

# NON-CONFIDENTIAL



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## **AUDIT AND GOVERNANCE COMMITTEE**

24 January 2013

Dear Councillor

A Meeting of the Audit and Governance Committee will be held in **Committee Room 1 - Marmion House on Thursday, 31st January, 2013 at 6.00 pm**. Members of the Committee are requested to attend.

Yours faithfully

A handwritten signature in black ink, appearing to be 'A. G. ...', written over a circular stamp.

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

#### **NON CONFIDENTIAL**

- 1 Apologies for Absence**
- 2 Minutes of the Previous Meeting (Pages 1 - 4)**
- 3 Declarations of Interest**

*To receive any declarations of Members' interests (personal and/or personal and prejudicial) in any matters which are to be considered at this meeting.*

*When Members are declaring a personal interest or personal and prejudicial interest in respect of which they have dispensation, they should specify the nature of such interest. Members should leave the room if they have a personal and prejudicial interest in respect of which they do not have a dispensation.*

- 4 External Auditor's Report on Certification Work in 2011/12** (Pages 5 - 16)  
(Report of Grant Thornton (External Auditor))
- 5 Grant Thornton Fee letter for the Audit and Governance Committee** (Pages 17 - 20)  
(Report of Grant Thornton (External Auditor))
- 6 Internal Audit Quarterly Report** (Pages 21 - 40)  
(Report of the Head of Internal Audit Services)
- 7 Public Sector Internal Audit Standards** (Pages 41 - 44)  
(Report of the Head of Internal Audit Services)
- 8 Standards Allegation Complaint** (Pages 45 - 46)  
(Report of the Solicitor to the Council and Monitoring Officer)
- 9 Regulation of Investigatory Powers Act 2000** (Pages 47 - 48)  
(Report of the Solicitor to the Council and Monitoring Officer)

*People who have a disability and who would like to attend the meeting should contact Democratic Services on 01827 709264 or e-mail [committees@tamworth.gov.uk](mailto:committees@tamworth.gov.uk) preferably 24 hours prior to the meeting. We can then endeavour to ensure that any particular requirements you may have are catered for.*

To Councillors: M Gant, J Garner, M Clarke, M Couchman, K Gant, P Seekings and M Thurgood



## **MINUTES OF A MEETING OF THE AUDIT AND GOVERNANCE COMMITTEE HELD ON 25th OCTOBER 2012**

**PRESENT:** Councillor M Gant (Chair), Councillors J Garner, M Couchman and K Gant

**Officers** John Wheatley (Executive Director Corporate Services) and Angela Struthers (Head of Internal Audit Services)

**Visitors** James Cook (Audit Commission)  
Joan Barnett (Audit Commission)

### **29 APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors M Clarke, P Seekings and M Thurgood.

### **30 MINUTES OF THE PREVIOUS MEETING**

The minutes of the meeting held on 27 September 2012 were approved and signed as a correct record.

*(Moved by Councillor M Couchman and seconded by Councillor K Gant)*

### **31 DECLARATIONS OF INTEREST**

There were no Declarations of Interest.

### **32 ANNUAL AUDIT LETTER 2011/12**

The Report of the Audit Commission was considered. This was the last report from the Audit Commission and future reports will be provided by Grant Thornton.

**RESOLVED:** That the contents of the report be endorsed.

*(Moved by Councillor M Gant and seconded by Councillor J Garner)*

### **33 PROPOSED CHANGES TO FINANCIAL GUIDANCE**

The Report of the Head of Internal Services seeking member endorsement of the recently reviewed Financial Guidance which forms an important part of the Council's regulatory framework, and providing an opportunity for members of the Committee to raise any issues they consider appropriate on the subject was considered.

**RESOLVED:** The changes to Financial Guidance be endorsed.

*(Moved by Councillor M Couchman and seconded by Councillor J Garner)*

### **34 RISK MANAGEMENT REPORT**

The report of the Head of Internal Audit Services reporting on the Risk Management process and progress to date for the current financial year was considered.

**RESOLVED:** That:

- 1 The Risk Management Policy be approved, and;
- 2 The Corporate Risk Register be approved

*(Moved by Councillor K Gant and seconded by Councillor M Couchman)*

### **35 ANNUAL GOVERNANCE STATEMENT 2011/12 - UPDATE**

The Report of the Head of Internal Audit Services advising the Committee of the current position regarding 'significant governance issues' raised in the authority's Annual Governance Statement (AGS) 2011/12 and providing an opportunity for members of the Committee to raise any issues they consider appropriate was considered.

**RESOLVED:** That the structure provided be endorsed

*(Moved by Councillor M Gant and seconded by Councillor M Couchman)*

### **36 INTERNAL AUDIT QUARTERLY REPORT 2012/13**

The Report of the Head of Internal Services reporting on the outcome of Internal Audit's review of the internal control, risk management and governance framework in the 2<sup>nd</sup> quarter of 2012/13 and providing members with assurance of the ongoing effective operation of an internal audit function and enabling any

particularly significant issues to be brought to the Committee's attention was considered.

**RESOLVED:** That the quarterly report be endorsed.

*(Moved by Councillor J Garner and seconded by Councillor M Couchman)*

### **37 TRAINING FOR MEMBERS**

The Chair asked about potential training for the Committee around the following areas:

- Audit
- Financial
- Risk Management

This will be looked into.

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Chair

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## **Tamworth Borough Council**

Certification work report 2011/12

December 2012

# Contents

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# 1 Executive Summary

## Introduction

- 1.1 Grant Thornton, as the Council's auditors and acting as agents of the Audit Commission, is required to certify the claims submitted by the Council. This certification typically takes place some 6-12 months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.
- 1.2 We, and the Audit Commission prior to our appointment as the Council's auditors have certified 4 claims and returns for the financial year 2011/12 relating to expenditure of £53 million.
- 1.3 This report summarises our overall assessment of the Council's management arrangements in respect of the certification process and draws attention to significant matters in relation to individual claims.

## Approach and context to certification

- 1.4 We provide a certificate on the accuracy of grant claims and returns to various government departments and other agencies. Arrangements for certification are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency, and issues auditors with a Certification Instruction (CI) for each specific claim or return.
- 1.5 Appendix A sets out an overview of the approach to certification work, the roles and responsibilities of the various parties involved and the scope of the work we perform.

## Key messages

- 1.6 It should be noted that the work on all claims except the Housing and Council Tax Benefit claim was completed by the Audit Commission prior to our appointment as the Council's auditors. The findings set out in this report therefore also represent the results of your previous auditors work on the other 3 claims. We completed the work on the Housing and Council Tax Benefits claim on appointment as the Council's auditors on 1 November 2012. This work was completed in line with the Audit Commission's handover protocol.
- 1.7 A summary of all claims and returns subject to certification and details of our certification fee is provided at Appendix B. The key messages from our review are summarised in Exhibit One, and set out in detail in the next section of the report.

### Arrangements for certification for claims and returns:

- below £125,000 - no certification
- above £125,000 and below £500,000 - agreement to underlying records
- over £500,000 - agreement to underlying records and assessment of control environment. Where full reliance cannot be placed, detailed testing.

