

Report Title:	2021-22 Audit and Investigation Interim Report (1 April – 30 September 2021)
Contains Confidential or Exempt Information	No - Part I
Cabinet Member:	Clr C. Bateson (Chairman of the Audit and Governance Committee)
Meeting and Date:	Audit and Governance Committee, 21 October 2021
Responsible Officer(s):	Andrew Vallance, Head of Finance & Deputy S151 Officer
Wards affected:	None

REPORT SUMMARY

This report summarises the Shared Audit and Investigation Service (SAIS) activity, including progress in achieving the 2021/22 Internal Audit and Investigation Work Programme, during the first six months of 2021/22 to 30 September 2021. This report will complement the 2021/22 Annual Audit and Investigation Report that will be presented to this Committee in June 2022.

It recommends that Members note the activity of the SAIS during the first six months of the 2021/22 financial year and the outcome of the audit reviews and investigations undertaken.

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 2021.

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 six 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
<p>Not note the activity of the SAIS during the first six months of the financial year until amendments have been made.</p>	<p>In addition, it will ensure that the SAIS is complying with industry best practice as detailed in the Public Sector Internal Audit Standards (PSIAS).</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>This may mean that the SAIS may not be complying with industry best practice as stated in the PSIAS.</p>
<p>Not note the activity of the SAIS during the first six months of the financial year.</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 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 Executive 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 This recommendation is being made to ensure that industry best practice for the SAIS is being followed.
- 2.5 It should be noted that following the decision of the Council to give notice in April 2021 that they do not intend to continue the Shared Audit and Investigation Service Partnership with Wokingham Borough Council beyond 31 March 2022, this has impacted on resourcing within the team as permanent recruitment to vacant posts has been put on hold during the transition period. This is being carefully managed through this period so as to reduce, as far as practically possible, the impact on the delivery of the 2021/22 Audit and Investigation Work Programme. This has been partly addressed by the engagement of temporary resource for the first part of the year. In addition, in order to make the best use of audit resource, we have: -
- Streamlined audit processes to increase capacity, where appropriate.
 - Narrowed the focus of audit scopes to examine only key risks.
 - Used resource flexibly to refocus on specific potential control risk/fraud areas.
- We will work with the new Internal Audit Service provider, when they have been commissioned, to assist, as far as possible, with ensuring a smooth transition as we handover to the Council's new Internal Audit arrangement.

3. KEY IMPLICATIONS

3.1 Table 2: Key Implications

Outcome	Unmet	Met	Exceeded	Significantly Exceeded	Date of delivery
SAIS work is effective and is working to achieve the 2021/22 Internal Audit and Investigation Work Programme. 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 2022
Unqualified External Audit Financial Accounts and Management Letter.	Adverse comment and a qualified External Audit Management Letter if the Council fails to maintain an	Unqualified External Audit Management Letter as Council meets its requirements to provide an	n/a	n/a	31 March 2022

Outcome	Unmet	Met	Exceeded	Significantly Exceeded	Date of delivery
	adequate Internal Audit function.	adequate and effective Internal Audit function.			
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

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

- 6.1 Table 3 summarises the potential risks associated with the options and the proposed course of action.

Table 3: Impact of risk and mitigation

Risk	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 and the content of the Annual Governance Statement.	High	Internal audit coverage included as part of the governance assurance framework and informing the Annual Governance Statement.	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 is provided for Members to note progress against the 2021/22 Work Programme. In undertaking our audit and investigative work, we ensure that 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 maker taking regard of the requirements of the Data Protection Act 2018 and the General Data Protection Regulation. Data Protection Impact Assessments are a lawful requirement under certain conditions but do not impact on this report.
- 7.4 Staffing/workforce, Human Rights and community cohesion, accommodation, property and assets – these have been considered and are not applicable to this report.

8. CONSULTATION

- 8.1 Consultation was undertaken with internal stakeholders (Members of the Corporate Leadership Team, Executive Director of Resources (& S151 Officer) and Head of Finance (& Deputy S151 Officer) in preparing the 2021/22 Internal Audit and Investigation Work Programme.
- 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 stage is set out in Table 4.

Table 4: Implementation timetable

Date	Details
31 March 2022	2021/22 Internal Audit and Investigation Work Programme completion

10. APPENDICES

10.1 This report is supported by 2 appendices:-

- Appendix A – 2021/2022 Audit and Investigation Interim Progress Report (1 April 2021 to 30 September 2021)
- Appendix A(I) – 2021/22 Internal Audit Plan Status (1 April 2021 – 30 September 2021)

11. BACKGROUND DOCUMENTS

11.1 This report is supported by 2 background documents:-

- CIPFA/IIA Public Sector Internal Audit Standards 2017
- Anti Fraud and Anti Corruption Strategy

