

AUDIT AND GOVERNANCE COMMITTEE

DATE	3rd April 2025
REPORT OF	Peter Hanmer - Head of Audit and Assurance
SUBJECT	Internal Audit Update April 2025
STATUS	Open

CONTRIBUTION TO OUR AIMS

An effective control framework, good governance and risk management is fundamental to the effective delivery of the Council's services and its strategic aims. Internal Audit supports this by providing assurance, challenge and advice on their design and operation. Furthermore, the Internal Audit programme is risk based with specific priority given to those systems and processes which support the delivery of the Council's strategic aims.

EXECUTIVE SUMMARY

As set out in the Public Sector Internal Audit Standards (PSIAS) there is a requirement under PSIAS 2450 for the Chief Audit Executive to provide regular updates on the delivery of the audit plan. This report provides an update on the delivery of internal audit work up to 28 February 2025.

This report provides the Audit Committee with the following updates:

- the outcome of audits completed from 1 January 202 to 28 February 2025;
- progress on the delivery of the 2024/25 audit plan;
- follow up of agreed actions
- progress on the implementation of the new standards

RECOMMENDATIONS

It is recommended that as part of its role in reviewing the effectiveness of the Council's governance arrangements, the Audit and Governance Committee considers and receives this report and seek assurance on the delivery of the Internal Audit plan.

REASONS FOR DECISION

It is a requirement of the Public Sector Internal Audit Standards (PSIAS) for the Audit and Governance Committee to receive updates on the delivery of the Audit Plan and any issues arising from audit work

1. BACKGROUND AND ISSUES

The outcome of audits completed since 1 January 2025

Appendix 1 shows the work completed from 1 January 2025. up to 28 February March 2025. There have been no areas that have been provided with "Limited"

assurance during the is period

Progress in delivering the audit plan

As previously reported 20 audits were carried forward from 2024/25. As of 28 February 2025, there were two outstanding report in draft, and one at testing stage.

Progress in delivering the 20245-audit plan on 28 February 2025 is shown on Appendix 2 and is summarised in the table below:

Completion of 2024/25 planned audits as per 28 February 2025 (compared to the anticipated 54 audits)

Status of audits	Number	%
Complete	17	31%
Draft	5	9%
Audits subject to QA before the draft report is issued	0	0%
In progress	17	32`%
In preparation	6	11%
Not Started	9	17%

Although the delivery of the plan remains challenging, based on the resources available between 1 March 2025 and 31 May 2025 and the current status of ongoing audits, audit continues to forecast that sufficient work should be completed to provide a reliable, standards compliant opinion by 31 May 2025, although the completion of small number of audits may need to be carried forward to the 2025/26 audit plan.

Follow up of agreed actions

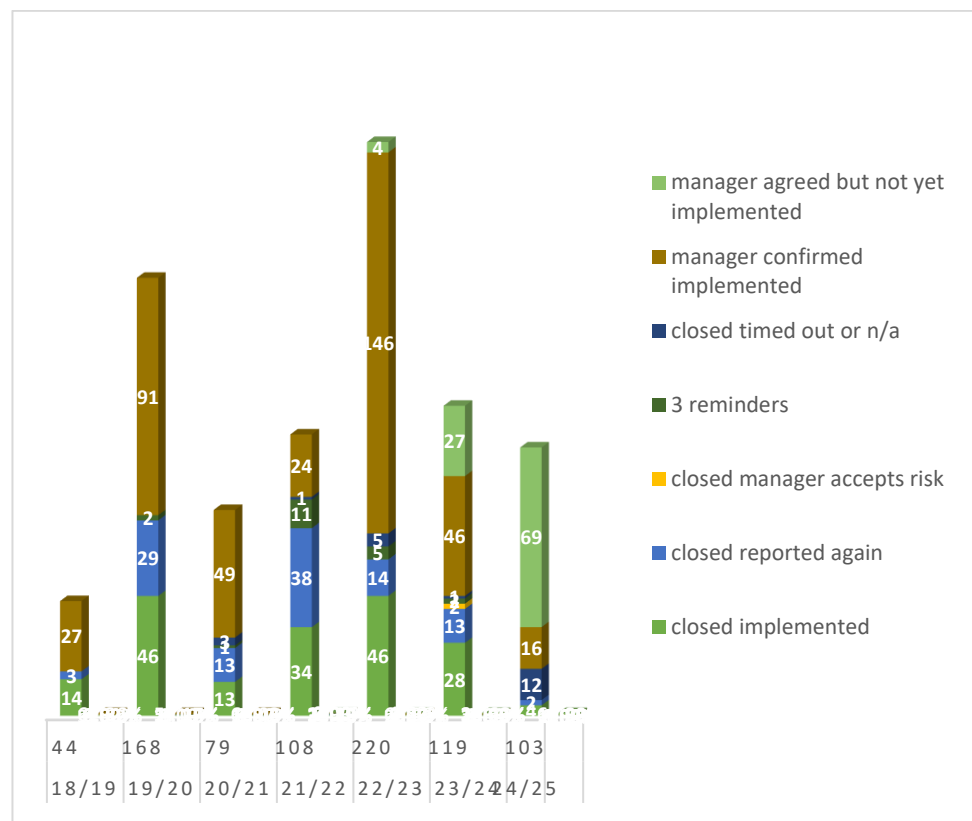
As reported to the Audit Committee on 7 November 2024 Audit has enhanced its processes for monitoring the implementation of audit actions. This involves:

