

Report to:	Audit Committee	Date: 01 December 2022
Subject:	Internal Audit Progress Report	
Report of:	Section 151 Officer	

Summary

1. This report sets out the progress to date against the annual audit plan 2022/23. The report enables Members to monitor the work of the Internal Audit service, raise any issues for further consideration and 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 2021/22 plan has now been completed and work on 2022/23 plan is progressing. Twelve reports have been issued to Members since the beginning of the financial year.
- One report within the 2022/23 annual plan has been issued with a Limited assurance to date. This report will need to be considered within the Annual Governance Statement produced at the end of the financial year 2022/23.

Recommendation(s)

- Members note this report and the work undertaken by Internal Audit
- Members agree that the Chair of Audit Committee approves the deferral of audit reviews in-between Audit Committee meetings.

Report Author and Contact Details:

Name: Janet Spelzini

Position: Audit Manager / Acting Head of Internal Audit

Department: Corporate Core - Finance

E-mail: j.spelzini@bury.gov.uk

Background

- 1.1 This report outlines the work undertaken by Internal Audit between 1st April 2022 to 17th November 2022.
- 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 feeds into the Annual Governance Statement.
- 1.4 The Internal Audit Plan for 2022/23 provides for 684 days to be delivered throughout the 2022/23 year across all Council Departments, and group companies i.e., Six Town Housing and Persona. The Audit plan covers a range of themes.
- 1.5 The 2022/23 plan was approved by Audit Committee at the meeting on 25th July 2022.
- 1.6 Work has been continuing throughout the year to date, completing outstanding reviews from 2021/22 and addressing audits in the 2022/23 plan. Regular progress reports are produced, informing Members of audit activities, and this is the second report of the 2022/23 financial year covering the period from 1st April 2022 to 17th November 2022.

2.0 ISSUES

2.1 Annual Audit Plan

- 2.1.1 The annual plan for 2022/23 was presented to Audit Committee in July 2022 and provided for 684 audit days to be delivered throughout the year.

The original plan is shown at appendix A and has been updated to show the current position.

The number of days earmarked in the original plan to undertake investigations has been exceeded. Additionally, a request has been received for an additional piece of work to be undertaken from the Director of Children's Services. Therefore, there is a proposal that three audits are deferred from the 2022/23 plan.

2.2 Audit Plan Progress

This report details the outcome of reviews undertaken, including work reported to Audit Committee in this period, work currently ongoing and draft reports which have been issued to Audit clients.

Audits completed and Reports Issued.

- 2.2.1 There are two tables detailed below.

Table 1 below summarises the 4 audits that have been finalised and issued since the commencement of the current financial year but relating to last financial year, and the corresponding number of agreed actions and overall level of assurance provided for each of those audits.

These reports were considered in formulating the annual opinion of the Head of Internal Audit, reflected in the Annual Governance Statement for 2021/22 and will not be carried forward and reflected in the opinion for 2022/23.

Full reports have been provided to Committee Members for each of these reviews, during the Committee meeting which met on 25th July 2022.

Table 1: Final Reports Issued – already considered in annual opinion for 2021/22

Audit	Number of agreed actions and priority				Level of Assurance
	Fundamental	Significant	Merits Attention	Total	
Estates Property Management	7	7	2	16	Limited
Choices for Living Well (Killelea) Petty Cash	3	6	0	9	Limited
Residential Placements	0	1	1	2	Moderate
Leisure Income	1	7	1	9	Limited
Total	11			36	

Table 2 summarises the 8 audits which have been finalised and issued since the commencement of the current financial year and the corresponding number of agreed actions and overall level of assurance provided for each of those audits. All of these relate to audits included within the 2022/23 audit plan and will be considered when formulating the annual opinion of the Head of Audit for the 2022/23 Annual Governance Statement.

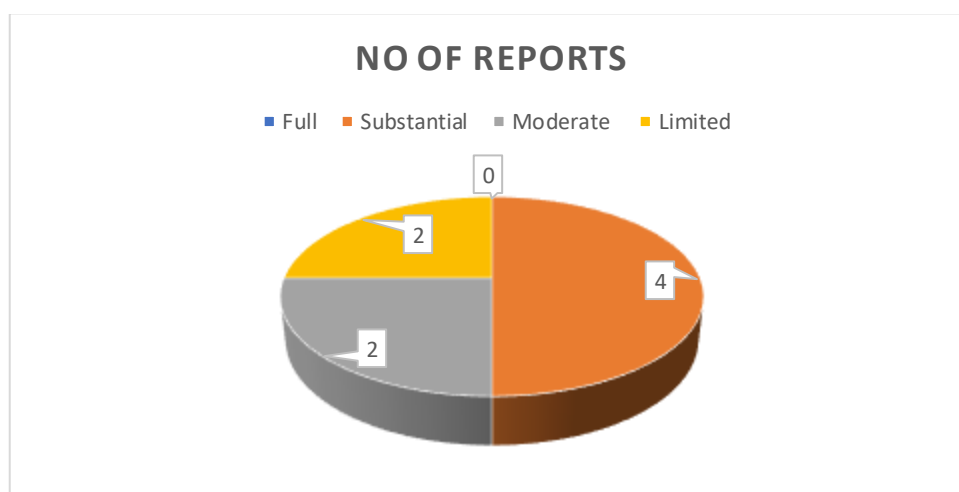
Reports shaded in the table were presented to Audit Committee in September 2022. For the remainder of the reports, summary reports detailing the overall opinion, the findings, recommendations, and action plans of these reviews, are presented in part B of this Audit Committee meeting. The summary reports are exempt from publication as they 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).

