

Audit Services Progress Report

3 December 2024

Mark Lunn
Assistant Director of Finance (Audit)



Purpose of the report

In accordance with the Public Sector Internal Audit Standards (PSIAS) and Internal Audit Charter, the Head of Audit is required to provide a written status report on:

- An update on progress against the annual audit plan;
- A summary of Internal Audit performance, planning and resourcing issues; and
- A summary of any significant issues that impact on the Chief Internal Auditor's annual opinion.

Internal Audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. The assurance opinions are categorised as follows:

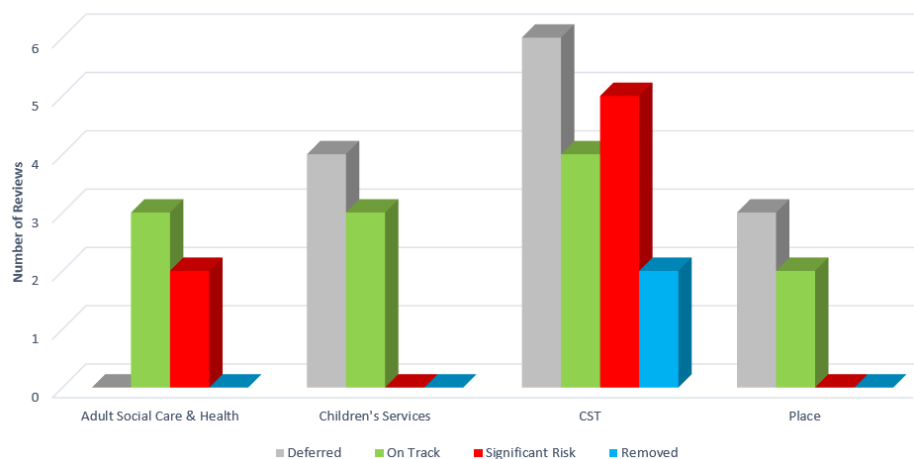
| Level of Assurance | | Explanation and significance |
|------------------------|--|--|
| Substantial Assurance | | Whilst there is a sound system of governance, risk management and control, minor weaknesses have been identified which include non-compliance with some control processes. No significant risks to the achievement of system/audit area objectives have been detected. |
| Satisfactory Assurance | | Whilst there is basically a sound system of governance, risk management and control, some high priority recommendations have been made to address potentially significant or serious weaknesses and/or evidence of a level of non-compliance with some controls or scope for improvement identified, which may put achievement of system/audit area objectives at risk. Should these weaknesses remain unaddressed, they may expose the Council to reputational risk or significant control failure. |
| Limited Assurance | | Significant weaknesses and/or non-compliance have been identified in key areas of the governance, risk management and control system which expose the system/audit area objectives to a high risk of failure, the Council to significant reputational risk and require improvement. |
| No Assurance | | Control has been judged to be inadequate as systems weaknesses, gaps and non-compliance have been identified in numerous key areas. This renders the overall system of governance, risk management and control inadequate to effectively achieve the system/audit area objectives which are open to a significant risk of error, loss, misappropriation or abuse. Immediate remedial action is required. |

All work undertaken by Internal Audit is conducted in accordance with the standards required by the PSIAS and in conformance with the International Standards for the Professional Practice of Internal Auditing. The work of the Unit complies with the Council's Audit Charter, Internal Audit Strategy and Quality Assurance and Improvement Programme which are subject to regular review.

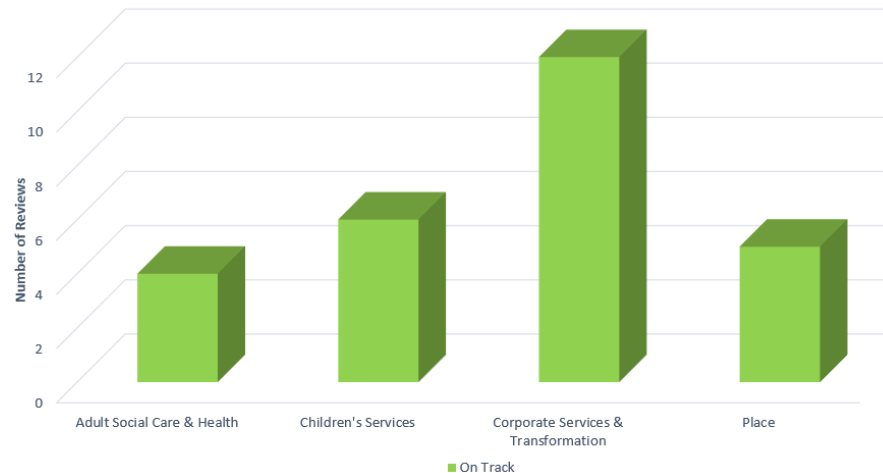
Performance dashboard

The Audit Committee approved the Internal Audit Plans for 2024-25 (Q1-Q2) and (Q3-Q4) on 19 March and 17 September 2024 respectively. Summarised below is the progress to date in delivering those Plans and a forecasted position as at 31 October 2024:

Status of 2024-25 Q1-2 Planned Reviews as at 31 October 2024



Status of 2024-25 Q3-4 Planned Reviews as at 31 October 2024



Good progress has continued in recent months in undertaking 2024-25 Q1-Q2 audits, completing the associated fieldwork and producing reports. Whilst seven reviews were not delivered by 31 October 2024, five of the associated reports had been issued in draft at that time and management responses were received in November.

