

2017/18 SHARED AUDIT AND INVESTIGATION SERVICE ANNUAL REPORT
Assistant Director, Governance (and Chief Audit Executive)

Introduction

1. The 2017/18 Internal Audit and Investigation Plan was approved by the Audit Committee on 8th February 2017. The emphasis on developing the Internal Audit part of the plan was based on mandatory and legislative requirements, with the risks set out in the Corporate Risk Register (CRR) and 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 (Assistant Director, Governance) 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 complements the 2017/18 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 complement 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. The majority of residual risks are being reduced to an acceptable level with reported concerns 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 2017/18 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 21st 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 and Rushmoor Borough Council, resulting in income for the Service.

8. 73% of the approved Internal Audit Plan was achieved with the reviews at draft report stage or completed. 7% of audit reviews with fieldwork in progress will be completed to draft report stage in early 2018/19. The remaining 20% of audits have been postponed by agreement/are to be completed during 2018/19. Additional consultancy work requested by management has been completed (see details at Appendix A (I)).

Progress against the plan has been affected by one officer being seconded to the 21st Century Council Programme, plus another resulting vacancy from the end of quarter 1 (this equated to a loss of around 15% against the WBC Internal Audit Plan). It should be noted that time was spent on the 21st Century Council programme by all the team in respect of training courses, workshops, corporate and team meetings, recruitment and selection, particularly throughout the first half of the year.

The revised Internal Audit Plan was approved in June 2017, with significantly reduced days for both audit and investigations at WBC in the light of 21st Century Council adjustments. A total of 563 days compared with an original 1,272 total days was approved, with investigation days reduced from 450 to 130.

With respect to the remaining audits that were not started, provision has been set within the 2018/19 Internal Audit Plan for those reviews that are still relevant in light of the 21st Century Council initiative. The review work supporting the 21st Century Council programme around governance, financial reporting, risk management and the IT framework is also ongoing into 2018/19.

Given the requirement to close the accounts earlier this year (end May 2018), it was agreed with Finance to postpone 3 of the key financial systems reviews until quarter 2 of 2018/19.

9. Appendix A (I) presents the progress made against the 2017/18 Internal Audit Plan and Audit Opinions. It shows audits completed or at draft stage as at 31 March 2018 (10 audits were at draft report stage).
10. For the reviews completed, where an audit opinion was appropriate the following breakdown of classification is below. In addition to the 27 audits with an opinion, there were 6 audits where an opinion was not applicable.

Overall Audit Opinion	Summary of Audit Opinion	No of Audits (2017/18)	No of Audits (2016/17)
1	Complete and Effective	8	2
2	Substantially Complete and Generally Effective	14	17
3	Range of Risk Mitigation Controls is incomplete and risks are not effectively mitigated	5	4
4	There is no effective Risk Management process in place	0	0
Total		27	23

11. There are 2 audit reviews receiving the third category of audit opinion (Range of Risk Mitigation Controls is incomplete and risks are not effectively Mitigated) completed to Draft Report stage that were completed in quarter 4 and the main points arising are summarised below. Management Action Plans are being agreed for these reviews:

Debtors – improvements evident concerning account reviews, write-offs and suspense accounts since 2016/17; some concerns remain surrounding management reporting of the true debt position and resources available in this area.

Housing Rents – progress has been made towards the countermeasures/actions agreed in the 2016/17 audit, however, the total level of former and current tenant arrears remains high.

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. A Management Action Plan for Shared Building Services is subject to agreement, as initial responses show that 2 high concerns are to be tolerated by management. A follow-up audit to the 2016/17 review was carried out with a draft report issued in quarter 4 of this year.

Additional Work Requested by Members / Management

14. Contingency days have been used to respond to the following Management requests in respect of:
- Corporate Transport Unit
 - Children’s Disabilities – Direct Payments and Personal Budgets
 - Lambs Lane Primary School
 - School Admissions

Corporate Investigations

15. The Investigations element of the Service for 2017/18 was subject to a reduction from 450 planned days down to 130 planned days, as agreed in the revised WBC plan approved in June 2017. Savings of £753 were achieved in relation to CTRS, plus £90,000 of notional savings relating to Housing, representing the value placed on the fraud by the "Fighting Fraud and Corruption Locally" publication issued by the CIPFA Counter Fraud Centre.

* 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 two Monitoring Officer investigations during 2017/18 which were resolved during the year.

Other areas

Regulation of Investigatory Powers Act

18. On 17th January 2017 the council received an Office of Surveillance Commissioner's inspection of the arrangements made by the council to secure compliance with the statutory provisions which govern the use of covert surveillance. Two recommendations were made within the report. These included updating the council's policy and procedures and arranging refresher training for appropriate officers across the council. Both recommendations were completed by the end of December 2017.
19. No new investigations have been undertaken during 2017/18 that has required Regulation of Investigatory Powers Act surveillance approval to be requested.

Audit and Investigation - Other Work Areas

Audit

IIA External Review Against the Public Sector Internal Audit Standards

20. A self-assessment has been completed annually for compliance with the Public Sector Internal Audit Standards by the Shared Audit and Investigation Service.

Self-assessments commenced at the end of 2013/2014, following publication of the Standards by CIPFA (in collaboration with the Institute of Internal Auditors), first published in April 2013. The self-assessments and Quality Assurance Improvement Plans (QAIP) were reported to the Audit Committee for each of the four years to 2016/2017.

Internal Audit service providers are required to have an independent external assessment every five years. As such, a consultant representing CIPFA was engaged to complete this external assessment during quarter 4 of this year.

A report was received in April confirming a positive outcome, with the service achieving the highest category of assessment, i.e. "Generally Confirms" with the Standards (i.e. out of 3 possible categories).

A small number of recommendations were made to ensure full compliance with the Standards, plus a number of advisory points raised to assist the development of the Shared Service and the achievement of best practice going ahead. The recommendations related

primarily to amendments to the Audit Charter to include a Mission Statement and the engagement of specialists to carry out technical IT audit reviews.

A separate report covering the external PSIAS assessment is to be submitted to the Audit Committee.

Corporate Investigations

21. 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.
- Preparation of RIPA Procedures and Guidance for officers who potentially may undertake surveillance activity.
- Training for RIPA Authorising Officers
- Collation of Transparency Information on investigations to publish on the WBC Website.
- Refresher training by an external consultant for managing investigations attended by all SAIS team.
- Monitoring of the Whistleblowing hotline and follow-up of issues raised.
- GDPR training completed by all of the SAIS team.

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