

PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY FOR 2020-21

1 Purpose of Report

The purpose of this report is to brief the audit committee on the work carried out by the internal audit service for the first seven months of the 2020-21 financial year to the end of October 2021.

2 Executive Summary

The attached report provides details on several audit assignments that have been completed since the date of the last audit committee and confirms that internal audit operational plan remains on target to be fully complete by the end of the 2020-21 financial year.

3 Appendices

Appendix 1 – CW Audit Services internal audit progress report – October 2020

4 Proposed Action:

- 4.1 The committee is invited to consider, comment upon and note this report as part of its role in ensuring that sufficient progress is being made against the agreed internal audit plan for the 2020-21 year.**

5 Background

- 5.1 The terms of reference for the audit committee state that it should review the effectiveness of internal control across the organisation and the adequacy of action taken to address any weaknesses or control failures.
- 5.2 The committee is also required to approve and review the annual internal audit plan.

6 Legal Powers

Not applicable

7 Financial and Value for Money Implications

None

8 Risk Analysis

Nature of risk	Consequences if realised	Likelihood of occurrence	Control measures
Non completion of the audit plan for 2020-21	Control weaknesses may not be identified and addressed. Chief Internal Auditor may not be able to provide a balanced annual audit opinion.	Low	Regular reporting on progress to the chairman of resources and audit committee. CW Audit staff plan in place to ensure sufficient resources are in place for full delivery of plan.

9 Implications for Resources, Stronger and Safer Communities and Equalities

None identified

10 Author and Contact Officer

Mark Watkins, Chief Internal Auditor

11 Consultees

Shaun Darcy, Director of Resources and S151 Officer
Eric Symons, Assistant Director and Deputy S151 Officer

12 Background Papers

None

Borough Council of Wellingborough

**Internal Audit
Progress Report 2020/2021**

November 2020



1. Introduction

The purpose of the report is to provide the committee with details of progress made in delivering the 2020/21 audit plan to the 31st October 2020.

2. Summary of reviews completed

Review	Key issues arising from audit	Level of assurance
Business Grants – SBGF & RHLGF	<p>The overall objective in undertaking this review was to ensure that the Council put in place an appropriate control framework to ensure that Small Business Grants and Retail Hospitality and Leisure Grants were paid in accordance with government guidance and with a view to minimising the risk of fraudulent claims being made.</p> <p>Central government’s stated aim was to make payments to businesses as soon as possible and we believe this may have contributed to certain elements of the process put in place for paying these grants not being as fully developed as would normally be the case. Substantive testing carried out on 50 payments across both types of grant confirmed that payments were accurate and valid. It should however be noted that this remains a relatively small sample size when compared with the total number of payments made.</p> <p>Whilst only limited pre-payment verification work was undertaken, we are pleased to report that the Council responded to the recommendation we made to ensure that sufficient post-payment checks were made; and on this basis we are able to provide an overall significant assurance opinion.</p>	Significant

Review	Key issues arising from audit	Level of assurance
Business Grants – Discretionary	<p>The overall objective in undertaking this review was to ensure that the Council put in place an appropriate control framework to ensure that Discretionary Grant Funding were paid in accordance with government guidance and with a view to minimising the risk of fraudulent claims being made.</p> <p>We can confirm that the Authority advertised the availability of the grant funding on its website and developed an appropriate application form that collected the required information, state aid declarations and clawback clause. Evidence was seen that the Authority took reasonable steps to investigate any missing information to support grant eligibility and that this was independently checked and approved.</p> <p>Independent checks were carried out by the Finance Team to ensure that bank accounts provided were valid and carried out spot checks on 10% of the payments made. Substantive testing carried out on 20 grant payments confirmed that the grant payments appeared reasonable.</p> <p>Although the Council did not employ any of the formal pre-payment verification methods made available to Councils, such as use of the Spotlight tool provided by the Cabinet Office, in-house pre-payment checks were carried out and the Council has subsequently confirmed that our recommendation to undertake a formal post-payment verification exercise was implemented. On this basis we are able to provide an overall significant assurance opinion.</p>	<p>Significant</p>

Review	Key issues arising from audit	Level of assurance
Safeguarding	<ul style="list-style-type: none"> Complete the training of taxi drivers on safeguarding issues that was interrupted by the Covid-19 pandemic. Review and revise the Safeguarding Policy in conjunction with other Councils forming the North Northamptonshire Unitary Authority. Review the process followed to provide safeguarding training to agency staff that work in public facing services. Use the move to the new Unitary Authority as an opportunity to improve the communication of feedback on cases that have been referred to the Multi Agency Support Hub (MASH). 	Significant

System control objective	Level of Assurance				
	Full	Significant	Moderate	Limited	No
The Council plays an appropriate role along with other relevant Northamptonshire partners in the safeguarding of children and vulnerable adults.	✓				
There are comprehensive policies and procedures in place to deal with safeguarding issues and these are consistently applied across the Council.		✓			
Suspected cases of abuse are reported appropriately and follow up action is taken as necessary.		✓			
Staff are appropriately trained to identify and report suspected cases of abuse.		✓			
There are effective governance controls in place to provide assurance to management and councillors on the robustness of safeguarding arrangements.	✓				