**Exhibit One: Summary of Council performance**

<b>Aspect of certification arrangements</b>	<b>Key Message</b>
Submission and certification	All claims were submitted on time to audit and they were all certified within the required deadline.
Accuracy of claim forms submitted to the auditor Amendments and qualifications	<p>Overall the Council is performing well and there are no significant matters arising from our certification of claims and returns.</p> <p>Two claims were amended. The amendments totalled £12,662 which is less than 1% of the £53m total value of claims certified.</p> <p>The only claim subject to qualification was the Housing and Council Tax benefit claim. The qualification referred to two cases identified from our testing where benefit had been underpaid. The claim was also subject to amendment. The amendment resulted in an increase in subsidy due to the Council of £1,826. The issues identified were minor and random in nature and we have no recommendations to make in this matter.</p> <p>The Non National Domestic Rates claim was subject to a minor amendment of £10,836. Testing identified that there were two instances where the empty property exemption from NNDR liability was applied for too long. The issue was isolated in nature and arose due to a system failure to switch off the exemption when the end of the period was reached. Management have put in place a control to ensure checks are made to ensure exemptions are not applied beyond the qualifying period. We have no recommendations to make in this matter.</p>
Supporting working papers	<p>Supporting working papers for the claims and returns were again of a good standard. Officers responded to any queries promptly and were very co-operative. These factors enabled certification within the deadlines.</p> <p>We have no recommendations to make.</p>

**The way forward**

- 1.8 We have no recommendations to make, other than a general recommendation to ensure that the good working practices continue.
- 1.9 The continuation of good working practices assists the council in compiling accurate and timely claims for certification. This reduces the risk of penalties for late submission, potential repayment of grant and additional fees.

**Acknowledgements**

- 1.10 We would like to take this opportunity to thank the grant claim co-ordinator and Council officers for their assistance and co-operation during the course of the certification process.

**Grant Thornton UK LLP**

**December 2012**

## 2 Results of our certification work

### Key messages

- 2.1 We have certified 4 claims and returns for the financial year 2011/12 relating to expenditure of £53 million.
- 2.2 The Council's performance in preparing claims and returns is summarised in Exhibit Two.

#### Exhibit Two: Performance against key certification targets

Performance measure	Target	Achievement in 2011-12		Achievement in 2010-11		Direction of travel
		No.	%	No.	%	
<b>Total claims/returns</b>		4		6		
Number of claims submitted on time	100%	4	100	6	100	→
Number of claims certified on time	100%	4	100	6	100	→
Number of claims certified with amendment	0%	2	50	1	17	↓
Number of claims certified with qualification	0%	1	25	1	17	↓

- 2.3 This analysis of performance shows that:
- Overall the Council's good performance in submitting its claims and returns; and ensuring they are certified by us on time has continued.
  - Although the number of claims certified with amendment and qualification has increased by 25%, this does not represent a significant deterioration in performance because of the small number of claims involved, and the small value of amendments.
  - The overall value of amendments is insignificant to the total value of claims and returns we certified; and that the results of our work have not identified any significant concerns.
- 2.4 Details on the certification of all claims and returns are included at Appendix B.

- 2.5 We charged a total fee of £8,046 for the certification of claims and returns in 2011-12. In addition, your previous auditors the Audit Commission, charged a total fee of £27,085. The total of £35,041 is more than the indicative budget of £31,500 because of the additional testing on the NNDR and the benefits grant claims. Details of fees charged for specific claims and returns are included at Appendix B.

**Significant findings**

- 2.6 We identified no issues of significance and thus have nothing to report to you.

## A Approach and context to certification

### Introduction

In addition to our responsibilities under the Code of Audit Practice, we also act as agents for the Audit Commission in reviewing and providing a certificate on the accuracy of grant claims and returns to various government departments and other agencies.

The Audit Commission agrees with the relevant grant paying body the work and level of testing which should be completed for each grant claim and return, and set this out in a grant Certification Instruction (CI). Each programme of work is split into two parts, firstly an assessment of the control environment relating to the claim or return and secondly, a series of detailed tests.

In summary the arrangements are:

- for amounts claimed below £125,000 - no certification required
- for amounts claimed above £125,000 but below £500,000 - work is limited to certifying that the claim agrees to underlying records of the Council
- for amounts claimed over £500,000 - an assessment of the control environment and certifying that the claim agrees to underlying records of the Council. Where reliance is not placed on the control environment, detailed testing is performed.

### Our certificate

Following our work on each claim or return, we issue our certificate. The wording of this depends on the level of work performed as set out above, stating either the claim or return is in accordance with the underlying records, or the claim or return is fairly stated and in accordance with the relevant terms and conditions. Our certificate also states that the claim has been certified:

- without qualification;
- without qualification but with agreed amendments incorporated by the authority; or
- with a qualification letter (with or without agreed amendments incorporated by the authority).

Where a claim is qualified because the authority has not complied with the strict requirements set out in the certification instruction, there is a risk that grant-paying bodies will retain funding claimed by the authority or, claw back funding which has already been provided or has not been returned. In addition, where claims or returns require amendment or are qualified, this increases the time taken to undertake this work, which impacts on the certification fee.

### **Certification fees**

Each year the Audit Commission sets a schedule of hourly rates for different levels of staff, for work relating to the certification of grant claims and returns. When billing the Council for this work, we are required to use these rates. They are shown in the table below.

<b>Role</b>	<b>2011/12</b>	<b>2010/11</b>
Engagement lead	£325	£325
Manager	£180	£180
Senior auditor	£115	£115
Other staff	£85	£85

## B Details of claims and returns certified for 2011-12

Claim or return	Value (£)	Amended?	Amendment Amount (£)	Qualified?	Fee 2010/11 (£)	Fee 2011/12 (£)	Comments
Housing and council tax benefit scheme	26,408,643	Yes	1,826	Yes	29,390	26,496	
National non-domestic rates return	29,942,846	Yes	10,836	No	1,003	6,260	<p>1 The Audit Commission directs that all claims must have the full range of testing performed every 3 years despite our being able to rely on controls. Full testing was required on this return in 2011/12.</p> <p>2 Testing identified one error that required us to review all cases that attracted empty property exemption from business rates.</p>
HRA Subsidy	3,392,124	No	n/a	No	2,805	1,340	The global risks applicable to this claim in 2010/11 did not apply in 2012. Less testing was required as we were able to rely on controls.
Pooling of Housing Capital Receipts	291,589	No	n/a	no	730	945	

Claim or return	Value (£)	Amended?	Amendment Amount (£)	Qualified?	Fee 2010/11 (£)	Fee 2011/12 (£)	Comments
Disabled Facilities Grant	n/a	n/a	n/a	n/a	475	0	This claim was not subject to certification in 2011/12.
Reporting to those charged with Governance	n/a	n/a	n/a	n/a	n/a	n/a	This fee is apportioned across the individual claims and returns.
<b>Total</b>	<b>53,250,954</b>		<b>12,662</b>		<b>38,446</b>	<b>35,041</b>	Overall there were fewer claims requiring certification in 2011/12. This led to lower fees being charged in 2011/12.



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19 November 2012

Dear Tony

### **Planned audit fee for 2012/13**

We are delighted to have been appointed by the Audit Commission as auditors to the Council and look forward to providing you with a high quality external audit service for at least the next five years. We look forward to developing our relationship with you over the coming months, ensuring that you receive the quality of external audit you expect and have access to a broad range of specialist skills where you would like our support.

The Audit Commission has set its proposed work programme and scales of fees for 2012/13. In this letter we set out details of the audit fee for the Council along with the scope and timing of our work and details of our team.

