

Report Title:	2020/21 Audit and Investigation Annual Report
Contains Confidential or Exempt Information	No - Part I
Lead Member:	Councillor C. Bateson, Chairman of the Committee
Meeting and Date:	Audit and Governance Committee, 17 May 2021
Responsible Officer(s):	Adele Taylor, Director of Resources (S151 Officer); Andrew Vallance, Head of Finance (Deputy S151 Officer)
Wards affected:	All

REPORT SUMMARY

- 1 This report and supporting appendices summarise the Shared Audit and Investigation Service (SAIS) activity and outline the progress in achieving the 2020/21 Audit and Investigation Plan as at 31 March 2021.
- 2 This recommendation is being made to ensure that the Council meets its legislative requirements and those of the Audit and Governance Committee's Terms of Reference.
- 3 The Audit and Investigation Plan aims to ensure that the Council provides an effective Internal Audit activity function and assists the organisation in achieving its objectives in the most economic, efficient and effective way, whilst ensuring that Council assets and interests are being safeguarded from misappropriation/loss and thereby giving confidence to residents that public funds are being used appropriately.
- 4 The key financial implications for the Council are revenue costs of the SAIS.

1. DETAILS OF RECOMMENDATION

RECOMMENDATION: That Audit and Governance Committee notes the report and:

- i) **The SAIS activity for the financial year end 31 March 2021.**
- ii) **Progress in achieving the 2020/21 Internal Audit and Investigation Plan.**

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

Options

Table 1: Options arising from this report

Option	Comments
<p>Note the attached report and supporting appendices and the activity of the SAIS during 2020/21 and progress in achieving the 2020/21 Audit and Investigation Plan.</p> <p>This is the Recommended Option</p>	<p>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.</p>
<p>Note the attached report with amendments.</p>	<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>Do nothing: Not note the attached report.</p>	<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>

- 2.1 Regulation 6 (1) of the Accounts and Audit Regulations (2015) requires the Council to undertake an adequate and effective internal audit of its accounting records and the system of internal control in accordance with proper internal audit practices.
- 2.2 Proper practices for Internal Audit are defined in the CIPFA/IIA Public Sector Internal Audit Standards (PSIAS) and require that the 'Chief Audit Executive' (Assistant Director, Governance – Wokingham Borough Council) delivers an annual internal audit opinion and report that can be used by the organisation to inform its Annual Governance Statement (AGS). The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. The Annual Report is required to: -
- include an opinion on the overall adequacy and effectiveness of the Council's internal control environment,
 - present a summary of the audit work on which the opinion is based,
 - draw attention to any key issues that may impact on the level of assurance provided,
 - provide a summary of the performance of the Service,
 - comment on the Audit Service's level of compliance with PSIAS.

2.3 The aim of the report at Appendix A and the supporting Appendix A(I) is to cover these legislative requirements and those of the Audit and Governance Committee's Terms of Reference.

3. KEY IMPLICATIONS

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 Audit and Governance 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	Gain residents' confidence, Council assets and interests are safeguarded, and the Council's reputation is protected as Council	n/a	n/a	Ongoing

	there are not effective Internal Audit and Investigation functions.	provides an effective Internal Audit function.			
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

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 Investigation Act 1981
- Social Security Administration Act 1992.
- Welfare Reform Act 2012.

6. RISK MANAGEMENT

Table 3 Impact of Risk and Mitigation

Risks	Level of Uncontrolled Risk	Controls	Level of Controlled Risk
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 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. 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 (font)

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 hence an Equality Impact Assessment is not required. In undertaking our audit and 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.

7.4 There are no other potential impacts e.g.: staffing/workforce, Human Rights and community cohesion, accommodation, property, and assets.

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.

8.2 Management and staff have been consulted prior to and during 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 4.