A number of Corporate and CST reviews have been deferred to Q3-Q4 and two CST audits which are currently in progress are expected to be completed in Q3-Q4. As reported at the last meeting three planned audits in Children's Services could not be started due to an ongoing SEND review and these have now been deferred to Q3-Q4.

Where reviews have been deferred, Audit Services have attended Children's Services and CST Management Team meetings and alternative reviews have been identified.

Progress of planned audits (Q1-Q2)

Significant progress was made in terms of completing the audits included in the approved Audit Plan 2024-25 (Q1-Q2) by 30 September 2024. Although every effort was made to undertake the audits included in the Audit Plan 2024-25, in some instances, it was not possible to do so due to system issues, staff availability or other work pressures. In these cases, management were asked to identify a replacement review. The progress of all approved audits for Q1-Q2 are summarised below.

| Audit | Current status | RAG rating – Completed by 30 Sept 2024 | Comments |
|--|----------------|--|--|
| CST Reviews: | | | |
| Workforce Development (Qualifications) | In Review | | Draft Report to be issued in November 2024. |
| Partnership Working* | Removed | | Following planning meetings it was identified a project has been commissioned within this area therefore audit will not commence this audit at this time to avoid duplication. |
| Workforce Development (Inductions) | Deferred | | Deferred to 2024-25 Q3-Q4 at the request of HR. |
| Contract Management | Final Report | | |
| Contract Extensions | Deferred | | Audit deferred until after the completion of the Contract Management review, expected to begin in September 2024. |
| Shaping Cloud | Deferred | | Deferred to Q3-Q4 due to the availability of Audit resources. |
| Cyber Security Assurance Framework | Final Report | | |
| Data Protection | In Review | | Currently in review, report likely to be issued in Q3. |
| Budget Savings Plans | Deferred | | Deferred to Q3-Q4, pending discussions with scope with Director of Finance. |
| Property Contractor Management | Deferred | | Deferred to Q3-Q4, pending the completion of associated audit work. |
| Property Valuations | Deferred | | Deferred to Q3-Q4. Due to change in systems used. |
| Property Maintenance | Draft Report | | Draft Report Issued 16 August 2024 – Awaiting Management Response. |
| Health & Safety | Draft Report | | Draft Report Issued 27 September 2024 – Final Report to be issued in November 2024. |

| Audit | Current status | RAG rating – Completed by 30 Sept 2024 | Comments |
|---|----------------|--|--|
| Registrar Service | Final Report | | |
| Discretionary Grants | Removed | | Review suspended until updated guidance is released. |
| SAP Interfaces and Data Exports* | Draft Report | | Draft Report Issued 7 October 2024 – Final Report to be issued in November 2024. |
| Insurance and Risk Management* | Final Report | | As part of the Cyber Assurance Framework review, several general control weaknesses within the core Insurance Service operational arrangements were identified. As a result, it was considered appropriate to report these separately, as these fell outside of the Cyber Assurance Framework audit scope. |
| Children's Services Reviews: | | | |
| Special Education Needs | Deferred | | Planning discussions took place however, deferred to Q3-Q4 due to external inspection of SEND. |
| Personal Budgets for Children with SEND | Deferred | | Planning discussions took place however, deferred to Q3-Q4 due to external inspection of SEND. |
| Complaints Management | Deferred | | Deferred to Q3-Q4 at request of department |
| Thematic School Reviews – Data Protection | Final Report | | 5 Reports Issued. |
| Management of s.106 income* | Final Report | | This was originally included within the Audit Plan 2024-25 (Q1-Q2) as a reserve review but was commenced due to delays in planned SEND audits. |
| Link Advisors* | Planning | | Identified by the Department as a potential replacement to the SEND reviews which were deferred into the next planning period (Oct 24 – Mar 25). |
| Spend in Residential Homes* (Including visits to 4 homes) | Final Report | | Identified by the Department as a potential replacement to the Complaints Management review which was deferred into the next planning period (Oct 24 – Mar 25). |
| Adult Social Care & Health Reviews: | | | |
| Mosaic PO Numbers | In Review | | |
| Waiting List Management | Draft Report | | Draft Report Issued 2 October 2024. |
| Peer Group Discussions | Final Report | | |
| Public Health - Safeguarding | Final Report | | |

