

| | |
|--|---|
| Report Title: | 2017-18 Shared Audit and Investigation Service Annual Report and External Assessment of Compliance with the Public Sector Internal Audit Standards. |
| Contains Confidential or Exempt Information? | NO - Part I |
| Member reporting: | Councillor Sayonara Luxton |
| Meeting and Date: | Audit and Performance Review Panel – 12 th June 2018 |
| Responsible Officer(s): | Rob Stubbs, Deputy Director and Head of Finance |
| Wards affected: | All |



Report Summary

1. The Council has a legal requirement to ensure it has an effective internal audit of its internal control, risk management and governance processes. In order to fulfil this function this report summarises the Shared Audit and Investigation Service (SAIS) activity, including progress in achieving the 2017/18 Internal Audit and Investigation Plan to 31st March 2018. In addition, it summarises the outcome of the external assessment of the Internal Audit Service against the CIPFA/IIA Public Sector Internal Audit Standards (PSIAS).
2. It recommends that Members note the activity of the SAIS during the 2017/18 financial year and the outcome of the audit reviews and investigations undertaken, plus the outcome of the external assessment against the Public Sector Internal Audit Standards. This recommendation is being made to ensure that the Council meets its legislative requirements as well as the requirements of the A&PRP's Terms of Reference (ToR) and the Council's Anti-Fraud and Anti-Corruption Strategy.

1. DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That Members note the Shared Audit and Investigation Service RBWM activity for the financial year 2017/18 and the outcome of the external assessment by CIPFA against the Public Sector Internal Audit Standards.

2. REASON(S) FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

- 2.1 The Accounts and Audit Regulations 2015 require that every local authority undertakes an effective internal audit of their risk management, internal control and governance processes. In addition, the Council's Chief Financial Officer (Deputy Director and Head of Finance) has a statutory duty under Section 151 of the Local Government Act 1972 to establish a clear framework for the proper administration of the authority's financial affairs. To perform that duty, the Section 151 Officer relies, amongst other things, upon the work of Internal Audit in reviewing the operation of systems of internal control and financial management.

- 2.2 The SAIS carries out the work required to satisfy this legislative requirement and reports its findings and conclusions to the A&PRP.
- 2.3 The report attached at [Appendix A](#) and supporting Appendix I evidences delivery of the legislative requirements. It also provides a summary of the Council's investigation activities. An external review was also carried out by CIPFA in the final quarter of the year to assess compliance with the Public Sector Internal Audit Standards (PSIAS) by the SAIS. A summary of the outcome is included at Appendix A and a copy of the full report issued by CIPFA is included at Appendix II.
- 2.4 The 2017/18 Internal Audit and Investigation Plan was approved by the A&PRP on 16th February 2017. The methodology used to construct the Internal Audit Plan was based on the Council's mandatory and legislative requirements and the risks set out in the Corporate Risk Register (CRR) and it is clearly targeted at assisting the Council in achieving its key objectives.
- 2.5 The Plan is flexible and is regularly aligned to respond to new risks identified and those where risk ratings have changed, thereby ensuring that it remains current and focussed on the key risks affecting the Council.

| Option | Comments |
|--|--|
| Accept the attached report and supporting appendix and note the activity of the SAIS during the financial year 2017/18, plus the outcome of the external assessment of the Shared Audit and Investigation Service against the PSIAS. Recommended | This will ensure that the Council meets its statutory requirements and helps safeguard the Council's assets. |
| Accept this report with amendments. Not recommended | Members may wish to request that this report be amended / altered if they feel that there are material issues which have not received sufficient emphasis or if there are specific issues the report is deficient in. |
| Not approve this report. Not recommended | This may expose the Council to unnecessary risks by not having an adequate internal control framework leading to poor performance and poor outcomes for service users/residents. It may result in a qualification in the External Auditors' Annual Management Letter. |

3. KEY IMPLICATIONS

| Defined Outcomes | Unmet | Met | Exceeded | Significantly Exceeded | Date they should be delivered by |
|---|--|---|----------|------------------------|----------------------------------|
| SAIS work is effective and has largely achieved the 2017/18 Internal Audit and Investigation Plan, approved by A&PRP on 16 th February 2017, plus additional work requested. | Failure of the Council to meet its statutory requirements and failure of the A&PRP to discharge its responsibilities. | Council meets its statutory requirements to provide an adequate and effective internal audit of its system of internal control. A&PRP discharges its responsibilities. | n/a | n/a | Ongoing |
| SAIS have been assessed by CIPFA as “Generally Conforms” to the Public Sector Internal Audit Standards (highest category out of a possible 3 categories). | Failure to provide an adequate and effective internal audit service compliant with professional standards. | Council meets its statutory requirements to provide an adequate and effective internal audit of its system of internal control. A&PRP discharges its responsibilities. | n/a | n/a | Ongoing |
| Unqualified External Audit Financial Accounts and Management Letter. | Adverse comment and a qualified External Audit Management Letter if the Council fails to maintain an adequate Internal Audit function. | Unqualified External Audit Management Letter as Council meets its requirements to provide an adequate and effective Internal Audit function. | n/a | n/a | Ongoing |
| Residents have confidence that public funds are being used economically, efficiently and effectively and that Council assets and interests are being safeguarded from | Loss of residents’ confidence, Council assets and interests may not be safeguarded and the Council’s reputation may be affected if there are not | Gain residents confidence, Council assets and interests are safeguarded and the Council’s reputation is protected as Council provides an effective Internal Audit and Investigation | n/a | n/a | Ongoing |

| | | | | | |
|---------------------------------------|---|--|-----|-----|---------|
| misappropriation, loss or fraud. | effective Internal Audit and Investigation functions. | functions. | | | |
| External Audit fee kept to a minimum. | Increase in the External Audit fee arising from them being required to undertake additional audit work by not being able to place reliance on the work of Internal Audit. | External Audit relies on the work of Internal Audit keeping the External Audit fee to a minimum. | n/a | n/a | Ongoing |

4. FINANCIAL DETAILS / VALUE FOR MONEY

4.1 a) Financial impact on the budget

Revenue – No new financial implications.

5. LEGAL IMPLICATIONS

5.1 Internal Audit carry out their activities under

- Regulations 6 (1), 6(3) and (4) of the Accounts and Audit Regulations 2015.
- S151 Local Government Finance Act 1972.
- CIPFA/IIA Public Sector Internal Audit Standards 2013 (Revised 2017).

