

To: All Members of the AUDIT COMMITTEE
(Other Members for Information)

When calling please ask for:

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Date: 30 October 2020

Membership of the Audit Committee

Cllr Peter Marriott (Chairman)
Cllr Jerome Davidson (Vice Chairman)
Cllr Richard Cole
Cllr Jan Floyd-Douglass

Cllr John Gray
Cllr Michaela Gray
Cllr Richard Seaborne
Cllr George Wilson

Dear Councillors

A meeting of the AUDIT COMMITTEE will be held as follows:

DATE: MONDAY, 9 NOVEMBER 2020
TIME: 7.00 PM
PLACE: ZOOM

The Agenda for the meeting is set out below.

Yours sincerely

ROBIN TAYLOR

Head of Policy and Governance

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NOTE FOR MEMBERS

Members are reminded that contact officers are shown at the end of each report and members are welcome to raise questions etc in advance of the meeting with the appropriate officer.

AGENDA

1. **MINUTES** (Pages 1 - 8)

To confirm the Minutes of the Meeting held on 14th September (attached) and published on the Council's Website.

2. **APOLOGIES FOR ABSENCE**

To receive apologies for absence.

3. **DISCLOSURE OF INTERESTS**

To receive from Members, declarations of interests in relation to any items included on the Agenda for this meeting, in accordance with the Waverley Code of Local Government Conduct.

4. **QUESTIONS BY MEMBERS OF THE PUBLIC**

The Chairman to respond to any questions received from members of the public of which notice has been duly given in accordance with Procedure Rule 10.

5. **QUESTIONS FROM MEMBERS**

The Chairman to respond to any questions received from Members in accordance with Procedure Rule 11.

6. **AUDIT ACTION LOG** (Pages 9 - 10)

To note any outstanding actions and provide updates as applicable.

7. **SIAP EXTERNAL QUALITY ASSESSMENT** (Pages 11 - 28)

To present the outcome of the recent external quality assessment of the Southern Internal Audit Partnership against the IPPF, PSIAS and LGAN required as part of the Standards (*Attribute Standard 1312 – External Assessment*).

8. **ANNUAL GOVERNANCE STATEMENT - INTERIM REVUE.**

To enable the Committee to comment and instruct on any potential emerging governance issues that may need to be addressed.

Recommendation

The Committee is invited to raise any potential emerging governance issues for consideration.

9. SIGN OFF OF EXTERNAL ACCOUNTS

To receive an update on progress with signing off the External Accounts.

10. REVIEW OF THE INFORMAL MEETING ON THE AUDIT TERMS OF REFERENCE

To review the outcomes of the informal meeting held on 29th October 2020.

11. REVIEW OF PROGRESS IN THE IMPLEMENTATION OF INTERNAL AUDIT AGREED ACTIONS (Pages 29 - 40)

To inform the Audit Committee of Senior Management's progress in implementing the recommendations raised by Internal Audit following a review in their service areas. This report will enable the Committee to consider what action is required in respect of those that are overdue or appear likely to be implemented later than the target date.

Recommendation

It is recommended that the Committee considers the information contained and, following discussion at the Audit Committee meeting identifies any action it wishes to be taken.

12. REVIEW OF THE PROGRESS IN ACHIEVING THE AUDIT PLAN (Pages 41 - 58)

The Committee's Terms of Reference include provision for the Committee to approve, monitor and comment on the progress made in the achievement of the Internal Audit Plan. An update on the current position of the internal audit reviews is attached.

Recommendation

It is recommended that the Committee notes the contents of the Internal Audit Progress report as attached.

13. FRAUD INVESTIGATION SUMMARY (Pages 59 - 64)

The report provides an update to the Committee on the work being completed in investigating fraud, primarily focusing on Housing Tenancy Fraud.

Recommendation

It is recommended that the Audit Committee notes the success of the fraud investigation activity.

14. AUDIT COMMITTEE RECURRENT ANNUAL WORK PROGRAMME (Pages 65 - 66)

The Committee's annual recurrent work programme is attached. The work programme details regular items, but other items can be submitted to each meeting on an ad hoc basis or at the request of the Committee.

Recommendation

The Audit Committee is invited to note its recurrent annual work programme.

15. EXCLUSION OF PRESS AND PUBLIC

To consider the following recommendation on the motion of the Chairman:

Recommendation

That pursuant to Procedure Rule 20 and in accordance with Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting during consideration of the following item(s) on the grounds that it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the public were present during the item(s), there would be disclosure to them of exempt information (as defined by Section 1001 of the Act) of the description specified in the appropriate paragraph(s) of the revised Part 1 of Schedule 12A to the Local Government Act 1972 (to be identified at the meeting).

16. ANY OTHER ISSUES TO BE CONSIDERED IN EXEMPT SESSION

To consider any matters relating to aspects of any reports on this agenda which, it is felt, may need to be considered in exempt session.

**For further information or assistance, please telephone
Kimberly Soane, Democratic Services Officer, on 01483 523258 or by
email at Kimberly.soane@waverley.gov.uk**

WAVERLEY BOROUGH COUNCIL

MINUTES OF THE AUDIT COMMITTEE - 14 SEPTEMBER 2020

SUBMITTED TO THE COUNCIL MEETING – 20 OCTOBER

(To be read in conjunction with the Agenda for the Meeting)

Present

Cllr Peter Marriott (Chairman)
Cllr Jerome Davidson (Vice Chairman)
Cllr Richard Cole

Cllr John Gray
Cllr Richard Seaborne
Cllr George Wilson

Apologies

Cllr Jan Floyd-Douglass and Cllr Michaela Gray

Also Present

Councillor Michael Goodridge MBE and Councillor Jerry Hyman

AUD 14/20 MINUTES (Agenda item 1.)

The Minutes of the meeting held on 20 July 2020 were confirmed as a correct record of the meeting.

AUD 15/20 APOLOGIES FOR ABSENCE (Agenda item 2.)

Apologies had been received from Cllrs Jan Floyd-Douglass and Michaela Gray.

AUD 16/20 DISCLOSURE OF INTERESTS (Agenda item 3.)

There were no disclosures in relation to matters on the agenda.

AUD 17/20 QUESTIONS BY MEMBERS OF THE PUBLIC (Agenda item 4.)

There were none.

AUD 18/20 QUESTIONS FROM MEMBERS (Agenda item 5.)

There were none.

PART I - RECOMMENDATIONS TO THE COUNCIL

There were no matters falling within this category.

PART II - MATTERS OF REPORT

The background papers relating to the following items are as specified in the reports included in the original agenda papers.

AUD 19/20 AUDIT ACTION LOG (Agenda item 6.)

- 19.1 The Committee noted the completed actions in relation to the circulation of the costed Internal Audit Plan, and the briefing on the Strategic Risk Register which had been held on 17 August.
- 19.2 A review of the governance aspects of the Property Investment Strategy was still outstanding. The Committee noted that the Property Investment Strategy was being revised to reflect the challenging market conditions and the council's financial situation, and agreed to pick up this action as part of the next informal session on risk matters.
- 19.3 The Committee asked that other outstanding items be added to the Action Log: sharing findings of the AQ investigation with Managers; review of Terms of Reference; and report back on the Internal Audit review of posts with sole responsibility for data collection and reporting to third parties.

AUD 20/20 AUDIT COMMITTEE ANNUAL ACTIVITY REPORT 2019/20 (Agenda item 7.)

- 20.1 The Committee noted the Annual Activity Report for 2019/20, which was a factual summary of the matters the Committee had looked at over the past year and the key actions or recommendations arising therefrom.
- 20.2 The Chairman highlighted the reference to the Application of the Habitats Regulations needing to be addressed in the 2019/20 Annual Governance Statement, and he felt that there were some outstanding issues that should be covered at the appropriate point of the agenda.
- 20.3 There were no other comments of the Annual Activity Report for 2019/20, which was agreed.

AUD 21/20 REVIEW OF THE AUDIT COMMITTEE TERMS OF REFERENCE (Agenda item 8.)

- 21.1 The Democratic Services Manager, Fiona Cameron, introduced the report that referred to previous discussions the Audit Committee had had regarding its Terms of Reference, and perceived areas of overlap with the role of the Value for Money Overview & Scrutiny Committee. The report referred to the 2018 CIPFA Guidance for Local Authority Audit Committees, and compared the Audit Committee's current Terms of Reference with the Model Terms of Reference proposed by CIPFA.
- 21.2 The Model Terms of Reference put greater focus on the role of an audit committee in relation to the External Audit function than did Waverley's currently. The Model also suggested that the Audit Committee membership should be independent of Executive and Scrutiny members; and, should include an Independent Member. The Audit Committee membership was closely connected with various of Waverley's Overview & Scrutiny Committees, so a recommendation to follow the CIPFA best practice would have a knock-on effect.

- 21.3 In addition to considering the Committee Terms of Reference and membership, the Committee were invited to considering undertaking a self-evaluation of their effectiveness as a Audit Committee, using the CIPFA evaluation framework, to inform future development needs of the Committee.
- 21.4 Jon Roberts, Key Audit Partner, Grant Thornton, advised the Committee that the recently published Redmond Review report dealt with Audit Committees and recommended all Audit Committees should have an Independent Member; he also talked about training arrangements, so the self-evaluation would help to tailor training plans properly. Mr Roberts also noted that there was a gap between the current Terms of Reference and CIPFA recommendations in relation to external audit, and an in-depth review would be beneficial. Whilst there would be a delay before any consequential legislation, it was important that the Committee reflected on the outcomes of the Redmond Report without delay.
- 21.5 Cllr John Gray referred to the discussions he had initiated as the previous Audit Committee Chairman on the lack of clarity between the roles of the Audit Committee and the Value for Money Overview & Scrutiny Committee, and welcomed the opportunity to continue these in an off-line session to take the matter forward. Cllr Gray was unsure of the role of the Governance Review Working Group in the process of reviewing the Audit Committee Terms of Reference.
- 21.6 Cllr Michael Goodridge echoed concerns about the role of the Governance Review Working Group; and, as Vice-Chairman of the Standards Committee, highlighted his own concerns about the possible conflict between the roles of the Audit Committee and Standards Committee. He suggested that if the Audit Committee was going to meet informally to consider its terms of reference, it would be helpful to include the chairmen and vice-chairmen of the Standards Committee in that discussion.
- 21.7 The Committee agreed to note the report, and asked that an informal meeting of the committee be arranged, including the chairmen and vice-chairmen of the Audit Committee, and possibly Value for Money O&S, to discuss the CIPFA Guidance on Terms of Reference and the Redmond Review report.

Actions:

- **Circulate the [Redmond Review report](#) to Audit Committee members.**
- **Informal meeting to be arranged for AC members, plus chair/vice-chair of Standards & VFM O&S to discuss committee ToR in relation to governance issues. Jon Roberts to attend to present on the Redmond report.**

AUD 22/20 RISK MANAGEMENT UPDATE (Agenda item 9.)

- 22.1 The Head of Finance and Property, Peter Vickers, gave a verbal report following the informal meeting at which the Committee looked at the corporate strategic risk register that sits behind the delivery of the corporate plan. There had been some key themes coming out of that review, including

the need for more detail around business continuity, the impact of possible unitary councils, and the impact another Covid-19 escalation. Members had also discussed the sensitivity of the heat matrix used to score the risks, and the need to bring in a new risk domain reflecting the environmental impact risk.

