

Report Title:	2020-21 Audit and Investigation Interim Report (1 April 2020 – 30 September 2020)
Contains Confidential or Exempt Information?	No - Part I
Member Reporting:	Cllr C. Bateson, Chairman of the Audit and Governance Committee
Meeting and Date:	Audit and Governance Committee 9 November 2020
Responsible Officer(s):	Andrew Vallance, Head of Finance and Deputy S151 Officer
Wards affected:	None

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REPORT SUMMARY

1. This report summarises the Shared Audit and Investigation Service (SAIS) activity, including progress in achieving the 2020/21 Internal Audit and Investigation Plan, during the first six months of 2020/21 to 30 September 2020. This report will complement the 2020/21 Annual Audit and Investigation Report that will be presented to this Committee in June 2021.
2. It recommends that Members note the activity of the SAIS during the first six months of the 2020/21 financial year and the outcome of the audit reviews and investigations undertaken.
3. This recommendation is being made to ensure that the Council meets its legislative requirements, as well as the requirements of the Audit and Governance Committee's Terms of Reference and the Council's Anti Fraud and Anti Corruption Strategy.

1. DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That the Audit and Governance Committee notes the Shared Audit and Investigation Service activity for the six months ending 30 September 2020.

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

Options

Table 1: Options arising from this report

Option	Comments
Note the activity of the SAIS during the first nine months of the financial year. This is the recommended option	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 ToR and also the requirements of the Council's Anti Fraud and Anti Corruption Strategy.

Option	Comments
	This will ensure that the SAIS is complying with industry best practice as detailed in the Public Sector Internal Audit Standards (PSIAS).
Note this report, proposing amendments	<p>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.</p> <p>This may mean that the SAIS may not be complying with industry best practice as stated in the PSIAS.</p>
Not note 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 Auditors' Annual Management Letter.</p> <p>The SAIS will not be complying with industry best practice as detailed in the PSIAS.</p>

- 2.1 The Accounts and Audit Regulations 2015 require that every local authority undertakes an effective internal audit of their risk management, internal control and governance processes.
- 2.2 In addition, the Director of Resources (Section 151 Officer) has a statutory duty under Section 151 of the Local Government Act 1972 to establish a clear framework for the proper administration of the authority's financial affairs. To perform that duty, the Section 151 Officer relies, amongst other things, upon the work of Internal Audit in reviewing the operation of systems of internal control and financial management. The SAIS carries out the work required to satisfy this legislative requirement and reports its findings and conclusions to the Audit and Governance Committee.
- 2.3 The aim of the report attached at Appendix A and the supporting Appendix A(I) is to cover these legislative requirements and it also provides a summary of the Council's investigation activities, as required to be reported on a half yearly and annual basis to the Audit and Governance Committee in accordance with the Council's Anti Fraud and Anti Corruption Strategy.

- 2.4 The 2020/21 Internal Audit and Investigation Plan was approved by the Corporate Overview and Scrutiny Panel on 4 February 2020. The emphasis on developing the Internal Audit Plan was based on mandatory and legislative requirements and the risks set out in the Corporate Risk Register (CRR) and it is clearly targeted at assisting the Council in achieving its key objectives.
- 2.5 Whilst a number of audit reviews are effectively considered as mandatory (key financial systems, particularly high risk items etc), others enter or leave the Audit Plan based on the CRR uncontrolled risk rating and the views of officers and Members. As such, the Plan is fluid and is regularly realigned to accommodate changes to the CRR, thereby ensuring that it remains current and focussed on the key risks affecting the Council. An in year review of the 2020/21 Audit and Investigation Plan has been undertaken and this was presented to this Committee on 14 September 2020. This revised Plan takes account of the effects of the Covid pandemic in respect of the audit and investigation work being undertaken during this financial year.
- 2.6 This recommendation is being made to ensure that industry best practice for the SAIS is being followed.

