

**REPORT OF THE
CHIEF FINANCE OFFICER & HEAD OF INTERNAL AUDIT**

TO THE AUDIT & ACCOUNTS COMMITTEE

ON WEDNESDAY 24th MARCH 2021

TITLE: Internal Audit Progress Report (January 2021 – March 2021)

RECOMMENDATIONS: Members are requested to consider the contents of the report.

EXECUTIVE SUMMARY: The purpose of this report is to inform Members of the resources utilised by Internal Audit during 2020/21, the activities undertaken in the reporting period, and the status of work currently being undertaken.

BACKGROUND DOCUMENTS:

- Audit & Accounts Committee reports
 - Internal Audit's management information systems
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KEY DECISION: No

DETAILS: N/A

KEY COUNCIL POLICIES: N/A

EQUALITY IMPACT ASSESSMENT AND IMPLICATIONS: N/A

ASSESSMENT OF RISK: Internal audit projects are managed within the Unit's risk based audit protocols aimed at giving assurance regarding the management of the City Council's key business risks.

LEGAL IMPLICATIONS Supplied by: Nicky Smith, Senior Solicitor

Section 151 of the Local Government Act 1972 requires every local authority to make arrangements for the proper administration of their financial affairs and to secure that one of their officers has responsibility for the administration of those affairs. The Accounts and Audit Regulations 2015 also require authorities to ensure that they have a sound system of internal control which:

- (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
- (b) ensures that the financial and operational management of the authority is effective; and
- (c) includes effective arrangements for the management of risk.

A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management control and governance processes, taking into account public sector internal auditing standards or guidance.

In that regard, the Public Sector Internal Audit Standards (CIPFA/IIA) requires an authority's chief audit executive to develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity. The quality assurance and improvement programme must include both internal and external assessments. Internal assessments include the ongoing monitoring of the performance of the internal audit activity.

The purpose of this report is to inform Members of the resources utilised by Internal Audit between January 2021 and March 2021, the activities undertaken in the reporting period, and the status of work currently being undertaken.

FINANCIAL IMPLICATIONS Supplied by: Jean Gleave Head of Internal Audit

The audit plan is funded from within the revenue budget and there are no additional financial demands resulting from this report.

PROCUREMENT IMPLICATIONS Supplied by: Christine Flisk, Procurement Manager.

There are no known procurement implications with this report.

HR IMPLICATIONS Supplied by: Catherine Sharples HR Manager

There are no known HR implications arising from this report.

CLIMATE CHANGE IMPLICATIONS Supplied by: None

OTHER DIRECTORATES CONSULTED: N/A

CONTACT OFFICER: David Smith, Internal Audit Manager TEL NO: Ex 6969

WARDS TO WHICH REPORT RELATES: N/A

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INTRODUCTION

This report provides Members of the Audit & Accounts Committee with details of the resources utilised by Internal Audit and outcomes, including work reported in this period, work currently being undertaken and new work commenced.

Appendix 1 provides details of the progress and status of the 2020/21 plan.

Audits Completed and Reports Issued

Table 1 below summarises the two audits that have been finalised since the last progress report to Audit and Accounts Committee, and the corresponding number of agreed actions and overall level of assurance provided for each of those audits.

Summary Reports have been provided to Committee Members for each of these reviews.

Table 1: Reports Issued

| Audit | Number of agreed actions and priority | | | | | Level of Assurance |
|------------------------|---------------------------------------|------|--------|-----|-----------|--------------------|
| | Critical | High | Medium | Low | Total | |
| Wharton Primary School | - | 6 | 7 | - | 13 | Limited |
| Blue Badges | - | - | 3 | - | 3 | High |
| Total: | - | 6 | 10 | - | <u>16</u> | |

Any level of assurance given to each audit is a balanced judgement based upon the established system of controls, the subject's approach to risk management, and the nature of any recommendations made and actions agreed. (See Appendix 2 for explanations of the different levels of assurance).

Actions are classified over the categories of critical, high, medium, and low. See Appendix 3 for explanations of the different levels of priority.

The agreed actions are designed to improve the control environment and/or improve 'value for money' within the client's area of responsibility and we can report that the action made in this period has been agreed by management.

Our audit reports include an action plan that records the detail of our findings, the agreed action that management intend to take in response to these findings and the timescale to undertake such action. This provides a record that progress can be measured against when we undertake our Post Implementation Reviews or follow-up work.

OTHER WORK

This section details other work completed by the audit team during the period.