- 22.2 Officers were reviewing the Risk Register in the light of these comments, and in the context of the emerging revised Corporate Strategy, and to bring the next iteration of the Risk Register back to the Audit Committee for a further informal discussion in October.
- 22.3 The Committee noted the update, and agreed to meet informally to review the next iteration of the Risk Register.

Action:

- **Informal meeting for Audit Committee members on the Risk Register in October.**

AUD 23/20 AUDIT FINDINGS REPORT 2019/20 (Agenda item 10.)

- 23.1 Jon Roberts, Grant Thornton, introduced the Audit Findings Report, which had been prepared in accordance with reporting responsibilities. It was a comprehensive report, but also incomplete; the external audit was being carried out remotely but this did mean the process was taking longer than usual. The report listed the areas where work was continuing, and that list had already reduced since the report was written. Mr Roberts confirmed that there were no issues identified that would impact on the General Fund position, and he was proposing an unqualified conclusion on value for money, going concern, and around the annual governance statement.
- 23.2 There were two main areas that were more difficult to resolve – pensions, and property valuations. The pensions issue was partially dependent on the progress of the Surrey Pension Fund audit, and also a review of further information requested from the actuary. With regard to the property valuations, this was a bigger issue and whilst it did not impact on the General Fund it was taking longer to resolve despite the strong working arrangements with the Finance team.
- 23.3 Mark Bartlett, Audit Manager, took the Committee through the Audit Findings report in detail, including the commentary on the pension fund valuation and property valuations. He confirmed that there were no matters of concern to raise with the Committee including in relation to value for money and governance arrangements for commercial property investment. The Committee noted that some of the issues on property valuations were the same as seen last year, and Graeme Clark gave an assurance that there was a full commitment to put measures in place to address the concerns for the future.
- 23.4 The Committee noted that there was probably another three weeks needed to complete the outstanding issues in the audit. They could either await

receipt of the final report before approving the Statement of Accounts which would require an additional committee meeting; or, give a delegation to the S151 officer and Chairman to review the final Audit Findings Report and if satisfactory, approve the Statement of Accounts.

- 23.5 Cllr Hyman had registered to speak on this matter and asked the auditors the extent to which they independently assessed matters in relation to laws and regulations including following up on recent judgements. Also, on page 19 of the Report, had any checks been made of how contractors had used the furlough scheme. Mr Roberts responded that they sought management assurances on compliance with laws and regulations through meetings with Statutory Officers. And, contractor use of the furlough scheme was outside the scope of the audit of Waverley's accounts.
- 23.6 Graeme Clark advised the Committee that most contractors had continued to provide a full service to the council, although Places Leisure had been severely affected at their leisure centre operations nationwide. The Council had paid overtime to staff only for specific Covid response purposes, and this had been covered by the Covid support grant. Non-essential recruitment had been stopped, and this would be clarified in the report.
- 23.7 The Committee thanked the auditors for their presentation of the Audit Findings Report for 2019/20, which was noted, and agreed to add a review of the Action Plan (Appendix A) to the Action Log for March 2021 to check on progress before the start of the next external audit cycle.

Action:

- **Add Review of Action Plan (Appendix A) to Action Log for March 2021, to check on progress before start of next external audit cycle.**

AUD 24/20 STATEMENT OF ACCOUNTS 2019/2020 (Agenda item 11.)

- 24.1 The Strategic Director and S151 Officer, Graeme Clark, introduced the Statement of Accounts for 2019/2020. This was a technical document, the content of which was prescribed in various statutory codes of practice. The Audit Committee members had had an off-line session on the Statement of Accounts a couple of weeks ago to go through the detail of the document.
- 24.2 Mr Clark reminded the Committee that the timetable for the External Audit and approval of the accounts was normally much tighter, with a deadline of 30 July. This had been extended due to the extraordinary circumstances of the Covid-19 pandemic. The Finance team had still managed to publish the unaudited accounts before the end of June, which was a remarkable achievement in the circumstances. Annexe 2 to the report reflected changes to the accounts that had been agreed with Grant Thornton during the course of the External Audit and provided a reconciliation between the published unaudited accounts and the final statement of accounts.
- 24.3 The Committee was asked to approve the Letter of Representation, which was a standard requirement of the local government audit process; and also the statement of going concern. With regard to the statement of going concern, compared to previous years this had needed strengthening to

address the impact of Covid-19 on the council's finances and medium term financial plan, and on the local economy. Officers had listened to advice from CIPFA and Grant Thornton in order to give the Audit Committee sufficient assurance about the council as a going concern and the accounts being robust.

- 24.4 Whilst there were still some areas of the external audit to be completed, in the light of the indication from Grant Thornton that an unqualified audit opinion would be issued, Officers recommended that these be dealt with under delegation to the Strategic Director in consultation with the Chairman of the Audit Committee. The Committee noted that the valuation aspect that was outstanding would not have any impact on the General Fund, and Officers were confident of reaching a satisfactory conclusion with Grant Thornton in the coming weeks.
- 24.5 The Audit Committee commended Officers and the External Audit Team for their work in challenging circumstances to be so far ahead of the deadlines for sign-off of the accounts. The Committee noted that the proposed delegation allowed the Chairman to call an ad hoc committee meeting if he was not happy with the outcome of the outstanding audit issues, and on this basis was content to approve the Statement of Accounts.
- 24.6 The Audit Committee RESOLVED that delegated authority be given to the Strategic Director (s151 Officer) in consultation with the Chairman of the Audit Committee to consider any changes to the External Audit Findings Report and, if satisfied with the report to make any necessary amendments to the Accounts and/or Letter of Representation, and subject to this:
- (i) Approved the Statement of Accounts for the financial year ended 31 March 2020;
 - (ii) Approved the Letter of Representation for 2019/2020; and
 - (iii) Confirmed that the accounts had been prepared on a going concern basis

Details of any amendments to the accounts or Letter of Representation would be circulated to the Audit Committee.

AUD 25/20 ANNUAL GOVERNANCE STATEMENT 2019/2020 (Agenda item 12.)

- 25.1 Peter Vickers introduced the Annual Governance Statement (AGS) for 2019/2020 which described the governance arrangements in place covering the period of the accounts. There was a standing item on the agenda of every Audit Committee to allow the committee to raise any concerns around governance arrangements, and any matters raised would be included in the AGS. The format and content of the AGS complied with the *Delivering good governance in local authorities* (2016) published by CIPFA.
- 25.2 The draft AGS had been reviewed at the Audit Committee briefing on the Statement of Accounts, and Cllr Seaborne had subsequently provided some detailed corrections of grammar to be amended in the final version.

- 25.3 The Chairman referred to previous comments about whether there would be any benefit of bringing elements of ISO9000 into the governance arrangements, particularly in relation to more a more structured approach to document control. He had also raised with the Head of Planning & Economic Development whether more evidence could be provided in planning reports in relation to environment, habitats and biodiversity, and it was confirmed that this was being followed up with the Development Manager.
- 25.4 Cllr Gray endorsed the comments in relation to ISO9000 and more rigorous document control, and there being more clarity around the governance framework. Cllr Seaborne referred to his suggested amendments, including
- clarifying that the reference to the Property Investment Strategy in paragraph 5.3 was to a revised or updated Strategy; and,
 - 5.4 Other issues, referring to the outstanding issue of looking at the committee Terms of Reference.
- 25.5 Cllr Hyman had registered to speak on the AGS. He stated that he would not be happy with the AGS being signed off with the current wording in relation to Air Quality and the Habitats Regulations, which in his opinion did not address outstanding historical and continuing legal omissions and oversights with regard to process in granting planning permission to Crest Nicholson, and in complying with EU and UK legal judgements. The Chairman expressed some sympathy with Cllr Hyman's concerns; however, these were matters that he had been raising for a great number of years and it was beyond the scope of the Audit Committee to resolve them.
- 25.6 The Audit Committee RESOLVED to approve the Annual Governance Statement 2019/2020, subject to the inclusion of the suggestions from Cllr Seaborne re 5.3 (updated or revised PIS), and p.6 reference to the Committee TOR review being a live issue.

AUD 26/20 CONSIDERATION OF POTENTIAL GOVERNANCE ISSUES (Agenda item 13.)

- 26.1 There were no matters raised by the Committee under this item.

AUD 27/20 REVIEW OF PROGRESS IN THE IMPLEMENTATION OF INTERNAL AUDIT AGREED ACTIONS (Agenda item 14.)

- 27.1 Gail Beaton, Internal Audit Manager, reported on a number of audit actions overdue or falling due by the end of September. These related to the Internal Audits on Planning Enforcement, Community Infrastructure Levy, Planning Fee Income, and Management of Major Construction Projects.
- 27.2 The Committee recognised the difficult conditions over recent months, and asked that there be a full update and explanation of progress at the next meeting, and a request for a time extension if necessary.

AUD 28/20 REVIEW OF THE PROGRESS IN ACHIEVING THE INTERNAL AUDIT PLAN
(Agenda item 15.)

- 28.1 Gail Beaton presented the progress report on the Internal Audit Plan. There had been a slow start due to the impact of Covid-19 on working arrangements, and the intention was to review the Plan with the contractor before the next Audit Committee meeting in November in order to bring forward any recommendations to amend the Plan or defer planned audits to 2021/22.
- 28.2 The Committee noted that working with the internal audit contractor remotely had sometimes been challenging, and documentation had not always been readily available in a format that could be sent to them. So, there had sometimes been delays, but nothing insurmountable with a little patience and co-operation on all sides.
- 28.3 The Committee noted the progress report, and that a further update would be brought to the November meeting.

AUD 29/20 AUDIT COMMITTEE RECURRENT ANNUAL WORK PROGRAMME (Agenda item 16.)

- 29.1 The Committee noted the updated recurrent annual work programme.

The meeting commenced at 7.00 pm and concluded at 9.25 pm

Chairman

Audit Action Log / Forward Programme					
Date of Meeting	Outstanding Actions	Owner	Date Due	Outcome/Progress/Comment	Complete
02/03/2020	Review of the governance aspects of the Property Investment Strategy	Graeme Clark	TBC	The PFH for Finance, Assets & Commercial Services had advised the VFM O&S Committee that the Property Investment Strategy was being reviewed, given the current challenging market conditions and the council's financial situation. The Committee agreed to discuss this further at their next off-line meeting on risk issues.	
20/07/2020	Share findings of the AQ investigation with Managers	Gail Beaton	TBC		
20/07/2020	Report back on IA review re positions with sole responsibility for providing data to third parties	Gail Beaton	March 2021	Internal Audit review scheduled for Q3/4.	
14/09/2020	Risk Management update	Peter Vickers	October 2020	Informal meeting for Audit Committee Members on the Risk Register (including	
14/09/2020	Review of Audit Action Plan (Appendix A) to ensure recommendations have been addressed.	Peter Vickers	March 2021		

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Southern Internal Audit Key Stakeholder Board

Briefing Note

Date considered:	09 October 2020	Item: 2
Title:	External Quality Assessment – Final Report	

Contact name: Neil Pitman, Head of Southern Internal Audit Partnership

Tel: 07719 417233

Email: Neil.pitman@hants.gov.uk

1. Executive Summary

The purpose of this paper is to present the outcome of the recent external quality assessment of the Southern Internal Audit Partnership against the IPPF, PSIAS and LGAN required as part of the Standards (*Attribute Standard 1312 – External Assessment*).

