTAL Est Days 2017-2020
Adult Education	a) Non compliance with legislation, b) Non achievement of targets and standards, c) Overspends on budgets	2	Low	OR	Not audited			15	15
School Meals Contract	Review of schools not in the contract a) Non compliance with legislation, b) Not meeting service user requirements, c) Contract not effectively monitored.	3	Medium	OR	2011-12			20	20
total						85	105	120	310

**APPENDIX B**
**Internal Audit Work Programme - 2017-2020**
**Head of Children and Family Services**

Key risks to be covered	Complexity (Using a scale of 1-4, 1 being least complex)	Risk Assessment Category	Audit Type	Date last audited	2017-18	2018-19	2019-20	TOTAL Est Days 2017-2020
Castlegate	1	Medium	OR	2010-11	6			6
Assessment of Need/Purchase of care - Residential	3	High	OR	2008-09	15			15
Assessment of needs/Purchasing Care - Respite	3	High	OR	2013-14				0
Personal Budgets/Direct Payments	3	High	OR	2016/17				0
Assessment & collection of client contributions	3	Medium	OR	2011-12			15	15
Adoption - Recruitment, Placement and Allowances (Shared Service Arrangement)	3	Low	OR	New		15		15
Guardianship/Residence Orders	2	Medium	OR	2016/17				0
Payment of Carers (foster carers)	2	Medium	OR	2012-13				0
S17 - Payment of Support Costs/Allowances	2	Medium	OR	2015-16				0
Child Care Lawyers (joint arrangement with Berkshire Authorities)	2	Medium	OR	2004-05		15		15
Unaccompanied Children - Asylum Seekers	3	Medium	OR	2004-05	15			15
Agency Staff	2	Medium	OR	2008-09			15	15
Youth Centres (3)	1	Low	OR	2010-11				0
Offsite Activities - review of external provision of service	1	Medium	OR	2005-06		15		15
Supervision compliance checks	1	Medium	OR	2013-14				0
<b>total</b>					<b>36</b>	<b>45</b>	<b>30</b>	<b>111</b>

# APPENDIX B

## Internal Audit Work Programme - 2017-2020

Key risks to be covered		Complexity (Using a scale of 1-4, 1 being least complex)	Risk Assessment Category	Audit Type	Date last audited	2017-18	2018-19	2019-20	TOTAL Est Days 2017-2020
<b>Head of Prevention and Safeguarding</b>									
Turnaround Families Programme	a) Non compliance with requirements of the scheme b) Ineffective procedures to monitor and track outcomes c) Lack of evidence to validate grant payments claimed	3	Medium	OR	2016-17	10	10	10	30
Quality Assurance system (social care processes)	a) Service quality requirements are not being met and this is not highlighted/rectified which could result in service outcomes not being achieved b) Council criticised/legal action taken for not meeting duty of care	1	Medium	OR	New				0
Child Protection Conferencing Processes	a) Inappropriate arrangements in place, b) Non adherence to guidance, legislation.	2	Medium	OR	2010-11			15	15
Deprivation of Liberty Safeguards	a) Legislation not adhered to b) Assessments inaccurate c) Supervision / review of contractors performing assessments inadequate	2	Medium	OR	New	15			15
<b>total</b>						<b>25</b>	<b>10</b>	<b>25</b>	<b>60</b>
<b>Head of Public Health and Wellbeing</b>									
Public Health Unit	a) Non compliance with legislation b) Ineffective joint working arrangements resulting in poor budgetary control and/or service provision	3	High	SR	2015-16				0
<b>total</b>						<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**APPENDIX B**
**Internal Audit Work Programme - 2017-2020**

	Key risks to be covered	Complexity (Using a scale of 1-4, 1 being least complex)	Risk Assessment Category	Audit Type	Date last audited	2017-18	2018-19	2019-20	TOTAL Est Days 2017-2020
<b>Economy and Environment Directorate</b>									
Travel Claims	a) Fraudulent claims b) Inaccurate payments	1	Medium	AFW	2010-11				
<b>total</b>									<b>0</b>
<b>Head of Public Protection and Culture</b>									
<b>Environmental Health/Trading Standards Joint Arrangement covering:-</b>	a) Non compliance with terms of the joint arrangement b) ineffective monitoring of quality of service provision and costs	3	Medium	OR	New		20		<b>20</b>
Contract Management					2013-14				
Service requests for intervention					2002-03				
Health and Safety					2002-03				
Taxi Licensing					2008-09				
Licensing Reform					2012-13				
Purchase/Disposal of samples					2013-14				
Service requests for intervention					2013-14				
Food Safety and Standards					2013-14				
Building Control Joint Arrangement	a) Non compliance with terms of the joint arrangement b) ineffective monitoring of quality of service provision and costs	2	Medium	OR	New			20	<b>20</b>
Leisure Centre Management	a) Non compliance with legislation, b) Ineffective contract monitoring and management	3	Medium	OR	2009-10	20			<b>20</b>
Museums (1)	Review of key risks: Budgetary control, control of assets & cash, appropriate expenditure.	1	Low	OR	2016-17				<b>0</b>
Archaeology	a) Non compliance with legislation and government guidelines, b) Ineffective communication between services	2	Low	OR	2011-12				<b>0</b>
Berkshire Archive Service	a) Non compliance with terms of the joint arrangement b) ineffective monitoring of quality of service provision and costs	2	Low	OR	2008-09			15	<b>15</b>
Libraries Purchasing/stock control	a) Budgets overspent b) Inaccurate financial information for management decisions c) Stock may be misappropriated d) Purchasing arrangements are not cost effective	3	Medium	OR	2014-15				<b>0</b>
Libraries Income	a) Loss of stock is not reimbursed, resulting in additional expenditure b) Income collection not maximised	3	Medium	OR	2010-11		15		<b>15</b>
Shaw House	a) Facilities' use/income opportunities are not being maximised b) The facilities do not offer value for money c) Costs are not being effectively controlled	3	Medium	OR	2016-17				<b>0</b>
Adventure Dolphin & Outdoor Youth Activity	Review of key risks: Budgetary control, control of assets & cash, appropriate expenditure.	1	Medium	OR	2011-12		10		<b>10</b>
Registrars Service	a) Ineffective budgetary control, b) Insufficient control of income, c) Insufficient control of assets, d) Inappropriate expenditure	2	Low	OR	2014-15				<b>0</b>
<b>total</b>						<b>20</b>	<b>45</b>	<b>35</b>	<b>100</b>

