

Internal Audit Progress Report 2024/25

Date: 3 October 2024

APPENDIX 1

CONTENTS

3	Background
3	Internal Audit progress
4	Follow Up
5	Annex A: Internal Audit work in 2024/25
7	Annex B: Current audit priorities
16	Annex C: Summary of key issues from audits finalised
18	Annex D: Audit opinions and priorities for actions
19	Annex E: Follow up of agreed audit actions



BACKGROUND

- 1 Internal audit provides independent and objective assurance and advice about the council's operations. It helps the organisation to achieve its 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 In accordance with the PSIAS, the Head of Internal Audit is required to report progress against the internal audit plan (the work programme) agreed by the Audit and Governance Committee, and to identify any emerging issues which need to be brought to the attention of the committee.
- 4 The internal audit work programme was agreed by this committee in July 2024.
- 5 Veritau has adopted a flexible approach to work programme development and delivery. Work to be undertaken during the year is kept under review to ensure that audit resources are deployed to the areas of greatest risk and importance to the council.
- 6 The purpose of this report is to update the committee on internal audit activity up to 13 September 2024.



INTERNAL AUDIT PROGRESS

- 7 A summary of audits underway and those finalised in the year to date, is included in annex A. Annex A also details other work completed by internal audit during the year.
- 8 The work programme, showing current priorities for internal audit work, is included at annex B. Alongside the work in the 'do now' and 'do next' categories are indicative timescales for when work commenced or is expected to commence, and projected dates for final reports to be produced. These timescales may be subject to change, for example if work priorities change as a result of ongoing risk assessment and work planning.
- 9 The programme includes several audits 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).

- 10 Annex C provides details of the key findings arising from internal audit assignments completed, that we have not previously reported to the committee.
- 11 We have introduced a new specification and report format for 2024/25 and reviewed our definitions for action priorities and overall assurance levels. Annex D lists our new definitions.

FOLLOW UP

- 12 All actions agreed with services as a result of internal audit work are followed up to ensure that issues are addressed. As a result of this work we are generally satisfied that sufficient progress is being made to address the control weaknesses identified in previous audits. A summary of the current status of follow up activity is included at annex E.

ANNEX A: INTERNAL AUDIT WORK IN 2024/25

Audits in progress

Audit	Status
Agency staff (Children's Services)	Draft report issued
Direct payments	Draft report issued
IT asset management	Draft report issued
Social care transitions	Draft report issued
Treasury management	Ongoing
Procurement	Ongoing
VAT accounting	Ongoing
Information governance	Ongoing
Commercial property income	Ongoing
Procurement cards (follow-up)	Ongoing
Payroll	Ongoing
Teesside Pension Fund – investments	Ongoing
Domestic abuse	Ongoing
Middlesbrough Community Learning Service	Ongoing
Risk management	Ongoing

Final reports issued

Audit	Reported to Committee	Opinion
Public health governance	August 2024	Reasonable Assurance
Main accounting	August 2024	Substantial Assurance
Benefits and Council Tax Support	August 2024	Substantial Assurance
Health and safety	August 2024	Substantial Assurance
Creditors	August 2024	Substantial Assurance
Schools themed audit (business continuity)	October 2024	Reasonable Assurance
Teesside Pension Fund – administration	October 2024	Substantial Assurance
Use of residential care	October 2024	Reasonable Assurance
Continuing healthcare	October 2024	Reasonable Assurance

Early years funding	October 2024	Reasonable Assurance
---------------------	--------------	----------------------

Other work in 2024/25

Internal audit work has been undertaken in a range of other areas during the year, including those listed below.