### **Scale fee**

The Audit Commission defines the scale audit fee as “the fee required by auditors to carry out the work necessary to meet their statutory responsibilities in accordance with the Code of Audit Practice. It represents the best estimate of the fee required to complete an audit where the audited body has no significant audit risks and it has in place a sound control environment that ensures the auditor is provided with complete and materially accurate financial statements with supporting working papers within agreed timeframes.”

For 2012/13, the Commission has independently set the scale fee for all bodies. The Council's scale fee for 2012/13 is £65,550 which compares to the audit fee of £109,250 for 2011/12, a reduction of 40%.

Further details of the work programme and individual scale fees for all audited bodies are set out on the Audit Commission's website at: [www.audit-commission.gov.uk/scaleoffees1213](http://www.audit-commission.gov.uk/scaleoffees1213).

The audit planning process for 2012/13, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

### **Scope of the audit fee**

Our fee is based on the risk based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Audit Commission for 2012/13. It covers:

- our audit of your financial statements
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion)
- our work on your whole of government accounts return.

### **Value for money conclusion**

Under the Audit Commission Act, we must be satisfied that the Council has adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources, focusing on the arrangements for:

- securing financial resilience; and
- prioritising resources within tighter budgets.

We undertake a risk assessment to identify any significant risks which we will need to address before reaching our value for money conclusion. We will assess the Council's financial resilience as part of our work on the VFM conclusion and a separate report of our findings will be provided.

Our planning to date has not identified any additional work which we are required to undertake to support our VFM conclusion. We will continue to assess the Council's arrangements and discuss any additional work required during the year.

### **Certification of grant claims and returns**

The Audit Commission has replaced the previous schedule of hourly rates for certification work with a composite indicative fee. This composite fee, which is set by the Audit Commission, is based on actual 2010/11 fees adjusted to reflect a reduction in the number of schemes which require auditor certification and incorporating a 40% fee reduction. The composite indicative fee grant certification for the Council is £18,800.

### **Billing schedule**

Our fees are billed quarterly in advance. Given the timing of our appointment we will raise a bill for two quarter's in December 2012 with normal quarterly billing thereafter. Our fees will be billed as follows:

<b>Main Audit fee</b>	<b>£</b>
December 2012	32,775
March 2013	16,388
June 2013	16,387
<b>Grant Certification</b>	
June 2013	18,800
<b>Total</b>	<b>84,350</b>



### Outline audit timetable

We will undertake our audit planning and interim audit procedures in the period January to March 2013. Upon completion of this phase of our work we will issue our detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VFM conclusion will be completed in the summer of 2013 and work on the whole of government accounts return in September 2013.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	January to March 2013	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VFM.
Final accounts audit	June to Sept 2013	Report to those charged with governance	This report will set out the findings of our accounts audit and VFM work for the consideration of those charged with governance.
VFM conclusion	Jan to Sept 2013	Report to those charged with governance	As above
Financial resilience	Jan to Sept 2013	Financial resilience report	Report summarising the outcome of our work.
Whole of government accounts	September 2013	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	October 2013	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.
Grant certification	June to December 2013	Grant certification report	A report summarising the findings of our grant certification work

### Our team

The key members of the audit team for 2012/13 remain unchanged:

	Name	Phone Number	E-mail
Engagement Lead	James Cook	(0)121 232 5343	<a href="mailto:James.A.Cook@uk.gt.com">James.A.Cook@uk.gt.com</a>
Engagement Manager	Joan Barnett	(0)121 232 5399	<a href="mailto:Joan.M.Barnett@uk.gt.com">Joan.M.Barnett@uk.gt.com</a>
Audit Executive	Matthew Berrisford	(0)121 212 4014	<a href="mailto:Matthew.J.Berrisford@uk.gt.com">Matthew.J.Berrisford@uk.gt.com</a>

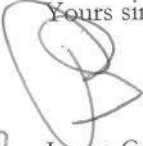
**Additional work**

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with the Council.

**Quality assurance**

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact Jon Roberts, our Public Sector Assurance regional lead partner at [jon.roberts@uk.gt.com](mailto:jon.roberts@uk.gt.com).

Yours sincerely

  
PR

James Cook  
For Grant Thornton UK LLP

31<sup>ST</sup> JANUARY 2013

**REPORT OF THE HEAD OF INTERNAL AUDIT SERVICES**

**INTERNAL AUDIT QUARTERLY REPORT**

**EXEMPT INFORMATION**

None

**PURPOSE**

To report on the outcome of Internal Audit's review of the internal control, risk management and governance framework in the 3<sup>rd</sup> quarter of 2012/13 – to provide Members with assurance of the ongoing effective operation of the internal audit function and enable any particularly significant issues to be brought to the Committee's attention.

**RECOMMENDATIONS**

**That the committee considers the attached quarterly report and raises any issues it deems appropriate.**

**EXECUTIVE SUMMARY**

The Accounts and Audit Regulations 2011 (as amended) require each local authority to publish an Annual Governance Statement (AGS) with its Annual Statement of Accounts. The AGS is required to reflect the various arrangements within the Authority for providing assurance on the internal control, risk management and governance framework within the organisation, and their outcomes.

One of the sources of assurance featured in the AGS is the professional opinion of the Head of Internal Audit Services on the outcome of service reviews of the governance framework. Professional good practice recommends that this opinion be given periodically throughout the year to inform the "annual opinion statement". This opinion is given on a quarterly basis to the Audit & Governance Committee.

The Head of Internal Audit Services' quarterly opinion statement for October – December 2012 (Qtr 3) is set out in the attached document (detailing the work completed to date), and the opinion is summarised below.

Based on the ongoing work carried out by and behalf of Internal Audit and other sources of information and assurance, my overall opinion of the control environment at this time is that "reasonable assurance" can be given. Where significant deficiencies in internal control have been formally identified by management, Internal Audit or by external audit or other agencies, management have given assurances that these have been or will be resolved in an appropriate manner. Such cases will continue to be monitored. Internal Audit's opinion is one of the sources of assurance for the Annual Governance Statement which is statutorily

required to be presented with the annual Statement of Accounts.

Specific issues:

No specific issues have been highlighted through the work undertaken by Internal Audit during 2012/13 (to date).

For easy reference, performance against 2 key performance indicators for the service is set out in graphical form in **Appendix 1** (% of draft reports issued within timeliness target) and **Appendix 2** and **2.1** (% of audit recommendations agreed by management). The proportion of agreed management actions found to have been implemented is also shown graphically in **Appendix 3**. Details of the 2012/13 audit plan completion status as at 31<sup>st</sup> December 2012 is detailed at **Appendix 4**.

**RESOURCE IMPLICATIONS**

None

**LEGAL/RISK IMPLICATIONS BACKGROUND**

None

**SUSTAINABILITY IMPLICATIONS**

None

**BACKGROUND INFORMATION**

None

**REPORT AUTHOR**

Angela Struthers ex 234

**LIST OF BACKGROUND PAPERS**

None

**APPENDICES**

- Appendix 1** – Percentage of draft reports issued within 15 days
- Appendix 2** – Percentage of audit recommendations agreed by management
- Appendix 2.1** – Number of recommendations made and agreed
- Appendix 3** – Proportion of agreed management actions implemented
- Appendix 4** – Internal Audit Plan status as at 31<sup>st</sup> December 2012



## **INTERNAL AUDIT ANNUAL REPORT/QUARTERLY REPORT – Q3 - 2012/13**

### **1. INTRODUCTION**

Internal Audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources. Every local authority is statutorily required to provide for an adequate and effective internal audit function. The Internal Audit service provides this function at this Authority.

