

Report Title:	Internal Audit Progress Report Q1 2023/24
Contains Confidential or Exempt Information	No - Part I
Cabinet Member:	
Meeting and Date:	Audit and Governance Committee – 30 May 2023
Responsible Officer(s):	Andrew Vallance, Head of Finance & Interim s151 Officer
Wards affected:	All

REPORT SUMMARY

The report is the first progress report on the internal audit plan for 2023/24 agreed at the February 2023 meeting. It will be presented by the Council's internal auditors, South West Audit Partnership (SWAP).

1. DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That Audit and Governance Committee notes the report

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

- 2.1 To ensure that the internal audit programme for 2023/24 is progressing as planned.

Options

Table 1: Options arising from this report

Option	Comments
To agree the Internal Audit Progress report This is the recommended option	This is the preferred option for the reasons set out in the report

3 BACKGROUND

- 3.1 The October 2021 meeting of Audit and Governance Committee recommended to Cabinet that the Council should become a member of the South West Audit Partnership (SWAP). Cabinet ratified this decision in November 2021.
- 3.2 SWAP therefore took over the role of the Council's internal auditors from 1 April 2022.
- 3.3 SWAP's audit plan for 2023/24 was approved at the February 2023 meeting of this committee
- 3.4 A progress report on Quarter 1 to date is attached as **Appendix 1**.

3.5 Key staff from SWAP will attend the meeting to present the report.

4 FINANCIAL DETAILS / VALUE FOR MONEY

4.1 There are no direct financial consequences arising from this report.

5 LEGAL IMPLICATIONS

5.1 None.

6 RISK MANAGEMENT

6.1 SWAP have undertaken a review of current risk management arrangements as part of their audit plan.

7 POTENTIAL IMPACTS

7.1 Equalities. An Equality Impact Assessment is attached as **Appendix 2**. A screening assessment has been completed which indicates the proposal does not have any equality impacts.

7.2 Climate change/sustainability. There are no impacts as a consequence of the decision.

7.3 Data Protection/GDPR. No personal data has been processed.

8 CONSULTATION

8.1 See section 12

9 TIMETABLE FOR IMPLEMENTATION

9.1 By 31 March 2024

10 APPENDICES

10.1 Appendix 1 - Internal Audit Progress Report Q3 2022/23

10.2 Appendix 2 - EQIA

11 BACKGROUND DOCUMENTS

11.1 None

12 CONSULTATION

Name of consultee	Post held	Date sent	Date returned
<i>Mandatory: Statutory Officers (or deputies)</i>			
Andrew Vallance	Head of Finance (Interim S151 Officer)	19/5/23	19/5/23
Elaine Browne	Head of Law and Strategy / Interim Monitoring Officer	19/5/23	19/5/23
<i>Deputies:</i>			

Confirmation relevant Cabinet Member(s) consulted		Not in post
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REPORT HISTORY

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

Report Author: Andrew Vallance, Head of Finance andrew.vallance@rbwm.gov.uk

Royal Borough of Windsor and Maidenhead

Report of Internal Audit Activity

May 2023 Progress Report – Year Ended 31 March 2023

Internal Audit Update – Final 2022/23 update ‘At a Glance’

The Headlines

	<p>Reviews completed in the Period</p> <ul style="list-style-type: none"> • 7 assurance opinions • 1 follow-up • 1 grant certification • 5 advisory reports
	<p>Progress to date</p> <p>On track to deliver plan:</p> <ul style="list-style-type: none"> • 95% reviews at final/report stage • 2 reviews in progress
	<p>Follow-ups in the period</p> <p>One follow-up audit completed. Evidence of progress and remaining actions will continue to be tracked.</p>
	<p>High corporate risks in the period</p> <ul style="list-style-type: none"> • Business Continuity • S106 Agreements
	<p>Plan Changes</p> <ul style="list-style-type: none"> • 1 audit deferred at service request
	<p>Range of innovations and enhancements made to our internal audit process throughout the year</p> <p>Data analytics continues to drive/support reviews; comparative benchmarking exercises offer useful insight and suggested practices.</p>

Internal Audit Assurance Opinions 2022/23

	May	YTD
Substantial	1	1
Reasonable	1	4
Limited	4	11
No Assurance	1	1
Total	7	17

Internal Audit Agreed Actions 2022/23

	May	YTD
Priority 1	13	37
Priority 2	17	52
Priority 3	11	38
Total	41	127

Summary

As part of our rolling plan reports, we will detail progress against the approved plan and any updates in scope and coverage.