- audit loading the agreed actions from the audit reports on to the action tracking system- this includes date of implementation and a nominated action owner;
- the action owner is provided with direct access to the system, and they can update progress on the status of their actions;
- an auditor is assigned to each action for monitoring purposes and they able to enter the system to ascertain the status of each action assigned to them;
- once the date has passed weekly reminder emails are automatically sent out to the action owner;;

- at the same time where the due date had passed the assigned auditor will be automatically made aware and then will follow up on progress via sending out manual reminders; and
- in situations where the action owner is no longer employed by the Council, audit works with the relevant service to reallocate responsibility for the implementation of the action.

Exhibit 1 below shows the status of agreed audit actions as of 28 February 2025. Of the 868 actions raised since 2019/20 there were only 34 that have not been confirmed by manager as implemented by their agreed implementation date (all from 2022/23 onwards)

Exhibit 1: Audit actions by status as of 28 February 2025



Now that the updated process has been largely embedded, the 2025/26 audit plan will include an exercise for audit to sample checks to the implementation of those actions which managers had confirmed had been completed.

Implementation of the Global Internal Audit Standards (GIAS)

Internal Audit continues to carry out the implementation of the new standards ready for their implementation date of 1 April 2025. Activities include:

- The Head of Audit and Assurance is carrying out a self-assessment of current practices against the amended standard. This will result in an action plan for those areas requiring further development, although based upon the work carried out so far this should not require significant changes
- Members of the Audit Committee have received a training session on the new standards particularly “Domain 3” which define the Committee’s role in relation to Internal Audit.
- Senior management have received an update in relation to the new standards, particularly its role in relation to “Domain 3”
- Audit team members have been given regular updates on the standards at team meetings, and online training had been procured to ensure they have a full understanding of the updated Internal Audit code of ethics (“Domain 2”)

2. RISKS AND OPPORTUNITIES

The compilation of the audit plan, and any updates and amendments to it, is based on risk with those areas with the potential biggest risk to an effective control environment being prioritised. The achievement of the Council’s strategic outcomes, its legislative and regulatory responsibilities and the Council’s risk register are all considered when compiling and updating the audit plan and carrying out audit assignments.

As highlighted in section 1 there remain some risks in relation to the delivery of the audit plan which will need to be closely managed.

3. OTHER OPTIONS CONSIDERED

Not applicable. The production of this report is a requirement of the Public Sector Internal Audit Standards.

4. REPUTATION AND COMMUNICATIONS CONSIDERATIONS

There are no specific reputation issues in relation to this report.

5. FINANCIAL CONSIDERATIONS

One of the key aspects of internal audit work is to consider the Council’s systems of financial control. This is considered not only in specific audits of its key financial systems, but in most other audit assignments.

6. CHILDREN AND YOUNG PEOPLE CONSIDERATIONS

Audit assignments, and other sources of assurance, relating to Children’s Services contribute to the overall opinion on the Council’s control environment.

7. CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS

Climate change and the environment are included in audit's planning considerations. The outcome of the most recent audit on the Council's arrangement in relation to the climate change and the environment was reported in the Interim Head of Audit Report issued in January 2025.

8. FINANCIAL IMPLICATIONS

There are no direct financial implications arising from this report. However, the report provides assurance over the reliability of the systems supporting the financial information provided within the statement of accounts.

9. LEGAL IMPLICATIONS

There are no specific legal implications associated with this report

10. HUMAN RESOURCES IMPLICATIONS

There are no direct specific human resources implications associated with this report.

11. WARD IMPLICATIONS

The report covers issues affecting the whole operation of the council and therefore is relevant to all wards.

