

## Report to Audit and Governance Committee



Date of Meeting	27 <sup>th</sup> September 2021
Portfolio	Cabinet Member for Resources
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Public/Private Document	Public

### Internal Audit Quarter One Report 2021/22

#### Executive Summary

- 1.01 This report summarises the work of the Internal Audit team during the first quarter of financial year 2021/22.
- 1.02 A substantial or adequate assurance opinion was given for all audits completed during the period, with the exception of one audit, Corporate Electronic Records Management, which was assigned a 'limited' assurance opinion (see 6.02 for further details).
- 1.03 26% of the agreed Audit Plan which is ahead of expectation (24%).

#### Recommendation

- 2.01 That the report be reviewed and noted.

#### Reason for Recommendation

- 3.01 This report is to enable the Audit and Governance Committee to scrutinise Internal Audit coverage during the first quarter of financial year 2021/22.

#### Key Points for Consideration

##### 4.00 Risk Based Audit Approach

- 4.01 Internal Audit is responsible for providing an annual opinion on the internal control environment, risk management and governance processes for the Council as a whole.
- 4.02 A risk based approach is taken during each audit, incorporating operational and management controls, as well as any wider business risks. This allows an opinion to be expressed both on risk identification and level of exposure, as well as the adequacy of systems in place to manage those risks.

- 4.03 Each Internal Audit report gives a clear audit assurance opinion on the effectiveness of risk management in the area under review. These assurance opinion ratings are detailed below:

Assurance Opinion	Explanation
Limited	A number of key risks are not managed effectively. The control systems in operation are in need of significant improvement.
Adequate	The control systems in operation are generally sound. However, opportunities exist to improve the management of some risks.
Substantial	There is a sound system of control in operation to manage risks effectively.

#### 5.00 Planned Work Completed During Quarter One

- 5.01 Appendix A contains the details of planned audit reviews completed during quarter one. Key areas for improvement are summarised for each audit with a specific focus on any agreed actions designated as high priority.

#### 6.00 Audit Reviews with 'Limited' assurance opinions and Follow-Up Audits

- 6.01 One audit report was issued with 'Limited' assurance during the first quarter.

#### 6.02 Corporate Electronic Records Management

The Corporate Electronic Records Management audit scope was to review the arrangements for the keeping, management and destruction of electronic records in folders on the IT network. This included:

Although some pockets of good practice are in place regarding the management of electronic records, 4 high and 6 medium recommendations were made highlighting opportunities to improve. The high rated recommendations relate to:

- The Records Management Policy be reviewed and update
- A consistent corporate approach;
- A review / controlled purge of network folders; and
- The Corporate Retention Schedule be reviewed and updated

A working group has been established to drive the review of records management forward and Internal Audit are actively involved ensuring that progress is made.

- 6.03 All 'Limited' Assurance audit reports are discussed at a Joint Leadership Team meeting, with the relevant Service Director invited to give an update on key findings and related recommendations.
- 6.04 Progress against the action plan is monitored through Rochdale BCs Governance Board with regular updates given on progress of agreed recommendations.

6.05 Internal Audit will continue to monitor and challenge progress and will ensure that members are updated accordingly.

## **7.00 Draft Reports**

Draft reports are issued to management with the requirement that formal responses to recommendations are received within 28 days of the issue date.

Internal Audit follows an agreed escalation process with management so as to ensure that the reports and actions are agreed in a timely manner.

No draft reports had responses outstanding beyond the agreed period.

## **8.00 Audit Recommendations**

8.01 The Internal Audit follow up process, to provide assurance that agreed recommendations have been implemented on a timely basis, is detailed below

8.02 'Limited Assurance' reports are highlighted and are open to specific discussion and challenge by Members with senior officers from the relevant Service. Internal Audit will perform a formal follow up audit within an agreed timescale, with outcomes of these reviews reported back to the Audit and Governance Committee.

8.03 In terms of any 'Adequate' or 'Substantial' assurance opinions, all high and medium priority actions are scheduled to be followed up by Internal Audit to confirm completion to the agreed due dates.

8.04 Any delays in implementation, along with related reasons, are reported to the Committee for further consideration. A revised completion date for each of these outstanding actions is agreed and monitored.

## **9.00 Unplanned work**

9.01 COVID-19 Payments to Support Families on Free School Meals

Internal audit resource continues to be given to support the supply of food vouchers during school holidays to families with children who were entitled to free school meals.

## **10.00 Fraud**

10.01 As part of Covid related assistance the government introduced a scheme to provide supermarket vouchers to families in need. Eligibility criteria means that these vouchers are only available to families where one or more of the children is entitled to free school meals. Rochdale Council is responsible for administering this scheme in the Borough and the vouchers are for use at any Aldi supermarket. In total, up to the end of June 2021, c£1.6m have been distributed.

One particular batch of vouchers was delivered to the Council's nominated printers for mail sort and delivery. Upon processing these vouchers, it was noticed by staff from the nominated printer that there was a shortfall of £3480. The Head of Revenues and Benefits reported the loss of the vouchers to the

Chief Finance Officer, who in turn, asked Internal Audit to look into the matter. Replacement vouchers were also purchased.

There are various factors that made it extremely difficult to determine what exactly happened to the missing vouchers. Firstly, due to the need for expediency in distributing the vouchers, no thorough validation checks were performed by Council staff when the boxes of vouchers were delivered to the Council buy Aldi. Secondly, there were a number of potential opportunities for the vouchers to be misappropriated during the end to end process.