2. Background

The Accounts and Audit (England) Regulations 2015 – S5 state:

‘(1) A relevant body must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.’

The Public Sector Internal Audit Standards and the Local Government Application Note together comprise *‘internal auditing standards and guidance’* as referenced in the Regulations.

The Public Sector Internal Audit Standards require the Head of the Southern Internal Audit Partnership to develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit service including provision for both internal and external quality assessments.

An external quality assessment is required to be undertaken every five years by an independent assessment team from outside of the organisation. The last external assessment of the Southern Internal Audit Partnership (SIAP) was completed in October 2015 by the Institute of Internal Auditors (IIA).

As agreed at the Key Stakeholder Board (October 2019) the IIA would again be commissioned to undertake a further external assessment of the SIAP during 2020.

The external assessment was completed during 4th – 11th September 2020. The review included a thorough validation of the SIAP's self-assessment, a significant number of interviews with key stakeholders across our partner and client organisations, SIAP team members, as well as an extensive customer survey.

3. Conclusion

The external assessment concluded that the Southern Internal Audit Partnership conform to all aspects of the International Professional Performance Framework, Public Sector Internal Audit Standards and Local Government Application Note.

In assessing the SIAP against the IIA's Maturity Matrix, the assessors concluded that the SIAP team are:

Excellent in their:

- Reflection of the Standards
- Focus on performance, risk and adding value
- Quality Assurance and Improvement Programme

Good in their:

- Operating with efficiency
- Coordinating and maximising assurance

The External Assessors did present a number of improvement opportunities for the partnership. Whilst these are not issues of conformance with the IPPF, PSIAS and LGAN, they do have the potential to further strengthen the impact of the internal audit service. An action plan in response to the opportunities raised is detailed at Appendix 2.

Appendix 1 – SIAP External Quality Assessment – Final Report

Appendix 2 – Improvement Opportunities - Action Plan



Setting the standards **together**



Chartered Institute of
Internal Auditors

External Quality Assessment (EQA)

Report for:

Southern Internal Audit Partnership

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**Southern Internal
Audit Partnership**

Assurance through excellence
and innovation

Prepared by John Chesshire, Bethan Jones
and Liz Sandwith
approved reviewers for
The Chartered Institute of Internal Auditors
14 September 2020

www.iaa.org.uk/eqa



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1.1 Background and Scope

The internal audit service provided by Southern Internal Audit Partnership (SIAP) delivers internal audit services to one strategic Partner (Hampshire County Council), 17 key stakeholder partners (including county, district, borough and city councils, police, fire and rescue and related bodies) and 10 external clients.

The Head of Partnership (supported by the Assistant Head) and two Deputy Heads fulfil the Chief Internal Auditor (CIA) roles for their respective client portfolios. They report functionally to Audit Committees in the partner and client organisations. In addition, the Head of Partnership reports strategically to the Key Stakeholder Board.

SIAP seeks to bring together the professional discipline of internal audit across partnering organisations, pooling expertise and enabling a flexible, responsive and resilient service to our partner and client portfolio. To help achieve this, SIAP follows the IIA's Mission for internal auditing and the International Professional Practices Framework (IPPF) and the Public Sector Internal Audit Standards (PSIAS).

The Chartered Institute of Internal Auditors previously undertook an external quality assessment (EQA) of SIAP in 2015. We are delighted that SIAP commissioned us to undertake this current EQA once again.

Our review included a thorough validation of the SIAP's self-assessment, a significant number of interviews with key stakeholders across the partner and client organisations, SIAP team members, as well as an extensive customer survey.

Given the pandemic, we conducted this EQA remotely.

1.2 Key Achievements

SIAP is an established and effective internal audit service, valued by key stakeholders in its partner and client organisations.

The governance framework over SIAP is mature, with a well-established Key Stakeholder Board and Audit Committee oversight, regular meetings, reporting and performance monitoring.

A very experienced Head of Partnership leads the SIAP team, supported by three senior managers. Engagement with key stakeholders is regular and effective, with the Head of Partnership viewed as a trusted, independent and respected leader.

SIAP team members have diverse professional backgrounds, qualifications, experience and skills, making them a flexible and effective service. They can tackle a wide range of assurance, consulting and investigatory challenges. The team also contains IT audit and counter fraud specialists. The Head of Partnership could procure additional external support if needed through a budget for co-sourcing. SIAP operates a matrix management approach to team operation and deployment.

Our stakeholder survey results were also positive. Individual comments were very supportive, with very few areas for improvement identified. We also received positive responses to our questions from the key stakeholders we interviewed. Individuals particularly welcomed the SIAP team's overall professionalism, objectivity, engagement, planning and reporting. Suggested areas for improvement were minimal.

The team's Audit Charter is comprehensive, up to date and supported by an appropriate internal audit methodology. The team have developed and delivered annual risk-based audit plans for each of their clients and are moving to a more flexible quarterly

approach. Key stakeholders are actively engaged in the design of these plans. The SIAP team document progress and the Head of Partnership and senior colleagues report on this at regular Audit Committee meetings.

SIAP managers actively monitor performance, the Head of Partnership measures and reports on a small number of KPIs, and a thorough, documented Quality Assurance and Improvement Programme is in place. The team make good use of MKI audit management software. They are also making progress on implementing a more data analytics-driven approach to some internal audit engagements but acknowledge that they need to undertake more work in this area.

We believe that the supporting operational SIAP team processes, documentation and associated templates are fit for purpose. SIAP managers have detailed these in a variety of key documents.

Our file reviews showed appropriate compliance with the team's methodology and evidence of appropriate scope, objectives, testing, evidence, supervision and review.

1.3 EQA Assessment Conclusion

We are pleased to report that the SIAP team meet each of the Standards, as well as the Definition, Core Principles and the Code of Ethics, which form the mandatory elements of the Public Sector Internal Audit Standards (PSIAS) and the Institute of Internal Auditors' International Professional Practices Framework (IPPF), the globally recognised standard for quality in Internal Auditing.

To summarise, we are delighted to report that the SIAP team are excellent in their:

- Reflection of the Standards
- Focus on performance, risk and adding value
- Quality Assurance and Improvement Programme

We believe that the SIAP team are good in their:

- Operating with efficiency
- Coordinating and maximising assurance

In conclusion, this is an excellent result and the Head of Partnership and SIAP team should be justifiably proud of their service, its approach, working practices and how key stakeholders' value it.

It is therefore appropriate for the function to say in reports and other literature 'Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing'.

1.4 Conformance Opinion

The mandatory elements of the IPPF include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards.

There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles.

It is our view that the Southern Internal Audit Partnership conforms to all 64 of these principles. This is summarised in the table below.

Summary of Conformance	Standards	Generally Conforms	Partially Conforms	Does not conform	Not relevant	Total
Definition of IA and Code of Ethics	Rules of conduct	12				12
Purpose	1000 - 1130	8				8
Proficiency and Due Professional Care (People)	1200 - 1230	4				4
Quality Assurance and Improvement Programme	1300 - 1322	7				7
Managing the Internal Audit Activity	2000 - 2130	12				12
Performance and Delivery	2200 - 2600	21				21
Total		64				64

As a result, we make no formal recommendations for improvement.

We have also reviewed SIAP conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN). We are pleased to report that SIAP conform with all relevant, associated elements.

The Chartered Institute regards conformance to the IPPF as the foundation for effective internal audit practice. However, our EQA reviews also seek feedback from key stakeholders and we benchmark each function against the diversity of professional practice seen on our EQA reviews and other interviews with heads of internal audit, summarised in an internal audit maturity matrix.

We then interpret our findings into suggestions for further development based upon the wide range of guidance published by the Chartered Institute.

It is our aim to offer advice and a degree of challenge to help internal audit activities continue their journey towards best practice and excellence.

In the following pages we present this advice in three formats:

- A SWOT analysis to recognise the accomplishments of the team and to highlight potential threats and opportunities for development. [\(See 2.1\)](#)
- A matrix describing the key criteria of effective internal audit, highlighting the level SIAP has achieved and the potential for further development, recognising that effective internal audit goes further than purely conformance with internal auditing standards. [\(See 2.2\)](#)
- A series of improvement opportunities and suggestions which the internal audit team could use as a basis for an action plan. [\(See 2.3\)](#)

2.1 SWOT Analysis

What works well (Strengths)

- An experienced, diverse and professional team, with a broad mix of qualifications, backgrounds and specialisms, including IT and counter fraud
- The Head of Partnership is well-respected, independent, confident and knowledgeable
- Move to quarterly planning demonstrates greater agility and responsiveness to a volatile, changing environment
- Very positive staff and stakeholder survey results
- The 'added value' section in the internal audit reports usefully highlights good practice and improvement opportunities
- Training and Development Plan developed, particularly in response to recruitment and expansion. Well-received training sessions delivered at the start of the pandemic
- SIAP governance is clearly documented (Charters, Plans, Audit Methodology and flowcharts, the QAIP etc.) and the audit methodology, including action follow up, works well
- Client relationship management - effective relationships with key stakeholders, both councillors and officers
- Stakeholders value the sharing of best practice and emerging issues across the sector and between organisations

What could be done better (Weaknesses)

- Lengthy elapsed time for some internal audit engagements

What could deliver further value (Opportunities)

- Virtual/remote working 'lessons learned' and implementation, coupled with a more agile-focused mindset
- Progressing the implementation of enhanced data analytics would enable more comprehensive testing and reliable, insightful conclusions and reporting
- MKI Upgrades likely to enhance functionality and improve the internal audit methodology and working practices, potentially including automated action tracking and reviewer sign off
- Further emphasis on assurance mapping, coupled with placing reliance on assurance providers in the second line
- Continue with the ongoing development of quarterly planning enabling new business areas, emerging areas of risk and changing business processes are adequately
- Increasing visibility and awareness of SIAP by an appropriate presence on each partner website and/or intranet site
- Increased sharing of lessons, benchmarking and good practice would demonstrate further added value
- The Staff Survey highlighted some desire for improved intra-team communications and better celebration of success. Communication of successes from internal audit engagements could be motivational and help embed lessons and good practices across the wider SIAP service
- Rotating managers more frequently between clients can ensure fresh perspectives and help avoid over-familiarity

What could stand in your way (Threats)

- Partner and client funding cuts would threaten internal audit delivery, resourcing, resilience and the ability of the Head of SIAP to provide evidence-based annual opinions
- Client data quality may limit the opportunity to benefit from enhanced data analytics
- Second line functions may need to mature more fully. Unless this happens, the SIAP team will be unable to place further reliance on them, or coordinate their work more effectively, with them
- Excessive staff turnover and unfilled vacancies, could threaten service delivery
- A potential second wave of COVID could impact service delivery - not everything can be audited remotely - and threaten the ability of the CIA to deliver an annual opinion