Review	Key issues arising from audit	Level of assurance
GDPR	<ul style="list-style-type: none"> • Ensure written contracts are in place with all data processors used by the Council. • Ensure all privacy notices used by departments contain at least the minimum required information. • Document processes and procedures in respect of maintaining personal data and responding to requests from individuals for action to be taken in respect of such personal data. • Establish a programme to undertake spot-checks and reviews of GDPR compliance. • A formal IT security and records management risk assessment should be undertaken for the new unitary authority. • Plan a specific physical security audit to ensure that controls are being applied as intended by management. 	Moderate

System control objective	Level of Assurance				
	Full	Significant	Moderate	Limited	No
Data in relation to individuals is processed lawfully, fairly, accurately and in a transparent manner in accordance with the principles of data and purpose minimisation.		✓			
Individuals' rights in respect of personal data, as outlined under GDPR, are fully respected and complied with.			✓		
There are effective governance and accountability arrangements to oversee the organisation's GDPR responsibilities.			✓		
There are effective security controls in place to ensure that personal data is properly protected from loss or misuse.		✓			

Review	Key issues arising from audit	Level of assurance
Disabled Facilities Grant	<ul style="list-style-type: none"> • Internal Audit has confirmed that the conditions set by NCC for the 2019/20 Disabled Facilities Grant have been met and have provided the required Head of Audit sign off. 	N/A

3. Recommendation tracking

The on-line recommendation tracking system shows that a total of 227 recommendations have been raised since April 2018 that were originally agreed for implementation by the end of October 2020. Managers are responsible for taking action to update the system when recommendations have been implemented, or provide updates where action remains ongoing. A summary of the current information held for these recommendations is as follows:

Recommendations originally due for implementation by 31st October 2020				
Priority*	Number	Implemented or Closed	Ongoing	Pending
1	0	0	0	0
2	51	48	3	0
3	149	139	8	2
4	27	27	0	0
Totals	227	214	11	2

*Level 1 is the highest level of risk we attach to a recommendation.

The July 2020 Audit Committee meeting included some discussion on the fact that there may be little or no benefit to implementing a number of the ongoing or pending recommendations prior to the closure of the Council on 31st March 2021. An exercise has therefore been undertaken to review all recommendations that remain 'live' on the system. A number of these have now been closed as they been assessed as no longer beneficial to implement prior to the major changes to systems and processes that the coming together of existing Councils into the new unitary authority will necessitate.

The 13 ongoing or pending recommendations that remain represent those that Head of Audit views as still being beneficial to progress. Eleven of these, including the three ongoing level 2 recommendations, relate to cyber security. This year's cyber security audit is currently underway, and whilst the results of our work have yet to be formally reported, indications are that satisfactory progress is being made on most of the remaining recommendations.

Further detail on level 2 recommendations that are either pending or started is provided below.

Ongoing Level 2 Recommendations				
Audit	Recommendation	Original target date	Revised target date	Latest update
Cyber Security	Adopt formal dormancy processes for laptops that have remained inactive for a specified period of time.	31/10/2019		There are now regular reports showing updates on laptops, but these indicate that there are some for which the operating system status is not known and some laptops that have not appeared on the network for more than one month and may not have been reviewed by IT.
Cyber Security	Establish an anomaly based intrusion detection system to enable active management and monitoring of network traffic.	30/11/2019	01/05/2020	Sophos XG Firewall hardware now installed, but need to configure the monitoring frequency and information required and identify the resources to complete these monitoring tasks.
Cyber Security	Produce and test an ICT Disaster Recovery Plan.	31/12/2019	30/04/2020	Further review by the new ICT Business Support Manager has confirmed that there is no current disaster recovery plan and that this will need to be discussed with the Future Northants team.

Appendix A – 2020/21 Internal audit plan

Area	Audit Assignment	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Current status	Assurance Level	Previous Assurance Level
Finance & Revenues	Financial Management & Reporting		✓	✓		Fieldwork complete		
	Creditors		✓	✓		Fieldwork complete		
	Debtors		✓	✓		Fieldwork complete		
	Payroll		✓	✓		Fieldwork complete		
	Treasury Management		✓	✓		Fieldwork complete		
	Business Grants – SBGF & RHLGF	✓	✓			Final report	Significant	N/A
	Business Grants - Discretionary		✓			Final report	Significant	N/A
Community	Safeguarding		✓			Final report	Significant	Significant
Resources	Risk Management			✓		Fieldwork ongoing		
	GDPR		✓			Final report	Moderate	N/A
	Cyber Security			✓		Fieldwork ongoing		
	Health & Safety			✓		Scope agreed		
Planning & Local Development	Disabled Facilities Grant	✓				Certification provided	N/A	
Local Government Reorganisation	Contingency – LGR/Covid-19			✓	✓			
	Internal Audit Transition Support			✓	✓	Ongoing		
	Procurement		✓	✓		Fieldwork complete		
Other	Recommendation Tracking & Follow Up	✓	✓	✓	✓			
	Management	✓	✓	✓	✓			