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# Internal Audit Update Report

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<b>Committee considering report:</b>	Governance and Ethics Committee
<b>Date of Committee:</b>	19 April 2021
<b>Portfolio Member:</b>	Councillor Howard Woollaston
<b>Date Portfolio Member agreed report:</b>	4 March 2021
<b>Report Author:</b>	Julie Gillhespey (Audit Manager)
<b>Forward Plan Ref:</b>	GE3894

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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 quarter three 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 the Committee.
- 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>	None
<b>Human Resource:</b>	None
<b>Legal:</b>	None

<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>	None			
<b>Policy:</b>	None			
	<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 quarter three 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 Work during the quarter identified three audits where we have given a weak opinion. There were two second stage Follow-up reviews where we have concluded again that unsatisfactory progress has been made. Details are set out in the main body of the report.
- 4.5 There are no significant issues of concern identified through audit work during the period that need to be highlighted to senior officers/members.

## 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.

Audit Type	Very weak	Weak	Satisfactory	Well Controlled	Very Well Controlled
Key Financial Systems			1		
Other Systems		3	2	1	
Schools					

5.2 For this reporting period there were three central audits finalised which were given a weak opinion. The Audit Manager does not consider that the number of audits given a weak opinion is an indicator of a reduction in the control environment/processes generally. One of the reviews had been requested as there were known issues, and over the year to date, there is still a higher proportion of reviews that have been given a satisfactory opinion or above.

### 5.3 Key Findings for the Weak Opinions:-

#### (a) Early Years Grant

- Areas that require improvement were found in the processes for budget setting, forecasting and reporting of the Early Years grant position.
- We found that there was a large overspend position for the grant which was partially caused by errors made in the budget setting process, also inaccurate budget information resulted in a decision to increase the provider rates, i.e. because a surplus had been forecasted when the position was in deficit. The increase in rates exacerbated the overspend position.

#### (b) Deprivation of Liberty Safeguards

- Expenditure tracking and budget monitoring had been delayed due to resource issues, which had an impact on the number of external assessors commissioned, resulting in fewer applications being authorised than could have been achieved.
- There had been no set performance management targets in respect of how many applications should be processed. No detailed records are kept and analysed to demonstrate the effectiveness of the service, or to identify root causes of delays or increasing backlogs.
- Quarterly safeguarding reports to Corporate Board include information in respect of volumes of applications completed and outstanding. However, the reports don't provide sufficient detail in order to clearly indicate whether the current strategy is effective, or to monitor risks in respect of handling of complaints, to assess if there are any issues which might have led to unnecessary escalation to legal challenge.

(c) Digitalisation Agenda

- Many of the underpinning ICT principles in the Digital Strategy are not specifically linked to the Council Strategy or Delivery Plan. We also noted that these elements of the strategy did not have plans as to how they were to be achieved or performance measures.
- Success measures required further development in terms of baselines and targets. No owners with accountability are identified. The measures also had no clear link to the service plans.
- We noted that project oversight involves a number of governance groups, both to review the detail as well as an overview of progress. This robust framework could however lead to project overruns, depending on the scheduling of the meetings of the various groups. When consulting on our draft findings we noted work was already underway to further improve project governance.
- There isn't a robust analysis of the cost and impact of prioritising work at the expense of other / ongoing work, including the impact on BAU activities where non-project specialists (including non-ICT/Digital officers) are required to commit their time.

5.4 At the Committee meeting in November 2019, members requested a second stage Follow-Up to be carried out on the audits covering the Implementation of the Property Database and the Asset Management Strategy/ Plan. Unfortunately, in both cases the second stage Follow-up concluded that progress to implement the agreed recommendations was still unsatisfactory. The key points identified are as follows:-

a) Property Database

- From the total of 10 agreed recommendations, two are no longer relevant and are redundant, two have been implemented, four are work in progress, and the remaining two are still outstanding. Recommendation 1 relates to a corporate issue and progress is outside the control of the Head of Finance and Property and Property Service Manager.
- There has been significant progress in updating the data, circa 80%, but there were complications with new sites being identified which are not identified within any operational service team and still needed to be addressed. The progress of the recommendations then came to a halt again as the System Administrator left the Council unexpectedly in January 2020.
- A new System Administrator was in post from August 2020. However, one aspect which impacts on their ability to progress immediately with all the actions is that the new person requires system training which can take six months to conclude all stages.
- The database needs to be fully updated with all asset data before most of the other recommendations can be implemented.

### b) Asset Strategy/Plan

- From the Eight agreed recommendations, one has been implemented, three partially implemented, with the remaining four being outstanding.
- The Service Manager informed us that the lack of progress is mainly due to under-resource in the Assets team, which was compounded by the departure of the Asset Officer (end of March 2020), this then left himself and the Strategic Asset Team Leader, and the team has struggled to keep up with the 'business as usual' workload.
- A new Assets Officer was appointed on 1<sup>st</sup> August 2020. A further temporary post has recently been approved, which has been created to directly assist with the audit actions.
- The Property Service Manager is confident that the injection of new resource will provide the additional capacity the team needs in order to progress the outstanding recommendations.

5.5 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. An Annual Anti-Fraud Work Plan was prepared this year, an update of progress against the planned work is at Appendix C.

5.6 The Audit Manager mentioned in her previous update report that she would provide the Committee with updates regarding any COVID related audit work which would impact on the Audit Plan. As at the end of December the team has spent 60 days on Covid related assurance or advisory work, this is not as high as had been envisaged in this quarter, however there is more work planned in the final quarter, and because of the second lock down and further grants being paid/received, there will be further work required on Covid grant assurance in the next financial year.

5.7 There were two fraud related investigations that concluded during the period. One case related to a cheque fraud, the police were involved in the investigation but it did not result in a prosecution. The second case related to theft of cash, lack of evidence as to whether this was an internal or external issue meant this could not be progressed to a prosecution. In both cases the controls have been improved to prevent the situations from re-occurring.

5.8 The vacant senior auditor post has been recruited to and the team of five staff is now up to full complement.

## Proposals

Members note the outcome of audit work.

## 6 Other options considered

Not applicable, the report is for information only.

## 7 Conclusion

There were three central audits given a weak opinion in this reporting period. Two second stage Follow-up reviews were completed, with both given an unsatisfactory rating. It is not considered that the number of reviews given a weak opinion is an indicator of a wider issue of concern with the Council's internal control framework, as such opinions are still in the minority. The Audit Team is undertaking COVID related audit work which is having an impact on completing 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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### 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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### Document Control

Document Ref:		Date Created:	16/02/2021
Version:	01	Date Modified:	
Author:	Julie Gillhespey (Audit Manager)		
Owning Service	Finance and Property		

### Change History

Version	Date	Description	Change ID
1			
2			