

INTERNAL AUDIT PROGRESS REPORT 2021/22

Date: 31 March 2022

Annex 1





BACKGROUND

- 1 Internal audit provides independent and objective assurance and advice about the Council's operations. It helps the organisation to achieve overall objectives by bringing a systematic, disciplined approach to the evaluation and improvement of the effectiveness of risk management, control and governance processes.
- 2 The work of internal audit is governed by the Accounts and Audit Regulations 2015 and relevant professional standards. These include the Public Sector Internal Audit Standards (PSIAS), CIPFA guidance on the application of those standards in Local Government and the CIPFA Statement on the role of the Head of Internal Audit.
- 3 The internal audit work programme was agreed by this committee in March 2021. The number of agreed days is 555 and the plan is flexible in nature. Work is being kept under review to ensure that audit resources are deployed to the areas of greatest risk and importance to the Council.
- 4 The purpose of this report is to update the committee on internal audit activity up to 15 March 2022.



INTERNAL AUDIT PROGRESS

- 5 Work is underway on a number of audits. This includes new audits in relation to purchasing cards and asset management in schools, and ICT change management. Planning is underway on a number of other audits including main accounting systems and the governance of the money received through the Future High Street Fund.
- 6 We have been carrying out fact-finding work on a number of allegations made by former Executive members and the majority of this is now at draft report stage. In addition, work has been ongoing to finalise the audit of project management of Boho X. This work has now been concluded and the report will be finalised once actions are agreed with management.
- 7 A number of ongoing audits are in the fieldwork stage including supplier relief, burial grounds and asset maintenance. These are expected to reach draft report stage in the next few weeks.
- 8 In addition, we have continued to review quarterly Supporting Families claims, and reviewed Covid grant schemes including the Culture Recovery Grant. A summary of internal audit work currently underway as well as work finalised in the year to date is included in appendix 1.
- 9 The work programme showing current priorities for internal audit work is included at appendix 2. Indicative timescales for when final reports will be produced are included for some audits, although these are subject to change as we continue to assess work priorities.
- 10 As a result of the additional unplanned work highlighted at paragraph 6, a number of audits planned for 2021/22 will now either be completed in

2022/23 or have been deferred and will be considered for inclusion in the 2022/23 work programme.

- 11 As we have reached the end of the financial year, we are currently assessing all of the audits classed as do next and do later, to decide which will be completed as part of the current year's work and which will be included as a priority for audit in 2022/23.
- 12 Appendix 3 lists our current definitions for action priorities and overall assurance levels.



FOLLOW-UP OF AGREED ACTIONS

- 13 All actions agreed with services as a result of internal audit work are followed up to ensure that underlying control weaknesses are addressed. A summary of the current status is at appendix 4.

APPENDIX 1: 2021/22 INTERNAL AUDIT WORK

Audits in progress

| Audit | Status |
|--|------------------|
| Supplier relief | In progress |
| Asset maintenance | In progress |
| Teesside Pension Fund – Overpayments | In progress |
| Burial grounds | In progress |
| Adult social care payments | In progress |
| Procurement | In progress |
| Debtors | In progress |
| Schools themed audit – purchasing cards & asset management | In progress |
| ICT change management | In progress |
| Future High Street Fund governance | In progress |
| Benefits – overpayments | Planning started |
| Senior management reviews | Planning started |
| Children’s commissioning & contract management | Planning started |
| Teesside Pension Fund – Investments | Planning started |
| Main Accounting | Planning started |

Draft reports issued

| Audit | Date issued |
|-----------------------------|----------------|
| Project management – Boho X | 13th July 2021 |

Final reports issued

| Audit | Reported to Committee | Opinion |
|--|-----------------------|-----------------------|
| Use of CCTV | September 2021 | Limited Assurance |
| Officer and member decision making | September 2021 | Reasonable Assurance |
| Schools themed audit – pupil premium | September 2021 | Reasonable Assurance |
| Teesside Pension Fund – investments | September 2021 | Substantial Assurance |
| Teesside Pension Fund – administration | September 2021 | Substantial Assurance |
| Governance arrangements | September 2021 | Substantial Assurance |
| Main accounting system | September 2021 | Reasonable Assurance |
| Cyber security awareness | September 2021 | Substantial Assurance |

| | | |
|--|---------------|-----------------------|
| Social Care and emergency payments | December 2021 | Substantial Assurance |
| Council Tax and NNDR | December 2021 | Substantial Assurance |
| Council Tax Support and Housing Benefits | December 2021 | Reasonable Assurance |
| Youth Employment Initiative | December 2021 | Substantial Assurance |

Other work undertaken in 2021/22

Internal audit work has been undertaken in a range of other areas during the year, including those listed below.

