

<b>Classification</b>	<b>Item No.</b>
Open	

<b>Meeting:</b>	Audit Committee
<b>Meeting date:</b>	25 <sup>th</sup> July 2024
<b>Title of report:</b>	Internal Audit Annual Report 2023/24
<b>Report by:</b>	Janet Spelzini Head of Fraud, Audit, Insurance and Risk (FAIR)
<b>Decision Type:</b>	Council
<b>Ward(s) to which report relates</b>	All

### Executive Summary:

This report summarises the results of Internal Audit work during 2023/24 and, as required by the Accounts and Audit Regulations 2015, gives an overall opinion of the Authority's control environment.

The conclusions drawn from the report are:

The Council is still going through a period of transformation, which includes changes to governance processes, the transfer of Six Town Housing back to the Council, as well as revisions to staffing structures. Whilst going through a period of change there is a knock-on effect which results in significant change to planned priorities and a requirement to focus resources on those critical activities and to areas where more risks are perceived to be.

The initial Internal Audit Plan for 2023/24 had to be reduced at the end of quarter 3, due to a variety of reasons including training and secondment of Internal Audit staff, introduction of the second follow up process and initial work undertaken on annual key controls for 2022/23 that was then deferred to quarter 4 using 2023/24 transactions. The work of Internal Audit is intended only to provide reasonable assurance on controls.

Based upon the results of the audit work undertaken during the year, taking into account the findings reported in 22 audit reports, 21 first follow-ups and 15 second follow ups, my opinion is that the Authority's control environment provides moderate assurance that the significant risks facing the Authority are addressed. I am concerned that some fundamental and significant recommendations have not been fully implemented during the year, however, the recommendations made had been accepted by management and are in the sight of the Corporate Governance Group and work is being undertaken to ensure that recommendations are addressed.

## **Recommendation(s)**

### **That:**

- Members note the contents of this report.

## **Key Considerations**

Background information to this report is contained in the context section of the main report. There are no decisions required for this report.

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

Ensuring compliance with Financial Procedures and Policies

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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.

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## Assessment of Risk:

The following risks apply to the decision:

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.

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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 supports the governance framework.

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## Report Author and Contact Details:

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## Background papers:

Internal Audit Plan 2023/24  
Internal Audit Progress reports 2023/24

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

Term	Meaning
AAT	The Association of Accounting Technicians
FOI	Freedom of Information
SAR	Subject Access Request
ROPA	Record of Processing Activities
DWP	Department for Work and Pensions
MOU	Memorandum of Understanding
TFG	Troubled Families Grant
NFI	National Fraud Initiative
PSIAS	Public Sector Internal Auditing Standards
CCTV	Closed Circuit Television
NNDR	National Non-Domestic Rates
CYP	Children & Young People

# **Internal Audit Annual Report 2023/24**

“Providing assurance on the management of risks”



## Internal Audit Annual Report 2023/24

### **“Providing assurance on the management of risks”**

This document summarises the results of Internal Audit work during 2023/24 and, as required by the Accounts and Audit Regulations 2015, gives an overall opinion of the Authority’s control environment.

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### **Opinion**

Based upon the results of audit work undertaken during the year my opinion is that the Authority’s control environment provides moderate assurance that the significant risks facing the Authority are addressed.

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### **Context**

This report outlines the work undertaken by Internal Audit between 1 April 2023 and 31 March 2024.

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 and assurance to the organisation, Chief Executive, Executive Directors, S151 Officer, the Audit Committee and ultimately the taxpayers that the Council maintains an effective control environment that enables it to manage its significant business risks. On behalf of the Council, Internal Audit review, appraise and report on the efficiency, effectiveness, and economy of these arrangements. The assurance work culminates in an annual opinion on the adequacy of the Authority’s control environment which feeds into the Annual Governance Statement.

Internal Audit is required by professional standards to deliver an annual audit opinion and report to those charged with governance timed to support the Annual Governance Statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control. The annual report must incorporate:

- the opinion.

