

## 2016/17 SHARED AUDIT AND INVESTIGATION SERVICE ANNUAL REPORT Service Manager, Shared Audit and Investigation Service

### Introduction

1. The 2016/17 Internal Audit and Investigation Plan was approved by the Audit Committee on 10 February 2016. The emphasis on developing the Internal Audit part of the plan was based on mandatory and legislative requirements and the risks set out in the Corporate Risk Register (CRR) and was targeted at assisting the Council in achieving its key objectives.
2. This report has been prepared to meet the requirements of the updated 2016 CIPFA / IIA Public Sector Internal Audit Standards (PSIAS) for the Chief Audit Executive (Service Manager, Shared Audit and Investigation Service) to deliver an annual internal audit opinion and report that can be used by the organisation to inform its Annual Governance Statement (AGS). The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. The Annual Report is required to incorporate:-
  - the opinion;
  - a summary of the work that supports the opinion;
  - a statement on conformance with the PSIAS;
  - the results of the quality assurance and improvement programme; and
  - if there have been any restrictions imposed on the scope of the work of the Internal Audit function of the Shared Audit and Investigation Service.
3. The body of this report compliments the 2016/17 Quarterly Progress Reports and includes a summary of the performance of the Corporate Investigation Team.

### Internal Audit Opinion

4. During the year, the Internal Audit Team has undertaken audits of key financial systems (in order to compliment the work of External Audit), as well as focusing on the Council's key risks, as identified in the CRR.
5. The overall audit opinion, which is largely a reflection of the system and procedural controls against the identified risks and mitigating treatment measures, is that they are "Substantially Complete and Generally Effective but with some improvements required". Based on audits completed during the year and taking into account other sources of assurance, including External Audit and through the Corporate Governance exercise, most key controls are in place and are operating effectively, with the majority of residual risks being reduced to an acceptable level and reported concerns being aimed by management to be reduced to a predominately moderate impact level. A small number of exceptions were identified and these have been summarised in the body of this report.
6. There have been no restrictions imposed on the scope of the work of the Internal Audit function of the Shared Audit and Investigation Service.

## PERFORMANCE SUMMARY

7. Key progress of the Shared Audit and Investigation Service during 2016/17 was:-
  - Assurance given to management on the Council's key risks and further strengthening of the CRR through independent verification of risks and treatment measures.
  - Additional management requests for work to be undertaken using audit contingency demonstrating confidence in the work of Internal Audit.
  - Skills transfers taking place in relation to Business World On and Schools audits. There has been the ability to undertake direct comparisons between systems and identify existing best practices.
  - The audit process has continued to be refined using Lean practices through sprint workshops in line with the 21<sup>st</sup> Century Council Initiative.
  - On request of management and in specific audit areas, knowledge on common areas is being shared.
  - Increased Audit and Investigation work has been undertaken for Bracknell Forest Council, Rushmoor Borough Council, Buckinghamshire County Council and Oxfordshire County Council, resulting in increased income for the Service and income targets for the year being exceeded.
  - Good results obtained for Investigation activity.
8. 74% of the approved Internal Audit Plan was achieved with the reviews at draft report stage or completed. Two percent of audit reviews with fieldwork in progress will be completed to draft report stage in early 2017/8. There has also been additional consultancy work requested by management that has been completed. Progress against the plan has been affected by one officer being on maternity leave for the majority of the year and one officer has been seconded to the 21<sup>st</sup> Century Council Programme (this equated to a loss of 15% against the WBC Internal Audit Plan). It should be noted that time was spent on the 21<sup>st</sup> Century Council programme by all the team in respect of training courses, workshops, corporate and team meetings, recruitment and selection. In addition, for the remaining audits that were not started, provision has been set within the 2017/18 Internal Audit Plan for those reviews that are still relevant in light of the 21<sup>st</sup> Century Council initiative.
9. Appendix A (I) presents the progress made against the 2016/17 Internal Audit Plan and Audit Opinions. It shows audits completed or at draft stage as at 31 March 2017 (9 audits were at draft report stage).
10. For the reviews completed, where an audit opinion was appropriate the following breakdown of classification is below.

Overall Audit Opinion	Summary of Audit Opinion	No of Audits (2016/17)	No of Audits (2015/16)
1	Complete and Effective	2	0
2	Substantially Complete and Generally Effective	17	22
3	Range of Risk Mitigation Controls is incomplete and risks are not effectively mitigated	4	4
4	There is no effective Risk Management process in place	0	0
<b>Total</b>		<b>23</b>	<b>26</b>

11. There are two audit reviews receiving the third category of audit opinion (Range of Risk Mitigation Controls is incomplete and risks are not effectively Mitigated) completed to Final Report stage that were completed in quarter 4 and the main points arising are summarised below. Management Action Plans have been agreed for these reviews. The two other category 3 audits included in the total in the table above relate to two 2015/16 audits that were reported in the 2016/17 Quarter 1 Progress Report and it is encouraging to note that for the next annual review of Capital Programme, Accounting, Expenditure Monitoring has improved to obtain the highest category of audit opinion.