- ▲ A review of returns completed by the Council for the Supporting Families scheme.
- ▲ A review of grant claims including claims relating to trading standards, the Tees Valley Combined Authority and the Middlesbrough Mela.
- ▲ An annual review of a number of trust funds administered by the Council

ANNEX B: CURRENT AUDIT PRIORITIES

Audit / Activity	Rationale / Comments on progress	Actual / Expected start	Expected finish ¹
Corporate & cross cutting			
Category 1 (do now)			
Procurement cards	Planning is underway.	September 2024	December 2024
Procurement	Ongoing. Fieldwork expected to be complete at the end of September.	March 2024	December 2024
Information governance including FoI	Ongoing. Fieldwork expected to be complete at the end of September.	February 2024	December 2024
Risk management	Planning is underway.	September 2024	February 2025
Transformation programme	The Council's transformation programme intends to transform the Council operationally and culturally into an organisation that can modernise services and deliver them effectively. Our work will include a combination of focused reviews along with support and critical challenge. It is likely to cut across other areas included in the work programme.	Ongoing	Ongoing

¹ This is the expected date the audit findings will be included in reports to the Audit Committee. The report will potentially be finalised sooner than this, and the date of issue will be included when reported to the Audit Committee.

Audit / Activity	Rationale / Comments on progress	Actual / Expected start	Expected finish ¹
Category 2 (do next)			
Savings plans and delivery	The Council has significant budget pressures and has agreed a further set of savings plans including as part of the Transformation programme. The audit will review progress against these plans and the reasonableness of assumptions made in calculating savings and is likely to focus on Children's and Adult's Services.	October 2024	February 2025
Members allowances and declarations of interest	Members allowances and declarations of interest can provide significant risks to the Council including reputationally. The Council has had a number of governance issues highlighted in recent years.	Q3 2024/25	April 2025
Business continuity	Business continuity is a key tool to mitigate risks arising from unexpected changes in the external environment, for example increasing cybersecurity threats, supply chain issues resulting from global political activity and potential climate and energy related events. This area has not been audited for some time.	Q3 2024/25	April 2025
Partnerships	An audit would review the Council's role and governance arrangements with key partnerships.	Q3 2024/25	April 2025
Category 3 (do later)			
Decision making and Council governance	The Council has had several governance related issues in recent years which have been reviewed by internal audit. We will allocate time to review any emerging issues and to ensure previously agreed actions have been implemented. An audit may also consider a review of the		

Audit / Activity	Rationale / Comments on progress	Actual / Expected start	Expected finish ¹
	Council's scrutiny arrangements including planning, timeliness and reporting.		
Financial resilience	The Council's financial position remains critical. This will build on and accompany work carried out on savings plans and the wider transformation programme.		
Recruitment and retention	Recruitment and retention is a key corporate risk for the Council.		
Succession planning	The Council has had a significant turnover of senior officers in recent years. An audit would review the new People Strategy and the Council's succession plans.		
Information security	Considered high risk due to external threats and the continuing pace of technological change. Risks may also have changed as a result of the office move to Fountains Court.		
Corporate complaints	Essential for effective governance. This area has not been audited for some time. The Council's corporate complaints policy was agreed in 2022 and is due for review in 2025.		
Performance management	A key assurance area reflecting its significant contribution to the achievement of the Council's objectives.		
Health and safety	Health and safety is a key corporate risk for the Council. An audit was carried out during 2023/24 concentrating on premises risk assessments and this audit would review other areas within corporate health and safety.		

Audit / Activity	Rationale / Comments on progress	Actual / Expected start	Expected finish ¹
Procurement	Current work is ongoing, however further work may be carried out during the year including an assessment of preparedness for the new Procurement Act.		
Asset management (including asset maintenance)	Effective use of assets is a key priority for the Council and is one of our key assurance areas. The audit may review sale of Council assets which has been an area of concern for the Council in recent years.		
Financial / Corporate systems			
Category 1 (do now)			
Treasury management	Ongoing. The audit has been delayed due to scheduling issues but fieldwork is now expected to be complete at the end of September.	November 2023	December 2024
VAT accounting	Fieldwork is on hold due to HMRC review.	TBC	TBC
Payroll	Ongoing. Fieldwork expected to be complete at the end of September.	May 2024	December 2024
Teesside Pension Fund – Investments	Planning is underway.	September 2024	February 2025