- a summary of the work that supports the opinion; and
- a statement on conformance with the Public Sector Internal Audit Standards

A new audit team structure was introduced in January 2023 however due to the following points listed below there was slippage to the delivery of the 2023/24 audit plan:

- Two new members of staff only commenced their employment within the team in June 2023.
- One of the new members of the team was employed on a reduced hours contract.
- Staff took the opportunity to purchase additional leave to enhance their own work/life balance.
- Staffing issues within the Insurance team resulted in one of the new members of staff being seconded over for 42.5 days.
- One member of the team enrolled at Bury College to undertake AAT level 2 training for 27.5 days.
- Work took place during quarter 2 examining the annual key controls for 2022/23. Approximately 40 days were spent on this work. However, as there were many changes made to finance systems, staffing and procedures, it was agreed to defer the work until quarter 4 using 2023/24 transactions.
- A full management review of audit processes and procedures was undertaken, which resulted in changes to the audit process, improvements in the follow up process and the introduction of a second follow up to ensure resolution of all recommendations.
- Additional time was required for investigations / completion of ongoing reviews.
- The training and general office duties allocations were overspent by a total of 65 days. Reasons included training for the new auditors to undertake the mandatory training modules, shadowing experienced auditors within new areas and learning how to access the various IT systems that Bury Council uses.

Despite the slippage which occurred, the audit opinion was formulated taking into account 22 completed audit reviews, 21 first follow up and 15 second follow up exercises.

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## **Internal audit work during 2023/24**

The underlying principle to the 2023/24 plan was risk and accordingly audits were only completed in areas that represent an 'in year risk'.

The methodology adopted in preparing the plan, and the plan itself, was presented to the Audit Committee on 30<sup>th</sup> March 2023.

Since the original plan was presented to the Audit Committee, it was inevitable that there would be variations to the plan during the year if it is to adequately reflect changing circumstances and the changing organisation. The net effect of this is that some of the agreed audits have been completed, some have not been undertaken,

some have been deferred into the 2024/25 audit plan and some are still in the process of being finalised.

The following audits were removed from Plan:

### **Operations – Health and Safety & Corporate – Health and Safety**

Reason for removal: Assurance obtained from an external review commissioned by the Director of People and Inclusion.

### **Budgetary Control**

Reason for removal: The Corporate Core Accountancy Team undertook a zero-based budget exercise across the Council and additionally the Finance Improvement Panel were scrutinising the Council's financial position.

### **Operations – Procurement of Contractors (Client request)**

Reason for removal: Update from Client that an internal investigation was being undertaken to address the concerns raised.

### **Regeneration Projects**

Reason for removal: Delays in the delivery of projects resulted in the review being postponed until 2025/26.

### **Cash Handling and Banking Activities**

Reason for removal: Removal of petty cash floats across the Council and a lack of cash transactions.

### **Estates Property Management**

Reason for removal: Duplication of scope of audit with existing audit on Rents from Commercial Tenants.

The following audits were deferred from the 2023/24 plan into the 2024/25 plan:

- Corporate Complaints Procedure
- FOI/SAR
- ROPA
- Insurance
- Capital Programme
- ITrent – additional hours and overtime payments
- ITrent – expenses module
- Automated absence pay
- Childrens Services recruitment process
- Waste Management
- Childrens Care Packages

The following audits were still in progress and were carried forwarded into 2024/25 to be finalised:

- Persona – Property and Building Maintenance



- DWP – MOU submission
- Climate Change
- Main Accounting Key Controls 2023/24
- Treasury Management Key Controls 2023/24
- Council Tax Key Controls 2023/24
- Payroll Key Controls 2023/24
- Income and Bank Key Controls 2023/24
- Greater Manchester – Supporting Families (TFG)
- Rent Collection from Commercial Tenants
- Business Rates, Billing, Collections and Reliefs

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## Summary of assurance work

The Council, and local government generally, continues to face significant challenges, including the ongoing financial challenges and the need to deliver savings, in addition to the impact on service delivery in terms of both increased costs and lost income. The Council has continued in 2023/24 to go through restructuring and it is important that controls and governance remain in place and that there is an understanding of responsibilities and accountabilities. Regularly updated forecasts of income and expenditure pressures against the available funding were provided internally through the Council's monitoring framework.

