

Report of the Head of Internal Audit, Anti-Fraud and Assurance

AUDIT AND GOVERNANCE COMMITTEE – 15TH MARCH 2023

INTERNAL AUDIT PROGRESS REPORT 2022/23

1 Purpose of this report

- 1.1 The purpose of this report is to provide a summary of the Internal Audit activity completed, and the key issues arising from it, for the period from 31st October to 19th February 2023.

2 Background information

- 2.1 The Audit and Governance Committee has responsibility for reviewing the adequacy of the Council's corporate governance arrangements, including matters such as internal control and risk management. The reports issued by internal Audit are a key source of assurance providing the Committee with some evidence that the internal control environment is operating as intended.
- 2.2 At the end of the financial year, Internal Audit will produce an Annual Internal Audit Report, which will provide the overall opinion on the adequacy of the Council's control environment and compliance with it during the year.

3 Recommendations

- 3.1 **It is recommended that the Audit and Governance Committee considers the assurances it needs on the effectiveness of the Authority's internal control, risk and governance arrangements through the work of Internal Audit by:-**
- i. **considering the issues arising from completed Internal Audit work in the period along with the responses received from management;**
 - ii. **noting the assurance opinion on the adequacy and effectiveness of the Authority's internal control framework based on the work of Internal Audit in the period;**
 - iii. **noting the progress against the Internal Audit plan for 2022/23 for the period.**

4 Local Area Implications

- 4.1 There are no Local Area Implications arising from this report.

5 Consultations

- 5.1 All audit reports are discussed and agreed with the Audit Sponsor and Designated Operational Lead. Individual audit reports are provided to the appropriate Executive Director and/or Service Director to apprise him/her of key issues raised and remedial actions agreed.

5.2 No specific consultation has been necessary in the preparation of this quarterly report.

6 Compatibility with European Convention on Human Rights

6.1 In the conduct of audit work and investigations particularly, Internal Audit operates under the provisions of the Data Protection Act 2018, the Regulation of Investigatory Powers Act 2000 and the Police and Criminal Evidence Act.

7 Reduction of Crime and Disorder

7.1 An inherent aspect of audit work is to prevent, detect and investigate incidents of fraud, theft and corruption. The control issues arising from audit investigations have been considered to ensure improvements in overall controls are made. Additionally, Internal Audit ensures that in specific instances, management takes appropriate action to minimise the risks of fraud and corruption re-occurring.

8 Risk Management Considerations

8.1 The underlying purpose of the work of Internal Audit is to address and advise on key risks facing management and, as such, risk issues are inherent in the body of the report.

8.2 The Service's own risk register includes the following risks which are relevant to this report:

- Need to ensure ongoing compliance with public sector internal audit standards
- Implementing a new structure for IA that provides the right level of skill, expertise and experience
- Capacity issues - keeping up with the pace of change

8.3 All of these risks have been assessed and remain within the tolerance of the Service.

8.4 An essential element of the control (and on-going) management of these risks is the provision of update reports to the Audit Committee and the assurance this provides.

9 Employee Implications

9.1 There are no employee implications arising from this report.

10 Financial Implications

10.1 There are no financial implications arising directly from this report. The costs of the Internal Audit function are included within the Authority's base budget.

11 Appendices

Appendix 1 - Key To Internal Audit Assurance Gradings & Classification of Management Actions.

12 Background Papers

12.1 Various Internal and External Audit reports, files and working papers.

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Date: 24th February 2023



Barnsley Metropolitan Borough Council

Internal Audit Progress Report

Audit and Governance Committee

15th March 2023

INTERNAL AUDIT PROGRESS REPORT 31st October 2022 to 19th February 2023

Purpose of this report

This report has been prepared to inform the Audit and Governance Committee on the Internal Audit activity for the period 21st October 2022 to 19th February 2023, bringing attention to matters that are relevant to the responsibilities of the Committee.

The report also provides information regarding the performance of the Internal Audit function during the period.

2022/23 Internal Audit Plan Progress

The following tables show the progress of the internal audit plan delivery, analysed by the number of plan assignments producing a report and audit days delivered by Directorate / Service.