Table 4: Implementation timetable

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

10. APPENDICES

10.1 This report is supported by 2 appendices:

- Appendix A – 2020/21 Audit and Investigation Annual Report (to 31 March 2021)
- Appendix A(I) – 2020/21 Internal Audit Plan Status (as at 31 March 2021)

11. BACKGROUND DOCUMENTS

11.1 This report is supported by 3 background documents:

- 2020/21 Audit and Investigation Plan
- 2020/21 Audit and Investigation Plan – In Year Review (September 2020)
- 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	Chairman of Audit and Governance Committee		
Duncan Sharkey	Managing Director	5/5/21	6/5/21
Adele Taylor	Director of Resources/S151 Officer	5/5/21	7/5/21
Andrew Durrant	Director of Place	5/5/21	
Kevin McDaniel	Director of Children's Services	5/5/21	
Hilary Hall	Director of Adults, Health and Commissioning	5/5/21	6/5/21
Andrew Vallance	Head of Finance	5/5/21	7/5/21
Elaine Browne	Head of Law	5/5/21	
Emma Duncan	Deputy Director of Law and Strategy / Monitoring Officer	5/5/21	
Nikki Craig	Head of HR Corporate Projects and IT	5/5/21	7/5/21
Louisa Dean	Communications	5/5/21	
Karen Shepherd	Head of Governance	5/5/21	

REPORT HISTORY

Decision type:	Urgency item?	To Follow item?
Audit and Governance Committee for noting	No	No

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WOKINGHAM
BOROUGH COUNCIL

ANNUAL INTERNAL AUDIT & INVESTIGATION REPORT 2020/21

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1. PURPOSE OF THE ANNUAL REPORT

- 1.1 This Annual Report provides a summary of the work completed by the Shared Audit and Investigation Service (SAIS) during 2020/21. Its purpose is: -
- to include an opinion on the overall adequacy and effectiveness of the Council's internal control environment,
 - present a summary of the audit work on which the opinion is based,
 - draw attention to any key issues that may impact on the level of assurance provided,
 - provide a summary of the performance of the Service,
 - comment on the Audit Service's level of compliance with the Public Sector Internal Audit Standard (PSIAS).

2. HEAD OF INTERNAL AUDIT OPINION AND KEY HEADLINES

- 2.1 The original 2020/21 Audit and Investigation Plan was approved by the Corporate Overview and Scrutiny Panel on 4 February 2020. Audit work in Quarters 1 and 2 of the financial year saw delays with the commencement of specific audit work being put on hold due to services responding to the impacts of the Covid-19 pandemic.
- 2.2 The original Plan was reviewed and updated to take account of the impact of the pandemic on both the risk profile of the organisation, to agree new audit priorities and to refocus and reprioritise the work of the team to support the organisation to respond to the new risks and changes from the impact of Covid-19; and the resources to deliver the internal audit and investigation activity and in the context of being able to provide adequate assurance over key risk areas and provide an annual audit opinion. The 2020/21 Audit and Investigation Plan In Year Review, which has been required to be more fluid than normal as a result of the pandemic on the Council, was approved by this Committee on 14 September 2020.
- 2.3 During the year, there have been changes to the resource base of internal audit, as well as some operational disruptions that impact on the access of internal auditors to key officers, information or systems as those officers have responded to the impact of the pandemic on their services resulting in inefficiencies and reduced outputs. In addition, the SAIS itself 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.
- 2.4 Additional work for the SAIS during the year has related to the various Covid Grants and the Central Government requirements with set timescales and this has had a significant impact on the work of the team in responding to these requirements within tight timescales. This work is summarised in section 6.3 in the main body of this report.

- 2.5 This report provides a summary of the work undertaken by the SAIS in the financial year 2020/21 and the results of that work, whilst also taking account of other assurance mechanisms, which feed into that Head of Internal Audit (Chief Audit Executive) overall opinion. The overall opinion is given based on the audits undertaken during the 2020/21 financial year and summarise the opinion on the internal control environment based on the work in those areas of coverage.
- 2.6 Members will be aware of the CIPFA review that identified weaknesses in the overall wider financial governance arrangements of the council and given the initial independent review that was being undertaken, certain areas were omitted from the internal audit scope in order to avoid duplication with the CIPFA work and additionally with work that would be undertaken by External Audit.
- 2.7 In forming the overall audit opinion, in terms of taking into account other assurance mechanisms account has been taken of the work undertaken by officers during the year within the Council to address the actions arising from the CIPFA Report and Action Plan in respect of the Council's financial management and financial governance arrangements. Progress in addressing those action points (for which progress for some areas has, as noted in the main body of the report, been tested as part of the audit work programme) was reported to Corporate Overview and Scrutiny Panel in April 2021.
- 2.8 From the work undertaken during the year during this period of uncertainty and from assurances provided by other assurance frameworks, our overall opinion on the adequacy of the Council's arrangements internal controls within the areas reviewed during the year is that: -

