

AUDIT COMMITTEE

30 JANUARY 2025

REPORT OF INTERNAL AUDIT MANAGER

A.1 REPORT ON INTERNAL AUDIT – SEPTEMBER 2024 - DECEMBER 2024

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To provide a progress report on the Internal Audit function for the period September 2024 – December 2024.

EXECUTIVE SUMMARY

- A total of eight audits have been completed since the previous update in September 2024.
- Seven out of eight audits in this period received a satisfactory level of assurance. Disabled Facilities Grants and Council Adaptations received an overall 'Improvement Required' opinion.
- It is requested that the Careline Follow Up Audit be deferred as decisions are still to be made on the future of the service. This is a total of five audit days that we would like to reallocate to the Payroll audit as a brand new system has been implemented and it is believed that the audit may take longer than originally anticipated.
- As the Internal Audit Manager is providing the updates on Risk Management while the Assurance and Resilience Manager remains on secondment it is requested that the audit be deferred and the five allocated days be used towards current and future updates on Risk Management until the responsible officer returns.
- During this period an issue arose relating to a substantial precept payment being paid incorrectly to the incorrect Parish Council. The funds were recovered in full and the issue resolved, however it did identify a weakness in control that needed to be resolved.

RECOMMENDATION(S)

That the periodic update report be noted.

REASON(S) FOR THE RECOMMENDATION(S)

The above recommendations are required to ensure that the Audit Committee agree and accept the contents of the report.

ALTERNATIVE OPTIONS CONSIDERED

N/A

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES	
<p>Provision of adequate and effective internal audit helps demonstrate the Council’s commitment to corporate governance matters. It also links in with the Council’s key priorities of ‘Delivering high quality services’ and having ‘Strong finances and governance’.</p>	
LEGAL REQUIREMENTS (including legislation & constitutional powers)	
<p>The Council has a statutory responsibility to maintain adequate and effective internal audit.</p> <p>The Accounts and Audit Regulations 2015 make it a statutory requirement that the Council must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal audit standards and guidance.</p>	
FINANCE AND OTHER RESOURCE IMPLICATIONS	
<p>Finance and other resources</p> <p>The Internal Audit function is operating within the budget set. Recruitment and retention remain to be the biggest risk of not being able to deliver the Internal Audit Plan. This is continuously monitored, and the Audit Committee are updated with any issues accordingly.</p>	
USE OF RESOURCES AND VALUE FOR MONEY	
<p><i>External Audit expect the following matters to be demonstrated in the Council’s decision making:</i></p> <p>A) <i>Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;</i></p> <p>B) <i>Governance: how the body ensures that it makes informed decisions and properly manages its risks, including; and</i></p> <p>C) <i>Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.</i></p> <p><i>As such, set out in this section the relevant facts for the proposal set out in this report.</i></p> <p>The following are submitted in respect of the indicated use of resources and value for money indicators:</p>	
<p>A) Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;</p>	<p>Budgets are reported to the Audit Committee annually to review. The Internal Audit Manager regularly monitors those budgets throughout the year to ensure that they remain adequate and do not overspend.</p>
<p>B) Governance: how the body ensures that it makes informed decisions and properly manages its risks, including; and</p>	<p>The Internal Audit Charter sets out the roles and responsibilities of both the Audit Committee and the Internal Audit function. The powers of the Audit Committee and the role of Internal Audit is also set out within the Councils Constitution.</p>

C) Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.

Internal Audit continues to monitor new working practices in order to streamline processes and improve performance and potentially reduce costs. Internal Audits undertaken may support services in doing the same and potential reduce overall costs to the Council.

MILESTONES AND DELIVERY

Review of recommendations and decision to be made on 30th January 2025 by the Audit Committee

ASSOCIATED RISKS AND MITIGATION

Review of the functions of the Council by Internal Audit assists in identifying exposure to risk, and its mitigation.