Assurance Work – Draft Reports

Work on the audit plan has now re-commenced as noted in Appendix 1.

Draft reports have been issued in the following areas:

- Health Inequalities
- Corporate Complaints
- Personal Budgets (Children & Families)

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- Homelessness

Reports are also currently being drafted for:

- Welfare Rights and Debt Advice Service
- Income Processes (Skips and Scaffolding)
- Use of Section 17 Funds

DfT Self-Assessment Return

During March Internal Audit undertook an ad-hoc review of the DfT self-assessment return, and the evidence bases of the statements provided. Sample testing confirmed that the statements made were supported by sufficient evidence.

Information Governance and Data / Digital

We continue to provide advice and consultative support to the council's arrangements for information governance and its response to the Information Commissioner's Office (ICO) inspection in March 2018. In addition we provide ongoing assurance and consultative support to the council's continued compliance with the requirements of:

- ISO 27001
- Payment Card Industry

Supporting Squads, Transformation and Change

Internal Audit is currently involved in a 'squad' supporting:

- Payroll: providing consultancy advice or independent assurance as/when our input is appropriate, currently in relation to ongoing developments with the arrangements for making contribution payments to providers and new developments with timesheet administration.
- Project Imagine (Replacement system for CareFirst): providing consultancy advice or independent assurance as/when our input is appropriate.

Resources

Covid-19 Response

Since the middle of March 2020, and the onset of the Covid-19 pandemic, the internal audit and counter fraud teams have been supporting the council's response to the pandemic.

- working with the Revenues and Benefits team on the Government's small business, retail & hospitality, and discretionary grants; providing independent assurance and working to reduce the risk of fraud. This work has recently grown again following the introduction of the Tier system and the national lockdowns, in response to which the Government has introduced several new grant schemes requiring similar assurance work to that which we undertook over the spring/summer.
- working with the Housing Benefits team to implement a robust system for processing the Government's track and trace / isolation payments to eligible members of the public.

In addition, over the Spring/Summer the internal audit and counter fraud teams were supporting the council's response to the pandemic by:

- making safe and well calls to residents who are shielding.
- providing support to the accounts payable team.

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Staffing

Sickness levels remain relatively low within the team, however, we anticipate being without one of our senior auditors for the remainder of the year due to maternity leave, with the impact of losing up to 60 days of audit work this financial year.

Investigations

The team continue to be available to support the business with internal investigations, providing technical skills and advice when called upon and managing the whistleblowing hotline / online referrals. We have no current / ongoing fraud investigations.

Collaboration

- We have ongoing representation on sub groups of the North West Heads of Internal Audit Groups, the groups have been established to share good practice in audit across the region:
 - Contract Audit Group
 - IT Audit Group
 - Schools Audit Group

School Audits

We have discussed the schools audit plan with the Assistant Director. There is continued pressure on Salford's schools owing to the ongoing pandemic which limits their capacity to participate in an audit. We have been auditing schools only where there is felt to be a pressing need, in full consultation with the Assistant Director.

Appendix 1: Audit Plan 2020/21

| Audit / Activity | Timing | TOR | Reported | Assurance | Comments |
|--|---------|----------|----------|-----------|----------------------------------|
| CORPORATE GOVERNANCE & RISK | | | | | |
| Governance Arrangements / AGS | ongoing | n/a | n/a | n/a | |
| Risk Management and Assurance Framework | ongoing | n/a | n/a | n/a | |
| Information Governance | ongoing | n/a | n/a | n/a | |
| Transformation, Change & Squads Support | ongoing | n/a | n/a | n/a | |
| SERVICE REFORM (general) | | | | | |
| Blue Badges | Q3 | 28/09/20 | 18/01/21 | High | |
| Corporate Complaints (bf) | Q3 | 19/10/20 | TBC | TBC | Draft Report |
| Housing Benefits Service Redesign (bf) | Q3/4 | TBC | TBC | TBC | Planning |
| Contract Management | Ongoing | n/a | n/a | n/a | Ah hoc reviews as/when requested |
| Agency Workers (bf) | TBC | | | | C/F to 2021/22 |
| Member Allowances and Payments (bf) | TBC | | | | C/F to 2021/22 |
| Modern Slavery (bf) | TBC | | | | C/F to 2021/22 |
| Statutory Returns - Data Integrity & Resources (bf) | TBC | | | | C/F to 2021/22 |
| SERVICE REFORM (grants & compliance work) | | | | | |
| Greaves Trust | Q3/4 | | | | Annual review |
| Blue Badges (new criteria implementation) | Q1 | n/a | 03/06/20 | Certified | Final report issued |
| Transport – Bus Subsidy | Q2 | n/a | 29/09/20 | Certified | Final report issued |
| Also potentially including: Local Growth Fund; Cycle City; Highways – Potholes & Flood Resilience. | TBC | | | | None requested to-date |

