

Internal Audit Progress Report 2024/25

Date: 15 January 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 Accounts, Audit & Risk 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 May 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 activity up to 16 December 2024.



INTERNAL AUDIT PROGRESS

- 7 A summary of internal audit work currently underway, as well as work 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 Since our last report to this committee, audit work started in quarter two has progressed well. Both the procurement compliance and corporate health and safety engagements have been finalised. Fieldwork for the risk management engagement has concluded at the time of writing, and we expect to conclude the audit by the end of January.
- 9 The cybersecurity (network security management) and performance management engagements are both in the planning stage, with fieldwork expected to begin in January. During January and into February, we will also begin work on the IT applications (third party assurance) engagement, and one further engagement, to complete the 2024/25 programme.
- 10 The planned engagement on the council's information governance arrangements has been postponed. This is because Veritau's information

governance service has been working with the council to develop an improvement action plan. The action plan covers all areas we were expecting to audit. We intend to revisit this area during 2025/26 after changes to processes have been made and have had the opportunity to embed.

- 11 The proposed audit of the council's arrangements for managing its companies, Graven Hill and Crown House, has been deferred until 2025/26 at the request of officers. We are currently liaising with senior management to identify a replacement to conclude the work programme.
- 12 In addition to the audits mentioned in paragraphs 8 and 9, we have responded to senior management requests for other work. This work has been fact-finding in nature, providing an independent perspective on current and emerging issues. Draft reports following our work on use of the council's fleet vehicles and the Merton College planning application have been prepared and circulated to the responsible officers. We will be working with officers during January to finalise these.
- 13 The work programme, showing current priorities for internal audit work, is included at annex B. This shows that the majority of audits in the work programme are underway, with the remaining two audits scheduled for completion during quarter four.
- 14 The two engagements that have been finalised since the last report to this committee are included in annex C. The annex summarises the key findings from these audits, and includes actions agreed with officers to address identified control weaknesses.
- 15 Annex D lists our current definitions for finding priorities and overall assurance levels.

FOLLOW UP

- 16 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.
- 17 At the time of reporting, Veritau has continued to follow up actions agreed in audits delivered by the council's previous internal audit provider. Future reports to this committee will include a more detailed breakdown of the follow-up position as actions from Veritau audits become due.
- 18 In the meantime, Veritau is working closely with the council's Corporate Leadership Team (CLT) to ensure that any significant risks and control weaknesses arising from previous internal audit work are being addressed.
- 19 A high-level overview of follow-up activity and the current status of agreed actions from previously completed audits is shown in table 1 on the following page.

Table 1: Follow-up activity and action status

Follow-up activity		Action status			
Priority of actions ¹	Number of actions followed up	Completed	Superseded / redundant	Follow-up in progress	Overdue
1	6	0	0	2	4
2	41	25	1	10	5
Total	47	25	1	12	9

- 20 Of the 47 agreed actions followed up since May 2024, 25 (53%) had been satisfactorily implemented, and 1 had been superseded / made redundant. Actions are marked as superseded / redundant where circumstances have changed significantly, and the previous action is no longer appropriate.
- 21 Follow up work remains in progress at the time of reporting for 12 actions (26%), and 9 actions (20%) have not been implemented by their target timescale and so are overdue. Actions are recorded as overdue where we have not had a full response from the responsible officer to confirm implementation. It is likely, based on correspondence to date, that at least some of these actions will require a revised implementation date. Future reports to this committee will provide an update on this.
- 22 At the time of reporting, a further 22 actions (i.e. in addition to the 47 included in table 1) are awaiting follow-up as their target implementation dates have not yet passed. This includes 15 actions (68%) where a revised date has been agreed with the responsible officer as part of the follow-up process. Revising an original agreed implementation date is done where the delay in addressing an issue will not lead to unacceptable exposure to risk and where, for example, the delays are unavoidable.

¹ Previous internal audit provider definitions for priority 1 and 2 actions:

- Priority 1: Major issue or exposure to a significant risk that requires immediate action or the attention of senior management.
- Priority 2: Significant issue that requires prompt action and improvement by the local manager.

ANNEX A: INTERNAL AUDIT WORK IN 2024/25

Audits in progress

Audit	Status
Use of fleet vehicles	Draft
Merton College	Draft
Risk management	In progress
Cybersecurity: network security management	In progress
Performance management	In progress

Final reports issued

Audit	Reported to Committee	Opinion
Procurement compliance	January 2025	Reasonable Assurance
Corporate health and safety	January 2025	Limited 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.

- ▲ Follow up of agreed actions.
- ▲ A review of the use of the council's fleet vehicles.
- ▲ A review of circumstances surrounding the Merton College planning application appeal.
- ▲ Attendance at, and support to, the Corporate Oversight Governance Group.

