



WOKINGHAM
BOROUGH COUNCIL

QUARTER 2
INTERNAL AUDIT & INVESTIGATIONS REPORT
2020/21

9 November 2020

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1. PURPOSE OF THE REPORT

1.1 This report provides details of audits finalised, the assurance opinions given, and the number and type of recommendations made. Due to the COVID-19 pandemic and the subsequent amended 2020/21 Plan as agreed at the Audit Committee in September 2020, this report predominately provides the committee with an update on those remaining audits completed and finalised from the 2019/2020 financial year in addition to those completed more recently.

2. ASSURANCE FRAMEWORK

2.1 Each Internal Audit report provides a clear audit assurance opinion. The opinion provides an objective assessment of the current and expected level of control over the subject audited. It is a statement of the audit view based on the work undertaken in relation to the terms of reference agreed at the start of the audit; it is not a statement of fact. The audit assurance opinion framework is set out at Appendix 2.

2.2 The assurance opinion is based upon the initial risk factor allocated to the subject under review and the number and type of recommendations we make. It is management's responsibility to ensure that effective controls operate within their service areas. Follow up work is undertaken on audits providing level 3 or level 4 assurance to ensure that agreed recommendations have been implemented in a timely manner.

3. HIGH LEVEL SUMMARY OF AUDIT FINDINGS

3.1 During the first half of 2020/21 year, it is encouraging to note that there have been no new Category 3 audit opinions.

3.2 A summary of progress made against those audits that have been reported previously to the Audit Committee as Category 3 during the 2019/20 financial year is provided below showing the number of high priority, medium priority and low priority recommendations.

		H	M	L		Assurance
3.3	Equality audit update	4	13	0		2 – “substantial”

- i. Equalities is identified as one of the Council's corporate risks.
- ii. The purpose of the follow-up work was to assess the progress made since the audit fieldwork was conducted in 2019/20. The audit used the LGA Equalities Framework to assess at what level (e.g. developing, achieving, excellent) various aspects of the Council's approach were operating. Working closely with management, follow-up audit work has been ongoing

during the past year and an updated Management Action Plan (MAP) was completed in October 2020. The assurances provided to demonstrate Council wide progress with supporting Equality since the previous audit in 2019/20, have now raised the assurance opinion to a category 2.

- iii. Audit review work will continue in this area to evidence that the strategy and initiatives the Council are adopting with regard to Equality maintain momentum and can be demonstrated as effective.

		H	M	L		Assurance
3.4	Public Health audit update	3	6	0		2 – “substantial”

- i. A Public Health audit was carried out during 2018/19 (finalised April 2019), where a category 3 assurance opinion was given.
- ii. Follow-up audit work has been ongoing since the report was issued and an update position was reported to this Committee on 5th February 2020 (item 63 pages 246/247).
- iii. The original audit report (April 2019) contained 9 Concerns, comprising 3 considered to be High risk and 6 considered to be Medium risk.
- iv. Given the change in the Berkshire wide structure for Public Health this year, 2 of the 3 original High concerns are now considered to have been superseded, however, further assurances through audit follow up work will be sought concerning the new governance framework. A number of the Medium risks (3 of 6) are also considered by management to have reduced to Low risk; again this will be reviewed as part of our follow-up work.
- v. A newly appointed Public Health Consultant has been in place at WBC since August 2020, working closely with the Programme Manager, who have taken significant steps to address the concerns raised. The assurances most recently provided demonstrated considerable progress since the previous audit, which has now raised the assurance opinion to a category 2.

		H	M	L		Assurance
3.5	Risk Management	0	3	0		2 – “substantial”

- i. The purpose of this audit was to provide assurance on the processes and procedures associated with the Council’s Risk Management framework.
- ii. Details of the audit were reported to the September Audit Committee including progress made in implementing the three recommendations. The

Committee is advised that the officer risk management group has now been established, further guidance on risk appetite (as provided in the guidance document signed off by the Committee) has been disseminated to officers, and training for Members is being scheduled for early in the New Year.

4. COUNTER FRAUD

Fraud and Irregularities

4.1 There have been no incidences of material fraud, irregularities or corruption discovered or reported during first half of the year.

4.2 Pro-active work to date this year has included:

- Schools Admissions referrals
- Empty Property Reviews
- Covid-19 Business Support Grants controls

Reactive work to date this year has included:

- Whistleblowing referrals
- 1 disciplinary investigation
- 1 consultancy investigation
- 3 cases were referred by the Housing Team for tenancy fraud resulting in notional savings of £45k.

4.3 In addition, the National Fraud Initiative for 2020/21 is commencing in quarter 3 which is focusing on data matching between various systems.