| Audit / Activity | Timing | TOR | Reported | Assurance | Comments |
|--|---------|----------|----------|--------------|--|
| SERVICE REFORM (core financial systems) | | | | | |
| Accounts Payable / Creditors (bf) | Q3/4 | 19/02/21 | TBC | TBC | Field work commencing mid-February |
| Payroll Calculations | Q1 | n/a | 24/07/20 | n/a | Memo report |
| Payroll Payments (bf) | Q3 | 17/08/20 | TBC | TBC | Fieldwork underway |
| Budgetary Control | TBC | | | | C/F to 2021/22 |
| Main Accounting System (bf) | Q3/4 | | | | C/F to 2021/22 |
| Treasury Management | TBC | | | | C/F to 2021/22 |
| Service Reform (information technology and digital) | | | | | |
| Service Desk Management (New Application) (bf) | Q1/2 | 10/01/20 | 05/12/20 | Satisfactory | |
| Asset Management | Q4 | 15/08/20 | TBC | TBC | Fieldwork underway |
| PCI Compliance | Ongoing | n/a | n/a | n/a | Ongoing / quarterly reports |
| Project Imagine (CareFirst system replacement – ad hoc consultative support) | Ongoing | n/a | n/a | n/a | Ongoing / Ad hoc consultancy |
| ISO 27001 | Ongoing | n/a | n/a | n/a | Ongoing / Ad hoc consultancy |
| IT Strategy and policies (bf) | TBC | | | | Initial planning |
| Data Centre (Physical and Environmental Security) | TBC | | | | C/F to 2021/22 |
| PLACE | | | | | |
| CCTV Control Room (ISO Compliance) | Q1 | n/a | 21/07/20 | n/a | Final report issued |
| Major Projects – RHS Bridgewater Programme Governance | Q4 | 17/12/20 | TBC | TBC | Fieldwork |
| Major Projects – University & Crescent Programme Governance | 21/22 | | | | Initial discussion but likely to move to 21/22 |
| Income Processes – Skips and Scaffolding | Q1/2 | n/a | TBC | TBC | Drafting report |
| Catering (Cash Handling) | TBC | | | | C/F to 2021/22 |
| Commercial Estate Management | TBC | | | | C/F to 2021/22 |

| Audit / Activity | Timing | TOR | Reported | Assurance | Comments |
|---|--------|----------|----------|--------------|-------------------------|
| Construction Services (Inventory) | TBC | | | | C/F to 2021/22 |
| Health & Safety | TBC | | | | C/F to 2021/22 |
| Taxis | TBC | | | | C/F to 2021/22 or later |
| PEOPLE | | | | | |
| Project Imagine (programme governance) | Q1/2 | 24/02/20 | 22/10/20 | Satisfactory | |
| Pupil Modelling and Planning (<i>bf</i>) | Q2/3 | 09/01/20 | 07/12/20 | Satisfactory | |
| Personal Budgets & Direct Payments (Children & Families) (<i>bf</i>) | Q2/3 | 20/08/19 | TBC | TBC | Draft Report issued |
| Population Health / Inequalities | Q3 | 17/09/20 | TBC | TBC | Draft Report issued |
| Homelessness (<i>bf</i>) | Q2/3 | 18/01/19 | TBC | TBC | Draft Report issued |
| Welfare Rights & Benefits Advisors | Q2/3 | 12/08/20 | TBC | TBC | Drafting report |
| Use of Section 17 Funds (<i>bf</i>) | Q2/3 | n/a | TBC | TBC | Drafting report |
| SEN / High Needs Provision | Q2/Q3 | 25/01/21 | TBC | TBC | Fieldwork underway |
| Client Charging Policy (<i>bf</i>) | TBC | TBC | TBC | TBC | Planning underway |
| Early Help and Helping Families (GM Troubled Families) | Q3 | TBC | TBC | TBC | Planning underway |
| Home Care | TBC | | | | C/F to 2021/22 |
| Independent Fostering Agency (IFA) | TBC | | | | C/F to 2021/22 |
| Integrated Commissioning (Children & Families) – Governance (<i>bf</i>) | TBC | | | | C/F to 2021/22 |
| Out of Borough Placements (Approval Processes) | TBC | | | | C/F to 2021/22 |
| Personal Budgets & Direct Payments (Adults) | TBC | | | | C/F to 2021/22 |