ANNEX B: CURRENT AUDIT PRIORITIES

Audit / Engagement	Rationale
Category 1 (do now)	
Risk management	Key cross-cutting system of governance. Important for annual opinion purposes.
Use of fleet vehicles	Being carried out following a request from management.
Merton College	Being carried out following a request from management.
Cybersecurity: network security management	Risks and controls are changing.
Performance management	Provides coverage of key assurance area. Risks and controls are changing.
Category 2 (do next)	
IT applications: third party assurance	Provides coverage of arrangements for managing the key risk area of IT disruption / unavailability of key systems.
Audit TBC	To be agreed with senior management during quarter four.
Category 3 (do later)	
-	-

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

System/area (month issued)	Opinion	Area reviewed	Comments / Issues identified	Management actions agreed
Procurement compliance (December 2024)	Reasonable Assurance	This audit sought to provide assurance on the council's compliance with its Contract Procedure Rules (CPRs). It was supported by data analytics techniques to identify instances of non-compliance.	<p>Despite the governance and support arrangements that the council has put in place via its central Procurement & Contracts Unit (P&CU), the audit identified some significant weaknesses with compliance across contracting departments.</p> <p>Data analytics work identified two main areas of non-compliance. These were order / invoice splitting (i.e. around procurement thresholds specified in the CPRs) and contract leakage (i.e. where spend is incurred with other suppliers despite corporate contracts being in place). The P&CU fulfils a business partner role, but it has not yet established mechanisms to periodically review and detect possible instances of non-compliance, such as the ones identified during this audit.</p> <p>In addition, the council has a backlog of legacy contracts which were entered into while it was partnering with Oxfordshire</p>	<p>The P&CU and Finance will work together to link the contracts register to the financial management system to allow periodic compliance analysis to be performed and reported to the Procurement & Contracts Group.</p> <p>Training will be delivered to all contract managers to reinforce the use of CPRs, including the importance of procurement thresholds / routes to market, avoiding contract leakage, and appropriate use of waivers.</p> <p>Legacy contracts will be reviewed for compliance</p>

System/area (month issued)	Opinion	Area reviewed	Comments / Issues identified	Management actions agreed
			County Council, and before the current CPRs were put in place. A number of these contracts are not on the council's contract register, are a part of this backlog, and have been extended without full engagement with the CPRs.	and continued value for money, and included on the contract register where they are still current. Contracts which have expired will be retendered using the new procurement rules.
Corporate health and safety (December 2024)	Limited Assurance	<p>The purpose of this audit was to provide assurance on the council's arrangements for complying with its Corporate Health, Safety and Wellbeing Policy and related procedures.</p> <p>Compliance testing undertaken during the engagement reviewed health and safety related activities within a</p>	<p>The corporate health and safety (H&S) team has established multiple procedures, and made guidance available, to embed health and safety management culture within the council. However, our findings relating to member oversight, recordkeeping, accident and incident reporting, and training completion collectively suggest that key health and safety requirements are not consistently being met.</p> <p>Several significant control weaknesses were identified during the audit which can be summarised as follows:</p> <ul style="list-style-type: none"> A lack of health and safety compliance and performance reporting to councillors, despite their stated responsibility for the 	<p>Senior management representatives from the sampled service areas and those responsible for corporate arrangements have agreed a number of actions to address the identified control weaknesses. In summary, these include:</p> <ul style="list-style-type: none"> Annual reporting to AARC on H&S compliance and performance Development of a more streamlined

System/area (month issued)	Opinion	Area reviewed	Comments / Issues identified	Management actions agreed
		sample of higher risk service areas. These services were Waste Collection, Housing Services, and Development Management.	<p>overall adequacy of arrangements per the Corporate Health, Safety and Wellbeing Policy.</p> <ul style="list-style-type: none"> • A significant rise in vehicle incidents (22 in 2024/25 year to date, up from 9 in 2023/24). Issues were found with notifying the corporate H&S team of incidents and also with the strength of actions proposed by Environmental Services to address underlying causes. • None of the sampled services have a 100% corporate or role-specific training completion rate, and completion rates varied significantly by service area. Excel-based training records held by the Waste Collection service were incomplete. • Review dates for corporate and service-specific health and safety arrangements (e.g. risk assessments) are not consistently recorded, and evidence could not be provided that reviews have been undertaken. • Services are not retaining signature sheets to demonstrate employees have read and understood procedures or risk 	<p>incident reporting process, together with training on the process and implementation of quality assurance checking</p> <ul style="list-style-type: none"> • Development of a corporate H&S training plan, with regular reporting on completion to CLT. Delivery of required training to office-based staff and operatives. • Ensuring that signature sheets are updated and exploring options for single central storage • Ensuring that the latest key corporate and local H&S documentation is available to all staff,

System/area (month issued)	Opinion	Area reviewed	Comments / Issues identified	Management actions agreed
			<p>assessments. Corporate and local H&S documents are also not readily available to employees who have limited computer access.</p>	<p>including exploration of a digital solution for the council's operatives</p> <p>Given the Limited Assurance opinion reached following this audit, a further follow-up audit will be scheduled for 2025/26. This will assess the completion of agreed actions and effectiveness of any new or changed processes.</p>

ANNEX D: ASSURANCE ENGAGEMENT OPINIONS AND FINDING PRIORITIES

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 managed. A number of key areas require substantial improvement to protect the system from error and abuse.

Finding ratings

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.