

INTERNAL AUDIT PROGRESS REPORT 2022/23

Date: 29 September 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 April 2022. The plan is flexible in nature and 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 31 August 2022.



INTERNAL AUDIT PROGRESS

- 5 Our current priorities are to complete the remaining work which commenced during 2021/22. Good progress has been made on these audits and a number have been finalised. In addition, we have commenced work on a number of new areas including Council Tax and NNDR, creditors and Towns Fund governance.
- 6 We also continue to review quarterly Supporting Families claims, and other grant claims including those relating to Covid-19 support. A summary of internal audit work currently underway as well as work finalised in the year to date is included in appendix 1.
- 7 The work programme showing current priorities for internal audit work is included at appendix 2. Alongside the work in the 'do now' and 'do next' categories are indicative timescales for when work has commenced or is expected to commence and for when final reports will be produced. These timescales are subject to change and work priorities may also change during the year depending on an ongoing consideration of risk.
- 8 The programme includes a number of audits in the 'do later' category. The internal audit work programme is designed to include all potential areas that should be considered for audit in the short to medium term, recognising that not all of these will be carried out during the current year (work is deliberately over programmed).
- 9 Four audit reports have been finalised since the last report to this committee in July 2022 and details of these are included at appendix 3.

- 10 Appendix 4 lists our current definitions for action priorities and overall assurance levels.



FOLLOW-UP OF AGREED ACTIONS

- 11 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 5.

APPENDIX 1: 2022/23 INTERNAL AUDIT WORK

Audits in progress

Audit	Status
Senior management reviews	In progress
Children's commissioning & contract management	In progress
Teesside Pension Fund – Investments	In progress
Supplier relief	In progress
Increase in demand (Children's Services)	In progress
Middlesbrough Development Company	In progress
Firewalls (ICT)	In progress
Payroll	In progress
Creditors	In progress
Towns Fund governance	In progress
Burial grounds	Draft report issued
Main Accounting	Draft report issued

Final reports issued

Audit	Reported to Committee	Opinion
Project management – Boho X	July 2022	Limited Assurance
Asset maintenance	July 2022	Substantial Assurance
Teesside Pension Fund – overpayments	July 2022	Substantial Assurance
Schools themed audit – purchasing cards & asset management	July 2022	Substantial Assurance
Future High Streets Fund	September 2022	Substantial Assurance
Home working	September 2022	Substantial Assurance
ICT change management	September 2022	Substantial Assurance
Benefits - overpayments	September 2022	Substantial Assurance

Other work in 2022/23

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 Children's Services Practice Improvement Grant 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 Track and Trace and the Contain Outbreak Management Fund.
- Data analysis on debtors accounts to provide feedback on potential data errors including duplicate entries.
- Ongoing governance 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 / Actual start	Expected finish
Corporate & cross cutting			
Category 1 (do now)			
Senior management reviews	Raised by the CAAC as an issue for review.	August 2022	December 2022
Supplier relief	Significant priority for the Council.	August 2022	December 2022
Category 2 (do next)			
Financial planning and resilience Risk management Performance management and data quality Corporate governance Strategic planning Ethics and culture Local Plan strategy and development	These audits are considered the next priority audits at this time based on current risk and other work ongoing. No timescales are currently planned for these.		
Category 3 (do later)			
Budgeting and savings plans Partnerships Procurement and contract management Workforce planning HR	These audits are not considered high priority at the current time but this will be re-evaluated as the year progresses.		

