

Report Title:	2020/21 Audit and Investigation Plan – In Year Review
Contains Confidential or Exempt Information?	No - Part I
Meeting and Date:	Audit and Governance Committee, 14 September 2020
Responsible Officer(s):	Andrew Vallance, Head of Finance and Deputy S151 Officer
Wards affected:	None

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## REPORT SUMMARY

The Council's 2020/21 Audit and Investigation Plan details the proposed Internal Audit and Investigation activity and seeks to:

- 1 provide key stakeholders with independent assurance that the risks within the Council's fundamental systems and processes are being effectively and efficiently managed;
- 2 allow the Council to demonstrate it is complying with the relevant legislation and applicable professional standards;
- 3 demonstrate the Council's commitment to good governance and a zero tolerance approach towards fraud and corruption; and
- 4 set out that the Team's resources are being properly utilised.

The originally approved Plan has been updated to refocus and reprioritise audit and investigation activity in light of the impact of the Covid-19 pandemic on the council's control and governance processes, with the aim of providing an overall Head of Audit opinion on these processes at year end.

## 1. DETAILS OF RECOMMENDATION

- i) **RECOMMENDATION: That the Audit and Governance Committee approves the updated 2020/21 Audit and Investigation Plan.**

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

- 2.1 The original 2020/21 Audit and Investigation Plan, ([Appendix A](#)) was approved by the Corporate Overview and Scrutiny Panel on 4 February 2020. This Plan has been reviewed and updated following the impact of the Covid-19 pandemic on both the risk profile of the organisation and the resources to deliver the internal audit and investigation activity.
- 2.2 A consultation draft of the updated Audit and Investigation Plan has been considered and agreed by the Corporate Leadership Team.
- 2.3 Due to the impact of the Covid-19 pandemic on the council, and further to conversations with various other Heads of Internal Audit, and taking into account other advice from professional bodies, we have been carefully considering what we need to achieve in 2020/21 with regards Internal Audit and

Investigation work during these unprecedented times. We are mindful that a proportionate approach to Internal Audit must be taken to allow council staff and Members to focus on the recovery from the Covid-19 crisis and council priorities.

- 2.4 Audit work in Quarters 1 and 2 has seen delays with the commencement of specific audit work being put on hold due to services responding to the impacts of Covid-19. The work of the team has been refocussed and reprioritised and a positive example is in respect of support provided to the Revenues and Benefits and Finance teams in respect of the Business Rate Grants process and associated risk mitigations.
- 2.5 The Shared Audit and Investigation Service (SAIS) is being flexible to support the organisation and responding to new and emerging risks.
- 2.6 The SAIS has responded to the impacts of Covid-19 by adapting its processes to respond to services being delivered remotely and by providing its own service remotely.
- 2.7 As a result of all the above, an In Year Review has been undertaken to determine which areas of internal audit and investigations activity should be deferred during the remainder of this year but in the context of being able to provide adequate assurance over key risk areas and provide an opinion at the end of the year.
- 2.8 The proposed changes to the original Audit and Investigation Plan are included at Appendix A and are highlighted in 'grey'. The changes include some audits to be postponed to 2021/22, some to be amalgamated with other audits and new audit areas which have been identified as high risk.
- 2.9 Several audits are now in progress and the outputs will be reported to the future meetings of this Committee.

## Options

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

<b>Option</b>	<b>Comments</b>
Approve the updated 2020/21 Audit and Investigation Plan.  <b>Recommended</b>	This will ensure that the Council meets its statutory requirements. In addition, the Audit and Governance Committee will comply with its responsibilities as set out within their Terms of Reference.
Approve the updated 2020/21 Audit and Investigation Plan, with amendments.	Members may wish to request that this report be amended / altered if they feel that there are material issues which have not received sufficient emphasis or if there are specific issues the report is deficient in.