Audit Opinion 2020/21

Substantially Complete and Generally Effective but with some improvements required". Based on audits completed during the year, most key controls are in place and are operating effectively with the majority of residual risks being reduced to an acceptable level and reported concerns being aimed by management to be reduced to a predominately moderate impact level. A small number of exceptions were identified, and these have been presented to previous meetings of the Audit and Governance Committee and the current position in respect of these specific reviews is summarised in the body of this report. This audit opinion supports other assurance mechanisms such as External Audit, external professional body inspections and the Annual Governance Statement (AGS).

- 2.9 Our opinion is based on evidenced assessment of the control framework in a number of areas in accordance with our revised audit and investigation plan. It should be noted that in devising the annual audit and investigation plan, a risk-based approach is taken and as such areas of highest risk are targeted for review of the mitigation and controls in place.
- 2.10 Full details of the internal audit work we have completed that has informed this opinion can be seen in Appendix A(I), together with the assurance levels we have been able to provide for each review. For each audit review completed, the assurance level is determined based on the level of control found as set out in Appendix A(I) - Legend Section.

3. AREAS OF RISK EXPOSURE

- 3.1 From internal audit work undertaken during 2020/21, for those audits completed to Final Report stage, three audits received the third category (third lowest) of audit opinion (on a scale of category 1 being 'High' and 4 being 'Low'). Whilst previously reported in our 2020/21 Interim Report, a summary of key concerns is provided below for completeness, with action by officers to address the concerns since the audits were previously reported.
- 3.2 It should be noted that two of these subject areas (Debt Management and Reconciliations) were highlighted in the CIPFA Action Plan as areas for improvement in Financial Management. The outcome of the Internal Audit work in these areas is provided below.

Category 3 Audit Opinions

Debtors

- This audit assessed whether appropriate controls were in place to minimise the risks in this area. Although we did not look at specific AfC and Optalis transactions, we considered the role that Optalis plays in ensuring that all debts due are raised and that valid debt can be collected. Findings were based on sample testing and discussions with key operational staff in RBWM and Optalis. Debtors was given a category 3 audit opinion in 2018-19 and again in this audit. The key areas of concern were:
 - A trend of increasing debt in Adult Social Care and Housing, with no debt recovery activity taking place for Bed and Breakfast debt.
 - A lack of measures setting out corporate expectations for debt collection.
 - A lack of supporting documentation to enable debt recovery.
 - Insufficient reconciliation of data held by, and transferred between Optalis and RBWM.
 - Lack of agreement and ownership of responsibility across relevant teams in RBWM and Optalis

- The audit identified a number of positives including the Debt Panel; significant reduction in the balance of unallocated credits; and sample testing indicated active management of debts incurred within the last financial year.
- Since the audit took place, the Revenue and Benefits Team and Optalis have worked together to review their processes and define roles and responsibilities, including workshops held in September and October 2020. ASC has a specific goal related to income maximisation in their Transformation Plan, with designated responsible Officers and associated savings. Progress is reported to the Adults Transformation Board on a regular basis.
- The Head of Housing has reported that controls have been put in place to address the concerns raised. Audit will be reviewing Housing Income in Q1 of 2021-22 and this audit will explore the issues identified in the Debtors Audit in more detail.
- In summary, 2 major concerns have a specific action plan in place within the Service Area with responsible officers, savings targets and regular reporting and scrutiny. 2 major concerns are a work in progress. For the remaining moderate concerns, 3 have steps in place, 2 are a work in progress, 5 are either related to projects that have been delayed due to Covid or are awaiting progress updates.

