

2018/19 SHARED AUDIT AND INVESTIGATION SERVICE ANNUAL REPORT
Assistant Director, Governance

Introduction

1. The 2018/19 Internal Audit and Investigation Plan was approved by the Audit Committee on 7 February 2018. 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. The Quarter 3 Audit and Investigation Progress Report agenda item on the 6 February 2019 was deferred to this Audit Committee meeting, at the request of the Audit Committee Chairman. The Report was to be supplemented with information that explained to the Audit Committee that the 2018/19 Internal Audit and Investigation Plan had been re-aligned by the Assistant Director, Governance (and Chief Audit Executive) to match the resources of the Shared Service as a result of sickness within the team. In addition, relevant information from the Quarter 3 Progress Report has been incorporated into this report.
3. This report has been prepared to meet the requirements of the updated 2017 CIPFA / IIA Public Sector Internal Audit Standards (PSIAS) for the Assistant Director, Governance (and Chief Audit Executive) to deliver an annual internal audit opinion and report that can be used by the organisation to inform its 2018-19 Annual Governance Statement (AGS), which is presented as a separate report to this meeting. 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.
4. The body of this report presents the performance against the re-aligned 2018/19 Internal Audit and Investigation Plan and complements the Quarterly Progress Reports presented to previous meetings of this Committee. It also includes a summary of the performance of the Corporate Investigation Team.

Internal Audit Opinion

5. During the year, the Internal Audit Team has undertaken audits of key financial systems, as well as focusing on the Council's key risks, as identified in the CRR.
6. 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, 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. This audit opinion supports other assurance mechanisms such as External Audit, external professional body inspections and the Annual Governance Statement.

7. 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

8. Key performance activity for Wokingham Borough Council of the Shared Audit and Investigation Service during 2018/19 included:-
- 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.
 - Cross skilling members of the team in the areas of audit and investigation activities.
 - There has been the ability to identify and share best practices across partner and external clients.
 - Additional income targets have been met through Audit and Investigation work that has been undertaken for Bracknell Forest Council and Rushmoor Borough Councils.,
 - Continuing compliance with accredited Public Sector Internal Audit Standards.
 - Flexibility in undertaking management requests, such as Councillor Code of Conduct, Monitoring Officer and Disciplinary Investigations.
9. 69% of the re-aligned Internal Audit and Investigation Plan was achieved with the reviews completed or at draft report stage. A number of audits have been carried forward which will be completed in early 2019/20. There has also been additional consultancy work requested by management that has been completed during the year. Progress against the plan has been affected by long term sickness within the team and in addition, in the early part of the year one officer was seconded to the 21st Century Programme.
10. Appendix A (I) details the status of audits against the re-aligned internal audit plan as at 31 March 2019. Table 1 provides a summary.

Table 1: Status of audits

Audit Status	Number of audits
Carried forward and Work in progress	12
Draft Report	7
Final Report	25
Total	44

11. For the reviews completed, where an audit opinion was appropriate, the following breakdown of classification is summarised in Table 2 below.

Table 2: Summary of Audit Opinions

Overall Audit Opinion	Summary of Audit Opinion	No of Audits (2018/19)	No of Audits (2017/18)
1	Complete and Effective	6	8
2	Substantially Complete and Generally Effective	16	14
3	Range of Risk Mitigation Controls is incomplete and risks are not effectively mitigated	3	5
4	There is no effective Risk Management process in place	0	0
Total		25	27

12. During the 2018/19 year, it is encouraging to note that there were only 3 category 3 audits (Housing Rents 2017/18, Debtors 2017/18 and Shared Property Services 2018/19) and details are as follows;

2017/18 Housing Rents - Considerable progress has been made to address the concerns raised in 2016/17, with the majority of countermeasures either implemented or near to being implemented. The former and current tenant arrears figures, however, have not reduced and collectively stand at approximately £900k as at 4 March 2018 (it should be noted that work has been carried out on the report data to ensure that all relevant information is captured; we cannot therefore be confident that we are comparing like for like). Despite the work that has been done, the audit opinion remains 3rd of 4 due to the amount of debt involved and the lack of reduction since the previous audit. Management have stated that progress has been made against the actions included on the Management Action Plan, namely, the consistent trend of reduction in current tenant arrears and although former tenant arrears have increased, the debt is being actively managed and all necessary steps are being taken before the debt is considered for write off.

