

# Internal Audit Progress Report 2024/25

Date: 12 December 2024

APPENDIX 1

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## 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 30 November 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 It is likely that most audits in the 'do later' category will now be considered for commencement at the beginning of 2025/26. These audits along with any other new or emerging priorities will be considered as part of the planning process for the 2025/26 internal audit work programme.
- 11 Annex C provides details of the key findings arising from internal audit assignments completed, that we have not previously reported to the committee.
- 12 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

- 13 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
Payroll	Draft report issued
Procurement	Draft report issued
Treasury management	Ongoing
Information governance	Ongoing
Commercial property income	Ongoing
VAT accounting	Ongoing
Procurement cards (follow-up)	Ongoing
Teesside Pension Fund – investments	Ongoing
Domestic abuse	Ongoing
Risk management	Ongoing
Homelessness	Ongoing
Server Admin (IT)	Ongoing
Schools themed audit (budget management and supply teachers)	Ongoing
Anti-social behaviour management	Ongoing
Council Tax and NNDR	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
Direct payments	December 2024	Limited Assurance
Social care transitions	December 2024	Reasonable Assurance
IT asset management	December 2024	Substantial Assurance
Agency staff (Children's Services)	December 2024	No opinion given

### 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 those relating to:
  - ▲ Trading standards
  - ▲ Tees Valley Combined Authority / Local Transport Plan
  - ▲ Middlesbrough Mela
  - ▲ High Street Heritage Action Zone
  - ▲ Children's Services Practice Improvement
  - ▲ Homes England
  - ▲ Traffic Signals Obsolescence
  - ▲ Bus Service Operators
- ▲ An annual review of a number of trust funds administered by the Council
- ▲ A review of effectiveness of arrangements in place to manage subcontractor systems and controls in relation to Middlesbrough Council's Community Learning Service (MCLS).

## ANNEX B: Current priorities for internal audit work

Audit / Activity	Rationale / Comments on progress	Actual / Expected start	Expected finish <sup>1</sup>
<b>Corporate &amp; cross cutting</b>			
<b>Category 1 (do now)</b>			
Procurement cards	Ongoing.	September 2024	March 2025
Procurement	Draft report issued.	March 2024	March 2025
Information governance including FoI	Fieldwork complete.	February 2024	March 2025
Risk management	Ongoing.	September 2024	March 2025
Transformation programme	The Council's transformation programme is being considered as part of all ongoing/planned work.	Ongoing	Ongoing
Members allowances and	Planning underway / due to start in December.	December 2025	July 2025

<sup>1</sup> 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 <sup>1</sup>
declarations of interest			
Partnerships	Planning underway / due to start in January.	January 2025	July 2025
<b>Category 2 (do next)</b>			
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.	Q4 2024/25	July 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 and will commence following the risk management audit.	Q4 2024/25	July 2025
<b>Category 3 (do later)</b>			
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.		
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.		



Audit / Activity	Rationale / Comments on progress	Actual / Expected start	Expected finish <sup>1</sup>
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.		
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.		

Audit / Activity	Rationale / Comments on progress	Actual / Expected start	Expected finish <sup>1</sup>
<b>Financial / Corporate systems</b>			
<b>Category 1 (do now)</b>			
Treasury management	Fieldwork complete.	November 2023	March 2025
VAT accounting	Fieldwork is on hold due to HMRC review.	TBC	TBC
Payroll	Draft report issued.	May 2024	March 2025
Teesside Pension Fund – Investments	Planning is underway.	December 2024	July 2025
Council Tax and NNDR	Planning underway / due to start in December.	December 2024	July 2025
<b>Category 2 (do next)</b>			
<b>Category 3 (do later)</b>			
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.		

Audit / Activity	Rationale / Comments on progress	Actual / Expected start	Expected finish <sup>1</sup>
Benefits and Council Tax Support	This is a key financial system and audited regularly.		
<b>ICT</b>			
<b>Category 1 (do now)</b>			
IT server administration and security	Ongoing.	October 2024	March 2025
<b>Category 2 (do next)</b>			
<b>Category 3 (do later)</b>			
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.		
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.		