Audit / Activity	Rationale for inclusion / change in priority	Expected / Actual start	Expected finish
Corporate complaints Information governance Democratic services and elections Environment and climate change Health and safety Business continuity			
Financial / corporate systems			
Category 1 (do now)			
Main accounting Teesside Pension Fund – Investments	Key financial system. Key financial system.	March 2022 March 2022	September 2022 September 2022
Payroll Creditors	Key financial system. Key financial system.	August 2022 September 2022	November 2022 November 2022
Category 2 (do next)			
Council Tax/NNDR Debtors	Key financial system. Key financial system. This will follow on from some initial data analysis work.	September 2022 October 2022	December 2022 Q4 2022/23
Category 3 (do later)			
Teesside Pension Fund – administration Benefits & Council Tax Support Capital accounting and assets			

Audit / Activity	Rationale for inclusion / change in priority	Expected / Actual start	Expected finish
Treasury Management VAT accounting			
ICT			
Category 1 (do now)			
Firewall security	Key ICT risk area and agreed with the service as a priority for review.	August 2022	December 2022
Category 2 (do next)			
Strategy and governance ICT risk management Patch management Cyber security	These audits are considered the next priority audits at this time based on current risk and other work ongoing. The next audits will be agreed with the ICT service during the year.		
Category 3 (do later)			
Operational audits			
Category 1 (do now)			
Burial Grounds	Concerns have been raised about the governance in this area. The audit is now in draft and the findings and actions are being agreed with the service.	November 2021	September 2022
Children's Commissioning and Contract Management	Deferred from 2020/21. Links to the audit work carried out last year following the	March 2022	December 2022

Audit / Activity	Rationale for inclusion / change in priority	Expected / Actual start	Expected finish
	Ofsted inspection. There have been delays due to a lack of officer availability.		
Middlesbrough Development Company	Significant priority for the Council.	August 2022	November 2022
Increase in demand (Children's Service)	Recognised nationally as a significant risk. The audit was originally planned as 'Children's caseload management'.	September 2022	Q4 2022/23
Towns Fund governance	A significant priority for the Council and an audit was agreed as an action from the Boho X work.	September 2022	December 2022
Category 2 (do next)			
Tees Community Equipment Service	A review of the service along with compliance with financial procedures. Some initial data analysis is being carried out.	September 2022	December 2022
Homecare	A review of homecare payments was identified as an area for audit following other work; we have identified issues at other Councils.	October 2022	Q4 2022/23
Selective landlord licensing	This has been raised as an area for review by the relevant DMT.	Q3 2022/23	Q4 2022/23
Category 3 (do later)			
Domestic violence	These audits are considered the next priority audits at this time based on current risk and other work ongoing.		
Schools themed audit – School's Financial Value Standard			
Shopping centre development			
Regeneration projects			
Planning complaints			
Transporter Bridge (follow-up)			

Audit / Activity	Rationale for inclusion / change in priority	Expected / Actual start	Expected finish
Social care referrals and assessments Legislative changes Recruitment and retention Liberty Protection Safeguards Public health Environmental health Homelessness Special Educational Needs Exclusions (schools) Recruitment of foster carers Home to school transport Highways and fleet management Planning Economic development Town Hall strategic management	These audits are not considered high priority at the current time but this will be re-evaluated as the year progresses.		

APPENDIX 3: SUMMARY OF KEY ISSUES FROM AUDITS FINALISED SINCE THE LAST REPORT TO THE COMMITTEE

System/area	Opinion	Area reviewed	Date issued	Comments / Issues identified	Management actions agreed
Future High Streets Fund	Substantial Assurance	Performance information, use of expenditure, alignment to objectives and council plans.	12 July 2022	Governance arrangements are generally working well however the rationale for approving or rejecting applications is not always clearly documented.	A project monitoring and reporting guidance document will be created.
Home working	Substantial Assurance	Corporate guidance, health and safety, ensuring regular contact is maintained with staff.	18 July 2022	Controls in place are working well, however Not all responses have been received to either accept or turn down the Council's variation to contract offer and mandatory training is not complete in all cases.	HR will follow this up including sending reminders to managers.
ICT change management	Substantial Assurance	Authorisations, implementation of changes and monitoring.	26 July 2022	No major issues identified.	
Benefits – overpayments	Substantial Assurance	Calculation and processing of overpayments, performance monitoring.	26 August 2022	No major issues identified.	

