

**SUBJECT: INTERNAL AUDIT
Progress Report for Quarter 1 (2024/25)**

DIRECTORATE: Resources

MEETING: Governance & Audit Committee

DATE: September 2024

DIVISION/WARDS AFFECTED: All

1. PURPOSE

To consider the adequacy of the internal control environment within the Council based on the outcomes of audit reviews and subsequent opinions issued to the 30th June 2023.

To consider the performance of the Internal Audit Section over the first 3 months of the current financial year.

2. RECOMMENDATION(S)

That the Committee note the audit opinions issued.

That the Committee note the progress made by the Section towards meeting the 2024/25 Operational Audit Plan and the Section's performance indicators at the 3 month stage of the financial year which are currently ahead of the profiled target.

3. KEY ISSUES

- 3.1 Audit work has started in line with the 2024/25 agreed draft audit plan, considered by the Governance & Audit Committee in April 2024.
- 3.2 This report gives brief details of the work undertaken in the year to date. The report also gives details of the Section's performance indicators for the 3 months to 30th June 2023.
- 3.3 The Public Sector Internal Audit Standards came into force in April 2013 (updated March 2017) which the Internal Audit team needs to demonstrate compliance with.
- 3.4 The new Global Internal Audit Standards (GIAS) were issued in January 2024 for implementation by January 2025. They will replace the International Professional Practice Framework, the mandatory elements of which are the basis for the current UK public sector internal auditing standards (the PSIAS). The PSIAS are issued under the

authority of the Relevant Internal Audit Standard Setters (RIASS). The RIASS have agreed to use the new GIAS as the basis for internal auditing for the UK Public Sector and have asked the UK Public Sector Internal Auditing Standards Advisory Board (IASAB) to carry out a review of the new standards with a view to identifying and producing any sector specific interpretations or other material needed to make them suitable for UK public sector use. Consultation is due to begin in September 2024.

The effective date of the new material developed by IASAB will be 1 April 2025. Until then, the existing PSIAS based on the old International Professional Practices Framework will continue to apply.

- 3.5 The year end opinion for 2024/25 will be based on the audit work undertaken during the year, cumulative audit knowledge from previous years on key financial systems along with any assurance gained from other parties where relevant.

4. REASONS

- 4.1 Since the start of the financial year, the Internal Audit Section has completed 7 audit jobs to draft stage from its 2024/25 draft Operational Audit Plan; 6 of these being opinion related and are shown in the table at Appendix 1.
- 4.2 In relation to audit opinion related reports, 6 had been issued in draft by the end of the 1st Quarter;
1. Flying Start (2023/24)
 2. Youth Offending Service (2023/24)
 3. Car Parks
 4. Homelessness Assessment & Prevention
 5. Job Evaluation / Equal Pay
- 4.3 In addition to the list above, 1 further opinion job has been issued during the quarter which has been given a Limited audit opinion. After discussion with the Chair of the Governance & Audit Committee and the Deputy Chief Executive it has been agreed to delay reporting the findings of this review to the Committee. This is due to significant on-going work within the area in question, where the reporting of the findings may impact subsequent investigations and processes which are continuing.

A commitment has been made by the Acting Chief Internal Auditor to report the details of this audit and investigation to Committee as soon as possible. Consideration has been given to reporting these findings as a confidential paper, however, it was concluded that it would be in the public interest that the findings are shared fully upon the investigation conclusion.

- 4.4 One other audit opinion was subject to an unfavourable opinion which was issued during Quarter 1 – Job Evaluation. The findings from this review are included as Appendix 4 to this report.
- 4.5 Other audit work in line with the plan has started and site visits have been undertaken to a number of establishments. At the end of Quarter 1, 35% of the agreed audit plan has been deemed as being started or in progress.
- 4.6 Where reports had been issued in draft, but not finalised, by the 31st March 2023, work has been undertaken during Quarter 1. As of the 30th June 2024, 5/8 had been successfully finalised.

Audit Management are working to finalise these outstanding reports as soon as possible.