**APPENDIX B**
**Internal Audit Work Programme - 2017-2020**

	Key risks to be covered	Complexity (Using a scale of 1-4, 1 being least complex)	Risk Assessment Category	Audit Type	Date last audited	2017-18	2018-19	2019-20	TOTAL Est Days 2017-2020
<b>Head of Streetcare and Transport</b>									
Structural Maintenance / Engineering	a) Non compliance with legislation, b) Ineffective maintenance programme	3	Low	OR	2012-13				0
Major Road Repairs (Projects)	a) Projects/schemes targets not met, b) Non compliance with internal policies, plans		Medium	OR	Not audited		20		20
Traffic Management	a) Projects/schemes targets not met, b) Non compliance with internal policies, plans	3	Low	OR	2013-14				0
Highway Term Contract (excluding major road projects)	a) Non compliance with H&S legislation, b) Ineffective contract monitoring, c) Non compliance with policies	2	High	OR	2011-12			20	20
Home to School Transport / CRB checks	a) Employment of inappropriate individuals, b) Misallocation of free transport, c) contracts for transport	3	High	OR	2015-16				0
Electrical (including Street Lighting)	a) Projects/schemes targets not met, b) Non compliance with internal policies, plans	2	Low	OR	Not audited				0
Street Naming/numbering	a) Income not maximised, b) Misappropriation of funds	2	Low	OR	2004-05				0
Concessionary Fares / Bus Passes	a) Fraud/theft, b) Non compliance with regulations	2	Medium	OR	2014-15				0
Parking	a) Non compliance with legislation, b) Loss of income c) Fraud/theft	3	High	OR	2013-14	20			20
Fleet Management	a) inefficient or inappropriate use of vehicles b) Ineffective contract management c) health and safety issues re roadworthiness of vehicles	3	High	OR	2016-17				0
Public Transport	a) Ineffective contract management resulting in poor quality of service/vfm not achieved/health and safety issues due to inappropriate drivers or vehicles being used.	2	Medium	OR	New		20		20
Waste Management and disposal PFI	a) Ineffective contract management resulting in increased costs/service quality issues b) Recycling initiatives not being met	4	High	SR	2014-15			20	20
Grounds Maintenance/Tree Maintenance contract	a) Contract specification is not met b) Inappropriate/inaccurate payments could be made	2	Medium	OR	2010-11		15		15
Management of Parks and Commons Partnership Arrangement	a) Non compliance with terms of the joint arrangement/ineffective monitoring of service provision	2	Low	ADV	New			15	15
Public Rights of Way	a) Non compliance with legislation regarding plans for improvement and maintenance of rights of way b) Not having a robust challenge for insurance claim relating to public rights of way.	2	Low	OR	New				0
<b>total</b>						<b>20</b>	<b>55</b>	<b>55</b>	<b>130</b>

**APPENDIX B**
**Internal Audit Work Programme - 2017-2020**

	Key risks to be covered	Complexity (Using a scale of 1-4, 1 being least complex)	Risk Assessment Category	Audit Type	Date last audited	2017-18	2018-19	2019-20	TOTAL Est Days 2017-2020
<b>Head of Development and Planning</b>									
Enforcement	a) Planning Legislation is not adhered to b) Management information is not up-to-date/accurate	2	Low	OR	2010-11				0
Community Infrastructure Levy (CIL)	a) Planning Legislation/local schemes are not adhered to b) Policy targets are not met c) Corruption d) Income is not maximised	4	High	OR	New	20			20
S106 Obligations	a) Planning Legislation is not adhered to b) Council's Planning Policy is not followed c) Ineffective monitoring of planning obligations	4	Medium	OR	2007-08	15			15
Common Housing Register / Advice	a) Legislation is not adhered to b) Register not appropriately administered	2	Medium	OR	2009-10		15		15
Homelessness	a) Legislation not adhered to b) Accommodation is not obtained promptly/cost effectively	2	Medium	OR	2011-12			15	15
Utilisation of Council Properties	a) Purchase and use of Council's own properties for Housing needs is not monitored/reviewed to ensure business case objectives have been met b) Value for money is not being achieved	3	Medium	SR	New		20		
Renovation Grants/Disabled Facility Grants	a) Grants not awarded in accordance with legislation/Council procedures b) Inappropriate payments made c) Records not up-to-date/accurate	2	Medium	OR	2015-16				0
<b>total</b>						<b>35</b>	<b>35</b>	<b>15</b>	<b>85</b>

## APPENDIX B

## Internal Audit Work Programme - 2017-2020

Key risks to be covered	Complexity (Using a scale of 1-4, 1 being least complex)	Risk Assessment Category	Audit Type	Date last audited	2017-18	2018-19	2019-20	TOTAL Est Days 2017-2020
<b>Other Chargeable work (non service specific)</b>								
Preparation of the audit plan/school visit programme					10	10	10	30
Monitoring the audit plan/school visit programme					12	12	12	36
Liaison with Portfolio Members					3	3	3	9
Governance and Ethics Committee					3	3	3	9
Audit Follow-ups					40	40	40	120
Audit Advice					10	10	10	30
School advice					5	5	5	15
SFVS Monitoring					5	5	5	15
External Professional Liaison					5	5	5	15
								0
<b>Total</b>					<b>93</b>	<b>93</b>	<b>93</b>	<b>279</b>
								0
Contingencies					40	40	40	120
<b>Total</b>					<b>40</b>	<b>40</b>	<b>40</b>	<b>120</b>
<b>Planned Audit Days total</b>					<b>704</b>	<b>676</b>	<b>684</b>	<b>2054</b>
<b>Staff Days</b>					<b>676</b>			

## **Appendix C – Internal Audit Reporting Protocol February 2017**

### **1 Purpose and Scope**

- 1.1 This document outlines the way internal audit will initiate, and report on work for the Council. This protocol relates only to Council Services, a separate protocol exists for Schools.
- 1.2 In terms of this protocol there are two types of audit work that will involve different approaches to reporting. These are:
  - Routine planned audits to provide assurance
  - Advisory work carried out at the request of the client
- 1.3 Two tables are attached which summarise the key elements of this protocol for each of the above.

### **2 Initiating work**

- 2.1 The following highlights the key stages for commencing Internal Audits
- 2.2 Terms of reference will be issued for planned audit reviews that will set out the scope of the work to be carried out and confirm the reporting arrangements.

