

2015/16 SHARED AUDIT AND INVESTIGATION SERVICE ANNUAL REPORT
Service Manager, Shared Audit and Investigation Service

Introduction

1. The 2015/16 Internal Audit Plan was approved by the Audit Committee on 10 February 2015. The emphasis on developing the Audit 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 CIPFA / IIA Public Sector Internal Audit Standards (PSIAS), introduced with effect from 1 April 2013, which replaced the previous "CIPFA Code of Practice for Internal Audit in Local Government (2006)" 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; and
 - a statement on conformance with the PSIAS and;
 - the results of the quality assurance and improvement programme; and
 - whether 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 also 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 identified 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 2015/16 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.
 - Audit resources have been available and able to more readily accommodate management requests for deferral.
 - Skills transfers taking place in relation to Agresso 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.
 - On request of management and in specific audit areas knowledge on common areas is being shared.
 - Development of areas of expertise is emergent.
 - Increased Audit and Investigation work has been undertaken for Bracknell Forest Council, Buckinghamshire County Council and Oxfordshire County Council, resulting in increased income for the Service and income targets for the year being exceeded.
 - Outstanding results obtained for Investigation activity.
8. 91.3% of the approved Internal Audit Plan was achieved with the reviews at draft report stage or completed which is a continuing improvement. The remaining 8.7% consisted of audit reviews with fieldwork in progress which are targeted to be completed early in the 2016/17 financial year, along with a vacant Auditor post early in the year.
9. Appendix A (I) presents the progress made against the 2015/16 Internal Audit Plan and Audit Opinions. It shows audits completed or at draft stage as at 31 March 2016.
10. For the reviews completed, where an audit opinion was appropriate the following breakdown of classification is below.

Overall Opinion	No of Audits
1	0
2	22
3	4
4	0
Total	26

11. The four 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 are summarised below. Management Action Plans have been agreed for each review.
- Health and Safety – the audit identified that there were areas for improvement in the effective management of the corporate risk related to Health and Safety, specifically in relation to the variable quality of Health & Safety Risk Assessments. Risk Assessments were not current, complete or comprehensive. Subsequent to the audit, management has been issued with a reminder on 25 January 2016 and Health & Safety responsibilities have been included in the annual appraisal template.
 - Personal Budgets – the audit identified that there were areas for improvement within the Council's management of Adult Social Care Personal Budgets. Notably, the effective monitoring of annual reviews. Management are investigating a number of performance improvements to the Framework system information. Reminders to staff to ensure the sign off of Support Plans has been issued and the verification of payments will be improved following the planned introduction of pre-payment cards.

- Creditors – the audit identified that there were areas for improvement in the Creditors system, notably around the detective controls for duplicate payments. A review of utility costs (telecoms, electricity, gas, water) in 2015 found only a single duplicate payment of minor value. To address the issue identified by the audit, Management has commissioned a third party company to review this area. This work is ongoing but is due to complete by the end of June 2016.
- Debtors - the audit identified that there were weaknesses in the Debtors system. There were issues with Debt Recovery process, invoices related to Building Control, reconciliations and ability to amend sales orders. There is ongoing work with Wiser support to address the issues in relation to Building Control Invoices and restricting access to sales orders. Management have asserted that control account reconciliations have been performed. The draft SLA contains details of the debt recovery policy

Outstanding responses as at 03/06/16

12. Responses remain outstanding in respect of the following audits:-
 - Contract Management
 - Housing Rents
 - Implementation of Children and Families Act
13. 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.
14. 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

15. Contingency days have been used to respond to four Management requests in respect of the following reviews.

- School Admissions
- Bus Operators Grant Certification
- BACS/CHAPS
- Repairs & Renewal Grant Certification

16. Internal Audit regularly contributes to meetings of the Information Governance Group.

Corporate Investigations

17. The year 2015/16 was a successful year for the Corporate Investigations element of the Service with total potential financial savings identified of £429,836. This was comprised of £322,336 of actual overpayments that are potentially recoverable and £107,500 of notional savings 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”. A summary of the performance by the Corporate Investigations Team is shown in Appendix A (II).

18. In terms of other Investigation activity, the following pieces of work were undertaken:-

- 3 Disciplinary Cases
- 3 Monitoring Officer Investigations
- 2 Intelligence checks on behalf of Shared Legal Solutions

Regulation of Investigatory Powers Act

19. No new investigations have been undertaken during 2015/16 that has required Regulation of Investigatory Powers Act surveillance approval to be requested.

Audit and Investigation - Other Work Areas

Audit

20. 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 10 February Audit Committee.
21. An Action Plan has been developed of areas that require work to fully comply with the Standards. Currently, the Internal Audit Team 'generally conforms'. The updated Action Plan accompanies this report at Appendix (III) which reflects both the outstanding action from last year and new findings from this year's compliance check.
22. The following areas of non-compliance with the standards were noted:
- The Audit Charter does not fully meet the requirement of Attribute Standard 1000, Purpose, Authority and Responsibility.
 - There is no formal Quality Assurance and Improvement Programme in place and although most of the requirements of such a programme are being met it is currently not possible to report formally, the results of the programme and progress against any associated improvement plans.
 - Formal records are not being retained demonstrating that the requirement for continuing professional development (CPD) is being met.

Corporate Investigations

23. 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.