



**WOKINGHAM**  
**BOROUGH COUNCIL**

**ANNUAL INTERNAL AUDIT & INVESTIGATIONS REPORT**  
**2019/20**

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## 1. PURPOSE OF THE REPORT

1.1 This Annual Report provides a summary of the work completed by the Shared Internal Audit and Investigation Service (SIAIS) during 2019/20. Its purpose is:-

- To provide the annual internal audit opinion on the overall adequacy and effectiveness of the Council's governance; risk management and control framework during 2019/20 to support the preparation of the Annual Governance Statement;
- To provide a summary of the work completed from which the opinion is derived;
- To draw attention to areas of significant risk exposure which need corrective action to improve the control framework; and
- To consider the performance and contribution of the Internal Audit service.

## 2. HEAD OF INTERNAL AUDIT OPINION AND KEY HEADLINES

2.1 This report provides a summary of the work undertaken by Internal Audit in the financial year 2019-20 and the results of that work. From the work undertaken during the year, our overall opinion on the adequacy of the Council's arrangements for Corporate Governance, Risk Management and Internal Control is that:-

### Audit Opinion 2019/20

"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 presented to previous meetings of the Audit Committee and the current position in respect of these specific reviews is 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 (AGS).

2.2 Our opinion is based on evidenced assessment of the control framework in a number of areas in accordance with our annual plan. It should be noted that in devising the annual plan, a risk-based approach is taken and such areas of highest risk are targeted for review of the mitigation and controls in place in these higher risk areas. Full details of the work we have completed that has informed this opinion can be seen in Appendix 1 together with the assurance levels we have been able to provide for each review. For each audit review completed, the assurance level is determined based on the level of control found as set out in Appendix 2.

### 3. AREAS OF RISK EXPOSURE

- 3.1 During the 2019/20 year, it is encouraging to note that there was only one new Category 3 audit. This was the audit of Equalities, a summary of which is provided below.

#### **2019/20 Public Sector Equality Duty**

The audit noted that the Council had made progress in this area with the more consistent application of Equalities Impact Assessment to inform decision-making and training for staff. However, there remains further work to undertake including updating the Equality Policy.

- 3.2 A summary of progress made against those audits that have been reported in 2018/19 to the Audit Committee as Category 3 during the 2019/20 financial year is provided below.

#### **Debtors**

Debtors/Accounts Receivable has received a Category 3 audit opinion for the past two financial years. Regular updates have been reported to this Committee, the most recent being to the Audit Committee in the Quarter 3 Progress Report (5 February 2020).

The 2019/20 audit originally resulted in a Category 3 audit opinion at draft report stage. However, management has subsequently provided evidence of the revised process for the monitoring, targeting and management of sundry debt, along with evidence that monthly debt totals are reducing. In addition, a new Debt Management Team was established to create a new framework for debt collection going forward. None of the 9 concerns warranted a high risk rating at that point and all were categorised as medium risk and the report was reclassified to a Category 2 opinion.

#### **Housing Rents**

An update on the progress of the 2019/20 Housing Rents audit was carried out and reported as part of the Quarter 3 Progress Report. Considerable improvements have been identified this year, specifically in relation to:-

- Housing Revenue Account property rent collection - collection for the circa 2,600 Housing Revenue Account properties was 101.09% due to payments made in advance (this exceeded the 98.5% year-end target), with collection for all tenancy types at 100.94%.
- Collection of arrears – continued to improve, with a proactive approach to arrears management. The details were reported to tenant representatives at the end of 2019/20.

- Write-off of tenant arrears – the policy is under review for update and clarification to comply with updated Financial Regulations

#### **2018/19 Public Health**

Follow-up work to the final Public Health audit report 2018/19 (issued April 2019) was carried out in December 2019 and an update was provided in the Quarter 3 Progress report to the Audit Committee which provided assurance that the service had made many positive steps to address the recommendations made in April 2019.

