

INTERNAL AUDIT PROGRESS REPORT 2022/23

Date: 5 December 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 October 2022.



INTERNAL AUDIT PROGRESS

- 5 Work is underway on a range of audits across Council directorates. Two audits are currently at draft report stage. A summary of internal audit work currently underway, as well as work finalised in the year, is included at appendix 1.
- 6 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.
- 7 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).
- 8 One audit report has been finalised since the last report to this committee in September 2022 and details of this are included at appendix 3.
- 9 Appendix 4 lists our current definitions for action priorities and overall assurance levels.



FOLLOW-UP OF AGREED ACTIONS

- 10 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
Creditors	In progress
Towns Fund governance	In progress
Tees Community Equipment Service	In progress
Council Tax and NNDR	In progress
Homecare	In progress
Schools themed audit – Schools Financial Value Standard	In progress
Payroll	In progress
Burial grounds	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
Main Accounting	December 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	TBC
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. Timescales will be determined once other ongoing work progresses further.		
Category 3 (do later)			
Budgeting and savings plans Partnerships Procurement and contract management Workforce planning HR Corporate complaints Information governance	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
Democratic services and elections Environment and climate change Health and safety Business continuity			
Financial / corporate systems			
Category 1 (do now)			
Teesside Pension Fund – Investments	Key financial system.	March 2022	December 2022
Payroll	Key financial system.	August 2022	December 2022
Creditors	Key financial system.	September 2022	December 2022
Council Tax/NNDR	Key financial system.	November 2022	February 2023
Category 2 (do next)			
Debtors	Key financial system. This will follow on from some initial data analysis work.	January 2023	April 2023
Benefits & Council Tax Support	Key financial system.	January 2023	April 2023
Category 3 (do later)			
Capital accounting and assets			
Treasury Management VAT accounting			

Audit / Activity	Rationale for inclusion / change in priority	Expected / Actual start	Expected finish
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)			
None			
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	November 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	December 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	February 2023
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
Tees Community Equipment Service	A review of the service along with compliance with financial procedures. Some initial data analysis is being carried out.	October 2022	February 2023
Homecare	A review of homecare payments was identified as an area for audit following other work; we have identified issues at other Councils.	November 2022	February 2023
Schools themed audit – School's Financial Value Standard	There have been changes to the requirements relating to related party transactions for schools and this will be considered as part of the audit.	November 2022	April 2023

Audit / Activity	Rationale for inclusion / change in priority	Expected / Actual start	Expected finish
Category 2 (do next)			
Selective landlord licensing	This has been raised as an area for review by the relevant DMT.	January 2023	April 2023
Project management – regeneration	An action from the Boho X audit report was to review the project management of other regeneration projects.	January 2023	April 2023
Category 3 (do later)			
Domestic violence Shopping centre development Regeneration projects Planning complaints Transporter Bridge (follow-up)	These audits are considered the next priority audits at this time based on current risk and other work ongoing.		
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	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
Economic development Town Hall strategic management			

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	P1 actions	P2 actions
Main Accounting	Substantial Assurance	Control/suspense accounts, bank reconciliations, feeder systems, journals, virements, budget monitoring.	15 September 2022	Processes are working well with few issues identified.	Reviews of journal descriptions will be carried out and feedback provided to staff where they are inadequate.	0	0

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 13 actions have been completed since the last report to this committee. A summary of the priority of the 13 completed actions are included below.

Actions agreed	
Priority of actions	Number of actions agreed
1	3
2	4
3	6
Total	13

Actions agreed by directorate						
Priority of actions	Adult Social Care	Children's Services	Environment and Community	Finance	Legal and Governance	Regeneration
1	0	0	0	0	0	3
2	0	1	0	0	1	2
3	0	1	0	3	2	0
Total	0	2	0	3	3	5

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	8	1	0	0	7	0	0	1
2	9	2	0	1	6	1	0	1
3	4	3	0	1	0	0	3	0
Total	21	Total	0	2	13	1	3	2

Of the 21 actions outstanding 17 have had a revised date agreed. The remaining 4 actions are currently being followed up.

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

Ten 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	Mar 23	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	1	Dec 21	Jul 23	<p>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.</p> <p>The Operational Community Safety Manager will produce an annual report based on a review of annual self-assessments by scheme managers.</p>	<p>The majority of the actions relating to the audit have now been completed however this remains outstanding. Scheme managers will be provided with guidance and training so they can maintain appropriate Code Assessment Packs. In addition, the next annual report will include a review of annual self-assessments.</p>