

To: **Governance and Audit Committee**
13th March 2024

Internal Audit Update
Head of Audit and Risk Management

1 Purpose of Report

1.1 This report presents the update on progress on the Annual Internal Audit Plan.

2 Recommendations

2.1 To note the update on progress on the Internal Audit Plan for 2023/24.

3 Reasons for Recommendations

3.1 To ensure the Council complies with statutory requirements for internal audit.

4 Alternative Options Considered

4.1 There are no alternatives.

5 Supporting Information

Internal Audit

5.1 Delivery of the Council's internal audit services in 2023/24 are being delivered as follows:

- The Internal Audit Contract Manager whose post re-evaluation following the development of the in-house team is currently being finalised to reflect her changing role to deliver complex audits and manage, supervise and mentor the apprentices;
- Two apprentices who joined us at the end of November 2022; and
- Wokingham Council's Business Assurance team delivering internal audit services under a S113 agreement.

5.2 Progress against the 2023/24 Internal Audit Plan is set out in Appendix 1. There has been delay in progressing the 2023/24 Audit Plan due to significant staff shortages compounded by clearing the backlog of work arising from delays in finalising fieldwork and issuing reports for 2022/23 audits and maintaining the new audit recommendation tracker which is resource intensive and was intended to be the responsibility of the Principal Auditor post which we have been unable to successfully recruit and is currently being readvertised.

6 Consultation and Other Considerations

Legal Advice

6.1 There are no specific legal implications arising from the recommendations in this Report.

Financial Advice

6.2 There are no financial implications arising from this report.

Equalities Impact Assessment

6.3 Not applicable.

Strategic Risk Management Issues

6.4 A robust internal audit service is essential for ensuring proper processes are in place for effective control. Resourcing pressures have been impacting on delivery of the Annual Audit Plan over the last 2 years and continue to do so as the in-house team is at present reliant on inexperienced staff who require close supervision from the qualified auditors on the team to deliver audits assigned to them.

Background Papers

Internal Audit Plan 2023/24

Internal Audit Charter

Contact for further information

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**BRACKNELL FOREST COUNCIL
HEAD OF AUDIT AND RISK
MANAGEMENT'S INTERIM REPORT**

MARCH 2024

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1.BACKGROUND

- 1.1 The Council is required under the Accounts and Audit (Amendment) (England) Regulations to “maintain an adequate and effective system of internal audit of its accounting records and of its systems of internal control in accordance with the proper practices in relation to internal control.” This report summarises the activities of Internal Audit for the period 1ST April 2023 to 29 February 2024 drawing together progress on the Annual Internal Audit Plan, risk management and other activities carried out by Internal Audit.

2. INTERNAL AUDIT

- 2.1 The basic approach adopted by Internal Audit falls broadly into four types of audits:
- System reviews provide assurance that the system of control in all activities undertaken by the Council is appropriate and adequately protects the Council’s interests.
 - Regularity (financial) checking helps ensure that the accounts maintained by the Council accurately reflect the business transacted during the year. It also contributes directly towards the external auditor’s audit of the annual accounts.
 - Computer/IT audits, carried out by specialist audit staff, provide assurance that an adequate level of control exists over the provision and use of computing facilities.
 - Certification as required by relevant Government departments that grant monies have been spent in accordance with grant terms and conditions.
- 2.2 Recommendations are made after individual audits, leading to an overall assurance opinion for the system or establishment under review and building into an overall annual assurance opinion on the Council’s operations called the Head of Internal Audit Annual Opinion. The different categories of recommendation and assurance opinions are set out in the following tables.
- 2.3 We categorise our **audit opinions** according to our assessment of the controls in place and the level of compliance with these controls as set out below. It should be noted that from 1 April 2022 we renamed our second level assurance category from adequate to satisfactory to better reflect the positivity of this level of opinion.

	Good - There is a sound system of internal control designed to achieve the objectives of the system/process and manage the risks to the achievement of objectives and this is being complied with. Recommendations will only be of low priority.
	Satisfactory - there is basically a sound system of control but there are some areas of minor weakness and/or some areas of non- compliance which put the system/process objectives at risk. Recommendations will only be low or moderate in priority.

	Partial - there are areas of weakness and/or non-compliance with control which put the system/process objectives at risk and undermine the system's overall integrity. Recommendations may include major recommendations but could only include critical priority recommendations if mitigated by significant strengths elsewhere.
	Inadequate - controls are weak across a number of areas of the control environment and/or not complied with putting the system/process objectives at significant risk. Recommendations will include major and/or critical recommendations.
	None - There is no control framework in place and management is inadequate leaving the system open to risk of significant error or fraud.

