



Mid-Year Internal Audit Progress Report 2020-2021

Introduction

The purpose of this report is to:

- provide a flavour of the work undertaken by the internal audit team during the period 1 April 2020 to 31 October 2020
- highlight any areas of concern arising from that work
- advise on progress against the 2020-2021 audit plan.

Overview

During the period, significant time has been spent by the audit team on supporting the council in its response to the impacts of COVID-19, as well as some redeployment of internal audit staff to assist other services.

It should be noted that it has always been the case that the 2020-2021 internal audit work plan needed to be fluid and flexible enough to respond to changing risks and priorities, particularly in the light of COVID-19. This fluid nature of the internal audit work plan is particularly demonstrated in our 'added value' work which has always been concerned with using internal audit resources where the most impact can be achieved. It quickly became clear around the beginning of the financial year that an important added value area for the internal audit team to focus on was to support processes around the payment of COVID-19 related grants to businesses, and therefore significant audit time has been spent in this area.

As a result of the above, and this is not unexpected, less audit assurance work has been carried out within the period than would normally be the case and therefore some re-balancing of the internal audit work plan is necessary to work towards an annual internal audit opinion being issued at the end of the year, and this is covered in the 'focus for the remainder of the year' section below.

There are no significant areas of concern to highlight in this report from the audit work completed to date.

Focus for the remainder of the year

The focus wherever possible of the audit work to be undertaken for the remainder of the year will be on work necessary to provide assurance for the year-end audit opinion to be included in the Internal Audit Annual Report 2020-2021, in support of the 2020-2021 Annual Governance Statement.

The necessary audit work that must be undertaken in support of the annual audit opinion will need to be constantly reviewed, however the following approach is proposed in respect of the annual audit plan of work approved by the Performance and Audit Scrutiny Committee in May of this year. We plan to do the following:

- Audit work will be undertaken on all the main financial systems – these being creditors, debtors, treasury management (already completed), car parks cash handling, council tax billing and benefits, overpayments recovery, business rates, payroll, and general ledger, as these are considered fundamental to the financial operations of the council.
- Audit work will also be undertaken on a number of other audit areas based on a number of factors including:
 - current assessment of risk
 - requirement for the annual audit opinion to cover governance, risk, and internal control (financial control being a subset of internal control)
 - availability of audit staff resources.
- The above audit work is likely to include following up on issues arising from discussions with officers regarding impacts on internal controls in service areas arising from challenges faced in responding to the COVID-19 pandemic.
- Follow ups of previously agreed audit recommendations will be undertaken where appropriate.
- Anti-fraud work will continue including participation in the statutory National Fraud Initiative biennial exercise.

Work completed to date

COVID-19 response work – non-assurance work	
Work in this area by the internal audit team has included the following:	
Grants to businesses	<p>Significant internal audit resource has been assigned since April 2020 to support processes in respect of COVID-19 related grants to businesses by:</p> <ul style="list-style-type: none"> • contributing to discussions regarding the setting up of systems to check and pay grant applications • assisting finance colleagues with preparing records enabling payments to be made • performing ongoing checks to reduce fraud and advise on actions necessary where fraud is suspected, or ineligible claims are made • providing assurance, and carrying out initial investigations where necessary, over payments already made.

COVID-19 response work – assurance work	
Work in this area by the internal audit team has included the following:	
Self-isolating payments fund	Acting as a critical friend in ensuring that the council’s approach to this scheme is compliant with government guidelines and subject to robust due diligence and financial control.
Reopening of high street fund	Acting as a critical friend in ensuring that the council’s approach to this scheme is compliant with government guidelines and subject to robust due diligence and financial control.
Income compensation scheme for lost sales, fees, and charges	<p>Review of the council’s initial claim to the Ministry of Housing, Communities and Local Government (MHCLG) for compensation for irrecoverable and unavoidable losses, as a result of the pandemic, from sales, fees and charges income generated in the delivery of services, in the financial year 2020-2021.</p> <p>This review was conducted in accordance with guidance issued by MHCLG which states that an authority may choose to engage their internal auditors to provide review and challenge on the appropriateness of the claims that are submitted in line with the relevant guidance.</p>
Other	A number of meetings were held with relevant officers in service areas to gain insights as to how the pandemic has impacted on the council’s risk, control and governance environment, to determine what assurance work the internal audit team may wish to focus on.