### **3 Reporting the results of Internal Audit work**

- 3.1 The reporting process planned work has three key stages :-

Rough Draft Report;  
Draft Report;  
Final Report.
- 3.2 The rough draft will be issued to the Service Manager to check the factual accuracy, and to obtain their initial observations.
- 3.3 The formal draft will be issued once the Service Manager is satisfied with the accuracy of the report. The circulation of the formal draft report will ensure that all relevant people have had an opportunity to comment on the content of the report, prior to it being finalised.
- 3.4 We request comments/observations from all recipients, however, we treat the relevant Head of Service/Unit Manager as the main client, and as such we require a response as to whether the recommendations are agreed or otherwise before the report is finalised. Where a recommendation is not agreed, we require the Client's reasoning for this, and this detail is included in the Action Plan (attached at the back of the report) for future reference.
- 3.5 Where, during an audit, a serious problem is discovered which requires immediate attention, it may be necessary to issue an interim report. The Audit Manager will contact the Head of Service to discuss any such issues prior to an interim report being issued. At a minimum any issues of concern will be

raised at the point of identification. Some audit sections carry out a 'closure meeting/discussion at the end of the 'testing' stage of each audit to highlight the areas of weakness identified that will be included in the report. We do not do this, we use the 'rough draft report' as the basis of the initial discussion with managers, as this has been created after a thorough review process it ensures that the feedback is comprehensive and points are not missed.

- 3.6 The Terms of Reference for the audit give an indication of the timescales for issuing the rough draft report. This is for guidance only as there are numerous factors that can impact on us being able to meet these targets.

### **4 Follow Up of Audit Recommendations**

- 4.1 A follow up process is required in order to be able to give management/members assurance that the agreed action plans have been implemented. All audits with weak or very weak opinions will be followed up. Audits with a satisfactory opinion may be followed up if, in the opinion of internal audit or management, the weaknesses identified by the audit warrant a follow up.
- 4.2 A follow-up review is carried out roughly six months after the audit report was finalised.

### **5 Reporting to the Governance and Ethics Committee**

- 5.1 The Chief Internal Auditor will provide the Committee, on a half yearly basis with a report that will summarise the results of completed audits and follow up audits.
- 5.2 Where an audit is categorised as weak or very weak a written comment from Internal Audit will be provided to the Committee and a written response / comment / update will be sought from the Head of Service.
- 5.3 Where a follow up is classed as unsatisfactory then again written comment and response will be provided. In addition the Head of Service will normally be asked to attend the Governance and Ethics Committee to outline the reasons for the failure to implement the agreed action plan and answer Members questions on the audit.

### **6. Role of Portfolio Holders in the audit process**

- 6.1 Portfolio Holders are involved in the audit process at their discretion and to the extent that they choose.
- 6.2 Portfolio Holders can choose to vary the extent of their involvement at any time. In addition if they wish they can vary their involvement on an audit by audit basis, by informing the Chief Internal Auditor.
- 6.3 The role of the Portfolio Holder in the audit process is to:

## **Appendix C – Internal Audit Reporting Protocol** February 2017

- Feed in any issues of concern at the start of the audit so that these can be considered by the auditor in scoping the review.
  - Support the relevant Head of Service in considering weaknesses identified during the audit and action plans proposed by the auditor at the conclusion of the audit
  - Support the Head of Service in implementing agreed action plans
- 6.4 The lead auditor is responsible to the Chief Internal Auditor for managing the audit in compliance with the “Public Sector Internal Audit Standards”. Responsibility for the content of the resulting audit report will remain with the relevant lead auditor and the Chief Internal Auditor.
- 6.5 The Head of Finance as s151 Officer has overall responsibility for ensuring that the Internal Audit service complies with the “Public Sector Internal Audit Standards”.

# 1 Audit Reviews to provide Assurance

Client	Terms of reference	Rough Draft Report	Formal Draft Report	Final Report	Follow-up details
S151 Officer (Head of Finance)	All cases		Where there are fundamental weaknesses in the service	All cases	All cases
Service / Unit Manager	All cases	All cases	All cases	All cases	All cases
Head of Service	All cases	Only where serious issues relating to the service, i.e. lots of fundamental weaknesses or issues of concern relating to the service manager. Such issues would normally be raised before the report is written	All cases	All cases	All cases
Corporate Director	All cases		Where there are fundamental weaknesses in the service	All cases (except for schools)	All cases
Chief Executive	For his service areas		Only where serious issues relating to the service, i.e. lots of fundamental weaknesses or issues of concern relating to the service manager. Such issues would normally be raised before the report is written.	Any report with fundamental weaknesses	Any report with fundamental weaknesses

<b>Client</b>	<b>Terms of reference</b>	<b>Rough Draft Report</b>	<b>Formal Draft Report</b>	<b>Final Report</b>	<b>Follow-up details</b>
			<b>The Chief Internal Auditor will decide on the necessity to issue a report at this level.</b>		
Service Portfolio Holder	All cases		All cases	All Cases	All Cases
Portfolio Holder for Assurance	All cases		All Cases	All cases	All Cases
Chief Internal Auditor	All cases		All cases	All cases	All Cases

## 2 Advisory/VFM Reviews

(The approach will be agreed with the Client prior to commencing a review, and to be noted in the terms of reference to provide clarity of how the findings are to be reported). Advisory reviews may arise from the need for advice on key controls in systems where the Service concerned is already aware that improvement is needed or where the systems are being changed by the service area, (eg a new ICT system is being implemented).

Client	Terms of Reference	Rough Draft Report	Formal Draft Report	Final Report
Line Manager	All cases	All cases	All cases	All cases
Head of Service	All cases		All cases	All cases
Corporate Director	All cases			All cases
Chief Internal Auditor	All cases		Relevant auditor will decide on the necessity to issue a report at this level where there are serious issues relating to the service, i.e. lots of fundamental weaknesses or issues of concern relating to the service manager. Such issues would normally be raised before the report is written.	All cases

Further escalation of the advisory / VFM reviews reporting to the Chief Executive and the relevant portfolio Member will depend upon the significance of issues / number of weaknesses identified and will be determined by the relevant auditor. Due to the nature of the work an overall opinion will not be given for an advisory/VFM review. However, some of these reviews may warrant a follow-up audit, depending on the significance of the findings, where this is the case a progress categorisation will be given.

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## External Audit Plan 2016-17 – Summary Report

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<b>Committee considering report:</b>	Governance and Ethics Committee on 24 April 2017
<b>Portfolio Member:</b>	Councillor Graham Jones
<b>Date Portfolio Member agreed report:</b>	2 March 2017
<b>Report Author:</b>	Ian Pennington, Director of KPMG
<b>Forward Plan Ref:</b>	GE3082

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### 1. Purpose of the Report

- 1.1 The purpose of the report is to provide Members with a copy of the external audit plan from KPMG for 2016/17.