This brief report aims to ensure that Committee members are kept aware of the arrangements operated by the Internal Audit service to monitor the control environment within the services and functions of the authority, and the outcome of that monitoring. This is to contribute to corporate governance and assurance arrangements and ensure compliance with statutory and professional duties, as Internal Audit is required to provide periodic reports to "those charged with governance".

### **2. PERFORMANCE AND PROGRESSION AGAINST AUDIT PLAN**

The Internal Audit service aims as one of its main Performance Indicators (PI's) to complete work on at least 90% of applicable planned audits by the end of the financial year, producing draft reports on these where possible/necessary. As in previous years it is expected that not all 80 planned areas of audit work will remain to be delivered for various reasons, eg due to changes within services, delays to projects, or reasonable requests to delay from managers due to unexpected demands or resource problems eg sickness. The service thus plans to complete 90% of those audits that are deliverable in the year.

The Internal Audit service has completed or has underway 72% of the deliverable audit plan to date during this financial year. Changes to the timings of the audits have been made for various reasons e.g. due to changes within services, delays to projects, or reasonable requests to delay from managers due to unexpected demands or resource problems details of which are given in **Appendix 4**. The Internal Audit Service has completed works in additional areas as requested by management. As previously described, the plan has been actively managed to seek to ensure delivery of good practice levels over the year. Areas of audit work include the planned audits of systems plus activities that contribute to the overall governance of the authority. **Appendix 4** details the Internal Audit plan status as at 31<sup>st</sup> December 2012.

The service also reports quarterly on the percentage of draft reports issued within 15 working days of the completion of fieldwork. All (100%) of the 15 draft reports issued in this quarter of the year were issued within this deadline. (see graph at **Appendix 1**).

The Head of Internal Audit Services is responsible for ensuring that the work of the service is of appropriate quality to meet professional standards, and has in place, on an ongoing basis, a number of processes to meet this aim. For instance, there is an Audit Manual in place to guide auditors in their work, the Head of Internal Audit Services carries out independent review of auditors' work to ensure professional standards are met, the service benchmarks its performance against other such

services in the region, quality control questionnaires are issued to managers for their view on the work of the service, and so on. The service is also subject to review by the external auditor, who places reliance on the work of the service. It is considered that the service continues to ensure professional standards are in place, and indeed in its move to risk based auditing is ahead of most other similar audit services in the region in adopting emerging good practice.

### 3. AUDIT REVIEWS COMPLETED QUARTER 3 2012/13

Internal Audit carries out reviews in compliance with its approved annual Audit Plan and additional areas where necessary, and reports on these to management in accordance with its approved Reporting Protocol. The audits finalised since the previous quarterly report were as shown below and detail the number of recommendations made and their priority.

	H	M	L	Agreed
• Treasury Management	-	-	-	
• Creditors	1	1		2
• Debtors	-	-		
• Council Tax	-	2		2
• NNDR	-	1		1
• Payroll	2			2
• Bank reconciliation	-	2		2
• Building Security	-	1		1
• Community Safety Hub	2	3		5
• Tourism & Town Centre	-	1		1
• Car Park Income	-	3		3
• Castle	-	4		4

As part of each audit review, recommendations are made where necessary to address areas where the Internal Audit service considers controls, or compliance with controls, could be improved to help to manage risks to service objectives and ensure service objectives are met.

Accordingly a total of 23 new audit recommendations were made in this quarter of which 23 (100%) were agreed by management (this is the third main service PI – see **Appendix 2. Appendix 2.1** shows the number of recommendations made and agreed). Internal Audit is satisfied with the management responses received to the recommendations made in this period. Each audit will be reviewed within the specified time scale and the implementation status of the audit recommendations reported.

The service revisits areas it has audited around 6 months after agreeing a final report on the audit, to test and report to management on the extent to which agreed actions have been taken. The Implementation review finalised during the 3rd quarter of 2012/13 relates to the audit completed on External IT Provider. Eleven

recommendations were made and at implementation review, nine had been implemented. One of the two outstanding recommendations is high risk and will be further followed up to ensure it is implemented.

#### **4. OVERALL CURRENT INTERNAL AUDIT OPINION**

Based on the ongoing work carried out by and on behalf of Internal Audit and other sources of information and assurance, my overall opinion of the control environment at this time is that “reasonable assurance” can be given. Where significant deficiencies in internal control have been formally identified by management, Internal Audit or by external audit or other agencies, management have given assurances that these have been or will be resolved in an appropriate manner. Such cases will continue to be monitored. Internal Audit’s opinion is one of the sources of assurance for the Annual Governance Statement which is statutorily required to be presented with the annual Statement of Accounts.

##### Specific issues:

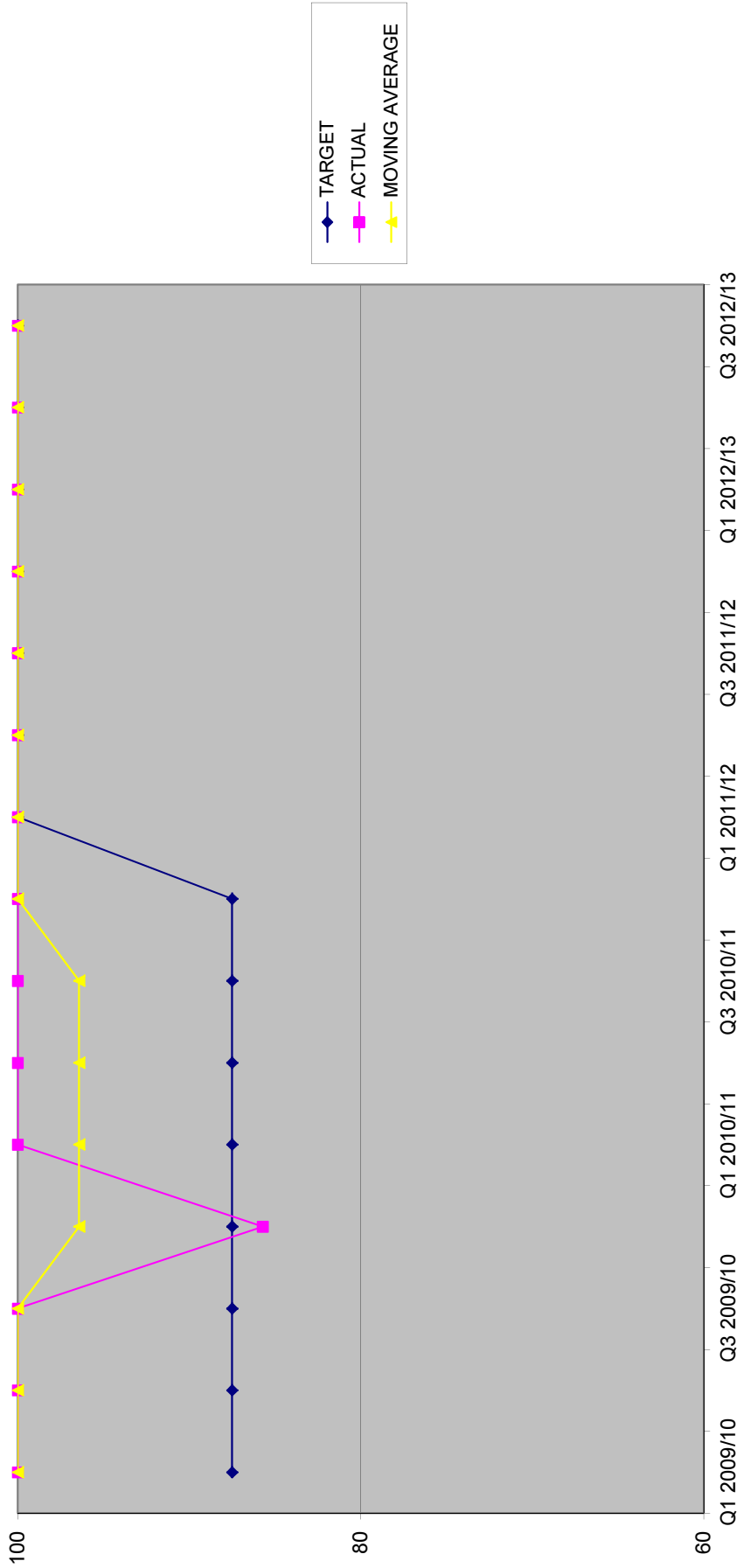
There were no specific issues highlighted through the work of Internal Audit in the third quarter of the 2012/13 financial year