5.2 Investigatory activities are carried under

- Fraud Act 2006
- Criminal Justice Act 1987
- Theft Act 1968
- Forgery and Investigation Act 1981
- Social Security Administration Act 1992.
- Welfare Reform Act 2012.

6. RISK MANAGEMENT

| Risks | Uncontrolled | Controls | Controlled |
|--|--------------|---|------------|
| 1. Failure of the Council to adequately plan and undertake audit reviews leading to failure to meet its statutory requirements and the Council's key systems and services are consequently at risk of not achieving their objectives in the most economic, efficient and | High | Ensure and demonstrate an adequate internal audit function. Provide a regular written progress report on the work of internal audit to those charged with governance for | Low |

| | | | |
|--|------|--|-----|
| effective way thus being exposed to misappropriation / loss. | | endorsement. | |
| 2. Failure to provide assurance that the work of the Internal Audit function properly supports the governance framework, the content of the Annual Governance Statement and the requirement for additional External Audit work at an enhanced cost to the Council. | High | Internal audit coverage included as part of the governance assurance framework and informing the Annual Governance Statement. Sufficient Internal Audit coverage for External Audit to be able to place reliance on the work. | Low |

7. POTENTIAL IMPACTS

7.1 None

8. CONSULTATION

8.1 Consultations were undertaken with internal stakeholders (Members of the A&PRP, Corporate Management Team, S151 Officer, Directorate Management Teams, Insurance and Risk Manager) and the key external stakeholder of External Audit, KPMG (to 31st March 2018) in preparing the 2017/18 Internal Audit and Investigation Plans.

8.2 Management and staff have been consulted prior to and during the course of the audit and investigation reviews to ensure that work is timed to suit both parties, to incorporate managements' priorities and to agree a course of action to implement the outcome of those reviews.

9. TIMETABLE FOR IMPLEMENTATION

9.1 The timetable for completion of the 2017/18 Internal Audit and Investigation Plans is 31 March 2018. The external assessment of compliance by the SAIS against the Public Sector Internal Audit Standards was carried out during the final quarter of 2017/18.

10. APPENDIX

- Appendix A – 2017/18 Audit and Investigation Annual Report (to 31st March 2018)
- Appendix A(I) – 2017/18 Internal Audit Plan Status
- Appendix A(II) – CIPFA External Assessment against the Public Sector Internal Audit Standards (final report May 2018).

11. BACKGROUND DOCUMENTS

11.1 There are two background documents

- 2017/18 Internal Audit and Investigation Plan.
- Anti-Fraud and Anti-Corruption Strategy

12. CONSULTATION (MANDATORY)

| Name of consultee | Post held | Date sent | Comment & returned |
|----------------------|---|------------|--------------------|
| Cllr Sayonara Luxton | Chair of Audit and Performance Review Panel | | |
| Alison Alexander | Managing Director | 31/05/2018 | |
| Russell O'Keefe | Executive Director | 31/05/2018 | |
| Andy Jeffs | Executive Director | 31/05/2018 | |
| Hilary Hall | Deputy Director Strategy and Commissioning | 31/05/2018 | |
| Rob Stubbs | Deputy Director and Head of Finance | 30/05/2018 | |
| Nicky Craig | Head of HR | 31/05/2018 | |

REPORT HISTORY

| | |
|--|---------------------------|
| Decision type: Non-key decision | Urgency item No |
| Report Author: Julie Barker, Senior Specialist, Audit and Investigation (on behalf of Catherine Hickman, Lead Specialist, Audit and Investigation) | |

2017/18 SHARED AUDIT AND INVESTIGATION SERVICE ANNUAL REPORT AND RESULTS OF THE EXTERNAL ASSESMENT AGAINST THE INSTITUTE OF INTERNAL AUDITORS' PUBLIC SECTOR INTERNAL AUDIT STANDARDS
Assistant Director, Governance, Wokingham Borough Council
(and Chief Audit Executive)

Introduction

1. The 2017/18 Internal Audit Plan was approved by the Audit and Performance Review Panel on 16th February 2017. The emphasis on developing the Audit Plan is based on mandatory and legislative requirements and where possible, audit place reliance on the risks set out in the Corporate Risk Register (CRR) which are in place to assist the Council in achieving its key objectives.
2. This report has been prepared to meet the requirements of the 2017 CIPFA/IIA Public Sector Internal Audit Standards (PSIAS) for the Chief Audit Executive (Assistant Director, Governance, Wokingham Borough Council) 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; 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 complement the work of External Audit), as well as focusing, where appropriate, on the Council's identified key strategic and key operational risks, as identified in the CRR in addition to assurances required by the S151 Officer and the Chief Audit Executive (Assistant Director, Governance, Wokingham Borough Council).
5. The overall audit opinion, which is largely a reflection of the system and procedural controls against the identified risks and mitigating treatment measures, for the audits that have been completed and a final report issued, is that they are "Substantially Complete and Generally Effective but with some improvements required". Based on the above and taking into account other sources of assurance, including External Audit, most key controls are in place and are operating effectively, with the majority of residual risks being reduced to an acceptable level. A small number of exceptions were identified and these have been summarised in the body of this report. It should be noted that the overall opinion is a statement of the audit view of whether the objectives are being met; it is not a statement of fact.
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.
 - Audit resources have been flexible and able to accommodate management requests for deferral of audit reviews.
 - 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 principles.
 - On request by management and in specific audit areas, knowledge on common areas is being shared.
 - Audit and Investigation work has also been undertaken for Bracknell Forest Council and Rushmoor Borough Council. This also assists the knowledge base to support work carried out at RBWM.
 - Good results obtained for Investigation activity including: proactive exercises in Single Person Discount, Council Tax Reduction Scheme, NNDR, Disabled Blue Badges and Concessionary Fares National Fraud Initiatives.
 - Additional management requests for work to be undertaken using audit contingency, demonstrating confidence in the work of Internal Audit.
8. 86% of the approved Internal Audit Plan (as approved 16th February 2017) was achieved with the reviews at draft report stage or completed. A further 7% consisted of audit reviews from the Internal Audit Plan with fieldwork in progress which are targeted to be completed early in the 2018/19 financial year. The remaining 7% of activity represented additional work carried out within the area of Corporate Governance and advice on demand.
9. Appendix A (I) presents the audit progress made against the 2017/18 Internal Audit Plan and Audit Opinions. It shows audits completed or at draft stage (8 audits at draft report stage) and a list of consultancy reviews.
10. For the reviews completed to final report stage, final audit opinions are awarded after giving management one month to implement the agreed countermeasures as stipulated in the Management Action Plan. The following is a breakdown of classification of audit opinions awarded:

| Overall Audit Opinion | Summary of Audit Opinion | No of Audits (2017/18) | No of Audits (2016/17) |
|-----------------------|---|------------------------|------------------------|
| 1 | Complete and Effective | 12 | 8 |
| 2 | Substantially Complete and Generally Effective | 16 | 16 |
| 3 | Range of Risk Mitigation Controls is incomplete and risks are not effectively mitigated | 5 | 8 |
| 4 | There is no effective Risk Management process in place | 0 | 2 |
| Total | | 33 | 34 |