Position as at 19th February 2023 – Audit Days Delivered

Directorate	Original 2022/23 Plan days	Revised 2022/23 Plan days	Actual days (% of revised days)
Place Health & ASC	48	43	32 (75%)
Childrens Services	63	66	58 (88%)
Core Services	402	389	293 (75%)
Council Wide	163	172	163 (95%)
Growth & Sustainability	179	184	158 (86%)
Public Health & Communities	28	27	25 (93%)
General Contingency	17	19	0
Barnsley MBC	900*	900	729 (81%)
Corporate Anti-Fraud Team	645	645	534 (83%)
Barnsley MBC Internal Audit Total	1,545	1,545	1,263 (82%)

Corporate Governance & Assurance	255	255	247 (97%)
HolA role as DPO	25	25	15 (60%)
Corporate Days (Council related activity)	315	315	244 (75%)

External Clients	885	885	550 (62%)
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Total Chargeable Planned Days	3,025	3,025	2,319 (77%)
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* as reported at the Committee's June 2022 meeting, the Internal Audit plan is currently under resourced by circa 180 days. This will be proactively managed throughout the financial year with Senior Management to ensure that resources continue to be focussed on the strategic priority areas.

Position as at 19th February 2023 – Plan Assignments

Directorate	2022/23 plan assignments	Assignments expected to be completed to date	Actual Assignments completed to Date	Actual assignments completed in Period
Place Health & ASC	0	0	0	0
Childrens Services	3	3	3	3
Core Services	18	11	8	5
Growth & Sustainability	4	3	3	1
Public Health & Communities	2	2	2	1
Total	27	19	16	10

NB – formal audits resulting in a report only - excludes advisory, grants etc where no report required. There were 2 Childrens Residential Homes reports (amalgamated in completed work table below). Three Core Services reviews are currently at draft report stage (i.e. to be discussed and agreed with management).

Changes to the 2022/23 Internal Audit Plan

There have been 5 changes to the Internal Audit plan during this period. These are:-

New – Growth & Sustainability – Green Homes Grant

Defer – Core Services – MTFS

Defer – Core Services – Contact Centre

Defer – G&S - Zero Carbon

Defer – G&S – CRSTS.

The jobs deferred are due to the ongoing prioritisation discussions with DMTs with regards to the resources available to undertake the work (as noted above). These reviews have been incorporated into discussions relating to the draft 2023-24 Internal Audit Plan.

Final Internal Audit reports issued

We have finalised 4 audit reports in the period. The following table provides a summary of assurances, where applicable, and the number and categorisation of agreed management actions included in the reports:

Directorate- Audit Assignment	Assurance Opinion	Number of Management Actions Agreed:			Total	Agreed
		High	Medium	Low		
Growth & Sustainability – Highways Governance & Financial Management	Limited	0	9	9	18	18
Childrens Services – Residential Childrens Homes (x2)	Limited (x2)	4	20	3	27	27
Childrens Services – Disabled Children Direct Payments	Limited	0	5	1	6	6
Core Services – Financial System - Income	Reasonable	0	1	2	3	3

Directorate- Audit Assignment	Assurance Opinion	Number of Management Actions Agreed:			Total	Agreed
		High	Medium	Low		
Core Services – Financial System - Treasury Mgt	Substantial	0	0	1	1	1
Core Services – Data Retention and Records Mgt.	Limited	2	8	1	11	11
Core Services – DPO – DPIA Follow Up	Limited	1	4	1	6	6
Public Health & Communities – Information Governance, Suicide Related Cases	Reasonable	0	4	0	4	4
Council Wide (Core) – Strategic Risks and Concerns Mgt	Reasonable	0	2	0	2	2
Total		7	53	18	78	78

Please note that final audit reports are available to Audit Committee members on request.

Internal Audit reports providing a limited or no assurance opinion

There were 6 audit reports issued during the period that had a limited assurance opinion. All of these reviews were commissioned by management to provide management actions required to improve the governance and internal control framework in known areas of concern. Key issues arising in each report are:-

- Highways Financial & Governance Arrangements – Need to review the governance framework to ensure it is fit for purpose (meeting structure, policies and procedures, lifecycle costing, procurement and contract management, management reporting – capital programme, performance management).
- Childrens Residential Homes (x2) – Review identified concerns relating to the following thematic areas – policies and procedures; safeguarding; information governance and data quality; business continuity / emergency resilience; performance mgt; financial mgt; HR, management and workforce. Management agreed to include actions into the Continuous Improvement Action Plan.
- Childrens Services – Disabled Children Direct Payments - Concerns with regards to the absence of personal development plans for each child and their family to manage and monitor needs requirements, further training requirements with regards to how to generate more interest when advertising a support package, data quality and software utilised upon which management information is produced and enhancements required for collaborative working.
- Core Services – Data Retention and Records Mgt – A sample of Officers were unaware of their role as an Information Asset Owner to protect their information assets. In addition, it was unclear whether Information Asset Owners had assigned the day-to-day management of the Information Asset Register to staff within their Business Unit which may have led to failings across the Council to identify, record, review and appropriately dispose of electronic records on a regular basis. The Corporate Retention Schedule requires a review and update to ensure that it captures all records held by the Council and retention periods etc.