Option	Comments
Reject this report.	<p>This may expose the Council to unnecessary risks by not having an adequate internal control framework leading to poor performance and poor outcomes for service users/residents.</p> <p>It may result in a qualification in the External Auditor's Annual Management Letter.</p>

### 3. KEY IMPLICATIONS

**Table 2: Key Implications**

Outcome	Unmet	Met	Exceeded	Significantly Exceeded	Date of delivery
Residents have confidence that public funds are being used economically, efficiently and effectively and that Council assets and interests are being safeguarded from misappropriation / loss.	<p>Failure of the Council to meet its statutory requirements and failure of the Audit and Governance Committee to discharge its responsibilities.</p> <p>Loss of residents' confidence. Council reputation may be affected</p>	<p>Council meets its statutory requirements to provide an adequate and effective internal audit of its accounting records and system of internal control. Audit and Governance Committee discharges its responsibilities.</p> <p>Gain residents' confidence. Council reputation protected</p>	n/a	n/a	31 March 2021
Unqualified External Audit Financial Accounts and Management Letter.	Adverse comment and a qualified External Audit Management Letter if the Council fails to maintain an adequate Internal Audit function.	Unqualified External Audit Management Letter as Council meets its requirements to provide an adequate and effective Internal Audit function.	n/a	n/a	31 March 2021

## 4. FINANCIAL DETAILS / VALUE FOR MONEY

### 4.1 a) Financial impact on the budget

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

### b) Financial Background

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

## 5. LEGAL IMPLICATIONS

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

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

### 5.2 Investigatory activities are carried out under:-

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

## 6. RISK MANAGEMENT

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

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

<b>Risks</b>	<b>Uncontrolled risk</b>	<b>Controls</b>	<b>Controlled risk</b>
Failure to provide assurance that the work of the SAIS properly supports the governance framework and the content of the Annual Governance Statement (AGS) and the requirement for additional External Audit work at an enhanced cost to the Council.	High	Internal audit coverage included as part of the governance assurance framework and informing the AGS.	Low

## **7. POTENTIAL IMPACTS**

7.1 Equalities, GDPR, Sustainability - None.

## **8. CONSULTATION**

8.1 Consultations have been undertaken with Corporate Leadership Team in preparing the updated 2020/21 Audit and Investigation Plan.

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

## **9. TIMETABLE FOR IMPLEMENTATION**

**Table 4: Implementation timetable**

<b>Date</b>	<b>Details</b>
31 March 2021	2020/21 Updated Audit and Investigation Plan

## **10. APPENDICES**

10.1 This report is supported by one appendix:-

- Appendix A – 2020/21 Updated Audit and Investigation Plan

## **11. BACKGROUND DOCUMENTS**

- N/a

## 12. CONSULTATION (MANDATORY)

Name of consultee	Post held	Date sent	Date returned
Cllr Bateson	Chair of Audit and Governance Committee		
Duncan Sharkey	Managing Director	26/8/2020	
Russell O'Keefe	Director of Place	26/8/2020	
Adele Taylor	Director of Resources/S151 Officer	26/8/2020	
Kevin McDaniel	Director of Children's Services	26/8/2020	
Hilary Hall	Director, Adults, Commissioning and Health	26/8/2020	27/8/2020
Andrew Vallance	Head of Finance	26/8/2020	4/9/2020
Elaine Browne	Head of Law	26/8/2020	27/8/2020
Mary Severin	Monitoring Officer	26/8/2020	27/8/2020
Nikki Craig	Head of HR, Corporate Projects and IT	26/8/2020	
Louise Freeth	Head of Revenues, Benefits, Library and Resident Services	26/8/2020	
Ben Smith	Head of Commissioning / Infrastructure	26/8/2020	
Louisa Dean	Communications	26/8/2020	
Karen Shepherd	Head of Governance	26/8/2020	27/8/2020

### REPORT HISTORY

<b>Decision type:</b> Audit and Governance Committee for approval	<b>Urgency item?</b> No	<b>To Follow item?</b> No
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**Chargeable Audit & Investigation Work**

