



Classification	Item No.
Open	

<b>Meeting:</b>	Audit Committee
<b>Meeting date:</b>	18 <sup>th</sup> March 2021
<b>Title of report:</b>	Internal Audit Progress Report – October to December 2020
<b>Report by:</b>	Acting Head of Internal Audit
<b>Decision Type:</b>	Council
<b>Ward(s) to which report relates</b>	All

## Executive Summary:

This report sets out the progress to date against the annual audit plan 2020/21. The report enables Members to monitor the work of the Internal Audit service, raise any issues for further consideration and also provide an opportunity to request further information or to suggest areas for additional or follow up work.

The conclusions drawn from the report are:

- The majority of work outstanding from the 2019/20 plan has now been completed and work on 2020/21 plan is progressing. Seventeen reports have been issued to Members since the beginning of the financial year.
- In response to the impact of COVID 19 and the positive response for the requirement from Internal Audit to support other priority services, the level of audit coverage for the remainder of 2020/21 is being reviewed and work is being reprioritised. Some audits have been postponed and will if needed, be undertaken at a later date, and it is proposed this is in 2021/22.
- There is a risk that the annual opinion of the Head of Internal Audit for 2020/21 may need to be limited. This situation is being monitored and CPFA guidance is being followed. Where possible, alternative sources of assurance will be sought.

- The recommendations made in the external review of Internal Audit are being addressed in line with the agreed action plan presented to Audit Committee in July and November 2020.

## **Recommendation(s)**

**That:**

- Members note this report and the work undertaken by Internal Audit;
- Members endorse the proposed approach to deferred audits which is detailed at paragraph 2.1.7 and 2.1.8.
- Members note the position regarding the Annual Opinion of the Head of Internal Audit, as detailed at paragraph 2.10.10.

## **Key Considerations**

### **1. Background**

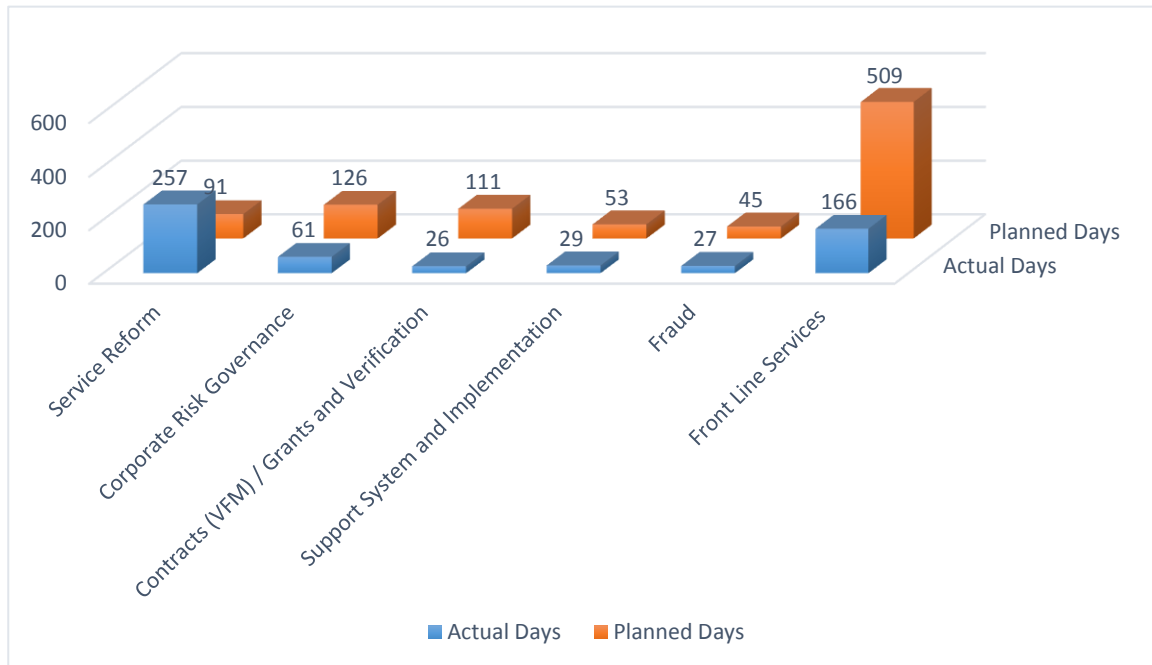
- 1.1 This report outlines the work undertaken by Internal Audit between 1<sup>st</sup> October 2020 and 31<sup>st</sup> December 2020.
- 1.2 Management is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements i.e. the control environment. Internal Audit plays a vital role in reviewing whether these arrangements are in place and operating properly and providing advice to managers. On behalf of the Council, Internal Audit review, appraise and report on the efficiency, effectiveness and economy of these arrangements and provide assurance to the organisation (Chief Executive, Executive Directors and the Audit Committee) and ultimately the taxpayers, that the Council maintains an effective control environment that enables it to significantly manage its business risks. The service helps the Council achieve its objectives and provides assurance that effective and efficient operations are maintained.
- 1.3 The assurance work culminates in an annual opinion given by the Head of Internal Audit on the adequacy of the Council's control environment, based on the work undertaken, and this opinion which feeds into the Annual Governance Statement.
- 1.4 The Internal Audit Plan for 2020/21 provided for 935 days to be delivered throughout the 2020/21 year across all Council Departments, and group companies i.e. Six Town Housing and Persona. The Audit plan covers a range of themes. The plan was approved by Audit Committee at the meeting on 2 June 2020 and work has been continuing throughout the year to date. Regular progress reports are produced, informing Members of audit activities, and this is the third report of the 2020/21 financial year covering the period from 1<sup>st</sup> April 2020 to 31<sup>st</sup> December 2020 and includes 38 completed weeks. The report for the second quarter of the year was presented to Audit Committee on 17<sup>th</sup> November 2020.