Audit / Activity	Rationale / Comments on progress	Actual / Expected start	Expected finish <sup>1</sup>
<b>Operational audits</b>			
<b>Category 1 (do now)</b>			
Commercial property income	Fieldwork complete.	March 2024	March 2025
Domestic abuse	Fieldwork is underway – there have been delays in receiving the requested information in order to identify a sample.	June 2024	March 2025
Anti-social behaviour management	Fieldwork is due to start in December.	December 2024	July 2025
Homelessness	Planning underway.	January 2025	July 2025
Schools themed audit	Planning underway.	January 2025	July 2025
<b>Category 2 (do next)</b>			
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.	January 2025	July 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 care and to work within budget. This area has not been reviewed for some time.	Q4 2024/25	July 2025

Audit / Activity	Rationale / Comments on progress	Actual / Expected start	Expected finish <sup>1</sup>
Home to school transport	This is an increasing area of spend and risk area for the Council.	Q4 2024/25	July 2025
<b>Category 3 (do later)</b>			
Commissioning and contract management (Adult's)	Commissioning and contract management is a key risk area for the Council and includes significant levels of expenditure.		
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 Protection Safeguards	An audit would review the Council's approach and preparedness to legislative changes including those relating to Liberty 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.		

Audit / Activity	Rationale / Comments on progress	Actual / Expected start	Expected finish <sup>1</sup>
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
Social care transitions	Reasonable Assurance	Transition processes, ensuring support for children, effective communication between the children's and adult's teams.	24 September 2024	<p>Guidance is not fully disseminated to staff.</p> <p>Data is not stored effectively in an overall database.</p>	<p>A number of initiatives will be carried out including development days, staff presentations and attendance of senior staff at team meetings.</p> <p>Documents will be clearly stored in new folders on the service's file storage area; a tracker spreadsheet will be created; a data cleansing exercise will be carried out.</p>
IT asset management	Substantial Assurance	Asset inventories, policies and procedures for information media storage, redistribution of assets	17 October 2024	Procedures and controls are working well.	No significant actions agreed.
Agency staff (Children's Services)	No opinion given	Policies and procedures, pre-employment checks, monitoring and review of agency workers.	25 November 2024	There is no formal policy for the management of agency staff.	Guidance has been produced and circulated.

System/area	Opinion	Area reviewed	Date issued	Comments / Key issues identified	Management actions agreed
				<p>The documentation does not justify the decision for the use of agency staff.</p> <p>Not all pre-employment checks made by agencies had been checked and verified.</p> <p>Timesheets are not always authorised in a timely manner.</p> <p>A number of agency staff had been engaged for longer than 12 months.</p> <p>Monitoring of agency staff usage and cost is inconsistent.</p>	<p>The documentation now includes this.</p> <p>All checks have now been completed.</p> <p>Guidance has been produced and weekly non-compliance reports have been produced.</p> <p>A transformation programme project will look at strategies to reduce reliance on agency staff.</p> <p>Monitoring will now take place regularly at Directorate Management Team meetings.</p>
Direct payments	Limited Assurance	Guidance notes, accuracy of payments, monitoring of direct payments.	27 November 2024	See further information below.	See further information below.