2.2 Internal Audit Maturity Matrix

Assessment	IIA standards	Focus on performance, risk and adding value.	Coordination and maximising assurance	Operating with efficiency	Quality Assurance and Improvement Programme
Excellent	Outstanding reflection of the IIA standards, in terms of logic, flow and spirit. Generally Conforms in all areas.	IA alignment to the organisation's objectives, risks and change. IA has a high profile, is listened to and is respected for its assessment, advice and insight.	IA is fully independent and is recognised by all as the 3rd line. The work of assurance providers is coordinated with IA reviewing reliability of.	Assignments are project managed to time and budget using tools/techniques for delivery. IA reports are clear, concise and produced promptly.	Ongoing efforts by IA team to enhance quality through continuous improvement. QA&IP plan is shared with, and approved by, AC.
Good	The IIA Standards are fully integrated into the methodology – mainly Generally Conforms.	Clear links between IA engagement objectives to risks and critical success factors, with some acknowledgement of the value-added dimension.	Coordination is planned at a high-level around key risks. IA has established formal relationships with regular review of reliability.	Audit engagements are controlled and reviewed while in progress. Reporting is refined regularly, linking opinions to key risks.	Quality is regarded highly, includes lessons learnt, scorecard measures and customer feedback with results shared with AC.
Satisfactory	Most of the IIA Standards are found in the methodology, with scope to increase conformance from Partially to Generally Conform in some areas.	Methodology requires the purpose of IA engagements to be linked to objectives and risks. IA provides advice and is involved in change, but criteria and role require clarity.	The 3 lines model is regarded as important. Planning of coordination is active and IA has developed better working relationships with some review of reliability.	Methodology recognises the need to manage engagement efficiency and timeliness, but further consistency is needed. Reports are informative and valued.	Clear evidence of timely QA in assignments with learning points and coaching. Customer feedback is evident. Wider QA&IP may need formalising.
Needs improvement	Gaps in the methodology with a combination of Non-conformances and Partial Conformances to the IIA Standards.	Some connections to the organisation's objectives and risks, but IA engagements are mainly cyclical and prone to change at management request.	The need to coordinate assurance is recognised but progress is slow. Some informal coordination occurs but reviewing reliability may be resisted.	Multiple guides that are slightly out of date and form a consistent and coherent whole. Engagements go beyond deadline and a number are deferred.	QC not consistently embedded across the function. QA is limited / late or does not address root causes.
Poor	No reference to the IIA Standards, with significant levels of non-conformance.	No relationship between IA engagements and the organisation's objectives, risks and performance. Many audits are ad hoc.	IA performs its role in an isolated way. There is a feeling of audit overload, with confusion about what various auditors do.	Lack of a defined methodology with inconsistent results. Reports are usually late with little perceived value.	No evidence of ownership of quality by the IA team.

2.3 Improvement Opportunities

This section of the report details additional feedback and observations which, if addressed, could strengthen the impact of Internal Audit. These observations are not conformance points but support Internal Audit's ongoing development.

These suggestions do not require a response; they will not form part of any subsequent follow up if undertaken.

Opportunity A

Elapsed time on internal audit engagements - there is a long, elapsed time from start to finish for some of the engagements carried out across the partner organisations. There is no single reason for this, but SIAP economy, efficiency and effectiveness would be improved if elapsed time was reduced. The Head of Partnership and the SMT have recognised this as an area for improvement and will explore more agile ways of working and assess good practices employed across the SIAP team to help reduce this.

Suggestion: We believe that the Head of Partnership and the SMT could usefully revisit SIAP engagement delivery to better assess the root causes of delays, and pilot solutions. Potential solutions may certainly include employing a more agile 'site audit' approach and mindset on some engagements, deploying task-based teams on specific engagements (rather than solo personnel), closer engagement with the audit client to ensure availability for short duration intense engagements, or undertaking additional identical audits using the same team members across several partner organisations, to increase pace and efficiency. We support the intention to focus on improving this area.

Opportunity B

Data Analytics - the SIAP team have begun to employ data analytics in relevant assurance engagements but have been hampered by poor quality data in some areas to date. The Head of Partnership and the SMT want to expand the use of data analytics and recognise the benefits this will bring the service.

Suggestion: We believe that the Head of Partnership and the SMT should consider how best to increase and embed the use of data analytics more rapidly across SIAP to enhance the depth and breadth of assurances provided. Some leading internal audit teams have moved to a methodology position of having to justify why data analytics should not be employed on an engagement. The expectation is that use of data analytics is the default position for every engagement. Other internal audit teams have developed a strategy covering a roadmap to roll out and embed a data analytics capability and mindset over a three-year horizon.

Opportunity C

Audit Management Software - The SIAP team are currently awaiting further enhancements to their MKI software application.

Suggestion: We believe that team efficiency could be further enhanced if they requested an upgrade to the way in which evidencing management review of audit work occurs, perhaps through working paper 'date stamp' functionality. We found the current review process to be cumbersome and time-consuming. Additionally, to further ongoing initiatives to automate the action tracking process, seek to enable the system to automatically email action owners at regular intervals. This would also enhance team efficiency and reduce the need for manual intervention.

Opportunity D

Remote working and the future - what the internal audit working environment of the future will look like is unclear. The extent to which a mixed economy of office and remote working is here to stay is uncertain. However, the SIAP team have responded well to pandemic-driven changes, and a comment in the recent staff survey highlights that "in terms of flexible working, the strategy is being completed collaboratively in consultation with staff". Whatever happens, pressure on the SIAP's key stakeholders, managers and staff is likely to increase, available time will decrease and this may challenge aspects of the internal audit process and relationships.

Suggestion: We believe that the Head of Partnership and the SMT could usefully undertake a lessons learned review of what has worked well over the last six months, where improvements are required, what the key 'ways of working' learning points are and how the SIAP approach, ethos and methodology may need to adapt to ensure continued stakeholder buy-in, effective relations, the acceptance of the need for internal audit engagements and the timely implementation of any ensuing actions, in a changed and challenging environment.

Opportunity E

Coordination and reliance on other assurance providers - further emphasis on assurance mapping, coupled with placing reliance on assurance providers in the second line (where it is right to do so) may increase the effectiveness of assurances to senior management and the audit committee(s).

Suggestion: We believe that the Head of Partnership should continue to develop a robust, reliable and value-adding approach to assurance mapping and reliance, to enhance efficiency and effectiveness.

Opportunity F

Periodic Planning - the move to a more flexible and responsive quarterly planning, engagement allocation and delivery model is a welcome development and appropriate for the current volatile and changing environment.

Suggestion: We support the Head of Partnership in continuing to ensure that new business teams, innovative or revised services, emerging areas of risk and changing partner and client governance, strategies and delivery models are adequately covered in the SIAP risk assessment and reflected in these quarterly internal audit plans. This will help ensure the team remain insightful, proactive, and future-focused, providing professional assurance over new and emerging areas of organisational risk. Continued oversight of evolving areas of internal audit practice from research, networking and professional events will assist this approach.

The following rating scale has been used in this report:

Generally Conforms (GC)	<p>The reviewer has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual Standard or element of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformance to a majority of the individual Standards or elements of the Code of Ethics, and at least partial conformance to the others, within the section/category. There may be significant opportunities for improvement, but these must not represent situations where the activity has not implemented the Standards or the Code of Ethics, has not applied them effectively, or has not achieved their stated objectives. As indicated above, general conformance does not require complete/perfect conformance, the ideal situation, successful practice, etc.</p>
Partially Conforms (PC)	<p>The reviewer has concluded that the activity is making good-faith efforts to comply with the requirements of the individual Standard or element of the Code of Ethics, section, or major category, but falls short of achieving some major objectives. These will usually represent significant opportunities for improvement in effectively applying the Standards or Code of Ethics and/or achieving their objectives. Some deficiencies may be beyond the control of the activity and may result in recommendations to senior management or the board of the organisation.</p>
Does Not Conform (DNC)	<p>The reviewer has concluded that the activity is not aware of, is not making good-faith efforts to comply with, or is failing to achieve many/all of the objectives of the individual Standard or element of the Code of Ethics, section, or major category. These deficiencies will usually have a significant negative impact on the activity's effectiveness and its potential to add value to the organisation. They may also represent significant opportunities for improvement, including actions by senior management or the board.</p>

Often, the most difficult evaluation is the distinction between general and partial. It is a judgement call keeping in mind the definition of general conformance above. The reviewer must determine if basic conformance exists. The existence of opportunities for improvement, better alternatives, or other successful practices does not reduce a "generally conforms" rating

Stakeholder Interviews

We interviewed the following individuals as part of the review. We also sent out stakeholder surveys to 38 senior managers and Audit Committee members across the partner organisations. We are pleased to have received 19 completed survey responses from the 38 requests. We have shared the anonymised survey results with the Head of Partnership.

Stakeholders	Title / position	Internal Audit team	Title / position
Cllr Nigel Dennis	Chair Regulation, Audit and Accounts Committee, West Sussex County Council	Neil Pitman	Head of Partnership
Gill Kneller	Chief Executive, Havant Borough Council and East Hampshire District Council	Karen Shaw	Deputy Head of SIAP
Cllr Margot Power	Chair Audit Committee, Winchester City Council	Nat Jerams	Assistant Head of SIAP
Katharine Eberhart	Director Finance and Support Services, West Sussex County Council	Ant Harvey	Deputy Head of SIAP
Melvyn Neate	Chair, Hampshire Joint Audit Committee	Abbas Alimohamed	Auditor
Nick Gray	Deputy Chief Executive and S151 Officer, Mole Valley District Council	Chris Benn	Senior Auditor
Cllr Allan O'Sullivan	Chair Audit Committee, New Forest District Council	Bev Davies	Audit Manager
Carolyn Williamson	Director of Resources and Deputy Chief Executive (S151), Hampshire County Council		
Paul Burden	Chair, Sussex Joint Audit Committee		

Lydia Morrison	S151 Officer, Havant Borough Council and East Hampshire District Council
John Coughlan	Chief Executive, Hampshire County Council
Cllr Keith Evans	Chair Audit Committee, Hampshire County Council
Richard Croucher	Chief Finance Officer, Hampshire Constabulary and Deputy Chief Finance Officer Hampshire Fire and Rescue Authority
Pat Main	S151 Officer, Reigate and Banstead Borough Council
Bob Jackson	Chief Executive, New Forest District Council
Elaine Jackson	Acting Chief Executive, Tandridge District Council
Cllr Briggs	Chair of Governance, Audit and Finance Board, Havant Borough Council
Lisa Kirkman	Strategic Director Resources, Winchester City Council

Acknowledgement

We would like to thank the SIAP team for their time, assistance and support during this review and all those who took part in the review for their co-operation together with their open and honest views.

Feedback from stakeholder interviews and surveys

Working with the business

“The service is very proactive and accessible. They keep me regularly informed of progress and any issues they have”. Stakeholder Survey feedback.

“The SIAP team have a very good relationship with the senior management team - this makes life so much easier when issues arise”. Stakeholder interview.

“The team are proactive and responsive”. Stakeholder interview.

“Those being audited feel that SIAP are undertaking the audit ‘with’ them not ‘to’ them”. Stakeholder interview.

Communication

“Their reports are about right – clear, straightforward and an appropriate length”. Stakeholder interview.