2.4 We categorise our recommendations according to their level of priority as set out below:

	Critical - Critical and urgent in that failure to address the risk could lead to factors such as significant financial loss, significant fraud, serious safeguarding breach, critical loss of service, critical information loss, failure of major projects, intense political or media scrutiny. Remedial action must be taken immediately.
	Major - failure to address issues identified by the audit could have significant impact such as high financial loss, safeguarding breach, significant disruption to services, major information loss, significant reputational damage or adverse scrutiny by external agencies. Remedial action to be taken urgently.
	Moderate - failure to address issues identified by the audit could lead to moderate risk factors materialising such as medium financial loss, fraud, short term disruption to non-core activities, scrutiny by internal committees, limited reputational damage from unfavourable media coverage. Prompt specific remedial should be taken.
	Low - failure to address issues identified by the audit could lead to low level risks materialising such as minor errors in system operations or processes, minor delays without impact on service or small financial loss. Remedial action is required.

3. SUMMARY OF INTERNAL AUDIT RESULTS TO DATE

- 3.1 The Annual Internal Audit Plan for 2023/24 was considered and approved by the Governance and Audit Committee on 22nd March 2023. The delivery of the individual audits during 2023/24 is being undertaken by:
- The Internal Audit Contract Manager whose post following the development of the in-house team has been re-evaluated pending finalisation to reflect her changing role to deliver complex audits and manage, supervise and mentor the apprentices;
 - Two apprentices who joined us at the end of November 2022; and
 - Wokingham Council's Business Assurance team delivering internal audit services under a S113 agreement.
- 3.2 Consistent with other Berkshire authorities, the in-house model at Bracknell Forest is based on a Head of Audit supported by 4 qualified auditors undertaking fieldwork. Under mandatory Public Sector Internal Audit Standards, the Head of Internal Audit is required to bring to the Governance and Audit Committee's attention where the level of agreed resources may impact on the delivery of audit work needed to provide the annual audit opinion. "Where the chief audit executive believes that the level of agreed resources will impact adversely on the provision of the annual internal audit opinion, the

consequences must be brought to the attention of the board.” Since the Internal Audit Service was brought in-house the service in 2020, there has been significant pressure on resources to complete audit work. Attracting suitable candidates to audit posts has been very challenging with limited candidates in the market coupled with the Council not offering competitive salaries for these roles and as a result audits have largely been delivered by a series of costly agency workers for the last 3 years. It is recognised that this is no longer sustainable from a financial, management and delivery point of view since in addition to being more expensive than an experienced qualified principal auditor on a competitive market salary, agency auditors require considerable supervisory input due to their lack of knowledge of the organisation. Now that we have 2 apprentices with significant supervisory and training needs, there is reduced capacity to manage agency workers and hence the agency worker who left in September was not replaced.

- 3.3 The external quality assessment undertaken by CIPFA in 2022 acknowledged auditor recruitment challenges to be a national problem and recommended the Council go down the apprenticeship route to help address this. Whilst successfully recruiting 2 apprentices in November 2022, 20% of their time is on formal training and as expected at the moment they still require a considerable level of training and supervision which diverts more experienced audit resources.
- 3.4 Resourcing pressures as noted above together with additional work in maintaining the recommendation tracker and delays in completing and finalising 2022/23 audits have resulted in delays in progressing audits. In addition to maximising the use of the apprentices, action has been taken to purchase additional days from Wokingham Borough Council Internal Audit Team. The Annual Audit Plan for 23/24 as approved by the Governance and Audit Committee prioritised each audit in the Plan and as per Appendix 3 noted “*The Audit Plan includes the following 9 audits considered to be only medium priority. Audit resources will in the first instance be directed to very high and high priority resources and the breakdown of medium priority audits as below will be reviewed quarterly to identify capacity available to undertake these reviews*”. The Audit Plan has now been reviewed and a number of audits have been deferred. Moving forward, effective delivery of the Internal Audit Service and compliance with statutory responsibilities for internal audit services will be dependent on the successful recruitment of permanent experienced auditors to undertake the more complex audits and this will be driven to a large extent by our ability to offer competitive market salaries.
- 3.5 Between April 2023 and February 2024, 6 grant audits and 14 memo/reports were finalised and 7 reports/memos were issued in draft awaiting management responses. One draft report for discussion had been issued prior to exit meeting, one audit report had been received for quality from Wokingham Internal Audit team and nine audits were work in progress.
- 3.6 Details on the status and outcome of all audits are attached at Appendix 1. A summary of the outcome of finalised and audits with reports issued in draft are set out below.

