



**REPORT of
INTERIM SECTION 151 OFFICER**

to
**PERFORMANCE GOVERNANCE AND AUDIT COMMITTEE
27 FEBRAURY 2020**

**INTERNAL AUDIT FOLLOW-UP OF RECOMMENDATIONS REPORT –
FEBRUARY 2020**

1. PURPOSE OF THE REPORT

- 1.1 To provide an overall update of Audit actions, including both open and closed actions, and those recommended and approved by BDO and Maldon District Council (MDC) staff for removal, attached at **APPENDIX 1**.

2. RECOMMENDATION

- (i) That the Members review the audit actions update, including removal of audit actions, which have been addressed and delivered in other ways operationally, or are no longer relevant and approve the current list.
- (ii) That Members review this report bearing in mind the future internal audit plan and are reassured that actions will continue to be reviewed as part of our internal audit process.
- (iii) That this report is provided quarterly in order to monitor internal audit actions going forwards.
- (iv) The progress report on the implementation of the Committee's resolution as set out in section 3.6 of this report be noted including **APPENDIX 2**.

3. SUMMARY OF KEY ISSUES

- 3.1 The Internal Audit Service is there to provide assurance to the Section 151 Officer, Management and Members of the adequacy of internal controls and checks in the organisation and to highlight any risks that the Council may be exposed to in its overall and day to day operations.
- 3.2 As such, Internal Audit is independent of Management and operates, performs to and is measured against The UK Public Sector Internal Audit Standards (PSIAS) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). In addition CIPFA has also issued a Statement on the Role of the Head of Internal Audit.

- 3.3 Historic reporting software which recorded internal audit actions has been upgraded, and as part of this work the Council has reviewed the open historic internal audit actions and ensured reporting between BDO and MDC colleagues is consistent.
- 3.4 Several of the open audits took place before the Transformation programme was identified and have since been picked up as part of the wider Transformation work, for example Channel Shift.
- 3.5 This report format includes a new superseded/closed actions section. For the first occurrence this has multiple actions, but we do not expect it to be so populated in future versions. The superseded/closed actions section follows on from a report 'historic audit actions' that was previously deferred by the committee. It is part of a housekeeping exercise and BDO and internal officers have confirmed that the original recommendation is either out of date or being picked up in other ways. More detail is provided in the table titled 'superseded/closed actions'.
- 3.6 Any outstanding actions will also be included in future audit scoping. Some of the items identified in the superseded section are also likely to be re-assessed in future audits that are already identified in the proposed workplan, namely:
- *Flood Management*
 - *Information Management*

3.7 **Fraud Risk Assessment – Advisory Report – *addressing the Recommendations***

- 3.7.1 The above report was originally commissioned by the then Director of Resources in 2018/19. The report was originally considered by the Audit Committee in June 2019. The Committee at that time referred the report to the Finance and Corporate Services Committee. The Finance and corporate Services Committee considered it on 24 September 2019 and referred it to the Performance, Governance and Audit Committee.
- 3.7.2 The Performance, Governance and Audit Committee considered a report on 24 October 2019 and:

Minute 490

RESOLVED

- (i) *that the contents of the report, in particular reference to Section 3 and Appendix 1 be noted;*
- (ii) *that Committee notes the Interim Section 151 Officer's approach and his views and advice on ensuring that the corporate anti-fraud activities and awareness together with the appropriate processes and policies are all linked together and embedded into the normal operational working of the Council and that the ownership and accountability for the exercise of the function is identified in an individual role;*
- (iii) *that in view of the current ongoing structure change in the Council, the findings and recommendations of the Advisory Report be implemented in full by December 2019 with a combination of in-house resources and tailored external support from BDO the balance of activities between the two to be determined by the Corporate Leadership Team; and*

- (v) *that the responsibility and accountability and hence the ownership for corporate fraud prevention function overall within the Council is clearly defined to an individual resource to lead on.*

3.7.3 Position on implementation of Minute 490.

- Since, the decision of the Committee and as a starter to the implementation of minute 490 (ii), the Interim Section 151 Officer has sent a message to all the Tier 2 Managers and Team Leaders in the Council with extracts from the Council's Constitution, the Whistle Blowing Policy, the Anti Fraud and Corruption Policy together with links bringing to their attention the importance of being aware of the potential areas for fraud and corruption to take place and therefore the importance of being aware of the risk and ensuring that all the staff reporting to them are similarly informed and the materials distributed to them and the sign posts and links given to them. See **APPENDIX 2**. this will be added to the Council's intranet.
- In respect of minute 490 (ii) the issue of ensuring that the corporate anti-fraud activities and awareness, together with the appropriate processes and policies are all linked together and embedded into the normal operational working of the Council is a substantive piece of work which will have an ongoing requirement to be overseen by an individual. Due to the focus required on the completion of the 2018/19 Statement of Accounts for which an unqualified external audit opinion and Value for Money judgement was received on 20th December 2019 while at the same time directing, managing and undertaking many of the tasks/activities to get the 2020/21 Budget and Council Tax setting concluded in time for the Council meeting on 13 February 2020 and therefore timely billing of the council tax bills, the Interim Section 151 Officer simply has had no time to spend on the substantive piece of work.
- Furthermore, with regard to minute 490 (ii) and (iv) above, in considering where the individual responsibility for anti-fraud and corruption should lie, the Interim Section 151 Officer has identified a confusing situation in that according to the Council's Constitution responsibility for the Anti-Fraud and Corruption Policy lies with the Director of Strategy, Performance and Governance whereas in the Section 151 Officer's Statement of Responsibilities and in the external auditor's audit opinion in the Council's Statement of Accounts the responsibility lies with the Chief Financial Officer – Section 151 Officer. It is therefore considered by the Interim Section 151 Officer that the responsibility for Anti-Fraud and Corruption Policy and Strategy should rest with the Section 151 Officer of the Council and that the Constitution of the Council be amended accordingly.
- In respect of Minute 490 (iv), it should be up to the Section 151 Officer to delegate the day to day operational responsibility for the anti-fraud and corruption policy but retain overall direction and accountability.

- Minute 490 (iii) - As there is a substantive amount of outstanding work to be completed, the outgoing Interim Section 151 Officer will include this in the handover to the incoming Interim Director of Resources who is due to commence on 2 March 2020.

4. CONCLUSION

- 4.1 The report seeks to address a query at a previous committee meeting and provide the detail of audit action follow-up since 2016.
- 4.2 The audit action table is provided to give members a clearer picture of what has happened to operationally deliver the recommendations from internal audits.
- 4.3 The report provides a position statement in Section 3.6 on the implementation of the Committee's Minute 490.

5. IMPACT ON STRATEGIC THEMES

- 5.1 A robust approach to monitoring the audit outcomes will help the council to deliver on the performance and efficiency stream of the corporate plan.

6. IMPLICATIONS

- (i) **Impact on Customers** – None
- (ii) **Impact on Equalities** – None.
- (iii) **Impact on Risk** – None.
- (iv) **Impact on Financial (Resources and Human)** – None
- (v) **Impact on the Environment** – None.

Background Papers: None.

Enquiries to: Kamal Mehta, Interim Section 151 Officer (Tel. 01621 875762)
Greg Rubins (BDO LLP)
Emma Donnelly (BDO LLP)