

## **INTERNAL AUDIT – AUDIT UPDATE**

### **SUMMARY:**

This report describes:

- The work carried out by Internal Audit since the last report;
- An update on the overall progress on the 2021-22 Audit Plan, and
- An update on outstanding audit issues from reports issued in 2019-20 & 2020-21.

### **RECOMMENDATION:**

Members are requested to:

- i. Note the audit work carried out in Quarters 1 & 2.
- ii. Note the update to the expected deliverables for Quarter 3.
- iii. Note the outstanding audit issues and engagement by the Services to address them.

## **1 Introduction**

1.1 This report is to provide Members with:

- An overview of the work carried out by Internal Audit for Q1&2 2021-22.
- An update on progress towards the Audit Plan for 2021-22
- A schedule of work expected to be delivered in Q3
- An update on the outstanding audit issues from Internal Audit reports covering 2019-20 & 2020-21 focusing on the high-risk issues.

## **2 Overview of Work Carried Out for Q1&2**

2.1 The Permanent Audit Manager, Nikki Hughes, left on maternity leave from 1<sup>st</sup> March 2021 and was not replaced until the Interim Audit Manager was appointed and started on 2<sup>nd</sup> August 2021.

2.2 As there is no other Audit staff in-house, including the Corporate Investigations Officers having been transferred to Benefits in Finance, no work was carried out in Q1 and audit work re-commenced in the middle of Q2.

2.3 In the interim, Wokingham Borough Council (WBC), under a s113 Agreement to conduct audits on behalf of RBC Internal Audit, issued a report on Council Property Maintenance (from 2020-21 and awaiting management responses) and commenced an audit on Homelessness, B&B and Temporary Accommodation.

2.4 As it was not possible to have a handover from the Permanent Audit Manager, the Interim Audit Manager has had to spend significant time getting familiar with the structure and current work situation of Internal Audit. This included finding out what audits were outstanding.

2.5 The Interim Audit Manager worked on the External Tenants of the Council Building audit from 2020-21, which had not been finalised and is still in progress, as well as reviewing the status of the 2020-21 follow up audit reports for Corporate Governance, Depot (Capital Project) and GDPR. There is still work to be completed on these reports, which will be done in Q3.

### **3 Progress towards the 2021-22 Audit Plan**

3.1 Since the last update to the Committee the following changes have been made to the Audit Plan:

- The Legal System Set Up audit has been cancelled. There was no perceived benefit from a post-implementation review, as the system is mainly a database of legal files and not linked to main systems.
- The CCTV audit has been postponed to 2022-23, as the system is in the process of being transferred to Runnymede Council. The Operations Head of Service advised that this could be done in the first half (April to September), if required.

Other audits on the Plan are under review by the Interim Audit Manager and may be adjusted or even cancelled, as scarce Audit resources have to be allocated efficiently and effectively.

3.2 The table below provides a summary of progress relevant to the 2021-22 Audit Plan, including the changes to the plan detailed above in 3.1:

<b>Audit Status</b>	<b>Number of reviews</b>	<b>%</b>
Finalised	1	6.25
Draft report with Auditee for management response	1	6.25
Testing in progress	2	12.5
Not yet started	10	62.5
Postponed to 2022-23	1	6.25
Cancelled	1	6.25
<b>Total</b>	<b>16</b>	<b>100%</b>

3.3 Regular update meetings with WBC have been scheduled to ensure that audits assigned to the contract auditors will be completed on time.

**4. Audit Work Completed**

4.1 The table below provides an overview of the assurance opinions, given to completed audits since the last update, based on Internal Audit’s assessment of the control environment:

Audit Title	Assurance Opinion	Recommendations by Priority		
		High	Medium	Low
<b>2021-22 Internal Audit Plan</b>				
Homelessness, B&B and Temporary Accommodation	Substantial	0	3	0

4.2 The table above highlights one audit, Homelessness, B&B and Temporary Accommodation. The three Medium-risk issues relate primarily to management information and the regular monitoring of budgets by Operations in conjunction with Finance.

**5. Expected Deliverables for Q3 2021-22**

5.1 Due to the 5-month delay between the temporary departure of the Audit Manager and the interim replacement’s arrival, the Audit Plan has needed to be reviewed and updated.