Angela Struthers,  
Head of Internal Audit Services

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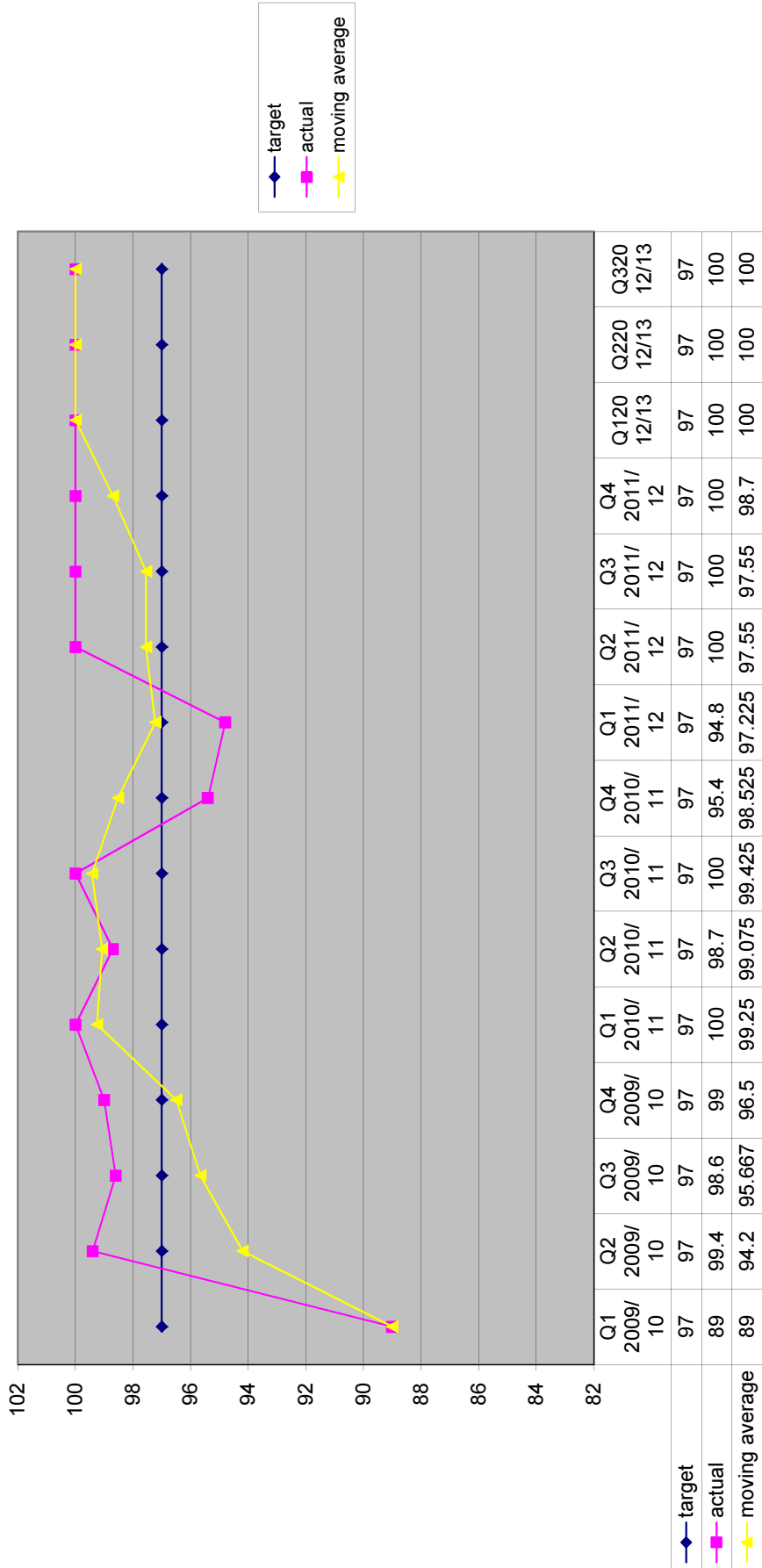
Appendix 1