We will also provide details of any significant risks that we have identified in our work, along with the progress of mitigating significant risks previously identified through audit activity.

The contacts at SWAP in connection with this report are:

Lisa Fryer

Assistant Director

lisa.fryer@swapaudit.co.uk

David Hill

Chief Executive

david.hill@swapaudit.co.uk



Summary

Introduction

This 2022/23 progress report allows monitoring against the plan agreed by this Committee in May 2022. The plan has been flexible through the year and some new grant and advisory work has been added. The schedule provided at **Appendix D** details progress made against the plan including new work agreed.

Each completed assignment includes its respective “assurance opinion” rating together with the number and relative ranking of recommendations that have been raised with management. In such cases, the Committee can take assurance that improvement actions have been agreed with management to address these. The assurance opinion ratings have been determined in accordance with the Internal Audit “Audit Framework Definitions” as detailed at **Appendix A** of this document.

To assist the Committee in its important monitoring and scrutiny role, in those cases where weaknesses have been identified in service/function reviews that are considered to represent significant service risks, a summary of the key audit findings that have resulted in them receiving a ‘limited Assurance Opinion’ is given as part of this report in **Appendix B**.

A follow-up review is performed in respect of all limited assurance opinion audits. This is important to provide evidence that recommendations have been implemented to reduce areas of risk identified. The results of follow-up reviews performed in the period can be found in **Appendix C**.

In circumstances where findings have been identified which are considered to represent high corporate risks to the Council, due to their importance, these issues are separately summarised. Due to the significance of the findings, we have assessed there to be a high corporate risk in relation to the risks covered by both the Business Continuity and S106 audits. See **Appendix B** for further details.

Internal Audit Plan Update

Our audit plan coverage assessment is designed to provide an indication of whether we have provided sufficient, independent assurance to monitor the organisation’s risk profile effectively.

For those areas where no audit coverage is planned, assurance should be sought from other sources to provide a holistic picture of assurance against key risks.



SWAP audit plan coverage across strategic risks

The table below provides a summary of how our completed audits and work in progress to date this year provides assurance over key strategic risks areas in the Internal Audit Plan. As the year builds and more work is completed, coverage across the key risk areas will increase. ‘Adequate’ coverage reflects delivery of planned assurance levels.

The strategic risk register has recently been updated and assessment against the updated risk register will be carried out in 2023/24.

Strategic Risk	Coverage
Maidenhead Regeneration	Scheduled for 2023/24
Children’s to Adults Services Transition	Scheduled for 2023/24
Covid and Economic recovery	Economic Resilience
Failure to protect residents in an emergency situation	Business Continuity
Threat of a terrorist act	Business Continuity
Effectiveness of Financial Strategy	Schools Financial Management, corporate debt management, accounts payable, revenue savings
Failure of Council owned companies/major contractors	Contract Management, AfC governance and oversight
Information Management	Records Management
Data Protection/Data Security Breach	CyberSecurity Framework Review
IT Infrastructure Failure	ICT Governance Risk Review