### 2. Recommendations

- 2.1 To note the attached plan and the two key objectives within the plan to audit/review and report on:
- 2.1.1 The Financial Statements including the Annual Governance Statement, providing an opinion on the accounts.
- 2.1.2 The use of resources, concluding on the arrangements in place for securing economy, efficiency and effectiveness in our use of resources.

### 3. Implications

- |     |                         |            |
|-----|-------------------------|------------|
| 3.1 | <b>Financial:</b>       | <b>N/A</b> |
| 3.2 | <b>Policy:</b>          | <b>N/A</b> |
| 3.3 | <b>Personnel:</b>       | <b>N/A</b> |
| 3.4 | <b>Legal:</b>           | <b>N/A</b> |
| 3.5 | <b>Risk Management:</b> | <b>N/A</b> |
| 3.6 | <b>Property:</b>        | <b>N/A</b> |
| 3.7 | <b>Other:</b>           | <b>N/A</b> |

### 4. Other options considered

- 4.1 None

## **5. Executive Summary**

- 5.1 This report is to be taken to Governance and Ethics Committee to comply with Accounting and Audit Regulations.

## **6. Conclusion**

- 6.1 Please note the attached plan and the objectives within.

## **7. Appendices**

- 7.1 Appendix A – External Audit Plan



# External Audit Plan 2016/2017

West Berkshire Council

7 March 2017

# The Local Government Landscape



## Financial Statement Audit



There are no significant changes to the Code of Practice on Local Authority Accounting in 2016/17, which provides stability in terms of the accounting standards the Authority need to comply with.

### Materiality

Materiality for planning purposes has been based on last year's expenditure and set at **£5 million**.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance, and this has been set at **£250,000**.

### Significant risks

We have identified two risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error:

- Management override of controls (page 4)
- Pension liability including assumptions and having regard to the potential for significant changes arising from the LGPS Triennial Valuation (page 5).

### Other areas of audit focus

We have identified one risk with less likelihood of giving rise to a material error but which is nevertheless worthy of audit understanding:

- Valuation of Property, Plant and Equipment (PPE) (page 5); and
- Disclosures associated with retrospective restatement of the Comprehensive Income and Expenditure Statement (CIES), Expenditure and Funding Analysis (EFA) and Movement in Reserves Statement (MIRS).

**See pages 4 to 7 for more details.**

## Value for Money Arrangements work



Our risk assessment is ongoing and we will report VFM significant risks during our audit. To date our risk assessment regarding your arrangements to secure value for money has identified the following VFM significant risk:

- Financial resilience.

**See pages 8 to 12 for more details.**

## Logistics



Our team is:

- Ian Pennington – Director
- Antony Smith – Manager
- Greg Morris – Assistant Manager

More details are on **page 15**.

Our work will be completed in four phases from January to September and our key deliverables are this Audit Plan and a Report to those charged with Governance as outlined on **page 14**.

Our fee for the audit is £96,653 (2015/2016: £96,653) see **page 13**.

# Introduction

## Background and Statutory responsibilities

This document supplements our Audit Fee Letter 2016/17 presented to you in April 2016, and which also sets out details of our appointment by Public Sector Audit Appointments Ltd (PSAA).

Our statutory responsibilities and powers are set out in the Local Audit and Accountability Act 2014 and the National Audit Office's Code of Audit Practice.

Our audit has two key objectives, requiring us to audit/review and report on your:

- *Financial statements (including the Annual Governance Statement)*: Providing an opinion on your accounts; and
- *Use of resources*: Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the value for money conclusion).

The audit planning process and risk assessment is an on-going process and the assessment and fees in this plan will be kept under review and updated if necessary.

## Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

## Financial Statements Audit

Our financial statements audit work follows a four stage audit process which is identified below. Appendix 1 provides more detail on the activities that this includes. This report concentrates on the Financial Statements Audit Planning stage of the Financial Statements Audit.



## Value for Money Arrangements Work

Our Value for Money (VFM) Arrangements Work follows a five stage process which is identified below. Page 8 provides more detail on the activities that this includes. This report concentrates on explaining the VFM approach for the 2016/17 and the findings of our VFM risk assessment.





## Financial Statements Audit Planning

Our planning work takes place during January to February 2017. This involves the following key aspects:

- Risk assessment;
- Determining our materiality level; and
- Issuing this audit plan to communicate our audit strategy.

## Risk assessment

Professional standards require us to consider two standard risks for all organisations. We are not elaborating on these standard risks in this plan but consider them as a matter of course in our audit and will include any findings arising from our work in our ISA 260 Report.

- **Management override of controls** – Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.
- **Fraudulent revenue recognition** – We do not consider this to be a significant risk for local authorities as there are limited incentives and opportunities to manipulate the way income is recognised. We therefore rebut this risk and do not incorporate specific work into our audit plan in this area over and above our standard fraud procedures.

The diagram opposite identifies significant risks and other areas of audit focus, which we expand on overleaf. The diagram also identifies a range of other areas considered by our audit approach.





## Significant Audit Risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error.

### Pension liability including assumptions and having regard to the potential for significant changes arising from the LGPS Triennial Valuation

**Risk :** During the year, the Pension Fund for Berkshire has undergone a triennial valuation with an effective date of 31 March 2016, in line with the Local Government Pension Scheme (Administration) Regulations 2013. The share of pension assets and liabilities for each admitted body is determined in detail, and a large volume of data is provided to the actuary to support this triennial valuation.

The pension numbers to be included in the financial statements for 2016/17 will be based on the output of the triennial valuation rolled forward to 31 March 2017. For 2017/18 and 2018/19 the actuary will then roll forward the valuation for accounting purposes based on more limited input data.

There is a risk that the data provided to the actuary for the valuation exercise is inaccurate and that these inaccuracies affect the actuarial figures in the accounts. Most of the data is provided to the actuary by the Royal Borough of Windsor and Maidenhead, who administer the Pension Fund.

**Approach :** We will agree any data (provided by the Authority to the actuary) back to the relevant systems and reports from which it was derived, and check the accuracy of this data.

Where this data was provided by the Pension Fund on the Authority's behalf, we will liaise with the auditors of the Pension Fund to check the completeness and accuracy of that data.

We will also review the assumptions adopted in calculating the pension liability using the work of independent experts engaged by the NAO.

## Other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding.

### Assuring the fair value of PPE

**Risk :** In 2015/16 the Council reported PPE of £428 million. Local authorities exercise judgement in determining the fair value of the different classes of assets held,. Given the materiality in value and the judgement involved in determining the carrying amounts of assets we consider this to be an area of audit focus.

