



# **Audit and Governance Committee**

**Business Assurance Update 2020/21**

**March 2021**

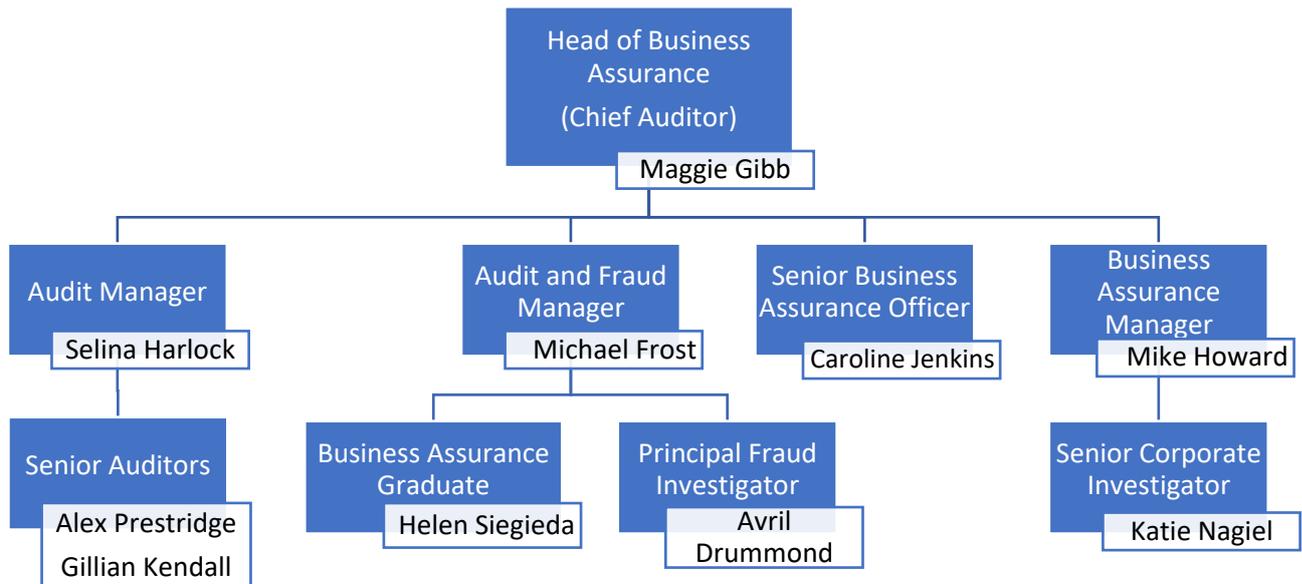


## 1. Introduction

- 1.1 The Business Assurance Team is responsible for implementing the Council's Assurance and Risk Strategy through delivery of work programmes covering the following areas of activity:
- Internal Audit;
  - Risk Management;
  - Counter Fraud; and
  - Assurance.
- 1.1 This report outlines the work being undertaken by the Business Assurance Team for the year ending 31 March 2021. The 20/21 Internal Audit, Risk Management, Counter Fraud and Assurance work plans were produced with reference to the Strategic and Service Risk Registers from the sovereign councils. The plans were prepared in consultation with Senior Management including the Chief Executive, Corporate Directors, S151 and Monitoring Officers from the sovereign councils to ensure completeness and to capture any further input from the Leadership Team. Whilst plans were agreed for 20/21 due to the global pandemic the team had to re-prioritise agreed activities as a number of officers were redeployed to support the Councils response to the Covid-19.
- 1.2 We continue to work towards a combined assurance model using the "three lines of defence" approach, with Internal Audit operating as the third line of defence. The first line of defence is achieved by the management controls and systems within each of the services, and the second line of defence from the professional leads responsible for monitoring the key governance frameworks such as finance, HR, technology, contract management and decision making. Progress towards embedding this model has been delayed in 20/21 due to the global pandemic, however we are working towards embedding this into the governance reporting process during 21/22, which will include reporting to the Directorate Boards, Corporate Management Team and the Audit and Governance Committee.
- 1.3 Our plans continue to be dynamic in nature and are reviewed and realigned on a regular basis to take account of new, emerging and changing risks and priorities. The plans have been particularly fluid during 21/22 due to the Covid-19 pandemic.
- 1.4 In Q3 and Q4 the team has continued to make good progress against plans, to respond and re-prioritise work based on availability and capacity across the Council. Whilst progress is being made to deliver the Business Assurance work plans which help ensure that there is an appropriate governance and control framework in place and that risk management is embedded across the Council; the team has continued to assist with the Covid-19 response, recent support included helping with the surge testing.