11. There were 9 audits during the year where the opinions were improved from the draft to final report stage. This was due to a) additional supporting evidence being supplied to reduce concerns and/or b) compensating or mitigating controls implemented by management to address concerns raised between the draft and final report stages.
12. There were 2 audit reviews receiving the third category of audit opinion (Range of Risk Mitigation Controls is incomplete and risks are not effectively Mitigated) – a brief outline of the key concerns is set out below:
- 1) Debtors - Three main areas were identified where there were opportunities for improvement. These were in respect of: i) ownership of the miscellaneous cash receipts account; ii) reconciliation of debt sent to legal services for recovery and iii) blocked debts where recovery action has been halted. Management have responded positively with completed or proposed corrective action.
 - 2) Housing Options – There were 2 major concerns identified: i) Ensuring that the Housing Options service can be delivered with reference to updated strategies and policies - until the completion of the Borough Local Plan, there is no formal basis to inform the Development Plan, Housing Strategy, Homelessness Strategy, Affordable Housing Policy and an updated Allocations Policy, unless interim measures are considered suitable. ii) Ensuring that all debts are promptly collected - there is confusion between the Housing Options team and Corporate Debt team as to why invoices raised for B&B contributions (currently c.£128k) cannot be collected. In addition, action on IFL debts may not always be promptly taken by the Housing Options team.

The remaining 3 audits assigned the third category of audit opinion are at draft stage. There were no fourth category audit opinion reviews reported in 2017/18.

13. Cash and Bank Reconciliations is shown at Appendix A(I) as Final Memo status. A follow-up to the 2016/17 work was carried out to establish the progress made and the position at year end (reported in memo format). A full report is to be issued relating to verification work for

2017/18 reconciliations, carried out during quarter 1 of 2018/19. This approach was agreed with management.

Outstanding responses as at 30/05/18:

14. There were no remaining outstanding responses awaited from management in respect of 2017/18 audits.
15. Audit reports are presented using lean terminology, using the cause, concern and countermeasure 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 Major and Extreme concerns have been actioned within agreed timescales.
16. Where concerns are classified as being Major or Extreme that have been tolerated by management, these are highlighted to the Audit and Performance Review Panel.
There are no Extreme or Major concerns being tolerated by management.

Additional Work Requested by Members / Management

17. Contingency days have been used to respond to Management requests in respect of the following reviews:
 - Cash and Bank Reconciliation follow up
 - Bus Subsidy Grant, Troubled Families Grant, Local Growth Fund Payment Grant
 - Pensions Board Governance
 - Spot checks
 - All Saints Primary School
 - IG Governance Toolkit

Corporate Investigations

18. The year 2017/18 was an effective year for the Corporate Investigations element of the Service with total potential financial savings identified of £80,377. The Investigation Team had a total of 18 case referrals received in 2017/18.
19. The performance of investigations covers the losses identified to the Council see Table 2.

Table 2 Financial results: Identified Losses to 31 March 2018:

| Area of work | Value (£'s) | Comments |
|--|---------------|---|
| Business Rates Relief/Exemption** | 33,253 | Proactive work to identify property occupation and rate reviews |
| Council Tax Reduction Scheme* (CTRS) | 9,764 | Fraudulent applications for Council Tax Reduction |
| Direct Payments | 0 | Overstatement of needs through false declaration |
| Council Tax - discount/exemption (Single Person Discount)* | 37,360 | Fraudulent applications for discount/exemption |
| Total | 80,377 | |

* 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.

**A series of proactive inspections have taken place to identify occupied business properties and appropriate billing, which identified an additional billable total of £3,985 as shown above. These inspections are set to continue into 2018/19.

20. In addition, Corporate Investigations have been involved in the following;

- Collation of Transparency Information on investigations to publish on RBWM's Website.
- The cancellation of invalid 275 Disabled Blue Badges and 635 Concessionary Fare cards as a result of the National Fraud Initiative.
- Fraud Awareness training to the Benefits Team.
- Setting up processes for the reactive investigation of the Council Tax Reduction Scheme cases.
- Development and delivery of pro-active fraud drives in the area of Council Tax Single Person Discount.
- One disciplinary investigation.
- NNDR Proactive site visits/checks.

Regulation of Investigatory Powers Act

21. In May 2017 there was 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 which are being acted upon. These include 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.
22. No investigations have been undertaken during 2017/18 that has required Regulation of Investigatory Powers Act surveillance approval to be requested.

Authorising Officers have been identified and trained as at the end of 2017/18.

A new set of RIPA Procedures and Guidance for officers has been prepared and will be available on Share Point once approved by CLT.

The above actions will address all recommendations made by the Office of Surveillance Commissioners.

Audit and Investigation - Other Work Areas

Audit

Public Sector Internal Audit Standards External Assessment

23. 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 & Performance Review Panel 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 (highest 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 final report was issued 25th May 2018, incorporating our management responses to the Action Plan.

A copy of the report issued by CIPFA is shown at Appendix A(II).