| Audit | Current status | RAG rating – Completed by 30 Sept 2024 | Comments |
|---|----------------------------------|---|--|
| Public Health - Substance Misuse Funding | Final Report | | |
| Place Reviews: | | | |
| Disposal of Highways Materials | Fieldwork | | Audit Services are supporting the Department with additional ongoing work which may delay the fieldwork. Report will be issued in Q3. |
| Review of Waste Management (incl. System) | Final Report | | |
| Concessionary Fares | Final Report | | |
| Home to School Transport – Root cause analysis* | Deferred | | This review was carried forward from 2023-24. Potential timing and scope of the review was discussed with management. Agreed that it would be undertaken in autumn 2024 to allow resources to be focused on addressing identified control weaknesses within home to school transport. Deferred to Q3-Q4. |
| Home to School Transport – Project Planning* | Deferred | | This review was carried forward from 2023-24. To be completed later in 2024 to allow time for the home to school transport project plan to be embedded. Deferred to Q3-Q4. |
| Key: | | | |
| On track | Some risk of non-delivery | Significant risk of non-delivery | Not applicable |
| | | | |

* Denotes changes to the approved plan

Progress of planned audits (Q3-Q4)

| Audit | Current status | RAG rating – On track for 31 Mar 2025 | Comments |
|--|----------------|---------------------------------------|----------|
| CST Reviews: | | | |
| Workforce Development (Inductions)* | Planning | | |
| Third Party Arrangements | Not started | | |
| Contract Extensions* | Fieldwork | | |
| ABC & Financial Resilience | Not started | | |
| Budget Savings Plans* | Not started | | |
| Property Contractor Management* | Not started | | |
| Property Valuations* | Not started | | |
| Procurement Act Framework | Not started | | |
| Shaping Cloud* | Not started | | |
| IT Assurance Map | Not started | | |
| Mosaic Case Management | Not started | | |
| Data Breach Response Review | Planning | | |
| Children's Services Reviews: | | | |
| Special Education Needs* | Planning | | |
| Personal Budgets for Children with SEND* | Planning | | |
| Complaints Management* | Fieldwork | | |
| Link Advisors* | Planning | | |

| Audit | Current status | RAG rating – On track for 31 Mar 2025 | Comments | |
|--|--|---|--|--|
| Thematic School Reviews – SFVS Compliance | Planning | | | |
| Capital Projects & Ongoing Maintenance | Planning | | | |
| Adult Social Care & Health Reviews: | | | | |
| Public Health Ringfenced Grant | Not started | | | |
| Staffing in Care Establishments | Not started | | | |
| Community Equipment Service | Planning | | | |
| Automating Care Home Records | Not started | | | |
| Place Reviews: | | | | |
| Library Strategy | Planning | | | |
| Equipment Hire | Planning | | | |
| Countryside Service | Not started | | | |
| Home to School Transport – Root cause analysis* | Not started | | | |
| Home to School Transport – Project Planning* | Not started | | | |
| Key: | | | | |
| On track | Some risk of non-delivery | Significant risk of non-delivery | Not applicable | |
| | | | | |
| Ongoing Audit Support: | | | | |
| Strategic Management (Audit) | Audit Committee & Support | RIPA Management and Administration | Information Governance Group & Support | |
| National Fraud Initiative and Anti-Fraud Network | Counter Fraud and Audit Investigations | Data Protection Group & Support | Governance Group & Support | |

* Denotes Audits deferred from Q1-Q2

Continuous Auditing

The Unit has completed the first of four phases of the continuous auditing work which involved the identification of 'priority areas' for review (Payroll, Exchequer Services, IT Security & Governance, Financial Accounts, Procurement and Treasury Management), identification of the associated key risks and management controls and determination of the review frequency. Over the next five months, the Unit will look to complete the other three phases, to enable reporting to senior management and the Audit Committee in early 2025.

Phase Two – Since the last Audit Committee meeting, walkthroughs in the majority of priority areas with the relevant services have been completed. This enables Internal Audit to obtain a detailed understanding of the operational procedures and control frameworks on which the continuous auditing process will draw its assurance. This will be finalised by the end of November 2024. This process will also help identify any gaps from which we can draw continuous assurance and therefore may require some small, focused pieces of audit work, which will be completed in addition to the agreed audit plan.

Phase Three – The next stage is to run continuous auditing in 'test mode' to ensure that the outcomes from the priority areas are in line with senior management and audit expectations. This will also identify and refine any areas of duplication, changes in control frameworks or priority areas that may require reclassification.