The Council has prepared its 2021/22 Statement of Accounts, however they have not yet been signed off due to a technical issue which impacts on all Greater Manchester Authorities. However, as the external auditors have not raised any other concerns, this provides a significant level of assurance.

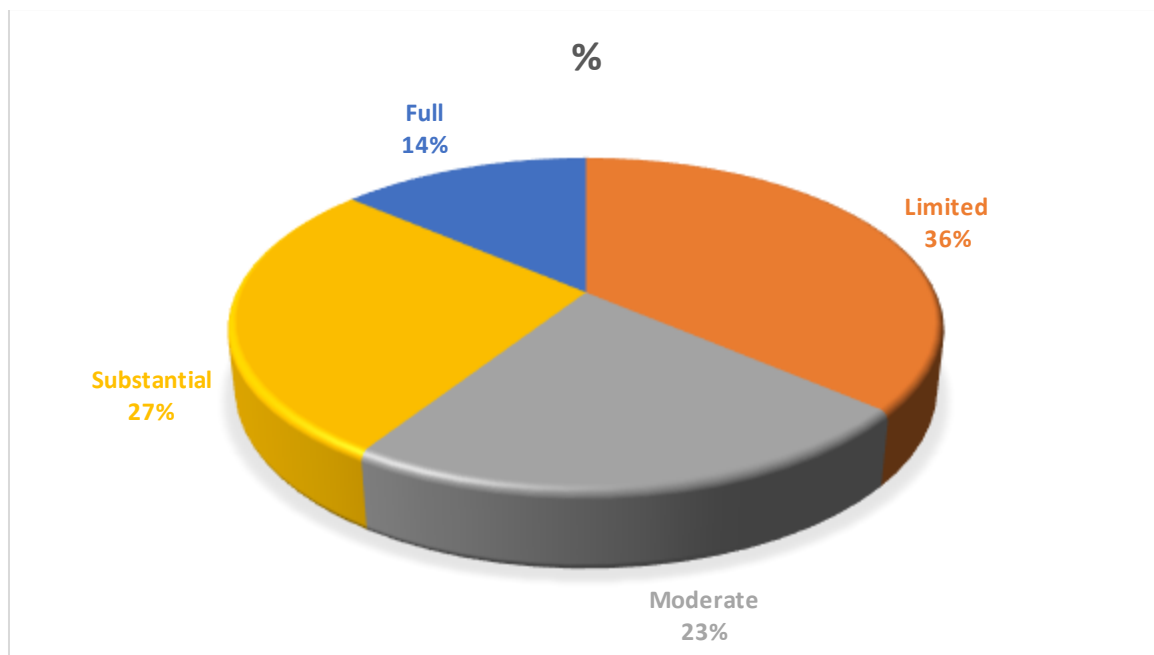
The draft statement of accounts and annual governance statement for 2022/23 have also been prepared and published on the Bury Council website but have not yet been signed off by the external auditors.

The 2023/24 draft unaudited statement of accounts has been prepared and published on the Bury Council website. The 2023/24 Annual Governance Statement is being prepared and will be published on the Council website shortly.

In relation to Internal Audit work, the key outcome of each audit is an overall opinion on the level of assurance provided by the controls within the area audited. Audits will be given one of four levels depending on the strength of controls and the operation of those controls. The four categories ranging from the lowest to highest are Limited, Moderate, Substantial and Full. The opinion reflects both the design of the control environment and the operation of controls. The Audit Committee has received regular reports during the year summarising audits undertaken.

A total of 22 audit reviews, making 136 recommendations, have been considered in forming the overall opinion for the year. As shown in the following chart the outcome of 41% of audits (9 reviews), completed in 2023/24 are positive having provided a

substantial or full level of assurance to the areas examined. There are however a proportion of audits, 23% (5 reviews), where controls were considered to be moderate. There were 8 reviews, (36%), which were considered to give a limited level of assurance, these made a total of 74 recommendations of which 29 were fundamental and 46 were significant / merits attention. A positive management response was received to all reports to indicate that all, except 2, recommendations, would be addressed. To provide assurance going forward, the follow up process was enhanced with the introduction of a second follow up exercise to undertake further testing to ensure any outstanding recommendations from the first follow up have been actioned / implemented. The key issues arising from all audits have been reported to the Audit Committee throughout the year.



