

Classification: Open	Decision Type: N/a
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Report to:	Audit Committee	Date: 25 July 2024
Subject:	Internal Audit Progress Report	
Report of:	Section 151 Officer	

Summary

1. This report outlines the work undertaken by Internal Audit from 1st February to 31st May 2024 which includes progress to date to complete the annual audit plan 2023/24 and to commence the work from the 2024/25 audit plan. 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 2023/24 plan has now been completed and work on 2024/25 plan is progressing.
- Since the last Head of Fraud, Audit, Insurance & Risk's annual opinion report in 2022/23 twenty-two reviews have concluded, and reports have been issued to Members. Three reports relate to the 2022/23 audit plan and Nineteen reports relate to the 2023/24 audit plan; all have been considered when formulating the annual audit opinion for 2023/24.
- Work on 2023/24 plan is concluding with eight reviews ongoing and three reviews at draft report stage.
- Work on 2024/25 plan has commenced, eight new reviews have been allocated to auditors.
- Ten follow up exercises and nine second follow up exercises have been completed between 1st February and 31st May 2024. Five first follow up and eight second follow up exercises which were completed by the 31st March 2024 have been included in the annual audit report for 2023/24.

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 from 1st February to 31st May 2024.
- 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 provided 898 days to be delivered across all Council Departments, and group companies i.e., Six Town Housing and Persona. The Internal Audit Plan for 2024/25 provides for 754 days to be delivered across all Council departments and Persona. The Audit plan covers a range of themes.
- 1.5 The 2024/25 plan was approved by Audit Committee at the meeting on 6th March 2024.
- 1.6 Work has been continuing, completing outstanding reviews from 2023/24 and starting Quarter 1 Audits from 2024/25 plan. Regular progress reports are produced, informing Members of audit activities, and this is the first report of the 2024/25 financial year covering the period from 1st February to 31st May 2024 which includes 17 completed weeks.

2.0 ISSUES

2.1 Annual Audit Plan

- 2.1.1 The annual plan for 2024/25 was presented and approved at Audit Committee in March 2024 and provided for 754 audit days to be delivered throughout the year.
- 2.1.2 The 2024/25 audit plan is shown at Appendix A and has been updated to show the position at the 31st May 2024. When the 2024/25 plan was approved it provided for 9 audits to be carried forward from the 2023/24 plan. Actual non-finalised audits as at 31st March 2024 carried forward were 21.

As at the 31st May 2024, 10 of the 21 audits from the 2023/24 audit plan have been finalised, and 8 were ongoing and 3 were in draft with client, and 93 days have been spent so far on all carried forwards. This means that we have overspent by 46 days against the planned allocation of 47 days. However, at this point in the year, there are no plans to amend the 2024/25 plan.

- 2.1.3 The Housing department have requested reviews on Data Quality for Gas Servicing and Fire Safety which were not included in the 2024/25 audit plan. The time for these reviews will be initially allocated to the 8 days contingency for transfer of Six Town

Housing to the Council and any additional time will be taken from contingency for unplanned works.

2.1.4 The 2024/25 audit plan provided for 36 audit days to be allocated to reviews to be undertaken for Persona. The reviews to be undertaken have now been agreed and are:-

- Supported Living - Client Finances
- Governance of Persona Board
- Supported Living - Payment of Supported Hours

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 Twenty-two audits have been finalised and issued since the last Head of Fraud, Audit, Insurance & Risk's annual opinion report in 2022/23 and up to 31st May 2024. These reports have been considered in formulating the annual opinion and reflected in the Annual Governance Statement for 2023/24.

Full reports have been provided to Committee Members for each of these reviews.

2.2.2 The Table below summarises the fourteen audits that have been finalised and issued since Audit Committee last met in March 2024, and the corresponding number of agreed actions and overall level of assurance provided for each of those audits.

Table 1: Final Reports Issued during period 1st February to 31st May 2024.

Audit	Number of agreed actions and priority				Level of Assurance
	Fundamental	Significant	Merits Attention	Total	
Bury Council					
School & College Transport	1	4	0	5	Limited
Care Planning Permissions	1	0	0	1	Limited
Building Stores	4	7	1	12	Limited
Debtors Key Controls 2023/24	2	5	2	9	Limited
Car Parking Income	0	3	3	6	Moderate
Integrated Community Equipment Stores	0	5	8	13	Moderate

Creditor Key Controls 2023/24	0	5	0	5	Moderate
Independent Foster Agencies	0	1	2	3	Substantial
Substance Misuse Commissioning	0	0	0	0	Full
Members Delegated Funds	0	0	3	3	Full
Six Town Housing					
Right to Buy	3	4	1	8	Limited
Six Town Housing – Invoice Processing	0	5	2	7	Moderate
Six Town Housing – Arrears Prevention	0	2	2	4	Substantial
Persona					
Persona - Debtors	0	1	2	3	Substantial
Total	11	42	26	79	

Full versions of Limited Assurance reports and summary versions for other reports are also presented in Part B of the Audit Committee meeting. These include the overall opinion, the findings, recommendations, and action plans of these reviews. The 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).

