

INTERNAL AUDIT PROGRESS REPORT 2021/22

Date: 30 September 2021

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 activity between 1 April 2021 and 31 August 2021.



INTERNAL AUDIT PROGRESS

- 5 A summary of internal audit work currently underway is included in appendix 1. The current work plan showing the priorities for internal audit work during 2021/22 can be found at appendix 2.
- 6 Work so far in 2021/22 has largely been focused on finalising outstanding 2020/21 work. Appendix 3 summarises the key findings from work completed that we have not previously reported to this committee.
- 7 In addition to the audits listed at appendix 3, there are another four 2020/21 audits that are still in progress. The audits of Project Management and Council Tax Support & Housing Benefits are at draft report stage. The audits of Social Care & Emergency Payments and Council Tax & NNDR are ongoing. We expect to be able to report findings for each of these audits to the next meeting of this committee.
- 8 New audit work that has started includes an audit of the Youth Employment Initiative and supplier relief relating to Covid 19.
- 9 We are also starting to review grant claims relating to Supporting Families as well as those awarded by the Department for Transport and the Tees Valley Combined Authority.



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 4.

APPENDIX 1: 2021/22 INTERNAL AUDIT WORK

| Audit | Status | Assurance Level |
|--|-------------|-----------------|
| Supplier Relief | In progress | |
| Youth Employment Initiative | In progress | |
| <p>Other work</p> <p>Internal audit work has been undertaken in a range of other areas during the period, including those listed below.</p> | | |
| <ul style="list-style-type: none"> Quarterly review of Supporting Families claims | | |

APPENDIX 2: CURRENT PRIORITIES FOR INTERNAL AUDIT WORK

| Audit / Activity | Rationale |
|---|--|
| <p>Corporate & cross cutting</p> <p>Category 1 (do now)</p> <p>Senior management reviews Covid-19 response including supplier relief</p> <p>Category 2 (do next)</p> <p>Future High Streets Fund governance Home working</p> <p>Purchasing Cards</p> <p>Category 3 (do later)</p> <p>Procurement and contract management 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</p> | <p>Raised by the CAAC as an issue for review. Significant priority for the Council.</p> <p>New, significant funding stream for the Council. Significant risk for the Council from a health and safety perspective. Following on from 2020/21 work to focus on areas of high spend.</p> |

| | |
|---|---|
| <p>Investment Strategy Information governance and data protection Environment, climate change and waste Health and safety</p> | |
| <p>Financial / corporate systems</p> <p>Category 1 (do now)</p> <p>Debtors – data analysis</p> <p>Category 2 (do next)</p> <p>Teesside Pension Fund – overpayments Benefits - overpayments</p> <p>Category 3 (do later)</p> <p>Main accounting/general ledger Debtors Council Tax/NNDR and benefits Capital accounting and assets Treasury Management Payroll/personnel Teesside Pension Fund – administration and investments</p> | <p>Wider data analysis not carried out as part of previous audit.</p> <p>Not included as part of 20/21 audit. Not included as part of 20/21 audit.</p> |

| | |
|---|---|
| <p>ICT</p> <p>Category 1 (do now)</p> <p>n/a</p> <p>Category 2 (do next)</p> <p>Strategy and governance ICT change management ICT asset management</p> <p>Category 3 (do later)</p> <p>ICT risk management ICT information security Cyber security Digitalisation and automation</p> <p>Operational audits</p> <p>Category 1 (do now)</p> <p>Asset maintenance</p> <p>Youth Employment Initiative review</p> <p>Category 2 (do next)</p> <p>Children’s Commissioning and Contract Management</p> | <p>ICT audits are yet to be agreed with the service.</p> <p>Key ICT risk area. Including the Council’s transition to Office 365. This is linked to home working and use of Council assets outside of the office.</p> <p>Agreed by CAAC to do a further piece of work following the Transporter Bridge report.</p> <p>Required periodic audit by the scheme provider.</p> <p>Deferred from 2020/21. Links to the audit work carried out last year following the ofsted inspection.</p> |
|---|---|

| | |
|---|---|
| <p>Middlesbrough Development Company</p> <p>Commercial Property Management</p> <p>Children’s caseload management</p> <p>Schools – themed audit</p> <p>External providers for children’s care</p> | <p>Significant priority for the Council.</p> <p>Significant funding stream for the Council.</p> <p>Recognised nationally as a significant risk.</p> <p>Theme to be agreed with the service.</p> <p>Raised as an area for review by the DMT.</p> |
| <p>Category 3 (do later)</p> <p>Measures to improve school attendance</p> <p>Town Hall strategic management</p> <p>Liberty Protection Safeguards</p> <p>Environmental health</p> <p>Homelessness</p> <p>EHC plans</p> <p>Residential placements</p> <p>Contracts and commissioning</p> <p>Transition procedures</p> <p>Highways and fleet management</p> <p>Economic Development</p> <p>Housing strategy</p> | |