- Core Services – DPO – DPIA Follow Up – There is a risk that staff may not be fully aware of their roles and responsibilities in relation to DPIAs due to the non-completion of the updated mandatory training 'UK GDPR'. A number of sampled DPIAs within the database did not appear to have been reviewed at least annually or sooner. It was also noted that when an Information Asset Owner (IAO) leaves the Service and is no longer responsible for the DPIA the automatic reminders are not always allocated to another IAO. The Data Protection Officer (DPO) expressed uncertainty around the criteria utilised by the Information, Governance & Security Incident Analyst when determining DPO involvement for individual DPIA's, as he had not been involved in the review process in some cases and had not received a 'prompt' when reviews are due enabling appropriate follow up as part of the process.

Details and outcome of other Internal Audit activities undertaken in the period not producing a specific assurance opinion

Audit Work Completed	Details	Contribution to Assurance
Adults: Social Care Funding Reforms Board Attendance and Digital Project Assurance	Provide independent and objective assurance that effective and efficient risk, control and governance arrangements exist to provide a robust framework upon which the Council can consider and then react/comply with the funding reform requirements.	The work contributes to assurance in respect to governance and financial management.
Adults: Social Care Governance Action Plan	To provide advice, support and challenge to management during the review of various services (e.g. carers, transition from children to adults).	The work contributes to assurance in respect to governance and financial management.
Childrens Services: Supported Families – Quarterly validation	Grant claim validation.	The work contributes to assurance in respect of financial management.
Core / G&S: Glassworks Board Attendance	Provide independent and objective assurance that effective and efficient risk, control and governance arrangements exist to provide a robust framework upon which the phase two scheme can be delivered (i.e. on time, in budget & to standard).	The work contributes to assurance in respect to contract management, governance and financial management.
Core / G&S: SEAM Board Attendance	Provide independent and objective assurance that effective and efficient risk, control and governance arrangements exist to provide a robust framework upon which the programme can be delivered (i.e. on time, in budget & to standard).	The work contributes to assurance in respect to contract management, governance and financial management.
Core: HR Policy	To provide advice, support and challenge to management during the review of corporate policies and procedures (including development of a policy framework).	The work contributes to assurance in respect to governance.
Core: SAP Success Factors	To continue to support the project throughout its design and implementation.	The work contributes to assurance in respect to contract management, governance and financial management.

Audit Work Completed	Details	Contribution to Assurance
Core: Housing Support Grant	To independently validate the claim to be submitted to the Funding Body.	The work contributes to assurance in respect of financial management.
G&S: Glassworks Future Management	To support management in completing a draft management assurance framework to assist in self assessing the current governance arrangements and identify areas for improvement.	The work contributes to assurance in respect to contract management, governance and financial management.
G&S: Assurance - Berneslai Homes	Provide independent and objective assurance that effective and efficient risk, control and governance arrangements exist.	The work contributes to assurance in respect to governance and financial management.

Other Internal Audit work undertaken

Audit Activity	Description
Follow-up of Agreed Management Actions	Regular work undertaken to follow-up agreed management actions made.
Attendance at Steering / Working Groups	Information Governance Board Smart Working Board
Liaison, Planning and Feedback	Meeting and corresponding with Service and Executive Directors and Heads of Service regarding the review of the annual plan, progress of audit work, future planning and general client liaison.
Audit and Governance Committee Support	Time taken in the preparation of Audit Committee reports, Audit Committee Member training, general support and development.
Corporate Whistleblowing	General time taken in providing advice and the initial consideration of matters raised. Also includes the review of arrangements.
Corporate Matters	Covering time required to meet corporate requirements, i.e. corporate document management, service business continuity and health and safety.

Work in progress

The following table provides a summary of audits in progress at the time of producing this report:

Directorate - Audit Assignment	Audit Stage		
	Audit Planning	Work in Progress	Draft Report
Core – Financial System, Fixed Assets			✓
Core – DPO Assurance – Incident Mgt			✓
Core – DPO Assurance - Cybersecurity			✓
Adults – Funding Reform (Advisory)		✓	
Adults – ASC Governance Action Plan (Advisory)		✓	

Directorate - Audit Assignment	Audit Stage		
	Audit Planning	Work in Progress	Draft Report
Core – HR Policy Framework/ People Strategy (Advisory)		✓	
Core – Financial System, Main Accounting		✓	
Core – Financial System, Purchase to Pay		✓	
Core – Financial System, Council Tax		✓	
Core – Financial System, Housing Benefits		✓	
Core – Financial System, Payroll		✓	
Core – Financial System, Insurance Arrangements		✓	
Core - Project Management - IT		✓	
Core - Governance Review - Constitution		✓	
G&S – Elsecar Heritage Trust		✓	
G&S – Glassworks Management Assurance Framework (Advisory)		✓	
G&S - Sustainable Warmth Grant		✓	
G&S - Social Housing Decarbonisation Fund Wave 1 Grant		✓	
G&S - Asset Management - Housing Stock		✓	
G&S – Goldthorpe Town Centre Fund		✓	
G&S – URBACT Grant		✓	