## 2. Resources

2.1 The Business Assurance Team is currently resourced with a mix of in-house staff and a partnership arrangement with the APEX London Audit Framework. The framework is hosted by the London Borough of Croydon and the audit service is currently provided by Mazars. This arrangement allows for a flexible approach and enables us to respond swiftly to urgent requests for resource such as for investigations. The framework also enables us to request specialist resource such as IT auditors and contract auditors where the in-house team do not have the appropriate technical skills.



## 3. Risk Management

3.1 The Business Assurance Team has continued to embed risk management across Buckinghamshire Council and with all Directorate risks identified being uploaded onto Pentana, the corporate risk management system. This process has been complimented by a series of risk management training sessions that have been delivered across the organisation to ensure that officers are aware of their roles and responsibilities in relation to risk management. We have begun a further review of risks to ensure that the magnitude of risks is understood and that there are appropriate internal controls and/or actions undertaken to mitigate risks and address some of the risk gaps identified. This work will continue during 21/22.

3.2 As well as the business as usual activities, the Business Assurance team has continued to deliver a reporting framework for Covid-19 risks. Risks are identified through Covid-19 'cells' and reported to the Corporate Management Team and the Risk Management Group on a regular basis.

3.3 The Risk Management Group (RMG) meets approximately every six weeks, with a rolling programme of “deep dive” risks reviews for each of the Directorates. The last Risk Management Group meeting was held in March 2021 where the Communities Directorate presented their key risks.

#### **4. Internal Audit**

4.1 The Internal Audit function, supported by Mazars (through the APEX London Audit Framework) has been progressing with the delivery of the approved 20/21 audit assignments. The original 2020/21 Internal Audit Plan was reviewed and updated following the impact of the Covid-19 pandemic on both the risk profile of the organisation and the resources to deliver the internal audit activity. As at the end of February 2021, 12 grant claim validation reviews have been completed; 12 audits are currently at draft report stage; and three audits are at the fieldwork stage.

4.2 Whilst we have an agreed Internal Audit plan which was approved as part of the Business Assurance Strategy, we continue to apply a fluid approach in the delivery of the plan. The Internal Audit activity is continuously reviewed and amended as required and remains flexible to react to emerging issues/ risk and pressures from Covid-19.

4.3 Since Q3 the Internal Audit Team has been providing assurance over the Covid-19 grant funding being received from central government. Due to the pace at which activities were moving, the allocation and utilisation of the grants had been left to the relevant Service and there was no clear process for monitoring and having oversight of all the funding received. What became apparent was that there was a risk of overlap in the activities/schemes that were being delivered by the various grants. As such this could have an impact on how the Council was maximising the funding thus increasing the probability of some grants not being fully utilised.

4.4 It is widely recognised that it has been difficult to keep a track of all the funding being received from the various government departments due to the varying means by which the grants are announced and received. In a recent email from MHCLG they provided a summary of funding for each Local Authority based on their “current best understanding”. Upon review we found that this summary was incomplete. Internal Audit have put in place a comprehensive ‘Grant Register’ framework to track all grants that have been received and undertaken deep dives for each grant to ensure that funding is being maximised and spent in line with the grant conditions.