2017/18 Royal Borough of Windsor and Maidenhead Internal Audit Plan Status (as at 31 March 2018)

| AUDIT TITLE | DIRECTORATE | STATUS | FINAL AUDIT REPORT OPINION |
|---|-------------------|--------------------------|----------------------------|
| 2017/18 Audits | | | |
| Key Financial Systems | | | |
| Housing Benefits/Council Tax Reduction Scheme | Communities | FINAL | 1 (was a 2 at draft) |
| Cash and Banking Arrangements | Place | FINAL | 1 (was a 2 at draft) |
| Capital Programme, Accounting, Expenditure Monitoring | Place | FINAL | 2 |
| Cash Flow, Investments, Loans (Treasury Management) | Place | FINAL | 1 |
| Creditors | Place | FINAL | 1 (was a 2 at draft) |
| Debtors | Place | FINAL | 2 (was a 3 at draft) |
| General Ledger | Place | FINAL | 2 |
| Council Tax | Communities | DRAFT | 1 |
| NNDR | Communities | DRAFT | 1 |
| Cash and Bank Reconciliation | Place | FINAL (MEMO) | N/A |
| Pensions Payroll and Administration | Place | WIP | |
| Payroll | Managing Director | WIP (exit meeting stage) | |
| Governance Building Blocks | | | |
| Performance Management | Cross Cutting | FINAL | 2 |
| Procurement and Contract Management | Cross Cutting | FINAL | 2 |
| Financial Management | Place | FINAL | 2 |
| Key Strategic Risks | | | |
| Children's Safeguarding | Managing Director | FINAL | 2 |
| Business Continuity and Emergency Planning | Communities | DRAFT | 3 |
| Risk of significant fine & reputational damage due to loss of confidential/sensitive data | Place | DRAFT | 3 |
| Key Operational Risks | | | |
| Crime and Disorder | Communities | FINAL | 2 |
| Flooding | Communities | WIP (exit meeting stage) | |
| Highways and Winter Maintenance | Communities | FINAL | 2 |
| Auditor Judgement | | | |
| All Saints Junior School | Managing Director | FINAL | 2 (was a 3 at draft) |

| | | | |
|---|--|--------------|----------------------|
| Eton Wick School | Managing Director | FINAL | 1 (was a 2 at draft) |
| Furze Platt Infant School | Managing Director | FINAL | 1 (was a 2 at draft) |
| Queen Anne School | Managing Director | FINAL | 1 (was a 2 at draft) |
| St Edwards Middle School | Managing Director | FINAL | 2 |
| St Edwards First School | Managing Director | FINAL | 1 (was a 2 at draft) |
| RBWM Commercial Services Ltd | Place | DRAFT (MEMO) | N/A |
| RBWM Property Services Ltd | Place | DRAFT (MEMO) | N/A |
| Shared Property Services | Place | DRAFT | 3 |
| Servicing the Business | | | |
| Public Sector Internal Audit Standards Compliance | | | |
| Spot Checks | | | |
| Advice on Demand | | | |
| Corporate Governance Compliance | | | |
| Consultancy | | | |
| All Saints Junior School | Managing Director | | |
| Pensions Governance | Place | FINAL | 2 |
| IG Toolkit | Communities | | C |
| Bus Subsidy Grant | Communities | | C |
| Troubled Families Grant | Managing Director | | C |
| Local Growth Fund Payment Grant | People | | C |
| 2016/17 Audits carried forward | | | |
| Housing Options | Adult, Children & Health Services & Operations and Customer Services | FINAL | 3 |
| Payroll | Adult, Children and Health Services | FINAL | 2 |
| Debtors | Corporate and Community Services | FINAL | 3 |
| Cash and Bank Reconciliation | Corporate and Community Services | FINAL | 2 |
| Council Tax | Corporate and Community Services | FINAL | 2 |
| NNDR | Corporate and Community Services | FINAL | 2 |
| Capital Programme, Accounting, Expenditure Monitoring | Corporate and Community Services | FINAL | 1 |
| Financial Management | Corporate and Community Services | FINAL | 1 |

Audit Opinion Definitions

- 1 Complete and Effective
- 2 Substantially Complete and Generally Effective
- 3 Range of Risk Mitigation Controls is incomplete and risks are not effectively mitigated
- 4 There is no effective Risk Management process in place

Legend

E - Exempt

* A new system was introduced in 2016/17 which gives management the opportunity to implement agreed countermeasures within one month of the issue of the draft report that could result in a change to the overall audit opinion awarded at final report stage.

External Quality Assessment of Conformance to the Public Sector Internal Audit Standards

Shared Internal Audit Service - Wokingham Borough Council and the Royal Borough of Windsor and Maidenhead -

Final Report

Lead Associate: Ray Gard, CPFA, FCCA, CFIIA, DMS

Internal QA: Policy & Technical Section, CIPFA

25th May 2018

Review of the Shared Internal Audit Service for Wokingham Borough Council and the Royal Borough of Windsor and Maidenhead – 5th to 9th February 2018

1. Introduction

Internal audit within the public sector in the United Kingdom is governed by the Public Sector Internal Audit Standards (PSIAS), which have been in place since 1st April 2013 (revised 2016 and 2017). The standards require periodic self-assessments and an assessment by an external person at least every five years.

2. Background

The Shared Internal Audit Service (SIAS) was formed from a merger of the internal audit services of Wokingham Borough Council (WBC) and the Royal Borough of Windsor and Maidenhead (RBWM), and these two authorities are the primary clients for the SIAS. However, the SIAS will provide internal audit and counter fraud services to any public sector organisation and currently has two other clients, being Bracknell Forest Council and Rushmoor Borough Council. These two clients purchase internal audit and counter fraud services from the SIAS through section 113 agreements (LGA 1972). The host authority for the SIAS is WBC.

The current structure of the Internal Audit Service comprises 11 full-time equivalent (FTE) internal audit and counter fraud specialists. These are made up of a Lead Specialist; a Senior Specialist; 3.6 FTE L2 Specialists; and 5.4 FTE L1 Specialists. The SIAS uses external specialists, such as computer auditors, to supplement the team as and when needed. In addition, there is a designated Chief Audit Executive for the SIAS. This role is fulfilled by the Assistant Director Governance Services at Wokingham Borough Council on a part time basis, as they are also responsible for a range of other services at the Council.

The Service has carried out self-assessments on an annual basis to see how they compare to the requirements of both the PSIAS and the CIPFA local government application note (LAGN), and used the outcome of these reviews to inform the quality assurance and improvement programme (QAIP).

3. Review Process

The Assistant Director Governance Services commissioned CIPFA to undertake the mandatory external quality assessment (EQA) of the SIAS. The review was carried out in February 2018, with the on site stage taking place between the 5th and 9th February 2018. The assessment process comprised a series of interviews and document reviews. Interviews were carried out with the members of the SIAS, and key stakeholders from the client Council's Senior Management Teams and members of their respective boards.