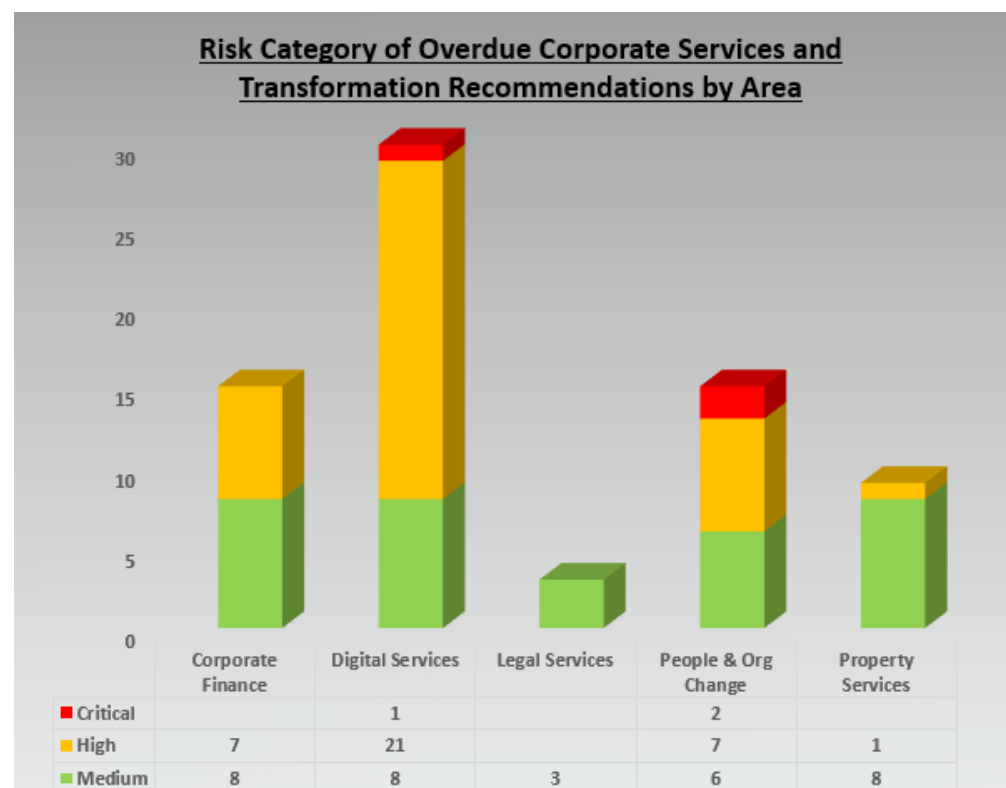
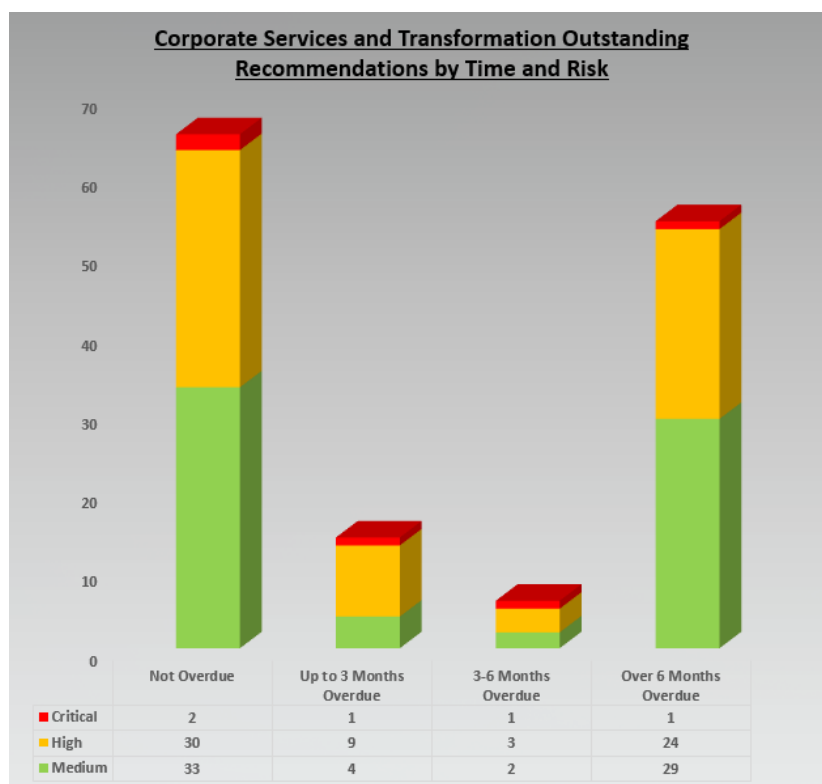
Phase Four – Report the continuous auditing results as part of the current departmental and corporate management team audit progress information packs and include within the 2025 Audit Committee Progress reports.