Audit / Activity	Rationale / Comments on progress	Actual / Expected start	Expected finish ¹
Category 2 (do next)			
Council Tax and NNDR	This is a key financial system and audited regularly.	Q3 2024/25	April 2025
Category 3 (do later)			
Income collection	An audit would review the processes involved in collecting income for the Council from the services it provides.		
Main accounting	This is a key financial system and audited regularly.		
Debtors	This is a key financial system and audited regularly.		
Benefits and Council Tax Support	This is a key financial system and audited regularly.		
ICT			
Category 1 (do now)			
IT asset management	Draft report issued.	May 2024	December 2024
Category 2 (do next)			
IT server administration and security	Effective administration and security of IT servers is a key part of cyber security, protecting council data and incident response and recovery. This supports previous work on IT disaster recovery and will include	October 2024	February 2025

Audit / Activity	Rationale / Comments on progress	Actual / Expected start	Expected finish ¹
	review of physical and environmental security of data centres. This has been identified as a priority for audit in discussion with IT managers.		
IT – email security	Email security is key to preventing and protecting council data and ensuring it is transferred securely. It is also vital for cyber security and protecting against phishing attacks and the threats from malware and ransomware. This has been identified as a priority for audit in discussion with IT managers.	Q3 2024/25	April 2025
Category 3 (do later)			
IT – malware protection	This is a vital aspect of cyber security, to maintain security of data, system performance and availability and maintaining business continuity. This audit will cover areas not already covered by the above audits and, taken together, will provide thorough assurance on cyber risk. This has been identified as a priority for audit in discussion with IT managers.		
Operational audits			
Category 1 (do now)			
Agency staff (Children’s Services)	Draft report issued. Due to the length of time that has passed since the fieldwork was completed we are preparing a shortened report which summarises the issues identified, implementation progress made and any actions remaining. We expect this to be finalised by the end of September.	August 2023	December 2024
Direct payments	Draft report issued.	February 2024	December 2024

Audit / Activity	Rationale / Comments on progress	Actual / Expected start	Expected finish ¹
Commercial property income	Ongoing. Fieldwork expected to be complete at the end of September.	March 2024	December 2024
Social care transitions (Children's to Adult's)	Draft report issued.	May 2024	December 2024
Middlesbrough Community Learning Service	Fieldwork is underway.	July 2024	December 2024
Domestic abuse	Fieldwork is underway.	June 2024	December 2024
Category 2 (do next)			
Homelessness	This is a high risk nationally with 271,000 people recorded as homeless in England. Middlesbrough has the highest rates of homelessness in Teesside according to the charity Shelter.	October 2024	February 2025
Section 117 after care (mental health services)	Section 117 after care relates to care provided to residents who require mental health care and support following a hospital admission. An audit would look at the controls and risks relating to this.	Q3 2024/25	April 2025
Financial assessments (Adult's)	In the context of increasing financial pressure on care services, robust assessments can help the Council to accurately determine charges for	Q3 2024/25	April 2025

Audit / Activity	Rationale / Comments on progress	Actual / Expected start	Expected finish ¹
	care and to work within budget. This area has not been reviewed for some time.		
Anti-social behaviour management	Anti-social behaviour is a significant issue for the Council. We have recently conducted an audit of this area so this audit would follow-up previously agreed actions.	Q3 2024/25	April 2025
Schools themed audit	An annual themed audit of maintained schools. Previous themes have included business continuity and the Schools Financial Value Standard (SFVS).	Q3 2024/25	July 2025
Category 3 (do later)			
Commissioning and contract management (Adult's)	Commissioning and contract management is a key risk area for the Council and includes significant levels of expenditure.		
Home to school transport	This is an increasing area of spend and risk area for the Council.		
Reablement	The Council's reablement team helps to provide support to residents with care needs to support themselves in their own homes. The Council's transformation programme intends to expand this provision.		
Legislative changes (ASC) including Liberty	An audit would review the Council's approach and preparedness to legislative changes including those relating to Liberty Protection Safeguards.		

