

Report to:	Audit Committee	Date: 12 October 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 2023/24. 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 2022/23 plan has now been completed and work on 2023/24 plan is progressing.
- Twelve reviews have concluded, and reports have been issued to Members since the beginning of the financial year. Eight reports relate to the 2022/23 annual audit plan and were considered when formulating the annual audit opinion for 2022/23. Four reports relate to the 2023/24 annual audit plan.
- Work on 2023/24 plan is progressing. Sixteen reviews are ongoing, two reviews are at draft report stage. Three reviews which were in progress have been put on hold and deferred until quarter 4 of 2023/24.
- Ten follow up exercises have been completed during Quarter 2.
- An additional second-follow up exercise has been introduced to pick up any recommendations not implemented or only partially implemented.
- Resources originally calculated as available for the delivery of the annual plan need to be reduced by 100 days. However, currently no proposal is made to remove any identified audits from the approved plan.

Recommendation(s)

- Members note this report and the work undertaken by Internal Audit

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Background

- 1.1 This report outlines the work undertaken by Internal Audit between 1st July 2023 to 30th September 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 Fraud, Audit Insurance and Risk 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 2023/24 provides for 898 days to be delivered throughout the 2023/24 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 2023/24 plan was approved by Audit Committee at the meeting on 30th March 2023.
- 1.6 Work has been continuing throughout the year to date, completing outstanding reviews from 2022/23 and addressing audits in the 2023/24 plan. Regular progress reports are produced, informing Members of audit activities, and this is the second report of the 2023/24 financial year covering the period from 1st July 2023 to 30th September 2023 which includes 13 completed weeks.

2.0 ISSUES

2.1 Annual Audit Plan

- 2.1.1 The annual plan for 2023/24 was presented to Audit Committee in March 2023 and provided for 898 audit days to be delivered throughout the year.

The original plan is shown at appendix A and has been updated to show the position as at 30th September 2023.

There is currently no proposal to ask for a variation to the approved plan, as all the work is being undertaken in line with resources already earmarked in the 2023/24 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.

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- 2.2.2 Eight audits that have been finalised and issued since commencement of the current 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 Fraud, Audit, Insurance and Risk, and reflected in the Annual Governance Statement for 2022/23 and will not be carried forward and reflected in the opinion for 2023/24.

Full reports were provided to Committee Members for each of these reviews, during the Committee meeting on 31st July 2023.

- 2.2.3 The Table below summarises four audits that have been finalised and issued since 30th June 2023, and the corresponding number of agreed actions and overall level of assurance provided for each of those audits. These reports will be considered when formulating the annual opinion of the Head of Fraud, Audit, Insurance and Risk which will be reflected in the Annual governance Statement for 2023/24.

Table 1: Final Reports Issued during Quarter 2 2023/24

Audit	Number of agreed actions and priority				Level of Assurance
	Fundamental	Significant	Merits Attention	Total	
Bury Council					
Chesham Primary School	13	17	0	30	Limited
Home Care Packages	0	4	2	6	Substantial
Housing Benefit Key Controls 2022/23	0	2	0	2	Substantial
Housing Development Programme	0	0	1	1	Full
Total	13	23	3	39	

Summary reports detailing the overall opinion, the findings, recommendations, and action plans of these reviews, are also presented in part B of the 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).

- 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 three 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 subjected to follow up.

Since last reporting to Audit Committee in July 2023, Internal Audit processes have been amended, to support the strengthening of Corporate Governance within the organisation, and a second follow up will be undertaken six weeks after the first follow up, to pick up on any recommendations that have not been implemented or only had partial implementation. Updates will be provided to Audit Committee.

A recommendation tracker has been developed and all fundamental and significant recommendations made and, progress to implement these recommendations, will also be reported to the newly established Corporate Governance Group, which is headed by the Council Monitoring Officer.

There are no plans for a third follow-up process. Any reviews with recommendations which have not been implemented / only partially implemented will then be considered for inclusion in future audit plans for a full audit review.