12. CONSULTATION

Name of consultee	Post held	Date sent	Date returned
<i>Mandatory:</i>		<i>Statutory Officers (or deputy)</i>	
Adele Taylor	Executive Director of Resources/S151 Officer	11/10/21	13/10/21
Emma Duncan	Deputy Director of Law and Strategy / Monitoring Officer	11/10/21	
<i>Deputies:</i>			
Andrew Vallance	Head of Finance (Deputy S151 Officer)	11/10/21	13/10/21
Elaine Browne	Head of Law (Deputy Monitoring Officer)	11/10/21	
Karen Shepherd	Head of Governance (Deputy Monitoring Officer)	11/10/21	
<i>Directors</i>			
Duncan Sharkey	Chief Executive	11/10/21	11/10/21
Andrew Durrant	Executive Director of Place	11/10/21	
Kevin McDaniel	Executive Director of Children's Services	11/10/21	
Hilary Hall	Executive Director of Adults, Health and Housing	11/10/21	
<i>Heads of Service (where relevant)</i>			
Nikki Craig	Head of HR, Corporate Projects and IT	11/10/21	13/10/21
<i>External (where relevant)</i>			
N/A			

Confirmation relevant Member(s) consulted	Chairman Audit and Governance Committee	Yes
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REPORT HISTORY

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

Report Authors: Andrew Moulton, Assistant Director Governance;
Wokingham Borough Council for the Shared Audit and Investigation Service,
Tel no.07747 777298; Catherine Hickman, Lead Specialist, Audit and
Investigation; Tel no: 07885 983378



Royal Borough
of Windsor &
Maidenhead



WOKINGHAM
BOROUGH COUNCIL

INTERIM INTERNAL AUDIT & INVESTIGATION REPORT 2021/22 (TO 30 SEPTEMBER 2021)

1. INTRODUCTION

- 1.1 This report summarises the work of the Shared Audit and Investigation Service from 1 April 2021 to 30 September 2021. There are three key areas of the services work; Internal Audit, Governance and Investigation.
- 1.2 Internal audit is a statutory function under the Accounts and Audit Regulations 2015 and it is an independent and 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 (Head of Internal Audit) 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 (PSIAS). The purpose of this interim report is to provide an update on the progress made against the delivery of the Audit and Investigation Work Programme at an interim stage (30 September 2021). 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 The overall 2021/22 Internal Audit Strategy, outlining the role, scope and purpose of Internal Audit, the 2021/22 Audit Work Programme Planning process, resourcing, reporting arrangements and Internal Audit's requirements to conform to the Public Sector Internal Audit Standards (2017), was presented to this Audit and Governance Committee (AGC) on 22 February 2021.
- 2.2 Performance against the Internal Audit and Investigation Plan to 30 September 2021 is as follows;
 - Appendix A(I) presents progress made against the 2021/22 Internal Audit and Investigation Work Programme (including audits carried forward from 2020/21) between 1 April and 30 September 2021.

- Audit work in Quarter 1 and 2 included completing audits from the 2020/21 financial year where there had been delays with the commencement of specific audit work due to services continuing to need to respond to the impacts of the Covid-19 crisis and council priorities and the associated recovery plans. The work of the Internal Audit team has continued to be refocussed and reprioritised in order to accommodate the need to be flexible during this period of uncertainty.
- Following the decision of the Council to give notice in April 2021 that they do not intend to continue the Shared Audit and Investigation Service Partnership with Wokingham Borough Council beyond 31 March 2022, this has impacted on resourcing within the team as permanent recruitment to vacant posts has been put on hold during the transition period. This is being carefully managed through this period so as to reduce, as far as possible, the impact on the delivery of the 2021/22 Audit and Investigation Work Programme. This has been partly addressed by the engagement of temporary resource for the first part of the year. In addition, in order to make the best use of audit resource, we have: -
 - Streamlined audit processes to increase capacity, where appropriate.
 - Narrowed the focus of audit scopes to examine only key risks.
 - Used resource flexibly to refocus on specific potential control risk/fraud areas.
- We will work with the new Internal Audit Service provider, when they have been commissioned, to assist, as far as possible, with ensuring a smooth transition as we handover to the Council's new internal audit arrangement.

3. INTERNAL AUDIT SERVICE PERFORMANCE AND CONTRIBUTION

- 3.1 Appendix A (I) details the status of audits against the 2021/22 Audit and Investigation Work Programme as at 30 September 2021, including those audits completed from the 2020/21 financial year. Table 1 provides a summary.