**Details**

<b>Key Financial Systems</b>					
<p>Traditionally, the service has undertaken full coverage of the key financial systems below. The coverage is listed in the outline scope. The Service will be continually reviewing this coverage in consultation with the Council's External Auditor and the Director of Resources (Section 151 officer) in year to ensure that audit coverage, if any, is relevant and focused correctly.</p>					
<b>Audit</b>	<b>Reason for Audit</b>	<b>Outline Scope</b>	<b>2020/21 Original Plan</b>	<b>2020/21 Revised Plan</b>	<b>Notes</b>
Payroll (including AfC Payroll)	Main financial system	To provide assurance that only bona fide, authorised and accurate payments are made in a timely manner; to ensure that all payroll transactions are accurately reflected in the accounting system; to ensure correct classification on payments made to individuals to confirm the Council is compliant with guidance regarding the employment status of workers.	Y	Y	
Debtors	Main financial system	To provide assurance that income-generating activities are identified and accurately invoiced; that all invoices are paid and the income is accounted for and reflected in the Council's accounts; the extent of debt is minimised and overdue accounts are promptly followed up.	Y	Y	

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Creditors	Main financial system	To provide assurance that creditor payments are valid authorised, accurate and timely in respect of goods and services ordered and received by the Council.	Y	Y	
Covid-19 Response	Main financial system	To provide assurance on the supplier payment/emergency payments/decision making process during the Covid-19 pandemic		Y	New audit to look at supplier payment/emergency payments/decision making process
General Ledger	Main financial system	To provide assurance that all financial transactions of the Council are recorded, including ensuring their completeness and integrity with the aim of providing the data from which management accounts, final accounts and statutory returns can be prepared.	Y	Y	
Cash & bank reconciliation	Main financial system	To provide assurance on the effectiveness, accuracy and completeness of reconciliations.	Y	Y	
Cash and banking arrangements	Main financial system	To provide assurance on the following; legislation, policy and procedures, cash transactions and records, cash collection, cash payments, cash holdings, banking, management reporting and future customer payment options.	Y	Y	
Treasury Management	Main financial system	To provide assurance on the implementation and operation of the treasury function in compliance with the Treasury Management Strategy.	Y	Y	



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Pensions Payroll and Administration	Main financial system	To provide assurance on the following; Roles and responsibilities, adherence to policy and procedures, administrative controls between administration and payroll systems, payment authorisation and process, reconciliations, management reviews of; pension fund transfers, pension and benefit calculations, pensions Masterfile, capital costs and suspensions and write offs, maintenance of files and retention documents and computer security.	Y	Y	
Benefits/CTRS	Main financial system	To provide assurance on Benefit/CTRS operations.	Y	Y	
Council tax and NNDR	Main financial system	To provide assurance on Council tax and NNDR collection and recovery processes.	Y	Y	
Capital Programme, Accounting and Expenditure Monitoring	Main financial system	To provide assurance that the Council is correctly and accurately accounting for its assets.	Y	Y	

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<b>Governance Building Blocks</b>					
These reviews cover the key governance elements and are necessary for the formation of the Chief Audit Executive (CAE) and Annual Governance Statement (AGS)					
<b>Audit</b>	<b>Reason for Audit</b>	<b>Outline Scope</b>	<b>2020/21 Original Plan</b>	<b>2020/21 Revised Plan</b>	<b>Notes</b>
Risk Management	Governance Building Block	To provide assurance on the assessment of risks scores and risk appetites and compliance with the Risk Management Strategy.	Y	Y	
Procurement	Governance Building Block	To provide assurance on ;Compliance with Procurement Directive, engagement with consultants, compliance with EU thresholds, compliance with RBWM thresholds, material decisions, use of standing lists, major suppliers.	Y	Y	Changed to Procurement Cards audit due to potential increased usage during Covid-19
Performance Management	Governance Building Block	To provide assurance on; Objective of the Performance Management, alignment of the Key Performance Indicators (KPIs) with the Council's Vision and Council Plan, alignment of the KPIs with Service Plans, progress of the KPI reporting and plans for implementation, clarity of roles and responsibilities for maintaining the Performance Management System and accuracy of KPIs and Quality Assurance.	Y	Y	

