



TO: Audit & Governance Committee

FROM: Head of Audit & Assurance

DATE: 12 January 2021

PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

TITLE OF REPORT: **Audit & Assurance - Progress and Outcomes to 30 November 2020**

1. PURPOSE

To inform Committee Members of the achievements and progress made by Audit & Assurance in the period from 1 October 2020 to 30 November 2020.

2. RECOMMENDATIONS

The Committee is asked to:

- discuss, review and challenge the outcomes achieved to 30 November 2020 against the annual 2020/21 Audit & Assurance Plan, as approved by the Committee on 29 July 2020.

3. BACKGROUND

The internal audit function is required to comply with the Public Sector Internal Audit Standards (PSIAS).

The PSIAS require the Head of Internal Audit to communicate any significant governance, risk management and control issues identified to the Audit Committee during the year. This Progress and Outcomes report complies with the requirements of the PSIAS by communicating any significant issues that have been identified during the year.

The work completed to date has not identified any significant governance, risk management or control issues to bring to the Committee's attention at this time. However, the Committee should consider the information provided in the following sections regarding the work carried out during the period and the summary of issues in respect of the limited assurance audit noted.

4. RATIONALE

The Council is required under the Accounts and Audit (England) Regulations 2015 to undertake an effective internal audit to evaluate the effectiveness of risk management, control and governance processes, taking into account the Public Sector Internal Audit Standards (PSIASs).

The work undertaken throughout the year is intended to ensure that:

- an objective and independent opinion can be provided at the year-end which meets the PSIAS and statutory governance requirements;
- it demonstrates the effectiveness of the internal audit function; and
- support is provided to Members, Directors and managers in their particular

areas of responsibility throughout the year.

5. KEY ISSUES

Outcomes achieved in the year to 30 November 2020:

Counter Fraud Activity

National Fraud Initiative (NFI)

Work is currently underway to prepare for the 2020/21 NFI. All necessary data has been supplied to the Cabinet Office as required in accordance with the deadlines. The resultant data matches will be returned to the Council for review and action early in the new year.

Other investigations

Audit & Assurance is continuing to liaise with the Police in the case of a suspected client fraud.

Internal Audit

A summary of the five audits completed and finalised since the last report to Committee are detailed below:

Risk, Control & Governance Reviews	Assurance Opinion		Recommendations Agreed
	Environment	Compliance	
Police & Crime Commissioner Grant	Adequate	Adequate	2
Council Tax	Substantial	Substantial	2
Young Peoples Service – Educational Visits Risk Assessments	Substantial	Adequate	5
Arrangements for the Use of the Contractor & Development Framework	Substantial	Substantial	2
Arrangements for Lease of Blakey's café bar to EastzEast	No	N/A	8
St Cuthbert's CE	Adequate	Adequate	16
St Matthews CE Primary School	Adequate	Adequate	20

A brief commentary on the audit assignment where we have provided a no assurance opinion is set out below.

Arrangements for Lease of Blakey's café bar to EastzEast: The agreed objective was to review the legal, decision-making, and corporate procedures and processes when granting leases (or occupation of Council owned premises) to understand how the current situation has arisen and how to avoid any repetition in the future.

In respect of the lease for Blakey's café bar to EastzEast, no assurance could be provided on compliance with the Council's processes and procedures for granting leases in this instance, due to the lack of clear understanding of the ownership and responsibility for control of the project. Recommendations made included:

- establishing a tracking system to ensure that all Executive and other decisions have been actioned/implemented as approved;
- ensuring that a designated lead client officer/project owner is identified where Departments are leading on lease arrangements;
- roles and responsibilities of staff involved must be agreed, adequately communicated and clearly understood by the relevant individuals and/or teams involved;
- where Departments lead on any lease arrangements with third parties, they must liaise with the Estates Management team for advice and support. The Estates Management Team must co-ordinate the lease arrangements and act as a single point of contact in the process;
- all staff involved in lease arrangements must be reminded to escalate any concerns regarding delays or lack of progress of any negotiations or finalising lease details to all appropriate senior managers in a timely manner; and
- the Property portfolio should be reviewed to identify all existing arrangements for tenanted council properties/assets to ensure up-to-date signed leases are in place and that these are being managed in line with the Council's processes and procedures.

Current internal audit reviews

In addition to the above completed audits, the following reviews are ongoing:

- Ofsted Inspection Framework;
- Income billing & collection arrangements (Car Parking and Cemeteries);
- Building Control Performance Standards;
- Commercial Property Rental;
- Creditors;
- Market Stall Leasing Arrangements;
- Payroll Core System;
- Corporate Appointee;
- Governance Arrangements;
- Planning Enforcement; and
- Mileage Payments/Staff Expenses.

Internal Audit Performance

The Departmental Business Plan includes seven targets to achieve our strategic aims. The defined targets and actual performance for the latest period and the previous period are as follows:

Performance Measure	Target	Q3 2020/21	Q2 2020/21
1. Delivery of Priority 1 Audits (Annual)	100%	N/A	N/A

2. Planned Audits Completed Within Budget	90%	57%	75%
3. Final Reports Issued Within Deadline	90%	100%	100%
4. Follow Ups Undertaken Within Deadline	90%	100%	73%
5. Recommendations Implemented	90%	100%	85%
6. Client Satisfaction	75%	100%	100%
7. Compliance with PSIAS (Annual)	95%	N/A	N/A

We have provided a brief commentary on the measure where performance in the period has fallen below the agreed target:

2. Planned Assignments Completed Within Budget

Three of the seven audits (43%) completed in the period were over budget. Additional time was required to complete the two schools audit reviews as audit staff carried these out remotely due to the pandemic restrictions. Additional time was required for educational trips and visits risk assessment review. This was the first time this area had been audited. Additional time was required for background work and planning, as well as completion of remote testing and finalisation of the report with the Department

5. Recommendations Implemented

All follow up reports were issued within the target timescale. We did not receive a response to our follow up of the Blue Badges review within target deadline due to staff absence. The report contained two 'should' recommendations.

6. POLICY IMPLICATIONS

The delivery of the Plan leads to the Annual Internal Audit Opinion Report and this, in turn, contributes directly to the Annual Governance Statement.

7. FINANCIAL IMPLICATIONS

There are no financial implications arising as a result of this report.

8. LEGAL IMPLICATIONS

There are no legal implications arising as a result of this report.

9. RESOURCE IMPLICATIONS

There are no resource implications arising as a result of this report.

10. EQUALITY & HEALTH IMPLICATIONS

There are no equality or health implications arising as a result of this report.

11. CONSULTATIONS

Directors

Contact Officer: Colin Ferguson, Head of Audit & Assurance– Ext: 5326

Date: 23 December 2020

Background Papers: Audit & Assurance Plan 2020/21, approved by the Audit & Governance Committee on 29 July 2020.