Table 2: Final Reports Issued – which will be considered in the overall annual opinion for 2022/23. (Summary reports are available in Part B of the meeting).

Audit	Number of agreed actions and priority				Level of Assurance
	Fundamental	Significant	Merits Attention	Total	
Bury Council					
Contracts Register	0	2	2	4	Substantial
NNDR Key Controls	0	2	1	3	Moderate
Housing Benefit Key Controls	0	1	0	1	Substantial

Council Tax Key Controls	0	2	0	2	Substantial
Six Town Housing					
Six Town Housing Disabled Facilities Adaptations	2	2	0	4	Limited
Six Town Housing - Procurement of Contractors and Delivery of Capital Programme	0	3	1	4	Moderate
Hoarders	1	8	1	10	Limited
Anti-social behaviour	0	1	2	3	Substantial

Number of assurance levels given in Final Audit reports to be considered in the annual opinion for 2022/23.



2.2.2 Any level of assurance given to each audit is a balanced judgement based upon the established system of controls, the subject's approach to risk management and the nature of any recommendations and actions agreed. (See appendix B for explanations of the various levels of assurance).

Actions are classified over the categories of Fundamental, Significant and Merits Attention. See appendix B for explanations of the various levels of priority.

2.2.3 The agreed actions are designed to improve the control environment and / or improve "value for money" within the client's area of responsibility and we can report that the actions made in this period have been agreed by management.

Our audit reports include an action plan that records the detail of our findings, the agreed action that management intend to take in response to these findings and the timescale to undertake such action. This provides a record that progress can be measured against when we undertake our Post Implementation Reviews or follow up work.

2.3 Follow ups

All audit reports are subjected to a follow up review. For those reports issued with limited assurance, a follow up review is undertaken 3 months after the report has been finalised, and for all other reports, a follow up is undertaken after six months. The recommendations which had been graded fundamental or significant are subject to follow up. Eight follow up exercises have been undertaken in 2022/23, and details are presented in. part B of this meeting

2.4 Other work

This section details other work completed by the audit team during the period.

2.4.1 Assurance work - Ongoing reviews

There are some audits still being finalised from the 2021/22 plan and work is ongoing to deliver the audits detailed in the audit plan for 2022/23. It is expected that final reports will have been issued for these areas before the next Audit Committee meets in March 2023. Audits which are currently taking place are: -

2021/22

- Housing Development Programme (AB)
- Highways Maintenance

These audits are being finalised, and draft reports are expected to be released in December 2022.

2022/23

- Cash and Bank Key Controls
- Payroll Key Controls
- Main Accounting Key Controls
- Treasury Management Key Controls
- Six Town Housing Rents Key Controls
- CCTV
- Payroll and Additional Hours (Operations Department)
- Procurement exercise (specific creditor)
- Six Town Housing – No access

The key control reviews for the Council, and the CCTV review are being finalised, and draft reports are expected to be released in December 2022. The remaining

reviews, including the Six Town Housing reviews, are ongoing and draft reports are expected to be released in January 2023.

2.4.2 Assurance work – Draft reports

2021/22

- Complaints (Children's Services) – meeting with service 16.11.2022

2022/23

- Creditors Key Controls
- Debtors Key Controls

2.4.3 Grants

The following grant claims have been reviewed. The grant claims were agreed and signed off as accurate.

- Public Sector Decarbonisation Scheme
- Track and Trace Support Payments
- Bus Operators Grant
- Local Transport Capital Block Funding (Pothole Fund)
- Universal Drug Treatment Grant

2.4.4 Investigations / Fraud / Whistleblowing

Internal Audit are responsible for updating the Council anti-fraud and corruption policy which incorporates the whistleblowing policy.

The policy is scheduled for review. Work has commenced to review the policy, and it is anticipated that the refreshed policy will be brought to the Audit Committee which meets in March 2023

The audit section is also responsible for managing whistleblowing information reported to the Council.

The team continues to be available to support the business with internal investigations providing technical skills and advice when called upon and managing the whistleblowing hotline / online referrals.

Any investigations relating to whistleblowing, which are undertaken by the Internal Audit section will be reported to future Audit Committee meetings in part B of the meeting.