The work expected to be carried out and completed in Q3 is detailed within the table below. However, a review will be undertaken of expected deliverables for Q3, in relation to the resource availability within the services whilst ensuring that sufficient coverage is provided to enable an audit opinion to be given at the end of the year and fed into the Annual Governance Statement. Any changes to the expected deliverables will be communicated to the Committee.

<b>Service</b>	<b>Audit/ follow up/descriptor</b>	<b>Status</b>
Finance	Benefits – <i>A full review of the benefits applications processed for accuracy, completeness and approval.</i>	Audit being finalised.
Finance	FMS & Bank Reconciliations – <i>A review of the Finance Management System and bank reconciliations as part of the key financial systems review</i>	Audit being finalised.

ACE	Corporate Risk Management – <i>A review of the process for identifying, assessing, monitoring and reporting risk across RBC.</i>	In progress.
HR	Contractors/Consultants & IR35 – <i>A review of the IR35 contracts in RBC with reference to the relevant budget costs and compliance with IR35 guidelines</i>	In progress.
Finance	Insurance – <i>A key financial system review looking at adequate coverage for RBC assets.</i>	Due to commence
Finance	Sales Ledger – <i>A key financial system review.</i>	Due to commence

**6. Outstanding Audit Issues from 2019-20 & 2020-21**

6.1 From a review of the Audit reports issued during 2019-20 & 2020-21, the following information was identified:

Year	# of Reports	# of Issues	# Implemented	% Implemented
2019-20	12	106	18	17
2020-21	10	89	31	35

6.2 For 2019-20, of the 106 issues raised, 17 were high-risk and 4 (25%) have been implemented.

6.3 For 2020-21, of the 89 issues raised, 13 were high-risk and 5 (35%) have been implemented.

6.4 Details of the outstanding high-risk issues for the two years are attached in Appendix A below.

**7. Recommendation**

- 7.1 Members are requested to note the information provided within the report in relation to the audit work carried out in Quarters 1&2, the expected deliverables for Quarter 3 and the outstanding audit issues from 2019-20 & 2020-21.

**AUTHOR:** David Thacker, Interim Audit Manager  
07867 377484

[david.thacker@rushmoor.gov.uk](mailto:david.thacker@rushmoor.gov.uk)

**HEAD OF SERVICE:** David Stanley, Executive Head of Financial Services

**References:** *Internal Audit – Audit Plan* report, presented to the Committee on the 29<sup>th</sup> March 2021.

[Agenda for Corporate Governance, Audit and Standards Committee on Monday, 29th March, 2021, 7.00 pm - Rushmoor Borough Council](#)

APPENDIX A

OUTSTANDING HIGH-RISK AUDIT ISSUES

Year of Audit	<b>2019-20</b>		
Report	Key findings	Management response and agreed action	Action by whom and when
PCI DSS	<p>a) The Council are allegedly paying a fine as a result of not being fully compliant with PCI DSS standards. This is due to the card terminal within the Princes Hall Theatre not transferring Cardholder data securely to the in-house CAPITA 360 system. This could not be confirmed at the time of audit.</p> <p>b) There is no management or oversight of the alleged fine within the Council, with no one being able to provide details i.e. start date, monthly amount, expiry date or whether this was still ongoing.</p>	<p>AGREED The Council has been making a monthly payment to CAPITA since late-2018 in respect of "CAPITA PCI DSS ANNUAL MGMT FEE". Whilst the charge is relatively low (£10 per month) it is unclear what this fee covers.</p> <p>In the absence of any detailed knowledge or awareness across Finance and IT teams, the Executive Head of Finance will review</p>	<p>David Stanley, Executive Head of Finance <b>30/10/20</b></p>
Estates Management & Commercial Lettings	<p>Information Sharing</p> <p>Prior to the Property and Estates Manager joining the council in March the graduate surveyor was the only officer with full knowledge of how to manage the records management spreadsheet</p>	<p>But now the knowledge sits with the P&amp;E Manager and alternative means to manage this needs to be put in place, with a dedicated Admin role to do so.</p>	<p>Paul Brooks, Executive Head of Regeneration &amp; Property <b>No date</b></p>
Estates Management &	EPC requirements	The Council's Compliance Officer collates and retains this information for Rushmoor properties, arranges	Paul Brooks, Executive Head of Regeneration & Property