| PEOPLE (Establishments) | | | | | |
|---|------|-----|----------|---------|--|
| Children’s Homes (ongoing schedule of visits) | TBC | | | | On hold due to Covid-19 |
| Schools Financial Value Standard | Q3/4 | n/a | n/a | n/a | Underway |
| Wharton Primary School (<i>bf</i>) | Q3 | n/a | 18/01/21 | Limited | |
| Brentnall Primary School | TBC | | | | C/F to 2021/22 |
| Clifton Pupil Referral Unit | TBC | | | | C/F to 2021/22 |
| Springwood Primary School | TBC | | | | C/F to 2021/22 |
| Mesne Lea Primary School | TBC | | | | C/F to 2021/22 |
| St Mary’s RC Swinton Primary School | TBC | | | | C/F to 2021/22 |
| River View Primary School | TBC | | | | C/F to 2021/22 |
| Godfrey Ermen Memorial CE Primary School | TBC | | | | C/F to 2021/22 |
| St Paul’s CE Nevile Road Primary School | TBC | | | | C/F to 2021/22 |
| Westwood Park Primary School | TBC | | | | C/F to 2021/22 |
| Light Oaks Junior Primary School | TBC | | | | C/F to 2021/22 |
| St Charles RC Primary School | TBC | | | | C/F to 2021/22 |
| Mossfield Primary School | TBC | | | | C/F to 2021/22 |
| St Edmund’s RC Primary School | TBC | | | | C/F to 2021/22 |
| St Mark’s CE Worsley Primary School | TBC | | | | C/F to 2021/22 |
| Clifton Primary School | TBC | | | | Postponed to 2022/23 due to reprioritisation |
| St John’s CE Primary School | TBC | | | | Postponed to 2022/23 due to reprioritisation |
| All Hallows RC High School | TBC | | | | Postponed to 2022/23 due to reprioritisation |
| Irlam Endowed Primary School | TBC | | | | Postponed to 2022/23 due to reprioritisation |

* *Indicative level of assurance, based on the progress made since the original audit review*

Appendix 2: Levels of Assurance

| Level of Assurance | DESIGN of the internal control framework | | EFFECTIVENESS of the control framework | |
|---------------------|---|--|--|---|
| | Audit findings | Opinion | Audit findings | Opinion |
| High | Appropriate procedures and controls are in place to mitigate the key risks. | There is a sound system of internal control designed to achieve objectives. | No or only minor exception found in testing of procedures and controls. | The controls that are in place are being consistently applied. |
| Satisfactory | In the main, there are appropriate procedures and controls in place to mitigate the key risks reviewed, albeit with some that are not fully effective. | There is generally a sound system of internal control designed to achieve objectives, but with few exceptions. | A small number of exceptions found in the testing of procedures and controls. | There is evidence of non-compliance with some controls, which may put achievement of some of operational objectives at risk. |
| Limited | A number of significant gaps identified in the procedures and controls in key areas. | The system of internal controls is weakened by some significant gaps. | A number of reoccurring exceptions found in testing of the procedures and controls. | There is poor compliance with controls and procedures which may put operational objectives at risk of not being fully achieved. |
| Minimal | For all risk areas there are significant gaps in the procedure and control. This will affect the effectiveness of organisation's overall control framework. | Overall, there is a poor system of internal control in place. | Due to the absence of effective controls and procedures, no reliance can be placed on their effectiveness. | There is a substantial non-compliance with controls and procedures or compliance with inadequate controls and procedures, which will likely put the council's objectives at significant risk of not being achieved. |

Appendix 3: Priority of Actions

| Priority | Rationale |
|-----------------|---|
| Critical | Critical issue that could have a significant impact on a key system, function, or process objectives, and also the council's objectives. |
| High | Control weakness that could have a serious impact on a key system, function, or process objectives. |
| Medium | Control weakness that could have an impact on the achievement of a key system, function or process objectives or an issue, which, if addressed, would contribute towards raising the standard of internal control. |
| Low | Minor control weakness that does not have an impact upon the achievement of a key system, function or process objectives. Implementation of the recommendation would strengthen the control framework and/or improve compliance with existing controls. |