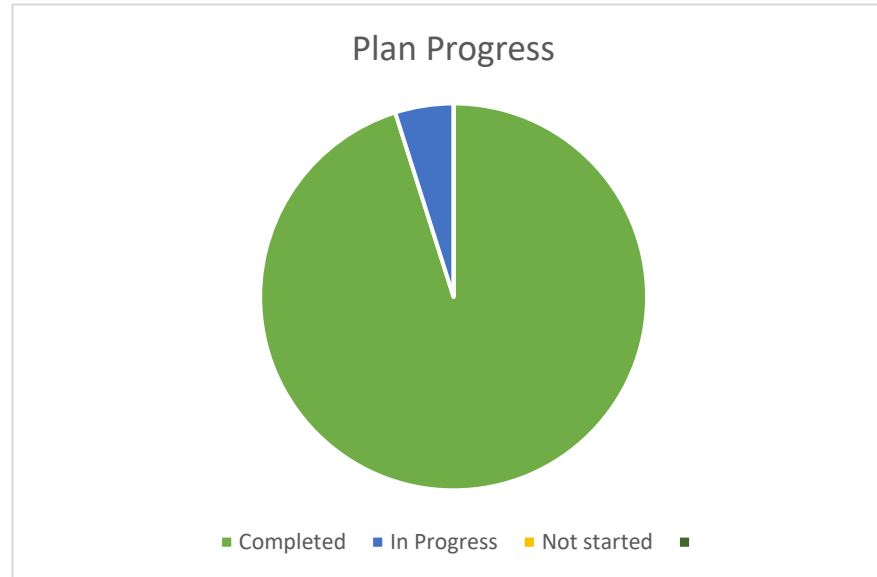
	Good coverage complete
	Adequate coverage complete
	Coverage In progress
	No coverage to date

Internal Audit Plan Update

We will build our audit plan as the year progresses to ensure that we are auditing the right things at the right time.



Progress Year to Date





We are currently on track to deliver our programme of work with 95% of audit work now complete. Just two audits remain in progress.


Assurance Definitions	
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Substantial	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

Definition of Corporate Risks	
Risks	Reporting Implications
High	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.
Medium	Issues which should be addressed by management in their areas of responsibility.
Low	Issues of a minor nature or best practice where some improvement can be made.

Categorisation of Recommendations	
In addition to the corporate risk assessment it is important that management know how important the recommendation is to their service. Each recommendation has been given a priority rating at service level with the following definitions:	
Priority 1	Findings that are fundamental to the integrity of the service's business processes and require the immediate attention of management.
Priority 2	Important findings that need to be resolved by management.
Priority 3	Finding that requires attention.

Corporate Debt Management	Risks Reviewed		Priority Actions			
	Ineffective debt management can result in financial loss for the Authority and impact on the delivery of services.		1	2	3	Total
		Limited	2	4	5	11
<p>The debt recovery process for sundry debts is managed by the Debt Recovery Officer. We are satisfied that there is a robust process in place for the monitoring and recovery of these debts, including the issue of monthly aged debt reports and progress updates to budget holders. The findings reported largely relate to finance related processes and the maintenance of debtor accounts and balances.</p> <p>Key Findings</p> <ul style="list-style-type: none"> • There are 840 debtor accounts with credit balances totalling £381,511. Due to a lack of resources, these have not been regularly reviewed. • There are potentially 4,516 duplicate debtor accounts. • Procedures relating to the following are either not in place or are not being followed: monitoring of suppressed invoices, authorisation of write-offs, documentation to support debts, non-cooperation from services and setting up of debtor accounts. 						

Economic Resilience	Risks Reviewed	 Limited	Priority Actions			
	Community prosperity is diminished due to the council's failure to positively influence economic vitality.		1	2	3	Total
			1	3	3	7
<p>It is acknowledged that some of the findings of this audit result from the impact of national economic challenges, and the fact that the service was created during the pandemic. It is also noted that external funding opportunities for the service are limited due to the affluence of the borough, coupled with the fact that the service has some challenging income generation targets.</p> <p>This has meant that the business engagement and consultation work needed to form the Economic Vision, is only just starting to take shape, and this is the priority action of this report.</p> <p>Key Findings</p> <ul style="list-style-type: none"> • There is no current strategy for Economic Vision. The service is about to embark on consultation with business stakeholders so that a new strategy can be drafted. • Current performance measures are heavily focussed on recovery targets from the pandemic. Proactive work to build economic resilience is not measured and there is an opportunity to take a more data-driven approach. • The service does not currently conduct regular canvassing of the business community, and marketing and branding activity is limited. Improvements are required to develop local business intelligence. 						