Since July a further 10 first follow up exercises have taken place, two of which were to follow up recommendations made to Six Town Housing. For those follow-ups relating to recommendations made to the Council, the details are summarised, (unshaded background), in the table below. Further information is shared in part B of the meeting on 12th October 2023. The follow ups for Six Town Housing have yet to be presented to Six Town Housing Audit Committee, these will be brought to Council Audit Committee in December 2023.

Table 1: First Follow Ups Undertaken during 2023/24

Audit	Number of agreed actions and priorities (fundamental and significant only)		
	Fundamental	Significant	Follow up number of recs fully implemented
Complaints Procedures - CYP	0	1	0 of 1
Contracts Register	0	2	1 of 2
Debtors Key Controls 21/22	2	4	1 of 6
Housing Benefits Key Controls 21/22	1	0	0 of 1
NNDR Key Controls 21/22	0	2	0 of 2

Council Tax Key Controls 21/22	0	2	0 of 2
Main Accounting Key Controls 21/22	2	4	3 of 6
Transport Stores	3	10	8 of 13

Follow up matrices with details taken to address the recommendations made can be provided to Audit Committee Members on request.

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 2022/23 plan and work has also commenced to deliver the audits detailed in the audit plan for 2023/24. Audits which are currently taking place are: -

2022/23

- Care Planning Permissions
- Six Town Housing – Arrears Prevention

It was reported to July 2023 Committee that it was expected that draft reports for these subjects would be issued in August 2023, with final reports being brought to Audit Committee in October 2023. These reviews are still ongoing and being finalised. Reviews have been delayed due to a variety of reasons, including auditor being required to undertake other unplanned works and delays ascertaining system access and gathering information to progress the review, It is expected that these reviews will be completed with final reports being brought to Audit Committee in December 2023.

2023/24

- Car Parking Income *
- Rent Collection from Commercial Tenants *
- Persona – Property & Building Maintenance *
- CCTV Code of Practice
- Persona – Debtors
- Persona – Creditors
- Persona – Payroll
- Independent Foster Agency

- School and College Transport
- STH – Right to Buy
- NNDR
- Substance Misuse Commissioning
- Department of Work & Pensions – Memorandum of Understanding

The July 2023 report indicated that for those subjects marked *, draft reports would be issued to client before Audit Committee met in October 2023. There have been delays progressing these reviews for a variety of reasons, including one auditor providing support to the Insurance section of the FAIR Team, one auditor being required to undertake unplanned works and for one review, delays engaging with the client to commence a review.

It is expected that as a minimum, draft reports will have been issued to client before next Audit Committee which meets in December 2023.

It was also reported in July 2023 that three audit reviews, Debtors Key Controls 2022/23, Council Tax Key Controls 2022/23 and Corporate Complaints were being undertaken. These audits have been put on hold and will be completed in quarter 4 of this financial year. A request has been received from the Council monitoring Officer to defer the Complaints review to allow a new process to embed, and for the audit to therefore add more value by testing the controls in the new procedures. The key control audits normally focus on transactions made in the previous financial year, in this case, 2022/23, however as there are many changes currently being made to finance systems and procedures, to address previous audit recommendations, and also due to changes to staffing responsibilities following the Finance Department restructure, the key control reviews have been deferred to quarter 4 and will focus on examining the revised processes using 2023/24 transactions.

2.4.2 Assurance work – Draft reports

- Six Town Housing – Debtor Invoice Processing
- Fleet Management

It is expected that final reports will have been issued to client and Audit Committee Members before Audit Committee meets in December 2023.

2.4.3 Grants

There have been no grants reviewed during the current financial year.

2.4.4 Information Governance and Data / Digital

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

2.4.5 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.

Advice since last Committee in July 2023:-

- Advice and guidance has been provided to enhance the current processes and procedures in relation to verification of bank details and amendments to details within the Councils finance system.
- Work is undertaken with Registrars on a monthly basis to securely destroy any spoilt certificates.
- Support has been provided to the Insurance Team, analysing information within budgets.
- Advice and guidance has been provided to ICT in relation to device purchases and transfer of work mobile phone numbers.

2.5 Investigations / Fraud / Whistleblowing

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.