3. KEY IMPLICATIONS

3.1 Table 2: Key Implications

Outcome	Unmet	Met	Exceeded	Significantly Exceeded	Date of delivery
SAIS work is effective and is on track to achieve the 2020/21 Internal Audit and Investigation Plan, approved by the Corporate Overview and Scrutiny Panel on 4 February 2020. In addition, the Committee is complying with the requirements of its ToR and the requirements of the Council's Anti Fraud and Anti Corruption Strategy.	Failure of the Council to meet its statutory requirements and failure of the Audit and Governance Committee to discharge its responsibilities.	Council meets its statutory requirements to provide an adequate and effective internal audit of its system of internal control. The Audit and Governance Committee discharges its responsibilities.	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
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 or fraud.	Loss of residents' confidence, Council assets and interests may not be safeguarded and the Council's reputation may be affected if there are not effective Internal Audit and Investigation functions.	Gain residents' confidence, Council assets and interests are safeguarded and the Council's reputation is protected as Council provides an effective Internal Audit and Investigation functions.	n/a	n/a	Ongoing
External Audit fee kept to a minimum.	Increase in the External Audit fee arising from them being required to undertake additional audit work by not being able to place reliance on the work of Internal Audit.	External Audit relies on the work of Internal Audit keeping the External Audit fee to a minimum.	n/a	n/a	Ongoing

4. FINANCIAL DETAILS / VALUE FOR MONEY

a) Financial impact on the budget

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

b) Financial Background – n/a – see 4a) above

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 under:-

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

6 RISK MANAGEMENT

Risks	Uncontrolled	Controls	Controlled
1. Failure of the Council to adequately plan and undertake audit reviews leading to failure to meet its statutory requirements. Without an adequate internal audit function, 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 an adequate internal audit function. Provide a regular written progress report on the work of internal audit to those charged with governance for endorsement.	Low
2. Failure to provide assurance that the work of the Internal Audit function properly supports the governance framework, the content of the Annual Governance Statement 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 Annual Governance Statement. Sufficient Internal Audit coverage for External Audit to be able to place reliance on the work.	Low
3. Without an appropriate internal audit governance framework in place, which includes an Internal Audit Charter, improved organisational processes and operations will not be identified across the Council which means that value for money is not achieved.	Medium	Approved Internal Audit Charter in operation and being followed.	Low

7. POTENTIAL IMPACTS

- 7.1 Equalities. The Equality Act 2010 places a statutory duty on the council to ensure that when considering any new or reviewed strategy, policy, plan, project, service or procedure the impacts on particular groups, including those within the workforce and customer/public groups, have been considered. This report is a non decision making report and updates current fraud policies. In undertaking our investigative work, we ensure we have regard for equalities.
- 7.2 Climate change/sustainability. We have considered the potential impact of the recommendations in relation to climate change / sustainability and have identified no impact.
- 7.3 Data Protection/GDPR. No personal data is being processed for this decision Data Protection Impact Assessments are a lawful requirement under certain conditions but do not impact on this report.

8. CONSULTATION

- 8.1 Consultations were undertaken with both internal stakeholders (Members of the Corporate Overview and Scrutiny Panel, Corporate Leadership Team, S151 Officer and the Insurance and Risk Manager) in preparing the 2020/21 Internal Audit and Investigation Plan. It should be noted that a new Audit and Governance Committee has been set up during 2020/21 and responsibility for Internal Audit now falls within that Committee.
- 8.2 Management and staff have been consulted prior to and during the course of the audit and investigation reviews to ensure that work is timed to suit both parties, to incorporate managements' priorities and to agree a course of action to implement the outcome of those reviews.
- 8.3 Consultation in respect of investigations work is as set down in the Council's Anti Fraud and Anti Corruption Strategy.

9. TIMETABLE FOR IMPLEMENTATION

- 9.1 The full implementation stages are set out in Table 3.