Business Continuity Planning	Risks Reviewed	 Limited	Priority Actions			
	The public, businesses and vulnerable people seeking critical services are left unprotected or unsupported, leading to serious financial and reputational damage for the Council.		1	2	3	Total
			4	5	4	13


The Joint Emergency Planning Unit (JEPU) Team provides business continuity advice to the council, and co-ordinates the council’s corporate business continuity arrangements centrally, although each service is responsible for its own plan. The council has recognised business continuity as a significant corporate risk in its strategic risk register. In response to this, a project to review and update the corporate and service business continuity plans commenced in 2020. While some delays to the project can be attributed to the coronavirus pandemic, a lack of engagement from services with the JEPU has been the main reason for the delay in completing the project.


High Corporate Risk

Failure to have robust plans in place puts the council at risk of not being able to respond effectively to a Business Continuity event and of potential litigation for non-compliance with the Civil Contingencies Act 2004. As such, we are reporting this as a high corporate risk which needs to be addressed as a priority.

Corporate Findings

- The council does not have an approved corporate Business Continuity Plan.
- Not all services have completed a service Business Continuity Plan and a Business Impact Analysis. In addition, there is no evidence that those that have been completed have been tested.
- Some key elements are missing from the draft corporate Business Continuity Plan, e.g., risk assessments, communications, alternative locations and Recovery Point Objectives (RPO).
- No training or awareness sessions on business continuity have been undertaken with either staff, management or members.

Homelessness Strategy	Risks Reviewed		Priority Actions			
	An ineffective Homelessness Strategy will not support the council in the prevention and reduction of those presenting as homeless, or threatened with homelessness, resulting in potential financial and reputational damage for the council.		1	2	3	Total
			2	2	0	4
<p>Since the creation of the Homelessness Strategy in 2018, there have been many challenges which have contributed to the number of actions that have not been fully implemented. These include a high turnover of staff, resulting in resourcing issues; the coronavirus pandemic which had a knock-on effect on the housing service, e.g., the immediate need to support all rough sleepers; and the increasing numbers in temporary accommodation. In addition, the restrictions on evictions now being lifted has put increased demands on the service.</p> <p>Key Findings</p> <ul style="list-style-type: none"> • While the Homelessness and Rough Sleeping Forum have met regularly, and homelessness issues are discussed in these meetings, there is little evidence that all the actions from the Homelessness and Rough Sleeping Strategy are routinely reviewed for progress. This, in turn, has not been clearly reported to the Health and Wellbeing Board. • The five-year Homelessness and Rough Sleeping Strategy is now in its final year. The council has yet to consider its replacement, along with the actions and key performance measures to support it. 						

Section 106 Agreements	Risks Reviewed	 <p>No Assurance</p>	Priority Actions			
	Opportunities to enhance or sustain the local community are diminished or lost because contributions are not received, resulting in financial loss.		1	2	3	Total
			3	0	0	3
<p>We are unable to give any assurance that there is an adequate control framework to ensure that the Council is collecting all income due for Section (S) 106 agreements. Given the Council’s financial position and priority for maximising income due, this is a significant concern that requires immediate attention.</p> <p>High Corporate Risk</p> <p>Due to the significance of the findings, we have assessed there to be a high corporate risk in relation to the risk covered by this review.</p> <p>Key Findings</p> <ul style="list-style-type: none"> There is no formally agreed policy or process to ensure that Section (S) 106 payments are consistently recorded and collected. There is no process to identify when S106 milestones are reached, therefore invoices are not raised until a developer requests one. There is no dedicated system through which S106 contributions are recorded on completion of the agreement and then monitored through to final payment. 						

Cash and Bank Reconciliation	Scope and Objective	Progress Summary			
	To provide assurance that the agreed actions to mitigate against risk exposure, identified within the 2021/22 audit of Housing Income, have been implemented.	Completed	In progress	Not Started	Total
	Priority 1	0	2	0	2
	Priority 2	2	1	0	3
	Priority 3	0	0	0	0
	Total	2	3	0	5

The original audit was completed in May 2021 under the shared service arrangement with Wokingham Borough Council. The audit received the following audit opinion: Range of Risk Mitigation Controls is incomplete, and risks are not effectively mitigated.

