



INTERNAL AUDIT PROGRESS REPORT APPENDIX 1

Date: February 2025

1. Background

- 1.1 The Council is responsible for maintaining or procuring an adequate and effective internal audit function under the Accounts and Audit (England) Regulations 2018.
- 1.2 The Public Sector Internal Audit Standards (the Standards) require the Audit, Governance and Standards Committee to scrutinise the performance of Internal Audit and to satisfy itself that it is receiving appropriate assurance that the controls put in place by management address the identified risks to the Council. This report aims to provide the Committee with details on progress made in delivering planned work, the key findings of audit assignments completed since the last Committee meeting, updates on the implementation of actions arising from audit reports and an overview of the performance of the team.

2. Performance

2.1 *Will the Internal Audit Plan be delivered?*

The position at the time of writing this report is as follows:

- 4 assignments are complete;
- 7 assignments are at draft report stage;
- 7 assignments are in progress;
- 2 assignments are at the planning stage and will be progressed through March.

- 2.2 Further to the update provided in December 2024, the service is now fully resourced. Good progress is being made on delivery of the 2024/25 internal audit plan. The new 80% team productivity target, which was set for achievement by 31st March 2025, is very close to being delivered with the latest figure being 79%, compared with 66% at the beginning of the financial year. Adequate resources are in place to deliver the remainder of the Plan and the Annual Internal Audit Opinion for 2024/25. Progress on individual assignments is set out at pages 7 to 8.

□

2.3 **Performance Indicators**

The service is implementing a suite of indicators which aim to demonstrate and enhance performance. Each individual member of staff has an agreed target to deliver 90% of their own work plan by the end of March each year. In addition, the following performance indicators have been established and the results will be included in the annual report for 2024/25:

Description	Narrative	Target
Delivery	% of audit days delivered by Year End	90%
Productivity	% of available time spent on productive audit work	80%
Effectiveness	% of agreed recommendations implemented by the target date	75%
Customer Satisfaction	% of Post Audit Questionnaires which have rated the service as "Very Good" or "Good"	80%

2.4 **Based upon recent Internal Audit work, are there any emerging issues that impact upon the Internal Audit opinion of the Council's Control Framework?**

At this stage there are no emerging issues arising from the work of Internal Audit which significantly impact upon the Internal Audit opinion of the Council's Control, Governance and Risk Management framework for 2024/25.

2.5 **Are clients progressing audit recommendations with appropriate urgency?**

At the time of writing there are 23 outstanding internal audit recommendations, which is a reduction from the figure of 28 reported at the December 2024 meeting. There are currently no overdue recommendations.

3. Internal audit opinions and prioritisation of recommendations

- 3.1 The Auditor's Opinion for each assignment is based on the fieldwork carried out to evaluate the design of the controls upon which management rely and to establish the extent to which controls are being complied with. The table below explains what the opinions mean:

Table 1 – Assurance Categories

Opinion	Definition
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.

The prioritisation of recommendations made by Internal Audit is based upon an assessment of the level of risk exposure. The Auditor's Opinion considers the likelihood of corporate/ service objectives not being achieved, and the impact of any failure to achieve objectives. In order that recommendations can be prioritised according to the potential severity of the risk, a traffic light system is used as follows:

Table 2 - Definition of Priority of Recommendations

Risk Level	Definition	Matrix													
H (7-9)	<p>Immediate control improvement required.</p> <p>Fundamental control weaknesses that present a significant material risk to the function or system objectives and requires immediate attention by Senior Management.</p>	<div style="text-align: center;"> <p>RISK ASSESSMENT MATRIX</p> <table border="1" style="margin: auto;"> <tr> <td style="background-color: yellow; text-align: center;">4</td> <td style="background-color: red; text-align: center;">7</td> <td style="background-color: red; text-align: center;">9</td> </tr> <tr> <td style="background-color: green; text-align: center;">2</td> <td style="background-color: yellow; text-align: center;">5</td> <td style="background-color: red; text-align: center;">8</td> </tr> <tr> <td style="background-color: green; text-align: center;">1</td> <td style="background-color: green; text-align: center;">3</td> <td style="background-color: yellow; text-align: center;">6</td> </tr> <tr> <td></td> <td style="text-align: center;">NOTICEABLE</td> <td style="text-align: center;">SIGNIFICANT</td> <td style="text-align: center;">CRITICAL</td> </tr> </table> <p style="text-align: center;">IMPACT</p> </div> <p style="text-align: center; margin-top: 10px;"> <small>LIKELIHOOD OF OCCURENCE</small> HIGH MEDIUM LOW </p>	4	7	9	2	5	8	1	3	6		NOTICEABLE	SIGNIFICANT	CRITICAL
4	7		9												
2	5		8												
1	3	6													
	NOTICEABLE	SIGNIFICANT	CRITICAL												
M (4-6)	<p>To be monitored closely and cost-effective controls sought.</p> <p>Other control weaknesses where there are some controls in place but there are issues with parts of the control that need to be addressed by Management within the area of review.</p>														
L (1-3)	<p>To be reviewed regularly and seek low-cost control improvements.</p> <p>Issues of best practise where some improvement can be made.</p>														

4. Internal Audit delivery

- 4.1 At the time of report writing 253 productive days had been delivered against the full year plan of 328 days. At this stage it is anticipated that the objective of hitting 90% of the full year plan by 31st March 2025 will be achieved. As a comparison, the full year outturn for 2023/24 was 179 days delivered.