“The team are exceptionally professional, and sensitive, and have developed confidence in the staff, which ensures the accuracy of the audit is underpinned”. Stakeholder Survey feedback.

“They deliver good, professional presentations to the Executive Board”. Stakeholder interview.

“It is very apparent in Audit Committee meetings that Neil is a very independent voice”. Stakeholder interview.

“SIAP engagement reports are short, sharp and to the point”. Stakeholder interview.

“The SIAP lead is knowledgeable, experienced and briefs the committee clearly and constructively”. Stakeholder interview.

Internal audit plans and coverage

“We collectively put together the programme of internal audits and it’s a really useful management tool for us”. Stakeholder interview.

“If we have any cause for alarm, they are very responsive and will do deep dives where necessary”. Stakeholder interview.

“We get sufficient input to internal audit plans and certainly have the opportunity to ask for work”. Stakeholder interview.

“The Audit Committee is fully consulted in developing the plan and has good sight of its evolution and delivery through regular progress reports”. Stakeholder interview.

Value

“We genuinely value the service.” Stakeholder interview.

“I like the fact that they see what is happening in other organisations and share what other local authorities are doing.” Stakeholder interview.

“The staff are all very professional, approachable and are always looking for solutions to issues they come across. This gives me confidence”. Stakeholder Survey feedback.

“The SIAP team work well. I’m very happy. They represent value for money and deliver a good service.” Stakeholder interview.

“I can honestly say SIAP are the best Internal Audit provider I have ever come across.” Stakeholder interview.

“I am happy that the team do try to focus on providing added value at all times”. Stakeholder Survey feedback.

Disclaimer: This review was undertaken in September 2020 by John Chesshire, Bethan Jones and Liz Sandwith on behalf of the Chartered Institute of Internal Auditors. This report provides management and the SIAP Audit Committees with information about Internal Audit as of that date. Future changes in environmental factors and actions taken to address recommendations may have an impact upon the operation of Internal Audit in a manner that this report cannot anticipate.

Considerable professional judgment is involved in evaluating. Accordingly, it should be recognised that others could draw different conclusions. We have not re-performed the work of Internal Audit or aimed to verify their conclusions. This report is provided on the basis that it is for your information only and that it will not be quoted or referred to, in whole or part, without the prior written consent of the Chartered Institute of Internal Auditors.

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WAVERLEY BOROUGH COUNCIL

AUDIT COMMITTEE

09 NOVEMBER 2020

Title:

PROGRESS ON THE IMPLEMENTATION INTERNAL AUDIT AGREED ACTIONS

Lead Councillor: Councillor Peter Marriott, Chairman of the Audit Committee

Head of Service: Graeme Clark, Strategic Director

Key decision: Yes

Access: Public

1. Purpose and summary

- 1.1 To inform the Audit Committee of Senior Management's progress in implementing the agreed actions raised by Internal Audit following a review in their service areas. This report will enable the Committee to consider what action is required in respect of those that are overdue or appear likely to be implemented later than the original agreed implementation date.

2. Recommendation

- 2.1 It is recommended that the Committee considers the information contained in **Annexe 1** and,

following discussion at the Audit Committee meeting identifies any action it wishes to be taken

and

considers the Head of Service(s) justification for a request for a change in the agreed target date for the Management Actions (s) listed in **Annexe 2** and agree an appropriate implementation date(s).

3. Reason for the recommendation

To enable the Audit Committee to be informed of the status of agreed actions accepted by Heads of Service but not yet implemented or progress made to implement by the agreed implementation date.

4. Background

4.1 This report provides the Audit Committee with the latest position regarding the implementation of Internal Audit agreed actions.

5. Relationship to the Corporate Strategy and Service Plan

5.1 A financially sound Waverley, with infrastructure and services fit for the future.

6. Implications of decision

6.1 Resource (Finance, procurement, staffing, IT)

Internal audit work helps management in achieving good value for money and, individual agreed actions may have value for money implications.

6.2 Risk management

There is a risk that where weakness or non-compliance identified as part of audit reviews, if not actioned to strengthen the controls will not assist to prevent the materialising of the risks identified.

6.3 Legal

There are no direct legal implications, although good governance and probity are strengthened by attending to the matters raised in audit agreed actions.

6.4 Equality, diversity and inclusion

There are no direct equality, diversity or inclusion implications in this report. Equality impact assessments are carried out when necessary across the council to ensure service delivery meets the requirements of the Public Sector Equality Duty under the Equality Act 2010.

6.5 Climate emergency declaration

There are no direct implications in this report

7. Consultation and engagement

7.1 Heads of Service

8. Other options considered

8.1 N/A

9. Governance journey

9.1 The minutes of the meeting will be included on the Council agenda.

Annexes:

Annexe 1 – provides the current position on agreed actions due for completion at the end of the month of the Audit Committee date.

Annexe 2 – provides the requests from Heads of Service for changes to previously agreed audit action dates.

Background Papers

There are no background papers, as defined by Section 100D (5) of the Local Government Act 1972).

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Agreed and signed off by:
Legal Services: 14/10/2020
Head of Finance: 12/10/2020
Strategic Director: 16/10/2020
Portfolio Holder: N/A



Agreed Internal Audit Actions overdue or due within the end of the month after the AC 30 November 2020





Generated on: 23 October 2020



Action Status	
	Cancelled
	Overdue; Neglected
	Unassigned; Check Progress
	Not Started; In Progress; Assigned
	Completed



Head of Service Ellwood, Zac

IA20/08.001 Target Response Times						
Action Code & Description	Monitoring of response targets against those highlighted in the Enforcement Plan for the 3 priorities are not currently measured or reported: Priority One – Major – First contact or site visit within 1 working day from receipt of complaint Priority Two – Medium – First contact or site visit within 5 working days from receipt of complaint Priority Three – Low – First contact or site visit within 10 working days from receipt of complaint				Exit Meeting Date	15-Jan-2020
					Due Date	30-Jun-2020
Risk Level	Medium Priority				Risk RAG	
Audit Report Code and Description	IA20/08 Planning Enforcement					
Agreed Action	1.1 The measuring of response times to be incorporated into the incoming new Horizon programme that replaces ILAP. 1.2 The information for reporting will be available on request from the new Horizon programme that replaces ILAP. Risk - Performance issues may not be identified. (ZE)					
Status		Overdue	Progress	0%	Head of Service	Zac Ellwood
All Notes						



IA20/08.002 Out of Date Enforcement Plan						
Action Code & Description	There has been six years of operations since the Enforcement Plan was issued. Elements of the plan relating to key performance indicators and proactive working are out of date and no longer reflect operational activity.				Exit Meeting Date	15-Jan-2020
					Due Date	31-Jul-2020
Risk Level	Medium Priority				Risk RAG	
Audit Report Code and Description	IA20/08 Planning Enforcement					
Agreed Action	To update and agree the Local Planning Enforcement Plan Risk - Key policy document may be out of date and not reflect current operations. (ZE)					
Status		Overdue	Progress	0%	Head of	Zac Ellwood



					Service	
All Notes						



IA20/14.001 CIL Guide						
Action Code & Description	The Council has published a CIL Guide and FAQs on its website to ensure the planning applicants are made aware of what is required by the CIL Regulations. This document was updated in December 2018.				Exit Meeting Date	01-Apr-2020
	<p>However, changes to the CIL Regulations were implemented from 1st September 2019, and these have not been incorporated into the guidance. This includes:</p> <ul style="list-style-type: none"> . Form 0 Additional information has now become Form 1 - the link in the WBC guidance goes to the correct form . Form 1 Assumption of liability has now become Form 2 - the link in the WBC guidance goes to the Planning Portal where the correctly numbered form is listed. . Form 2 Relief for Charitable purposes and/or Social Housing has now become Form 10 - the link in the WBC guidance goes to the Planning Portal where the correctly numbered form is listed. . If no commencement notice is received prior to the development being commenced this no longer results in any relief having been granted being lost, instead the surcharge only applies. <p>Risk: Potential planning applicants could find the inconsistencies confusing.</p>				Due Date	01-Jun-2020
Risk Level	Medium Priority				Risk RAG	
Audit Report Code and Description	IA20/14 Community Infrastructure Levy					
Agreed Action	Update the CIL Guide and FAQs to align with the changes within the most recent amendments of the CIL Regulations and the CIL NPPG.					
Status		Overdue	Progress	0%	Head of Service	Zac Ellwood
All Notes						



IA20/17.001.1 Reconciliation						
Action Code & Description	From our discussion with Planning and Accountancy teams, we noted that an overall reconciliation process does not take place between planning income received and that which is logged in the planning system, ILAP, and planning income recorded in the accounts.				Exit Meeting Date	16-Jun-2020
	Such a process being in place would better enable the Council to demonstrate that income received is accurately reflected and would give additional reassurance to that effect.				Due Date	03-Aug-2020
Risk Level	Medium Priority				Risk RAG	
Audit Report Code and Description	IA20/17 Planning Fee Income					
Agreed Action	Initiate reconciliation process using current systems.					
Status		Overdue	Progress	0%	Head of Service	Zac Ellwood; Peter Vickers
All Notes						



IA20/17.001.2 Functionality of the new Planning Database						
Action Code & Description	From our discussion with Planning and Accountancy teams, we noted that an overall reconciliation process does not take place between planning income received and that which is logged in the planning system, ILAP, and planning income recorded in the accounts.				Exit Meeting Date	16-Jun-2020
	Such a process being in place would better enable the Council to demonstrate that income received is accurately reflected and would give additional reassurance to that effect.				Due Date	31-Aug-2020



Risk Level	Medium Priority				Risk RAG	
Audit Report Code and Description	IA20/17 Planning Fee Income					
Agreed Action	Development of new Planning database to ensure an automatic process is available.					
Status		Overdue	Progress	0%	Head of Service	Zac Ellwood
All Notes						



Action Code & Description	IA20/17.002.1 Market Information					
	Budgets were set, within the last few years, based on a consistently increasing housing market and using the assumption that status quo would apply to planning activity regardless of outside events which had direct effects on consumer confidence in the past.				Exit Meeting Date	16-Jun-2020
	Analysis of the market behaviour might, in future, inform a different outcome in terms of budget setting, and in turn mitigate the risk of setting too ambitious or too small an income target.				Due Date	30-Sep-2020
Risk Level	High Priority				Risk RAG	
Audit Report Code and Description	IA20/17 Planning Fee Income					
Agreed Action	Inclusion of market information in the next budget review.					
Status		Overdue	Progress	0%	Head of Service	Zac Ellwood
All Notes						



Action Code & Description	IA20/17.002.2 Recording of pre application advice					
	Budgets were set, within the last few years, based on a consistently increasing housing market and using the assumption that status quo would apply to planning activity regardless of outside events which had direct effects on consumer confidence in the past.				Exit Meeting Date	16-Jun-2020
	Analysis of the market behaviour might, in future, inform a different outcome in terms of budget setting, and in turn mitigate the risk of setting too ambitious or too small an income target.				Due Date	30-Sep-2020
Risk Level	Medium Priority				Risk RAG	
Audit Report Code and Description	IA20/17 Planning Fee Income					
Agreed Action	Record pre-application advice on larger applications likely to be supportable.					
Status		Overdue	Progress	0%	Head of Service	Zac Ellwood
All Notes						