The original annual plan provided for 50 days to be spent on investigations, and as at 11th November this figure had been exceeded and totalled 81 days.

National Fraud Initiative

The Council is required to take part in the mandatory exercise which is undertaken every two years. Data extracts from a variety of financial systems are submitted to the Cabinet Office, where the information is cross checked to similar information from other organisations. The 2022 exercise has now commenced. Data extracts have been taken from a number of systems and are being verified and uploaded to the Cabinet Office, where they will be matched with submissions from other organisations. Results indicating possible data matches are expected to be released in January 2023. Future Committee reports will provide an update regarding the position of the NFI exercise.

2.4.5 Information Governance and Data / Digital

Internal Audit provide advice and consultative support to the Council's arrangements for information governance and its response to the Information Commissioners Office (ICO) inspection in June 2021. An IG Delivery Group has been established and Internal Audit are represented on this group.

2.4.6 Supporting Transformation and Change

The Internal Audit Plan includes a provision of days to be made available to support services throughout the year by providing consultancy advice or independent assurance as / when our input is appropriate.

- Payroll: Support and advice has been given to the HR and Payroll Teams as they develop the use of the i-trent payroll system.
- Advice has been given to schools to address enquiries regarding petty cash, how to deposit income to the Council bank account, retention of records and pecuniary interests.
- Advice is currently being given regarding the review of the income collection system for the Bereavement Service.

2.4.7 School Audits

Individual School Audits are not incorporated in the 2022/23 plan, they have been replaced with thematic reviews of areas which were covered in the school audit reviews.

There are however arrangements in place that Internal Audit will undertake School Audits on request from the Executive Director of Children's Services and / or Executive Director of Finance, where it is thought an audit review would be beneficial to the School and the Council. There have been no requests to date for individual schools to be audited.

A Schools Assurance Group has been established within the Council and Internal Audit are represented on this group, providing advice to the group on specific issues which may arise at schools.

2.5 Resources

2.5.1 Requests for additional work

Throughout the course of 2022/23, audit resources have had to be utilised to respond to various whistleblowing allegations which have been received. As identified above

the days utilised to date have exceeded the annual plan provision for this year by 31 days.

Additionally, a request has been made to provide support to Children's Services, to examine the system / processes for reaching care planning permissions.

Therefore, there is a need to revisit the annual plan and delete / defer work which was originally planned. It is proposed that days are made available to address the latest risks, by deferring the following pieces of work from the 2022/23 plan and reconsidering them when preparing the 2023/24 plan: -

Subject	Days	Reason to defer
Risk Management and Assurance Framework	15	Whilst a risk manager has been appointed the restructure will not be implemented until the New Year
Corporate Finance Budgetary Controls	15	Corporate review ongoing
Six Town Housing Client Management Arrangements	15	Corporate review ongoing
Total	45	

An exercise is to be undertaken which will look at: -

- time spent to date on other audit areas to determine if additional resources were needed to complete the reviews
- to look at the remaining subjects in the audit plan, and to consider if the estimated resources are still appropriate, given the size and span and depth and complexity of reviews and the staff available to undertake the reviews.

In the event that it is identified that further work may need to be deferred it is proposed that approval to defer work is given by the Chair of Audit Committee in-between audit committee meetings.

Whilst the exercise has not yet been completed, it is proposed that the following reviews are put forward for potential deferral.

Subject	Days	Reason to defer
Complaints	15	Have undertaken a review of Complaints within Children's Services which are administered by the Corporate Core Team, substantial level of assurance given.

2.5.2. Staffing

There has been a small amount of sickness reported in the team for the current financial year.

A team member is undertaking a professional accountancy course, supported by the organisation via the apprenticeship levy. Part of the support includes providing time within the working week to undertake study and gain work experience.

There are no adjustments currently required to the audit plan to reflect any changes to staffing resources.

Recruitment is ongoing to fill the posts created as part of the finance restructure and the posts of senior auditor and auditor will now be advertised externally.

Links with the Corporate Priorities:

Please summarise how this links to the Let's Do It Strategy.

- Internal Audit undertakes assurance work to all Departmental Directors and Statutory Officers regarding the systems in place, making recommendations for improvements to control and protect the assets and resources of the Council. The control and mitigation of the loss of funds gives the assurance that public money is used in an appropriate manner to deliver the Corporate Priorities.

Equality Impact and Considerations:

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.

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.

Internal Audit provide assurance to Committee Members and the public that the organisation is delivering services in line with agreed policies and procedures which have considered the requirements of the Equality Act 2010.

Environmental Impact and Considerations:

Please provide an explanation of the carbon impact of this decision.

- N/a – no decision required

Assessment and Mitigation of Risk:

Risk / opportunity	Mitigation
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.

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.

Financial Implications:

- There are no financial implications arising from this report. The work of the Internal Audit Service however supports the governance framework.

Background papers:

- Internal Audit Plan 2022/23
- 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