## ADDITIONAL DETAILS FOR DIRECT PAYMENTS AUDIT

Finding	Priority	Agreed Action	Responsible Officer	Timescale
1) The Council is failing to comply with legislative requirements (in relation to the review of direct payments)	Critical	Additional agency social work staff will be recruited to assist established teams to complete overdue reviews.	Head of Specialist and Lifelong Services	31 December 2024
		An implementation plan will be put in place to address the backlog of 102 overdue reviews.	Head of Specialist and Lifelong Services	Implemented
		The outstanding 102 annual reviews will be completed.	Head of Specialist and Lifelong Services	31 May 2025
		A plan will be put in place to ensure that all new direct payment cases going forward have an initial 6 month review and all new and ongoing cases have a 12 month review thereafter.	Head of Specialist and Lifelong Services	31 January 2025
		A dip sample of 10% of new direct payment cases will be audited by the service each month over the 12 month period to check the process is being followed.	Head of Specialist and Lifelong Services	30 November 2025
2) Direct payments are not being regularly monitored to ensure that payments are being spent appropriately and	Critical	A rectification plan has been put in place to look at the outstanding cases, which has significantly reduced in volume since the audit. All cases will be reviewed within 12 months moving forward.	Head of Resident and Business Support	Implemented

Finding	Priority	Agreed Action	Responsible Officer	Timescale
that the provision is still required.		In respect of direct payments, any such awards are paid 4 weekly, in advance. Revisions to working practices will be made in order to more easily identify accounts with large balances and action taken as necessary.	Head of Resident and Business Support	Implemented
		Refresher training has been delivered in respect of direct payment monitoring and the agreed standards. Monthly manager checks will be undertaken to ensure the quality of such monitoring and that this has improved to the required standards. Work will also be undertaken to identify if it is an option to auto populate some fields or alternatively, make such fields a mandatory requirement when carrying out these checks.	Head of Resident and Business Support	Implemented
3) The Council does not monitor direct payment cases where family members are employed as personal assistants for fraud.	Significant	<p>Direct payment guidance has been updated to reflect current legislation and amended to reflect that family members living in the same house cannot be employed as a personal assistant unless in exceptional circumstances.</p> <p>An exceptions form has been developed that must be completed if the request is to pay someone living in the same household.</p>	Head of Specialist and Lifelong Services	Implemented

Finding	Priority	Agreed Action	Responsible Officer	Timescale
4) Direct payments application forms and agreement documents do not inform the legal consequences of mispending the funds provided for their support plans.	Moderate	<p>Direct payment guidance will be amended so that staff are aware of their duty to inform the person of the legal implication of mis-using their Direct Payment.</p> <p>A paragraph will also be added to the Direct Payment Agreement document informing the person of their legal responsibilities</p>	Head of Specialist and Lifelong Services	Implemented

## 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

### Actions completed

A total of 16 actions have been completed since the last report to this committee in October.

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
<b>Critical</b>	1	0	0	0	1	0	0
<b>Significant</b>	8	6	1	0	1	0	0
<b>Moderate</b>	6	1	3	0	2	0	0
<b>Opportunity</b>	1	0	0	0	1	0	0
<b>Total</b>	<b>16</b>	<b>7</b>	<b>4</b>	<b>0</b>	<b>5</b>	<b>0</b>	<b>0</b>

### Actions outstanding

A total of 9 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
<b>Critical</b>	3	0	0	3	0	0	0
<b>Significant</b>	3	2	0	1	0	0	0

<b>Moderate</b>	3	<b>Moderate</b>	1	0	1	1	0	0
<b>Opportunity</b>	0	<b>Opportunity</b>	0	0	0	0	0	0
<b>Total</b>	<b>9</b>	<b>Total</b>	<b>3</b>	<b>0</b>	<b>5</b>	<b>1</b>	<b>0</b>	<b>0</b>

Of the 9 actions outstanding all 7 have had a revised date agreed. The remaining 2 actions are currently being followed up.

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

Five Critical or Significant actions have currently been outstanding for more than 3 months. Four of these 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.

Details of the remaining action is included in the table below. A revised date has been agreed and we will follow this up when the new implementation date becomes due.

<b>Audit</b>	<b>Priority</b>	<b>Original Date</b>	<b>Revised Date</b>	<b>Finding / Action</b>	<b>Reason for Delay</b>
Burials	Significant	31/12/2022	31/12/2024	A Bereavement Services framework will be produced to include a strategy setting the direction for change and an action plan setting out how that change will be delivered	The service is currently producing the strategy and expects to complete this and the action plan by the end of 2024.