Commercial Lettings	Assurance could not be gained that RBC properties met the new minimum EPC requirements.	inspections and commissions works required to meet the current requirements.	No date
Estates Management & Commercial Lettings	<p>Debt Write Off</p> <p>Audit were advised by the Sales Ledger team that a debt of £26,595 relating to one of the two tenants at Wellesley House was awaiting write off authorisation. However, the property team were unclear who had responsibility to do this and the process to follow for writing off/chasing debts was unclear.</p>	<p>The current procedures contain debt management within the Finance Team. This responsibility needs to be shared and properly communicated through clear and jointly owned information collected in a way that reflects property as a different kind of debt to others.</p> <p>See above</p> <p>Through proactive tenant management the situation has improved on the retained office part occupied in the building and as at Jan 2020 the tenant had caught up with the rental payments for that Ground Floor Office Suite only.</p>	<p>Paul Brooks, Executive Head of Regeneration &amp; Property</p> <p>30/06/21</p>
Estates Management & Commercial Lettings	<p>Aged Debt</p> <p>The 63.1% of the total debt (29/8/19), £142,238.36, has been outstanding for over 90 days.</p>	As above	<p>Paul Brooks, Executive Head of Regeneration &amp; Property</p> <p>30/06/21</p>
Estates Management & Commercial Lettings	<p>Financial Monitoring</p> <p>There is currently no reporting on the performance requirement that the Council needs to achieve a net initial yield of approximately 5.25% to make an asset purchase financially viable. In addition, there is confusion as to whose responsibility it is to undertake this monitoring and reporting</p>	<p>LSHIM is reporting on the Investment and Legacy portfolios to the PIAG</p> <p>There is no such reporting on the remainder of the Councils properties managed in house by the Estates Team. These do not sit comfortably within the same performance parameters or</p>	<p>Paul Brooks, Executive Head of Regeneration &amp; Property</p> <p>No date</p>

		expectations as the Investment/Legacy Portfolios but still a means to measure and to report will be required to be developed.	
Taxi Licencing	Due to the manual nature of inputting the data into the system this has highlighted a number of human errors. Ranging from not recording payments which have been made against accounts, to the incorrect amount being inputted and charged. Options should be considered to see if elements of the system could be more automated to minimise the potential for errors and have a more efficient process.	We recognise that the current systems and processes for Taxi Licensing are open to human error, due to the lack of automation available with the systems that we are working on. The errors identified have been corrected as far as possible, and changes have been made to the documents, processes and performance monitoring of the work to reduce the likelihood of errors, and to identify errors sooner. Longer term, we are reviewing the way that licences are processed, with a view to improving the technology to allow for more automation, therefore reducing the likelihood of human error, whilst improving the service to customers. We are undergoing continuous review, and where errors are identified, consideration is given to any process or system change that could be implemented to reduce the likelihood of the same error occurring. Since implementing this, we have seen a reduction in the error rate on the cases which are reviewed.	Shelley Bowman, Principal Licencing Officer <b>No date</b>



Building Control Partnership	2010 Building Regulations Requirement Hart do not publish their surplus or deficit figures as is required by the 2010 Building Regulations	Look to resolve during negotiations on new Deed, referring to The Building (Local Authority Charges) Regulations 2010. Review of Regs to agree how the Partnership adheres to the requirement.	Martin Hobley, Building Control Partnership Manager 31/01/21
Building Control Partnership	Rushmoor Deficit Figure RBC's three year rolling surplus/deficit figure was reported as £87,697 in deficit for 2018/19. This figure had however reduced in year	Review 3 year rolling figure for 2019 - 20 and take action accordingly. Both Councils to consider proposal to set charges and review % split each year to respond to financial position	Martin Hobley, Building Control Partnership Manager 31/01/21
Building Control Partnership	Annual Review of the Hosting Charge As the Steering Group has not met for over a year the Hosting Charge has not been formally audited by both parties prior to its submission to HDC for approval, as per the requirement detailed in point 10.2.5 of the Deed	Arrange meeting of the Steering Group once proposed new Deed is ready and establish a diary of meetings for future years. Set schedule of meetings for the period of the term of the new Deed	Martin Hobley, Building Control Partnership Manager 31/01/21
S106 SANGS	Invoice repayment plans are being allowed to be arranged for S106/SANGS invoices. As at 23/03/2020 there were 10 invoices on payment arrangement plans. The Sundry Debtor process should be altered for S106/SANGS payments to reflect legal obligations surrounding the payment agreement, ensuring payment arrangements are not applied	Immediate action required as review and roll out of procedures will take time. Longer term review of coding of debts to support procedures required. Immediate instruction issued to Sundry debtors to explain and prevent future payment arrangements being made Revised procedure as above. Revised guidance on the raising of s106-related invoices to include a change to the guidance on payment of invoices. This will make it clear that	Head of Economy, Planning and Strategic Housing/ Executive Head of Finance 31/08/20