Table 3: Implementation timetable

Date	Details
31 March 2021	2020/21 Internal Audit and Investigation Plan – In Year Review

10 APPENDICES

- 10.1 This report is supported by 2 appendices:
- Appendix A – 2020/2021 Audit and Investigation Interim Progress Report (to 30 September 2020)
 - Appendix A(I) – 2020/21 Internal Audit Plan Status (1 April 2020 – 30 September 2020)

11. BACKGROUND DOCUMENTS

- 11.1 This report is supported by 3 background documents:
- 2020/21 Audit and Investigation Plan – In Year Review
 - Anti Fraud and Anti Corruption Strategy
 - CIPFA/IIA Public Sector Internal Audit Standards 2017

12. CONSULTATION (MANDATORY)

Name of consultee	Post held	Date sent	Date returned
Cllr Bateson	Chair of Audit and Governance Committee	26/10/20	
Duncan Sharkey	Managing Director	26/10/20	
Russell O'Keefe	Director of Place	26/10/20	
Adele Taylor	Director of Resources/S151 Officer	26/10/20	29/10/20
Kevin McDaniel	Director of Children's Services	26/10/20	27/10/20
Hilary Hall	Director of Adults, Health and Commissioning	26/10/20	28/10/20
Andrew Vallance	Head of Finance	26/10/20	
Elaine Browne	Head of Law	26/10/20	28/10/20
Mary Severin	Monitoring Officer	26/10/20	
Nikki Craig	Head of HR, Corporate Projects and IT	26/10/20	27/10/20
Louisa Dean	Communications	26/10/20	
Karen Shepherd	Head of Governance	26/10/20	27/10/20

REPORT HISTORY

Decision type:	Urgency item?	To Follow item?
Audit and Governance Committee for noting	No	No
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Shared Audit and Investigation Service
Royal Borough of Windsor and Maidenhead Performance Report

2020/21 Audit and Investigation Interim Progress Report
(1 April 2020 to 30 September 2020)

1. INTRODUCTION

- 1.1 This report summarises the work of the Shared Audit and Investigation Service from 1 April 2020 to 30 September 2020. There are three key areas of the services work; Internal Audit, Governance and Investigations.
- 1.2 Internal audit is a statutory function under the Accounts and Audit Regulations 2015 and it 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, control and governance processes.
- 1.3 A formal annual report presenting the Chief Audit Executive's opinion on the overall adequacy and effectiveness of the Council's framework of internal control, risk management and governance is required as stated in the Public Sector Internal Audit Standards. The purpose of this interim report is to provide an update on the progress made against the delivery of the Audit and Investigation Plan at an interim stage (30 September 2020). This report provides details of the status of audits, i.e. those completed to date, at draft stage or work in progress with the assurance opinions given. In addition, it provides a summary of internal audit performance, planning and resourcing issues.
- 1.4 Investigation work involves the proactive prevention, detection and investigation of fraud, corruption and wrong-doing. The main focus of this activity is financial fraud committed against the council. However, the team can use their skills in other relevant cases i.e. disciplinary investigations.
- 1.5 The Lead Specialist, Audit and Investigation, Shared Audit and Investigation Service under the Regulation of Investigatory Powers Act 2000 (RIPA) is the Council's RIPA Co-Ordinating Officer responsible for oversight and control over RIPA applications. RIPA regulates the ways that government bodies, including the police, are allowed to carry out surveillance, which includes accessing any communications data, listening to phone calls, following people, taking photographs and intercepting e-mails.

2. INTERNAL AUDIT

2.1 Performance against the Internal Audit and Investigation Plan to 30 September 2020 is as follows;

- Appendix A(l) presents progress made against the 2020/21 Internal Audit and Investigation Plan between 1 April 2020 to 30 September 2020.
- 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. 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. A revised 2020/21 Audit and Investigation Plan was presented to this Committee on 14 September to reflect the need to be flexible to support the organisation and responding to new and emerging risks.