Further audit assurance work was in progress in Quarter 4 of 2019/20 however this was curtailed due to Covid-19 pandemic. It is planned to re-schedule this follow-up work at an appropriate time.

#### **2018/19 Shared Property Services**

This audit was reported to this Committee on 7 November 2018 as remaining as a Category 3 audit, although follow up work in 2018/19 had identified positive progress.

The Shared Building Service with Royal Borough Windsor & Maidenhead (RBWM) ended on 31<sup>st</sup> March 2020 which included the reactive maintenance (incl. helpdesk) & statutory servicing.

For WBC, the reactive maintenance works have been tendered and the three contractors are fully operational on the TF Cloud system including inspection documentation, costs and confirming completed works. Linked spreadsheets then lead to monthly payments.

The statutory servicing contracts have been extended, with tendering to come and combining of packages for economies of scale. The current contracts are being added to the service's database including heating, ventilation & air-conditioning assets, fire and intruder alarm contracts. The remaining contracts are to be added within the next few months. The relevant compliance documentation for these has been added, with the Asbestos, Fire Risk Assessments and Legionella Risk Assessments to be added later in the year.

Funding for Condition Surveys for schools has been approved and it is planned to implement this as soon as is practical.

With the split of the Shared Service, a separate review of the new WBC arrangements will be undertaken later in 2020/21.

- 3.3. There were 3 audits where the audit opinion was improved between draft report stage and final report stage (from a 2<sup>nd</sup> audit opinion at draft report stage to the highest audit opinion at final report stage – 2 schools, Grazeley Primary School and Lambs Lane Primary School and 2018/19 Capital Accounting).

- 3.4 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. 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.

#### **4. INTERNAL AUDIT SERVICE PERFORMANCE AND CONTRIBUTION**

- 4.1 It is important that Internal Audit demonstrates its value to the organisation. The service provides assurance to Members and management via its programme of work and also offers support and advice on a range of governance, risk and control matters making recommendations to improve the value for money and efficiency. The value of this element of our work is difficult to measure but is one of the performance metrics to be developed in 2020/21.

- 4.2 However, in addition the team also demonstrates value as follows:

##### **Savings Identification and Value for Money:**

- 4.3 The Internal Audit Investigations Team provide the Council's counter fraud response as set out in section 5 below.

##### **Grant Certification**

- 4.4 Where a grant giving body requires an internal audit certificate before releasing payment, the team carries out work to verify and certify amounts that the Council can claim. Without this certification, grants may become repayable. A range of such grant claims were certified during 2019/20 with a value in excess of £10m. Details are provided in Appendix A.

##### **Consultancy and Advice**

- 4.5 As well as completing planned audit reviews, there are times when control issues occur and management request an investigation requiring control failings to be identified and remedied. In 2019/20, such requests were dealt with (including issues relating to previous financial years) as detailed in Appendix A (Adhoc Work Requests)
- 4.6 The team also provide ad hoc advice and guidance across the Council to assist colleagues with ensuring control and governance arrangements are considered in developing processes/policies etc.

## 5. COUNTER FRAUD

### Fraud and Irregularities

- 5.1 The Council has a strong counter fraud policy and a proactive approach is taken to fraud. Whilst, the risk of fraud is ever present, arrangements are in place to ensure it is investigated and control improvements recommended where processes are found to be needing improvement.
- 5.2 The Audit Committee regularly reviews the effectiveness of the suite of the Council's Anti-Fraud Policies.
- 5.3 There have been no incidences of material fraud, irregularities or corruption discovered or reported during the year.
- 5.4 Work this year has focussed on pro-active exercises which has included
- Housing tenancy fraud investigations – 3 properties returned to WBC Housing stock during 2019/20, notional value £15k per property and **£45k in total.**
  - Schools Admissions referrals
  - 2 Councillor Code of Conduct investigations
  - 3 whistleblowing investigations
  - 1 grievance investigation
  - 1 disciplinary investigation
  - 1 consultancy investigation
- 5.5 In addition, the National Fraud Initiative was completed with the following headlines:-
- 15 cases of potential Housing Benefit fraud passed to the DWP
  - 38 Blue Badges were correctly cancelled
  - 1 case was referred to the Housing Team for tenancy fraud