The document review phase of the process involved a detailed review of the documents used and produced by the SIAS. The Service provided a comprehensive range of documents that were available for examination prior to and during this review. These included the audit manual; the Service's self-assessment against the PSIAS; individual audit files and working papers; audit protocols; and a range of reports and communications that demonstrated the flow of information between the SIAS, and the senior managers and Boards of the respective Councils. Whilst all of the documents contributed to the external quality assessment, the following are regarded as fundamental and a major contributor to the review process:

- the audit charters and covering reports, and the terms of reference for the respective Boards;
- progress reports to the WBC Audit Committee, the RBWM Audit and Performance Review Panel, and the senior management teams of the two authorities;

- the Chief Audit Executive’s annual reports and opinions to the boards of the two authorities;
- the audit plans and covering reports to the boards of the two authorities;
- the audit manual and the protocols with SIAS’s clients;
- individual audit reports and working papers;
- staff declarations of interest and objectivity; and
- staff qualifications and experience, and their training and development records.

4. Conclusion and Opinion

From the evidence reviewed as part of the external quality assessment, it is apparent that the Shared Internal Audit Service is a competent, professional, and well-qualified internal audit service that follows best practice. Although they are well thought of by their clients, they are keen to improve their overall efficiency and effectiveness, and adapt to the changing needs of their clients. The SIAS are providing objective risk based internal audit services to their clients. Nonetheless, there are opportunities to enhance and develop the SIAS’ operations that they should consider embracing if they are to maintain their status with their clients, and enhance the SIAS’ conformity to the PSIAS and the LGAN.

During this review, one minor area of non-compliance with the standards was identified. Although no areas of partial compliance with the standards were identified, we have made some minor observations that should be addressed.

On this basis, it is our opinion that Shared Internal Audit Service for Wokingham Borough Council and the Royal Borough of Windsor and Maidenhead GENERALLY CONFORMS to the requirements of the Public Sector Internal Audit Standards and those of the Local Government Application Note.

The observations identified during the review are set out in section five of the report, together with recommendations (R) and suggestions (S) to address them. These recommendations and suggestions are included in the action plans at section seven of this report.

The process also identified some opportunities (O) for the SIAS to enhance its operations although these do not have an effect on their compliance with the PSIAS or the LGAN. These opportunities have been included for information in section six of the report.

An internal audit service’s conformance with the PSIAS and the LGAN falls into one of the three categories below. Further details on each of these categories can be found in section nine of this report.

| | | |
|---------------------------|---------------------------|-------------------------|
| Generally Conforms | Partially Conforms | Does Not Conform |
|---------------------------|---------------------------|-------------------------|

A list of the individuals interviewed during the review is included as section eight of this report.

The Chief Audit Executive and his management team have been provided with details of the areas where there is scope to enhance conformity with the PSIAS and the LGAN, and incorporate further good practice into the SIAS’ operations.

The co-operation of the SIAS in providing the information requested during this review, as well as those stakeholders that made themselves available for interview, was much appreciated and has made it possible to obtain a thorough view of the SIAS’ business, and the contribution it makes to its client’s organisational objectives.

5. Summary of observations, recommendations, and suggestions

| Standard | Compliance | Observations | Recommendations & Suggestions | No. |
|--|---------------------------|---|--|-----|
| Mission | Does Not Conform | The audit charters do not include the mission statement from the PSIAS as required by the revised (2017) PSIAS. The SIAS has a business plan which includes a section entitled 'Our Vision' which acts as the Service's mission statement but it does not conform to the specific wording of the PSIAS. | Add the mission statement from the PSIAS to the audit charters for all of the clients. | R1 |
| Core principles of internal audit | Generally Conforms | Overall, the SIAS generally conforms to the core principles of internal audit. Refer to the comments is standard 1000 below. | See recommendation R2 below. | R2 |
| Code of Ethics | Generally Conforms | Overall, the SIAS generally conforms to the Code of Ethics for Internal Auditors and the Seven Principles of Public Life. This is stated in the audit charter and is included in the audit manual that underpins the way the SIAS operates. | | |

| Standard | Compliance | Observations | Recommendations & Suggestions | No. |
|--|---------------------------|--|---|---------------------|
| Attribute standards | | | | |
| 1000 Purpose, authority and responsibility | Generally Conforms | <p>The SIAS generally conforms to this standard and the associated parts of the LGAN, although there are some observations for the Service to address, mainly with the content of the audit charters used at WBC and RBWM. The management team of the SIAS are aware that these need to be updated and this is included as a task on their QAIP action plan.</p> <p>The first observation relates to recognising mandatory guidance in the audit charters. Most of the mandatory guidance is already included in the audit charters; the only element missing from them is a specific reference to the core principles of internal audit.</p> <p>The second observation refers to the definition of the 'Board' in the audit charters. In its present form, this is a generic definition that should be replaced by the specific definitions used at the respective authorities i.e. the Audit Committee for WBC, and the Audit and Performance Review Panel for RBWM.</p> <p>The final observation relates to the remit and effectiveness of the 'boards' of each authority. The CIPFA guidance for audit committees in local authorities proposes that 'boards' undertake a review of their remit and effectiveness on a regular basis, usually annually, to ensure they have the key skills necessary to fulfil their roles. The Chief Audit Executive usually coordinates such a review;</p> | <p>Update the audit charters to ensure they included all of the elements required by the PSIAS, in particular:-</p> <ul style="list-style-type: none"> • refer to the core principles of internal audit along with the other mandatory guidance; • replace the generic definition of the 'board' currently included in the audit charters with the specific titles of the bodies fulfilling the role of the 'board' at each authority i.e. the Audit Committee for WBC, and the Audit and Performance Review Panel for RBWM. <p>It is suggested the Chief Audit Executive coordinates a remit and effectiveness review for the Audit Committee at WBC, and the Audit and Performance Review Panel at RBWM. This will enable the boards to identify areas where they may need to strengthen their knowledge.</p> | <p>R2</p> <p>S1</p> |