2.2 Table 1 below summarises the status of audits against the 2020/21 Audit and Investigation Plan as at 30 September 2020 and includes those audits completed from the 2019/20 financial year.

Table 1: Status of audits

Audit Status	Number of audits
Work in progress and carried forward to 2020/21	7
Draft Report	
Final Report	6
Total	13

2.3 Table 2 below summarises the audit opinions awarded for those audits finalised in the year 2020/21 to date. It is pleasing to note that one audit achieved the highest category of audit opinion.

Table 2 : Summary of audit opinions awarded

Overall Opinion	Summary of Audit Opinion	No of Audits
1	Complete and Effective	1
2	Substantially Complete and Generally Effective	3
3	Range of Risk Mitigation Controls is incomplete and risks are not effectively mitigated	2
4	There is no effective Risk Management process in place	0
Total		6

2.4 Management is given one month between the draft and final reporting stage to address any countermeasures and, where applicable, improve the overall audit opinion. There were no audits undertaken during the period where this option was utilised by management.

2.5 There are two audit reviews receiving the third category of audit opinion (Debtors, previously reported and Reconciliations) and none in the fourth category of audit opinion (as shown in Appendix A(I) – Legend Section) that have been completed to Final Report stage since the 2019/20 Annual Report submitted to the new Audit and Governance Committee on 14 September 2020 that were completed in the 2020/21 financial year. A summary of the audit review receiving the third category is as follows;

Debtors 2019/20

- The current audit opinion is Level 3 – management responses to the draft report were partially received as at end of September 2020 and the SAIS are currently working with the relevant managers to finalise this report by the end of October 2020;
- A revised Debt Recovery Policy including the Escalation Process was agreed by management in August 2020;
- Management consider that the revised Debt Recovery Policy has already had some impact, however, greater and continued success relies upon service areas actively engaging with the process.

- Management responses to date have provided a number of assurances:
 - Finance intends to review the approach to bad debt provision and Debtors more generally in 20-21;
 - Consideration will be given as to whether bad debts should be allocated to Service budgets rather than a centralised provision as an incentive for Service Areas to take greater responsibility for debt management.
 - Extensive work has been undertaken between the Revenues and Benefits service and Optalis to review the processes and define roles and responsibilities. This work was initially due to start in April 2020 but was delayed due to Covid;
 - Full implementation of the revised processes will be rolled out from 1 December 2020.

- The SAIS will follow up progress when undertaking the annual Debtors audit later in this financial year.

2019/20 Reconciliations (Finalised in 2020/21)

- Key Financial reconciliations have been identified and are audited at least bi-annually by internal audit. Any omissions or failures are therefore highlighted to Senior Management through the audit reporting process.

- This audit has a 3rd category opinion, as the controls around Service Area identification of key reconciliations, and ensuring they are taking place, are limited. This is not to say that key reconciliations are not taking place, it is more a question of not knowing whether they are or not. This exposes the Council to potential financial and reputational risk. In terms of rating the risks in the findings below, for those Service areas that have been audited recently, and/or where reconciliation activity is looked at as part of the Key Financial systems audits, the risk is reduced to moderate.

- All Service Leads agreed that it would be a worthwhile exercise to identify, record and monitor key reconciliations. There were, however, reservations about the resource implications of doing so, as this would not be a short task, and there may not be staff available to carry it out, or to complete the identified reconciliations on a regular basis. In order to facilitate this exercise, management suggested that there was:
 - a clear definition of what a key reconciliation is
 - a clear and consistent message about what is expected
 - consideration of the resources necessary to meet expectations.

