

Report Title:	2018/19 Shared Audit and Investigation Service Annual Report
Contains Confidential or Exempt Information?	No - Part I
Member reporting:	30 July 2019
Meeting and Date:	Corporate Overview and Scrutiny Panel
Responsible Officer(s):	Rob Stubbs, Deputy Director and Head of Finance (& S151 Officer)
Wards affected:	None

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## REPORT SUMMARY

- 1 This report and supporting appendices summarise the Shared Audit and Investigation Service (SAIS) activity and outline the progress in achieving the 2018/19 Audit and Investigation Plan as at 31 March 2019.
- 2 It recommends that Members note the activity of the Audit and Investigation Service during the 2018/19 financial year.
- 3 This recommendation is being made to ensure that the Council meets its legislative requirements, as well as the requirements of the Corporate Overview and Scrutiny Panel's Terms of Reference.

### 1. DETAILS OF RECOMMENDATION(S)

**RECOMMENDATION: That the Corporate Overview and Scrutiny Panel note the report summarising:-**

- i) **The Shared Audit and Investigation Service activity for the financial year end 31 March 2019**
- ii) **Progress in achieving the 2018/19 Internal Audit Plan**

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

- 2.1 Regulation 6 (1) of the Accounts and Audit (England) Regulations (2015) requires the Council to undertake an adequate and effective internal audit of its accounting records and the system of internal control in accordance with proper internal audit practices.

2.2 Proper practices for Internal Audit are defined in the CIPFA/IIA Public Sector Internal Audit Standards (PSIAS) and require that the ‘Chief Audit Executive’ (Assistant Director, Governance – Wokingham Borough Council) delivers 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 the 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.

2.3 The aim of the report at Appendix A and the supporting appendix is to cover these legislative requirements and those of the Corporate Overview and Scrutiny Panel’s Terms of Reference.

## Options

**Table 1: Options arising from this report**

<b>Option</b>	<b>Comments</b>
Accept the attached report and supporting appendices and note the activity of the Shared Audit and Investigation Service during 2018/19 and progress in achieving the 2018/19 Audit and Investigation Plan.	This will ensure that the Council meets its statutory requirements. In addition, the Corporate Overview and Scrutiny Panel will comply with its responsibilities as set out within their Terms of Reference.
<b>Recommended</b> Accept this report with amendments.	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.	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 Auditor’s Annual Management Letter.

### 3. KEY IMPLICATIONS

**Table 2: Key Implications**

<b>Outcome</b>	<b>Unmet</b>	<b>Met</b>	<b>Exceeded</b>	<b>Significantly Exceeded</b>	<b>Date of delivery</b>
Residents have confidence that public funds are being used economically, efficiently and effectively and that Council assets and interests are being safeguarded from misappropriation / loss.	Failure of the Council to meet its statutory requirements and failure of the Corporate Overview and Scrutiny Panel to discharge its responsibilities.	Council meets its statutory requirements to provide an adequate and effective internal audit of its accounting records and system of internal control. Corporate Overview and Scrutiny Panel discharges its responsibilities.	n/a	n/a	31 March 2019
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	31 March 2019
Residents have confidence that public funds are being used economically, efficiently and effectively and that Council assets and interests are being safeguarded from misappropriation/ loss.	Loss of residents' confidence. Council reputation may be affected.	Gain residents' confidence. Council reputation protected.	n/a	n/a	31 March 2019

#### 4. FINANCIAL DETAILS / VALUE FOR MONEY

##### 4.1 a) Financial impact on the budget

Revenue - Officer time in dealing with provision of the SAIS.  
Capital – None.

##### b) Financial Background

Revenue - Officer time in dealing with provision of the SAIS. The proposal relates to existing budgets, no new funds are being sought.  
Capital – None.

#### 5. LEGAL IMPLICATIONS

##### 5.1 Internal Audit carry out their activities under:-

- Regulations 6 (1), 6(3) and (4) of the Accounts and Audit (England) Regulations 2015.
- S151 Local Government Finance Act 1972.
- CIPFA/IIA Public Sector Internal Audit Standards 2013 (Revised 2016).

##### 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

**Table 3: Impact of risk and mitigation**

<b>Risks</b>	<b>Uncontrolled risk</b>	<b>Controls</b>	<b>Controlled risk</b>
Failure of the SAIS to adequately plan and undertake audit reviews leading to failure of the Council to meet its statutory requirements. The Council's key systems and services are consequently at risk of not achieving their objectives in the most economic, efficient and effective way thus being exposed to misappropriation / loss.	High	Ensure and demonstrate internal audit coverage and compliance with nationally recognised standards for internal audit. Provide a regular written progress report on the work of Internal Audit to those charged with governance for endorsement.  Ensure and demonstrate that corporate investigations are undertaken in accordance with legislation and local approved governance arrangements.	Low

<b>Risks</b>	<b>Uncontrolled risk</b>	<b>Controls</b>	<b>Controlled risk</b>
Failure to provide assurance that the work of the SAIS properly supports the governance framework and the content of the AGS 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 AGS.	Low

## **7. POTENTIAL IMPACTS**

7.1 None.

## **8. CONSULTATION**

8.1 Consultations were undertaken with both internal stakeholders (Members of the Audit and Investigation Panel, Corporate Leadership Team, S151 Officer, Directorate Management Teams, Insurance and Risk Manager) and External Audit, in preparing the 2018/19 Internal Audit and Investigation Plan.

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**

**Table 4: Implementation timetable**

<b>Date</b>	<b>Details</b>
31 March 2019	2018/19 Internal Audit and Investigation Plan

## **10. APPENDICES**

10.1 This report is supported by 2 appendices:

- Appendix A – 2018/19 Shared Audit and Investigation Service Annual Report
- Appendix A(I) – 2018/19 Internal Audit Plan Status as at 31 March 2019

## **11. BACKGROUND DOCUMENTS**

- This report is supported by the 2018/19 Internal Audit and Investigation Plan and working papers.

## 12. CONSULTATION (MANDATORY)

<b>Name of consultee</b>	<b>Post held</b>	<b>Date sent</b>	<b>Date returned</b>
Cllr Targowski	Chair of the Corporate Overview and Scrutiny Panel		
Duncan Sharkey	Managing Director	12/06/19	12/06/19
Russell O'Keefe	Executive Director	12/06/19	12/06/19
Andy Jeffs	Executive Director	12/06/19	12/06/19
Rob Stubbs	Section 151 Officer	12/06/19	12/06/19
Elaine Browne	Interim Head of Law and Governance	12/06/19	12/06/19
Nikki Craig	Head of HR and Corporate Projects	12/06/19	12/06/19
Louisa Dean	Communications	12/06/19	12/06/19
Kevin McDaniel	Director of Children's Services	12/06/19	12/06/19
Hilary Hall	Interim Director of Adult Services and Deputy Director Strategy and Commissioning	12/06/19	12/06/19
	Other e.g. external		

### REPORT HISTORY

<b>Decision type:</b> Non-key decision	<b>Urgency item?</b> No	<b>To Follow item?</b> No
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