Progress of implementation of recommendations

Since July all departments have been provided with a monthly audit progress information packs, which includes a summary of the progress of audit work against the Audit Plan agreed by the Audit Committee. As part of this process, a detailed breakdown of the current level of outstanding recommendations by period, assigned officer and priority level is provided. Internal Audit attends departmental senior management team meetings to discuss the current recommendation tracking process and provide support where necessary. As agreed, now this process has been embedded and initial queries/system flaws addressed, summary reports have been included within this Audit Progress Report for the first time.

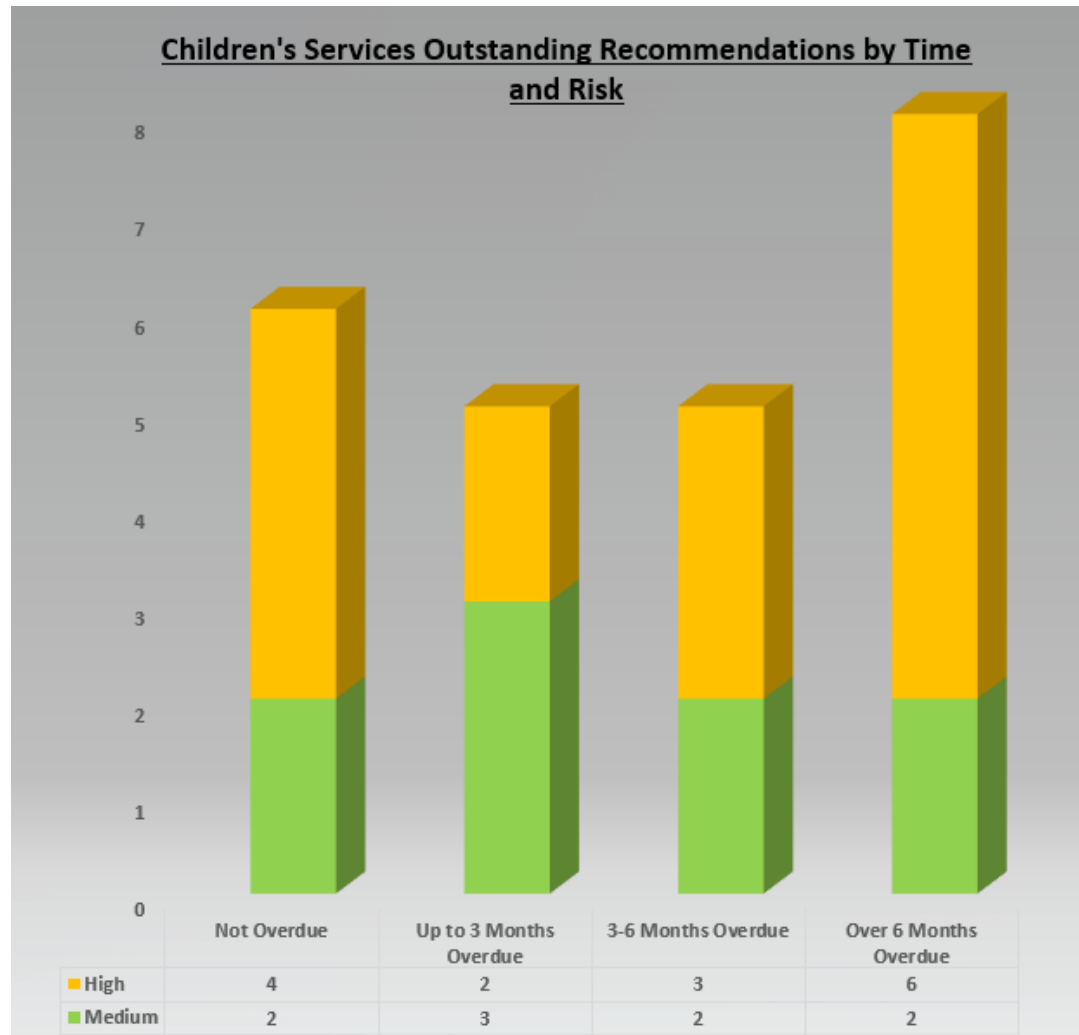
Corporate Services & Transformation

New recommendations were raised within Digital Services and Corporate Finance in October. However, there continues to be a reduction in the number of overdue recommendations positioned within the over 6 months overdue category. This is primarily due to implementation of historical recommendations within Legal Services, People & Organisational Change and Property Services.