Percentage of draft reports issued within 15 days



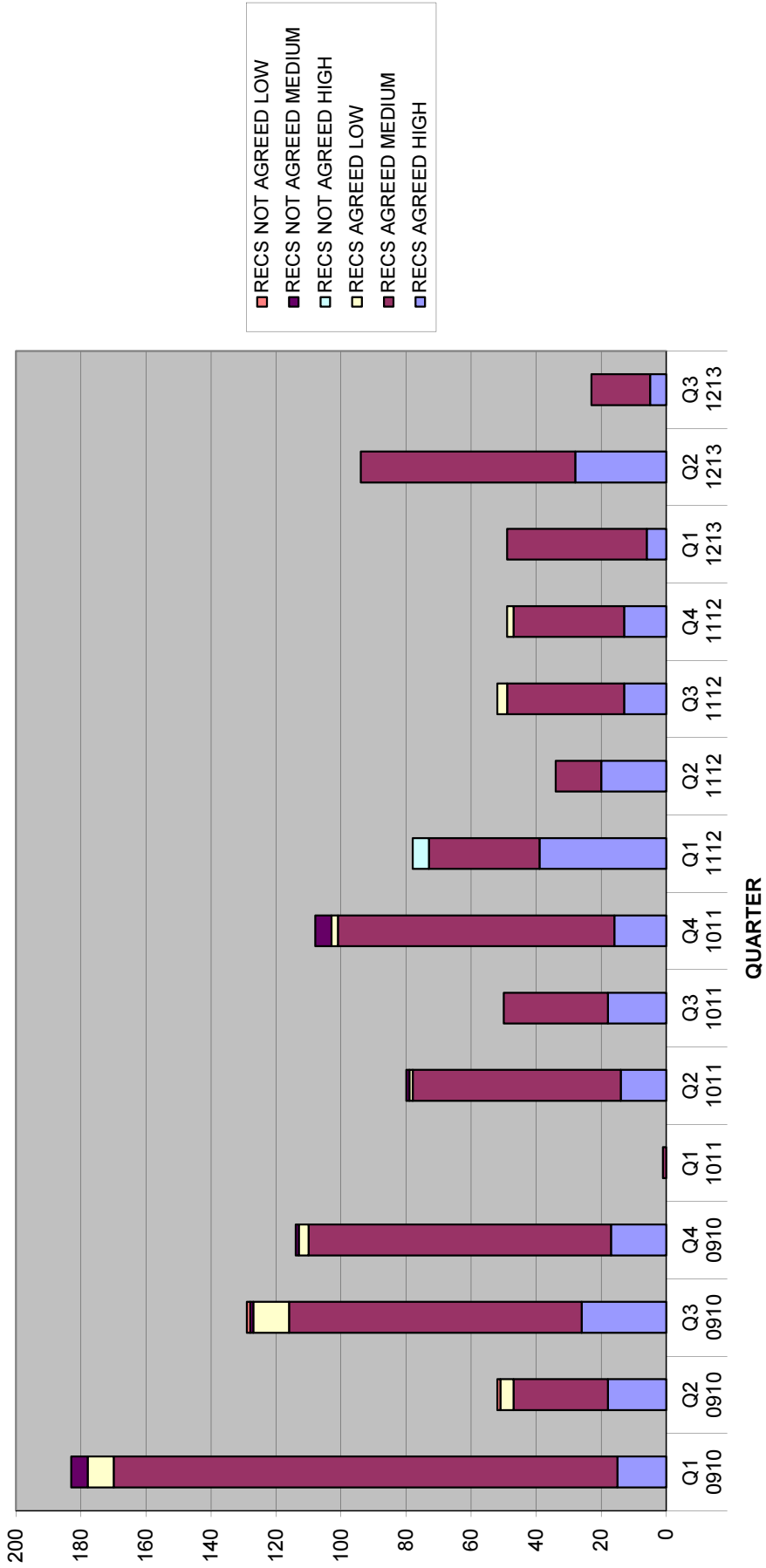
## Appendix 2

### Percentage of management actions agreed

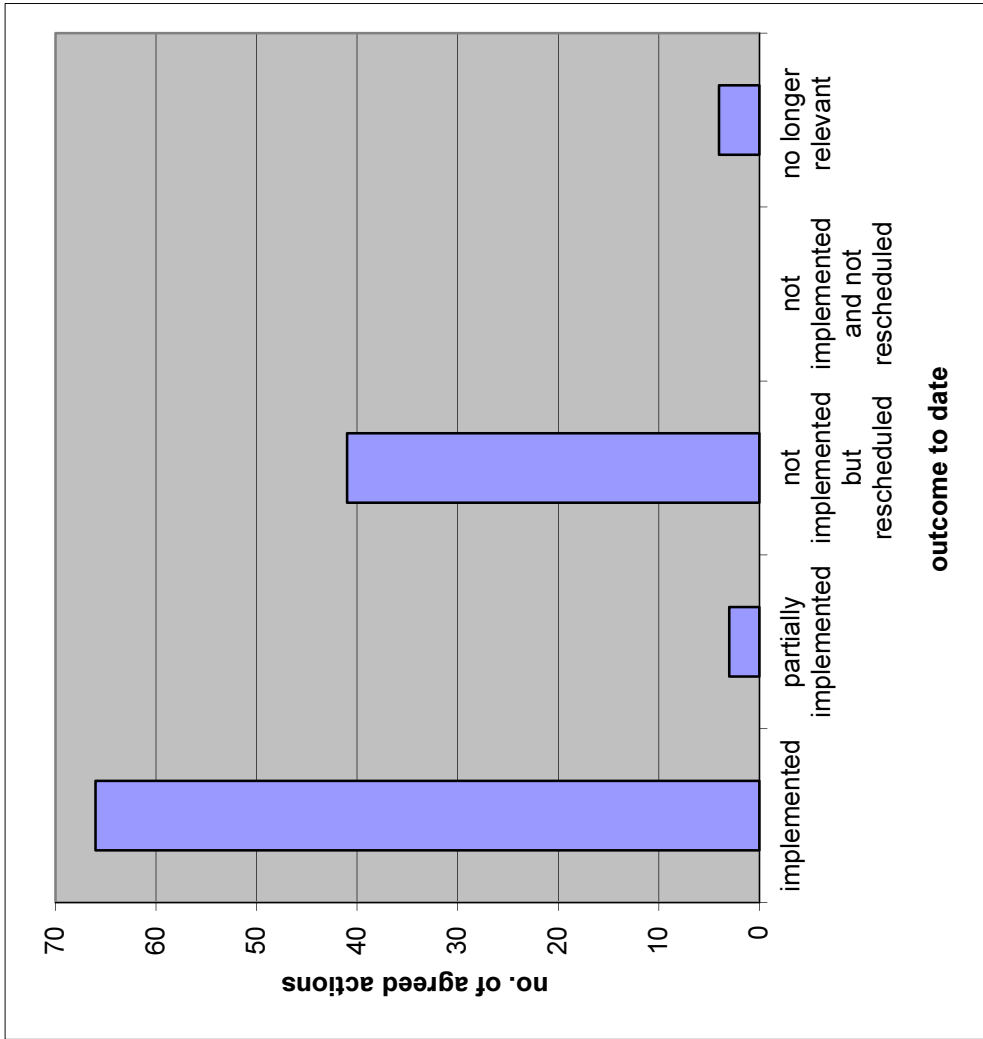


Appendix 2.1

MANAGEMENT ACTIONS AGREED BY NUMBER



Proportion of agreed management actions implemented 2012/13





Internal Audit Plan 2012/13 Status as at 31<sup>st</sup> December 2012

B/F FROM 11/12	RISK RATING	TYPE	STATUS AS AT 31/12/12	ASSURANCE LEVEL	NUMBER OF MANAGEMENT ACTIONS AGREED	IMPLEMENTATION REVIEW	REVISED ASSURANCE LEVEL	COMMENTS
Capital Strategy 11/12	M	KFS			3	n/a		
Housing Responsive Repairs 11/12	M	KFS			6	n/a		
Bank Reconciliation 11/12	M	KFS			5	n/a		
Debtors 11/12	M	KFS			26	n/a		
Main Accounting 11/12	M	KFS			0	n/a		
Property Services Contracts 11/12	M	KFS			12	n/a		
Assets & Environment Financial Controls 11/12	M	SBR			8	n/a		
Data Quality & Records Management 11/12	H	SBR			26	n/a		
Voluntary Redundancy 11/12	M	SBR			15	n/a		
M3 Application Review 11/12	M	SBR			34			
Street Scene 11/12	M	RBR			1	n/a		
Time Recording (Sports Development) 11/12	M	IR			10	5 implemented 5 rescheduled		

QUARTER1 PLANNED WORK	RISK RATING	TYPE	STATUS AS AT 31/12/12	ASSURANCE LEVEL	NUMBER OF MANAGEMENT ACTIONS AGREED	IMPLEMENTATION REVIEW	REVISED ASSURANCE LEVEL	COMMENTS
Street Scene	M	IR						Moved to qtr 3
Post project – Transforming Tamworth	H	IR	<b>x</b>					Cancelled – New process to be looked at 13/14
Freedom of Information	H	IR			15	3 implemented 1 no longer relevant 11 rescheduled		Further implementation review to be completed 13/14
Strategic Planning	M	RBR			1			
Time Recording	M	IR			12	4 implemented 4 not yet due 4 rescheduled		
Review of Internal Audit Effectiveness		COR						
Area Based Grants		ST	<b>x</b>					No longer requirement from County Council
Pension Contributions		ST			0			
Annual Audit Opinion		COR						
Data Protection	H	P						Moved to Qtr 4 - office moves
Corporate Policy Management	H	IR						Moved to Qtr 3 by IA

