

INTERNAL AUDIT PROGRESS REPORT 2022/23

Date: 16 March 2023

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 28 February 2023.



INTERNAL AUDIT PROGRESS

- 5 Since the last progress report to this committee we have continued to progress ongoing audit work as well as commencing new audits including audits of regeneration projects and domestic abuse. A summary of internal audit work currently underway, as well as work finalised during 2022/23 is included at appendix 1, below.
- 6 Our audits of senior management reviews and Middlesbrough Development Company are at draft report stage. Discussions are continuing with officers to reach agreement on the findings and these will be finalised as soon as possible.
- 7 Ongoing work continues with audits in Children's Services. An audit of commissioning is nearing draft report stage. The planned audit of demand management (incorporating budget management) will be revisited following the completion of the commissioning audit.
- 8 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.
- 9 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). We are currently assessing which

of these audits will be included as a priority for audit in 2023/24 alongside any new and emerging audit areas identified as part of our continuous audit planning process.

- 10 We originally planned to do some of the audits in the 'do later' category during 2022/23, however time proposed for these has been spent on audits considered higher priority (senior management reviews, MDC) as well as additional time required on some audits where a Limited Assurance opinion was provided (burials, CCTV). We would be happy to take opinions from the committee on those audits in the 'do later' category that they consider should be an immediate priority for 2023/24.
- 11 Seven audit reports have been finalised since the last report to this committee in September 2022 and details of these are included at appendix 3.
- 12 Appendix 4 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 follow up work is included at appendix 5.
- 14 A full follow-up review has also been completed for the limited assurance Use of CCTV audit completed in July 2021. A summary of the findings is included in appendix 3. The review found that some of the actions were complete; however two new actions have been agreed to address the remaining outstanding issues. These have implementation dates of March and September 2023.

APPENDIX 1: 2022/23 INTERNAL AUDIT WORK

Audits in progress

Audit	Status
Children's commissioning & contract management	In progress
Supplier relief	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
Disabled Facilities grant	In progress
Regeneration projects	In progress
Domestic abuse	In progress
Senior management reviews	Draft report issued
Middlesbrough Development Company	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
Teesside Pension Fund – investments	March 2023	Substantial Assurance
Firewalls (ICT)	March 2023	Substantial Assurance
Creditors	March 2023	Reasonable Assurance
Payroll	March 2023	Substantial Assurance
Burials	March 2023	Limited Assurance
Towns fund governance	March 2023	Substantial Assurance
CCTV (follow-up)	March 2023	No Opinion Given

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, Green Homes grant, Adult Weight Management 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.
- An annual review of a number of trust funds administered by the Council.

APPENDIX 2: CURRENT PRIORITIES FOR INTERNAL AUDIT WORK

Audit / Activity	Rationale for inclusion / change in priority	Expected / Actual start	Expected finish	Notes
Corporate & cross cutting				
Category 1 (do now)				
Senior management reviews	Raised by the CAAC as an issue for review.	August 2022	March 2023	Report now in draft.
Supplier relief	Significant priority for the Council.	August 2022	March 2023	Ongoing – some information has been received but liaising with the external supplier has been difficult. We are discussing the outcomes with officers.
Category 2 (do next)				
Procurement cards	Requested by Children’s DMT as an area of high risk and spend.	April 2023	June 2023	
Category 3 (do later)				
Financial planning and resilience Risk management	These areas continue to be a consideration for audit in the short to medium term but are lower			

Audit / Activity	Rationale for inclusion / change in priority	Expected / Actual start	Expected finish	Notes
Performance management and data quality Corporate governance Strategic planning Ethics and culture Local Plan strategy and development Budgeting and savings plans Partnerships Procurement and contract management Workforce planning HR Corporate complaints Information governance Democratic services and elections Environment and climate change Health and safety Business continuity	priority than other work included in the do now and next categories. We will re-evaluate their priority as part of the planning process for the 2023/24 audit work programme.			
Financial / corporate systems				
Category 1 (do now)				

Audit / Activity	Rationale for inclusion / change in priority	Expected / Actual start	Expected finish	Notes
Council Tax/NNDR	Key financial system.	February 2023	May 2023	Planning meeting held. Audit start was originally due to be January but February has been requested by the service.
Category 2 (do next)				
Debtors	Key financial system. This will follow on from some initial data analysis work.	February 2023	May 2023	We provided initial analysis work findings in June 2022. Work is planned to commence once we have agreed these finding with the service.
Benefits & Council Tax Support	Key financial system.	May 2023	July 2023	This will follow the council tax/NNDR audit as the same key officers are involved in both audits.
Teesside Pension Fund – Administration	Key financial system.	February 2023	May 2023	Planned to commence in February.
Main Accounting	Key financial system.	May 2023	July 2023	Planned to commence in May.
Category 3 (do later)				

Audit / Activity	Rationale for inclusion / change in priority	Expected / Actual start	Expected finish	Notes
Capital accounting and assets Treasury Management VAT accounting	These areas continue to be a consideration for audit in the short to medium term, but are lower priority than other work included in the do now and next categories. We will re-evaluate their priority as part of the planning process for the 2023/24 audit work programme.			
ICT				
Category 1 (do now)				
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.			
Category 3 (do later)				
None				
Operational audits				