Cash and Bank Reconciliation

- The principal objective of this audit, which was concluded in the second part of the year, was to provide assurance on the effectiveness, accuracy, and completeness of reconciliations. This followed on from a joint investigation in 2019-20, by Internal Audit and Finance, to address unreconciled transactions of £1,136,953 in expenditure that remained on the balance sheet. As approved and agreed by Council in June 2020, this figure was matched off against a credit identified on the Housing Benefit subsidy account.
- This audit received a category 3 opinion because Finance continues to use a balancing figure in the Cashbook (to address the discrepancy between income in the bank account and that on Agresso). The risk therefore remains of a further significant unreconciled amount arising.
- Audit fieldwork was completed in February 2021 and this audit was based on the systems in place for the January 2021 reconciliation. The following issues were identified:

- It was not possible to obtain assurance that all income is being posted correctly.
 - It was not possible to identify the transactions that the balancing figure relates to in order to clear it.
 - Without a check of bank statement items line by line, it was not possible to confirm whether all items had been posted or listed under exceptions.
 - It was not possible to check whether deleted transactions (either deleted through AIM or manually deleted) had all been processed.
- At the start of the audit, Finance explained that they had already identified and were working on improving the reconciliation process. This work was delayed by the Covid-19 pandemic and was impacted by staffing changes but historic resilience issues are being addressed. Since completion of the audit fieldwork, Finance has implemented a new process for the February 2021 reconciliation, and they are confident the new process significantly reduces the risk of further unreconciled amounts arising. The new process includes categorising pensions transactions and a check of bank statement transactions line by line.
 - Finance is currently reviewing income processing to address the differences between income on the bank statement and Agresso, and the resultant carried forward balancing figure (reduced from £830k in January to £209k in February and £2.8k in March 2021). Finance is also looking to identify the cause of a £41k discrepancy in the 2019-20 reconciliation. Finance intends to review cash allocation and the use of Miscellaneous Cash Receipts (MCRs) in the next Financial year. In addition, they are exploring how the reconciliation process may be further automated to reduce the risk of error and delay inherent in a largely manual process.
 - It is recognised that there has been ongoing work by Finance to continue to improve the reconciliation process, and the findings above reflect the position at the time of the audit and subsequent improvements will be tested during the next audit.

Reconciliations

- This audit received a 3rd category opinion, as the controls around Service Area identification of key reconciliations, and checks they are taking place, are limited. We could find no written evidence to provide assurance that key reconciliations have taken place. This exposes the Council to potential financial and reputational risk.
- All Service Leads agreed that it would be a worthwhile exercise to identify, record and monitor key reconciliations but there were reservations about the resource implications of doing so. 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 was therefore sought on these issues with the Director's Group and the

Corporate Leadership Team targeted to agree a way forward by December 2020. Audit have recently requested an update on how this work has been progressing.

- The main areas for improvement identified from this audit related to the lack of:
 - formal identification, recording and monitoring of key reconciliation activity.
 - a definitive list of properties for which RBWM is responsible.
- The audit noted that key financial reconciliations have been identified and Internal Audit reviews them at least bi-annually. Any omissions or failures are therefore highlighted to Senior Management through the audit reporting process.
- Since the audit took place, Finance has been monitoring progress on the action plan. The major risk item related to property is a work in progress with changes set to continue as the Legal Team comes in house to RBWM. A corporate response was required for the other major risk item, this has been progressed through the Directors' Forum and we have requested an update. For the remaining moderate risk items, 2 are reported as complete, with evidence available for review, and the remainder are a work in progress.

Category 3 Audit improved to Category 2 Opinion

- 3.3 For one audit previously reported in 2019/20 as being Category 3 (Data Protection and GDPR Compliance), follow up audit testing during 2020/21 confirmed that this audit has now improved to a Category 2 opinion.

Data Protection and GDPR Compliance Follow Up Review

- The principal objective of this Audit was to determine the progress in addressing the control risks identified in the 2019/20 Internal Audit report - Data Protection and GDPR compliance, issued in February 2020.
- The audit identified that there has been excellent progress in implementing the management actions and this is despite resourcing issues for a significant period of the time since the original report, officers stepping up into interim roles and temporary staff being utilised within the team.