### Regulation of Investigatory Powers Act

- 5.6 The Investigatory Powers Commissioners' Office undertook Regulation of Investigatory Powers Inspection (RIPA) Inspection of the Council's Policies, Processes and Procedures in December 2019. The inspection was completed remotely and the plan to combine your next inspection with Bracknell and West Berks under the auspices of the Public Protection Partnership. The outcome of the Inspection was that some suggested revisions were made to the Policy and Procedure (some of which are triggered by the introduction of the Investigatory Powers Act - IPA):
- 5.6 No new investigations have been undertaken during 2019/20 that has required Regulation of Investigatory Powers Act surveillance approval.

## **6. CONFORMANCE WITH PUBLIC SECTOR INTERNAL AUDITING STANDARDS**

- 6.1 In April 2013, a new set of Public Sector Internal Audit Standards (PSIAS) became effective. The standards apply to the Internal Audit function in all parts of the public sector in the UK and are mandatory. Within the PSIAS there is a requirement for an independent external review of the internal audit function once every five years.
- 6.2 Members will recall that the Internal Audit service has previously been independently assessed against PSIAS by CIPFA in 2018, the outcomes of which was confirmation of compliance assessing 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 remaining minor action points identified to assist the service in continuous improvement.
- 6.3 Internal Audit completes an annual self-assessment of its compliance with the requirements of the PSIAS. The purpose of the self-assessment is firstly to provide assurance to the Audit Committee and management that Internal Audit is compliant with the PSIAS and that consequently they can rely on the work of Internal Audit, and secondly, to further enhance delivery of the internal audit function through the identification of opportunities for development.
- 6.4 The self-assessment undertaken in 2019/20 concluded that the service continues to “generally conform” with the standards. Actions have been identified to improve performance reporting and the internal audit manual.

## **7. CONTEXT AND COMPLIANCE**

- 7.1 Internal audit 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, internal control and governance processes. (Source: Public Sector Internal Audit Standards and Local Government Application Note: Chartered Institute of Public Finance and Accountancy in collaboration with the Chartered Institute of Internal Auditors).
- 7.2 Internal Audit is a statutory requirement for local authorities. There are two key pieces of relevant legislation:
- Section 151 of the Local Government Act 1972 requires every local authority make arrangements for the proper administration of its financial affairs and to ensure that one of the officers has responsibility for the administration of those affairs
  - The Accounts and Audit Regulations 2015 (England) states that “A relevant authority must undertake an effective internal audit to evaluate

the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”

- 7.3 Internal Audit independence is achieved by reporting lines which allow for unrestricted access to the Chief Executive, the s151 Officer, Directors, and the Chair of the Audit Committee.
- 7.4 The Head of Internal Audit can confirm there have been no restrictions on the scope of internal audit work or reporting of audit findings during 2019/2020.