Action Code & Description	IA20/17.002.3 Development Timescales					
	Budgets were set, within the last few years, based on a consistently increasing housing market and using the assumption that status quo would apply to planning activity regardless of outside events which had direct effects on consumer confidence in the past.				Exit Meeting Date	16-Jun-2020
	Analysis of the market behaviour might, in future, inform a different outcome in terms of budget setting, and in turn mitigate the risk of setting too ambitious or too small an income target.				Due Date	30-Sep-2020
Risk Level	Medium Priority				Risk RAG	
Audit Report Code and Description	IA20/17 Planning Fee Income					
Agreed Action	Discussions with developers and landowners regarding timescales of sites coming forward.					
Status		Overdue	Progress	0%	Head of Service	Zac Ellwood
All Notes						



Action Code & Description	IA20/17.003.1 Planning Reference Number					
	Testing for the approval of refunds, from the ILAP system/documentation held, through to the finance system, Agresso, was completed on a reduced scale due to the inability of the ILAP system to run a report specifically on refunds. However, from filing completed earlier in the 2019/2020 financial year, we selected a sample of five refunds. For 2/5 we were unable to confirm that the request had approval for refund and we were also unable to confirm the date that the refund was requested in order to check it had been issued both appropriately and in a timely manner. Where refunds are issued it is important to retain an audit data trail and document authorisations, timings and reasons for refunds being made. For example, including an appropriate planning reference on Agresso payment records alongside. Risk: Risk of loss of income				Exit Meeting Date	16-Jun-2020
Risk Level	High Priority				Risk RAG	
Audit Report Code and Description	IA20/17 Planning Fee Income					
Agreed Action	Discussions with Finance Service over joint procedures to ensure that all records necessary are held on the Planning database and the Finance records hold the Planning reference for refunds.					
Status		Overdue	Progress	0%	Head of Service	Zac Ellwood; Peter Vickers
All Notes						

Action Code & Description	IA20/17.003.2 Planning Procedure Note					
	Testing for the approval of refunds, from the ILAP system/documentation held, through to the finance system, Agresso, was completed on a reduced scale due to the inability of the ILAP system to run a report specifically on refunds. However, from filing completed earlier in the 2019/2020 financial year, we selected a sample of five refunds. For 2/5 we were unable to confirm that the request had approval for refund and we were also unable to confirm the date that the refund was requested in order to check it had been issued both appropriately and in a timely manner. Where refunds are issued it is important to retain an audit data trail and document authorisations, timings and reasons for refunds being made. For example, including an appropriate planning reference on Agresso payment records alongside confirmation of the date of any refund paid would enable such a data trail to be captured.				Exit Meeting Date	16-Jun-2020
Risk Level	High Priority				Risk RAG	
Audit Report Code and Description	IA20/17 Planning Fee Income					
Agreed Action	Update the Planning procedure note.					
Status		Overdue	Progress	0%	Head of Service	Zac Ellwood
All Notes						



Action Code & Description	IA20/17.004.1 Automate payment extraction from portal					
	The interface between the Agresso and ILAP system relies on manual input. It is inevitable that errors will occur from time to time where they might not with a computer system interface. Our review of a sample of 50 found that in terms of the receipt of income: . Two records were unable to be located on ILAP. . Three amounts were recorded incorrectly on ILAP . In three further instances, a record of checks made on income which had been received had not been retained. Whilst the errors were minor in comparison to the amount of income tested, this demonstrates the possibility of errors in recording information, and				Exit Meeting Date	16-Jun-2020
Risk Level	High Priority				Risk RAG	
Audit Report Code and Description	IA20/17 Planning Fee Income					
Agreed Action	Update the Planning procedure note.					
Status		Overdue	Progress	0%	Head of Service	Zac Ellwood
All Notes						

	highlights that staff must remain vigilant when recording income to ensure accuracy of income recording.					
Risk Level	High Priority				Risk RAG	
Audit Report Code and Description	IA20/17 Planning Fee Income					
Agreed Action	Ensure the new Planning Database extracts the payment details directly from the Portal payment to remove manual entry of data.					
Status		Overdue	Progress	0%	Head of Service	Zac Ellwood
All Notes						



	IA20/17.004.2 Spot Checks					
Action Code & Description	The interface between the Agresso and ILAP system relies on manual input. It is inevitable that errors will occur from time to time where they might not with a computer system interface.				Exit Meeting Date	16-Jun-2020
	Our review of a sample of 50 found that in terms of the receipt of income: . Two records were unable to be located on ILAP. . Three amounts were recorded incorrectly on ILAP . In three further instances, a record of checks made on income which had been received had not been retained. Whilst the errors were minor in comparison to the amount of income tested, this demonstrates the possibility of errors in recording information, and highlights that staff must remain vigilant when recording income to ensure accuracy of income recording.				Due Date	31-Aug-2020
Risk Level	High Priority				Risk RAG	
Audit Report Code and Description	IA20/17 Planning Fee Income					
Agreed Action	Ensure the new Planning Database extracts the payment details directly from the Portal payment to remove manual entry of data.					
Status		Overdue	Progress	0%	Head of Service	Zac Ellwood
All Notes						


	IA20/17.004.3 Data on Systems					
Action Code & Description	The interface between the Agresso and ILAP system relies on manual input. It is inevitable that errors will occur from time to time where they might not with a computer system interface.				Exit Meeting Date	16-Jun-2020
	Our review of a sample of 50 found that in terms of the receipt of income: . Two records were unable to be located on ILAP. . Three amounts were recorded incorrectly on ILAP . In three further instances, a record of checks made on income which had been received had not been retained. Whilst the errors were minor in comparison to the amount of income tested, this demonstrates the possibility of errors in recording information, and highlights that staff must remain vigilant when recording income to ensure accuracy of income recording.				Due Date	31-Aug-2020
Risk Level	High Priority				Risk RAG	
Audit Report Code and Description	IA20/17 Planning Fee Income					
Agreed Action	Discuss with the Finance service ways to record more specific data regarding the applicant/site address/Planning reference for incoming payments and refunds on the Finance systems.					
Status		Overdue	Progress	0%	Head of Service	Zac Ellwood; Peter Vickers
All Notes						


Action Code &	IA20/17.004.4 Procedure Notes					
	The interface between the Agresso and ILAP system relies on manual input. It				Exit Meeting	16-Jun-2020



Description	is inevitable that errors will occur from time to time where they might not with a computer system interface.				Date	
	<p>Our review of a sample of 50 found that in terms of the receipt of income:</p> <ul style="list-style-type: none"> . Two records were unable to be located on ILAP. . Three amounts were recorded incorrectly on ILAP . In three further instances, a record of checks made on income which had been received had not been retained. <p>Whilst the errors were minor in comparison to the amount of income tested, this demonstrates the possibility of errors in recording information, and highlights that staff must remain vigilant when recording income to ensure accuracy of income recording.</p>				Due Date	31-Aug-2020
Risk Level	High Priority				Risk RAG	
Audit Report Code and Description	IA20/17 Planning Fee Income					
Agreed Action	Ensure all procedure notes across different teams with the Planning Service that deal with the receipt of money (and refunds of payments) have the exact same procedure for recording the information in the relevant data bases.					
Status		Overdue	Progress	0%	Head of Service	Zac Ellwood
All Notes						

Head of Service Vickers, Peter

Action Code & Description	IA20/17.001.1 Reconciliation					
	<p>From our discussion with Planning and Accountancy teams, we noted that an overall reconciliation process does not take place between planning income received and that which is logged in the planning system, ILAP, and planning income recorded in the accounts.</p> <p>Such a process being in place would better enable the Council to demonstrate that income received is accurately reflected and would give additional reassurance to that effect.</p>				Exit Meeting Date	16-Jun-2020
					Due Date	03-Aug-2020
Risk Level	Medium Priority				Risk RAG	
Audit Report Code and Description	IA20/17 Planning Fee Income					
Agreed Action	Initiate reconciliation process using current systems.					
Status		Overdue	Progress	0%	Head of Service	Zac Ellwood; Peter Vickers
All Notes						

Action Code & Description	IA20/17.003.1 Planning Reference Number					
	<p>Testing for the approval of refunds, from the ILAP system/documentation held, through to the finance system, Agresso, was completed on a reduced scale due to the inability of the ILAP system to run a report specifically on refunds.</p> <p>However, from filing completed earlier in the 2019/2020 financial year, we selected a sample of five refunds. For 2/5 we were unable to confirm that the request had approval for refund and we were also unable to confirm the date that the refund was requested in order to check it had been issued both appropriately and in a timely manner.</p> <p>Where refunds are issued it is important to retain an audit data trail and document authorisations, timings and reasons for refunds being made. For example, including an appropriate planning reference on Agresso payment records alongside.</p> <p>Risk: Risk of loss of income</p>				Exit Meeting Date	16-Jun-2020
					Due Date	31-Aug-2020
Risk Level	High Priority				Risk RAG	
Audit Report Code	IA20/17 Planning Fee Income					

and Description						
Agreed Action	Discussions with Finance Service over joint procedures to ensure that all records necessary are held on the Planning database and the Finance records hold the Planning reference for refunds.					
Status		Overdue	Progress	0%	Head of Service	Zac Ellwood; Peter Vickers
All Notes						

IA20/17.004.3 Data on Systems						
Action Code & Description	The interface between the Agresso and ILAP system relies on manual input. It is inevitable that errors will occur from time to time where they might not with a computer system interface.				Exit Meeting Date	16-Jun-2020
	Our review of a sample of 50 found that in terms of the receipt of income: . Two records were unable to be located on ILAP. . Three amounts were recorded incorrectly on ILAP . In three further instances, a record of checks made on income which had been received had not been retained. Whilst the errors were minor in comparison to the amount of income tested, this demonstrates the possibility of errors in recording information, and highlights that staff must remain vigilant when recording income to ensure accuracy of income recording.				Due Date	31-Aug-2020
Risk Level	High Priority				Risk RAG	
Audit Report Code and Description	IA20/17 Planning Fee Income					
Agreed Action	Discuss with the Finance service ways to record more specific data regarding the applicant/site address/Planning reference for incoming payments and refunds on the Finance systems.					
Status		Overdue	Progress	0%	Head of Service	Zac Ellwood; Peter Vickers
All Notes						

ANNEXE 2

Head of Service Application for extensions to agreed action date/s

Recommendation Ref No	Planning Enforcement IA20/ 08/001 & IA20/08.002
Justification for an extension	AWAITING RESPONSE FROM HEADS OF SERVICE
Head of Planning and Economic Development	Zac Ellwood

Recommendation Ref No	Community Infrastructure Levy IA20/14.001
Justification for an extension	AWAITING RESPONSE FROM HEADS OF SERVICE
Head of Planning and Economic Development	Zac Ellwood

Recommendation Ref No	Planning Fee Income Report IA20/17.001.1, IA20/17.001.2, IA20/17.002.1, IA20/17.002.2, IA20/17.002.3, IA20/17.003.1, IA20/17.003.2, IA20/17.004.1, IA20/17.004.2, IA20/17.004.3, IA20/17.004.4.
Justification for an extension	AWAITING RESPONSE FROM HEADS OF SERVICE
Head of Planning and Economic Development	Zac Ellwood

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WAVERLEY BOROUGH COUNCIL

AUDIT COMMITTEE

09 NOVEMBER 2020

Title:

PROGRESS ON THE INTERNAL AUDIT PLAN FOR 2020-21

Lead Councillor: Councillor Peter Marriott, Chairman of the Audit Committee

Strategic Director: Graeme Clark

Key decision: Yes

Access: Public

1. Purpose and summary

1.1 Purpose and summary of the report.

1.2 The Committee's Terms of Reference include provision for the Committee to approve, monitor and comment on the progress made in the achievement of the Internal Audit Plan. An update on the current position of the Internal Audit Plan 2020-21 are presented for the Audit Committee to note progress being made.