Review of Financial Guidance			COR								Moved to Qtr 4 – new system
Land Charges	M		SBR								
Safeguarding Children & Vulnerable Adults	M	14	RBR								
CCTV	M	1	RBR								
Treasury Management	M	0	KFS		 						Quarterly testing completed
Community Safety Hub	M	5	SBR								
Localism Act	M		RBR								Moved to Qtr 4 by IA
Academy Application Review	M		SBR								Moved to Qtr 4 to be completed with Benefits audit
IT Physical & Environmental Controls	H		SBR								Moved to Qtr 4 after office moves
Annual Governance Statement			COR								
Housing Responsive Repairs and Property Contracts	M		KFS								Work completed on KPIs

QUARTER 2 PLANNED WORK	RISK RATING	TYPE	STATUS AS AT 31/12/12	ASSURANCE LEVEL	NUMBER OF MANAGEMENT ACTIONS AGREED	IMPLEMENTATION REVIEW	REVISED ASSURANCE LEVEL	COMMENTS
Street Scene	M	IR						Duplicated - deleted
IT Software Licensing	H	IR			21	15 implemented 1 no longer relevant 5 rescheduled		
Efin Application Review	M	SBR						
Community Development	M	IR		 	2	2 implemented	 	
Remote Desktop Support	M	IR						
Top of Visual Servers	M	IR			20	7 implemented 2 no longer relevant 10 rescheduled		Additional review to be completed Qtr 1 13/14
Covalent Application Review	M	IR			17	15 implemented 2 rescheduled		
Volunteers Policy	H	IR			15	9 implemented 6 rescheduled		
Operational services financial controls	M	IR						
M3 Application Review	M	IR						Moved to quarter 4 aligned with final report issue
Post Project Process	M	IR						Moved to Qtr 4 by IA
Street Wardens	M	RBR			1			

PR & Communication Strategy	M	RBR	✓	✓	3					
Tourism & Town Centre	M	RBR	✓	✓	1					
Tourist Information Centre	M	RBR	⚠							
Public Protection – Food Safety	M	RBR	✘						Moved to quarter 4 by management	
Cleaning	M	SBR	✘						Cancelled – no longer a priority at this stage	
E-Induction/Induction Process	M	SBR	✘						Moved to quarter 4 by management	
Car Park Income	M	SBR	✓	✓	3					
ISG 27001	M	SBR	⚠							Draft report issued
Corporate Business Continuity	H	SBR	⚠							
Community Leisure	M	RBR	✓	⚠	1					
Housing Allocation of Accommodation	M	SBR	⚠							
Scheme of Delegation	M	SBR	✘							Cancelled – moved to 13/14 following review of scheme




QUARTER 3 PLANNED WORK	RISK RATING	TYPE	STATUS AS AT 31/12/12	ASSURANCE LEVEL	NUMBER OF MANAGEMENT ACTIONS AGREED	IMPLEMENTATION REVIEW	REVISED ASSURANCE LEVEL	COMMENTS
Data Quality & records Management	H	IR						
Outdoor Events	M	IR						Draft report issued
Castle	M	IR			4			
Creditors	M	KFS			2			
Council Tax	M	KFS			2			
NNDR	M	KFS			1			
Payroll	M	KFS			2			
Bank rec & Cash	M	KFS			2			
Housing Rents	M	KFS						Moved to quarter 4
Members Allowances & Expenses	H	SBR			8	n/a		
Building Security	M	RBR			1			
Travel & Subsistence	M	SBR			17	n/a		
Insurance	M	SBR						
Recruitment & Retention	M	RBR						Moved to quarter 4
Health & Safety	M	SBR						






Legionella	M	RBR						Moved to quarter 4
Asbestos Policy	M	RBR						Moved to quarter 4
Performance Management	M	SBR						
Homelessness	M	SBR						Moved to quarter 4
Licences	M	SBR	<b>x</b>					Cancelled management request move to 13/14
Mobile Telephony	M	SBR						
Private Sector Empty Homes	M	SBR			1			
Private Sector Housing – Feasibility studies/management models	M	SBR						Moved to quarter 4
EndPoint Security	M	SBR						
IT File Controls	H	SBR						Draft report issued
Treasury Management – quarterly testing	M	KFS		 	0			
Housing Responsive Repairs & Property Contracts	M	KFS						

QUARTER 4 PLANNED WORK	RISK RATING	TYPE	STATUS AS AT 31/12/12	ASSURANCE LEVEL	NUMBER OF MANAGEMENT ACTIONS AGREED	IMPLEMENTATION REVIEW	REVISED ASSURANCE LEVEL	COMMENTS
Academy Application Review	M	IR						Moved to 13/14 aligned to implementation review
Review of Counter Fraud Policies & Documents	H							
Main Accounting & Budgetary Control	M	KFS						
Debtors	M	KFS			0			
HB & CTB Benefits	M	KFS						
Capital Strategy & Programme Management	M	KFS						
Orphansmen Process	M	SBR						
Annual Audit Planning & Review								
Programme/Project Management	M	RBR						



KEY TO SYMBOLS

STATUS AS AT 30/9/12 / IMPLEMENTATION REVIEW	
	COMPLETED
	UNDERWAY
	NOT YET STARTED
<b>x</b>	CANCELLED

ASSURANCE LEVELS	
 	SUBSTANTIAL ASSURANCE
	REASONABLE ASSURANCE
	LIMITED ASSURANCE
	NO ASSURANCE

TYPES	
IR	IMPLEMENTATION REVIEW
SBR	SYSTEMS BASED REVIEW
RBR	RISK BASED REVIEW
COR	CORPORATE/MANAGEMENT WORK
ST	SUBSTANTIVE TESTING
P	PROBITY
KFS	KEY FINANCIAL SYSTEM

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31<sup>ST</sup> JANUARY 2013

**REPORT OF THE HEAD OF INTERNAL AUDIT SERVICES**

**PUBLIC SECTOR INTERNAL AUDIT STANDARDS**

**EXEMPT INFORMATION**

None

**PURPOSE**

To inform members of the new Public Sector Internal Audit Standards that will be effective from the 1<sup>st</sup> April 2013.

**RECOMMENDATIONS**

**The Committee supports Internal Audit's commitment to and compliance with the Public Sector Internal Audit Standards.**

**EXECUTIVE SUMMARY**

The Public Sector Internal Audit Standards (PSIAS) will be effective from the 1<sup>st</sup> April 2013. The Standards have been developed jointly by the Chartered Institute of Internal Auditors (IIA), the Chartered Institute of Public Finance and Accountancy (CIPFA) and other public bodies, by tailoring the International Professional Practices Framework (IPPF) – the mandatory international standards as defined by the IIA (global) – to meet the specific requirements of public sector organisations in the UK.

Compliance with the PSIAS will be mandatory. The Council will be under obligation to comply fully or to provide clear justification for any aspect of non-compliance. The PSIAS will replace the CIPFA Code of Practice for Internal Audit in Local Government.

A summary of the standards is detailed below.

**Summary of the Standards.**

**1) Definition of Internal Auditing**

The definition of Internal Auditing as defined by the PSIAS will be adopted in the revised Internal Audit Charter.