Regulation of Investigatory Powers Act

4.4 The Investigatory Powers Commissioners' Office undertook Regulation of Investigatory Powers Inspection (RIPA) Inspection of the Council's Policies, Processes and Procedures in December 2019. The inspection was completed remotely and the plan to combine your next inspection with Bracknell and West Berks under the auspices of the Public Protection Partnership. The outcome of the Inspection was that some suggested revisions were made to the Policy and Procedure (some of which are triggered by the introduction of the Investigatory Powers Act - IPA):

4.5 No new investigations have been undertaken during the six months to 30 September 2020 that has required Regulation of Investigatory Powers Act surveillance approval.

5. CONTEXT AND COMPLIANCE

- 5.1 Internal audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes. (Source: Public Sector Internal Audit Standards and Local Government Application Note: Chartered Institute of Public Finance and Accountancy in collaboration with the Chartered Institute of Internal Auditors).
- 5.2 Internal Audit is a statutory requirement for local authorities. There are two key pieces of relevant legislation:
- Section 151 of the Local Government Act 1972 requires every local authority make arrangements for the proper administration of its financial affairs and to ensure that one of the officers has responsibility for the administration of those affairs
 - The Accounts and Audit Regulations 2015 (England) states that "A relevant authority 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"
- 5.3 Internal Audit independence is achieved by reporting lines which allow for unrestricted access to the Chief Executive, the s151 Officer, Directors, and the Chair of the Audit Committee.
- 5.4 The Head of Internal Audit can confirm there have been no restrictions on the scope of internal audit work or reporting of audit findings during the first half of 2020/2021.

Appendix 1 - 2020/21 Internal Audit and Investigation Plan Status (as at 4 Nov 2020)

Audit Title	Timing				Start date	Draft report	Final Report	Recs			Assurance
	Q1	Q2	Q3	Q4				H	M	L	
Payroll			x								
Income/debtors				x							
Payments/creditors				x							
Covid-19 response	x	x									Grant checking/compliance
General ledger				x							
Cash/bank rec				x							
Cashiers				x							
Treasury Management				x							
Housing rents				x							
Benefits/CTRS				x							
CT & NNDR				x							
Capital				x							
Budgetary control				x							
Procurement card			x								
Annual Governance Statement				x							
Risk Management *		x			June 20	Jul 20	Sept 20	0	3	0	Substantially Complete and Generally Effective
Performance Management*		x			Aug 20	Oct 20	Tbc	0	4	1	Draft conclusion - Substantially Complete and Generally Effective
Procurement *		x			Sept 20	Oct 20	Tbc	0	4	0	Draft conclusion - Substantially Complete and Generally Effective
Public Health*		x			Sept 20	Oct 20	Nov 20	N/A	N/A	N/A	Follow-up conclusion - Substantially Complete and Generally Effective

Data Protection*		x			Jul 20	Nov 20	Tbc				Draft conclusion - Substantially Complete and Generally Effective
Equalities (update on 19/20)		x			Aug 20	Oct 20	Nov 20	4	13	0	Substantially Complete and Generally Effective
Corp Governance				x							
Adult Services Governance				x							
Health & Safety				x							
Community Infrastructure Levy (CIL)		x			Aug 20	Nov 20	Tbc				Draft conclusion - Substantially Complete and Generally Effective
Commercial Properties			x								
Local Transport Grants (DfT)		x			Sept 20	Oct 20	Oct 20	0	0	0	Grant certification work
Troubled Families Grants (quarterly)	x	x			Sept 20	Sept 20	Oct 20	0	0	0	Grant certification work

* Follow-up and/or 2019/20 Audit Plan

Appendix 2 – Internal Audit Assurance Levels

Level	Assurance Opinion	Definition
1	Complete and effective	<ul style="list-style-type: none"> All necessary Treatment Measures are in place and are operating effectively. Residual risks have been reduced to an acceptable level There are no unacceptable financial implications. Concerns reported are minor. <p><i>(Risk management processes are strong and controls are adequate and effective).</i></p>
2	Substantially complete and generally effective	<ul style="list-style-type: none"> Most key Treatment Measures are in place and these operate effectively. The majority of residual risks have been reduced to an acceptable level. There are some unacceptable financial implications. The majority of concerns are of a predominately moderate impact/likelihood. <p><i>(Risk management processes are good and controls are adequate although only partially effective).</i></p>
3	Range of Risk Mitigation Controls is incomplete and risks are not effectively mitigated	<ul style="list-style-type: none"> Not all key Treatment Measures are in place and / or do not operate effectively Residual risks have not all been reduced to an acceptable level There are some unacceptable financial implications associated with more than one risk mitigation control or because of a lack of risk mitigation control. There are a number of concerns that are predominantly of a major impact/likelihood. <p><i>(Risk management processes and controls are adequate but not effective in mitigating the identified risks).</i></p>
4	There is no effective Risk Management process in place	<ul style="list-style-type: none"> There are no appropriate Treatment Measures in place. Residual risks remain at an unacceptable level Reported concerns are predominantly of a catastrophic or major impact/likelihood.

		<i>(Risk management processes and controls are weak).</i>
C	Certification	
E	Exempt from classification	