- There was not a consensus view on where the overall responsibility should sit for ensuring that all key reconciliations are identified, recorded and monitored; a corporate view is therefore sought.
- There are 10 concerns identified in this Audit Report - 2 major, 8 moderate and 1 minor risk. The major risk concerns relate to the lack of:
 - formal identification, recording and monitoring of key reconciliation activity
 - a definitive list of properties for which RBWM is responsible

Grant Certification

2.6 Where a grant giving body requires an internal audit certificate before releasing payment, the team carries out work to verify and certify amounts that the Council can claim. Without this certification, grants may become repayable. Grants certified include:-

- Troubled Families Grant.
- Disabled Facilities Grant.
- Local Enterprise Partnership

2.7 Contingency work has been undertaken in respect of Reconciliations, the outcome of which is summarised above.

Outstanding management responses

2.8 There are no outstanding management responses to audit reports.

3. CORPORATE INVESTIGATIONS

3.1 The work undertaken by the Shared Service has included re-active investigations as well as developing pro-active fraud drives.

COVID Business Grant Fraud post assurance

- The Shared Service has been involved in the COVID Business Grant Fraud post assurance which has resulted in one case that is an attempted fraud for a company that has been identified as fraudulently claiming across the country and this has been referred to the Department for Business, Energy and Industrial Strategy (BEIS) and reported to the appropriate National Fraud bodies such as the National Anti Fraud Network and the Cabinet Office

(National Fraud Initiative). Other cases were found to be either local authority error or applicant error.

- Each application for these grants was checked by a revenues officer for verification on eligibility before payment was made. The Shared Service has worked closely with the Head of Revenues, Benefits, Library and Resident Services completing the Fraud Risk Assessment and the BEIS returns. As at 23rd July 2020, we sample tested 796 out of 1215 payments made as at 23/7/2020. Of which 286 were £10k and 510 were £25k. Queries were raised, investigated and cleared as part of this exercise.
- The Shared Service continues to work with the Revenues and Benefits section with regard to the post assurance requirements of BEIS for appropriate COVID grants made.

Empty Property Review

- Work has been undertaken during the first part of the year to investigate Council Tax Empty Property Relief. It should be noted that the properties identified in the Council Tax Empty Property Relief exercise as occupied that were previously shown as unoccupied feed in to the New Homes Bonus Scheme formula and may result in extra income in to the council through liable charges being raised for previous council tax liability.
- The number of letters sent out for the empty property review was 880 with 694 received back of which 344 of these, reporting changes in circumstances which contribute to the above.

4. REGULATION OF INVESTIGATORY POWERS ACT

4.1 No investigation cases have been undertaken during the first six months of 2020/21 that have required RIPA surveillance approval to be requested.

**2020/21 Royal Borough of Windsor and Maidenhead Internal Audit Plan Status
(as at 30 September 2020)**

AUDIT TITLE	DIRECTORATE	STATUS	FINAL AUDIT REPORT OPINION
2020/21 Audits			
Key Financial Systems			
Payroll	Resources	WIP	
Payroll (AfC)	Resources	WIP	
Creditors	Resources	WIP	
General Ledger	Resources	WIP	
Governance Building Blocks			
Risk Management	Cross Cutting	WIP	
Performance Management	Cross Cutting	WIP	
Key Operational Risks			
Data Protection & GDPR Compliance (Follow Up)	Cross Cutting	WIP	
Servicing the Business			
Grant Claims – including Troubled Families, Local Enterprise Partnership, Disabled Facilities Grant			C
Contingency			
Covid 19 Controls Review			
2019/20 Audits completed in 2020/21			
Key Financial Systems			
Debtors	Resources	FINAL	3
General Ledger	Resources	FINAL	1
Cash and Banking Arrangements	Resources	FINAL	2
Reconciliations	Managing Director	FINAL	3
Key Operational Risks			
Highways	Place	FINAL	2
Auditor Judgement			
Cheapside School	Children's Services	FINAL	2
Servicing the Business			
PSIAS Annual Self Assessment	Cross Cutting	FINAL	n/a

Audit Opinion Definitions

- 1 Complete and Effective
 - 2 Substantially Complete and Generally Effective
 - 3 Range of Risk Mitigation Controls is incomplete and risks are not effectively mitigated
 - 4 There is no effective Risk Management process in place
-

Legend

C - Certification
E - Exempt