		payment plans or part payment of s106 obligations cannot be agreed.	
S106 SANGS	<p>a) There is no log/register that lists all agreements that the service holds. A log/register should be compiled and held within the service.</p> <p>b) The agreements are not monitored once commenced to ensure all triggers are met. This should be monitored by one person to inform trigger actions and should be updated when the status application / agreement changes</p>	<p>Recommendation agreed.</p> <p>Housing and s106 Officer appointed</p>	<p>Housing and s106 Officer</p> <p>30/06/21</p>
S106 SANGS	<p>a) There should be a plan in place as to how the funds are properly utilised and regular meetings to monitor this. This needs to include a plan of how to utilise monies that the Council may currently hold over 5 years or determine to repay sums. This would ensure that all monies that have been paid to the Council are utilised appropriately and prevent Developers successfully requesting funding back.</p> <p>b) There should be knowledge of who manages this fund. There should be regular meetings to discuss the value to enable full oversight.</p>	<p>Recommendation agreed.</p> <p>As part of the process of compiling the register and cleansing data any sums held for over 5 years will be identified. Regular meetings will be held between the Head of Economy, Planning and Strategic Housing, Planning and finance will be held quarterly starting in September</p> <p>All sums will be allocated to specific officers and teams and monitored through the quarterly meetings</p>	<p>Tim Mills, Head of Economy, Planning and Strategic Housing</p> <p>30/9/20</p>

OUTSTANDING HIGH-RISK AUDIT ISSUES

Year of Audit			
2020-21			
Report	Key findings	Management response and agreed action	Action by whom and when
Alderwood Leisure Centre	It is unclear to identify if payments have been received for all of the bookings made as clear payment records are not held on the EZ facility system and unclear narratives on the Integra code.	EZ confirm certain aspects can be tied into RBC system. Nigel Swan emailed for guidance 30/11/21.Meeting with Alex Shiell 6/01/2021 to discuss requirements to integrate the two systems.	Chris Beckett, ALC Manager No date
Application Patch Management	<p>The Council's approach to application change/patch management is inconsistent, not documented and reliant on a small number of IT staff.</p> <p>Evidence of changes/patches applied (to show a consistent process was followed, with sign off/approval, prior to migration to live) is not retained in a structured manner.</p> <p>Not all changes are tested by services, prior to migration to live.</p> <p>Third parties are commissioned on a per job basis, rather than as part of ongoing contracts.</p> <p>Batching of patches is excessive.</p>	<p>The council has a small IT team and tends to focus its limited resources on key line of business applications support. There are plans to recruit a service delivery manager to improve consistency of application support. It should be noted that key systems e.g payments, payroll, revenues and benefits, business rates are well supported, including the use of external support companies – to ensure applications are patched and upgraded to the correct level.</p> <p>The regulatory services applications e.g GIS/LLPG, Confirm and Uniform have dedicated IT staff employed to carry out</p>	Nick Harding, Head of ICT, Facilities & Projects 30/10/21