12. BACKGROUND PAPERS

Audit Plan 2024/25 (April 2024 and July 2024)

Interim Head of Internal Audit Report (January 2025)

13. CONTACT OFFICER(S)

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Peter Hanmer
Head of Audit and Assurance

Appendix 1: Summary of Completed Audit work January and February 2025

Audit Assignments 2024/25	Director	Date to Audit Committee	Assurance	Residual Risk	Comments
Delivery of strategic outcomes and good governance					
ASC Debt Management	Adult Social Care	03/04/2025	Substantial	Medium	
High Needs Block	Children's	03/04/2025	Satisfactory	High	The risk score was based on the recognition the although the service is delivering the actions of the high needs strategy, it will take considerable time and effort, whilst the cost of high need needs expenditure remains considerably higher than budget.
Section 106 agreements - Governance	Economy, Environment and Infrastructure	03/04/2025	Satisfactory	Low	
Tourism	Economy, Environment and Infrastructure	03/04/2025	Substantial	Low	
Financial systems					
Bank Reconciliation Follow up	Resources	03/04/2025	Satisfactory	Medium	
Payroll Parameters	Resources	03/04/2025	Substantial	Low	
Unit4 Access Follow up	Resources	03/04/2025	Satisfactory	Medium	
Procurement and contract and contract monitoring					
Procurement- Overall arrangements	Resources	03/04/2025	Satisfactory	Medium	
Review of individual contracts and procurement exercises					As part of its process for obtaining assurance on the Council's approach to procurement and contract management audit carries out reviews of a sample of contracts. Audit has completed four reviews so far this year and in some case have identified some examples of non-compliance with contract procedure rules
Fraud and Probity					
Depot security	Economy, Environment and Infrastructure	03/04/2025	Satisfactory	Medium	

Appendix 2: Delivery of the NELC Audit Plan 2024/25 as at 20 December 2024

	Brief outline	Leadership Team Member	Budgeted days (June 2024)	Budgeted days (Dec 2024)	Status	Comments
Delivery of strategic outcomes and good governance	A risk based programme of audit reviews to provide assurance on the governance arrangements in place to deliver key strategic and service outcomes efficiently and effectively and ensure compliance with laws and regulations		319	264		
Adults debt management	Assurance that all debt owed is being effectively managed to payment received	Adults			Completed	
ASC data Quality and performance	Assurance that data is effectively collected for all data returns required and to provide the DAS with performance information	Adults			Cancelled	
Border Post	Provide assurance on the implementation of the new customs arrangements introduced in April 2024	Environment, Economy & Infrastructure			WIP	
Care Assessments and Reviews	Assurance that individuals with a care need are subject to asset based assessment that results in a care plan, which is subject to review at appropriate intervals	Adults			Cancelled	
Child Exploitation Risks outside the home	Assurance that children are safeguarded from all risks of exploitation including those outside of the home	Children			Preparation	
Council/ ICB Place Based Governance Arraignments	Assurance on the design and operation of the governance arrangements with Integrated Care Board	Adults			WIP	
Data Quality	Provide Assurance on the Council's to ensure the quality of its data used to asses performance and aid decisions, using data maturity models.	Resources			WIP	
Delivery of the commissioning plan	Provide assurance on the governance arrangements relating to the monitoring and delivery of the commissioning plan	Resources			Not started	Renamed Servicing Planning
Disabled Facilities Grants	Provide assurance on the systems in place to deal with applications for grant funded disabled adaptation works in line with legislation and the process for awarding contracts	Environment, Economy & Infrastructure			WIP	
EQUANS- transition arrangements	Provide assurance on the governance arrangements in place for the transfer of services provided by EQUANS to the council by July 2025	Environment, Economy & Infrastructure			WIP	
Fostering and special guardianships	Assurance on systems for recruitment and retention of foster carers, and that where placements are required procedures exist to identify special guardians and or potential fostering arrangements promptly	Children			Preparation	
Freeport	Provide ongoing assurance in relation to the Council's role as the accountable body following on from work included in 23/24 plan	Resources			WIP	
Front Door	Assurance that first contact with the council and triage process is working effectively to deliver services in accordance with revised thresholds	children			Not started	
Governance of the Delivery of the Capital Programme	Provide assurance on the governance arrangements to produce and the deliver the capital programme	Resources			Complete	

