

Internal Audit Progress Report 2024/25

Date: 13 March 2025

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 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 21 February 2025.



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 does not include any audits in the 'do later' category. The new internal audit work programme has been brought to this committee as a separate report and we are currently assessing which of these audits will be a priority for audit as the year commences.

- 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
Treasury management	Draft report issued
Commercial property income	Draft report issued
VAT accounting	Ongoing
Procurement cards (follow-up)	Ongoing
Teesside Pension Fund – investments	Ongoing
Domestic abuse	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
Teesside Pension Fund – Investments	Ongoing
Members' allowances and declarations of interest	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
Procurement	March 2025	Reasonable Assurance
Payroll	March 2025	Substantial Assurance
Risk management	March 2025	Substantial Assurance
Information governance	March 2025	Substantial 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 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
 - ▲ Museum Estates Development Fund
- ▲ 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 reporting ¹
Corporate & cross cutting			
Category 1 (do now)			
Procurement cards	Fieldwork complete. This has been delayed in order for us to complete other work but is expected to be finalised shortly.	September 2024	July 2025
Transformation programme	The Council's transformation programme is being considered as part of all ongoing/planned work.	Ongoing	Ongoing
Members allowances and declarations of interest	Ongoing.	January 2025	July 2025
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.	March 2025	July 2025

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 reporting ¹
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.	March 2025	July 2025
Partnerships	Planning underway / this has been re-allocated to prioritise other work so is now due to start early in Q1 2025/26.	April 2025	September 2025
Performance management	A key assurance area reflecting its significant contribution to the achievement of the Council's objectives.	April 2025	September 2025
Financial / Corporate systems			
Category 1 (do now)			
Treasury management	Draft report issued on 19 December 2024. We are awaiting a response from management and expect this audit to be finalised shortly.	November 2023	July 2025
VAT accounting	This has now restarted following a HMRC review of the Council.	February 2025	July 2025
Teesside Pension Fund – Investments	Ongoing.	January 2025	July 2025
Council Tax and NNDR	Ongoing.	December 2024	July 2025

Audit / Activity	Rationale / Comments on progress	Actual / Expected start	Expected reporting ¹
Category 2 (do next)			
Debtors	This is a key financial system and audited regularly.	Q1 2025/26	September 2025
ICT			
Category 1 (do now)			
IT server administration and security	Fieldwork is complete. The draft report should be issued shortly and will be finalised soon after.	October 2024	July 2025
Category 2 (do next)			
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.	Q4 2024/25	September 2025
Operational audits			
Category 1 (do now)			
Commercial property income	Draft report issued on 18 December 2024. The report has raised some issues that have required further work and we are hoping to conclude this shortly.	March 2024	July 2025

Audit / Activity	Rationale / Comments on progress	Actual / Expected start	Expected reporting ¹
Domestic abuse	Fieldwork complete. The audit is complex, has identified a number of issues and has involved two directorates. We expect to issue a draft report shortly.	June 2024	July 2025
Anti-social behaviour management	Ongoing.	December 2024	July 2025
Homelessness	Ongoing.	January 2025	July 2025
Schools themed audit	Planning underway.	February 2025	July 2025
Category 2 (do next)			
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.	April 2025	September 2025
Home to school transport	This is an increasing area of spend and risk area for the Council.	April 2025	September 2025
Housing development	A review of the arrangements to regenerate housing provision in Middlesbrough.	April 2025	September 2025

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
Procurement	Reasonable Assurance	Review and authorisation of contracts > £100k, review and authorisation of contracts < £5k, breaches of the CPRs.	2 nd January 2025	<p>There are suppliers in place with no contract where the value of spend is regular and above non-contract thresholds.</p> <p>There is no review of expenditure >£100k by the Procurement Team to confirm that the CPRs have been complied with.</p> <p>Contracts are not always published and a signed contract was not always in place.</p> <p>A high number of contracts appeared to be retrospectively ordered due to an incorrect recording of</p>	<p>Requisitioners will now obtain and quote a procurement reference number.</p> <p>A review has now been completed and the CPRs have been complied with in all cases.</p> <p>A flow chart for the Procurement Team will be introduced to ensure contracts are always published.</p> <p>The contract register will be reviewed to ensure all contracts are in place.</p> <p>Training will be provided to inputters and all entries on the</p>

System/area	Opinion	Area reviewed	Date issued	Comments / Key issues identified	Management actions agreed
				the start date on the contract register. There is no formal reporting of breaches of the CPRs.	contract register will be reviewed. A new breach procedure will be introduced.
Payroll	Substantial Assurance	Mileage and advance payments, payroll journals, reconciliation to the establishment.	8 th January 2025	Line managers do not always confirm on iTrent that driver documentation checks have been undertaken.	Guidance notes will be produced; alerts and triggers for managers will be confirmed to be in place and appropriately worded.
Risk management	Substantial Assurance	Role of risk management within the Council, the risk management cycle, communication of risk management to employees.	10 th February 2025	Procedures and controls are working well.	No significant actions agreed.
Information governance	Substantial Assurance	Policies and procedures, staff responsibilities and training, processing of Freedom of Information Act requests.	18 th February 2025	Procedures and controls are working well.	No significant actions agreed.

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	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.

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 34 actions have been completed since the last report to this committee in December 2024.

Actions agreed	
Priority of actions	Number of actions agreed
Critical	4
Significant	23
Moderate	6
Opportunity	1
Total	34

Actions agreed by directorate						
Priority of actions	Adult Social Care	Children's Services	Environment and Community	Finance	Legal and Governance	Regeneration
Critical	0	0	0	4	0	0
Significant	4	8	0	11	0	0
Moderate	0	0	0	4	2	0
Opportunity	0	0	0	0	1	0
Total	4	8	0	19	3	0

Actions outstanding

A total of 26 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	5	0	0	3	2	0	0
Significant	14	0	10	2	2	0	0
Moderate	6	1	0	1	2	2	0
Opportunity	1	0	0	0	0	1	0
Total	26	1	10	6	6	3	0

Of the 26 actions outstanding 11 have had a revised date agreed. The remaining 15 are currently being followed up.

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

Six 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. The remaining two actions are detailed below.

Audit	Priority	Original Date	Revised Date	Finding / Action	Reason for Delay
Burials	Significant	31/12/2022	31/03/2025	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	A draft strategy has now been produced and the service intends to finalise it shortly.
Direct payments	Critical	31/12/2024	28/02/2025	Additional agency social work staff will be recruited to assist established teams to complete overdue reviews which must take place every 12 months.	The service requires approval to recruit the additional agency staff and this is expected to be in place by the end of February.