Audit / Activity	Rationale for inclusion / change in priority	Expected / Actual start	Expected finish	Notes
Category 1 (do now)				
Children's Commissioning and Contract Management	Deferred from 2020/21. Links to the audit work carried out last year following the Ofsted inspection. There have been delays due to a lack of officer availability.	March 2022	March 2023	Fieldwork complete.
Middlesbrough Development Company	Significant priority for the Council.	August 2022	March 2023	Draft report issued.
Increase in demand (Children's Services)	Recognised nationally as a significant risk. The audit was originally planned as 'Children's caseload management'. The scope has now been agreed to include a budgetary control element.	TBC	TBC	We've agreed to reconsider this audit once the audit of commissioning is complete.
Tees Community Equipment Service	A review of the service along with compliance with financial procedures.	October 2022	March 2023	Fieldwork ongoing.
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	March 2023	Fieldwork ongoing.

Audit / Activity	Rationale for inclusion / change in priority	Expected / Actual start	Expected finish	Notes
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	Fieldwork ongoing.
Regeneration projects	An action from the Boho X audit report was to review the project management of other regeneration projects.	January 2023	April 2023	Fieldwork ongoing.
Disabled Facilities Grant	This has been raised as an area for review by the relevant DMT.	February 2023	May 2023	Fieldwork ongoing.
Domestic abuse	This has been raised as a national issue following the pandemic and raised as an area for review by the DMT.	February 2023	May 2023	Planning commenced
Category 2 (do next)				
Selective landlord licensing	This has been raised as an area for review by the relevant DMT.	April 2023	June 2023	Planned to commence in April.

Audit / Activity	Rationale for inclusion / change in priority	Expected / Actual start	Expected finish	Notes
Category 3 (do later)				
Transporter Bridge (follow-up) Social care referrals and assessments Legislative changes Recruitment and retention Liberty Protection Safeguards Substance misuse Transitions Hospital discharges Residential care 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 areas continue to be a consideration for audit in the short to medium term but are lower priority than other work included in the do now and next categories. We will re-evaluate their priority as part of the planning process for the 2023/24 audit work programme.			

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	Key management actions agreed	P1 actions	P2 actions
Burials	Limited Assurance	Compliance with legislation, policies & procedures, issuing of burial certificates.	1 Dec 2022	There is no overarching strategy for the services and policies are not up to date. Same day burial services are not offered consistently and the gifts and hospitality policy were not always adhered to.	A strategy will be developed, and policies updated including the arrangements for same day burials. All relevant staff will be provided with sufficient training.	0	6
Firewalls	Substantial Assurance	Roles & responsibilities, changes to firewalls, rules and configurations.	15 Dec 2022	Systems are working well with few issues identified.	No P1/P2 actions agreed.	0	0
Payroll	Substantial Assurance	Production of payroll runs, changes to payroll, starters/leavers.	19 Dec 2022	Systems are working well with few issues identified.	No P1/P2 actions agreed.	0	0
Teesside Pension Fund – Investments	Substantial Assurance	Performance information, review of investment strategy,	22 Dec 2022	Systems are working well with few issues identified.	No P1/P2 actions agreed.	0	0

System/area	Opinion	Area reviewed	Date issued	Comments / Issues identified	Key management actions agreed	P1 actions	P2 actions
		management of investments.					
Towns Fund governance	Substantial Assurance	Compliance with key governance documents, performance monitoring.	5 Jan 2023	No evidence retained of declarations at the start of Board meetings.	A process for retaining declarations will be introduced.	0	1
Creditors	Reasonable Assurance	Changes to supplier details, separation of duties, ordering of goods and services, performance management.	18 Jan 2023	Regular performance monitoring has not been taking place.	Performance metrics will be agreed and reported upon.	0	1
CCTV (follow-up)	No Opinion Given	A follow-up of previously agreed actions relating to CCTV.	3 Feb 2023	A number of actions have been completed; two new actions have been agreed.	Code Assessment Packs will be completed for all schemes and an annual report will be produced.	1	1

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 11 actions have been completed since the last report to this committee. A summary of the priority of the 11 completed actions are included below.

Actions agreed	
Priority of actions	Number of actions agreed
1	0
2	3
3	8
Total	11

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	0
2	0	1	0	1	0	1
3	0	1	0	3	4	0
Total	0	2	0	4	4	1

Actions Outstanding

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

Of the 13 actions outstanding 12 have had a revised date agreed. The remaining action is currently being followed-up.

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

Nine actions have currently been outstanding for more than 6 months. Of these, 8 relate to the audit of the Transporter Bridge and details have been reported previously to this committee. These relate to operational issues and will not be dealt with until the bridge is brought into operation for which there is no agreed date.

We will monitor the position and follow up again when there is a plan for it to become operational but will remove from follow up reporting to this committee until that point.

Details of the remaining action is included in the table below. A revised date has been agreed and we will follow this up when the new implementation date becomes due.

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