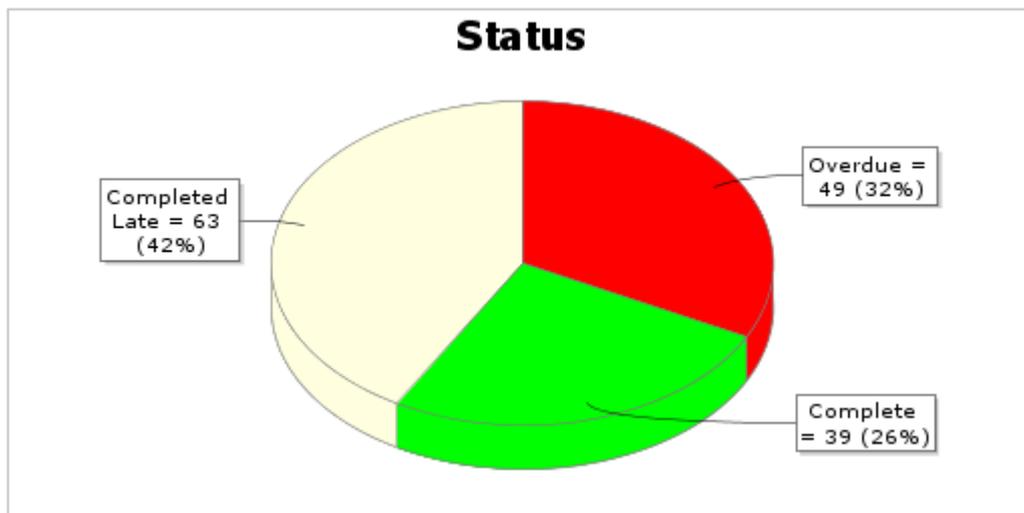
4.5 As at the end of February 2021, the Council has received 50 grants to support with the Council’s Covid-19 response. Whilst the majority of the grants are not S31 ringfenced, they are however supported by specific conditions that limit how the funds are to be spent and are therefore fundamentally “ringfenced”. Due to these loose conditions it is in many cases unclear if there are clawbacks on some

of the grants, therefore we have taken a prudent approach and working with the assumption that there will be clawbacks as many of the grants require a return or a reconciliation at year end. Deep dives are being undertaken for each grant to ensure that there are plans in place to fully utilise the funds and avoid returning unspent balances back to central government. Risks and opportunities are being reported on a weekly basis to the Heads of Finance, Service Director – Service Finance (Deputy S151) and Deputy Chief Executive. Monthly reports are presented to CMT providing an update on spend against each grant and highlighting any areas of risk or concern.

- 4.6 Prior to this Internal Audit work, Directorates were monitoring the Covid-19 grants as part of their general budget monitoring activity. However, due to the sporadic announcements and allocation of grants from government along with the loose conditions associated with the funding, it became essential that we monitor the grants centrally to ensure complete and effective utilisation of the funds. By putting in place a Grant Register and a clear reporting process Internal Audit are now provided greater visibility for all Covid-19 funding being received and continues to highlight risks and opportunities via the weekly reporting to ensure prompt action is taken. Due to the significant values, and the intense resource requirements, this work will form a significant part of the 20/21 Annual Audit Opinion.
- 4.7 In Q3 and Q4 the Business Assurance Team has continued to report to each Directorate SLT to ensure that senior management are aware of the audits in the plan, proposed time scales for delivery and any changes that are to be made to the original plan. The Audit Board, chaired by the Service Director for Corporate Finance (S151), continue to review progress against the Business Assurance Strategy, in particular delivery of the Internal Audit Plan where they considered and approved the requests for deferring some audit activity and the resulting impact on resourcing the current plan. See **Appendix A** for the changes to the original 20/21 Internal Audit Plan.
- 4.8 The team are now working towards developing the Internal Audit Plan for 21/22 and are liaising with each Directorate to understand priorities and risks in the Services that enable the identification of key audit areas to be included in the plan. An Audit Plan will be developed for each Directorate and presented to each Directorate SLT, to the Audit Board and to CMT to ensure the plan considers service and strategic risks/ priorities. The proposed plan will be reported to Audit and Governance Committee for formal approval in May 2021.

4.9 The Internal Audit function has an audit tool, 'Pentana', that is used for maintaining files and working papers and for capturing management actions (audit recommendations). At present the Pentana system only holds the open management actions for legacy BCC, and those from the legacy districts were being managed via spreadsheets. In Q2 and Q3 Internal Audit reviewed and followed up all 67 actions from the legacy districts and confirmed that all have been fully implemented or were superseded by new processes. For example, many finance actions were no longer relevant as the legacy financial systems are no longer used, therefore processes have changed in line with the SAP financial system. There were 151 open actions from legacy BCC and 49 of overdue with 40 actions relating to seven school audits. The overdue actions fell due at the end of December 2020, however due to national lockdown and pressures on schools a decision was taken to pause the follow-up of these actions. The outstanding management actions will be followed up once schools are open again. See **chart 1** below for a summary on the status of those legacy BCC actions. The nine non-school related overdue audit actions are owned by officers who are heavily involved in the Covid-19 response and the follow up has been deferred until April 2021.