| Standard | Compliance | Observations | Recommendations & Suggestions | No. |
|---|---------------------------|---|---|------------------------|
| | | however, a review has not been carried out at either authority for some time. | | |
| 1100 Independence and objectivity | Generally Conforms | <p>The SIAS generally conforms to this standard and the associated parts of the LGAN, although there are some observations to address, mainly relating to the Chief Audit Executive's independence and objectivity.</p> <p>The first observation relates to the transparency of the Chief Audit Executive role at RBWM. The protocol between the SIAS and RBWM states that the Assistant Director Governance Services at WBC is the Chief Audit Executive for RBWM, whereas in practice the Lead Specialist from the SIAS fulfils the role. To avoid any element of doubt and potential confusion this should be clarified within the audit protocol.</p> <p>The second observation relates to the potential impairments to the independence and objectivity of the Assistant Director Governance Services' (CAE). The Assistant Director Governance Services is the Monitoring Officer at WBC and has direct responsibility for the Governance, risk management, electoral and democratic services at the Council, as well as the SIAS. Whilst it is not unusual for the Chief Audit Executive to have other responsibilities, these potential impairments to independence and objectivity need to be set out clearly in the audit charter and audit protocol for WBC, together with the reporting lines that the SIAS will follow when auditing the other activities managed by the Assistant Director Governance</p> | <p>It is suggested that the audit protocol between the SIAS and RBWM clarifies which officer from the SIAS actually performs the function of the Chief Audit Executive.</p> <p>Amend the audit charter at WBC, and the audit protocol between the SIAS and WBC, to set out clearly the potential impairment to the Chief Audit Executive's independence and objectivity from directly managing a range of services that the SIAS may review, and how and where the SIAS will report the results of audits carried out in these areas.</p> <p>Recommendation R2 above also relates to this standard.</p> | S2 R3 R2 |

| Standard | Compliance | Observations | Recommendations & Suggestions | No. |
|--|---------------------------|--|---|-----|
| | | Services. | | |
| 1200 Proficiency and due professional care | Generally Conforms | The SIAS generally conforms to this standard and the associated parts of the LGAN, although there is one observation to address. This relates to ICT governance and the audit of the ICT arrangements at WBC. The management team at the SIAS are aware that although an ICT audit needs assessment has been carried out for RBWM, one has not been carried out at WBC. As ICT underpins most of the Council's operations, it is important to ensure that the key ICT risks are identified and audited. Updating the ICT audit needs assessment is a task that is on SIAS' QAIP action plan but at the time of the EQA remained outstanding. | It is suggested that the SIAS commissions external ICT audit specialists to undertake an ICT audit needs assessment for the primary clients and use this to inform the future internal audit plans. | S3 |
| 1300 Quality assurance and improvement programme | Generally Conforms | The SIAS generally conforms to this standard and the associated parts of the LGAN. There is one observation and this is set out below. Standard 1321 allow internal audit services to use the statement 'conforms to the IPPF' or in the case of public sector internal audit services, 'conforms with the PSIAS' when the work they have undertaken fulfils this criteria. The SIAS includes such a statement in its annual report to its clients, but not in the individual internal audit reports that it issues. | The SIAS should consider adding the statement 'conforms with the Public Sector Internal Audit Standards' to the introduction section (paragraph 1.1) of the individual audit reports where the review conforms to the standards. Where it does not conform, a statement of non-conformance should be added instead. | S4 |
| Performance standards | | | | |
| 2000 Managing the internal audit | Generally Conforms | The SIAS generally conforms to this standard and the associated parts of the LGAN. There is one observations relating to the SIAS' audit | It is suggested that the SIAS undertakes a comprehensive review of its audit manual to ensure it is up to | S5 |

| Standard | Compliance | Observations | Recommendations & Suggestions | No. |
|--|---------------------------|--|--|--------------|
| activity | | manual. This document was last reviewed and updated in August 2016. The management team at the SIAS are conscious that this is a live document and there is a task on their QAIP action plan to review and update the audit manual, particularly to reflect the changes made to the way the SIAS operates, job titles, and any issues arising from this review. | date and remains fit for purpose. | |
| 2100 Nature of work | Generally Conforms | The SIAS generally conforms to this standard and the associated parts of the LGAN. There is one observations relating to the SIAS' ability to form an opinion on the ICT governance arrangements for their client authorities. At present, the SIAS does not receive copies of the annual PSN reviews that are carried out on the ICT services of the client authorities. These reviews are performed by external specialists and can be used as a source of evidence to help inform the Chief Audit Executive's annual opinion. | It is suggested the SIAS routinely obtains copies of the PSN reviews for WBC and RBWM, and determines whether the work undertaken for these reviews can contribute to the Chief Audit Executives annual opinion. Recommendation R3 above also relates to this standard. | S6 R3 |
| 2200 Engagement planning | Generally Conforms | The SIAS generally conforms to all elements of this standard and the associated parts of the LGAN. Engagement planning is a fundamental part of the internal audit process. In the case of the SIAS, their engagement planning processes are set out clearly in the audit manual, and a review of a sample of audits indicated that they are being used effectively. | | |
| 2300 Performing the engagement | Generally Conforms | The SIAS generally conforms to all elements of this standard and the associated parts of the LGAN. The methodologies for performing | | |

| Standard | Compliance | Observations | Recommendations & Suggestions | No. |
|--|---------------------------|--|---|------------------------|
| | | engagements are set out clearly in the audit manual and followed by the team when conducting reviews. | | |
| 2400 Communicating the results | Generally Conforms | <p>The SIAS generally conforms to this standard and the associated parts of the LGAN with two observations that are set out below.</p> <p>Although the SIAS uses a 'lean' approach to its audit reports, they are nonetheless informative, easy to read and laid out well. The SIAS carries out its audits in conformance with the PSIAS but this is not mentioned in the individual audit reports, as mentioned in standard 1300 above.</p> <p>The second observation relates to the release of audit reports to third parties. Standard 2410.A3 requires audit reports to include a statement regarding the limitations on distribution of the report, and the use of the report contents. Whilst this is a key element for reports that are released to third parties, it is good practice to include such a statement in the audit report template for all audits. The process for releasing reports to third parties should also be added to the audit manual at its next revision.</p> | <p>Add a suitable statement on the distribution and use of the content of internal audit reports to each report.</p> <p>Add a section to the audit manual that sets out the process for releasing audit reports to third parties.</p> <p>Suggestion S4 above also relates to this standard.</p> | R4 R5 S4 |
| 2500 Monitoring progress | Generally Conforms | <p>The SIAS generally conforms to this standard and the associated parts of the LGAN. Management's progress on implementing agreed actions from internal audit reviews is monitored by the SIAS. Should managers fail to implement agreed actions there is an effective escalation process in place at both</p> | | |

| Standard | Compliance | Observations | Recommendations & Suggestions | No. |
|--|---------------------------|---|---|-----|
| | | authorities. | | |
| 2600 Communicating the acceptance of risks | Generally Conforms | <p>The SIAS generally conforms to this standard and the associated parts of the LGAN, with one observation.</p> <p>There are processes in place to report significant issues regarding the acceptance of risks that exceed the respective Council's risk appetites should the need arise, but these are not included in the SIAS' audit manual.</p> | Add a section to the audit manual on the escalation processes to be followed where the Chief Audit Executive believes management is accepting a level of risk that is unnecessarily high. | R6 |