Table 1: Status of 2021/22 audits (including audits carried forward from 2020/21)

Audit Status	Number of audit/associated audit work
Final Report	13
Draft Report	3
Grants Certified	4
Work in Progress	7
Other	2
Total	29

- 3.2 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 2021/22 Audit Opinions (including audits carried forward from 2020/21)

Overall Audit Opinion	Summary of Audit Opinion	No. of Audits completed during 2021/22 (incl. carried forward from 2020/21)
1	Complete and Effective	6
2	Substantially Complete and Generally Effective	6
3	Range of Risk Mitigation Controls is incomplete, and risks are not effectively mitigated	0
4	There is no effective Risk Management process in place	0
N/A	Advisory	1

- 3.3 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 was one audit undertaken during the period (Pensions Payroll & Administration) where this option was utilised by management and the audit opinion improved from a 2 to a 1 category of opinion.
- 3.4 There are no audit reviews during the period that have attracted the third or fourth category of audit opinion (as shown in Appendix A(I) – Legend Section) that have been completed to Final Report stage since the 2020/21 Annual Report submitted to the Audit and Governance Committee on 17 May 2021.
- 3.5 At the time of last reporting to AGC (17 May 2021), there were three audits that received the 3rd category of Audit Opinion (Cash and Bank Reconciliation, Debtors and Reconciliations). Members requested at that meeting that ongoing audit work be undertaken to give this Committee assurances that the concerns identified during the audits were being progressed. At the time of this reporting, audit activity is in progress in each of three audit areas and a verbal update will be given to the Committee.
- 3.6 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

3.7 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:-

- Covid-19 Restart Grants
- Troubled Families Grant – Quarter 1 and 2 certifications
- Local Enterprise Partnership:-
 - Core Funding
 - Additional Funding
 - Covid Funding
 - EU Transition Funding

Consultancy, Contingency and Advice

3.8 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

3.9 There are no outstanding management responses to audit reports.

4. INVESTIGATIONS

4.1 The work undertaken by the SAIS includes reactive investigations as well as developing pro-active fraud drives.

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

Pro-active Exercises - Empty Property Relief

4.3 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 in to the council through liable charges being raised for previous council tax liability. The results of this work are currently being compiled.

National Fraud Initiative Data Matching

- 4.4 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 Work Programme.

Regulation of Investigatory Powers Act

- 4.5 No investigation cases have been undertaken during the first six months of 2021/22 that have required Regulation of Investigatory Powers surveillance approval to be requested.

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

- 5.1 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. Internal Audit activity is undertaken in compliance with the PSIAS.

Appendix A(I)

2021/22 Royal Borough of Windsor and Maidenhead Internal Audit Plan Status (as at 30 September 2021)

Key Financial Systems

Audit title	Directorate	Status	Final audit report opinion
Benefits/Council Tax Reduction Scheme Follow Up	Resources	FINAL	2
Council Tax Follow Up	Resources	FINAL	1
NNDR Follow Up	Resources	FINAL	1
Cash & Bank Reconciliation (Progress of High Risk Concerns)	Resources	WIP	
Debtors Follow Up (Progress of High Risk Concerns)	Resources	WIP	
Reconciliations (Progress of High Risk Concerns)	Managing Director	WIP	

Governance Building Blocks

Audit title	Directorate	Status	Final audit report opinion
Procurement (Covid-19 Expenditure)	Resources	DRAFT	

Key Operational Risks

Audit title	Directorate	Status	Final audit report opinion
Health & Safety (incl. PPE)	Cross cutting	DRAFT	

Servicing the Business

Audit title	Directorate	Status	Final audit report opinion
Schools Financial Value Statement	Children's Services	Completed	n/a
Schools Risk Assessment Exercise	Children's Services	Completed	n/a
All Saints School	Children's Services	WIP	

Grant Certifications

Audit title	Directorate	Status	Final audit report opinion
Covid-19 Restart Grants	Resources	FINAL	Certified
Troubled Families Grant (Qtr. 1)	Resources	FINAL	Certified
Troubled Families Grant (Qtr. 2)	Resources	FINAL	Certified
Local Enterprise Grant:- - Core Funding - Additional Funding - Covid Funding - EU Transition Funding	Resources	FINAL	Certified
Department for Transport Grant	Resources	WIP	

Appendix A(I)

Contingency/Management Requests

Audit title	Directorate	Status	Final audit report opinion
Direct Payments Fact Finding	Adults, Health and Housing	FINAL	n/a - Advisory
Housing (Income from Clients)	Adults, Health and Housing	DRAFT	

Investigations

Audit title	Directorate	Status	Final audit report opinion
Empty Property Relief Proactive Exercise	Resources	WIP	
National Fraud Initiative Data Matching	Cross Cutting	WIP	

Achieving for Children

Audit title	Directorate	Status	Final audit report opinion
AfC Buildings & Facilities Management	Children's Services	FINAL	2
AfC Information Governance	Children's Services	FINAL	2
AfC Leaving Care	Children's Services	FINAL	2

2020/21 Audits Completed in 2021/22

Audit title	Directorate	Status	Final audit report opinion
Payroll	Resources	FINAL	2
AfC Payroll	Resources	FINAL	2
Creditors	Resources	FINAL	1
General Ledger	Resources	FINAL	1
Treasury Management	Resources	FINAL	1
Pensions Payroll & Administration	Resources	FINAL	1

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