Internal Audit Progress Report 2024/25

Date: 20 November 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 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 8 November 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. Four internal audit engagements have reached draft report stage. The timing of this committee meeting is such that we are unable to present the final outcomes from this work. However, summaries of final reports will be shared at the January meeting. Work has also begun on audits scheduled for the current quarter.

9 In addition to the audits mentioned in paragraph 8, 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. The outcomes from these reviews will also be presented at the January meeting of this committee.

10   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.

11   Annex C lists our current definitions for finding priorities and overall assurance levels. This annex is contained in all progress reports and can be referred to in future reports where assurance audits have been completed and follow-up data is presented.

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.

13   At the time of reporting, Veritau has been following 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 are raised and become due.

14   In the meantime, Veritau is working closely with the council's Corporate Leadership Team to ensure that any significant risks and control weaknesses arising from previous internal audit work are being addressed.

15   A high-level overview of follow-up activity and the current status of agreed actions from previously completed audits is shown in table 1, below.

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	38	25	1	7	5
Total	44	25	1	9	9

16   Of the 44 agreed actions followed up since May 2024, 25 (57%) had been satisfactorily implemented, and 1 had been superseded / made redundant.

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[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.

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Actions are marked as superseded / redundant where circumstances have changed significantly, and the previous actions are no longer appropriate.

17   Follow up work remains in progress at the time of reporting for 9 actions (20%), 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 response from the responsible officer to confirm implementation.

18   At the time of reporting, a further 25 actions (i.e. in addition to the 44 included in table 1) are awaiting follow-up as their target implementation dates have not yet passed. This includes 15 actions (60%) where a revised date was 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.

OTHER DEVELOPMENTS

19   The profession's local government standards setter, CIPFA, is currently consulting on a Public Sector Application Note for the new Global Internal Audit Standards (which were released in January 2024) and an accompanying Code of Practice for the Governance of Internal Audit in Local Government.

20   Once both the Global Internal Audit Standards and Application Note come into effect on 1 April 2025, these will replace the PSIAS. There will no longer be a requirement for the PSIAS as these are fully incorporated into the Global Internal Audit Standards and the Application Note, which will be collectively referred to as the Global Internal Audit Standards (UK public sector).

21   The primary audience for the Code of Practice, which will also come into effect from 1 April 2025, is those charged with governance of internal audit. It is intended to support local authorities in interpreting the essential conditions for governance of internal audit, as set out in the Global Internal Audit Standards, and with how to apply them in a public sector context.

22   We are not anticipating that these updates to public sector internal audit standards will require any significant changes to Veritau's working practices or to the governance of the service. Future reports to this committee will explain how Veritau has responded to the new regime and will present an updated internal audit charter.

ANNEX A: INTERNAL AUDIT WORK IN 2024/25

Audits in progress

Audit	Status
Use of fleet vehicles	Draft
Corporate health and safety	Draft
Procurement compliance	Draft
Merton College	Draft
Risk management	In progress
Cybersecurity: network security management	In progress
Performance management	In progress
Information governance	In progress

Final reports issued

Audit	Reported to Committee	Opinion
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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.

ANNEX B: CURRENT AUDIT PRIORITIES

Audit / Engagement	Rationale
Category 1 (do now)	
Corporate health and safety	Provides coverage of key assurance area. Focuses on higher risk council activities.
Procurement compliance	Area of potential risk identified by management. Provides coverage of key assurance area.
Merton College	Being carried out following a request from management.
Risk management	Key cross-cutting system of governance. Important for annual opinion purposes.
Cybersecurity: network security management	Risks and controls are changing.
Performance management	Provides coverage of key assurance area. Risks and controls are changing.
Information governance	Provides coverage of key assurance area.
Category 2 (do next)	
LATCO governance: Graven Hill and Crown House Banbury	To follow an internal review carried out during 2023, providing independent assurance on the strength of governance arrangements for council companies.
IT applications: third party assurance	Provides coverage of arrangements for managing the key risk area of IT disruption / unavailability of key systems.
Category 3 (do later)	
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ANNEX C: ASSURANCE AUDIT 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.