A full list of the assurance work completed during the year is given in Appendix A.

Recommendations are categorised according to the risks they are intended to mitigate. Categorising recommendations also assists managers in prioritising improvement actions. The current categories used, in increasing order of importance are Merits attention, Significant and Fundamental.

During the year 136 recommendations were made to address weaknesses in control which would not have been identified if the audit had not been undertaken. All the recommendations made except 2, were accepted by management and positive responses were received to indicate that they would be implemented.

Recommendations are followed up to ensure that they are implemented, and details of all follow-up reviews undertaken are provided to Audit Committee monthly. Those recommendations showing as “Outstanding” or “Partially Implemented” from the first follow up are subject to a second follow up. Any “Outstanding” or “Partially Implemented” recommendations from the second follow up are then escalated to the Corporate Governance Group. All follow ups are subject to scrutiny by Audit

Committee Members who may call in managers to explain delayed progress where appropriate.

Follow up exercises for reports with limited assurance are undertaken after 3 months of the final report being issued to client. Follow up exercises for all other reports are undertaken after six months after the final reports have been issued to the client. The second follow up, if required, is undertaken 6 weeks after the issue of the first follow up.

Details of audits which were followed up during 2023/24 are provided at Appendix B (First Follow Up) and Appendix C (Second Follow Up) and these are included in the overall opinion. Out of 136 recommendations made, 34 were either still outstanding or partially implemented following the second follow up exercise. The Corporate Governance Group (CGG) met on 21<sup>st</sup> February 2024 and 11 of the outstanding / partially implemented recommendations were reported to the group.

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## Schools

Individual school reviews were reintroduced into the 2023/24 audit plan. Arrangements are in place to undertake a full audit at a school if requested by the Director of Childrens Services, or the Executive Director of Finance. A School Assurance Board has been established, and this is attended by a representative from the Internal Audit Team, and therefore advice and support can be provided as it is requested.

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## Summary of non-assurance work

### Special investigations

The size and complexity of the Council means that some irregularities are inevitable and therefore, in addition to planned assurance work, a number of special investigations were needed during the year. Internal Audit assisted with / advised Human Resources regarding disciplinary issues as well as providing advice to Departments regarding suspected irregularities.

In 2023/24, information regarding 6 special investigations completed was submitted to Audit Committee.

Suspected frauds can be reported to our dedicated whistleblowing hotline 0161 253 6446 or by email to [Whistleblowing@bury.gov.uk](mailto:Whistleblowing@bury.gov.uk)

## Advice

Internal Audit is most efficient when its advice is utilised to ensure that appropriate controls are incorporated at an early stage in the planning of policy or systems development. This work reduces the issues that will be raised in future audits and contributes to a stronger control environment. During the year advice was requested for a small number of issues

Examples of audit advice and support given include: -

- HR and Payroll teams as they develop the use of the iTrent system.
- Leisure Services in relation to the introduction of the Gladstone Concierge system.
- Libraries income controls.
- Petty Cash guidance across various Council services.
- NFI query relating to a School.
- Six Town Housing contracts on transfer to the Council.

Work is continuously undertaken to ensure that Departments are aware that they should approach Internal Audit as a consultancy resource and a contingency has been built into the annual audit plan for 2024/25 so that resources are available to meet any consultancy requests.

## Certification

Internal Audit can be required to certify grant claims. Two grant claims were examined and approved by Internal Audit during 2023/24. These were:

- Bus Operators Grant
- Changing Places Fund

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## Effectiveness

This section of the report sets out information on the effectiveness of the service and focuses on compliance with the Public Sector Internal Auditing Standards (PSIAS) and customer feedback.

A full externally conducted quality assessment of the service was conducted during 2016. The report of that assessment concluded that the audit service “partially conformed to the expectations of the Public Sector Internal Audit Standards.” Work since then has been undertaken to address the recommendations made. The review is due to be undertaken again in September 2024.