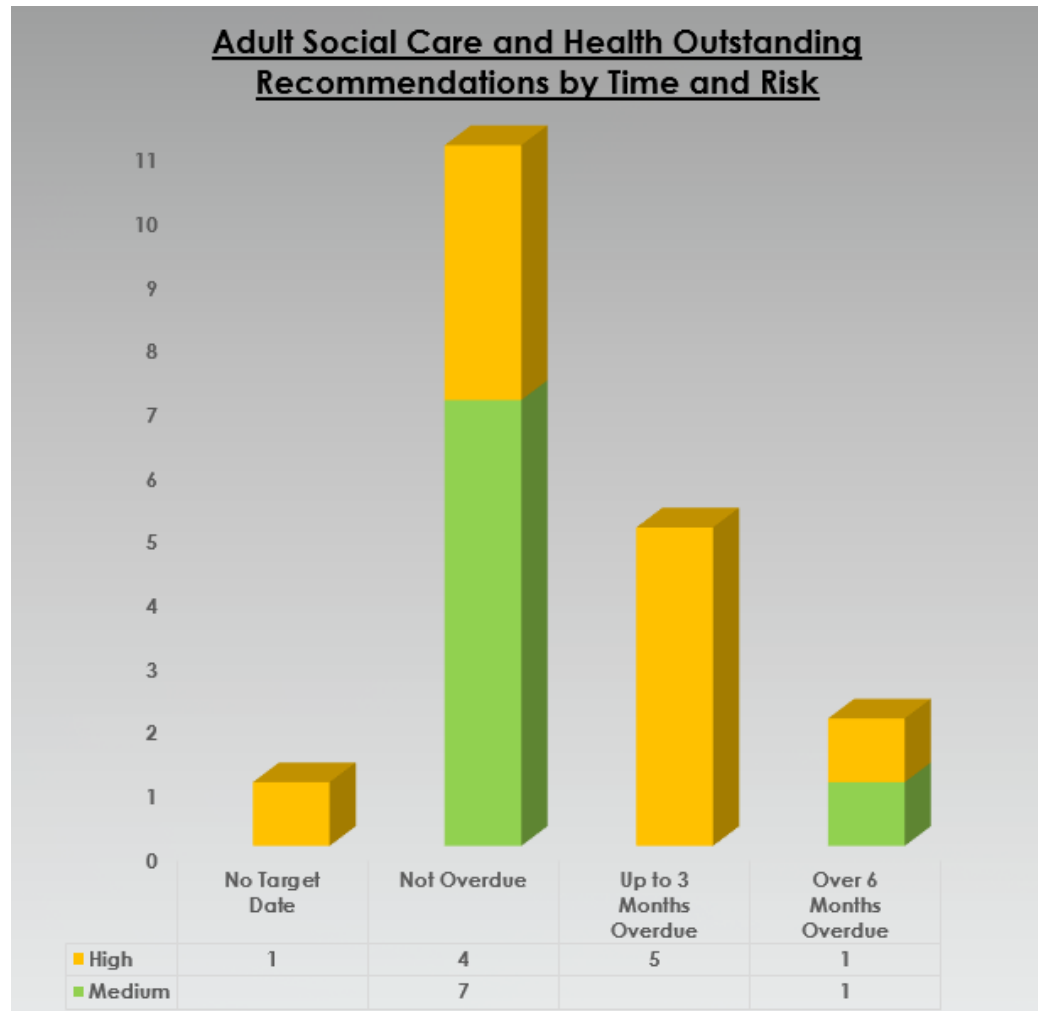
Children's Services

During October there has been a decrease in the overall number of outstanding recommendations, with the number of recommendations falling within the 3-6 months overdue and over 6 months overdue categories also decreasing. This progress is positive to note, however, there is the need for continued implementation work against the remaining outstanding recommendations to ensure this progress is sustained.



