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# Internal Audit Update Report

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<b>Committee considering report:</b>	Governance and Ethics Committee on 16 November 2020
<b>Portfolio Member:</b>	Councillor Jo Stewart
<b>Date Portfolio Member agreed report:</b>	28 October 2020
<b>Report Author:</b>	Julie Gillhespey (Audit Manager)
<b>Forward Plan Ref:</b>	GE3864

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## 1 Purpose of the Report

- 1.1 To update the Committee on the outcome of Internal Audit work carried out during quarters one and two of 2020/21.
- 1.2 The Public Sector Internal Audit Standards (PSIAS), as adapted by CIPFA's "Local Government Application Note", require the Audit Manager to provide periodic updates to senior officers and members on performance against the Audit Plan. As stated in the Council's approved Internal Audit Charter quarterly updates are required to be presented to Committee. Due to the timing of the committee meetings the first update report provides an update for quarters one and two of the 2020/21 Audit Plan
- 1.3 The periodic reports aim to provide a progress update against the work in the Audit Plan together with highlighting any emerging significant issues/risks that are of concern.

## 2 Recommendation

To note the content of the report.

## 3 Implications and Impact Assessment

Implication	Commentary
<b>Financial:</b>	Not Applicable
<b>Human Resource:</b>	Not Applicable
<b>Legal:</b>	Not Applicable
<b>Risk Management:</b>	Internal Audit work helps to improve risk management processes by identifying weaknesses in systems and procedures and making recommendations to provide

	mitigation. The aim of which is to help ensure that services and functions across the Council achieve their goals and targets, and the organisation as a whole meets its plans and objectives.			
<b>Property:</b>	Not Applicable			
<b>Policy:</b>	Not Applicable			
	<b>Positive</b>	<b>Neutral</b>	<b>Negative</b>	<b>Commentary</b>
<b>Equalities Impact:</b>				
<b>A</b> Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?		X		
<b>B</b> Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?		X		
<b>Environmental Impact:</b>		X		
<b>Health Impact:</b>		X		
<b>ICT Impact:</b>		X		
<b>Digital Services Impact:</b>		X		
<b>Council Strategy Priorities:</b>		X		

<b>Core Business:</b>		X		
<b>Data Impact:</b>		X		
<b>Consultation and Engagement:</b>	None			

## 4 Executive Summary

- 4.1 To update the Committee on the outcome of Internal Audit work completed during quarters one and two of 2020/21.
- 4.2 The Public Sector Internal Audit Standards (PSIAS), as adapted by CIPFA's "Local Government Application Note", require the Audit Manager to provide periodic updates to senior officers and members on performance against the Audit Plan. As stated in the Council's approved Internal Audit Charter quarterly updates are required to be presented to Committee.
- 4.3 The periodic reports aim to provide a progress update against the work in the Audit Plan together with highlighting any emerging significant issues/risks that are of concern.
- 4.4 There have been no significant issues of concern identified through the work carried out during the first two quarters of 2020/21.

## 5 Supporting Information

### Introduction/Background

- 5.1 A list of audit work completed is set out in Appendix A. The following table summarises the results of the audit work where an opinion was given.

Type	Very weak	Weak	Satisfactory	Well Controlled	Very Well Controlled
Key Financial Systems					
Other Systems					
Schools		1		3	

- 5.1 For this reporting period no central audits were finalised (i.e. final report issued). There was one primary school given a weak opinion, this was mainly due to the need to strengthen budget monitoring/reporting to governors and the auditing/reporting processes for managing the school fund. There were no follow-up reviews completed in the period.

- 5.2 Details of the audit work in progress and the stage reached is set out at Appendix B. Most of the audits relating to the previous year have nearly been completed, with the majority being at draft report stage and awaiting finalisation. Improvement has therefore been made in reducing the delays with progressing audits. This progress has been impacted however because of other new unplanned work that has arisen over the six month period, this work is a mixture of adhoc requests and COVID related work. This work is listed in the 'Other Work' section in both Appendix A and Appendix B. The level of these adhoc requests is much greater than in previous years, mainly due to COVID related work.
- 5.3 An Annual Anti-Fraud Work Plan was prepared this year, an update of progress against the planned work is at Appendix C.
- 5.4 The Audit Manager mentioned in her previous update report presented to Committee that she would provide the Committee with updates regarding any COVID related audit work which would impact on the Audit Plan. As listed in the appendices to this report the Audit Team has been involved in a range of Covid related work, mainly with the provision of advice on processes and controls for making grant payments as well as undertaking grant assurance work. To date we have spent approximately 55 days on Covid related unplanned work.
- 5.5 There are certain COVID grants where central government require an independent sign-off by Internal Audit and we have been made aware of these and are undertaking this work when required. The Audit Manager plans on undertaking a risk assessment of the other grants in order to identify those areas where there is greater risk of fraud and/or error and we will plan on undertaking some assurance work in these areas. It is envisaged that a further 50-80 days may be required for further COVID related work before the end of the financial year, but at this stage this is only an estimate.
- 5.6 The risk environment will also have changed because of the changes in working practices as a result of the majority of staff working from home. An example of potential changes in risk would be payment authorisation processes. The Audit Manager will be undertaking an exercise to try and identify/assess the higher risk changes then the team will carry out some assurance work to check the effectiveness/robustness of any changes in controls in these areas.
- 5.7 One of the Senior Auditors has been appointed to the new Principal Auditor post, we are now undertaking a recruitment exercise for the vacant Senior Auditor post.

### Proposals

Members note the outcome of audit work.

## 6 Other options considered

Not applicable, the report is for information only.

## 7 Conclusion

No significant/fundamental weaknesses were identified in the Council's internal control framework through the work completed by Internal Audit during the first two quarters of

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2020/21. The Audit Team is undertaking COVID related audit work which will have an impact on completing all of the planned assurance work.

## 8 Appendices

- 8.1 Appendix A – Completed Audit Work
- 8.2 Appendix B – Current Audit Work
- 8.3 Appendix C – Anti-Fraud Work Plan Update.

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### Corporate Board's recommendation

Report to proceed to Operations Board for consideration.

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#### Subject to Call-In:

Yes:  No:

- The item is due to be referred to Council for final approval
- Delays in implementation could have serious financial implications for the Council
- Delays in implementation could compromise the Council's position
- Considered or reviewed by Overview and Scrutiny Management Committee or associated Task Groups within preceding six months
- Item is Urgent Key Decision
- Report is to note only

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