- 2.2.3 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.

- 2.2.4 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.

A second follow up is 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 are provided to Audit Committee.

A recommendation tracker is in place and all fundamental and significant recommendations that are still either outstanding or partially implemented after the second follow up are reported to the 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 are then passed to the Corporate Governance Group to progress.

Twenty-six first follow up exercises have taken place during 2023/24 and up to 31st May 2024, 10 of which, (shown in table 1 below) have been completed since reporting to the last Audit Committee in March 2024.

Sixteen second follow up exercises have been undertaken during 2023/24 and up to 31st May 2024, 9 of which (shown in table 2 below) have been completed since reporting to the last Audit Committee in March 2024.

Table 1: First Follow Ups Undertaken since 1st February to 31st May 2024

Audit	Number of agreed actions and priorities (fundamental and significant only)		
	Fundamental	Significant	Follow up number of recs fully implemented
Follow up to be included in the 2023/24 annual opinion report			
Adoption Services	0	2	2
Operations – Overtime & Additional Hours	0	4	4
Home Care Packages	0	2	1
Cash & Bank Key Controls 2021/22	3	5	2
Chesham Primary School	13	17	15
Follow up to be included in the 2024/25 annual opinion report			
Payroll Key Controls 2021/22	0	5	2
Housing Rents Key Controls 2021/22	0	3	3

Housing Benefits 2022/23	0	1	0
Fleet Management	3	0	1
Procurement of CBRE	1	2	2

Table 2: Second Follow Ups Undertaken since 1st February to 31st May 2024

Audit	Number of agreed actions and priorities (fundamental and significant only)		
	Fundamental	Significant	Follow up number of recs fully implemented
Second follow up included in the 2023/24 annual opinion report			
Bury Council			
Council Tax Key Controls 2021/22	0	2	0
Transport Stores	1	4	0
Main Accounting 2021/22	2	1	0
Estates Property Management	5	6	1
Highway & Footway Maintenance	0	1	0
Six Town Housing			
No Access	0	2	0
Hoarders	1	3	1
Antisocial Behaviour	0	1	1
Second follow up to be included in the 2024/25 annual opinion report			
Creditors Key Controls 2021/22	0	1	0

Further information about follow ups is shared in part B of the meeting on 25th July 2024.

Follow up matrices with details taken to address the recommendations are sent to Audit Committee Members each month.

2.4 Other work

This section details other work completed by the audit team.

2.4.1 Assurance work – Ongoing reviews

There are 8 audits still being progressed from the 2023/24 plan. Audits which are currently taking place are:-

- Department of Work and Pensions – Memorandum of Understanding
- Persona Building Property Maintenance
- Climate Change
- Council Tax Key Controls 2023/24
- Income & Banking Key Controls 2023/24
- Payroll Key Controls 2023/24
- Treasury Management Key Controls 2023/24
- Main Accounting Key Controls 2023/24

2.4.2 Assurance work – Draft reports

The following reviews from the 2023/24 plan have been completed and draft reports have been issued to client:-

- Rent Collection from Commercial Tenants
- Business Rates Billing, Collection & Reliefs
- GM – Supporting Families

2.4.3 Assurance work – Allocated

Work has also commenced to deliver the audits detailed in the audit plan for 2024/25. The following audits have been allocated to an Auditor and preparation work is being undertaken.

- Lowercroft Primary School
- The Derby High School
- Purchase Card Expenditure
- Emergency Duty Team
- Direct Payments
- Leisure Centres
- Section 106
- Gas Safety – Performance Data Quality

2.4.4 Grants

No grants have been reviewed during the current financial year so far.

2.4.5 Supporting Transformation and Change

The Internal Audit Plan 2024/25 includes a provision of 69 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 March 2024:-

- Work is undertaken with Registrars on a quarterly basis to securely destroy any spoilt certificates.
- Insurance renewals – Support has been provided to the Insurance Team in relation to the renewal process.
- Data breach advice sought from School Governor Services.
- STH – Contract transfer analysis in conjunction with Legal Services.

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.

2.6 National Fraud Initiative

An update on progress has been provided in the Fraud Team's latest update report to this committee. This has been reported in part b of the Audit Committee meeting 25th July 2024.

2.7 School Audits

For 2024/25 the annual plan includes 45 days to undertake individual school reviews. The audit team have consulted with colleagues from Childrens Services and have developed a school audit plan to be delivered. Requests have been made for 8 school reviews to be undertaken.

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 Director of Finance, where it is thought an audit review would be beneficial to the School and the Council.

A Schools Assurance Board 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.

2.8 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.

- IT Audit Group
- Schools Audit Group.

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
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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 2024/25
- 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