- Of the 15 original concerns identified, action has been taken on all with nine being fully implemented and six in progress, with no Major concerns identified.
- One of the key areas was non-completion of the e-Learning module for new starters, no corporate requirement for refresher training and no e-Learning requirement for Members. These have all been addressed and testing identified training for new starters was being completed.
- The Data Breach Log is well maintained with good detail, with just a few instances where information is required for completeness. Additionally, there were breach themes linked to Autofill function in Outlook, using e-mail strings, e-mail bcc for personal e-mail addresses and using blank templates rather than overwriting previously used, which could have been communicated more widely in a staff bulletin piece.
- Link Officers have been identified for each service and received training, and this has assisted in the progress of the key areas of Register of Processing Activities (RoPA), Information Asset Register (IAR), Information Sharing Agreements (ISAs) and historically held data. They have also raised the general awareness and supporting other areas such as embedding Data Protection Impact Assessments (DPIA).
- The arrangement with schools is now clearer with 30 of the 53 schools and academies signed up to the Data Protection traded service. There have been no significant data breaches reported from schools in 2020-21.
- It is recognised by management that there are still areas in progress and that particular key areas, e.g., RoPAs, IARs, ISAs require completion and there is assistance from temporary staff to help facilitate this.

4. INTERNAL AUDIT SERVICE PERFORMANCE AND CONTRIBUTION

4.1 Appendix A (I) details the status of audits against the 2020/21 Audit and Investigation Plan as at 31 March 2021 and those audits completed from the 2019/20 financial year. Table 1 provides a summary.

Table 1: Status of 2020/21 audits

Audit Status	Number of audits
Work in progress	3
Draft Report	6
Final Report	14
Total	23

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

Table 2: Summary of 2020/21 Audit Opinions

Overall Audit Opinion	Summary of Audit Opinion	No of Adults (2020/21)
1	Complete and Effective.	3
2	Substantially Complete and Generally Effective.	8
3	Range of Risk Mitigation Controls is incomplete, and risks are not effectively mitigated.	3
4	There is no effective Risk Management process in place.	0

- 4.3 Audit reports are presented using lean terminology, using the cause, concern and countermeasure and management are given the opportunity to treat, tolerate, terminate, or transfer the concerns and associated risks. Management Action Plans have been put in place to address issues identified during audit work and audit follow up verification will confirm whether agreed countermeasures for Major and Extreme concerns have been actioned within agreed timescales.
- 4.4 Where concerns are classified as being major or extreme that have been tolerated by management, these are highlighted to the Audit and Governance Committee. There are no cases of Major or Extreme concerns being tolerated by management.

Grant Certification

- 4.5 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: -
- Bus Service Operators Grant,
 - Disabled Facilities Grant,
 - Local Enterprise Partnership,
 - Local Transport Capital Funding Grant,

- Troubled Families Grant (Quarterly).
- Achieving for Children Grant Bursaries ITT Grant
- Green Homes Grant

Consultancy, Contingency and Advice

- 4.6 In addition to completing planned audit reviews, the team also provide consultancy, ad hoc advice, and guidance across the Council to assist colleagues with ensuring control and governance arrangements are considered in developing processes/policies etc. as summarised in Appendix A(I) to this report.

Outstanding management responses

- 4.7 There are no outstanding management responses to audit reports.

5. RESOURCES

- 5.1 The SAIS has carried several vacancies, particularly in the second half of the year. This has been partly addressed by the engagement of two temporary resources for part of the year. In addition, in order to make the best use of audit resource, we have: -

- o Streamlined audit processes to increase capacity, where appropriate.
- o Narrowed the focus of audit scopes to examine only key risks
- o Appointed temporary cover to fill vacant audit posts.
- o Used resource flexibly to refocus on specific potential control risk/fraud areas e.g., Council requirements to pay Government Grants within short timescales by undertaking pre/post check work aiming to minimise fraud entering the system or being identified.

6. FRAUD AND IRREGULARITIES

- 6.1 The work undertaken by the SAIS has included re-active investigations as well as developing pro-active fraud drives.
- 6.2 There have been no incidences of material fraud, irregularities or corruption discovered or reported during the year.

Proactive Investigations

- 6.3 A number of pro-active exercises have taken place in conjunction with the Revenues and Benefits Team including; Empty Property Relief, Covid-19 controls, Covid-19 Business Grant post assurance, Covid-19 fraud risk assessment and BEIS returns, preparation for the Covid-19 Restart Grants and

NFI. There have been checks and where appropriate visits undertaken to confirm validity of Covid-19 Business grant claims. Whilst the vast majority of claims made have been correct there have been cases where further investigation has been required, however, there has only been one case that has been referred to the Department for Business, Energy, Infrastructure and Strategy which has transpired to be a national fraud case.