2023/24 TO DATE ASSURANCE LEVELS	NUMBER OF AUDITS YEAR TO DATE IN 23/24	2022/23 ASSURANCE LEVELS	NUMBER OF AUDITS
Good	1 (22/23:0)	Good	0
Satisfactory	6 (22/23:12)	Satisfactory	19 (including 5 with major recommendations)
Partial	5 (22/23:5)	Partial	7
Inadequate	0 (22/23:0)	Inadequate	0
No assurance	0(22/23:0)	No assurance	0
<u>Total for Audits with an Opinion</u>	12 (22/23:17)	<u>Total for Audits with an Opinion</u>	26
Memos and reports with Critical/Major Recommendations/Observations and no Opinion	5 (22/23:4)	Memos and reports with Major Recommendation and no Opinion	12
Other Follow Up Memos/ Reports with no Opinion	4(22/23:5)	Other Follow Up Memos/ Reports with no Opinion	8
<u>Total Audits</u>	21 (22/23:26)	<u>Total Audits</u>	46
Grant Certifications/Submissions	6(22/23:7)	Grant Certifications	8
Overall Total	27 (22/23:33)	Overall Total	54

Identified High Priority Control Issues

3.7 Audits which have identified high priority recommendations will generally be revisited in 2024/25, to ensure successful implementation of agreed recommendations.

AUDITS WHERE HIGH PRIORITY ISSUES HAVE BEEN IDENTIFIED SINCE THE LAST UPDATE TO THE COMMITTEE		
<ul style="list-style-type: none"> SECURITY CAMERAS 	<p>The follow up review identified that of the three original major recommendations only one relating to policy and governance had been partially implemented. In response to this, a further major recommendation has been raised relating to updating of the policy and data impact assessments and deployment of</p>	<p>Follow up memo with 5 major risk observations</p>

	<p>security cameras. Two of the original major recommendations had not been implemented and have been re-raised relating to signage and defining access to camera footage. Two moderate recommendations from the original report had not been addressed. These issues have now been escalated and major recommendations have been raised on publicising and communicating the policy with officers responsible for security cameras and maintaining a list of the cameras in place.</p>	
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Summary of Internal Audit Performance

3.9 As shown below, only 2 completed client questionnaires have been received to date for 2023/24 and both were satisfactory. For the draft audits to date, the first draft report has been produced within 15 days of the exit meeting in 75% of instances.

	Client Questionnaires		Draft Report /Memo Produced within 15 Days of Exit meeting
	Received	Satisfactory	
1st April to 29th February 2024	4	100%	67%
2022/23	7	86%	63%

4. PROGRESS ON INTERNAL CONTROL ENVIRONMENT 2023/24

4.1 Progress to improve the control environment is being monitored based on the outcome of the audits undertaken and in particular identifying whether agreed management actions for areas previously found to have significant control weaknesses have been implemented as this has been a key factor in the Head of Audit and Risk Management’s annual opinion on the control environment for the last 4 years.

5. RISK MANAGEMENT

5.1 During 2023/24, the Strategic Risk Register has been reviewed by was reviewed by the Strategic Risk Management Group (SRMG) in May, August, December and

February and by the Corporate Management Team in September 2023 and February 2024 before being presented to the Governance and Audit Committee for feedback in September 2023 and March 2024.

6. COUNTER FRAUD UPDATE

6.1 HOUSING BENEFIT AND COUNCIL TAX REDUCTION

A detailed update was provided to the Committee in January 2024 and a further update to cover the full year will be included in the Head of Audit and Risk Management's annual report in June 2024.

2022/23 INTERNAL AUDIT PLAN OUTCOMES NOT REPORTED IN 2022/23

*Key indicator- Draft report issued within 15 days of exit meeting

AUDIT	Start Date	Date of Draft Report	*Key Indicator Met	Assurance Level				Recommendation Priority				Status
				Good	Adequate	Partial	Inadequate	Critical	Major	Moderate	Low	
Council Tax and Business Rates	January 2023	14/7/23	X			✓			6	4		Final report issued

2023/24 INTERNAL AUDIT PLAN

AUDIT	Start Date	Date of Draft Report	Key Indicator Met*	Assurance Level				Recommendation Priority				Status
				Good	Satisfactory	Partial	Inadequate	Critical	Major	Moderate	Low	
GOVERNANCE Data indicators follow up review												Audit starting 11 March 2024
Security cameras follow up	6/11/23	2/2/24	✓	Follow up memo					5			Draft report issued
SARS	16/10/23	1/3/24	✓		✓					6	1	Draft report issued
iESE	1/7/23	30/8/23	✓	Advisory memo issued with 13 observations made including 3 major observations								Finalised
Grant Certifications Bus Service Operator	6/6/23	6/6/23	✓	Grant certified								Certified
Integrated Transport Block Allocation	11/8/23	20/9/23	✓	Grant certified								Certified
Food waste collections capital grants	14/2/24	14/2/24	✓	Grant certified								Certified
Troubled Families-June	25/6/23	27/6/23	✓	Payments by Results grant audit completed								Finalised