**Chart 1: Total number and status of management actions for legacy BCC**



**Chart 1: Total number and status of management actions for legacy BCC**

The Business Assurance team continue to monitor the implementation of all open actions and progress on the management actions are regularly reported to Directorate SLTs, CMT and to the Audit and Governance Committee.

## **5. Business Assurance**

- 5.1 The Business Assurance Team continue to provide quarterly reporting to central government on specific Covid-19 grants that are administered by the Revenues and Benefits Team. Post payment assurance is required and through review of payments and the returns being submitted Business Assurance are able to provide this independent assurance each quarter.
- 5.2 Assurance is also being provided on the final reconciliations for the grants prior to the submissions to central government departments. Through these reviews, recommendations are being made for how the administration, management and reporting of the grants can be improved to reduce the risk of error and enable effective and efficient reporting.
- 5.3 In Q4 Business Assurance have been commissioned to undertake a full review of key financial processes that are in place to understand our finance systems architecture. This work will consist of walkthroughs and process mapping on key functions to ensure complete understanding of how the SAP system is being utilised. This work will feed into the continuous improvement work that is in-progress within Finance and will be crucial input for the procurement of the new Enterprise Resource Planning system.

## **6. Counter Fraud**

- 6.1 The primary responsibility for the prevention and detection of fraud, corruption and theft rests with Senior Management. The Business Assurance Fraud Team is responsible for developing and implementing the Anti-Fraud and Corruption Policy. All suspicions of theft, fraud and irregularity should be reported to the Chief Internal Auditor, in accordance with the policy. The Fraud Team investigate cases of suspected fraud and financial irregularities. In some cases, this may be delegated to the service itself following an assessment of risk and financial impact. All investigations are monitored to ensure that all suspected and/or reported irregularities are dealt with promptly and in accordance with this strategy; and that action is identified to improve controls and reduce the risk of recurrence.
- 6.2 Internal Audit also facilitate Buckinghamshire Council's participation in the National Fraud Initiative (NFI), in which the Council's data is matched with data supplied from other Local Authorities and external agencies to detect potentially fraudulent activity.
- 6.3 The Counter Fraud Team have been working closely with the Revenues and Benefits Teams to investigate any potentially fraudulent Business Rate Grant Claims. Below is a summary of the cases that the team have dealt with:

Business Rate Grant applications referred to Business Assurance	47
Additional Restrictive Grants applications referred to Business assurance	22
Number failed risk assessment (deemed to be low risk and so not investigated, or closed after initial investigation)	23
Number investigated (BRG and ARG)	46
Number of potential prosecution claims	10
Number of prosecution files being prepared for legal services as of 31 December 2020	4 Awaiting a court date for the 1 <sup>st</sup> prosecution

6.4 Other cases currently under investigation as follows:

- Council Tax Reduction cases: received fourteen and investigating nine.
- Single Person Discount cases: received five and investigating four.
- Discretionary grants: received three and investigating three with one a possible prosecution.
- Disabled Facilities Grant: received one but not investigated due to admission of guilt.
- Housing Fraud cases: received seven and investigating seven (one of which is a house of multiple occupancy (HMO), with two potential prosecutions. Audit and Fraud Manager attended Bucks Housing Forum to promote joint working and investigations (35 attendees). Meetings pending for Vale of Aylesbury, Paradigm Housing, and Red Kite Housing.
- Blue Badge case received one and investigated one with prosecution pending.
- Insurance fraud cases received one and investigated one
- Phishing scams or attempts: 12

- 6.5 A Fraud Risk Register has been developed. The Fraud Risk Register considers the key fraud risks for each service. This will ensure where possible that risks have been identified and mitigation controls are in place for each identified risk. The Fraud Risk Register was reported to the Risk Management Group in March 2021.
- 6.6 We have several investigations that are in progress across the Council and updates are reported to the respective Service Directors and formally to the Statutory Officers Group.
- 6.7 Fraud awareness training sessions are being delivered across the Council, and the training is tailored to the respective teams receiving the training to help ensure greater understanding of risks and how to detect and report suspected fraud.