### **2.0 ISSUES**

#### **2.1 Audit Plan – Update for the 2020/21 financial year:**

2.1.1.1 Work on the 2020/21 plan has progressed and 566 days, 61% of planned days, have been delivered. The chart below shows the planned and actual days for each activity area.

1<sup>st</sup> April to 31<sup>st</sup> December 2020 – Internal Audit Days Planned and Actual Days



2.1.2 The audit days delivered is less than expected at this point in the year, with 61% of the total days for the year having been delivered. This is slightly lower than comparable periods in previous years where on average, approximately 74% of the plan has been achieved.

2.1.3 In addition to the 935 day plan to deliver audit work, there are also provisions set aside for non-audit activities, annual leave, sickness, training and management. When comparing to previous years the position on these Audit days are higher than normal for this time of year. This year has seen an unusual high level of sickness within the internal audit team, mainly due to accidents and bereavements. The table below sets out comparative data.

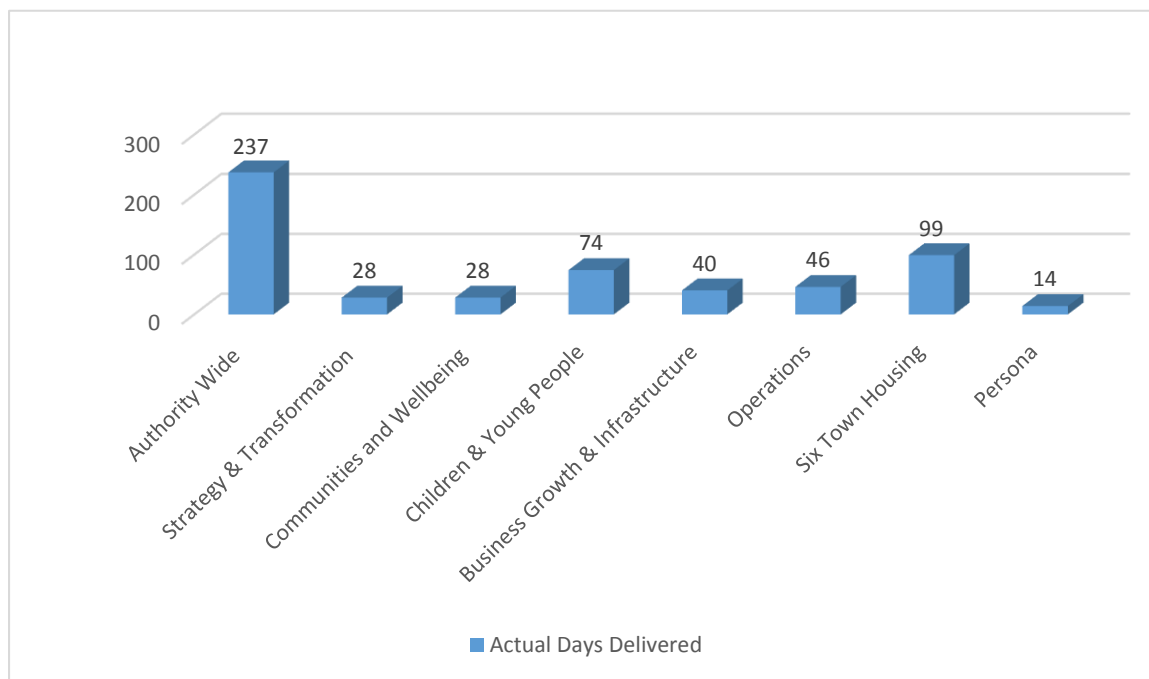
Non-Audit Activity Days - Comparative Data.

