

Report to:	Audit Committee	Date: 30 March 2023
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. Fifteen reports have been issued to Members since the beginning of the financial year.
- Three reports within the 2022/23 annual plan have been issued with a Limited assurance. These reports 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.

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Background

- 1.1 This report outlines the work undertaken by Internal Audit between 1st April 2022 to 17th March 2023
- 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 third report of the 2022/23 financial year covering the period from 1st April 2022 to 17th March 2023

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 was received for an additional piece of work to be undertaken from the Director of Children's Services. Therefore, at November 2022 Committee approval was given for three audits to be 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 15 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.

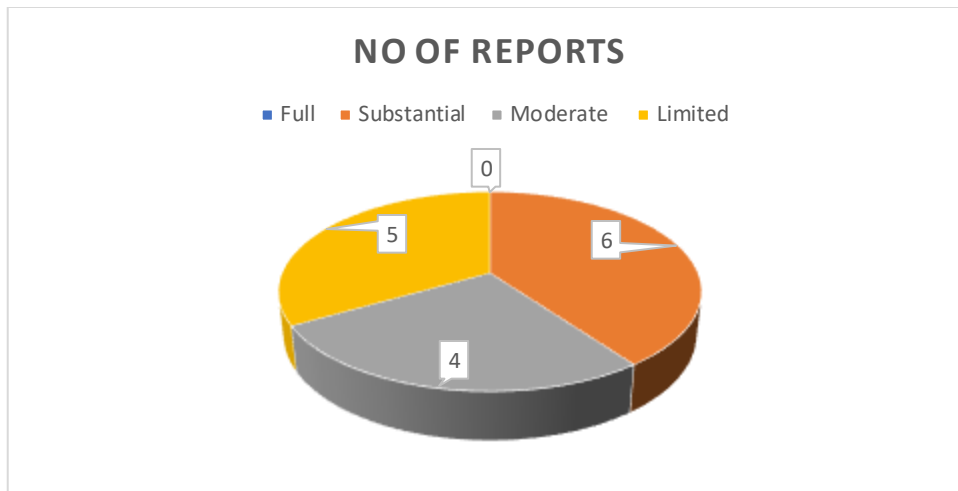
Reports shaded in the table were presented to Audit Committee in September 2022 and November 2022. For the remainder of the reports, summary reports detailing the overall opinion, the findings, recommendations, and action plans of these reviews, are presented in part B of this Audit Committee meeting. 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
Debtors Key Controls	2	4	2	8	Limited
Treasury Management Key Controls	0	4	1	5	Moderate
Children's Services Complaints	0	1	2	3	Substantial
CCTV	0	0	1	1	Substantial
Payroll Key Controls 2021/22	0	5	4	9	Moderate
Main Accounting Key Controls 2021/22	2	4	2	8	Limited
Transport Stores	3	10	7	20	Limited
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. Twenty-one 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 July 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 April 2023.

There have been delays due to auditors required to undertake investigation work.

2022/23

- Cash and Bank Key Controls
- Supporting Families
- Home Care
- Care Planning Permissions
- Six Town Housing Invoice Processing

The key control reviews, and the reviews of Housing Development Programme, Highways Maintenance, Payroll and Additional Hours (operations Department) are being finalised, and draft reports are expected to be released in March 2023. The remaining reviews, including the Six Town Housing reviews, are ongoing and draft reports are expected to be released in April 2023.

2.4.2 Assurance work – Draft reports

2022/23

- Creditors Key Controls
- Six Town Housing – No Access
- Six Town Housing Rents Key Controls 2021/22
- Payroll and Additional Hours (Operations Department)
- Procurement Exercise (specific creditor)

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 and strategy which incorporates the whistleblowing policy.

The strategy is scheduled for review. Work has commenced to review the strategy. The current strategy is very detailed and covers a variety of topics being: -

- Whistleblowing Policy
- Housing Benefit / Council Tax Benefit – Fraud Prosecution Policy
- Standards of Conduct (Local Government Act 2000 PART III)
- Guidance for Members and Officer on how to report suspected fraud and corruption
- Local Code of Corporate Governance
- Anti-Money laundering Guidance
- Anti-Bribery Policy

The review taking place is looking at the individual sections and going forward the issues will be presented in separate shorter documents.

Three areas have been revisited to date: - and

- Bury Anti -Fraud and Corruption Strategy
- Bury Fraud and Corruption Prosecution Policy
- Bury Council Whistleblowing Policy

The revised documents are being considered by the Senior Leadership Team and it is expected that the documents will be presented to Audit Committee for approval in July 2023.

The remainder of the sections will also be reviewed and brought to Audit Committee in July 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 7th March 2023 this figure had been exceeded and totalled 115 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 were taken from a number of systems and were verified and uploaded to the Cabinet Office, where they were matched with submissions from other organisations. Results

indicating possible data matches were released at the end of January 2023 and are now being reviewed.

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 has been 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 65 days.

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

To take account of the additional days utilised for investigations, and to accommodate the request from Children's Services, the audit plan was revised at the last meeting of

this Committee, which approved the deferral of three audit reviews. The reviews deferred were:-

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	

Since the last meeting in December 2023, further slippage has been identified in the 2022/23 plan, due to the loss of a team member, and additional time required for investigations / completion of ongoing reviews. A number of reviews have not been delivered in 2022/23 and have been carried forward to the 2023/24 plan. The 2023/24 plan is to be presented to this Committee this evening.

2.5.2. Staffing

There has been sickness reported in the team for the current financial year. A provision for sickness is made in the annual plan, and this total provision has been slightly exceeded.

As part of the Finance Restructure, a member of the Audit Team has transferred to the Accountancy Team.

A Senior Auditor has been appointed and has now joined the team.

Recruitment is ongoing to fill two auditor vacancies created as part of the finance restructure.

Given the request for additional work, the extra time needed for investigations, and the loss of another member of the team during the Finance restructure, the annual plan for 2022/23 will not be fully achieved. Audit reviews which have not been undertaken in 2022/23 will be reconsidered and where appropriate will be carried forward to the 2023/24 plan.

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
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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