**Approach :** We will understand the approach to valuation, the qualifications and reports by the Council's external valuers and the judgements made by the Council in response to the information received (eg how the council considers changes in value between formal valuations). Where valuations are made other than at the year end we will review the Council's judgement in assessing movements from the valuation date.

### Disclosures associated with retrospective restatement of the CIES, EFA and MiRS

**Risk :** Two key changes have been made to 2016-17 Local Government Accounting Code (the Code) as follows:

- Removing the requirement for the Service Reporting Code of Practice (SeRCOP) to be applied to the CIES; and
- Introducing an EFA providing a direct reconciliation between local authority funding and budget preparation and the CIES. This analysis is supported by a streamlined MiRS.

Consequently, a retrospective restatement of the CIES, EFA and MiRS is required. The new disclosure and restatement requirements need to comply with relevant guidance and applicable Accounting Standards. Though less likely to give rise to a material error in the financial statements, this is an important material disclosure change in this year's accounts.

**Approach :** As part of our audit we will:

- assess how the Authority has implemented the revised disclosure requirements for the CIES, MiRS and the new EFA statement as required by the Code; and
- check the restated numbers and associated disclosures for accuracy, correct presentation and compliance with applicable Accounting Standards and the Code.



## Materiality

We are required to plan our audit to determine with reasonable confidence whether or not the financial statements are free from material misstatement. An omission or misstatement is regarded as material if it would reasonably influence the user of financial statements. This therefore involves an assessment of the qualitative and quantitative nature of omissions and misstatements.

Generally, we would not consider differences in opinion in respect of areas of judgement to represent 'misstatements' unless the application of that judgement results in a financial amount falling outside of a range which we consider to be acceptable.

Materiality for planning purposes has been set at £5 million for the Authority's accounts, which equates to 1.4 percent of gross expenditure.

We design our procedures to detect errors in specific accounts at a lower level of precision.

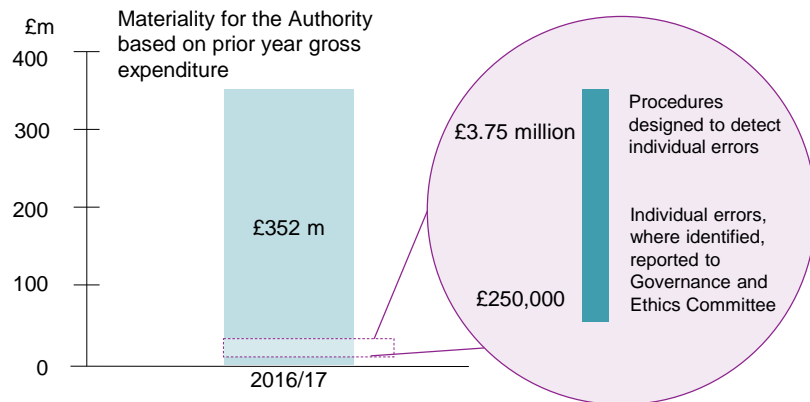
## Reporting to the Governance and Ethics Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Governance and Ethics Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260(UK&I) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK&I) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £250,000.

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Governance and Ethics Committee to assist it in fulfilling its governance responsibilities.





## **Liaising with internal audit**

ISA (UK & Ireland) 610 defines how we can use the work of internal audit. Our approach ensures we comply with these requirements. We will continue to liaise with internal audit and review the findings from their programme of work. We will also consider any significant control deficiencies identified by internal audit and ensure that we take this into account where relevant to determine the nature of our audit work to ensure the risk is appropriately addressed.

## **Responsibilities in respect of fraud and error**

We would like to take this opportunity to remind you that management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has a culture of ethical behavior and a strong control environment that both deters and prevents fraud.

Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements whether caused by fraud or error.

We are required to consider fraud and the impact that this has on our audit approach. We will update our risk assessment throughout the audit process and adapt our approach accordingly. Based on the requirements of auditing standards our approach will focus on:

- Identifying fraud risks during the planning stages;
- Enquiry of management about risks of fraud and the controls to address those risks;
- Understanding the oversight given by those charged with governance of management's processes over fraud;
- Consideration of the effectiveness of management's controls designed to address the risk of fraud;
- Determining an appropriate strategy ; and
- Performing mandatory procedures regardless of specifically identified risks (ie management override of controls).

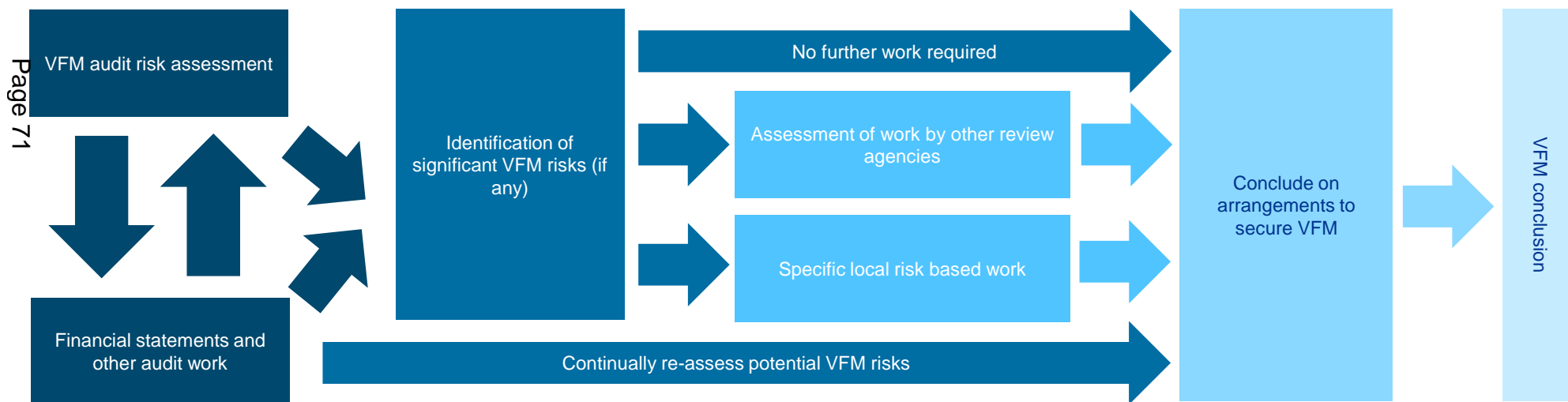


## Background to approach to VFM work

The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.'

The VFM approach is fundamentally unchanged from that adopted in 2015/2016 and the process is shown in the diagram below. The diagram overleaf shows the details of the criteria for our VFM work.