2. Recommendation

It is recommended that the Audit Committee:

1) notes the contents of the Internal Audit Plan 2020-21 progress report as attached in Annexe 1; and

2) endorse the changes to be made in the Internal Audit Plan for 2020-21 to meet current priorities.

3. Reason for the recommendation

To enable the Audit Committee to be informed of the work that has been completed to date to provide them with assurance that the control environment is working as intended focusing on current issues with the resources currently available.

In the current climate it is planned that the Audit Plan remains fluid for the remainder of the year to address any concerns that arise due to the current working environment. It has been necessary to revise some elements of the Audit Plan to meet current requirements these changes are detailed in section 4 of

this report and in section 7 of Annexe 1 to this report.

4. **Background**

4.1 The progress report for 2020-21 Internal Audit Plan is detailed in Annexe 1. The original plan was agreed at the March 2020 Audit Committee. However, there has been a need to review and revise some of the reviews in the plan as priorities change. Detailed below is a summary of the proposed changes which are included in section 7 of the Audit Plan Progress report in Annexe 1 to this report.

Audit Review Topic	Removed from the plan (Days)	Added to the Plan (Days)	Reason for change
Post payment business grant compliance.	10		Finance Service have been provided monthly returns to central government on the verification activities completed for grants administered.
Repair Recharges for Void properties to vacating tenants	10		Defer until 2021-22 Plan as new post not in place until early next year.
Planning – Housing Delivery Process	15		Request to defer re Local Plan 2.
Posts with sole responsibility for a function including preparing data/government returns to third parties (IA)		20	Cross cutting review over all service areas - Management request
Planning Portal - Public Comments (IA)		20	Management Request
Exacom planning income collection		5	Assurance required that income is received and applied accurately to the correct destination
Loans for rent in advance re prevention of homelessness		7	Assurance required that the process completed is in accordance with the council's homelessness responsibilities.
	35	52	

5. **Relationship to the Corporate Strategy and Service Plan**

5.1 A financially sound Waverley, with infrastructure and services fit for the future.

6. Implications of decision

6.1 Resource (Finance, procurement, staffing, IT)

There are no specific financial implications from this report, however, the delivery of the Audit Plan will contribute towards the Council's sound financial and management processes and help ensure sound probity and governance arrangements are in place. Budget information is provided in Section 8 of Annexe 1. Proposed changes to be made to the Audit Plan will be resourced from the original budget allocation.

6.2 Risk management

The reviews included in this plan have been risk assessed as being necessary to provide management with assurance that the controls in place are sufficient to safeguard the authority's assets.

6.3 Legal

The Council must have an operational Audit Plan that covers a period of no more than a year in order to fully comply with the requirements of the Code of Practice issued by CIPFA, which is given mandatory status by the Accounts and Audit Regulations 2015.

6.4 Equality, diversity and inclusion

There are no direct equality, diversity or inclusion implications in this report. Equality impact assessments are carried out when necessary across the council to ensure service delivery meets the requirements of the Public Sector Equality Duty under the Equality Act 2010.

6.5 Climate emergency declaration

There are no direct implications in this report

7. Consultation and engagement

7.1 Heads of Service, Management Board and the Chairman and Vice-Chairman of the Audit Committee were consulted on the content of the proposed draft Audit Plan before being endorsed by the Audit Committee on the 2nd March 2020

8. Other options considered

8.1 N/A

9. Governance journey

9.1 The minutes of the meeting will be included on the next Council agenda.

Annexes:

Annexe 1 – Progress on the Internal Audit Plan for 2020-21

Background Papers

There are no background papers, as defined by Section 100D(5) of the Local Government Act 1972).

CONTACT OFFICER:

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Agreed and signed off by:
Legal Services: 14/10/2020
Head of Finance: 12/10/2020
Strategic Director: 16/10/2020
Portfolio Holder: N/A



Contents:

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1. Role of Internal Audit

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:

‘Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.’

The standards for ‘proper practices’ are laid down in the Public Sector Internal Audit Standards [the Standards – updated 2017].

The role of internal audit is best summarised through its definition within the Standards, as an:

‘Independent, objective assurance and consulting activity designed to add value and improve an organisations’ operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’.

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The Council’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisations’ objectives.

2. Purpose of report

In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Audit Executive is required to provide a written status report to ‘Senior Management’ and ‘the Board’, summarising:

- The status of ‘live’ internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Internal Audit Manager’s annual opinion.

Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. The contractor has adopted the new CIPFA recommended standard terminology and definitions to be used in internal audit engagements across the whole Public sector and for a standard set of opinions and supporting definitions for internal audit service provider to use. This has resulted in minor amendments to those previously used by Southern internal Audit Partnership and adopted by the internal inhouse provision in accordance with best practice.

The recommended CIPFA classifications:-

Substantial A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

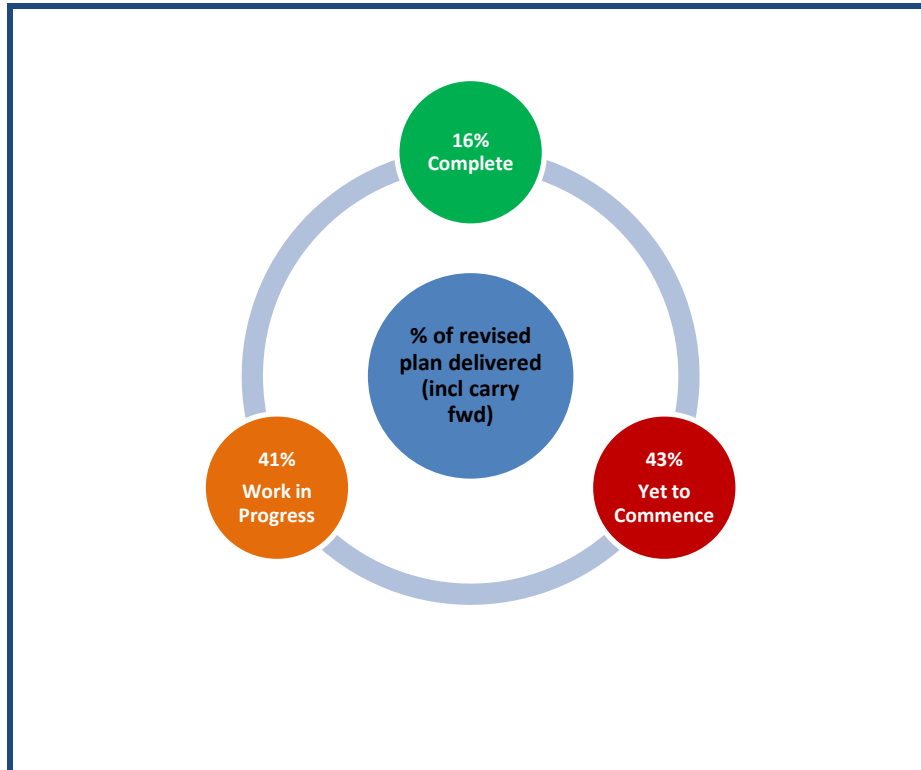
Reasonable There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited

Limited Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited

No Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system

of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

3. Performance dashboard



Compliance with Public Sector Internal Audit Standards



An External Quality Assessment of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2020. The report concluded:

'The mandatory elements of the IPPF include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards. There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles. It is our view that the Southern Internal Audit Partnership conforms to all 64 of these principles. We have also reviewed SIAP conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN). We are pleased to report that SIAP conform with all relevant, associated elements.'

4. Analysis of ‘Completed’ audit plan reviews

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions										
				Total Action Reported	Not Accepted	Not Yet Due	Complete	Overdue Actions						
											Priority			
											L	M	H	
BACS Process	21/10/2021	HOF &P & HOHO	Reasonable	8	0	8	0							
Rent Collection	28/10/2020	HOHO	Reasonable	5		4	1							

HOF&P	<i>Head of Finance and Property - Peter Vickers</i>	HOBT	<i>Head of Business Transformation - David Allum</i>
HOP&G	<i>Head of Policy and Governance - Robin Taylor</i>	HOHO	<i>Head of Housing Operations - Hugh Wagstaff</i>
HOCS&SP	<i>Head of Commercial Services - Kelvin Mills</i>	HOHD&C	<i>Head of Housing Delivery & Communities - Andrew Smith</i>
HOES	<i>Head of Environmental Services - Richard Homewood</i>	HOP&ED	<i>Head of Planning and Economic Development – Zac Ellwood</i>
CEO	<i>Chief Executive - Tom Horwood</i>	SD Director/s	<i>Strategic Directors - Graeme Clark/Annie Righton</i>

5. Planning & Resourcing

The internal audit plan for 2020-21 was approved by the Audit Committee in March 2020.

The audit plan remains fluid to provide a responsive service that reacts to the changing needs of the Council. Section 7 details the reviews that have been added/removed/deferred to the original plan approved by the Audit Committee March 2020. Progress against the plan is detailed below in Section 6. This plan will be delivered within the budget allocated as detailed in Section 8 of this report.