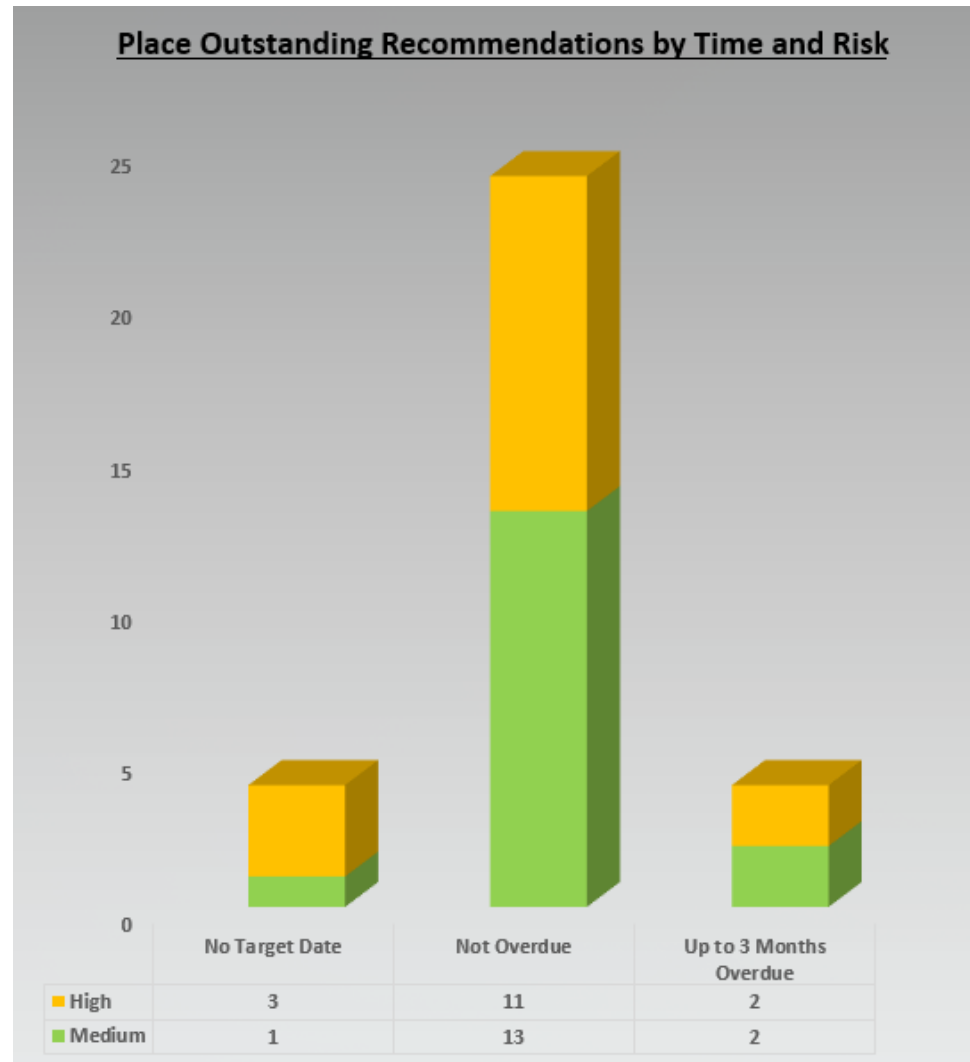
Adult Social Care & Health

Following the issue of the Peer Group Discussions and Public Health Safeguarding in Commissioned Services Audit reports, the department has seen a slight increase in the number of recommendations requiring management action. However, continual progress has been made by the department to ensure the number of outstanding recommendations remains low and manageable.



Place

During October there has been a reduction in the overall number of recommendations outstanding. It is also extremely positive to note that there are no recommendations which are over 3 months overdue, which reflects there has been significant work this month to address overdue recommendations that previously sat within the 3-6 months overdue and over 6 months overdue categories.



Reports issued since the previous Progress Report on 17 September 2024

| Audit name | Audit Plan Year | Assurance | Recommendations | | | |
|--|-----------------|--------------|-----------------|------|--------|-----|
| | | | Critical | High | Medium | Low |
| 2023/24 Audit Plan | | | | | | |
| HO009 Home to School Transport Review | 2023-24 | Limited | 0 | 2 | 3 | 1 |
| ZZ010 Audit Investigation - Home for Older People | 2023-24 | Limited | 1 | 5 | 0 | 0 |
| AO019 Review of Traded Services (Educational Psychologists)* | 2023-24 | Limited | 0 | 3 | 1 | 0 |
| ZZ009 Audit Investigation – School* | 2023-24 | Limited | 0 | 5 | 3 | 2 |
| 2024/25 Audit Plan | | | | | | |
| HO001 Review of Waste Management | 2024-25 | Substantial | 0 | 0 | 2 | 1 |
| AO022 Section 106 Income | 2024-25 | Substantial | 0 | 0 | 2 | 1 |
| AF003 The Old Post House | 2024-25 | Substantial | 0 | 0 | 0 | 0 |
| AF004 Spire Lodge | 2024-25 | Substantial | 0 | 0 | 0 | 0 |
| BO022 Public Health - Safeguarding in Commissioned Services | 2024-25 | Satisfactory | 0 | 2 | 6 | 1 |
| AO024 Spend in Residential Homes | 2024-25 | Satisfactory | 0 | 0 | 2 | 1 |
| AF001 Solomon House | 2024-25 | Satisfactory | 0 | 0 | 2 | 1 |
| DE500 Insurance and Risk Management | 2024-25 | Limited | 0 | 4 | 2 | 0 |
| MD100 Contract Management | 2024-25 | Limited | 0 | 3 | 2 | 0 |
| BO021 Peer Group Discussions | 2024-25 | Limited | 0 | 2 | 1 | 0 |