## Overall criterion

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

### Informed decision making

#### Proper arrangements:

- Acting in the public interest, through demonstrating and applying the principles and values of sound governance.
- Understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management.
- Reliable and timely financial reporting that supports the delivery of strategic priorities.
- Managing risks effectively and maintaining a sound system of internal control.

### Sustainable resource deployment

#### Proper arrangements:

- Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.
- Managing and utilising assets to support the delivery of strategic priorities.
- Planning, organising and developing the workforce effectively to deliver strategic priorities.

### Working with partners and third parties

#### Proper arrangements:

- Working with third parties effectively to deliver strategic priorities.
- Commissioning services effectively to support the delivery of strategic priorities.
- Procuring supplies and services effectively to support the delivery of strategic priorities.

# Value for money arrangements work (cont.)



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VFM audit stage	Audit approach
VFM audit risk assessment	<p>We consider the relevance and significance of the potential business risks faced by all local authorities, and other risks that apply specifically to the Authority. These are the significant operational and financial risks in achieving statutory functions and objectives, which are relevant to auditors' responsibilities under the <i>Code of Audit Practice</i>.</p> <p>In doing so we consider:</p> <ul style="list-style-type: none"> <li>■ The Authority's own assessment of the risks it faces, and its arrangements to manage and address its risks;</li> <li>■ Information from the Public Sector Auditor Appointments Limited VFM profile tool;</li> <li>■ Evidence gained from previous audit work, including the response to that work; and</li> <li>■ The work of other inspectorates and review agencies.</li> </ul>
Linkages with financial statements and other audit work	<p>There is a degree of overlap between the work we do as part of the VFM audit and our financial statements audit. For example, our financial statements audit includes an assessment and testing of the Authority's organisational control environment, including the Authority's financial management and governance arrangements, many aspects of which are relevant to our VFM audit responsibilities.</p> <p>We have always sought to avoid duplication of audit effort by integrating our financial statements and VFM work, and this will continue. We will therefore draw upon relevant aspects of our financial statements audit work to inform the VFM audit.</p>
Identification of significant risks	<p>The Code identifies a matter as significant 'if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects.'</p> <p>If we identify significant VFM risks, then we will highlight the risk to the Authority and consider the most appropriate audit response in each case, including:</p> <ul style="list-style-type: none"> <li>■ Considering the results of work by the Authority, inspectorates and other review agencies; and</li> <li>■ Carrying out local risk-based work to form a view on the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.</li> </ul>

# Value for money arrangements work (cont.)



VFM audit stage	Audit approach
<p>Assessment of work by other review agencies</p> <p>and</p> <p>Delivery of local risk based work</p>	<p>Depending on the nature of the significant VFM risk identified, we may be able to draw on the work of other inspectorates, review agencies and other relevant bodies to provide us with the necessary evidence to reach our conclusion on the risk.</p> <p>If such evidence is not available, we will instead need to consider what additional work we will be required to undertake to satisfy ourselves that we have reasonable evidence to support the conclusion that we will draw. Such work may include:</p> <ul style="list-style-type: none"> <li>■ Meeting with senior managers across the Authority;</li> <li>■ Review of minutes and internal reports;</li> <li>■ Examination of financial models for reasonableness, using our own experience and benchmarking data from within and without the sector.</li> </ul>
<p>Concluding on VFM arrangements</p>	<p>At the conclusion of the VFM audit we will consider the results of the work undertaken and assess the assurance obtained against each of the VFM themes regarding the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources.</p> <p>If any issues are identified that may be significant to this assessment, and in particular if there are issues that indicate we may need to consider qualifying our VFM conclusion, we will discuss these with management as soon as possible. Such issues will also be considered more widely as part of KPMG's quality control processes, to help ensure the consistency of auditors' decisions.</p>
<p>Reporting</p>	<p>We have completed our initial VFM risk assessment. On the following page, we report the results of our initial risk assessment. We will update our assessment throughout the year should any issues present themselves and report against these in our ISA260.</p> <p>We will report on the results of the VFM audit through our ISA 260 Report. This will summarise any specific matters arising, and the basis for our overall conclusion.</p> <p>The key output from the work will be the VFM conclusion (i.e. our opinion on the Authority's arrangements for securing VFM), which forms part of our audit report.</p>

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## Significant VFM Risks

Those risks requiring specific audit attention and procedures to address the likelihood that proper arrangements are not in place to deliver value for money.

## Financial Resilience

**Risk :** Local Authorities are subject to an increasingly challenged financial regime with reduced funding from Central Government whilst having to maintain a statutory and quality level of services to local residents.

**Approach :** We will review overall arrangements that the Council has for managing its financial position. This will include the processes to develop a robust Medium Term Financial Strategy, ongoing monitoring of the annual budget, responsiveness to increasing costs of demand-led services and changes in funding allocations; and the governance arrangements of how the figures are reported through to Full Council.

## Whole of government accounts (WGA)

We are required to review your WGA consolidation and undertake the work specified under the approach that is agreed with HM Treasury and the National Audit Office. Deadlines for production of the pack and the specified approach for 2016/17 have not yet been confirmed.

## Elector challenge

The Local Audit and Accountability Act 2014 gives electors certain rights. These are:

- The right to inspect the accounts;
- The right to ask the auditor questions about the accounts; and
- The right to object to the accounts.

As a result of these rights, in particular the right to object to the accounts, we may need to undertake additional work to form our decision on the elector's objection. The additional work could range from a small piece of work where we interview an officer and review evidence to form our decision, to a more detailed piece of work, where we have to interview a range of officers, review significant amounts of evidence and seek legal representations on the issues raised.

The costs incurred in responding to specific questions or objections raised by electors is not part of the fee. This work will be charged in accordance with the PSAA's fee scales.

## Our audit team

Our audit team will be led by Ian Pennington (Director) and Antony Smith (Manager). Both provide continuity for the audit of the Authority. Appendix 2 provides more details on specific roles and contact details of the team.

## Reporting and communication

Reporting is a key part of the audit process, not only in communicating the audit findings for the year, but also in ensuring the audit team are accountable to you in addressing the issues identified as part of the audit strategy. Throughout the year we will communicate with you through meetings with the finance team and the Governance and Ethics Committee. Our communication outputs are included in Appendix 1.

## Independence and Objectivity

Auditors are also required to be independent and objective. Appendix 3 provides more details of our confirmation of independence and objectivity.

## Audit fee

*Our Audit Fee Letter 2016/2017* presented to you in April 2016 first set out our fees for the 2016/2017 audit. This letter also sets out our assumptions. We have not considered it necessary to make any changes to the agreed fees at this stage.

