



INTERNAL AUDIT PROGRESS REPORT

Date: November 2024

1. Background

- 1.1 The Service 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 Standards, Audit and Performance 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 Service. 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:

- 1 final report has been issued;
- 1 assignment is at the fieldwork complete stage;
- 1 assignment is in progress;
- 6 assignments have not yet been started, although fieldwork has all been scheduled in.

- 2.2 The two Senior Auditor positions have been recruited to, and both officers are settling into their new roles. One of the appointees was internal, and the promotion created a vacancy at Auditor level. This position has also now been filled and the new starter will join the team on 2nd December. From this date all positions in the team will be filled. There has been a case of long-term sickness absence in the team; the impacts of this have been managed through extension of an agency contract and the officer has now commenced a phased return to work. Adequate resources are in place to deliver the Internal Audit Plan. Auditors have been allocated for all assignments and delivery will therefore accelerate in the coming months.

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 Service'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 Service'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 5 outstanding internal audit recommendations; however, none of these are overdue.

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

Priority	Definition
H	Fundamental control weaknesses that present a significant material risk to the function or system objectives and requires immediate attention by Senior Management.
M	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.
L	Issues of best practise where some improvement can be made.

4. Internal Audit delivery

- 4.1 At the time of report writing 31 productive days had been delivered against the full year plan of 66 days. Adequate resources are in place to deliver the plan, which will be accelerated in the coming months. All assignments have been allocated.

Table 3 - Summary of Days Delivered for 2024/25

Summary of Audit Areas	Plan Budget	Days Delivered as at 15/11/2024
Core Financial Systems	4	13*
Corporate Work	17	4
Other systems audits	40	9
Sub total	61	25
Support Budgets including any audit management meetings, annual plan development, reports and Audit Committee support.	5	5
Total Audit Days	66	31

The following table shows the status of each assignment in the annual plan, the budget in days, and the anticipated reporting date. This table will also summarise the findings of each of the audits as they are completed. The table is designed to assist members in building up a picture of the assurance being provided.

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

Audit Area	Budget (Days)	Status	Anticipated Reporting Date	Assurance Rating	Summary of Findings/ Comments
Debtors	4	Final report issued	N/A – Final Report issued	Substantial	<p>The objective of this audit was to provide assurance that debts are raised and managed in line with service policies and procedures. The scope covered:</p> <ul style="list-style-type: none"> • Procedures for the raising of debts, issuing credit notes, and recording receipts. • Debt management, including the timeliness of debt raising, supporting documentation held, and actions taken to recover the debts. • Reconciliations. <p>The following areas of the system were found to be working well:</p> <ul style="list-style-type: none"> • Strong audit trails, including the retention and referencing of documentation. • Accuracy of data across processes. • Clear policy and procedural requirements. <p>There were no issues identified during this audit, and accordingly Substantial Assurance was provided.</p>
HR – Movers and Leavers Process	10	Fieldwork Complete	December 2024	TBC	
Workforce Development	6	Not Yet Started	March 2025		Consultancy review, opportunity for comparison of approaches with other WIASS partners.
Data Quality	10	Not Yet Started	February 2025		
Corporate Health and Safety	7	Not Yet Started	April 2025		
Procurement and Contract Management	10	Not Yet Started	April 2025		
IT Network Resilience and Cyber Security	8	Not Yet Started	March 2025		
Absence Management	6	Not Yet Started	February 2025		
Follow up of Recommendations	2	Fieldwork in Progress	March 2025	TBC	

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.