**Appendix A: 20/21 Internal Audit Plan**

Directorate	Service	Audit Title	Revised Days 20/21	Notes
Deputy Chief Executive	Corporate	Governance	0	To be delivered through work with Corporate Governance Manager and Assurance Framework
	Corporate	Business Cases	0	Deferred to 21/22
	Corporate	Budget Management	20	Deferred to 21/22
	Corporate	Grants	40	High priority on-going
	Corporate	Post Payment Assurance Plan	40	On-going; looking at assurance that we have taken reasonable steps to ensure that payments are made to legitimate clients.
	Corporate	Covid-19 Response	40	On-going, this will include looking at supplier payments/emergency payments/decision making process etc
	PP&C	Information Governance	20	Draft reporting stage
	PP&C	Consultations	0	Deferred to 21/22
	PP&C	GDPR	0	Deferred to 21/22, new accountability framework from ICO will need to be implemented so service would like this to be included next year.
	L&SP	Community Boards	0	Deferred to 21/22
	L&SP	Lottery	10	Draft reporting stage

Directorate	Service	Audit Title	Revised Days 20/21	Notes
	L&SP	Devolution Funding	15	Deferred to 21/22
	SI	Transformation/projects	50	High priority - Service Reviews Assurance
	L&D	Legal Services	0	Deferred to 21/22
	L&D	Elections	0	Deferred to 21/22 due to canvassing currently in progress, election preparation is in progress and service review has commenced.
Resources	Finance	Treasury Management	15	Draft reporting stage
	Finance	Pensions	5	Deferred to 21/22. There are no process changes and no signification findings have been highlighted in the last few audits, therefore a follow-up of the open audit actions will be undertaken.
	Finance	Accounts Payable	20	Draft reporting stage
	Finance	Accounts Receivable	20	Draft reporting stage
	Finance	Capital Programme	0	Deferred to 21/22 as new governance process is being put together and a review is in progress led by Mark Preston, review to be undertaken once governance arrangements have been embedded
	Finance	General Ledger	15	Draft reporting stage
	Finance	Purchasing Card	15	Fieldwork in-progress

Directorate	Service	Audit Title	Revised Days 20/21	Notes
	Finance	Contract Management	40	Deferred to 21/22, some contract management assurance being provided via the Leisure Contracts Audit.
	Finance	SAP	40	High priority - being delivered partially through Finance Task and Finish Group
	Finance	Debt Management	20	Draft reporting stage
	Finance	CTRS/HB	25	High priority (Q4)
	Finance	Council Tax	25	High priority (Q4)
	Finance	NNDR	20	High priority (Q4)
	Finance	Feeder Systems	30	Fieldwork in progress
	HR	Payroll	20	Draft reporting stage
	HR	Contracts	0	Cancelled - No longer required as contracts are not manual as initially thought
	HR	Apprenticeship Levy	0	Deferred to 21/22
	HR	SAP Migration (Payroll)	0	Included in the payroll audit
	HR	IR35	0	Deferred to 21/22. IR35 audit was completed during unitary readiness and High Cost Interim are under scrutiny through CMT, plus there is currently a recruitment freeze.

Directorate	Service	Audit Title	Revised Days 20/21	Notes
	<b>Business Ops</b>	Business Continuity	0	BCP are currently under regular review due to Covid - review 21/22
	<b>Business Ops</b>	Blue Badges	0	Deferred to 21/22 not critical as processes have largely remained unchanged.
	<b>Business Ops</b>	End to End Processes/Reviews (e.g. Revs & Bens/CBS/Services to Schools)	0	Deferred to 21/22 (assurance to be provided though Service Reviews)
	<b>ICT</b>	Network/Cyber Security	25	In progress
	<b>ICT</b>	21/22 Audit Needs Assessment	20	Q4
	<b>ICT</b>	Remote Working	20	High priority Q4
<b>Communities</b>	<b>Neighbourhood Services</b>	Taxi Licensing	0	Deferred to 21/22 review to be undertaken after harmonisation of policies and service review has been completed.
	<b>Neighbourhood Services</b>	Street Cleansing	0	Deferred to 21/22
	<b>Neighbourhood Services</b>	Waste Collection Contract	15	Draft reporting stage
	<b>Neighbourhood Services</b>	Crematorium	0	Deferred to 21/22, the predominant reason for this is that the service is gearing up to respond to a second covid19 peak and they are anticipating a period of increased demand on top of a normal already high demand winter period. Proposed the audit be undertaken in Q1 after new Crematorium Service Manager has been in post.