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Financial Governance and Management (AGS 19.5 & 19.7)	Governance Building Block	To provide assurance on; Governance, Savings Delivery, Budgetary setting, monitoring and control measures, including the Forward Plan, income against targets and response to economic and emerging policy signals, Medium Term Financial Plan - assumptions made for financial reserves required including average risk and confidence levels, mitigation in case MTFP fails, funding and budgets to deliver the regeneration programme and insufficient resources to meet demands leading to Pension Fund substantial deficit. Financial management in projects. Non systems risks. Management information and reporting.	Y	Y	Reduced for part year coverage.
Corporate Governance (AGS 19.1, 19.2, 19.10 & 19.11)	Governing Building Block	To provide assurance on; Codes of Conduct – Members and Officers, Annual Governance Statement including compliance, statutory responsibilities and policies.	Y	Y	

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<b>Key Strategic Risks</b>					
With reference to the Council's Corporate Risk Register, these audits are intended to provide assurance to management that the expected mitigating actions and controls to manage risks are operating as expected. All key strategic risks are expected to be covered over a two to three year period.					
<b>Audit</b>	<b>Reason for Audit</b>	<b>Outline Scope</b>	<b>2020/21 Original Plan</b>	<b>2020/21 Revised Plan</b>	<b>Notes</b>
Commissioned Services	Key Corporate Risk	Contract audit coverage for key partners including contract tendering, management, renewal and extension of Adult Services including Adult Safeguarding and statutory responsibilities (20), Children's Services including Children's Safeguarding and statutory responsibilities (20), Highways (15).	Y	Y	Highways Commissioned Service review only; other Commissioned Services reviews deferred to 2021/22
Inadequate strategic planning between children's services, adults and health (Transitions between children and adults)	Key Corporate Risk	To provide assurance on; Management controls within Optalis, collaborative working and transitions - governance, planning and operations.	Y		Defer to 2021/22
Security	Key Corporate Risk	To provide assurance on; Integrated permanent HVM measures, Evacuation Plan, Community Safety Partnership Strategy, Key partnership working with Police and military, Channel Panel and One Borough partnership working.	Y		Defer to 2021/22
Viability of key partners under outsourced/partnership business processes	Key Corporate Risk	To provide assurance on financial viability of key partner organisations.	Y		Defer to 2021/22

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Business Continuity Plans (AGS 19.6)	Key Corporate Risks	To provide assurance on; Policy, Completion, Review, Testing and Audit.	Y	Y	
Shared Emergency Planning Service	Key Corporate Risks	To provide assurance on; Robustness of the Council's Emergency Plan including governance and operations.	Y		Defer to 2021/22
GDPR (AGS 19.4)	Key Corporate Risks	To provide assurance on; Governance, Policy, Compliance, Training, Reporting and Audit.	Y	Y	

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<b>Key Operational Risks</b>					
With reference to the Corporate Risk Register and through discussion with Directors, these audits are intended to provide assurance to management that the expected mitigating actions and controls to manage risks are operating as expected.					
<b>Audit</b>	<b>Reason for Audit</b>	<b>Outline Scope</b>	<b>2020/21 Original Plan</b>	<b>2020/21 Revised Plan</b>	<b>Notes</b>
Enforcement	Key Operational Risk	To provide assurance on; Homes with Multiple Occupants, statutory inspections, staffing and promotions.	Y		Defer to 2021/22
Health and Safety (AGS 19.8)	Key Operational Risk	To provide assurance on; Policies, operational management, risk assessments, accident/dangerous incidents reporting, training, monitoring and reporting and self-audit process.	Y		Defer to 2021/22
Optalis – Delivery of Statutory Responsibilities of provider including Stewardship of the Public Purse.	Key Operational Risk	To provide assurance on the internal control environment of Optalis.	Y		Defer to 2021/22