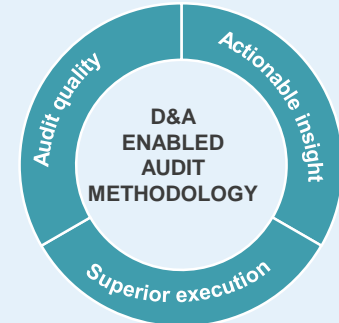
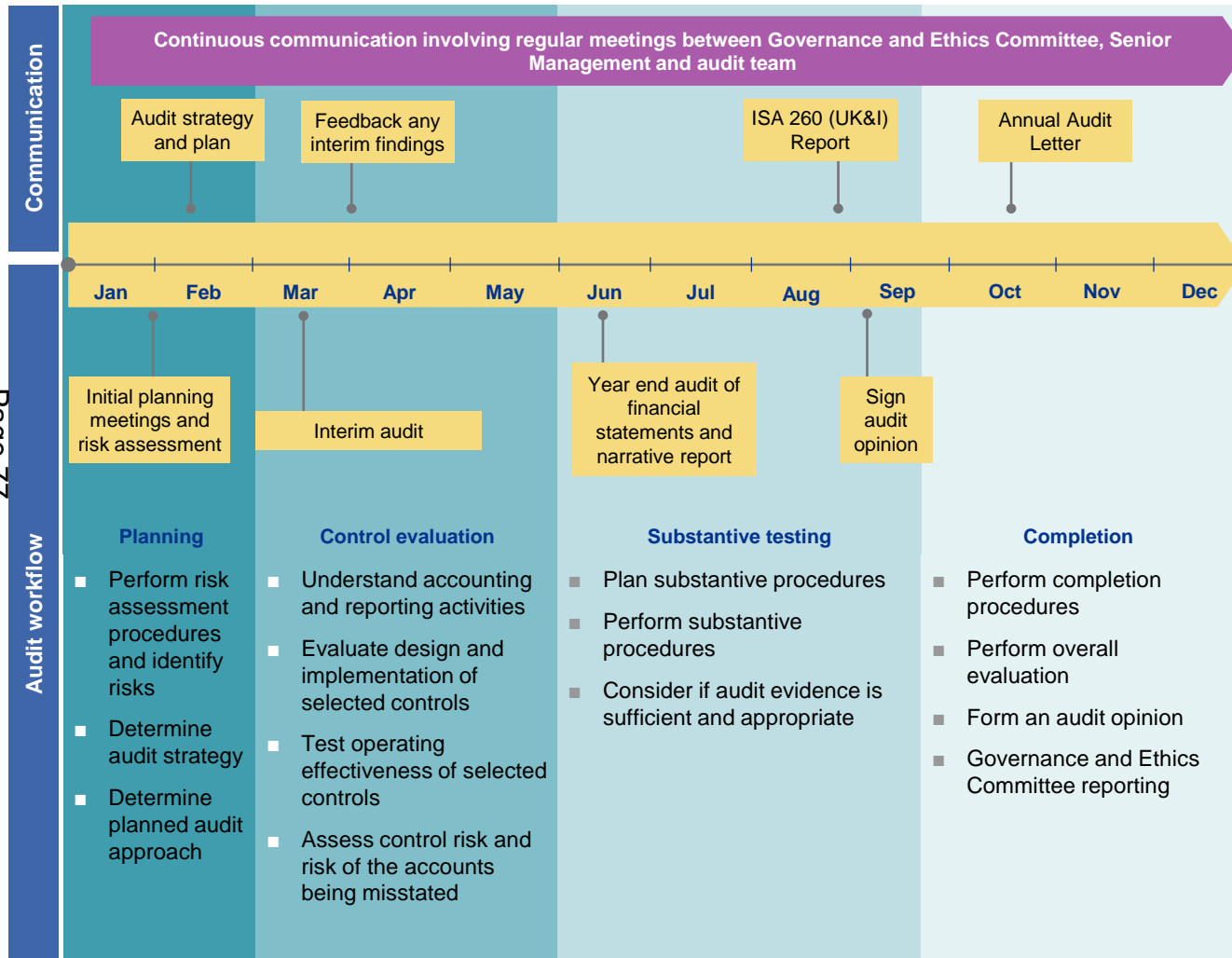
The planned audit fee for 2016/17 is £96,653. This is the same as the 2015/16 audit fee.

Our audit fee includes our work on the VFM conclusion and our audit of the Authority's financial statements.

# Appendix 1: Key elements of our financial statements audit approach



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## Driving more value from the audit through data and analytics

Technology is embedded throughout our audit approach to deliver a high quality audit opinion. Use of Data and Analytics (D&A) to analyse large populations of transactions in order to identify key areas for our audit focus is just one element. We strive to deliver new quality insight into your operations that enhances our and your preparedness and improves your collective 'business intelligence.' Data and Analytics allows us to:

- Obtain greater understanding of your processes, to automatically extract control configurations and to obtain higher levels assurance.
- Focus manual procedures on key areas of risk and on transactional exceptions.
- Identify data patterns and the root cause of issues to increase forward-looking insight.

We anticipate using data and analytics in our work around key areas such as accounts payable and journals. We also expect to provide insights from our analysis of these tranches of data in our reporting to add further value from our audit.



Your audit team has been drawn from our specialist public sector assurance department. Our audit team were all part of the West Berkshire Council audit last year.



Name	Ian Pennington
Position	Director
	<p>'My role is to lead our team and ensure the delivery of a high quality, valued added external audit opinion.</p> <p>I will be the main point of contact for the Governance and Ethics Committee and Executive Directors.'</p>

T: 029 2046 8087

E: [ian.pennington@kpmg.co.uk](mailto:ian.pennington@kpmg.co.uk)



Name	Antony Smith
Position	Manager
	<p>'I provide quality assurance for the audit work and specifically any technical accounting and risk areas.</p> <p>I will work closely with Ian to ensure we add value.</p> <p>I will liaise with the Head of Finance and the Finance Team.'</p>

T: 020 7311 2355

E: [antony.smith@kpmg.co.uk](mailto:antony.smith@kpmg.co.uk)



Name	Greg Morris
Position	Assistant Manager
	<p>'I will be responsible for the on-site delivery of our work and will supervise the work of our audit assistants.'</p>

T: 07468 369587

E: [gregory.morris@kpmg.co.uk](mailto:gregory.morris@kpmg.co.uk)

# Appendix 3: Independence and objectivity requirements

## Independence and objectivity

Professional standards require auditors to communicate to those charged with governance, at least annually, all relationships that may bear on the firm's independence and the objectivity of the audit engagement partner and audit staff. The standards also place requirements on auditors in relation to integrity, objectivity and independence.