In accordance with best practice there is a rigorous internal review of all work undertaken by senior staff and the results feed into the staff appraisal process.

Following most audits a “post audit questionnaire” is issued to the relevant managers asking for their views on the conduct of the audit. The questionnaire includes a range

of questions covering the audit approach, reporting format, etc. A key feature of the audit role is the need to sometimes be critical of existing or proposed arrangements. There is therefore an inherent tension that can make it difficult to interpret surveys. Post audit questionnaires are not issued when an investigation is undertaken or if the audit is undertaken by an external partner.

In 2023/24 the post audit questionnaire responses returned continued to evaluate the audit process and value of reports as excellent / good. All feedback received was positive and no negative feedback or comments had been received.

It is clearly important for any audit service to keep abreast of best professional practice. The Internal Audit service is fortunate in having strong links with colleagues both within Greater Manchester and nationally. The Service had a membership to the Institute of Internal Auditors providing its staff with technical and professional support. At a regional level there are networking opportunities for auditors specialising in schools and ICT. As well as good opportunities for continuing professional development and sharing best practice these activities provide advance information on new developments which can be reflected in the audit plan.

The Authority can be confident that a good quality Internal Audit service continues to be provided.

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## Opinion

The Council is still going through a period of transformation, which includes changes to governance processes, the transfer of Six Town Housing back to the Council, as well as revisions to staffing structures. Whilst going through a period of change there is a knock-on effect which results in significant change to planned priorities and a requirement to focus resources on those critical activities and to areas where more risks are perceived to be.

The initial Internal Audit Plan for 2023/24 had to be reduced at the end of quarter 3, see page 6 above for the reasons. It is the responsibility of the Council to develop and maintain the internal control framework. In undertaking its work, Internal Audit has a responsibility under PSIAS to provide an annual Internal Audit opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework (i.e. the control environment) and a summary of the audit work from which the opinion is derived.

No system of control can provide absolute assurance against material misstatement / loss or eliminate risk, nor can Internal Audit give that assurance. The work of Internal Audit is intended only to provide reasonable assurance on controls. In assessing the level of assurance to be given, I have taken into account:

- Audit plan, other audit and advisory work completed in 2023/24; and audit work from prior years where systems or processes have not been subject to change.
- Any follow-up action taken in respect of audits from previous periods.

- Any fundamental recommendations not accepted by management and the consequent risks (this is not applicable in 2023/24 as management accepted all recommendations).
- The effect of non-assurance work undertaken during the year.
- The effect of any significant changes in the Authority's systems.

Some significant issues have arisen during the year, with fundamental recommendations being made and limited assurance reports being issued. However, action plans have been agreed with the relevant managers to address the weaknesses identified. Where weaknesses have been identified, they have tended to relate to specific parts of the organisation rather than an across-the-board breakdown in controls. Those audits involving major control weaknesses are in the minority and in general terms, controls are sufficient to prevent or detect serious breakdowns in systems and procedures. However, it is clearly important that issues identified during the year are addressed.

I am satisfied that sufficient internal audit work has been undertaken to allow me to draw a reasonable conclusion as to the adequacy and effectiveness of the Council's governance, control and risk processes.

Based upon the results of work undertaken by Internal Audit during the year my opinion is that the Authority's governance, control and risk management provides moderate assurance that the significant risks facing the Authority are addressed.

