

**2018/19 SHARED AUDIT AND INVESTIGATION SERVICE ANNUAL REPORT**  
**Assistant Director, Governance, Wokingham Borough Council**  
**(and Chief Audit Executive)**

**Introduction**

1. The 2018/19 Internal Audit Plan was approved by the Audit and Performance Review Panel on 26 February 2018. 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 updated 2016 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 2018/19 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.
  - Skills transfers taking place between audit and investigation work.
  - There has been the ability to identify and share best practices across partner and external clients.
  - Audit and Investigation work has been undertaken for Bracknell Forest Council and Rushmoor Borough Council.
  - Excellent results obtained for Investigation activity including proactive exercise in Business Rates
  - Flexibility in undertaking management requests for work to be undertaken using audit contingency demonstrating confidence in the work of Internal Audit.
- 8. As reported in the 2018/19 Audit and Investigation Interim Progress Report (to 31 December 2018) the 2018/19 Audit and Investigation Plan was re-aligned as a result of sickness within the team. 92% of the re-aligned Internal Audit and Investigation Plan was achieved with the reviews completed or at draft report stage. A small number of audits have been carried forward which will be completed in early 2019/20.
- 9. Appendix A(I) details the status of audits against the re-aligned 2018/19 Audit and Investigation Plan as at 31 March 2019 and those audits completed from the 2017/18 financial year. Table 1 provides a summary.

**Table 1: Status of audits**

<b>Audit Status</b>	<b>Number of audits</b>
Work in progress and carried forward to 2019/20	2
Draft Report	8
Final Report	25
<b>Total</b>	<b>35</b>

10. For the reviews completed, where an audit opinion was appropriate (i.e. Final Report stage), the following breakdown of classification is summarised in Table 2 below.

**Table 2: Summary of Audit Opinions**

Overall Audit Opinion	Summary of Audit Opinion	No of Audits (2018/19)
1	Complete and Effective	7
2	Substantially Complete and Generally Effective	13
3	Range of Risk Mitigation Controls is incomplete and risks are not effectively mitigated	5
4	There is no effective Risk Management process in place	0
<b>Total</b>		<b>25</b>

11. There are 5 audits that attracted the third audit opinion and details are as follows;

**Business Continuity and Emergency Planning**

It is encouraging to note the significant progress made with regard to Emergency Planning including procuring the services of an Emergency Planning Officer to oversee the improvements and to ensure that the requirements of the Civil Contingencies Act 2004 are met. For example, there are governance documents for Emergency Planning that are either being or have been recently updated. In contrast, there are opportunities for improvement in the area of Business Continuity governance and operations. Management have responded with actions taken and these will be tested in the 2019/20 audit.

The Corporate Management Team reviewed the latest position with respect to Business Continuity Planning, at their meeting on 5 June 2019, and it was agreed that further workshops and templates would be provided to help Heads of Service and Service-based liaison officers be identified, to help take completion of the revised business continuity plans forward with a revised template and to reflect the identified weaknesses. This approach will be informed by a Business Impact Assessment approach for all service areas, that will help identify higher and lower priority response areas in the event of disruption to business as usual plans.

**Flooding**

At the time of the audit, flood prevention works had been delayed and there was a risk that capital funds may not be being used efficiently for flood prevention projects. There was poor progress of gully cleansing by the contractor in the first nine months of their contract, which may result in future flood issues. Management has responded with actions taken and these will be tested in the 2019/20 audit.

**IT Systems Access**

The areas identified for improvement include; Governance including Policies and Procedures, Administration of Security Badges and access to services outside of the IT Active Directory and reconciliations.

Management has confirmed that the major concerns have been addressed with the last target date of July 2019. The countermeasures to those concerns will be tested during the follow up audit due to take place later in the 2019/20 financial year.

### **Shared Building Services (Follow up) – Hosted by Wokingham Borough Council**

The direction of travel of the Shared Building Service is positive, and in view of the current and future changes, it is progressing clearly towards a position where controls are substantially complete and generally effective.

The Term Contracts have been tendered and let, and a new cloud-based system is bedding-in to more effectively manage works and payments. The tender process for the service contracts was due to commence in 2018-19 Quarter 4, for which some of the original risks remain in the interim and these will be re-visited in detail as part of the 2019/20 Internal Audit review.

12. There is one outstanding response awaited from management in respect of 2018/19 audits. This relates to Tree Management - follow up (1 concern).
13. 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.
14. Where concerns are classified as being Major or Extreme that have been tolerated by management, these are highlighted to the Corporate Overview and Scrutiny Panel. There are no cases of Major or Extreme concerns being tolerated by management.

### **Additional Work Requested by Members / Management**

15. Contingency days have been used to respond to Management requests in respect of the following reviews.
  - Grant certification - Social Care Capital, Troubled Families, Disabled Facilities, Integrated Transport and Highways Maintenance
  - Spot checks including procurement cards

### **Public Sector Internal Audit Standards (PSIAS)**

16. The external inspection of the Internal Audit Service against the PSIAS took place in 2018 and assessed the service as 'generally' conforming to the standards (the top category of opinion). The action plan and progress against it has been previously reported to the Audit and Performance Review Panel and work continues to address the action points identified to assist the service in continuous improvement.

### **Corporate Investigations**

17. The year 2018/19 was very successful for the Corporate Investigations element of the Service with total potential financial savings identified of £344,756.

18. The performance of investigations covers the losses identified to the Council see Table 3.

**Table 3 Financial Results: Identified Losses to 31 March 2019**

Area of Work	Value (£'s)	Comments
Business Rates Relief/Exemption	269,907	Fraudulent applications for exemptions and reliefs, unlisted properties
Council Tax Reduction Scheme* (CTRS)	1681	Fraudulent applications for Council Tax Reduction
Council Tax - discount/exemption	47,570	Fraudulent applications for discount/exemption
School Investigation	25,598	Monies recovered from misadministration
<b>Total</b>	<b>344,756</b>	

Note: The results of the Business Rates and Council Tax discount/exemption (Single Person Discount proactive exercises are as a result of joint working with the RBWM Revenues and Benefits Section).

19. Work has been undertaken during the year to investigate Council Tax Empty Property Relief, the results of which are currently being calculated. It should be noted that the properties identified in the Council Tax Property Relief exercise as occupied that were previously shown as unoccupied feed in to the New Homes Bonus Scheme formula.
20. The funds identified at the school total £25,598 and this included £19,299 found as part of the investigation. £8,185 of this was repaid to the school.

**Regulation of Investigatory Powers Act**

21. No investigations have been undertaken during 2018/19 that has required Regulation of Investigatory Powers Act surveillance approval to be requested.