AUDIT	Start Date	Date of Draft Report	Key Indicator Met*	Assurance Level				Recommendation Priority				Status
				Good	Satisfactory	Partial	inadequate	Critical	Major	Moderate	Low	
Troubled Families-September	11/9/23	18/9/23	✓	Payments by Results grant audit completed								Finalised
Troubled Families-December	11/12/23	19/12/23	✓	Payments by Results grant audit completed								Finalised
Troubled Families-March												Starting 18 th March
COUNCIL WIDE Debt management-PPR	4/1/24											Work in progress
Debt management-Delivery												Deferred to 24/25 due to staff changes in Property
Debt management-People												Deferred to Q1 of 24/25
Budget monitoring in service areas	1/7/23	8/11/23	X	Advisory memo with no opinion with 3 major recommendations					4	3		Finalised
Procurement	7/8/23											Work in progress
Absence management	28/8/23	24/1/24	X		✓					5	1	Draft report issued
Amazon account IR35	19/7/23	16/11/23	X		✓				1	9		Finalised
	18/12/23											Work in progress
Climate Change- ADDITIONAL												Cancelled
DELIVERY Public Protection Partnership follow up review	1/6/23	20/7/23	✓	Follow up memo						5	1	Final memo issued
Home to School Transport	1/6/23	5/7/23	✓	Advisory memo with no opinion with 3 major recommendations					3	4		Finalised
Gap analysis to determine IT audit strategy												Cancelled
Business Continuity follow up review												Quarter 4 audit

AUDIT	Start Date	Date of Draft Report	Key Indicator Met*	Assurance Level				Recommendation Priority				Status
				Good	Satisfactory	Partial	inadequate	Critical	Major	Moderate	Low	
Disaster Recovery Procedures												Cancelled
PLACE PLANNING AND REGENERATION Tree services	4/12/23											Work in progress
Highways reactive maintenance												Work in progress
Public health – utilisation of funding	4/12/23											Work in progress
RESOURCES Supplier payments	4/9/23											Discussion draft issued for exit meeting
Establishment costs	4/1/24											Work in progress
Council tax and business rates												Cancelled
PEOPLE Assurance framework												Deferred to 2024/25
Support for TMC and CQC inspections												Audit no longer required
Child Protection Conferences or Independent Review Officer arrangements												Cancelled
Domiciliary care	31/7/23	27/11/23	X		✓					6	2	Finalised
Intermediate Care-capacity, flow and efficacy												Deferred 2024/25
Blue badges- new processes												Deferred 2024/25
Drug and Alcohol Team- following change in head of service												Deferred 2024/25

AUDIT	Start Date	Date of Draft Report	Key Indicator Met*	Assurance Level				Recommendation Priority				Status
				Good	Satisfactory	Partial	inadequate	Critical	Major	Moderate	Low	
Supervision follow up	December 2023	23/2/24	✓	Follow up Memo with no opinion						3	3	Finalised
SEND follow-up												No longer required
Parenting assessments follow-up												Cancelled at management request
Larchwood	19/7/23		X			✓			5	10		Draft report issued
Permanency planning follow-up												Cancelled
Braccan Walk												Start date 13 th March 2024
Family Hubs												Deferred as higher priority audits identified
Homelessness	1/4/23	September 2023	✓		✓					1	3	Final report issued
Disabled facilities grants follow up	22/11/23	January 2024	✓	Follow up Memo with no opinion						2		Draft memo issued
Discretionary Hardship Fund payments	1/8/23	29/11/23	X	✓							2	Finalised
Housing benefit												Deferred to July 2024
School places planning	13/11/23											Report received from Wokingham for quality review
Online applications ADDITIONAL AUDIT												Deferred to 2024/25 and will now be included within other audits

AUDIT	Start Date	Date of Draft Report	Key Indicator Met*	Assurance Level				Recommendation Priority				Status
				Good	Satisfactory	Partial	inadequate	Critical	Major	Moderate	Low	
Refuges asylum ADDITIONAL AUDIT												Quarter 4 audit
SCHOOL AUDITS School D	26/6/23	19/7/23	✓			✓			4	10		Finalised
School R	6/6/23	22/11/22	X			✓			1	6	2	Finalised
School E	14/6/23	10/10/23	X	Memo issued with no opinion as agreed with the Head teacher prior to the audit				2	8	10		Finalised
School V												Cancelled
School M -desk top follow up	October 23	16/11/23	✓	Follow up Memo with no opinion						5		Finalised
School I -desk top follow up												Deferred to quarter 4 at request of the school and now deferred again
School G	13/11/23	20/12/23	✓			✓			5	6	1	Draft report issued
School X												Cancelled as school academising
School W	8/2/24											Work in progress
School Y	15/2/24	9/2/24	✓		✓					6	1	Draft report issued
School K	5/1/24											Work in progress