

INTERNAL AUDIT PROGRESS REPORT 2021/22

Date: 9 December 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 audit activity between 1 September 2021 and 24 November 2021.



INTERNAL AUDIT PROGRESS

- 5 Work is now underway on a number of audits. This includes supplier relief relating to Covid 19, asset maintenance and audits in adult social care and children's services.
- 6 In addition, we have continued to review quarterly Supporting Families claims, conducted a review of sub-contracting at the Middlesbrough Community Learning Service and reviewed a number of grant claims. 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. Audits that have recently moved into the 'do now' category include a schools themed audit, an audit of the processes around burial grounds and a procurement review of the use of local suppliers.
- 8 A number of audits remain 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 as previously discussed at Committee). In determining which audits will actually be undertaken, the priority and relative risk of each area will continue to be considered throughout the year and as part of audit planning for 2022/23.
- 9 Five audit reports have been finalised since the last report to this committee in September 2021. Appendix 3 summarises the key findings from these audits as well as details of actions agreed.

- 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: 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
Schools – themed audit	In progress
Senior management reviews	Planning started
Debtors	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 completed 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

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 Procurement and contract management</p> <p>Category 2 (do next)</p> <p>Future High Streets Fund governance Home working Purchasing Cards</p> <p>Category 3 (do later)</p> <p>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</p>	<p>Raised by the CAAC as an issue for review. Significant priority for the Council. A review of the use of local suppliers is underway to ensure internal targets are met.</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>

Audit / Activity	Rationale
Information governance and data protection Environment, climate change and waste Health and safety	
Financial / corporate systems Category 1 (do now) Debtors – data analysis Teesside Pension Fund – Overpayments Category 2 (do next) Benefits - overpayments Category 3 (do later) Main accounting/general ledger Council Tax/NNDR and benefits Capital accounting and assets Treasury Management Payroll/personnel Teesside Pension Fund – investments	Debtors is a fundamental financial system. The work will include using data analysis techniques. A review of key areas not included in previous audits including overpayments. Benefits is a fundamental financial system and overpayments a significant risk area within it.
ICT Category 1 (do now) n/a Category 2 (do next)	ICT audits will commence in Q4.

Audit / Activity	Rationale
Firewall security ICT change management ICT asset management Category 3 (do later) Strategy and governance ICT risk management ICT information security Cyber security Digitalisation and automation	Key ICT risk area and agreed with the service as a priority for review. Key ICT risk area and agreed with the service as a priority for review. This is linked to home working and use of Council assets outside of the office.
Operational audits Category 1 (do now) Asset maintenance Schools – themed audit Burial Grounds Adult Social Care Payments Category 2 (do next)	 Agreed by CAAC to do a further piece of work following the Transporter Bridge report. Theme to be agreed with the service. Concerns have been raised about the governance in this area. This is following on from work started in 20/21, and is reviewing the use of advance payments.

Audit / Activity	Rationale
Children's Commissioning and Contract Management	Deferred from 2020/21. Links to the audit work carried out last year following the ofsted inspection.
Middlesbrough Development Company	Significant priority for the Council.
Commercial Property Management	Significant funding stream for the Council.
Children's caseload management	Recognised nationally as a significant risk.
External providers for children's care	Raised as an area for review by the DMT.
Category 3 (do later) Measures to improve school attendance Town Hall strategic management Liberty Protection Safeguards Environmental health Homelessness EHC plans Residential placements Transition procedures Highways and fleet management Economic Development Housing strategy	

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
Social care and emergency payments	Substantial Assurance	Policies and procedures, clarity of responsibilities, anti-fraud controls.	September 2021	No issues identified.	
Council Tax and NNDR	Substantial Assurance	Calculation of bills, application of discounts, exemptions, disregards and reliefs including those relating to Covid-19.	October 2021	No issues identified.	
Council Tax Support and Housing Benefits	Reasonable Assurance	Applications, changes of circumstance and requests to reconsider CTS, HB and Covid-19 related awards	October 2021	Quality assurance checks were lower during the periods of lockdown.	Checks will be restored to pre-pandemic levels including benefits team leaders carrying out sample checking of claims.
Youth Employment Initiative	Substantial Assurance	Performance monitoring processes, the quality of evidence submitted to the consortium leader (Hartlepool Borough Council) and eligibility checks.	November 2021	No 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 followed up

A total of 87 actions have been agreed as a result of internal audit work completed up to 24 November 2021. 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	27	10	9	2	3	3	0
3	51	4	15	0	19	13	0
Total	87	23	24	2	22	16	0

Of the 87 agreed actions, 77 were due for implementation before 31 October 2021. Of these, 56 (73%) 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. The remaining actions will be followed up when their implementation dates are due.

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 to bring their attention to the Committee. 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	Mar 22	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.	Due to not having a date for when the bridge will return to operational service, it was requested that the action date be pushed back to March 2022, as all actions relate to operational staff.
Transporter Bridge	2	Mar 21	Mar 22	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

Audit	Priority	Original Date	Revised Date	Finding / Action	Reason for Delay
Transporter Bridge	1	Mar 21	Mar 22	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	Mar 22	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
Transporter Bridge	1	Mar 21	Mar 22	There must be compliance with the requirements of the Lifting Operations and Lifting Equipment Regulations (LOLER) 1998. An immediate review should be undertaken so that all lifting equipment can be identified and correctly categorised into the following categories.	As Above

Audit	Priority	Original Date	Revised Date	Finding / Action	Reason for Delay
Transporter Bridge	1	Mar 21	Mar 22	Appropriate training must be provided so that personnel have the competency to carry out user checks on harnesses. A documented system of undertaking checks on personal issue harnesses and items in rescue bags should be implemented. Appropriate harness inspections must be performed on a six-monthly basis with an appropriately qualified contractor to satisfy the requirements of the PUWER and Working at Height regulations.	As Above
Transporter Bridge	1	Mar 21	Mar 22	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

Audit	Priority	Original Date	Revised Date	Finding / Action	Reason for Delay
Transporter Bridge	2	Mar 21	Mar 22	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	Mar 22	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.	As Above

Audit	Priority	Original Date	Revised Date	Finding / Action	Reason for Delay
Transporter Bridge	1	Mar 21	Mar 22	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