In terms of completed action reconciliations are now carried out regularly and the level of unreconciled items at a reasonable level. The pension fund transactions will be fully separated from the main ledger from 1st April 2023.

Total income on the bank statement is now reconciled in total with the total imported into the income management system. Work is continuing to allow the type of income to be automatically allocated too.

The outstanding issues will be followed up in 2023/24 as part of our action tracking procedures.

Audit Type	Audit Area	Status	Opinion	No of Rec	1 =	↔	3 =
					Major		Medium
					Recommendation		
					1	2	3
Complete							
Grant	Local Enterprise Partnership (LEP) Core Growth Hub	Final	Certified				
Grant	Local Enterprise Partnership (LEP) Peer Networks	Final	Certified				
Grant	New - Contain Outbreak Management Fund (COMF)	Final	Certified				
Grant	New - Test and Trace Support Payment Scheme Funding	Final	Certified				
Operational	Fleet Safety Compliance Checks	Final	Limited	6	2	2	2
Governance	Climate Change - Governance Arrangements	Final	Reasonable	5	0	2	3
Operational	Risk Management	Final	Limited	14	3	7	4
Grant	Disabled Facilities Grant (DFG)	Final	Certified				
Grant	Bus Service Operator Grant (BSOG)	Final	Certified				
Grant	New – Universal Drug Treatment	Final	Certified				
Advisory	New - NFI Advisory Report	Final	Advisory				
Governance	Baseline Assessment of Maturity in Relation to Fraud	Final	Advisory	Found to require improvement			
Governance	ICT Governance Risk Review	Final	Advisory	Some significant findings			
Operational	Schools Financial Management	Final	Reasonable	6	0	0	6
Financial	Pension Fund Investments	Final	Reasonable	2	0	0	2
Governance	Delegated Decision Making	Final	Limited	10	5	4	1

Audit Type	Audit Area	Status	Opinion	No of Rec	1 =	↔	3 =
					Major		Medium
					Recommendation		
Governance	Records Management	Final	Limited	7	4	1	2
Governance	Contract Management	Final	Limited	20	6	11	3
Operational	Adults Direct Payments	Final	Limited	10	4	5	1
Operational	Adults Financial Assessments	Final	Limited	6	0	3	3
Follow-up	Housing Income	Final	N/A	Risk reduced - No further work required			
Follow-up	All Saints C of E Junior School Financial and Administration Framework	Final	N/A	Risk reduced - No further work required			
Grant	Green Homes Grant	Final	Certified				
Grant	Local Transport Capital Funding Grant	Final	Certified				
Grant	New - Adult Weight Management Services Grant	Final	Certified				
Grant	New - ITT Training Bursary	Final	Certified				
Operational	Infrastructure – Community Infrastructure Levy (CIL)	Final	Substantial	0	0	0	0
Finance	New - Accounts Payable	Final	Reasonable	4	0	3	1
Financial	Corporate Debt Management	Final	Limited	11	2	4	5
Operational	Economic Development	Final	Limited	6	2	3	1
Governance	Business Continuity Planning	Final	Limited	13	4	5	4
Operational	Homelessness Strategy	Final	Limited	4	2	2	0
Operational	Infrastructure - Section 106	Final	No	3	3	0	0

Audit Type	Audit Area	Status	Opinion	No of Rec	Recommendation		
					1 = Major	↔	3 = Medium
					1	2	3
Follow-up	Cash and Bank Reconciliation	Final	N/A	Remaining work in progress to be monitored using action tracking procedures			
Grant	Supporting Families Grant	Final	Certified				
Advisory	National Fraud Initiative (NFI)	Final	Advisory				
Governance	Fraud Risk Assessment	Final	Advisory				
Advisory	Adults Safeguarding	Final	Advisory	Advisory work to support review being undertaken by service			
Advisory	Fraud Training for Members	Final	Advisory				
Governance	Cybersecurity Framework Review	Draft	Advisory				
In progress							
Governance	Medium Term Financial Plan (MTFP) – Revenue Savings Assurance	In progress					
Operational	Achieving for Children Governance and Oversight	In progress					
Deferred							
Operational	Children’s – Strategic Commissioning SEND	Deferred	Deferred until 23/24 at service request. Resources released for additional grant work.				
Finance	Management of the Capital Budget	Deferred	Deferred until 23/24. Resources released for Accounts Payable review.				
Governance	Procurement	Deferred	Deferred until 23/24 at service request to allow them to focus on Contract Management.				
Operational	Public Health – Drug and Alcohol Contract	Deferred	Deferred at service request.				