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 |
|--|-----------------------|---|--------------------|---|---|
| Use of CCTV | Limited Assurance | Compliance with legislative requirements and operating procedures. | July 2021 | No central register exists of all CCTV sites and therefore compliance with legislation could not be confirmed. | A complete register will be produced and responsibilities will be identified to demonstrate compliance with legislation and operating procedures. |
| Officer and Member Decision Making | Reasonable Assurance | Recording of decisions, compliance with the Constitution and access to information. | July 2021 | A number of minor issues were identified including logging of decisions, inaccurate processes and unclear guidance. | Refresher training will be provided and any errors will be rectified. |
| Schools Themed Audit – Pupil Premium | Reasonable Assurance | Receipt of funding, strategies to spend funding and promotion and publication. | July 2021 | A number of minor issues were identified at the schools reviewed as part of the audit. This included demonstrating governor oversight and utilisation of funding. | Strategies to be presented to governors and these will include demonstration of how funding will be spent. |
| Teesside Pension Fund – Investments | Substantial Assurance | The transition of funds into the Border Coast Pensions Partnership Limited. | July 2021 | Processes in place are working well and no major issues identified. | Risk registers will be presented to the Pension Fund Committee on a regular basis. |
| Teesside Pension Fund – Administration | Substantial Assurance | Compliance with legislation and procedures, reconciliation of payments, early retirements and transfers from other employers. | August 2021 | Processes in place are working well and no major issues identified. | Policy documents will be updated. |

| System/area | Opinion | Area reviewed | Date issued | Comments / Issues identified | Management actions agreed |
|--------------------------|-----------------------|---|----------------|--|--|
| Governance Arrangements | Substantial Assurance | Updating of the Council's local code of governance and the effectiveness of the Annual Governance Statement. | September 2021 | Processes in place are working well. However, the local code should be made more accessible and some improvements were suggested in line with best practice for the Annual Governance Statement. | Access to the local code will be clearly linked and the Annual Governance Statement will be updated. |
| Main Accounting System | Reasonable Assurance | Control/suspense accounts, bank reconciliations, journals, feeder systems, virements, budget monitoring. | September 2021 | A number of minor issues were identified including evidencing of checks, including journal narratives and reasons for virements. | Processes will be implemented or adapted to address the issues raised. |
| Cyber Security Awareness | Substantial Assurance | Cyber security risks, training and guidance, policies and procedures. A survey was sent to all staff and members and a number of phishing exercises were undertaken by ICT alongside the audit. | September 2021 | Processes in place are working well and no major issues identified. | ICT will raise awareness of the issues identified, communications will be sent out as well as further phishing exercises and a follow-up survey. |

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 81 actions have been agreed as a result of internal audit work completed in 2020/21. A summary of the priority of these actions is included below.

| Actions agreed | | Actions followed up by directorate | | | | | |
|---------------------|--------------------------|------------------------------------|-----------|----------------------------|--------------------|---------------------|------------------------|
| Priority of actions | Number of actions agreed | Environment & Community Services | Finance | Adult Social Care & Health | Legal & Governance | Children's Services | Regeneration & Culture |
| 1 | 9 | 9 | 0 | 0 | 0 | 0 | 0 |
| 2 | 25 | 10 | 7 | 2 | 3 | 3 | 0 |
| 3 | 47 | 4 | 15 | 0 | 15 | 13 | 0 |
| Total | 81 | 23 | 22 | 2 | 18 | 16 | 0 |

Of the 81 agreed actions, 59 were due for implementation before the end of August 2021. Of these, 30 (51%) have been satisfactorily implemented. The remaining actions are either still being followed up with the relevant service area or a revised date has been agreed. This is done where the delay in addressing an issue will not lead to unacceptable exposure to risk and where, for example, the delays are unavoidable. No actions have currently been outstanding for longer than 6 months beyond the agreed implementation date. The remaining actions will be followed up when their implementation dates are due.