Directorate	Service	Audit Title	Revised Days 20/21	Notes
	<b>Highways &amp; Technical</b>	Parking	15	Deferred to 21/22
	<b>Highways &amp; Technical</b>	Transport for Bucks (Street Works)	15	Draft reporting stage
	<b>Transport</b>	Integrated Transport	15	To be postponed as the new system will not be implemented until 20/21 and service do not have capacity to support an audit. Focus will be on follow up on audit actions raised last year full end to end review for next year.
	<b>Culture, Sport and Leisure</b>	Leisure Contracts	15	Fieldwork in progress
	<b>Culture, Sport and Leisure</b>	Events Management	0	Deferred to 21/22
	<b>Culture, Sport and Leisure</b>	Libraries and Archives	0	Deferred to 21/22
<b>Planning, Growth &amp; Sustainability</b>	<b>Planning &amp; Environment</b>	CIL/Section 106	15	Deferred to 21/22 – Service review in progress
	<b>Planning &amp; Environment</b>	TBC	0	Deferred to 21/22 (assurance to be provided though Service Reviews)
	<b>Property and Assets</b>	Wycombe Old Library	0	To be covered under Project Governance
	<b>Property and Assets</b>	Health and Safety	10	Deferred to 21/22
	<b>Property and Assets</b>	Project Governance	15	Deferred to 21/22

Directorate	Service	Audit Title	Revised Days 20/21	Notes
	<b>Housing &amp; Regulatory Service</b>	Enforcement (housing)	0	Deferred to 21/22 as the service is getting ready for their service review - homelessness is higher risk
	<b>Housing &amp; Regulatory Service</b>	Homelessness/Temporary Accommodation	15	Deferred to 21/22 – Service review in progress
	<b>LEP</b>	LEP	20	Deferred to 21/22
<b>Adults &amp; Health</b>	<b>All</b>	Budget Management	0	To be included in Corporate Budget Management Audit
	<b>All</b>	Income Processes	0	Deferred to 21/22, income levels are lower due to Covid and this is being tracked closely for inclusion in the loss of income compensation claim
	<b>All</b>	Savings Plans	0	Deferred to 21/22
	<b>Adult Social Care</b>	Implementation of Medications Policy - Commissioning	0	Audit completed in 19/20 follow up will be undertaken in 21/22
	<b>Adult Social Care</b>	Implementation of Medications Policy - In-house services i.e. Seeleys	0	Due to Covid in-houses services were closed, defer to 21/22
	<b>Adult Social Care</b>	Deprivation of Liberty Safeguard - DoLS	0	Follow-up of audit actions to be undertaken - process remains the same as the new guidance has not yet been received.
	<b>Adult Social Care</b>	Interface - Hospital Discharges and Social Care	0	Deferred to 21/22
	<b>PH, Early Help &amp; Prevention</b>	TBC		Deferred to 21/22

Directorate	Service	Audit Title	Revised Days 20/21	Notes
	<b>Quality Standards &amp; Performance</b>	Quality Assurance Framework (QAF)	0	Deferred to 21/22
	<b>Integrated Commissioning</b>	Integrated Commissioning Governance	0	Deferred to 21/22 Team impacted by Covid
	<b>Integrated Commissioning</b>	Forward Planning	0	Deferred to 21/22
	<b>Integrated Commissioning</b>	Choice and Charging Policy	0	Deferred to 21/22, Policy is not live yet – impacted by Covid
	<b>Integrated Commissioning</b>	Self-Funders	0	Replaced with the Choice and Charging Policy per service request
<b>Children's Services</b>	<b>Social Care</b>	Case Management - Throughput of Case Loads	0	Deferred to 21/22
	<b>All</b>	HR Processes (incl. recruitment, disciplinarys & grievances)	20	Deferred to 21/22
	<b>Social Care</b>	Social Work England Information Requests	0	Deferred to 21/22
	<b>All</b>	Safer Recruitment	0	Deferred to 21/22
	<b>Education</b>	SEND - Complaints	10	Replaced with Appeals and Tribunals Audit – Draft reporting stage
	<b>Education</b>	SEND - SARs	10	
	<b>Education</b>	Early Years - Entitlement for 2/3/4 yrs. and Claims Payments	0	Deferred to 21/22

Directorate	Service	Audit Title	Revised Days 20/21	Notes
	<b>Social Care</b>	Commissioning of Residential placements	0	Deferred to 21/22
	<b>Social Care</b>	Insurance - Compliance	10	Draft reporting stage
	<b>Education</b>	Schools - Thematic Review	70	Deferred to 21/22