APPENDIX 4: 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 5: 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 completed

A total of 5 actions have been completed since the last report to this committee in July 2022. A summary of the priority of the 5 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	0	1	0	0	0	0	0	0
2	4	2	0	0	0	0	0	4
3	1	3	0	0	0	0	0	1
Total	5	Total	0	0	0	0	0	5

Actions Outstanding

A total of 32 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	9	1	0	0	7	0	0	2
2	13	2	0	5	6	1	0	1
3	10	3	0	2	0	5	3	0
Total	32	Total	0	7	13	6	3	3

Of the 32 actions outstanding 24 have had a revised date agreed. The remaining actions are currently being followed-up with the relevant service.

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

Fourteen actions have currently been outstanding for longer than 6 months beyond the agreed implementation date and are included in the table below. 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	Reason for Delay
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.	There is no agreed date for when the bridge will return to operational service. Some initial work has been carried out to address the actions and emergency repairs are being undertaken but this will not make the bridge operational. Officers would require further funding to be agreed to bring the bridge back into full operation. As a result, the remaining actions which largely relate to operational issues have been revised to an implementation date of April 2023.

Audit	Priority	Original Date	Revised Date	Finding / Action	Reason for Delay
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.	As Above
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.	As Above
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.	As Above

Audit	Priority	Original Date	Revised Date	Finding / Action	Reason for Delay
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.	As Above
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.	As Above
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	As Above (survey completed in December 2021).

Audit	Priority	Original Date	Revised Date	Finding / Action	Reason for Delay
				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.	
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.	As Above
Debtors	2	Sep 21	Sep 22	The VAT Officer will investigate cases with incorrect VAT treatment identified during the audit and will provide further training and guidance for relevant staff.	A new VAT officer is now in place who will investigate and produce some key points on the incorrect VAT treatment with further training and guidance provided where necessary.

Audit	Priority	Original Date	Revised Date	Finding / Action	Reason for Delay
Use of CCTV	2	Sep 21	Feb 22 ¹	The CCTV Code of Practice and associated procedures to be supplied to all scheme managers and responsible officers, with appropriate briefings and/or training.	Procedures have been developed. A meeting with scheme managers will be held to confirm their understanding and the action will then be completed.
Use of CCTV	2	Dec 21	Feb 22	The Single Point of Contact (SPoC – this is the Operational Community Safety Manager) will produce an annual report based on a review of annual self-assessments from scheme managers, which will include scheme performance against key measures and targets to be agreed with the Head of Strategy, Information and Governance (SRO).	The Annual report has now been produced; once agreement from the Head of SRO has been evidenced then the action will be completed.
Use of CCTV	1	Dec 21	Feb 22	Scheme managers and responsible officers will be identified for all schemes and they will maintain Code Assessment Packs, demonstrating compliance with the Council’s local code of practice. The Operational Community Safety Manager will produce an annual report based on a review of annual self-assessments by scheme managers.	Initial actions delivered but evidence required of ongoing maintenance of compliance records. A meeting will be held with scheme managers to follow up on compliance and once this has taken

¹ The CCTV actions all had revised dates of 28 February 2022. A follow-up of these actions is now underway and the actions are expected to be completed once satisfactory evidence is provided as per the narrative included in the ‘reasons for delay’ column.

Audit	Priority	Original Date	Revised Date	Finding / Action	Reason for Delay
					place the action will be complete.
Use of CCTV	1	Sep 21	Feb 22	A central register of all public space surveillance camera equipment operated by the Council, including the location of each piece of equipment, its asset reference, and the manager responsible, will be developed and maintained by the Operational Community Safety Manager.	Cameras have been mapped to create a central register that contains their location and object ID. A follow-up audit will be carried out in July-August 2022 to confirm implementation and agree any additional actions that may be required.
Use of CCTV	2	Dec 21	Mar 22	Contract owners to work with the North East Procurement Organisation (NEPO) and the CCTV provider to enforce current contract stipulations regarding performance and to update them where required in line with the Council's Code Assessment Pack and annual review process.	Monthly meetings have been held; evidence of these to be provided and if satisfactory the action will be complete.