Audit Type	Audit Area	Status	Opinion	No of Rec	1 =	↔	3 =
					Major		Medium
					Recommendation		
	1	2	3				
Operational	Children's to Adult's services transition. (Joint AfC audit).	Deferred	Deferred until 23/24 at Service request.				
Operational	Children's - Strategic Review of Early Intervention	Deferred	Deferred until 23/24 at Service request.				

Equality Impact Assessment

For support in completing this EQIA, please consult the EQIA Guidance Document or contact equality@rbwm.gov.uk

www.rbwm.gov.uk



1. Background Information

Title of policy/strategy/plan:	<u>Internal Audit Progress Report Q1 2023/24</u>
Service area:	<u>Finance</u>
Directorate:	<u>Resources</u>

Provide a brief explanation of the proposal:

- What are its intended outcomes?
- Who will deliver it?
- Is it a new proposal or a change to an existing one?

To inform members of progress.

SWAP

No

2. Relevance Check

Is this proposal likely to directly impact people, communities or RBWM employees?

- If No, please explain why not, including how you've considered equality issues.
- Will this proposal need a EQIA at a later stage? (for example, for a forthcoming action plan)

No – internal audit progress report

No

If 'No', proceed to 'Sign off'. If unsure, please contact equality@rbwm.gov.uk

3. Evidence Gathering and Stakeholder Engagement

Who will be affected by this proposal?

For example, users of a particular service, residents of a geographical area, staff

Among those affected by the proposal, are protected characteristics (age, sex, disability, race, religion, sexual orientation, gender reassignment, pregnancy/maternity, marriage/civil partnership) disproportionately represented?

For example, compared to the general population do a higher proportion have disabilities?

What engagement/consultation has been undertaken or planned?

- How has/will equality considerations be taken into account?
- Where known, what were the outcomes of this engagement?

What sources of data and evidence have been used in this assessment?

Please consult the Equalities Evidence Grid for relevant data. Examples of other possible sources of information are in the Guidance document.

4. Equality Analysis

Please detail, **using supporting evidence**:

- How the protected characteristics below might influence the needs and experiences of individuals, in relation to this proposal.
- How these characteristics might affect the impact of this proposal.

Tick positive/negative impact as appropriate. If there is no impact, or a neutral impact, state 'Not Applicable'

More information on each protected characteristic is provided in the Guidance document.

	Details and supporting evidence	Potential positive impact	Potential negative impact
Age			
Disability			
Sex			
Race, ethnicity and religion			
Sexual orientation and gender reassignment			
Pregnancy and maternity			
Marriage and civil partnership			
Armed forces community			
Socio-economic considerations e.g. low income, poverty			
Children in care/Care leavers			

5. Impact Assessment and Monitoring

If you have not identified any disproportionate impacts and the questions below are not applicable, leave them blank and proceed to Sign Off.

What measures have been taken to ensure that groups with protected characteristics are able to benefit from this change, or are not disadvantaged by it?

For example, adjustments needed to accommodate the needs of a particular group

Where a potential negative impact cannot be avoided, what measures have been put in place to mitigate or minimise this?

- For planned future actions, provide the name of the responsible individual and the target date for implementation.

How will the equality impacts identified here be monitored and reviewed in the future?

See guidance document for examples of appropriate stages to review an EQIA.

6. Sign Off

Completed by: Lisa Fryer	Date: 19/5/23
Approved by: Andrew Vallance	Date: 19//5/23

If this version of the EQIA has been reviewed and/or updated:

Reviewed by:	Date:
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