The standards define 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case this is the Governance and Ethics Committee.

KPMG LLP is committed to being and being seen to be independent. APB Ethical Standards require us to communicate to you in writing all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Engagement Lead and the audit team.

Further to this auditors are required by the National Audit Office's Code of Audit Practice to:

- Carry out their work with integrity, independence and objectivity;
- Be transparent and report publicly as required;
- Be professional and proportional in conducting work;
- Be mindful of the activities of inspectorates to prevent duplication;
- Take a constructive and positive approach to their work;
- Comply with data statutory and other relevant requirements relating to the security, transfer, holding, disclosure and disposal of information.

PSAA's Terms of Appointment includes several references to arrangements designed to support and reinforce the requirements relating to independence, which auditors must comply with. These are as follows:

- Auditors and senior members of their staff who are directly involved in the management, supervision or delivery of PSAA audit work should not take part in political activity.

- No member or employee of the firm should accept or hold an appointment as a member of an audited body whose auditor is, or is proposed to be, from the same firm. In addition, no member or employee of the firm should accept or hold such appointments at related bodies, such as those linked to the audited body through a strategic partnership.
- Audit staff are expected not to accept appointments as Governors at certain types of schools within the local authority.
- Auditors and their staff should not be employed in any capacity (whether paid or unpaid) by an audited body or other organisation providing services to an audited body whilst being employed by the firm.
- Auditors appointed by the PSAA should not accept engagements which involve commenting on the performance of other PSAA auditors on PSAA work without first consulting PSAA.
- Auditors are expected to comply with the Terms of Appointment policy for the Engagement Lead to be changed on a periodic basis.
- Audit suppliers are required to obtain the PSAA's written approval prior to changing any Engagement Lead in respect of each audited body.
- Certain other staff changes or appointments require positive action to be taken by Firms as set out in the Terms of Appointment.

## Confirmation statement

We confirm that as of 7 March 2017 in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Engagement Lead and audit team is not impaired.



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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment's website ([www.psaa.co.uk](http://www.psaa.co.uk)).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Ian Pennington, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers, by email to [Andrew.Sayers@kpmg.co.uk](mailto:Andrew.Sayers@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing [generalenquiries@psaa.co.uk](mailto:generalenquiries@psaa.co.uk) by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

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## External Review of Internal Audit - Summary Report

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<b>Committee considering report:</b>	Governance and Ethics Committee on 24 April 2017
<b>Portfolio Member:</b>	Councillor James Fredrickson
<b>Date Portfolio Member agreed report:</b>	2 <sup>nd</sup> March 2017
<b>Report Author:</b>	Ian Priestley
<b>Forward Plan Ref:</b>	GE3268

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### 1. Purpose of the Report

- 1.1 The report outlines the options for commissioning an external review of Internal Audit.
- 1.2 The Accounts and Audit Regulations require internal audit to follow Public Sector Internal Audit Standards. These standards are in turn based on the Institute of Internal Auditors (based in the USA) International Standards. The requirement to follow these standards was introduced from 1 April 2013.
- 1.3 Standard 1312 requires that an external (from outside the organisation) assessment of the internal audit service must be carried out once every five years. An external assessment must therefore be carried out by 31 March 2018.

### 2. Recommendation

- 2.1 In order to minimise the cost of this exercise a self assessment will be carried out that will be validated by the Chief Audit Executive of one of the neighbouring Berkshire Council's.

### 3. Implications

- 3.1 **Financial:** none
- 3.2 **Policy:** none
- 3.3 **Personnel:** none
- 3.4 **Legal:** none
- 3.5 **Risk Management:** none
- 3.6 **Property:** none
- 3.7 **Other:** none

### 4. Other options considered

- 4.1 A number of national accountancy firms offer a service that is designed to meet the requirement for an external review. No quotations have been sought by this Council,

but when the new standards were introduced other Berkshire Authorities did obtain quotes in the region of £3,000 to £5,000 for the work. Given the Council's financial position such expense is not justified.

## 5. Executive Summary

### 5.1 The PSIAS states

#### 1312 External Assessments

External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The chief audit executive must discuss with the board:

The form of external assessments;

The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest.

#### *Interpretation:*

External assessments can be in the form of a full external assessment, or a self-assessment with independent external validation.

A qualified assessor or assessment team demonstrates competence in two areas: the professional practice of internal auditing and the external assessment process. Competence can be demonstrated through a mixture of experience and theoretical learning. Experience gained in organisations of similar size, complexity, sector or industry and technical issues is more valuable than less relevant experience. In the case of an assessment team, not all members of the team need to have all the competencies; it is the team as a whole that is qualified. The chief audit executive uses professional judgment when assessing whether an assessor or assessment team demonstrates sufficient competence to be qualified.

An independent assessor or assessment team means not having either a real or an apparent conflict of interest and not being a part of, or under the control of, the organisation to which the internal audit activity belongs.

### 5.2 There are two ways of delivering this assessment:

- (1) Commissioning an accountancy firm, who have relevant local authority experience, to carry out the assessment.
- (2) Enter an arrangement with neighbouring Berkshire Councils whereby, for example, this council carries out the assessment for Reading; Reading assess the shared Windsor and Maidenhead / Wokingham service; and Windsor and Maidenhead / Wokingham assess West Berkshire.

### 5.3 The second option is preferred, for a number of reasons:

- (1) There will not be any direct cost to the Council, only the time spent assessing a neighbour.
- (2) There will be a learning opportunity for the auditor who carries out the review for the neighbour

- (3) There will be an opportunity to share ideas / processes / methods that may lead to closer working across internal audit in Berkshire.
- 5.4 The form of assessment also needs to be agreed. As noted above it can be either:
  - (1) in the form of a full external assessment,
  - (2) or a self-assessment with independent external validation.
- 5.5 I recommend that we opt for the second approach. This will minimise the time required to be spent on the process, and allow each Council to propose their own improvement plan.
- 5.6 The aim will be to carry out the self assessment over the late summer and have the external validation carried out in the autumn.
- 5.7 The assessment will be carried out by the Audit Manager
- 5.8 The results of the assessment, once validated, along with any improvement plan will be brought to the G&E Committee for review and approval.
- 5.9 The proposal to share the process with neighbours has been discussed and agreed informally. However, the "Audit" Committees of each contributor will need to sign off the proposal.

## **6. Conclusion**

- 6.1 The PSIAS require that the Council arranges an external review of the internal audit service. This review needs to be carried out by 31 March 2018. The most cost effective way of arranging this is to share the process with neighbouring councils.

## **7. Appendices**

- 7.1 None