COVID Business Grant Fraud Pre and Post Assurance Work

- 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. We liaised with the Revenues Team in terms of the process and controls set up for the payment of Covid grants at the outset.
- Each application for Small Business, Retail, Leisure and Hospitality 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 value and 510 were £25k value. Queries were raised, investigated and cleared as part of this exercise.
- The Shared Service has also worked during the year on the post assurance requirements of BEIS for the range of COVID grants made below, for which the outcomes will be reported in our next audit report to this Committee; -
 - o Local Restrictions Support Grant (Closed) Addendum
 - o Local Restrictions Support Grant (Sector)
 - o Local Restrictions Support Grant (Closed)
 - o Local Restrictions Support Grant (Open)
 - o ARG (Additional Restrictions Grant)
 - o Local Restrictions Support Grant (Closed) Addendum & CBLP (Closed Business Lockdown Payment)
 - o Christmas Support Payment for wet-led pubs

- In addition, the Shared Service commenced work on the pre-payment assurance work required for the Business Restart Grants and that work is continuing.

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 into the New Homes Bonus Scheme formula and may result in extra income into 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.

National Fraud Initiative Data Matching

- 6.4 The bi-annual upload of data for the National Fraud Initiative has taken place and the data matches returned will be reviewed as part of the 2021/22 financial year.

Reactive Investigations

- 6.5 In terms of Reactive investigations during the year, work continues with Housing Benefit and Council Tax Reduction Scheme referrals.
- 6.6 Work was in progress at 31 March in respect of a Fact-Finding Investigation in the area of Direct Payments. SAIS are liaising with the Optalis Continuing Healthcare specialists to report on joint findings to assist management decisions in this area. This is expected to be concluded during May 2021.

Other Investigations Activity

- 6.7 Work has been undertaken during the year in respect of the following areas of investigations activity.

Anti Fraud and Anti Corruption Policies Refresh

- A refresh of the Council's six Anti Fraud and Anti Corruption Policies has been undertaken and these were approved by this Committee in February 2021. A series of Officer and Member awareness training sessions will be

programmed for the 2021/22 financial year by, for example, E Learning or focused specific fraud training.

Regulation of Investigatory Powers Act – IPCO Inspection April 2020

- An Investigatory Powers Commissioners Office (IPCO) Regulation of Investigatory Powers Act (RIPA) desktop inspection took place in March/April 2020 during the COVID-19 pandemic. A report by the IPCO inspector was received in May 2020, which summarised that the Inspector was impressed with the level of 'RIPA awareness' shown and that they had been assured from the work they had undertaken, and the interviews conducted that the integrity of the Council's processes and governance procedures will be maintained to ensure that high standards of compliance with the Act and relevant codes of practice are achieved.
- No investigations have been undertaken during 2020/21 that has required Regulation of Investigatory Powers Act surveillance approval to be requested.

7. CONFORMANCE WITH PUBLIC SECTOR INTERNAL AUDITING STANDARDS (PSIAS)

- 7.1 The PSIAS, as revised in April 2017, define the service and professional standards for public sector internal audit services. The standards apply to the Internal Audit function in all parts of the public sector in the UK and are mandatory. Within the PSIAS there is a requirement for an independent external review of the internal audit function once every five years.
- 7.2 The external inspection of the Internal Audit Service against the PSIAS took place in 2018 and assessed the service as 'generally' conforming to the standards (the top category of opinion). The action plan and progress against it has been previously reported to the former Audit and Performance Review Panel. The responsibility for Member overview of audit activity moved to the Audit and Governance Committee for 2019/20. A further subsequent self-assessment had taken place and work continues to address the action points identified to assist the service in continuous improvement.
- 7.3 In addition, Internal Audit completes an annual self-assessment of its compliance with the requirements of the PSIAS and the relevant CIPFA's Local Government Application Note (LGAN). The purpose of the self-assessment is firstly to provide assurance to the Audit Committee and management that Internal Audit is compliant with the PSIAS and that consequently they can rely on the work of Internal Audit, and secondly, to further enhance delivery of the internal audit function through the identification of opportunities for development.