- A review of grant claims including the Bus Service Operators Grant, Tees Valley Combined Authority grants and claims relating to Scambusters
- A review of returns completed by the Council for the Supporting Families scheme
- A review of Covid grant schemes including for the Culture Recovery Grant
- A review of a number of trust funds administered by the Council
- Fact-finding work relating to allegations made by former Executive members

APPENDIX 2: CURRENT PRIORITIES FOR INTERNAL AUDIT WORK

| Audit / Activity | Rationale for inclusion / change in priority | Expected start | Expected finish |
|--------------------------------------|--|----------------|-----------------|
| Corporate & cross cutting | | | |
| Category 1 (do now) | | | |
| Senior management reviews | Raised by the CAAC as an issue for review. | March 2022 | 2022/23 |
| Supplier relief | Significant priority for the Council. | November 2021 | 2022/23 |
| Procurement | A review of the use of local suppliers is underway to ensure internal targets are met. | January 2022 | 2022/23 |
| Future High Streets Fund governance | New, significant funding stream for the Council. | February 2022 | 2022/23 |
| Category 2 (do next) | | | |
| Home working | Significant risk for the Council from a health and safety perspective. | March 2022 | 2022/23 |
| Category 3 (do later) | | | |

| Audit / Activity | Rationale for inclusion / change in priority | Expected start | Expected finish |
|--|--|----------------|-----------------|
| Purchasing Cards Financial planning and resilience Strategic planning Risk management and emergency planning Performance management and data quality Budgeting and savings plans Corporate governance Partnerships Training & Development Investment Strategy Information governance and data protection Environment, climate change and waste Health and safety | This is now considered lower priority compared to other work; Veritau's counter fraud team is also carrying out some work on purchasing cards. | | |
| Financial / corporate systems Category 1 (do now) | Debtors is a fundamental financial system. The work will include using data analysis techniques. | January 2022 | 2022/23 |

| Audit / Activity | Rationale for inclusion / change in priority | Expected start | Expected finish |
|--------------------------------------|--|----------------|-----------------|
| Teesside Pension Fund – Overpayments | A review of key areas not included in previous audits including overpayments. | March 2022 | 2022/23 |
| Benefits - overpayments | Benefits is a fundamental financial system and overpayments a significant risk area within it. | March 2022 | 2022/23 |
| Main accounting | Key financial system. | March 2022 | 2022/23 |
| Teesside Pension Fund – Investments | Key financial system. | March 2022 | 2022/23 |
| Category 2 (do next) | | | |
| Council Tax/NNDR | Key financial system. | 2022/23 | 2022/23 |
| Category 3 (do later) | | | |
| Creditors | | | |
| Capital accounting and assets | | | |
| Treasury Management | | | |
| Payroll/personnel | | | |
| ICT | | | |
| Category 1 (do now) | | | |
| ICT change management | Key ICT risk area and agreed with the service as a priority for review. | February 2022 | 2022/23 |

| Audit / Activity | Rationale for inclusion / change in priority | Expected start | Expected finish |
|---|---|----------------|-----------------|
| Category 2 (do next) | | | |
| Firewall security | Key ICT risk area and agreed with the service as a priority for review. | 2022/23 | 2022/23 |
| Category 3 (do later) | | | |
| ICT information security Strategy and governance ICT asset management ICT risk management Cyber security Digitalisation and automation | | | |
| Operational audits | | | |
| Category 1 (do now) | | | |
| Asset maintenance | Agreed by CAAC to do a further piece of work following the Transporter Bridge report. | November 2021 | 2022/23 |
| Schools themed audit – purchasing cards & asset management | Theme agreed following issues identified at schools. | March 2022 | 2022/23 |