		<p>upgrade works and maintain the systems to the correct level.          It is agreed that the exception is the financial system, which is of ongoing concern. There are plans for a major review planned for 2021 as part of the ICE programme.          On Risk, the over-reliance point is more a management prioritisation issue both for Heads of IT and Finance.</p>	
<p>Application Patch Management</p>	<p>Up to date contracts with vendors, which set out relative responsibilities, support, performance expectations and oversight arrangements are not fully in place for most of the five systems reviewed.</p>	<p>Disagree – this is in medium priority and not a priority at this time/ the ICE and C19 projects have a higher priority. If additional resource are provided this task could be agreed          Many of the Councils line of business applications have been in place with suppliers for many years and over time contracts have not been reviewed as the systems and support have been satisfactory. The councils has good ongoing working and support arrangements so contracts have only been reviewed as services have decided to change applications. If for any reason, we needed to request an up to date contract from a supplier this would be possible. Given the amount of work involved we have not been able to</p>	<p>Nick Harding, Head of ICT, Facilities &amp; Projects  <span style="color: red;">31/12/22</span></p>

		allocate resources from IT to Legal to carry this task.	
<p>Contract Management Follow Up</p>	<p>There is no Contract Management corporate framework in place to provide guidance for Contract Managers, Procurement and management to:</p> <ul style="list-style-type: none"> <li>a) Assess the level of contract management required, e.g. formal, ad-hoc, 'light touch';</li> <li>b) Assess the risk to the business, e.g. financial, Health and Safety, reputational, business continuity, etc;</li> <li>c) To re-assess the level of contract management as the contract becomes established and client relationships evolve;</li> <li>d) Set out the requirement of recording meeting minutes / contract issues / progress, including the need for a standard template;</li> <li>e) Set out the steps to take if a contractor's performance / quality of delivery is inadequate, e.g. KPIs.</li> <li>f) Set out the process for the review / monitoring of continual contracts, e.g. HAGS/SMP Ltd, those contracts with expiry dates and any action required, e.g. PHS;</li> <li>g) Set out the process for adding on to the Contract Register;</li> <li>h) Set out the process when handing over an on-going contract to a new manager to oversee, e.g. PHS.</li> <li>i) Set out the reporting requirements to senior management and Members</li> </ul>	<p>The New Constitution with the Contract Standing Orders, which covered the elements highlighted in the recommendation, went to Cabinet in May and was agreed. The Policy and Project Advisory Board (PAB) were consulted on the Council's Procurement Strategy 2020-2024 at their meetings in November 2019 and June 2020. A final draft of the Procurement Strategy was considered by Cabinet in August 2020. Training and Guidance will be produced for all officers involved in the procuring of services following the adoption of the revised Contract Standing Orders and Procurement Strategy</p>	<p>Katherine Berry,  Principal Procurement Officer  No date</p>

Contract Management Follow Up	There is no corporate guidance that sets out the clear roles and responsibilities for the Contract Managers, Procurement and management	The updated Contract Standing Orders (CSO), sets out the roles and responsibilities. However, training on the update CSO will be given in the next few months so that contract managers are aware of their roles and responsibilities	Katherine Berry, Principal Procurement Officer No date
Disabled Facilities Grants Follow Up	Two quantity surveyors are exclusively used (with one particularly favoured- BJC Design with payments in 2018/19 of c.£46k). The Contract Standing Orders 'requirement of aggregation' are not applied in assessing contract requirements.	The Procurement Officer is working with Property Services to set up a separate framework agreement for surveyors and to advertise for new surveyors to be 'procured' and vetted. The Procurement Officer confirmed this will go out to competition for acquiring new contractors/surveyors (see also recommendations 5 and 6 above).	Hilary Smith, Private Sector Housing Manager No date
Housing Faster Payments	Documents, (required to verify the link between the property and the landlord) were not obtained prior to requesting the housing deposit faster payment. This was also not picked up by the second housing officer who authorised the payment.	Officers have received training to ensure that: <ul style="list-style-type: none"> <li>they follow the procedure to establish the link between the property and landlord.</li> <li>The second officer who checks the first officer's request understands that this is a full check to establish that all documents are present, and procedures have been followed confirmed by signing off.</li> </ul>	Suzannah Hellicar, Housing Options Manager No date
Housing Faster Payments	The Housing Officers were not aware of the requirement to obtain certain documents prior to submitting the matter for authorising a faster payment.	This error happened with an inexperienced officer who was working remotely and was not aware or had forgotten to obtain the full information.	Suzannah Hellicar, Housing Options Manager No date

		However, a check by a more experienced officer should have identified this.	
--	--	---	--