## Appendix A

### Summary of audits completed during the year and total number of recommendations made.

Audit		Level of Assurance	Report Date	Total number of recs made	No of Fundamental recs made
<b>Reports included in annual opinion for 2023/24</b>					
<b>Bury Council</b>					
1	Home Care Packages	Substantial	September 2023	6	0
2	Housing Benefit Key Controls 2022/23	Substantial	September 2023	2	0
3	Chesham Primary School	Limited	October 2023	30	13
4	CCTV	Full	November 2023	0	0
5	Fleet Management	Limited	December 2023	4	3
6	Creditors Invoice Fraud	Limited	January 2024	5	2
7	School & College Transport	Limited	February 2024	5	1
8	Housing – Right to Buy Process	Limited	February 2024	8	3
9	Independent Foster Agencies	Substantial	February 2024	3	0
10	Building Stores	Limited	March 2024	12	4
11	Care Planning Permissions	Limited	April 2024	1	1
12	Debtors Key Controls 2023/24	Limited	April 2024	9	2
13.	Car Parking Income	Moderate	April 2024	6	0
14	Substance Misuse Commissioning	Full	April 2024	0	0
15	Integrated Community Equipment Stores	Moderate	May 2024	13	0
16	Creditors Key Controls 2023/24	Moderate	May 2024	5	0
17	Members Delegated Funds	Full	May 2024	3	0
<b><u>Six Town Housing</u></b>					
18	Arrears Prevention	Substantial	March 2024	4	0
19	Invoice Processing	Moderate	April 2024	7	0
<b><u>Persona</u></b>					
20	Persona - Creditors	Moderate	December 2023	2	0
21	Persona - Payroll	Substantial	January 2024	7	0
22	Persona - Debtors	Substantial	March 2024	4	0
	<b>Total</b>			<b>136</b>	<b>29</b>

## Appendix B

### Summary of First follow ups completed during the year.

		Report date	Recs made	No of Fundamental / Significant Recs to be followed up	Follow up date	Recs implemented
	<b>Bury Council</b>					
1	Taxi Licensing	March 2022	2	1	June 2023	0
2	Pooled Budgets	September 2021	1	1	June 2023	1
3	Contracts Register	September 2022	4	2	June 2023	1
4	Debtors Key Controls 2021/22	January 2023	8	6	July 2023	1
5	CYP – Complaints Procedures	January 2023	3	1	July 2023	0
6	NNDR Key Controls 2021/22	November 2022	2	2	July 2023	0
7	Housing Benefits Key Controls 2021/22	November 2022	1	1	August 2023	0
8	Transport Stores	March 2023	20	13	September 2023	8
9	Council Tax Key Controls 2021/22	November 2022	2	2	September 2023	0
10	Main Accounting Key Controls 2021/22	March 2023	8	6	September 2023	3
11	Treasury Management Key Controls 2021/22	January 2023	5	4	November 2023	3
12	Highway & Footway Maintenance	June 2023	7	1	January 2024	0
13	Creditors Key Controls 2021/22	May 2023	4	3	January 2024	2
14	Adoption Services	June 2021	2	2	February 2024	2
15	Operations – Overtime & Additional Hours	June 2023	6	4	March 2024	4
16	Home Care Packages	September 2023	6	2	March 2024	1



17	Cash & Bank Key Controls 2021/22	May 2023	7	7	March 2024	2
18	Chesham Primary School	December 2023	30	30	March 2024	15
	<b>Six Town Housing</b>					
19	Anti-Social Behaviour	November 2022	3	1	June 2023	0
20	No Access (Gas)	April 2023	8	5	September 2023	3
21	Hoarders	October 2022	10	9	November 2023	6
	Total		139	103		52

## Appendix C

### Summary of Second Follow ups completed during the year.

		Follow up date	Number of outstanding Recs from 1 <sup>st</sup> Follow Up	Recs implemented
	<b>Bury Council</b>			
1	CYP – Complaints Procedures	November 2023	1	0
2	Housing Benefits Key Controls 2021/22	November 2023	1	0
3	Contracts Register	November 2023	1	0
4	Debtors Key Controls 2021/22	November 2023	5	2
5	NNDR Key Controls 2021/22	December 2023	2	0
6	Treasury Management Key Controls 2021/22	December 2023	1	1
7	Taxi Licensing	January 2024	1	0
8	Estates Property Management	February 2024	11	1
9	Main Accounting Key Controls 2021/22	February 2024	3	0
10	Council Tax Key Controls 2021/22	February 2024	3	0
11	Transport Stores	February 2024	5	0
12	Highways & Footway Maintenance	March 2024	1	0
	<b>Six Town Housing</b>			
13	No Access (Gas)	February 2024	2	0
14	Hoarders	February 2024	2	1
15	Anti-Social Behaviour	February 2024	1	1