**2) Code of Ethics**

Internal auditors in UK public sector organisations must conform to the Code of Ethics as defined by the IIA. If individual auditors have membership of another professional body then they must comply with the relevant requirements of that organisation. In addition, internal auditors must also have regard to the Committee on Standards in Public Life's *Seven Principles of Public Life*.

### **3) Attribute Standards**

#### **1000 Purpose, Authority and Responsibility**

There is a requirement to have an Internal Audit Charter – which will define the internal audit activities, purpose, authority and responsibility. It is a requirement that the charter will refer specifically to the Chief Audit Executive (CAE) – for Tamworth Borough Council this role will be undertaken by the Head of Internal Audit Services. It will also refer to the Board – and this role will be undertaken by the Audit & Governance Committee.

#### **1100 Independence and Objectivity**

The CAE must establish effective communication with, and have unfettered access to, the Chief Executive and the Chair of the Board – this is already in place at TBC.

In addition, both the Chief Executive and the Chair of the Board will be required to provide feedback on the performance of the CAE as part of the personal development review (PDR) process. The Chief Executive currently provides feedback on the performance of the CAE as part of the PDR process.

Approval must be sought from the Board for any significant additional consulting services not already included in the audit plan, prior to accepting the engagement. The audit plan identifies a contingency which is used for special investigations, consultancy advice, to take part in corporate projects and any overrun in audits. The use of contingency in this way is part of the normal day to day operation of Internal Audit. Any additional significant consultancy service would have a significant impact on the completion of the audit plan and as such would need Board approval.

#### **1200 Proficiency and Due Professional Care**

The CAE must hold a professional qualification and be suitably experienced – this is the case at TBC.

#### **1300 Quality Assurance and Improvement Programme**

The CAE must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal activity. The quality assurance and improvement assessment must include both internal and external assessments.

The internal assessment consists of on-going monitoring and periodic self assessments against the *Definition of Internal Auditing, the Code of Ethics and the PSIAS*. In addition, the CAE must report annually to the Board that Internal Audit conforms and any non-conformities must be reported to the Board with more significant deviations included on the Annual Governance Statement (AGS).

The external assessment must be completed at least every five years. The assessment must be completed by independent experienced, qualified person/persons.

The CAE must agree the scope of an external assessment with an appropriate sponsor – for TBC this will be the Executive Director Corporate Services – or chair of the Board as well as with the assessment team.

Progress on an improvement plan identified following external assessment, must be reported on annually to the Board.

## **2000 Managing the Internal Audit Activity**

The CAE is responsible for developing a risk based annual audit plan taking into account the requirement to produce an annual internal audit opinion on the assurance framework. It must incorporate or be linked to a strategic or high-level statement of how the Internal Audit service will be delivered and developed in accordance with the Internal Audit Charter and how it links to the Council's objectives and priorities – this is current practice at TBC.

The risk based plan must explain how Internal Audit's resource requirements have been assessed and any impact on the provision of the audit opinion through lack of resource must be brought to the attention of the Board.

Any other sources of assurance and any work required to place reliance upon those other sources of assurance must be included in the risk based plan.

## **2100 Nature of Work**

The Internal Audit activity must evaluate and contribute to the improvement of governance, risk management and control processes using a systematic and disciplined approach. No variation to current practice.

## **2200 Engagement Planning**

Internal auditors must develop and document a plan for each engagement, including the engagement's objectives, scope, timing and resource allocations. No variation to current practice.

## **2300 Performing the Engagement**

Internal auditors must identify, analyse, evaluate and document sufficient information to achieve the engagement's objectives. No variation to current practice.

## **2400 Communicating Results**

Internal auditors must communicate the results of the engagements. No significant variation to current practice.

## **2500 Monitoring Progress**

The CAE must establish and maintain a system to monitor the disposition of results communicated to management. No variation to current practice.

## **2600 Communicating the Acceptance of Risk**

When the CAE concludes that management has accepted a level of risk that may be unacceptable to the organisation, the CAE must discuss the matter with senior management. If the CAE determines that the matter has not been resolved, the CAE must communicate the matter to the Board. No variation to current practice.

**RESOURCE IMPLICATIONS**

None

**LEGAL/RISK IMPLICATIONS BACKGROUND**

None

**SUSTAINABILITY IMPLICATIONS**

None

**BACKGROUND INFORMATION**

Public Sector Internal Auditing Standards

**REPORT AUTHOR**

Angela Struthers ex 234

**LIST OF BACKGROUND PAPERS**

None

**APPENDICES**

None

## AUDIT & GOVERNANCE COMMITTEE

31 JANUARY 2011

### Report of Solicitor to the Council and Monitoring Officer

#### STANDARDS ALLEGATION COMPLAINT

##### **Purpose**

To advise Members on the number of complaints received in relation to alleged breaches of the Code of Conduct since local arrangements were put in place to deal with Standards allegations in terms of the Localism Act 2011 in June 2012

##### **Recommendation**

**Members are requested to note the findings of the contents of the report.**

##### **Executive Summary**

Since the establishment of the new arrangements from June 2012 I can confirm only one complaint has been received. The complaint was lodged on 10<sup>th</sup> August 2012 and has been dealt with in accordance with the Arrangements for Dealing with Standards Allegations under the Localism Act 2011 that were adopted at Council on 19 June 2012

The complaint was dealt with as follows:

One complaint against an elected Councillor was investigated and a local resolution achieved.

##### **Financial Implications**

There are no financial implications arising from this report.

For further information please contact Jane M Hackett , Solicitor to the Council & Monitoring Officer on Extn: 258

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## AUDIT & GOVERNANCE COMMITTEE

31 January 2013

### Report of the Solicitor to the Council and Monitoring Officer

#### Regulation of Investigatory Powers Act 2000

##### **Purpose**

The Council's Code of Practice for carrying out surveillance under the Regulation of Investigatory Powers Act 2000 (RIPA) specifies that quarterly reports will be taken to Audit & Governance Committee to demonstrate to elected members that the Council is complying with its own Code of Practice when using RIPA.

On 13 December 2012, the Council adopted a new RIPA policy and agreed that quarterly reports on the use of RIPA powers be submitted to Audit & Governance Committee.

##### **Recommendation**

**That Audit and Governance Committee endorse the quarterly RIPA monitoring report.**

##### **Background Information**

The RIPA Code of Practice produced by the Home Office in April 2010 introduced the requirement to produce quarterly reports to elected members to demonstrate that the Council is using its RIPA powers appropriately and complying with its own Code of Practice when carrying out covert surveillance. This requirement relates to the use of directed surveillance and covert human intelligence sources (CHIS).

The table below shows the Council's use of directed surveillance in the current financial year to provide an indication of the level of use of covert surveillance at the Council. There have been no applications under RIPA in the quarterly period from 1 October to 31 December 2012.

The table outlines the number of times RIPA has been used for directed surveillance, the month of use, the service authorising the surveillance and a general description of the reasons for the surveillance. Where and investigation is ongoing at the end of a quarterly period it will not be reported until the authorisation has been cancelled. At the end of the current quarterly period there are no outstanding authorisations.

There have been no authorisations for the use of CHIS.

**Financial year 2011/12**

<b>Month</b>	<b>Service</b>	<b>Reason</b>
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No applications		
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**Background papers**

None

*"If Members would like further information or clarification prior to the meeting please contact Jane M Hackett Solicitor to the Council and Monitoring Officer on Ext.258"*