Details of investigations are reported separately to Audit Committee in part B of the meeting.

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. Data was extracted on 30th September 2022 and results were released for checking in January 2023. The results are being checked by Housing Benefits staff and also by members of the Fraud Team.

A total of 3,899 potential matches were identified during the matching exercise, and these are being worked through. A total of 2,983 matches have been progressed and no frauds have yet been identified. 350 errors have been identified, and a sum of £20,585.15 is in the process of being recovered. Additionally, projected future savings to date, i.e. savings which potentially will be made by updating records from information identified in NFI matches, are £222,148.50

Anti-fraud and corruption policy and strategy

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

This strategy was very detailed and covered a variety of topics: -

- Whistleblowing Policy

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

Work has been undertaken to review the document. Three areas were considered and presented to and approved by Audit Committee in July 2023: -

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

Two final sections have been reviewed and are presented as a separate agenda item to this Audit Committee: -

- Anti-Money Laundering Guidance
- Anti-Bribery Policy

2.6 School Audits

In recent years individual School Audits have not been incorporated in the annual audit plan, they were, replaced with thematic reviews of areas which were covered in the school audit reviews.

For 2023/24 the annual plan includes a mix of thematic reviews, and individual school reviews. The audit team have consulted with colleagues from Childrens Services and have developed a school audit plan to be delivered during 2023/24. Request have been made for 10 school reviews to be undertaken. This has been provisionally agreed but caveated that the time taken to complete reviews will be monitored and there may be a need to take uncompleted reviews forward into the 2024/25 financial year. Schools audit visits are to commence after October half term.

In addition, arrangements remain in place that Internal Audit will undertake School Audits on requests received, during the year, 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.

A Schools Assurance Group has also 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.

School funds

In previous years, Internal Audit offered a service to audit school voluntary funds, on receipt of requests from individual schools. This work did generate a small amount of income.

School voluntary funds do not belong to the Council, and to allow the audit resources to be used for undertaking significant reviews for the Council, this service is not currently offered to schools. However, arrangements are in place that if the Director of Children's Services / Executive Director of Finance

had concerns regarding a school voluntary fund, then an audit review would be undertaken.

2.7 Collaboration

We have ongoing representation on sub-groups of the Northwest Heads of Internal Audit Group. The groups have been established to share good practice across the region.

- Contract Audit Group
- IT Audit Group
- Schools Audit Group.
- Fraud Group (attended by members of the Counter-Fraud Team, information shared with Internal Audit)

2.8 Resources – Requests for Additional Work / Staffing / Deferral of ongoing work

2.8.1. Staffing

In 2022/23, following a restructure within the Finance, a number of vacancies became available on the Internal Audit Team. From 5th June 2023, all vacancies on the team have been filled. The Audit Team falls under the portfolio of the Head of Fraud Audit, Insurance and Risk, and comprises two Senior Auditors, and three auditors (one of which is part time).

Since the resources for the 2023/24 plan were calculated, changes need to be made due to: -

- One auditor has been recruited on a reduced hours arrangement.
- Since the beginning of the financial year, staff have purchased additional annual leave, which in addition to enhancing their own work life balance, also attracts a financial saving for the Council.
- A member of the internal audit team having to be seconded over for 1 to 2 days per week to provide help within the insurance team to maintain stability due to vacancies and a long-term sickness.
- Since the Audit Committee met in July 2023, work took place examining the annual key controls for eight finance systems. Approximately 40 days were spent on this work and the work has now been put on hold until quarter 4, for reasons explained in 2.4.1 of this report.

The total number of days which may need to be removed from the plan are 100, however at this point in the year it is not proposed to remove any audits from the plan, as there are contingencies already built into the plan to take on work if requested, e.g. management requests, investigations, work for GMCA (Greater Manchester Combined Authority) There is also scope to reduce the days which have been earmarked for service improvement and Council wide work such as assurance mapping. The progress against the current plan will continue to be monitored and the plan will be reviewed and any proposed revisions will be brought to Audit Committee in December 2023.

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.
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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 2023/24
- 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
GMCA	Greater Manchester Combined Authority