	Percentage of planned days used		
	2020/21	2019/20	2018/19
Internal Audit Reviews	61%	71%	77%
Annual leave	86%	94%	70%
Sickness	110%	26%	36%

Training	40%	33%	13%
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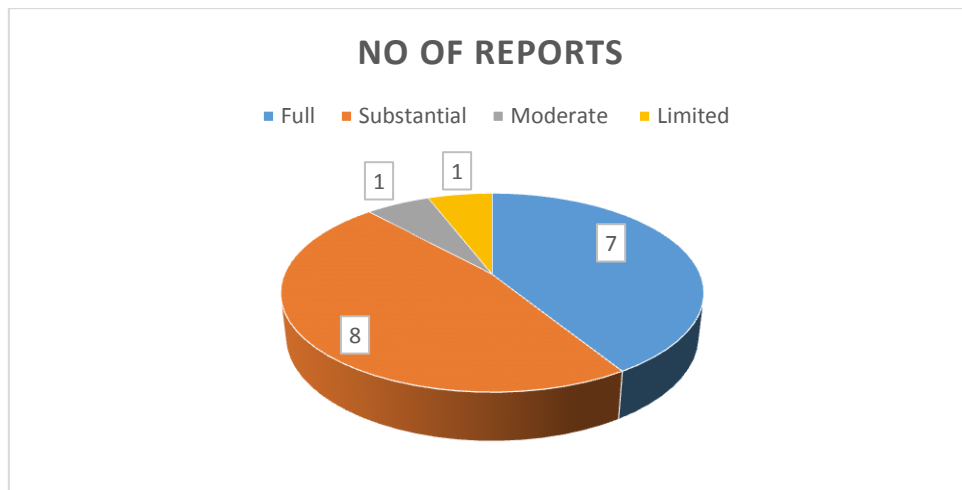
2.1.4 There has also been an increase in expected management support this year which is reflective of the team's positive response to COVID 19 with support to the wider organisation, sickness absence, and implementation of recommendations from the external CPFA C Co review.

2.1.5 The 566 actual Internal Audit days has been delivered across the various departments: -



2.1.6 A list of reports throughout the year is set out at Appendix A. In summary, 17 reports have been issued, with most audits receiving an overall opinion giving full or substantial assurance for the control areas reviewed. There was a total of 61 recommendations in the reports. With the exception of one report, summary audit reports have previously been circulated to Audit Committee. The remaining summary report is listed as appendix A1 and is available for discussion in the closed session of the Audit Committee meeting. The summary report is exempt from publication as it may contain information which is likely to reveal the identity of an individual or information relating to the financial or business affairs of any particular person (including the Authority).

Number of assurance levels given in Audit reports.



- 2.1.7 Detailed progress of the audit plan is provided at Appendix B. The majority of outstanding work from 2019/20 has now been completed and reports have been issued to Members. The majority of reviews planned for quarter 1 and 2 have progressed and reports are either issued in draft and are with clients, awaiting a response to the recommendations made, or work is currently being finalised. Some quarter 3 work has commenced, however, the majority of quarter 3 work, and the quarter 2 work which has not commenced, is expected to be deferred and carried forward, subject to the agreement of S151 Officer, Service Directors and Audit Committee, into the 2021/22 annual plan.
- 2.1.8 Since the last audit committee in November 2020, because of the impact of the COVID 19 pandemic, Internal Audit have been required to release staff to assist delivery of a priority 1 Council Service. Additionally, audit processes have been reviewed and changes are being implemented, which has resulted in a slower turnaround of reports at the present time. This has resulted in one audit report being released to Committee Members since the last audit Committee met. It is expected that the reports for ongoing audit reviews will be completed and presented to the next Audit Committee, for which the date is to be confirmed.
- 2.1.9 At the last Audit Committee in November 2020 it was reported that some reviews earmarked to be undertaken in quarter 2 have been postponed. It is now reported that the delayed quarter 3 work is also to be postponed and to be considered for carry forward into the 2021/22 year. This will enable the team to focus on the key controls of the financial systems for the remainder of the year. This work is essential as it provides assurance to the S151 officer that there are no major flaws with the systems which feed the data recorded in the financial accounting system, Unit 4.
- The audits to be postponed until the 2021/22 financial year are detailed in Appendix B, where a red, amber, green and white coding system has been introduced, (further details are in the Appendix footer section).
- 2.1.10 Given the delay to a significant number of audit reviews planned for 2020/21, there is a risk that the annual opinion, of the Head of Internal Audit, which is incorporated into the Council's Annual Governance Statement, may have to be limited. This situation is being monitored and CPFA guidance is being followed. Where possible, alternative sources of assurance will be sought from, for example, internal management reviews, work