| Audit / Activity | Rationale for inclusion / change in priority | Expected start | Expected finish |
|--|--|----------------|-----------------|
| Burial Grounds | Concerns have been raised about the governance in this area. | November 2021 | 2022/23 |
| Adult Social Care Payments | This is following on from work started in 20/21, and is reviewing the use of advance payments | January 2021 | 2022/23 |
| Children's Commissioning and Contract Management | Deferred from 2020/21. Links to the audit work carried out last year following the ofsted inspection | March 2022 | 2022/23 |
| Category 2 (do next) | | | |
| Middlesbrough Development Company | Significant priority for the Council. | 2022/23 | 2022/23 |
| Children's caseload management | Recognised nationally as a significant risk. | 2022/23 | 2022/23 |
| Category 3 (do later) | | | |
| Commercial Property Management | Considered a lower priority for 2021/22. | | |
| Measures to improve school attendance Town Hall strategic management Liberty Protection Safeguards Environmental health | | | |

| Audit / Activity | Rationale for inclusion / change in priority | Expected start | Expected finish |
|---|--|----------------|-----------------|
| Homelessness EHC plans Residential placements Transition procedures Highways and fleet management Economic Development Housing strategy | | | |

APPENDIX 3: AUDIT OPINIONS AND PRIORITIES FOR ACTIONS

Audit opinions

Our work is based on using a variety of audit techniques to test the operation of systems. This may include sampling and data analysis of wider populations. It cannot guarantee the elimination of fraud or error. Our opinion relates only to the objectives set out in the audit scope and is based on risks related to those objectives that we identify at the time of the audit.

| Opinion | Assessment of internal control |
|-----------------------|--|
| Substantial assurance | A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited. |
| Reasonable assurance | There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited. |
| Limited assurance | Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited. |
| No assurance | Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited. |

Priorities for actions

| | |
|------------|--|
| Priority 1 | A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management |
| Priority 2 | A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management. |
| Priority 3 | The system objectives are not exposed to significant risk, but the issue merits attention by management. |

APPENDIX 4: FOLLOW UP OF AGREED AUDIT ACTIONS

Where weaknesses in systems are found by internal audit, the auditors agree actions with the responsible manager to address the issues. Agreed actions include target dates and internal audit carry out follow up work to check that the issue has been resolved once these target dates are reached. Follow up work is carried out through a combination of questionnaires completed by responsible managers, risk assessment, and by further detailed review by the auditors where necessary. Where managers have not taken the action they agreed to, issues are escalated to more senior managers, and ultimately may be referred to the Corporate Affairs and Audit Committee.

Actions followed up

A total of 9 actions have been completed since the last report to this committee in December 2021. A summary of the priority of the 9 completed actions are included below.

| Actions agreed | | Actions agreed by directorate | | | | | | |
|---------------------|--------------------------|-------------------------------|-------------------|---------------------|---------------------------|----------|----------------------|--------------|
| Priority of actions | Number of actions agreed | Priority of actions | Adult Social Care | Children's Services | Environment and Community | Finance | Legal and Governance | Regeneration |
| 1 | 2 | 1 | 0 | 0 | 2 | 0 | 0 | 0 |
| 2 | 4 | 2 | 0 | 0 | 0 | 4 | 0 | 0 |
| 3 | 3 | 3 | 0 | 0 | 0 | 2 | 1 | 0 |
| Total | 9 | Total | 0 | 0 | 2 | 6 | 1 | 0 |

Actions Outstanding

A total of 21 actions with original due dates that have passed are still outstanding. A summary of the priority of these actions is included below.

| Actions agreed | | Actions agreed by directorate | | | | | | |
|---------------------|--------------------------|-------------------------------|-------------------|---------------------|---------------------------|----------|----------------------|--------------|
| Priority of actions | Number of actions agreed | Priority of actions | Adult Social Care | Children's Services | Environment and Community | Finance | Legal and Governance | Regeneration |
| 1 | 7 | 1 | 0 | 0 | 7 | 0 | 0 | 0 |
| 2 | 7 | 2 | 0 | 0 | 6 | 1 | 0 | 0 |
| 3 | 7 | 3 | 0 | 0 | 1 | 5 | 1 | 0 |
| Total | 21 | Total | 0 | 0 | 14 | 6 | 1 | 0 |

Of the 21 actions outstanding 20 have had a revised date agreed. The remaining action is currently being followed-up with the service.