#### Housing Rents 2015/16

There are six high concerns, and these relate to:

- Inability to allocate suspense income without SAFFRON.
- Capacity of Permanent Rent Officers to chase former tenants' arrears.
- Housing Revenue Account balance sheet - arrears and prepayments balances.
- Insufficient action on current tenants arrears.
- Lack of prompt from Northgate when Housing Benefit changes.
- The validity of the figures in the Northgate Rent Processing reports.

#### Shared Building Services (SBS)

The high risk concerns that relate to WBC are:

- The absence of current contractual documentation and robust supporting records to determine the veracity of Reactive Maintenance contractor payments. This is to be addressed for future payments with the introduction of a new 'valuation spreadsheet' set up by SBS. Contractors' agreement to this new process is being finalised.
- The absence of current contractual documentation and robust supporting records to determine the veracity of Service Contract payments.

12. Audit reports are presented using lean terminology, using the concern, finding, management action and management are given the opportunity to treat, tolerate, terminate or transfer the concerns and associated risks. Management Action Plans have been put in place to address issues identified during audit work and audit follow up verification will confirm whether agreed countermeasures for Very High and High concerns have been actioned within agreed timescales.
13. Where concerns are classified as being Very High or High that have been tolerated by management, these are highlighted to the Audit Committee. There have been no cases of Very High or High concerns being tolerated by management.

## Additional Work Requested by Members / Management

14. Contingency days have been used to respond to the following Management requests in respect of;
- Children’s Services – Health and Safety
  - Governance of Local Authority Trading Companies
  - Contract Auditing
  - Highway Infrastructure Assets
  - Schools Teacher’s Pension Contributions; and
  - School Procurement Cards.

## Corporate Investigations

15. The year 2016/17 was a productive year for the Corporate Investigations element of the Service with total potential financial savings identified of £51,619. This was comprised of £29,170 of actual overpayments that are potentially recoverable. In addition, £22,449 of notional savings identified which are the value placed on the fraud by the “Fighting Fraud and Corruption Locally” publication issued by the CIPFA Counter Fraud Centre and “Protecting the Public Purse” and projected future savings.

The performance of investigations covers the losses identified to the Council -see Table 2.

Table 2 Financial results: Identified Losses to 31 March 2017

Area of work	Value (£'s)	Comments
Council Tax Reduction Scheme* (CTRS)	26,168	Fraudulent applications for Council Tax Reduction
Council Tax - discount/exemption*	3,002	Fraudulent applications for discount/exemption
<b>Total</b>	<b>29,170</b>	

\* The amounts are debited from the relevant accounts and then collected in accordance with council tax recovery legislation. Some have been fully paid and others by arrangement.

16. In addition, there have been 5 Monitoring Officer investigations, 3 disciplinary cases and 1 grievance case.

## Other areas

17. A proactive exercise on the New Homes Bonus work has taken place that identified 64 properties recorded as empty that have come back in to use. This figure will be included in the New Homes Bonus Grant formula calculation that nets off the

difference between those properties recorded as becoming empty in the appropriate period (Oct to Oct) and those that are recorded as empty that have come back in to use.

## Regulation of Investigatory Powers Act

18. No new investigations have been undertaken during 2016/17 that has required Regulation of Investigatory Powers Act surveillance approval to be requested. An Office of Surveillance Commissioners Inspection took place during the year.

## Audit and Investigation - Other Work Areas

### Audit

19. Public Sector Internal Audit Standards: A new set of '*Public Sector Internal Audit Standards*' has been developed by CIPFA/IIA, which came into effect from 1 April 2013 and were updated in March 2016. The Standards recognise that a professional, independent and objective internal audit service is one of the key elements of good governance and they encompass the mandatory elements of the Institute of Internal Auditors International Professional Practices Framework. During the year, audit documentation and processes have been reviewed and updated, where necessary, and a revised Audit Charter was presented to the 28th September 2016 Audit Committee.
20. An Action Plan has been developed of areas that require work to fully comply with the Standards. Currently, the Internal Audit Team 'generally conforms'.
21. Improvement opportunities were identified in the following areas; Charter and Protocol, Quality and Assessment Processes and Staff Training and Knowledge.

### Corporate Investigations

22. Other work areas included:-
  - Annual review of the WBC Fraud Policies (Sanctions and Prosecutions, Whistleblowing, Anti Bribery, Anti Money Laundering etc.) to reflect structural changes in terms of the Shared Service.
  - Collation of Transparency Information on investigations to publish on the WBC Website.

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