A thorough investigation was completed, and, although the cause of the loss could not be pinpointed, a number of recommendations have been made and implemented for the distribution of vouchers during the summer holidays.

## 11.00 Internal Audit Performance Measures

11.01 The table below shows actual performance as at 31 December 20 against Internal Audit targets for the first quarter, including the actuals for 2019/20.

Performance Indicator	Actual Year 20/21	Target Q1 21/22	Actual Q1 21/22
<b>Economy</b>			
1. Cost per Audit Day (excluding overheads)	£237	£280	£277
<b>Efficiency</b>			
2. Chargeable days per auditor (days)	203	181	187
3. Percentage of audit plan completed (96% for full year)	17%	24%	26%
4. Percentage of draft audit reports issued within 14 days of completion of the audit	100%	98%	100%
<b>Effectiveness</b>			
5. Percentage of recommendations accepted	100%	98%	100%
6. Results of client surveys - % of marks in the top two categories (i.e. very good & good)	100%	98%	100%

11.02 All performance indicators were either achieved or were ahead of target for the period.

As at 30 June 2021 26%% of the Plan had been completed.

## 12.00 Client Surveys

12.01 3 client surveys were returned in the first quarter. All responses were recorded as very good.

## 13.00 Traded Services Provided by Internal Audit

13.01 Internal Audit continues to undertake audit work for a number of organisations in accordance with Traded Services agreements, thereby generating external income for the Authority. In Quarter One, this has generated income of £300 and has included:

- 1 audits of School Fund Accounts for schools under Local Authority control

13.02 Within the limitations of existing resources, Internal Audit continues to pursue opportunities to generate external income.

#### **14.00 Internal Audit Response to challenges arising from COVID-19**

14.01 In response to the challenges the Council continued to face in respect to Covid-19, Internal Audit (audit, risk, insurance and counter fraud) has both supported the Council, wherever needed, and adapted their working practices to include a mixture of both working in the office and at home.

14.02 Internal Audit support given includes:

- Supporting queries relating to the supply of Aldi supermarket vouchers for the most financially challenged families in the Borough
- Verification of returns being made to Central Government

10.03 Time has been included in the 2021/22 internal plan to allow for internal audit support in relation to the pandemic. This mainly relates to verification around grants and related returns to Central Government. The need for any further involvement is continually reviewed and should it adversely impact the completion of the 2021/22 plan, then the Head of Internal Audit will review the impact with both the Audit and Governance Committee and the Chief Finance Officer.

14.04 The Head of Internal Audit will continue to ensure that any involvement in operational procedures will not impair Internal Audit's professional independence in relation to any subsequent audit work focused on those processes or related controls.

#### **Costs and Budget Summary**

15.01 Not applicable.

#### **Risk and Policy Implications**

16.01 If Internal Audit recommendations are not implemented, the Council will be exposed to the risks identified in each Internal Audit reports. Internal Audit recommendations are raised to help improve weaknesses identified during reviews and these risks will be mitigated by completion of the actions agreed with management and summarised within this report.

<b>Consultation</b>
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17.01 The recommendations and actions arising from audit reviews are agreed in consultation with relevant senior management and officers within each Service area.

<b>Background Papers</b>	<b>Place of Inspection</b>
None	

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## Appendix A

### Planned audits completed in quarter one

Date of Audit	Directorate	Service	Audit Area	Scope of Audit	Assurance Opinion	Recommendation priorities		
						H	M	L
10-Jun-21	Corporate	Corporate	Corporate Electronic Records Management	Review of the retention of records kept in electronic format	L	4	6	0
13-May-21	Neighbourhoods	Places	Commercial and Investment Properties	Evaluate the processes and controls over the management of commercial and investment properties to ensure an appropriate return is being generated from the assets and properly accounted for. (Council)	A	1	11	0
17-May-21	Children's Services	Schools	Holy Family RC & C of E College	To focus upon the financial systems and governance arrangements in place.	A	1	8	5
15-Apr-21	Resources	Finance	Discretionary Covid Grants	Review of Discretionary Covid Grant process	A	1	2	4
25-May-21	Corporate	Corporate	Consultancy	Review the use of consultant use across the Authority with a particular focus on longer term arrangements to ensure value for money is being achieved. Ensure compliance with agreed policies, Financial Regulations and HMRC regulations.	A	1	1	2
22-Jun-21	Children's Services	Early Help	Teacher Pension	To provide assurance that the Service is operating effectively and meets objectives, in light of operational changes arising from Covid.	A	1	1	1

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Date of Audit	Directorate	Service	Audit Area	Scope of Audit	Assurance Opinion	Recommendation priorities		
						H	M	L
25-May-21	Public Health & Wellbeing		Sexual Health	Evaluate the processes and controls supporting cross charges for sexual health services where a person who lives in one Authority presents themselves in another Authority for the use of their services.	A	0	2	1
03-Jun-21	Children's Services	Schools	Bowlee Park Primary School	To focus upon the financial systems and governance arrangements in place.	S	0	4	4
28-May-21	Children's Services	Schools	Ashfield Valley Primary School	To focus upon the financial systems and governance arrangements in place.	S	0	3	3
20-May-21	Neighbourhoods	Places	Climate Emergency	Provide input and challenge to initiatives arising from the focus on the Climate Emergency agenda and provide independent assurance on the adequacy of processes and controls where appropriate.	S	0	3	3