As this report is a periodic update report, there is no exposure to strategic risks within the Councils Risk Management Framework. There is however an operational risk of being unable to complete and deliver the internal audit plan and be unable to provide the Head of Internal Audit Annual Opinion.

OUTCOME OF CONSULTATION AND ENGAGEMENT

Internal Audit activity assists the Council in maintaining a control environment that mitigates the opportunity for crime.

During the course of internal audit work issues regarding equality and diversity, and health inequalities may be identified and included in internal audit reports.

There is no specific effect on any particular ward.

EQUALITIES

There are no equality impacts directly associated with this progress report. However they will need to be considered as part of any improvement / remedial actions undertaken by the relevant Service where necessary.

SOCIAL VALUE CONSIDERATIONS

The following report is for information only and does not have a social value impact as set out within the template guidance.

IMPLICATIONS FOR THE COUNCIL'S AIM TO BE NET ZERO BY 2030

The following report is for information only and does not have an environmental impact as set out within the template guidance.

OTHER RELEVANT IMPLICATIONS

Set out what consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are then set out below.

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.

Crime and Disorder**N/A****Health Inequalities****N/A****Area or Ward affected****N/A****ANY OTHER RELEVANT INFORMATION***N/A***PART 3 – SUPPORTING INFORMATION****BACKGROUND**

The Public Sector Internal Audit Standards require the Internal Audit Manager to make arrangements for reporting to senior management (Management Board) and to the board (Audit Committee) during the course of the year, and for producing an annual Internal Audit opinion and report that can be used to inform the Annual Governance Statement.

PREVIOUS RELEVANT DECISIONS TAKEN BY COUNCIL/CABINET/COMMITTEE ETC.*N/A*

INTERNAL AUDIT PROGRESS 2024/25

A total number of eight audits were completed during September 2024 to December 2024 period. Seven out of eight audits in this period received a satisfactory level of assurance. **Disabled Facilities Grants and Council Adaptations** received an overall 'Improvement Required' opinion.

A further eight audits from the 2024/25 Internal Audit Plan are in fieldwork phase. The final six audits from the plan have been allocated based on available resource.

It is requested that the Careline Follow Up Audit be deferred as decisions are still to be made on the future of the service. This is a total of five audit days that we would like to reallocate to the Payroll audit as a brand new system has been implemented and it is believed that the audit may take longer than originally anticipated.

Many processes and controls have had to change during the implementation of the Itrent HR/Payroll system and some of those processes are now shared between both departments, therefore by reallocating the five days from the Careline review will provide more time for the auditors to get a better understanding of the system.

As the Internal Audit Manager is providing the updates on Risk Management while the Assurance and Resilience Manager remains on secondment it is requested that the audit be deferred and the five allocated days be used towards current and future updates on Risk Management until the responsible officer returns.

We are currently at the same stage as last year in terms of audits completed, therefore it is anticipated that enough work will be completed in time to provide the Head of Internal Audit Annual Opinion in June 2025.

Quality Assurance – The Internal Audit function issues satisfaction surveys for each audit completed. We are yet to receive completed surveys for audits completed in this period.

Resourcing

Internal Audit currently has an establishment of 4 fte posts with access to a third party provider of Internal Audit Services for specialist audit days as and when required. We currently have an Audit Technician post vacant.

We have recently appointed a new apprentice (November 2024) who is supporting the Internal Audit, Fraud and Compliance teams.

Outcomes of Internal Audit Work

The standards require the Acting Audit and Governance Manager to report to the Audit Committee on significant risk exposures and control issues. Since the last report eight audits have been completed and the final report issued. The Public Sector Internal Audit Standards require the reporting of significant risk exposures and control issues.

Assurance	Colour	Number this Period	Total for 2022/23Plan	
Substantial		2	2	
Adequate		7	11	
Improvement Required		1	1	
Significant Improvement Required		0	0	
No Opinion Required		2	2	Two consultative engagements in 2024/25 to date

For the purpose of the colour coding approach, both the substantial and adequate opinions are shown in green as both are within acceptable tolerances.