6. Opportunities to Enhance Services

Senior Management within the Shared Internal Audit Service is keen to develop the way the Service operates and to enhance the quality and range of services that they provide to their existing and potential clients. With this in mind, the following opportunities have been identified, together with some suggested actions for consideration.

| No. | Observation | Suggested Action |
|-----|--|--|
| O1 | <p>The SIAS is a shared internal audit and counter fraud service for Wokingham Borough Council and the Royal Borough of Windsor and Maidenhead. The SIAS is hosted by WBC. In addition to the main clients of WBC and RBWM, the service will provide internal audit and counter fraud services to any public sector organisation that requires them. The SIAS currently provides such services to Bracknell Forest Borough Council and Rushmoor Borough Council, and has previously provided services on an ad hoc basis to other local authorities. The SIAS is keen to develop this side of their operations over the coming months and years, to generate revenues for the host authority and contribute to their operating costs.</p> <p>The Chief Audit Executive for the SIAS is the Assistant Director Governance Services at WBC. This officer is also WBC's Monitoring Officer, with direct responsibility for managing the Council's governance, electoral, democratic and risk management functions, and as such has a limited amount of time to devote to managing the SIAS.</p> | <p>It is suggest that the management board for the SIAS considers the operational management and operating model for the SIAS to determine whether the current structure is sustainable for the future growth and development of the SIAS.</p> |
| O2 | <p>As SIAS's primary clients move further towards digitalising the services they deliver, there will be an increased need for auditors with a sound understanding of how to audit digital systems. At present, SIAS' team are able to cover the high-level ICT controls during routine audits, but on the whole the SIAS does not have the detailed knowledge to undertake in depth or technical reviews of ICT applications.</p> | <p>In the short term, the SIAS should look to procure specialist ICT audit skills from an external provider. However, in the longer term the SIAS should consider developing and training members of the existing team in ICT audit skills to a level where they can undertake more in depth and complex ICT audits.</p> |

| | | |
|----|---|--|
| | <p>Whilst it is acknowledged that the SIAS can buy in these skills from external providers, and this is certainly an option to consider, there is an opportunity for the SIAS to develop ICT audit skills amongst its own in-house team and provide the more in depth ICT reviews for the clients.</p> | |
| O3 | <p>The SIAS makes use of technology to extract and analyse data from ICT systems, mainly by using excel and the reporting functionality imbedded in key financial systems. However the SIAS does not currently use dedicated computer assisted audit techniques (CAATs), such as IDEA or ACL, to audit the core financial and HR systems of its clients.</p> <p>The most commonly used CAATs application in the public sector is IDEA, which given the limited financial resources available to the SIAS, is competitively priced and relatively straight forward to use. The suppliers of IDEA also market a supplementary application called SmartAnalyser, which contains sets of pre-defined test scripts that can be run on the key financial and HR systems, without the need for users to have detailed knowledge on how to write test scripts.</p> <p>Using a product such as IDEA with SmartAnalyser would enable the SIAS to audit all of the transactions in the key financial and HR systems of its client Councils on a regular basis, thus giving a greater level of assurance to the respective S151 Officers.</p> <p>In addition, this could become a unique selling point for the SIAS and become a service that they market to other Councils, enabling the SIAS to grow its client base.</p> | <p>Consideration should be given to obtaining a suitable CAATs application and using this to audit the core financial and HR systems at the client councils on a regular basis. Whilst there are a number of applications on the market, IDEA version 10 with the add on supplementary application SmartAnalyser, is likely to be the most cost effective application to consider given the limited financial resources available.</p> |
| O4 | <p>The LGAN suggests that internal audit should coordinate their audits of the key financial systems with the work undertaken by external audit, to avoid the duplication of effort and to enable the external auditors place reliance on the work of internal audit.</p> | <p>Assuming that the SIAS will not be using CAATs to audit the key financial processes in the short term, consideration should be given to putting the well controlled and less risky key financial processes onto a longer frequency than annual, say once every two or three years.</p> |

| | | |
|----|--|---|
| | <p>Recent changes to the international auditing standards has meant that external auditors have reverted back to using substantive testing processes for their audits and there are now limited opportunities for them to rely on the work of internal audit. There is now less of an argument for internal audit services carrying out audits of key financial systems on an annual basis, and towards the end of the financial year. On this basis, consideration should be given to the approach used for auditing these processes.</p> | <p>Regardless of the frequency adopted for the audits of the key financial systems, consideration should also be given to moving these internal audits away from the last quarter of the year, when the external auditor is auditing the processes, to a more convenient time for the SIAS and the client, say quarter three or late quarter two. This should also mean that the work would be completed and reported on in time for the external auditor to consider if there are any controls issues that they need to focus on during their substantive testing.</p> |
| O5 | <p>The SIAS does not currently use an audit management system to manage the planned audits, time recording, and store the working papers, TORS, reports etc for the assignments.</p> <p>At present, all of the documents used during an audit are stored on the SIAS' secure shared drive on a WBC computer server. Whilst this approach works well and records can be accessed by all of the team members, the SIAS may wish to consider the use of a specialist audit management system for the future, particularly if their client base expands, as this may enable them to enhance their processes and generate operating efficiencies. Some of the products on the market include action tracking modules and can be linked to performance and risk management applications.</p> | <p>The SIAS should consider evaluating the audit management systems currently available to see if there is a suitable application to adopt when the time is right.</p> |
| O6 | <p>The structure of the SIAS is relatively flat and lean, with very few officers holding management positions and able to carry out file reviews of completed audits. The approach adopted by the SIAS is to use a peer review process that is, overall, efficient and effective. However, from a review of a sample of completed audits it was apparent that not all of the peer reviewers have completed all parts of the file review schedule.</p> | <p>It is suggested that the management team of the SIAS remind the peer reviewers of the importance of completing all sections of the file review sheets, and consider introducing a quality assurance process where they randomly check a sample of completed reviews for compliance with the review process.</p> |

