

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

**TO THE AUDIT & ACCOUNTS COMMITTEE
ON WEDNESDAY 22nd MARCH 2023**

TITLE: Internal Audit Progress Report (Jan 2023 to Mar 2023)

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 2022/23, 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: See appended report.

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.

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FINANCIAL IMPLICATIONS:

Supplied by: Tony Thompstone, Strategic Finance Manager

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: Laura Coluccio, Strategic HR Manager

There are no known HR implications arising from this report.

CLIMATE CHANGE IMPLICATIONS: None

OTHER DIRECTORATES CONSULTED: N/A

CONTACT OFFICER: David Smith, Deputy Head of Internal Audit

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.

AUDITS COMPLETED AND REPORTS ISSUED

Table 1 below summarises four 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	
Meeting Demand & Service Resilience - Salford Assist (consultancy engagement)	-	-	-	-	-	n/a
Fixed Assets	-	-	1	-	1	High
Clifton Primary School	-	1	4	5	10	Satisfactory
Grounds Maintenance (Expenditure and Financial Administration)	-	3	6	2	11	Limited
Total:	-	4	11	7	<u>22</u>	

Guidance notes:

- 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 and actions agreed. See Table 3 at the back of this report for explanations of the different levels of assurance.
- Actions are classified over the categories of critical, high, medium, and low. See Table 4 at the back of this report 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 actions made in this period have 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.

POST IMPLEMENTATION REVIEW

Internal Audit undertakes Post Implementation Reviews (PIRs) of services or systems that have been subject to an audit and received a 'Limited' level of assurance, or when specifically requested by leadership.

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We have included information below summarising the two PIRs that have been finalised in this period.

The information includes the number of agreed actions and the number of those actions now implemented or outstanding. It also provides an indication of the direction of travel regarding the overall level of assurance.

More detailed Committee Summary reports have been provided to Committee Members for each of these ahead of this meeting.

PIR Commercial Estate Management (Rent Reviews)

Actions	Priority					Direction of Travel	
	Critical	High	Medium	Low	Total	Audit	Indicative
Agreed	0	3	2	0	5	Limited	Satisfactory
Implemented	0	2	1	0	3		
Work in Progress	0	1	1	0	2		
No progress	0	0	0	0	0		

PIR 2 Moorfield Primary School

Actions	Priority					Direction of Travel	
	Critical	High	Medium	Low	Total	Audit	Indicative
Agreed	0	6	11	2	19	Limited	Satisfactory
Implemented	0	4	6	2	12		
Work in Progress	0	2	2	0	4		
No progress	0	0	3	0	3		

Guidance notes:

- The timing of a PIR is determined by the agreed implementation dates, detailed within the original audit report, and is generally undertaken within six months of the audit.
- PIRs only confirm the action taken to resolve the issues highlighted within our report and do not check that the rest of the control framework remains as robust as it was at the time of our original review.
- The PIR can take the form of an actual site visit by Internal Audit to verify the implementation of agreed recommendations or alternative follow-up, for example the client undertaking a self-assessment of implemented recommendations and reporting their outcomes to Internal Audit.
- The summaries include an indicative assurance 'direction of travel' following the Post Implementation Review. This provides a measure of the value added through the implementation of the agreed actions within our reports. It shows the level of assurance that we may expect we would now be able to provide if we undertook a full audit again. It takes into account the action taken to address matters raised in our

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original report. However, it should be noted that this is indicative only and may not reflect the actual current position.

OTHER WORK

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

Assurance Work (Reporting)

Work on the audit plan is noted in Table 2 at the back of this report. Draft reports have been issued or are being prepared in the following areas:

- Cadishead Primary School
- All Hallows RC High School
- Commercial Estate Management (Asset Valuations) PIR
- Meeting Demand & Service Resilience – WRADAS (consultancy engagement)
- Welfare Rights & Debt Advice Service PIR

Planning for 2023/24

Our annual planning activity has commenced. We have spent time with members of the council's service group leadership teams to refresh update our understanding of their portfolios, key strategic and operational risks, and the existing assurance (4 lines of defence) around those risks and the services they lead.

This work has helped to prioritise audits for inclusion within the 2023/34 draft audit plan. We will now focus on developing the initial briefs and narrative demonstrating the linkage (golden thread) with council's risks and objectives for inclusion in our 2023/24 Internal Audit Strategy and Plan.

Information Governance and Data / Digital

We provide ongoing assurance and consultative support to the council's continued compliance with the requirements of ISO 27001.

Supporting Squads, Transformation, Projects, and Change

Internal Audit is currently involved in 'squads' supporting:

- Ad hoc assurance and consultative support to the Innovate Programme workstreams

Investigations

The team continues 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.

Resources

Sickness levels have remained negligible with no discernible impact on the Team's performance.