Issues arising from audits completed in the period under review receiving an 'Improvement Required' opinion and requiring reporting to Committee are: -

One significant issue was identified during this period within the Disabled Facilities Grant audit;

No contract in place for Disabled Facilities Grants relating to Council Housing Stock

Issue

There are no contracts in place and each adaptation requires the quotation process to be initiated and treated as individual jobs, unlike the building maintenance contracts. This specifically relates to Council housing and therefore limited to the HRA budget.

In some cases, these works can exceed tender limits when aggregated both overall and to individual companies. As one example, over the last two years, the Council have paid one external company just over £150,000 (£100k last year & £50k so far for this one) to undertake disabled adaptation works, none of which are obviously specialist.

Total spend by contractors financial year 23-24, amounts to over £550,000.

Risk

Failure to source a contract, in adherence with the constitution, not only is there a risk of breaching the Councils rules by disaggregating expenditure, the service may be paying higher prices for individual works as opposed to set fees within a contract.

There is also an associated risk of external companies carrying out works, without any formal checks, to establish that they are suitable to undertake works for the authority.

Agreed Action

As a short term solution quotes will be obtained to the value of £30k-£50k in line with procurement rules. This will provide some resilience of not having to rely on one contractor to undertake the work.

In the long term, a full tender process for the Housing Responsive Repairs contract to be carried out in May 2026, which will include the works of disabled council adaptations as part of that.

For specialist work, frameworks to be explored with a view of using them.

Payment made to the incorrect Council in error

Although the Accounts Payable audit is yet to begin, an issue was identified by the Payroll and Payments team whereby an erroneous payment was made to the incorrect supplier. The team promptly reported the issue and corrected the mistake. However, it has identified a weakness in the control environment that required immediate remedy.

There are a number of payment methods that are used to pay suppliers, individuals, other Councils etc. The type of method used depends on the supplier and whether an invoice is provided or not.

Payment requisition is a method that can be used when an invoice is not available but payment needs to be made. Historically, this method has been used to make contract payments, grant payments, faster payments and some precept payments to Parish Councils.

The service requiring the payment to be made are required to complete a specific form and send it to the Payroll and Payments Team for processing. This process should not be used regularly as it is meant for organisations that cannot provide an invoice or when there is a requirement to make a payment faster than usual. It is understood that services had began to use this method even when an invoice was available to be paid.

In this instance a payment of over £340k meant for a specific parish went to another parish instead in error.

The responsibility of checking bank details are correct has usually been left to the service as they are the ones requesting the payment to be made. This is where the weakness within the control has been identified. If bank details are different on the form from the bank details we hold on the payment system then the Payroll and Payments Team are required to contact the company or Council in this instance, via the contact details we have on file to confirm the change. This did not occur in this instance as the change of details had already occurred from an earlier request without anyone realising.

Therefore, going forward the Payroll and Payments Team will no longer make a payment via the requisition process unless the service provide evidence of the bank details in an official format from the organisation / individual.

They will also check the duplicate bank details report regularly to ensure none of the details have been duplicated historically. This will only work if we have paid the supplier in the past, it is not a control for new payments.

Management Response to Internal Audit Findings – There are processes in place to track the action taken regarding findings raised in Internal Audit reports and to seek assurance that

appropriate corrective action has been taken. Where appropriate follow up audits have been arranged to revisit significant issues identified after an appropriate time.

The number of high severity issues outstanding was as follows: -

Status	Number	Comments
Overdue more than 3 months	6	
Overdue less than 3 months	0	
Not yet due	0	

Update on previous significant issues reported

All previous significant issues are now provided within Appendix B of this report.

APPENDICES

Appendix A – 2024/25 Internal Audit Progress Report
Appendix B – Agreed Action Tracking

REPORT CONTACT OFFICER(S)

Include here the Name, Job Title and Email/Telephone details of the person(s) who wrote the report and who can answer questions on the content.

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