Table 3 - Summary of Days Delivered for 2024/25

Summary of Audit Areas	Plan Budget	Days Delivered as at 14/02/2025
Core Financial Systems	92	81
Corporate Work	81	71
Other systems audits	129	79
Sub total	302	231
Support Budgets including reading, audit management meetings, corporate meetings, annual plans, reports and Audit Committee Support.	26	22
Sub total	26	22
Total Audit Days	328	253

The following table shows the status of each assignment in the annual plan, the budget in days, and the anticipated reporting date. The table is designed to assist members in building up a picture of the assurance being provided during the course of the year.

Table 4 – Summary of Internal Audit progress and findings, year to date

<u>Audit Area</u>	<u>Budget (Days)</u>	<u>Status</u>	<u>Anticipated Reporting Date</u>	<u>Assurance Rating</u>	<u>Summary of Findings/ Comments</u>
Accounts Payable	15	Draft Report issued		TBC	
Council Tax	14	Draft Report issued		TBC	
Benefits	22	Draft Report issued		TBC	
NNDR	15	Draft Report issued		TBC	
General Ledger	18	Fieldwork in Progress	March 2025		
Risk Management Embedding	16	Draft Report issued		TBC	
Cyber & Data Security including Disaster Recovery	12	Fieldwork in Progress	April 2025		
Workforce Planning	10	Planning	April 2025		Consultancy review, examining arrangements for delivery of the 82-point plan and comparison with other local authorities.
Procurement and Contract Management	16	Final Report issued		Limited	Results reported separately and in full at the December 2024 Committee meeting – see Appendix 1.
Insurance	15	Fieldwork in Progress	March 2025		Including review of claims prevention & mgmt, and the strategic approach to minimising the costs of cover.

<u>Audit Area</u>	<u>Budget (Days)</u>	<u>Status</u>	<u>Anticipated Reporting Date</u>	<u>Assurance Rating</u>	<u>Summary of Findings/ Comments</u>
Business Continuity and Emergency Planning	12	Fieldwork in Progress	April 2025		
Fraud Investigations and NFI	10	Work completed for 2024/25		N/A	
Statements of Internal Control	4	Planning	N/A	N/A	
Bus Operators' Grant	6	Completed		N/A – Grant certification	
Statutory Inspections	12	Fieldwork in Progress	March 2025		
Corporate Credit Cards including Petty Cash	15	Fieldwork in Progress	March 2025		
Housing Revenue Account	12	Draft Report Issued		TBC	
Right to Buy	13	Draft Report Issued		TBC	
Housing Repairs	20	Fieldwork in Progress	June 2025		Includes assurance that the new scheduling system is operating efficiently and effectively. Remainder of fieldwork delayed until May 2025 at client request.
Follow up of Recommendations	15	Completed		Substantial	Good progress has been made in this area, and at the time of reporting there are no overdue actions.

5. Limitations inherent in the work of internal audit

Internal Audit undertakes a programme of work agreed by the Council's senior managers and approved by the Audit Committee subject to the limitations outlined below.

Opinion

Each audit assignment undertaken addresses the control objectives agreed with the relevant responsible managers. There might be weaknesses in the system of internal control that Internal Audit are not aware of because they did not form part of the programme of work, were excluded from the scope of individual internal audit assignments or were not brought to the attention of Internal Audit. As a consequence, the Audit Committee should be aware that the Audit Opinion for each assignment might have differed if the scope of individual assignments was extended or other relevant matters were brought to Internal Audit's attention.

Internal Control

Internal control systems identified during audit assignments, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision making, human error, control processes being deliberately circumvented by employees, management override of controls, and unforeseeable circumstances.

Future Periods

The assessment of each audit area is relevant to the time that the audit was completed. In other words, it is a snapshot of the control environment at that time. This evaluation of effectiveness may not be relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulatory requirements or other factors; or
- The degree of compliance with policies and procedures may deteriorate.

Responsibilities of Management and Internal Auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance, and for the prevention or detection of irregularities and fraud. Internal Audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

Internal Audit endeavours to plan its work so that there is a reasonable expectation that significant control weaknesses will be detected. If weaknesses are detected, additional work is undertaken to identify any consequent fraud or irregularities. However, Internal Audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and its work should not be relied upon to disclose all fraud or other irregularities that might exist.