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Collaboration

- We have ongoing practitioner 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 (chair)
 - Schools Audit Group (chair)
 - Fraud Group
- The Deputy Head of Internal Audit is Vice Chair of CIPFA North West's Audit, Risk and Governance Group. The group discusses developments within the profession and relevant changes in the public sector, and organises training and development events for public sector auditors within the region.
- The Head of Internal Audit attends the North West Chief Audit Executive Group meetings, is a member of the Local Authority Chief Auditors Network, and chairs the Fighting Fraud and Corruption Locally Operational Group. This enables the identification and sharing of best practice nationally in respect of internal audit and counter fraud.

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Table 2: Audit Plan 2022/23

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	Ah hoc support as/when requested
SERVICE REFORM (General)					
Gifts & Hospitality (bf)	Q1	06/10/21	13/06/22	Limited	
Business Interests (bf)	Q1	06/10/21	13/06/22	Limited	
Key Decisions (bf)	Q2	20/05/22	16/11/22	Satisfactory	
Benefits Service (Compliance with Baseline Personnel Security Standard)	Q2	17/08/22	13/12/22	Satisfactory	
Contract Management	Ongoing	n/a	n/a	n/a	Ah hoc support and advice
Council Constitution	Ongoing	n/a	n/a	n/a	Consultative Support
PIR Corporate Complaints	Q3	TBC	TBC	TBC	Planning
Modern Slavery (bf)	Q3/Q4	TBC	TBC	TBC	Planning
CCG Replacement - Joint Business Planning Processes	Q4				
Statutory Returns - Data Integrity & Resources (bf)	Q3/Q4	n/a	n/a	n/a	Moved to 2023/24
Peer Review – SCC Response	Q4	n/a	n/a	n/a	Moved to 2023/24
SERVICE REFORM (Grants & Compliance Work)					
Pre and Post Payment Assurance – Covid-19 Business Grants and Energy Rebate Scheme	Ongoing	n/a	n/a	n/a	Fieldwork underway
Greaves Trust 2020/21	Q1/2	n/a	30/06/22	Validated	

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Audit / Activity	Timing	TOR	Reported	Assurance	Comments
Greaves Trust 2021/22	Q3	n/a	02/02/23	Validated	
Transport Bus Subsidy Grant 2021/22	Q2	n/a	22/06/22	Validated	
Local authority Test and Trace Contain Outbreak Management Fund Grant 2021/22	Q2	n/a	30/06/22	Validated	
Universal Drug Treatment Grant 2021/22	Q2	n/a	26/07/22	Validated	
Adult Weight Management Grant 2021/22	Q2	n/a	01/09/22	Validated	
SCC/SCL Arts Council National Lottery Project Grant (Rediscovering Salford)	Q2	n/a	15/09/22	Validated	
Local Transport Capital Block Funding (Pothole Fund) 2021/22	Q2	n/a	13/11/22	Validated	
SERVICE REFORM (Core Financial Systems)					
Treasury Management (bf)	Q1	14/03/22	18/07/22	High	
Fixed Assets	Q3	08/11/22	02/02/23	High	
Budgetary Control	Q3/Q4	TBC	TBC	TBC	Planning
Main Accounting System	Q3/Q4	n/a	n/a	n/a	Moved to 2023/24
SERVICE REFORM (Information Technology and Digital)					
Data Centre Physical and Environmental Security (bf)	Q1	n/a	23/05/22	Satisfactory	
Asset Management (bf)	Q1	n/a	05/04/22	Satisfactory	
PCI Compliance	Ongoing	n/a	n/a	Pass	Following the system upgrade, this will not be performed internally by ourselves since.
ISO 27001	Ongoing	n/a	n/a	n/a	Programme developed in conjunction with the governance and IS teams
SAP Access Control	Q4	03/02/22	TBC	TBC	Fieldwork underway
Data Analytics	Ongoing	n/a	n/a	n/a	<ul style="list-style-type: none"> Assisted Revs and Bens with analysis against payroll

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Audit / Activity	Timing	TOR	Reported	Assurance	Comments
					<ul style="list-style-type: none"> Plans to provide further analysis when the NFO data sets are required Plans to develop a continual monitoring programme of data analysis
Disaster Recovery	Q4				Planning
Consultancy Support	Ongoing	n/a	n/a	n/a	<ul style="list-style-type: none"> Critical friend on the Change Advisory Board Critical friend on the Digital Design Authority Board Support for the continued development of the HOST
PLACE					
Derive	Q3/Q4	n/a	n/a	n/a	Consultative support to Derive RP
CCTV Control Room (ISO Compliance)	Q1	n/a	07/04/21	Validated	
Incentive Fund - Self Assessment Return to DfT 21/22	Q1	n/a	04/04/22	Validated	
Commercial Estate Management (Rent Reviews) (bf)	Q1	20/09/21	28/06/22	Limited	
PIR Commercial Estate Management (Rent Reviews)	Q4	n/a	23/02/23	Satisfactory*	
Land Transactions (bf)	Q2	21/03/22	01/09/22	High	
Grounds Maintenance (Expenditure and Financial Administration)	Q4	13/12/22	01/03/23	Limited	Reactive work
Organising an Event in Salford	Q3/Q4	17/01/22	TBC	TBC	Reactive work - Finalising fieldwork
Catering (Cash Handling & Inventory)	Q3/Q4	15/02/23	TBC	TBC	Fieldwork underway
Section 106 Agreements	Q3/Q4	TBC	TBC	TBC	Planning
Major Projects – Salford Central (Governance)	Q4	TBC	TBC	TBC	Planning
Health & Safety	Q4				
Climate Emergency (SCC Response)	Q3/Q4	n/a	n/a	n/a	Moved to 2023/24