- 7.4 Overall, the 2020/21 self-assessment has concluded that Internal Audit continues to be “generally compliant” with the PSIAS/LGAN requirements with a small number of actions to be addressed from the external assessment.
- 7.5 The Audit Charter and Audit Protocol were updated and approved at this Committee (4 February 2020). This covered the potential impairment of the Head of Internal Audit’s (HoIA) independence and objectivity from directly managing services the SAIS may review, plus how and where the SAIS will report the results of these audits. A number of actions are still required to demonstrate full compliance with the Standards. A summary of the areas is set out below: -.
- SAIS to commission external ICT audit specialists to carry out an ICT Audit Needs Assessment for the primary clients and to use this to inform the Audit Plan.
 - Review the Audit Manual to ensure it is up to date and fit for purpose. Include statements within this on: -
 - Distribution and use of the content of Internal Audit reports to each report.
 - The process for releasing Audit reports to 3rd parties.
 - The evaluation processes if the Head of Internal Audit believes management is accepting a level of risk that is unnecessarily high. Work is in progress to update the Audit Manual generally and to address the above points from the PSIAS; this will be presented to this Committee for approval (Autumn 2021).
 - The SAIS should routinely obtain copies of the Penetration Testing (PSN) reviews and consider the work done in the reviews to contribute to the HoIA annual opinion.

8. CONTEXT AND COMPLIANCE

- 8.1 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).
- 8.2 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 to 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 (Amendment) (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”.

8.3 Internal Audit independence is achieved by reporting lines which allow for unrestricted access to the Managing Director, the S151 Officer, Directors and the Chair of the Audit and Governance Committee.

8.4 The HoIA confirms that any restrictions on the scope of internal audit work and reasons are as outlined in the headline summary section of this report.

2020/21 Royal Borough of Windsor and Maidenhead Internal Audit Plan Status

(as at 31 March 2021)

Key Financial Systems

Audit title	Directorate	Status	Final audit report opinion
Cash & Bank Reconciliation	Resources	FINAL	3
Creditors	Resources	FINAL	1
General Ledger	Resources	FINAL	1
Payroll	Resources	DRAFT	
Payroll (Achieving for Children)	Resources	DRAFT	
Pensions Payroll and Administration	Resources	DRAFT	
Treasury Management	Resources	DRAFT	

Governance Building Blocks

Audit title	Directorate	Status	Final audit report opinion
Risk management	Resources	FINAL	2
Performance Management	Resources	FINAL	2
Procurement (Covid-19 Expenditure)	Resources	WIP	

Key Strategic and Operational Risks

Audit title	Directorate	Status	Final audit report opinion
Data Protection and GDPR Compliance (Follow Up)	Cross cutting	FINAL	2
AfC – Buildings & Facilities Management	Children's Services – Achieving for Children	DRAFT	
AfC – Information Governance	Children's Services – Achieving for Children	DRAFT	
AfC – Leaving Care	Children's Services – Achieving for Children	WIP	

Servicing the Business

Audit title	Directorate	Status	Final audit report opinion
Grants including Bus Service Operators Grant, Disabled Facilities Grant, Local Enterprise Partnership, Local Transport Capital Funding Grant, Troubled Families Grant; ITT Bursaries Grant			C
Monitoring Follow Ups (Extreme & Major Concerns)	Cross cutting	n/a	n/a
Consultancy : COVID-19 Controls review	Resources	WIP	
AfC – Leaving Care	Children’s Services – Achieving for Children	WIP	

2019/20 Audits completed in 2020/21

Key Financial Systems

Audit title	Directorate	Status	Final audit report opinion
Benefits/Council Tax Reduction Scheme	Resources	FINAL	2
Cash and Banking Arrangements	Resources	FINAL	2
Debtors	Resources	FINAL	3
General Ledger	Resources	FINAL	1
Reconciliations	Resources	FINAL	3

Key Strategic and Operational Risks

Audit title	Directorate	Status	Final audit report opinion
Commissioned Services - Highways	Adults, Health and Commissioning	FINAL	2

Auditor Judgement

Audit title	Directorate	Status	Final audit report opinion
Cheapside School	Children’s Services	FINAL	2

Servicing the Business

Audit title	Directorate	Status	Final audit report opinion
PSIAS Annual Self-Assessment	Cross cutting	n/a	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