| Audit name | Audit Plan Year | Assurance | Recommendations | | | |
|--|-----------------|--------------|-----------------|------|--------|-----|
| | | | Critical | High | Medium | Low |
| CK003 Cyber Security Assurance Framework | 2024-25 | Limited | 1 | 11 | 18 | 0 |
| AF002 Peak Lodge (Hill View) | 2024-25 | No | 0 | 1 | 0 | 0 |
| HA501 Local Transport Capital Funding Grant | 2024-25 | N/A | - | - | - | - |
| CK001 SAP Interfaces and Data Exports* | 2024-25 | Satisfactory | 0 | 0 | 2 | 0 |
| DC300 Health & Safety - Property Services* | 2024-25 | Satisfactory | 0 | 2 | 1 | 2 |
| VP019 Property Maintenance* | 2024-25 | Limited | 3 | 6 | 3 | 0 |
| BO020 Waiting List Management* | 2024-25 | Limited | 0 | 4 | 3 | 0 |
| VP001 Workforce Development - Qualification Checks* | 2024-25 | N/A | 0 | 3 | 1 | 1 |
| ZZ019 Audit Investigation | 2024-25 | N/A | 0 | 0 | 0 | 0 |
| HA517 – Traffic Signal Obsolescence Grant & Green Light Fund | 2024-25 | N/A | - | - | - | - |
| HA504 Highway Maintenance Funding Network North | 2024-25 | N/A | - | - | - | - |
| HA503 Bus Services Operators Grant | 2024-25 | N/A | - | - | - | - |

* Draft Report Issued – To be finalised and recommendations agreed with management, therefore subject to change before finalisation.

Where Audit reviews are issued with a 'No' or 'Limited' assurance opinion, the executive summary from the relevant Audit Report is included in the Exempt Audit Committee Report. This will provide transparency to the Committee on the particular control weaknesses identified that are driving the opinion.

Classification of audit recommendations

Audit recommendations are classified as critical, high, medium or low priority as defined below:

| Level | Category | Explanation and significance |
|-------|----------|---|
| 1 | Critical | Significant strategic, financial or reputational risks where immediate remedial action is considered essential. |
| 2 | High | The absence of, significant weakness in, or inadequate internal controls over the operation of key systems or processes which compromise the integrity/probity of the client's operations. These would result in a potential significant increase in the level of risk exposure which may be financial, reputational or take the form of an increased risk of litigation. |
| 3 | Medium | Findings which identify poor working practices or non-compliance with established systems or procedures which result in increased risk of loss/inefficient operation and which expose the client to an increased level of risk. |
| 4 | Low | General housekeeping issues which require consideration and a planned implementation date within the medium term. |

Audit resources and performance

The structure of Audit Services changed slightly since the Audit Plan 2024-25 (Q1-Q2) was approved by the Audit Committee on 19 March 2024 with a reduction of 0.6FTE due to a staff leaver and this was reported in July. At this stage, this continues to be monitored but audit resources are considered to be sufficient to deliver the Audit Plan 2024-25.

Key Performance Indicators for 2024-25

| Ref | Indicator | Target | July 24 | August 24 | October 24 | Comments |
|-------|---|--------|---------|-----------|------------|---|
| KPI01 | Percentage of Approved Audits on track for delivery Delivered | 95% | 77% | 89% | 79% | 12 out of 34 Audits (35%), although 13 reviews have been deferred and 2 have been removed (79%) |
| KPI02 | Percentage of Audit Reviews Completed within the planned time budget (within 10% variance) | 90% | 0% | 50% | 53% | 24 final reports issued (excluding investigations and grants) |
| KPI03 | Percentage of Audit Reviews that delivered draft report in line with agreed Terms of Reference | 90% | 50% | 50% | 46% | 28 draft reports issued (excluding investigations and grants) |
| KPI04 | Percentage of management responses to draft audit reports received within 20 working days | 90% | n/a | 100% | 58% | 24 final reports issued |
| KPI05 | Percentage of audit recommendations implemented on time | 90% | n/a | 15% | 14% | 37 out of 268 recommendations implemented on time in the past 12 months |
| KPI06 | Client Satisfaction – Percentage of questionnaire responses rating the Audit as good or very good | 90% | n/a | 100% | 100% | 6 responses since 1 April 2024 |

Explanation on inclusion of new indicators

KPI01 – Demonstrates the effectiveness of the Audit Services team in delivering the audits approved. Other factors affect this KPI such as management engagement which is highlighted in the Performance Dashboard Section.

KPI02 – Demonstrates the efficiency of the Audit Services team in completing audit work within agreed time budget.

KPI03 – Demonstrates the efficiency of the Audit Services team in completing and issuing audit reports in line with agreed timescales.

KPI04 – Demonstrates if management are engaging with Audit Services to provide management comments post issue of draft report.

KPI05 – Demonstrates if management are implementing previous audit recommendations in line with agreed timescales, more details will be provided around this KPI in future Progress Reports.

KPI06 – Demonstrates client satisfaction levels from management on Audit Services engagements.