Actions outstanding for more than 6 months (Priority 1 and 2)

Eight actions have currently been outstanding for longer than 6 months beyond the agreed implementation date and are included in the table below to bring their attention to the Committee. These all relate to the audit of the Transporter Bridge. Revised dates have been agreed and we will follow these up when the new implementation date becomes due.

| Audit | Priority | Original Date | Revised Date | Finding / Action |
|--------------------|----------|---------------|--------------|---|
| Transporter Bridge | 2 | Mar 21 | Apr 23 | Management should ensure that maintenance and staff meetings at the Transporter Bridge are regularly held and minuted. All identified actions should be recorded and followed up to ensure that remedial action is delivered by action owners within the agreed timescales. |
| Transporter Bridge | 2 | Mar 21 | Apr 23 | Senior staff from both Transport & Infrastructure and Property & Commercial Services should meet regularly to ensure that relevant matters are discussed and minuted (e.g. maintenance or inspection programmes and day-to-day issues relating to the Transporter Bridge). All identified actions should be recorded and followed up to ensure that remedial action is delivered by action owners within the agreed timescales. |
| Transporter Bridge | 1 | Mar 21 | Apr 23 | Management should review the effectiveness of the current management arrangements for the Transporter Bridge. Going forward, the Council should consider external technical consultancy or guidance to ensure that both the service and the structure remain fit for purpose. |
| Transporter Bridge | 1 | Mar 21 | Apr 23 | Management should ensure that effective governance arrangements are implemented for the Transporter Bridge. This should include performance being regularly reported to all stakeholders and a service level agreement agreed between the Council and Stockton Borough Council which details all management responsibilities to ensure that the facility remains fit for purpose. |

| Audit | Priority | Original Date | Revised Date | Finding / Action |
|--------------------|----------|---------------|--------------|--|
| Transporter Bridge | 1 | Mar 21 | Apr 23 | A documented maintenance schedule must be produced (by an appropriately qualified in-house employee or external consultant) to detail what checks are to be carried out at the Transporter Bridge and their associated frequency. Documented systems should be adopted whereby individuals sign for checks carried out on a registered job card as soon as they have been completed. A maintenance log should be created to detail all activities that are undertaken by on site staff as well as outside contractors. |
| Transporter Bridge | 2 | Mar 21 | Apr 23 | A training needs analysis should be compiled for all staff at the Transporter Bridge. This analysis should highlight the training required, differentiating between mandatory training for legislative requirements and other advisable training for best practice. The analysis should identify how and by whom the training will be delivered and the associated frequency. Training records for all staff should be maintained to ensure an up to date record of all staff training completed and to be completed is available. |
| Transporter Bridge | 1 | Mar 21 | Apr 23 | Management should ensure that, in the interest of safety for members of staff, public, visitors, activity agents and for the vessels that travel underneath the structure, that the Transporter Bridge has a full structural survey. All remedial actions identified as a result of that survey must be addressed as directed by the survey findings. The facility should remain closed until it has been deemed fit for purpose by surveyors. |

| Audit | Priority | Original Date | Revised Date | Finding / Action |
|--|----------|---------------|--------------|---|
| Transporter Bridge | 1 | Mar 21 | Apr 23 | Management should organise a risk workshop with all relevant staff for the purposes of compiling a register that captures all risks facing the Transporter Bridge including health and safety risks and those relating to the strategic objectives of the Transporter Bridge i.e. risks that could prevent the attainment of the Council's vision and aims. The risk register should then be periodically reviewed (e.g. at least twice a year) to ensure that the risks remain relevant and that planned mitigation actions are implemented according to timescales. |
| Reason for delay | | | | |
| As there is currently no date for when the Transporter Bridge will return to operational service, the action dates have been revised to April 2023, as all remaining actions relate to operational staff. Two actions have been completed since the last report to this committee. | | | | |