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<p>Risk of a significant fine and reputational damage due to loss of confidential/sensitive data. (Computer Audit).( AGS 19.9)</p>	<p>Key Operational Risk</p>	<p>To provide assurance on; Information Security Management System - governance for this area including Senior Information Risk Owner &amp; Information Governance Group roles, encrypted IT equipment, secure storage/ lockers at council offices , robust policies in this area, mandatory refresher programme recently undertaken, archiving of physical records, training for staff on document / information handling and basic information security practice, secure e-mail solution, document marking scheme and SIRO responsibilities - Information Security incident follow up.</p> <p>PSN Compliance including It security vulnerabilities such as out of date software, missing security patches and weak passwords.</p>	<p>Y</p>	<p>Y</p>	<p>Reduction in days for part year and defer remainder to 2021/22</p>
<p>School standards improvement</p>	<p>Key Operational Risk</p>	<p>To provide assurance on; Engagement with the Regional Schools Commissioners, education and early years links, school to school support and education agenda - termly meetings with Heads, Chairs of Governors and Ofsted.</p>	<p>Y</p>		<p>Defer to 2021/22</p>

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<b>Fraud and Investigation</b>				
<b>Activity</b>	<b>Outline Scope</b>	<b>2020/21 Original Plan</b>	<b>2020/21 Revised Plan</b>	<b>Notes</b>
Reactive Investigations	Investigation of ad hoc referrals, including whistleblowing work where suspected irregularity has been detected.	Y	Y	
Proactive Investigations	Proactive counter fraud work that includes targeted testing of processes with inherent risk of fraud (Council Tax Empty Property Relief, Business Rates, and Council Tax Reduction).	Y	Y	Days increased due to additional investigation activity during Covid-19, Including additional Business Rate Grants assurance work and associated risk assessments to support Revenues and Benefits Team
National Fraud Initiative	Management of Council's provision of data and investigation of matches.	Y	Y	
Disciplinary investigations	Investigations on behalf of management.	Y	Y	Reduced for part year
Other	Continued development of Counter Fraud policies in line with current legislation and best practice; providing Statutory data such as Transparency information.	Y	Y	



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<b>Auditor Judgement and Servicing the Business</b>				
<b>Reason for Audit</b>	<b>Outline Scope</b>	<b>2020/21 Original Plan</b>	<b>2020/21 Revised Plan</b>	<b>Notes</b>
Maintained Schools	To provide assurance on; General School Management and Governance Framework, budgetary setting, monitoring & control, imprest account (Non-Agresso schools only), procurement of goods and services, income, school vehicles (if appropriate), school trips and children's Safeguarding including DBS checks.	Y		Defer to 2021/22
Children's Centres	As per AfC contract requirements.	Y		Defer to 2021/22
Property Company	To provide assurance on; Governance, income generation and value for money.	Y	Y	
Spot checks	To undertake various spot checks.	Y		Defer to 2021/22
Contract Auditing	Pre, current and post contract auditing.	Y		Defer to 2021/22
Grant Certifications	Mandatory certification of grants received from central government.	Y	Y	
Annual Governance Statement	To aid the preparation of the Annual Governance Statement.	Y	Y	
Public Sector Internal Audit Standards	Mandatory Quality Assurance review.	Y		Defer to 2021/22
Advice on demand	Requests for adhoc advice on control, risk management and governance issues.	Y	Y	
Contingency (including management and member requests)	To cover management/member and other unforeseen requests throughout the year for both audit and investigation.	Y	Y	Defer to 2021/22
Follow up countermeasures and testing)	Extreme and Major risks only.	Y	Y	

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<b>AfC Audits</b>				
To undertake audits in the Children's Services Directorate				
<b>Reason for Audit</b>	<b>Outline Scope</b>	<b>2020/21 Original Plan</b>	<b>2020/21 Revised Plan</b>	<b>Notes</b>
Buildings and Facilities Management	To provide assurance on; Roles and responsibilities, Service Level Agreement and escalation process.	Y	Y	
Information Governance	To provide assurance on; information creation, storage, access, retention and disposal.	Y	Y	
Leaving Care	To provide assurance on; Compliance with the Care Act, payment of allowances and accommodation.	Y	Y	