

## AUDIT AND RISK COMMITTEE

15<sup>th</sup> September 2020

### INTERNAL AUDIT PROGRESS REPORT

Report of the Head of Internal Audit

Strategic Aim:	All	
Exempt Information	No	
Cabinet Member(s) Responsible:	Mr G Brown, Deputy Leader and Portfolio Holder for Planning, Environment, Property and Finance.	
Contact Officer(s):	Rachel Ashley-Caunt, Head of Internal Audit	Tel: 07824 537900 <a href="mailto:rashley-caunt@rutland.gov.uk">rashley-caunt@rutland.gov.uk</a>
Ward Councillors	N/A	

#### DECISION RECOMMENDATIONS

1. That Members note the work of Internal Audit during the financial year to date.
2. That Members note the assessment against the National Audit Office (NAO) guidance on Financial Management during Covid-19.
3. That Members note the limited assurance report on the Highways Maintenance contract and the progress made to date in progressing the action plan.
4. That Members approve the Internal Audit Charter and Strategy for 2020/21.

#### 1 PURPOSE OF THE REPORT

- 1.1 To provide Members with an update on the work of Internal Audit during the financial year to date, including an assessment of the Council's financial management during the pandemic, and a copy of any Limited Assurance reports.
- 1.2 To provide annual review and approval of the Internal Audit Charter and Strategy.

#### 2 BACKGROUND AND MAIN CONSIDERATIONS

##### Internal Audit work

- 2.1 In March 2020, it was agreed with the Council's s151 Officer that Internal Audit would reallocate resources to providing pro-active support to the Council during the pandemic as the Council had declared the pandemic a formal emergency. It was agreed that Internal Audit should cease work on any audit assignments which could create any unnecessary pressure on services, particularly those involved in the pandemic response, and provide support where possible on ensuring financial management and governance remained subject to independent review.
- 2.2 During the year to date the Internal Audit team have conducted weekly reviews of all Council spend (including review of all invoices paid and orders raised) and monthly reviews of additional payroll payments. The payments have been reviewed based on an assessment of 'reasonableness' under existing circumstances and in conjunction with a review of the decision tracker maintained of all key decisions made during this period. These have been summarised in a weekly memo to the s151 Officer setting out any areas or spend highlighted for further enquiry and providing assurance over compliance with delegations/expected controls, as appropriate. In August 2020, it was agreed that these would now move to bi-weekly memos, but would continue to review spend and decisions across the two week period.
- 2.3 Specific support has also been provided in relation to fraud risk assessments and post payment checks on the business grants. The Internal Audit team have assisted with uploading and reviewing business grants data on the Cabinet Office's National Fraud Initiative (NFI) data matching systems and reviewing the outcomes. The Head of Internal Audit has also facilitated fraud risk assessments in relation to these grants and has shared regular alerts regarding known fraudsters and fraudulent bank accounts which had targeted other councils around the country.
- 2.4 In relation to governance, the National Audit Office (NAO) produced guidance for Audit Committees on areas where they should seek assurance regarding the financial management of councils during Covid-19. A number of the sections relate to the financial accounts (such as valuations) and it is considered that these will be addressed when the Council's accounts are reviewed. There were some sections, however, which related to the control environment, control of expenditure and fraud risks. As such, Internal Audit have assisted the Council in conducting an assessment against these elements of this guidance. A copy of the assessment is provided in Appendix A to this report and highlight a number of areas of good practice and assurances that the Committee can note in relation to financial management during this time.
- 2.5 The Internal Audit team have commenced work on planned audit assignments during recent months, where it was agreed with management that the audit could be facilitated and delivered remotely. To date, two assignments have been completed (Direct Payments and consultancy work on s106/CIL monitoring) and a further audit is in advanced fieldwork stages. None of the assignments completed during the financial year to date have highlighted any areas of weakness which would impact upon the Internal Audit opinion.

#### **Limited Assurance reports**

- 2.6 In accordance with agreed practice, any audit reports receiving an opinion of less than 'Satisfactory Assurance' are presented in full to the Audit & Risk Committee. Since the last Audit & Risk Committee meeting, one such report has been finalised

from the 2019/20 audit plan and this was in relation to the Highways Maintenance Contract. A full copy of the report is provided as Appendix B to this report.

2.7 Since the report was produced, Internal Audit have been seeking evidence of the implementation of the audit recommendations. The following updates have been provided on improvements made to the control environment:

2.7.1 Of the three High Priority audit recommendations, two have been fully implemented at the time of reporting. These related two areas where potential errors had been identified in sample testing (Option C works and the price adjustment factor (PAF)) and Internal Audit had recommended a full review of these calculations to ensure no overpayments had been made. Both reviews are now complete.

2.7.2 Of the 13 Medium Priority audit recommendations, five have been implemented. This has included clear instructions given to staff to ensure that orders without photographic evidence must include a note of the basis of approval of job completion – compliance with this will be tested as part of 2020/21 audit. Evidence has also been provided of recording of pricing decisions for major works, consistent use of price lists and checks on annual indexation calculations are now recorded and retained.

### **Internal Audit Charter and Strategy**

2.8 The Internal Audit Charter and Strategy sets out how the Internal Audit service is delivered. Under the Public Sector Internal Audit Standards (PSIAS) this should be subject to annual review and approval by the Council's Audit Committee.

2.9 The Head of Internal Audit has reviewed the Charter and Strategy and no amendments are proposed for 2020/21. A copy is provided as Appendix C to this report for the committee's approval.

## **3 CONSULTATION**

3.1 No consultation has been required on this report.

## **4 ALTERNATIVE OPTIONS**

4.1 The Committee may propose amendments to the Audit Charter, if considered necessary.

## **5 FINANCIAL IMPLICATIONS**

5.1 There are no financial implications arising from this report.

## **6 LEGAL AND GOVERNANCE CONSIDERATIONS**

6.1 The Audit and Risk Committee is responsible for oversight of the work of Internal Audit and is responsible for gaining assurance that internal audit is complying with internal audit standards.

6.2 There are no legal implications arising from this report

## **7 DATA PROTECTION IMPLICATIONS**

7.1 A Data Protection Impact Assessments (DPIA) has not been completed because

there are no risks/issues to the rights and freedoms of natural persons.

## **8 EQUALITY IMPACT ASSESSMENT**

8.1 There are no equality implications.

## **9 COMMUNITY SAFETY IMPLICATIONS**

9.1 There are no community safety implications.

## **10 HEALTH AND WELLBEING IMPLICATIONS**

10.1 There are no health and wellbeing implications.

## **11 CONCLUSION AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS**

11.1 Internal Audit have been delivering a range of both planned and pro-active work during the year to date. Since the last meeting of the Committee, one report with a Limited Assurance opinion has been issued and progress is being made against the action plan. The proposed Internal Audit Charter and Strategy for 2020/21 remains consistent with last year.

## **12 BACKGROUND PAPERS**

12.1 There are no additional background papers to the report

## **13 APPENDICES**

13.1 Appendix A: Assessment against NAO Guide for Audit and Risk Committees on Financial Reporting and Management during COVID-19

13.2 Appendix B: Internal Audit report – Highways Contract Management 2019/20

13.3 Appendix C: Internal Audit Charter & Strategy

Large Print or Braille Version of this Report is available upon request – Contact 01572 722577