Follow-up of Internal Audit report agreed management actions

As previously reported to the Committee, Internal Audit is working closely with management to monitor the general position with regards the implementation of management actions and to establish the reasons behind any delays. Internal Audit continues to issue a detailed monthly status update to Service Directors and to Executive Directors on a quarterly basis. This is in addition to the performance reports currently presented to SMT.

The following table shows the status of agreed management actions by Directorate where the original target implementation date was due for completion during the period:

Implication Categorisation	Followed Up in Period	Completed	Not yet completed – Revised date agreed	Not yet completed – Awaiting management update
Place Health and ASC				
High	0	0	0	0
Medium	0	0	0	0
TOTAL	0	0	0	0
Growth & Sustainability				
High	0	0	0	0
Medium	3	3	0	0
TOTAL	3	3	0	0
Childrens Services (excl. Maintained Schools)				
High	4	3	0	1
Medium	8	8	0	0
TOTAL	12	11	0	1
Maintained Schools				
High	0	0	0	0
Medium	0	0	0	0
TOTAL	0	0	0	0
Core				
High	0	0	0	0
Medium	6	5	1	0
TOTAL	6	5	1	0
Public Health & Communities				
High	0	0	0	0
Medium	0	0	0	0
TOTAL	0	0	0	0
OVERALL TOTAL	21	19	1	1
% of TOTAL		91	4.5	4.5

Internal Audit performance indicators and performance feedback for Quarter 3 - 2022/23

Internal Audit's performance against a number of indicators is summarised below.

Ref.	Indicator	Frequency of Report	Target 2022/23	This Period (Q3)	Year to Date
1.	<u>Customer Perspective:</u>				
1.1	Percentage of questionnaires received noted "good" or "very good" relating to work concluding with an audit report.	Quarterly	95%	100%	100%
2.	<u>Business Process Perspective:</u>				
2.1	Percentage of final audit reports issued within 10 working days of completion and agreement of the draft audit report.	Quarterly	80%	100%	100%
2.2	Percentage of chargeable time against total available.	Quarterly	73%	66%	68%
2.3	Average number of days lost through sickness per FTE	Quarterly	6 days	3.61 days	7.13 days
3.	<u>Continuous Improvement Perspective:</u>				
3.1	Personal development plans for staff completed within the prescribed timetable.	Annual	100%	100%	100%
4.	<u>Financial Perspective:</u>				
4.1	Total Internal Audit costs v budget.	Quarterly	Within Budget	Yes	Yes

Head of Internal Audit's Internal Control Assurance Opinion

The Head of Internal Audit, Corporate Anti-Fraud and Assurance must deliver an annual internal audit opinion and report that can be used by the organisation to inform its Annual Governance Statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

Based on the audits reported in the period, an overall **reasonable** assurance opinion is considered to be appropriate.

A summary of our quarterly opinions for the year to date is as follows:

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Assurance Opinion	Reasonable	Reasonable	Reasonable	

Consideration of our overall opinion takes the following into account:

- results from the substantive audit assignments we have completed during the period;
- outcomes from our audit work not producing an assurance opinion;
- an assessment as to the timely implementation of internal audit report management actions.

Internal Audit, Anti-Fraud and Assurance Contacts

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KEY TO INTERNAL AUDIT ASSURANCE GRADINGS AND CLASSIFICATION OF MANAGEMENT ACTIONS

1. Classification of Management Actions

High	Requires immediate action – imperative to ensuring the objectives of the system under review are met.
Medium	Requiring action necessary to avoid exposure to a significant risk to the achievement of the objectives of the system under review.
Low	Action is advised to enhance control or improve operational efficiency.

2. Assurance Opinions

	Level	Control Adequacy	Control Application
POSITIVE OPINIONS	Substantial	Robust framework of controls exist that are likely to ensure that objectives will be achieved.	Controls are applied continuously or with only minor lapses.
	Reasonable	Sufficient framework of key controls exist that are likely to result in objectives being achieved, but the control framework could be stronger.	Controls are applied but with some lapses.
NEGATIVE OPINIONS	Limited	Risk exists of objectives not being achieved due to the absence of key controls in the system.	Significant breakdown in the application of key controls.
	No	Significant risk exists of objectives not being achieved due to the absence of controls in the system.	Fundamental breakdown in the application of all or most controls.