7. Action Plan

Recommendations

| No | Recommendation | Response | Responsible Person | Action date |
|----|--|--|--------------------|----------------|
| R1 | Add the mission statement from the PSIAS to the audit charters for all of the clients. | The Mission Statement is included in the Business Plan, but this can be added to the updated audit charters. | Lead Specialist | 31st July 2018 |
| R2 | Update the audit charters to ensure they include all of the elements required by the PSIAS, in particular:- <ul style="list-style-type: none"> refer to the core principles of internal audit along with the other mandatory guidance; replace the generic definition of the 'board' currently included in the audit charters with the specific titles of the bodies fulfilling the role of the 'board' at each authority i.e. the Audit Committee for WBC, and the Audit and Performance Review Panel for RBWM. | Agreed. A refresh of the audit charters to include these references. | Lead Specialist | 31st July 2018 |
| R3 | Amend the audit charter at WBC, and the audit protocol between the SIAS and WBC, to set out clearly the potential impairment to the Chief Audit Executive's independence and objectivity from directly managing a range of services that the SIAS may review, and how and where the SIAS will report the results of audits carried out in these areas. | Agreed. A refresh of the audit charter and protocol at WBC to reflect this status. | Lead Specialist | 31st July 2018 |
| R4 | Add a suitable statement on the distribution and use of the content of internal audit reports to each report. | Agreed. Templates to be updated to include a statement. | Lead Specialist | 31st July 2018 |

| No | Recommendation | Response | Responsible Person | Action date |
|----|---|---|--------------------|------------------|
| R5 | Add a section to the audit manual that sets out the process for releasing audit reports to third parties. | Agreed. Audit Manual to be updated. | Lead Specialist | 31st August 2018 |
| R6 | Add a section to the audit manual on the escalation processes to be followed where the Chief Audit Executive believes management is accepting a level of risk that is unnecessarily high. | Agreed. This process to be clarified in the updated Audit Manual. | Lead Specialist | 31st August 2018 |

Suggestions

| No | Suggestion | Response | Responsible Person | Action date |
|----|---|---|-----------------------|------------------|
| S1 | It is suggested the Chief Audit Executive coordinates a remit and effectiveness review for the Audit Committee at WBC, and the Audit and Performance Review Panel at RBWM. This will enable the boards to identify areas where they may need to strengthen their knowledge. | Agreed. Senior Specialist and Lead Specialist to assist CAE with such a review of the WBC Audit Committee. | Chief Audit Executive | 31st August 2018 |
| S2 | It is suggested that the audit protocol between the SIAS and RBWM clarifies which officer from the SIAS actually performs the function of the Chief Audit Executive. | Agreed. CAE arrangements to be clarified in refreshed audit protocol at RBWM. | Lead Specialist | 31st July 2018 |
| S3 | It is suggested that the SIAS commissions external ICT audit specialists to undertake an ICT audit needs assessment for the primary clients and use this to inform the future internal audit plans. | An audit needs assessment was undertaken for RBWM. For WBC, the CAE submitted the 2018/19 Audit Plan that did not contain any IT Audit resource. This has been approved by Corporate Leadership Team and the Board. Therefore, for WBC, no IT needs assessment required. This was | Chief Audit Executive | N/A |

| No | Suggestion | Response | Responsible Person | Action date |
|----|---|--|---------------------|------------------|
| | | also the case for the 2017/18 year. | | |
| S4 | The SIAS should consider adding the statement 'conforms with the Public Sector Internal Audit Standards' to the introduction section (paragraph 1.1) of the individual audit reports where the review conforms to the standards. Where it does not conform, a statement of non-conformance should be added instead. | The RBWM and WBC annual reports both make reference to say 'Currently the Internal Audit team generally conforms'. Para 20 in WBC 2017/18 Annual Report and para 23 in RBWM's 2017/18 Annual Report. | Lead Specialist | N/A |
| S5 | It is suggested that the SIAS undertakes a comprehensive review of its audit manual to ensure it is up to date and remains fit for purpose. | Agreed. This will be carried out – links with R5 and R6 above. | Lead Specialist | 31st August 2018 |
| S6 | It is suggested the SIAS routinely obtains copies of the PSN reviews for WBC and RBWM, and determines whether the work undertaken for these reviews can contribute to the Chief Audit Executives annual opinion. | The decisions were taken at RBWM and WBC not to subscribe to PSN reviews in the light of required savings. | CAE/Lead Specialist | N/A |

8. Interviewees

| Person | Position | Organisation |
|-------------------|--|---|
| Andrew Moulton | Assistant Director Governance Services (Chief Audit Executive) | Wokingham Borough Council |
| Catherine Hickman | Lead Specialist – Shared Internal Audit Service | Wokingham Borough Council |
| Julie Barker | Senior Specialist – Shared Internal Audit Service | Wokingham Borough Council |
| Audit Team | L2 and L1 level auditors and investigators | Wokingham Borough Council |
| Graham Ebers | Corporate Director and Deputy Chief Executive (Section 151 Officer) | Wokingham Borough Council |
| Jonathan Ross | Senior Specialist Business Services | Wokingham Borough Council |
| Manjeet Gill | Interim Chief Executive | Wokingham Borough Council |
| Anthony Pollock | Chair of the Audit Committee | Wokingham Borough Council |
| Rob Stubbs | Deputy Director and Head of Finance (Section 151 Officer) | Royal Borough of Windsor and Maidenhead |
| Alison Alexander | Managing Director (telephone interview) | Royal Borough of Windsor and Maidenhead |
| Paul Brimacombe | Past Chair of the Audit and Performance Review Panel (telephone interview) | Royal Borough of Windsor and Maidenhead |

9. Definitions of Conformance with the Standards

| | |
|---------------------------|--|
| Generally Conforms | The internal audit service complies with the standards with only minor deviations. The relevant structures, policies, and procedures of the internal audit service, as well as the processes by which they are applied, at least comply with the requirements of the section in all material respects. |
| Partially Conforms | The internal audit service falls short of achieving some elements of good practice but is aware of the areas for development. These will usually represent significant opportunities for improvement in delivering effective internal audit and conformance to the standards. |
| Does Not Conform | The internal audit service is not aware of, is not making efforts to comply with, or is failing to achieve many/all of the elements of the standards. These deficiencies will usually have a significant adverse impact on the internal audit service's effectiveness and its potential to add value to the organisation. These will represent significant opportunities for improvement, potentially including actions by senior management or the board. |

Ray Gard, CPFA, FCCA, FCIIA, DMS