undertaken by Internal Audit in previous years and reviews by external agencies and accredited bodies.

- 2.1.11 Internal Audit has provided support during the closure of the final accounts for 2019/20. Work was undertaken by Internal Audit to ensure that the value of assets (land and buildings) recorded in the accounts accurately reflects the information in the Council's property portfolio records, and additionally, that the property records accurately reflect the supporting valuation documents. The work has been completed with feedback being provided to the client.
- 2.1.12 At the beginning of the financial year audit time was redirected to providing support to the business grants process that needed to be established in response to the Government announcing grants of £10k and £25k to eligible businesses. Given the urgency, value and volume of payments, audit support in establishing the processes and ensuring an effective control framework was in place was considered necessary given the potential risks associated with the activity. A detailed report regarding the Business Rates Grant Scheme was presented to Audit Committee in November 2020. Internal Audit resources are again diverted to providing support to a priority one service, the work is currently focussing on assisting with the processing of applications for self-isolation payments.
- 2.1.13 It was previously reported to Committee in November 2020 that in response to requests from Departments, other various pieces of minor advice have been given on an ad-hoc basis and that the contingency built into the plan for unplanned work had been used. Advisory work continues to be undertaken, and days available due to deferring of other topics are utilised for this purpose. Internal Audit are currently undertaking additional work for the National Fraud Initiative Project, compiling data returns regarding the Business Grants, a new data set requested by the Cabinet Office.
- 2.1.14 It has been reported at previous Audit Committees that an external review of Internal Audit has been undertaken. This made recommendations for the service to address. Progress is being made to implement the recommendations and a detailed update was provided to Audit Committee in November 2020. Progress is continuing and the next phase involves engaging with Senior Management to commence the process for preparing the annual governance statement, including undertaking an assurance mapping exercise, and drawing together the annual audit plan for 2021/22. Internal Audit performance Indicators are also to be reviewed, and it is expected that the results of this review will be presented to the next Audit Committee, the date for which is to be arranged.

## **Community impact / Contribution to the Bury 2030 Strategy**

Ensuring compliance with Financial Procedures and Policies

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### **Equality Impact and considerations:**

24. *Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:*

*A public authority must, in the exercise of its functions, have due regard to the need to -*

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;*

- (b) *advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;*
  - (c) *foster good relations between persons who share a relevant protected characteristic and persons who do not share it.*
25. *The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services.*
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## **Assessment of Risk:**

The following risks apply to the decision:

<b>Risk / opportunity</b>	<b>Mitigation</b>
Risks are highlighted in Audit Plans and in the terms of reference for each Audit review.	Internal Controls are reviewed in each audit to mitigate identified risks. Actions are reported to managers and progress is monitored and reported on a regular basis.

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## **Consultation:**

N/a

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## **Legal Implications:**

The Council must have a sound system of internal control which facilitates the effective exercise of its functions, including risk management. This is both a legal requirement and a requirement of the Financial Regulations set out in the Council's Constitution. This report provides information on the work of the Council's Internal Audit Service, in ensuring compliance.

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## **Financial Implications:**

There are no financial implications arising from this report. The work of the Internal Audit Service however supports the governance framework and the work on business grants has also ensured that the risk of fraud to the Council is minimised.

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## **Report Author and Contact Details:**

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## **Background papers:**

Internal Audit Plan 2020/21

Internal Audit Reports issued throughout the course of the year.

**Please include a glossary of terms, abbreviations and acronyms used in this report.**

Term	Meaning
NNDR	National Non Domestic Rates