6. Rolling Work Programme

IT programme / Audit Review	Audit Sponsor	Risk	Days	Qtr.	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Comment
INFORMATION TECHNOLOGY											
IT Inventory Control and Licensing for Software (C)	HOBT	H	5	Q3							
APPLICATIONS SYSTEMS IN SERVICE AREAS											
BACS Process(C)	HOF & P AND OTHER HOS	H	5	Q1/2	✓	✓	✓	✓	✓	Reasonable	
Systems Administrator Activities (C)	ALL HOS	H	10	Q3							
KEY FINANCIAL SYSTEM											
Payroll (Deferred from 2019/20) (C)	HOP & G	H	10	Q2/4	✓	✓	✓				
Main Accounting (Deferred from 2019/20) (C)	HOF&P	H	10	Q3/4							

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IT programme / Audit Review	Audit Sponsor	Risk	Days	Qtr.	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Comment
Car Parking Income and PCN Write Offs (C)	HOE& RS	H	10	Q2/4	✓	✓					
Rent Collection (C)	HOHO	H	7	Q1/2	✓	✓	✓	✓	✓	Reasonable	
SERVICE AREAS											
Service Charges - Leasehold Flats(C)	HOS	H	10	Q3/4							
Disability Facilities Grants Private Sector Housing (IA)	HOHD&C	H	10	Q3/4	✓	✓	✓				
Film and Events (C)	HOCS	M	10	Q4							
Planning portal public comments on applications (IA)	HOP&ED	M	20	Q2/3	✓	✓	✓	✓			
Gas Servicing of boilers in council homes (IA)	HOHO	M	5	Q2	✓	✓	✓	✓			
Decant and Demolition of council homes process (C)	HOHO	M	10	Q1/2	✓	✓	✓	✓			
Loans paid for Rent in Advance to	SD	H	7	Q3/4							

IT programme / Audit Review	Audit Sponsor	Risk	Days	Qtr.	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Comment
prevent homelessness (C)											
CORPORATE/CROSS CUTTING											
Compliance monitoring for council owned buildings. (C)	HOF&P	M	7	Q1/2	✓	✓	✓				
Procurement levels with Suppliers (C)	HOF&P	H	10	Q1/2	✓	✓	✓				
Payments process for new housing repairs contractor (C)	HOHO	H	10	Q2/3							
Safeguarding (C)	HOHD&C	H	7	Q3/4							
Health & Safety (C)	HOF&P & HOHO	H	7	Q3/4							
Ethics including Declaration of Interests, gifts and Hospitality (C)	HOG&P	H	10	Q4							
Positions with sole responsibility for a service function including data	Audit Committee	M	20	Q3/4	✓						

IT programme / Audit Review	Audit Sponsor	Risk	Days	Qtr.	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Comment
returns to third parties risk mitigation strategies re – (IA)											
Exacom – CIL income via Agresso (C)	S151 Officer	H	5	Q3	✓						
No of Audit Plan days allocated			205								
Days currently allocated to Southern Internal Audit Partnership			150								
AP Days currently allocated to Internal Audit Manager			55								

7. Adjustments to the Internal Audit Plan

Audit reviews deferred or removed from the 2020-21 Audit plan	
Planning Housing Delivery Monitoring Process (Defer until 2021-22 Plan) (IA)	15 Days
Repair Recharges for Void properties to vacating tenants process (Defer until 2021-22 Plan) (C)	10 Days
Post payment Business Grant compliance (Remove) (C)	10 Days
Total 35 Days	

Audit reviews added to the 2020-21 Audit plan	
Positions with sole responsibility for a service functions including data returns provided to third Parties, what risk mitigation strategies (AC)	20 Days
Planning Portal re Public Comments on Applications (IA)	20 Days
Exacom CIL income collection via Agresso (SD) (C)	5 Days
Loans for rent in advance re prevention of homelessness (C)	7 Days
Total 52 Days	

8. Budget Expenditure to date

Cost Centre R0202 Internal Audit	Budget	Committed/Salaries and NI and service costs.	Remaining Balance at 21/10/2020	Estimated Number of Audit Days Planned to be delivered (Incl IAM)
Total Internal Audit Budget	£151,700	£90,700	£61,000	400 Days

WAVERLEY BOROUGH COUNCIL

AUDIT COMMITTEE

9TH NOVEMBER 2020

Title:

FRAUD INVESTIGATION SUMMARY

Lead Councillor: Councillor Peter Marriott, Chairman of Audit Committee

Strategic Director: Graeme Clark

Key decision: Yes

Access: Public

1. Purpose and summary

The report provides an update to the Committee on the work being completed in investigating fraud, primarily focusing on Housing Tenancy fraud. The report also includes the current outputs in relation to the National Fraud Initiative (NFI)

2. Recommendation

It is recommended that the Audit Committee notes the results of the fraud investigation activity, attached in:-

Annexe 1 for the accumlative period from 1 April 2020 to 30 September 2020 covering Quarter 1 and 2.

3. Reason for the recommendation

To inform the Audit Committee of the work that has been completed to date in relation to fraud investigation matters.

4. Background

- 4.1 This report provides the Audit Committee with an update on the progress being made on fraud investigations. As part of this work we continue to share ideas and information with other Surrey councils and other social housing providers as part of the Surrey Counter Fraud Partnership. The success of the work completed has been supported by the introduction of the Prevention of Social Housing Fraud Act 2013 where the maximum penalty for the offence of acting dishonestly in the subletting/parting with possession of a property is up to 2 years' imprisonment or a fine (or both).

4.2 In the period 1st April 2020 to 30 September 2020, results include 4 properties where the tenancies have been recovered including 1 where the right to buy was stopped and the tenancy was also relinquished.

5. Relationship to the Corporate Strategy and Service Plan

5.1 A financially-sound Waverley, with infrastructure and services fit for the future

6. Implications of decision

6.1 Resource (Finance, procurement, staffing, IT)

The notional value of financial savings detailed in Annexe 1 for the accumulative for 2020-2021 relates to the recovery of 4 properties to the value of £444,000 based on Cabinet Office figures relates directly to housing fraud.

These however are indicative values do not include the real value to Waverley Borough Council, as it costs on average £200,000 to build a new house. Outcomes from this work not only highlight the fundamental financial value of continuing to support the work being carried out but the ethical and social responsibility importance to ensure that only those that qualify for social housing are successful. By securing the return of 4 properties back into housing stock helps Waverley to meet the needs of legitimate housing applicants.

6.2 Risk management

If the authority did not carry out this investigation work it would enable fraudsters to perpetrate fraud against the council and obtain services or financial benefit including housing that they are not entitled to. Protection of council assets.

6.3 Legal

It is the Council's duty to safeguard public funds; the work being completed may incur legal costs where matters escalate to prosecution. However, these costs are far outweighed by the Council's stance that fraud perpetrated against the council and its taxpayers will not be tolerated, and the benefit in pursuing these cases. There are tangible and intangible benefits to the recovery of HRA properties by stopping fraudsters receiving services that they are not entitled to.

The Prevention of Social Housing Fraud Act 2013 contains two offences regarding the sub-letting or parting with possession of properties held under secure tenancies. The first is committed where the tenant no longer occupies the property as their only or principal home and sublets or parts possession of all or part of it in the knowledge that this is in breach of tenancy. A person convicted of this offence is liable on summary conviction to a fine of up to £5,000.

A more serious offence is committed if the tenant acts dishonestly in the subletting/parting with possession. A person convicted of this offence is liable to

imprisonment for a term not exceeding 2 years or a fine (or both).

6.4 **Equality, diversity and inclusion**

There are no direct equality, diversity or inclusion implications in this report. Equality impact assessments are carried out when necessary across the council to ensure service delivery meets the requirements of the Public Sector Equality Duty under the Equality Act 2010.

6.5 **Climate emergency declaration**

There are no direct implications in this report.

7. **Consultation and engagement**

7.1 Head of Housing Operations and the Fraud Investigation Officer

8. **Other options considered**

8.1 N/A

9. **Governance journey**

9.1 The minutes of the Audit Committee will be presented to Council.

Annexe:

Annexe 1 – Provides the analysis of the caseload and accumulative outputs from the Fraud Investigation activity for the period 01/04/2020 to 30/09/2020 covering Quarter 1 and 2.

Background Papers

There are no background papers, as defined by Section 100D (5) of the Local Government Act 1972).

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Position: Internal Audit Manager
Telephone: 01483 523260
Email: gail.beaton@waverley.gov.uk

Agreed and signed off by:
Legal Services: 14/10/2020
Head of Finance: 12/10/2020
Strategic Director: 16/10/2020

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Name of Partner	Waverley
Period 1 and 2 accumulative figures	2

Record of cases investigated in the period covering 01 April 2020 to 30 September 2020

	Cases currently being investigated from previous years	Referrals received since 1 April 2020	Cases Started	Cases closed	Still under investigation	Positive outcomes includes previous years cases	Properties retained by the Council	Properties Handed Back /Recovered	Housing / Homeless/RTB / Succession/Mutual Exchange/Shared ownership application withdrawn	Financial Value	Prosecutions	Other Sanctions
Housing												
Social housing Fraud	5	8	13	6	7	3		3	Tenancy/ies Relinquished	279,000		
Housing Register Fraud	0								Housing Applications Rejected	0		
Homelessness Applications												
Right To Buy/Right To Acquire	4	11	15	14	3	1	1	1	Right to Buy stopped and/or Tenancy Relinquished	165,000		
Mutual Exchange	0								Mutual Exchange denied/rejected	0		
Successions	0	4	4	4					No of Succession/s denied	0		
Recovered properties for others	0									0		
Council Tax Discount												
SPD & LCTRS (As result from Caseload above)												
Student Exemptions												
Disability												
Council Tax Support (benefit)												
Business rates												
NNDR	0									0		
Other (DFG)	0											
NFI exercise **												
2020/21 Total to 30 September 2020.	9	23	32	24	10	4	1	4		444,000		
2019/20 Year Total	18	65	83	73	9	4	0	6		879,976		
2018/19 Year Total	18	54	72	55	17	8	3	4		189,710	0	0
2017/18 Year Total	21*	113	134	117	17	30	13	10		733,930		
2016/17 Year Total	11	127	138	118	20*	32	13	12		688,866		

Value of financial savings Re Cabinet Office savings figures now adopted by partnership 01 April 2019

Tenancy Recovered - £93,000
 Housing/Homeless Application withdrawn - £3,240
 Right To Buy/Right To Acquire withdrawn/terminated - £72,000 per application withdrawn
 Council Tax Discount - Annual value of discount cancelled multiplied by two years

* difference of 1 related to Housing Association property where assistance was provided to recover a property as part of one of our investigations.

** To provide a total of the fraud investigation work that is completed the SCFP are now including the NFI outputs, the majority of these identified above relate to the removal from the housing register.

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Agenda Item 14.

AUDIT COMMITTEE RECURRENT ANNUAL WORK PROGRAMME

Meeting	Item	Action	Responsibility
March 2021	External Audit Plan	Note	External Audit
	Certification Report	Note	External Audit
	Internal Audit Plan	Approve	Internal Audit Manager, Gail Beaton
	Risk Management (if required)	Approve	Head of Finance, Peter Vickers
July 2021	External Audit Findings Report	Note	External audit
	Annual Governance Report	Endorse	External Audit
	Statement of Accounts (Deadline 31/07/2021)	Approve	Head of Finance, Peter Vickers
	Annual Governance Statement (Deadline 31/07/2021)	Approve	Head of Finance and Property, Peter Vickers and Head of Policy and Governance, Robin Taylor
	Annual Internal Audit Report (Activity of previous financial year)	Comment and Note	Internal Audit Manager, Gail Beaton
September 2021	Risk Management (if required)	Approve	Head of Finance and Property, Peter Vickers
	Review Audit Committee's Terms of Reference	Rec to Council, if necessary	Committee Services
	Audit Committee Annual Report	Note	Committee Services
	Internal Audit Charter	Endorse	Internal Audit Manager, Gail Beaton
	External Audit Annual Audit Letter	Note	External Audit
November 2021	Risk Management	Approve	Head of Finance and Property, Peter Vickers
	Annual Governance Statement – Interim Review	Comment and instruct	Head of Finance and Property, Peter Vickers

Please Note: At every meeting the Committee will receive the following reports:

Review of progress in the implementation of Internal Audit Recommendations [To note and instruct];

Review of the progress in achieving the Audit Plan [To note and instruct]; and

Fraud Investigation Summary [To note].

The Work Programme details regular items, but other items can be submitted to each meeting on an ad hoc basis or at the request of the Committee.

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