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Audit / Activity	Timing	TOR	Reported	Assurance	Comments
Major Projects – University & Crescent (Governance)	Q2/Q3	n/a	n/a	n/a	On hold pending project readiness
PEOPLE (Children & Families)					
Child & Adolescent Mental Health Service	Q1	18/10/21	16/09/22	High	
Helping Families (GMCA Troubled Families) inc. Early Help	Q4	TBC	TBC	TBC	GM planning stage, anticipating fieldwork Q4
Project Imagine	n/a	n/a	n/a	n/a	Ah hoc support (project now closed)
Transition	Q3/Q4	16/01/23	TBC	TBC	Fieldwork underway
Children with Disabilities Team (workflow)	Q3/Q4	TBC	TBC	TBC	Drafting TOR / Initial Fieldwork underway
Special Guardianship Orders (SGOs)	Q3/Q4	TBC	TBC	TBC	Drafting TOR / Initial Fieldwork underway
Workforce Retention Strategy	Q3/Q4	n/a	n/a	n/a	Moved to 2023/24
PEOPLE (Adults & Public Health)					
Client Charging Policy (bf)	Q1	02/12/21	10/06/22	Satisfactory	
PIR Personal Budgets & Direct Payments (Children & Families)	Q1	n/a	07/06/22	Satisfactory*	
PIR Health Inequalities	Q1	n/a	20/06/22	High*	
Meeting Demand & Service Resilience (Post covid-19)	Q1/Q4	29/07/21	TBC	TBC	Consultative reviews (1 complete, 1 reporting)
Personal Budgets & Direct Payments (Adults)	Q3	06/10/22	TBC	TBC	Fieldwork underway
Home Care	Q3/Q4	09/02/23	TBC	TBC	Fieldwork underway
Hospital Discharges	Q4	n/a	n/a	n/a	Moved to 2023/24
PEOPLE (Establishments)					
Children's Homes	Q3/Q4	24/11/22	TBC	TBC	Fieldwork underway – each Home will be visited and reported separately Dec/Jan.
Schools Financial Value Standard	Q4/Q1	n/a	n/a	n/a	Fieldwork underway for the 2022/23 exercise
River View Primary School	Q1	02/02/22	09/06/22	High	

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Audit / Activity	Timing	TOR	Reported	Assurance	Comments
St Paul's CE Nevile Road Primary School	Q1	08/02/22	21/06/22	High	
Godfrey Ermen Memorial CE Primary School	Q1	01/02/22	05/04/22	High	
Light Oaks Junior Primary School	Q1	16/03/22	26/05/22	Satisfactory	
St Mary's RC Swinton Primary School	Q1	07/04/22	26/05/22	Satisfactory	
Clifton Pupil Referral Unit (The Clifton Centre)	Q1	06/06/22	30/06/22	Satisfactory	
St Marks CE Primary	Q2	19/05/22	13/10/22	Satisfactory	
PIR1 Wharton Primary	Q1	n/a	07/07/22	Limited*	
PIR2 Wharton Primary	Q3	n/a	17/11/22	Satisfactory*	
Fiddlers Lane Primary School	Q2	26/05/22	20/10/22	Satisfactory	
Holy Family Primary School	Q3/Q4	14/06/22	16/11/22	Limited	
Clifton Primary School	Q4	03/11/22	16/02/23	Satisfactory	
PIR2 Moorfield Primary School	Q4	n/a	06/03/23	Satisfactory*	
All Hallows RC High School	Q4	03/07/22	TBC	TBC	Reporting
Cadishead Primary School	Q4	08/11/22	TBC	TBC	Reporting
Holy Cross & All Saints RC Primary School	Q4	06/02/23	TBC	TBC	Booked
Clarendon Road Primary School	Q4				
Beech Street Primary School	Q4				
Christ Church CE Patricroft Primary School	Q4				
The Friars Primary School	Q4				
St John's CE Primary School	Q4				
The Canterbury Centre PRU	Q4	n/a	n/a	n/a	Cancelled – Academy Order in place

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

(bf) *Work brought forward from 2021/22 intended to be concluded in 2022-23*

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Table 3: Levels of Assurance

Level of Assurance	DESIGN: Findings	DESIGN: Opinion	EFFECTIVENESS: Findings	EFFECTIVENESS: 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.

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Table 4: Priority of Actions

Priority	Rational
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.