Audit / Activity	Rationale / Comments on progress	Actual / Expected start	Expected finish ¹
Protection Safeguards			
Climate change	Climate change is a significant risk and priority for all local authorities. An audit would consider key risks including those relating to energy management.		
Foster carers	The Council is part of a collaborative partnership with 11 other local authorities in the North East. It also intends to expand the in-house fostering capability as part of the transformation programme.		
Inclusion strategy	The Council has an Inclusion Strategy 2022-2025 and an audit would review the effectiveness of the implementation of the strategy.		
Housing development	A review of the arrangements to regenerate housing provision in Middlesbrough.		
Planning applications	Planning applications can be a contentious area within local government an audit would provide assurance that the Council is complying with legislative requirements and is suitably transparent.		

ANNEX C: SUMMARY OF KEY ISSUES FROM AUDITS FINALISED SINCE THE LAST REPORT TO THE COMMITTEE

System/area	Opinion	Area reviewed	Date issued	Comments / Key issues identified	Management actions agreed
Schools themed audit (business continuity)	Reasonable Assurance	Emergency plans, compliance with government guidance, review and testing of plans.	26 July 2024	A complete business continuity plan is not in place for all schools. Clear cyber security and cyber response arrangements are not in place.	Plans will be updated and completed. Arrangements will be updated and aligned to business continuity plans.
Teesside Pension Fund – administration	Substantial Assurance	Compliance with legislation, payments, bank account changes.	6 August 2024	Procedures and controls are working well.	No significant actions agreed.
Use of residential care	Reasonable Assurance	Support for residents and consistency of approach, document retention, communication with third parties.	29 August 2024	Information is not retained to document the rationale for decision making.	A process will be implemented to ensure all options are considered and documented.
Continuing healthcare	Reasonable Assurance	Financial contributions, invoicing.	6 September 2024	Decisions are not always fully recorded and documented.	Decisions will be documented, recorded and shared with relevant officers.
Early years funding	Reasonable Assurance	Submission, review and payment of claims.	12 September 2024	Three providers had claimed hours in excess of the recorded attendance.	Providers will be reminded to amend the hours of

System/area	Opinion	Area reviewed	Date issued	Comments / Key issues identified	Management actions agreed
					children who do not take up their full entitlement.

ANNEX D: AUDIT OPINIONS AND PRIORITIES FOR ACTIONS

Audit opinions

Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit. Our overall audit opinion is based on four grades of opinion, as set out below.

Opinion	Assessment of internal control
Substantial assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No assurance	Overall, there is a fundamental failure in control and risks are not being effectively

Priorities for findings

Critical	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Significant	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Moderate	The system objectives are not exposed to significant risk, but the issue merits attention by management.
Opportunity	There is an opportunity for improvement in efficiency or outcomes, but the system objectives are not exposed to risk.

ANNEX E: 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 Audit and Governance Committee.

Actions Completed.

The last report to this committee was in August 2024 and no actions have been completed since then.

Actions Outstanding

A total of 6 actions with original due dates that have passed are still outstanding. A summary of the priority of these actions is included below.

Actions agreed		Actions agreed by directorate					
Priority of actions	Number of actions agreed	Adult Social Care	Children's Services	Environment and Community	Finance	Legal and Governance	Regeneration
Critical	3	0	0	3	0	0	0
Significant	1	0	0	1	0	0	0
Moderate	2	1	0	1	0	0	0
Total	6	1	0	5	0	0	0

Of the 6 actions outstanding all 6 have had a revised date agreed.

Actions outstanding for more than 3 months (Critical or Significant)

Four Critical or Significant actions have currently been outstanding for more than 3 months. These actions all relate to the audit of the Transporter Bridge, details of which have been reported previously to this committee. The actions are operational in nature and will not be dealt with until the bridge is brought back into operation, for which there is no agreed date. We have therefore removed the actions from our normal follow up process.