## Appendix 1 - 2019/20 Internal Audit and Investigation Plan Status (as at 1 July 2020)

AUDIT TITLE	DIRECTORATE	STATUS	DRAFT AUDIT REPORT OPINION	FINAL AUDIT REPORT OPINION
<b><u>Key Financial Systems</u></b>				
Debtors	Resources and Assets	FINAL	3	2
Payroll	Resources and Assets	FINAL	2	2
Cashiers	Resources and Assets	FINAL	2	2
Cash and Bank Reconciliation	Resources and Assets	FINAL	2	2
Council Tax and NNDR	Resources and Assets	FINAL	2	2
Creditors	Resources and Assets	FINAL	3	2
Housing Rents	Resources and Assets	FINAL	3	2
Treasury Management	Resources and Assets	FINAL	2	2
BACS CHAPS and Cheques*				
<b><u>Governance Building Blocks</u></b>				
Facilitating the preparation of the AGS	Cross Cutting			E
<b><u>Key Corporate Risks</u></b>				
Corporate Health and Safety	Resources and Assets	FINAL	2	2
Information security including GDPR compliance	Resources and Assets	DRAFT	2	
<b><u>Key Operational Risks</u></b>				
Direct Payments – Adults	Adult Services	FINAL	2	2
Investment Strategy	Resources and Assets	FINAL	1	1
Procurement Cards	Resources and Assets	FINAL	2	2
Equality	Cross Cutting	DRAFT	3	
<b><u>Servicing the Business</u></b>				
Grazeley Primary School	Resources and Assets	FINAL	2	1
Lambs Lane Primary School	Resources and Assets	FINAL	2	1
Hawkedon Primary School	Resources and Assets	DRAFT	2	
Bulmershe Secondary School	Resources and Assets	WIP		
Grants including; BSOG, Troubled Families and LTP	Cross Cutting			C

<b><u>Consultancy</u></b>					
Taxi Licensing					E
<b><u>2018/19 Audits Carried Forward</u></b>					
<b><u>Key Financial Systems</u></b>					
Budgetary Control and Reporting	Resources and Assets	FINAL	2	2	
Capital Accounting	Resources and Assets	FINAL	2	1	
Debtors (follow up)	Resources and Assets	FINAL	3	3	
Fixed Asset Register	Resources and Assets	FINAL	2	2	
General Ledger	Resources and Assets	FINAL	2	2	
Housing Rents (follow up)	Resources and Assets	FINAL	3	3	
<b><u>Governance Building Blocks</u></b>					
Corporate Governance	Cross Cutting	FINAL	3	2	
Project Management	Cross Cutting	FINAL	2	2	
<b><u>Key Operational Risks</u></b>					
Public Health	Resources and Assets	FINAL	3	3	
Shared Building Services (follow up)	Resources and Assets	FINAL	3	3	
Town Centre Regeneration	Cross Cutting	FINAL	2	2	

\*This audit area has been fragmented in to other Key financial Systems audits to ensure complete coverage.

## Appendix 2 – Internal Audit Assurance Levels

Level	Assurance Opinion	Definition
1	Complete and effective	<ul style="list-style-type: none"> <li>All necessary Treatment Measures are in place and are operating effectively.</li> <li>Residual risks have been reduced to an acceptable level</li> <li>There are no unacceptable financial implications.</li> <li>Concerns reported are minor.</li> </ul> <p><b><i>(Risk management processes are strong and controls are adequate and effective).</i></b></p>
2	Substantially complete and generally effective	<ul style="list-style-type: none"> <li>Most key Treatment Measures are in place and these operate effectively.</li> <li>The majority of residual risks have been reduced to an acceptable level.</li> <li>There are some unacceptable financial implications.</li> <li>The majority of concerns are of a predominately moderate impact/likelihood.</li> </ul> <p><b><i>(Risk management processes are good and controls are adequate although only partially effective).</i></b></p>
3	Range of Risk Mitigation Controls is incomplete and risks are not effectively mitigated	<ul style="list-style-type: none"> <li>Not all key Treatment Measures are in place and / or do not operate effectively</li> <li>Residual risks have not all been reduced to an acceptable level</li> <li>There are some unacceptable financial implications associated with more than one risk mitigation control or because of a lack of risk mitigation control.</li> <li>There are a number of concerns that are predominantly of a major impact/likelihood.</li> </ul> <p><b><i>(Risk management processes and controls are adequate but not effective in mitigating the identified risks).</i></b></p>
4	There is no effective Risk Management process in place	<ul style="list-style-type: none"> <li>There are no appropriate Treatment Measures in place.</li> <li>Residual risks remain at an unacceptable level</li> <li>Reported concerns are predominantly of a catastrophic or major impact/likelihood.</li> </ul> <p><b><i>(Risk management processes and controls are weak).</i></b></p>
C	Certification	
E	Exempt from classification	