An update for this audit was presented to the February 2019 Audit Committee where it was resolved that the Committee be informed on the status of the 62 recommendations on rent arrears management from an external review by Tony Newman of HGN and information on sundry debt be sent to the Chairman monthly from the March month end. Further details on the HGN report can be found elsewhere on this agenda.

2017/18 Debtors - The 2017-18 review of Debtors included 3 High Risk concerns. With regard to the concern of adequate resourcing required to robustly collect corporate debt, as part of 21 CC, the permanent debtor staff have transferred to Customer Delivery Officers (CDOs) and some training has recently commenced for other CDOs on debtors work. There are two agency workers covering specialist debtor work on Adult Social Care debt/reporting /complex cases, and the other chasing the very old debt. Going forward, following the debtors review being undertaken by the Lead Specialist, Finance, any specialised requirement for debtors could sit with the separate recovery team, so that recovery for all debt is dealt with by those specialists and there would be an opportunity for cross-training to provide resilience. The management information template, once produced, will be presented to CLT and Joint Board for approval and then introduced. The verification that all services receive their monthly aged debt report are to be considered as part of the 21 CC review of budget books and enhancements in 2019.

Management has given an update on the areas actioned as at 9 May 2019 as follows:-

- Management information is now being produced locally for appropriate management and clear breakdown of debt position and what is collectable debt now identified.
- Senior management support being sought for debt recovery framework including permanent roles rather than temporary resource.
- Special focus on Adult Social Care with dedicated recovery resource (one temporary officer). Process mapping being developed to prevent situation worsening.
- Management meet monthly to discuss debt position. Action points to be recorded.
- The Lead Specialist, Finance to report to CSLT on current position in the next couple of months and on future proposals including supplementary estimate for 2019/20 and growth bid for 2020/21, for additional resource if agreed.
- Working on wording of invoices to assist collection, e.g. 'payment within 30 days'.
- Some debt back to 2005 and write-offs policy and procedure to be identified in future approach.

2018/19 Shared Building Services - The direction of travel of the Shared Building Service is positive, and in view of the current and future changes it is progressing clearly towards a position where controls are substantially complete and generally effective. The Term Contracts have been tendered and let and a new cloud-based system is bedding-in to more effectively manage works and payments. The tender process for the service contracts is to commence in 2018-19 Quarter 4, for which some of the original risks remain in the interim and these will be re-visited in detail as part of the 2019/20 Internal Audit review.

13. There were 2 audits where the audit opinion was improved between draft report stage and final report stage (from a 2nd audit opinion at draft report stage to the highest audit opinion at final report stage – Colleton Primary School and Walter Infant School).
14. 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.
15. 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.

Outstanding responses as at 31/3/19

16. There are outstanding responses awaited from management in respect of 2018/19 audits. The areas include; 21CC Self Service, Corporate Governance and Project Management.

Additional Work Requested by Members / Management

17. Contingency/Consultancy days have been used to respond to the following Management requests in respect of;
 - Council Tax Reduction Scheme – see separate report on this agenda
 - Planning

Public Sector Internal Audit Standards (PSIAS)

18. The external inspection of the Internal Audit Service against the PSIAS took place in 2018. and assessed the service as 'generally' conforming to the standards (the top category of opinion). The action plan and progress against it has been previously reported to the Committee and work continues to address the action points identified to assist the service in continuous improvement. The main areas include; updating the Audit Protocol and Audit Manual and a remit and effectiveness review of the Audit Committee.

Corporate Investigations

19. The year 2018/19 has been focussed on pro-active exercises (including Schools Admissions), 4 Councillor Code of Conduct investigations, 3 whistleblowing investigations, 1 grievance investigation and 1 consultancy investigation. A 2017/18 investigation at a school is still in progress which was referred to the Police by Shared Legal Services. An update on progress has been requested and it has been advised that the Crown Prosecution Service have made a decision to prosecute.

Regulation of Investigatory Powers Act

20. No new investigations have been undertaken during 2018/19 that has required Regulation of Investigatory Powers Act surveillance approval.

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