Other added value work	
<p>These are areas that were identified by management and internal audit as likely to benefit from internal audit reviewing relevant arrangements on behalf of management and assisting in making improvements where appropriate.</p> <p>Work in this area by the internal audit team has included the following:</p>	
Demand analysis	Review of demand information that is currently held across service areas.
Waste processes	Review and mapping of a number of current processes in the operations area, primarily in the waste and street scene service.
Customer Services Team	Analysis of the use of customer services resources across service lines and telephone demand.
Chartered Institute of Public Finance and Accountancy (CIPFA) financial management code	Gap analysis to ensure the council is applying the requirements of CIPFA's new financial management code.

Main financial systems and corporate and business area audits

These include the audits of the main financial systems that support the running of the council and reviews of systems and processes where the internal controls are tested and evaluated.

Treasury management

This audit review covered controls relating to the management of the council's short-term and long-term investments with approved organisations to achieve the best possible rate of return. Audit work undertaken resulted in a **good assurance** opinion being given, with no recommendations arising.

Disabled facility grant from the Ministry of Housing, Communities, and Local Government

Funding is given to local authorities for the distribution of disabled facilities grants, this funding being for the provision of grants for adaptations to homes to enable people with disabilities to live independently in their own homes for longer. Awards of grants are subject to certain conditions and Suffolk County Council is required to provide certification to the Ministry of Housing, Communities and Local Government that these conditions have been complied with.

This audit was carried out to provide assurance to Suffolk County Council that in respect of West Suffolk Council, for the period 2019-2020, the conditions have been complied with, specifically that the grants paid have only been used for the purposes specified in the grant conditions and West Suffolk Council has been paid the amounts agreed between the parties. An audit opinion of **good assurance** was given, with no recommendations arising.

Follow up audit work	
The follow up work below has been undertaken to check the extent to which agreed recommendations and actions have been implemented in respect of previous audits undertaken.	
Confidential waste service	<p>West Suffolk Council creates and manages personal and confidential information, which will eventually require secure disposal. The purpose of the original audit review was to ensure appropriate arrangements are in place for the management of the disposal of this confidential waste.</p> <p>The audit follow-up review concluded that whilst some actions have been completed a small number of actions remain work in progress, including the need for the contract with the existing supplier to be reviewed.</p>

Other significant work	
Other key work undertaken by the internal audit team during the period includes the following	
Annual governance statement	Co-ordination of the production of the West Suffolk Annual Governance Statement 2019-2020.
National fraud initiative (NFI)	<p>The 2018-2019 NFI biennial exercise has now closed, with the following results:</p> <ul style="list-style-type: none"> • Total reported matches 20,236 • Fraud or error 175 cases • Recovery in progress £76,015. <p>Work has also been undertaken to prepare for the 2020-2021 NFI exercises, e.g. data collation, quality assurance checking, privacy notice compliance.</p>
Anti-fraud	Liaison with Suffolk Fraud Officer Group to share best practice, discuss county-wide issues; participation in annual CIPFA fraud survey; and acting upon intelligence alerts and disseminating where necessary or passing to communications team for publication (social media / internally).

Appendix A

<p>Financial vetting</p>	<p>During the year to date the team has responded to seven requests for financial vetting or other related financial advice including assessments of organisations' financial suitability to undertake specified contracts for the council.</p>
<p>Mildenhall hub</p>	<p>Performing the project assurance role for the Mildenhall Hub Project and in doing so, consider for each stage of the project whether it is on track and in accordance with agreed governance.</p>
<p>Fee earning work</p>	<p>Internal audit has continued to undertake fee earning work during 2020-2021 and by the end of the financial year this is likely to result in approximately £12k of income being earned. Fee earning work consists of the following:</p> <ul style="list-style-type: none"> • audit of the council tax billing and benefits, and overpayments recovery, systems at the Anglia Revenues Partnership (ARP) on behalf of East Cambridgeshire District Council and Breckland Council; • fee earning grant certification work for the following organisations to check that the conditions of the relevant specific grant determinations have been complied with: <ul style="list-style-type: none"> ○ New Anglia Local Enterprise Partnership (NALEP) - to provide assurance to the Department for Business Innovation and Skills; and ○ Suffolk County Council - to provide assurance to the Trading Standards Institute.
<p>Other</p>	<p>Ongoing advice and guidance provided to service areas.</p>

Work in progress

We also have eight audits and added value reviews in progress as follows:

- council tax billing and benefits
- overpayments recovery
- debtors
- creditors
- general ledger
- civic regalia follow up
- procurement follow up
- independent examination of the West Stow Anglo-Saxon Village Trust 2019-2020 accounts.