	Brief outline	Leadership Team Member	Budgeted days (June 2024)	Budgeted days (Dec 2024)	Status	Comments
Grounds Maintenance	Provide assurance on the delivery of contracts the Council's Grounds Maintenance team provide to third parties	Environment, Economy & Infrastructure			Complete	
High Needs Block	Assurance on how demand and cost pressures on High Needs Expenditure are being managed	Children			Complete	
Member Development	Provide assurance on how the Council supports and develops Members to carry out their role	Resources			Preparation	
Organisational Development/ People and Culture	Provide assurance on the development of the Council's Organisational Development strategy and supporting systems	Resources			Preparation	
Public Health Performance Information and data security (emphasis on data relating to suicide and self harm)		Public Health			Preparation	
Public Health- to be determined		Public Health			Cancelled	A peer review was carried out of Public Health in Autumn 2024 and therefore it was determined that a further public health audit was not required, and where applicable reliance would be placed on the outcome of it to help inform the overall HOIA opinion
Public Law Outline	Assurance that mechanisms are in place to ensure compliance with the Public Law outline between legal and children's services when working in the court process	Children			Preparation	
Quality and contractual oversight of the commissioned market	Assurance the contract and quality management of the commissioned market effective as set out in contractual arrangements and policy	Adults			WIP	
Regeneration projects and funding	Provide assurance on the delivery of grant funded regeneration projects, including assuring that expenditure in line with grant determinations	Environment, Economy & Infrastructure			Preparation	
Risk management	Provide assurance on the Council's risk management arrangements	Resources			WIP	
Role of key officers- DAS	Assurance that the DAS has sufficient line of sight over statutory functions delegated via the S75 agreement	Adults			Cancelled	Incorporated into audit of the S75 arrangements
Role of key officers- Principal Social Worker - Adults	Assurance that the role of the Principal Social Worker is being effectively delivered across all settings and in accordance with best practice	Adults			Cancelled	
School Nursing	Assurance on the governance arrangements for school nursing with reference to good practice provided by the Local Government Association	Public Health			Complete	
Single point of access and hospital team B/F	Assurance on the triage process for assessing care needs promptly particularly in relation to hospital discharge	Adults			Cancelled	
Supported families	Assurance that all work with families is captured and there is an effective link to being able to claim payment by results for supporting families outcomes realised	Children			Not Started	

	Brief outline	Leadership Team Member	Budgeted days (June 2024)	Budgeted days (Dec 2024)	Status	Comments
Tourism	Provide assurance on the effectiveness of the Council's arrangements to promote tourism	Environment, Economy & Infrastructure			Complete	
Transitions	Assurance on the effectiveness of partnership arrangements in place relating to the seamless transition of young persons from children's social care to adults social care	Adults and Children			Cancelled	Due to changes in the process currently being implemented delayed until September 2025
Waste disposal	Assurance on the arrangements for waste disposal, including contract management, environmental responsibilities and VFM	Environment, Economy & Infrastructure			WIP	
Financial systems	Providing assurance on the design and operation of the fundamental financial systems, including on a cyclical basis those systems which feed into them.		100	100	26	Audit carries out a risk based approach to the audit of financial systems focusing on those areas with the greatest potential risk From our risk assessment and analytical review the areas of focus identified include: Local Taxation and Benefits; Duplicate Payment; Bank Reconciliations System Access ; Manual Journals; Payroll Parameters; Treasury Management; VAT
ICT	Providing assurance on the effectiveness of the Council's approach to ICT and Information governance, and key ICT systems.		35	35		As well as completing some outstanding work from 2023/24 audit has identified 3 areas for focus in 2024/25 and work is in progress in each of these areas. . Penetration Testing ; Cyber Security ; Customer Records Management
Probity and counter fraud	Proactive and reactive work to support the Council's approach to anti-fraud and corruption, to provide assurance on the controls in place designed to prevent fraud in areas of high risk		50	50		Counter Fraud audits have been identified (1 complete). In relation to the National Frauds Initiative (NFI) data has been uploaded and Q4 work will be in responding to matches
Follow up	Follow up of previous actions via following up specific reports and sending reminders to managers about their outstanding actions, and receiving their responses		30	30		
Follow up - general						New automated system for action tracking has been introduced
Children's Commissioning	Follow up of 2023/24 audit				Draft	
Adult Social Care Complaints and LGO reports	Follow up of 2023/24 audit				Draft	
Advisory work	Providing advice and support on governance and internal control matters		50	66		
Grants	Mandatory certification of grant claims,		30	27		All grants due for certification by 31 December 2024 have been certified. 2 further claims are due to be certified by 30 April 2025.

	Brief outline	Leadership Team Member	Budgeted days (June 2024)	Budgeted days (Dec 2024)	Status	Comments
Procurement and Contract Management	Providing assurance on the Council's procurement and contract management processes, including reviews of a sample of key procurement exercises		25	26		Work has been completed on the overall review of procurement arrangements, with work the sample of procurement exercise has been either completed or in progress.
Audit Management			75	75		
23/24 work not completed to be reported in 24/25			37	42		Time budget excludes work carried out by third party auditors. Of the 20 audits ongoing as at 30 June 24, 17 have been issued in final
Contingency			74	60		Contingency adjusted due to reduction in the estimated resources required to complete the audit plan. Otherwise would have been 110 days
Total			825	825	775	Revised Forecast of resources required to complete the plan