- 4.7 Five special investigations / reactive pieces of work commenced during Quarter 1. 3 of these have been closed / completed during the quarter, the other 2 remain outstanding and are subject to further investigation.
- 4.8 During the first quarter the Acting Chief Internal Auditor has been appointed as an independent investigating officer for 2 disciplinary investigations. These investigations have diverted internal audit resource away from planned audit work during the quarter. It is hoped that the investigation will be completed during the second quarter of the year.
- 4.9 Appendix 3 of the report gives details of the Section's performance indicators as at the 30th June 2024.
- 4.10 10% of the 2024/25 Audit Plan has been completed as at 30th June 2024. This is on target (10%).

5. SERVICE MANAGEMENT RESPONSIBILITIES

- 5.1 Heads of Service and service managers are responsible for addressing any weaknesses identified in internal systems and demonstrate this by including their management responses within the audit reports. When management agree the audit action plans, they are accepting responsibility for addressing the issues identified within the agreed timescales.
- 5.2 Ultimately, managers within MCC are responsible for maintaining adequate internal controls within the systems they operate and for ensuring compliance with Council policies and procedures. All reports, once finalised, are sent to the respective Chief Officers and Heads of Service for information and appropriate action where necessary.

6. FOLLOW UP AUDIT REVIEWS

- 6.1 Where 'unfavourable' (Limited Assurance / No Assurance) audit opinions are issued, they are followed up within a twelve month timescale to ensure that the agreed actions have been taken by management and that the internal control systems are improved.
- 6.2 No follow-up reviews have commenced during the first quarter of the financial year. The following reviews were subject to unfavourable audit opinions issued during the 2023/24 financial year and the table below indicates when the follow-up work will be conducted by the Internal Audit team. The findings from each of these reviews have already been presented to the Committee.

Year	Assignment	Opinion	Status
2023/24	Chepstow School	Limited	2024/25 – Q3
	Till Float	Limited	2024/25 – Q3
	Commission & Control	Limited	2024/25 – Q3
	Mileage	Limited	2024/25 – Q4
	General Expenses	Limited	2024/25 – Q4
	Children Looked After Savings	Limited	2024/25 – Q4
	Private Sector Leasing	Limited	2024/25 – Q4
	Democratic Services & Governance	Limited	2024/25 – Q4

- 6.3 The timing of a follow-up review is based on when the previous final report was issued plus enough time for management to successfully implement their management actions along with sufficient time to pass to ensure the changes are fully embedded within the service. As the table details, this is a challenging programme to ensure all these reviews are completed during quarter 3 and especially quarter 4 of the year. The Audit Management team are planning workloads to ensure as much of these can be completed within the year as possible.

7. RESOURCE IMPLICATIONS

None.

8. CONSULTEES

Deputy Chief Executive / Chief Officer Resources
Chair of Governance & Audit Committee

Results of Consultation:

N/A

9. BACKGROUND PAPERS

Draft Operational Audit Plan 2024/25

10. AUTHORS AND CONTACT DETAILS

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AUDIT COMMITTEE SEPTEMBER 2022

INTERNAL AUDIT SECTION PROGRESS REPORT 2022/23 – 3 MONTHS

APPENDIX 1

Internal Audit reviews from the 2024/25 Operational Audit Plan where fieldwork has been completed and/or final reports issued since 01/04/24 are listed in the table below.

Internal Control Opinions give the auditor's overall conclusion on the control environment operating in each system/establishment under review. Opinions range from Substantial Assurance through to No Assurance (Appendix 2).

Draft issued indicates that a draft report has been issued and a response is awaited from the client before the report can be finalised.

Status of reports as at 30th June 2024

Internal Audit Services - Management Information for 2024/25 – Quarter 1

Opinion Summary	Number
Substantial Assurance	1
Reasonable Assurance	3
Limited Assurance	2
No Assurance	0
Total	6

Job number	Directorate	Service	Job Name	Risk Rating / Priority	Final / Draft	Opinion given (Assurance)
P2425-43	Communities & Place	Enterprise and Community Animation	Homelessness Assessment & Prevention	High	Draft	Substantial
P2425-12	Children & Young People	Achievement & Attainment	Flying Start (2023/24)	Medium	Draft	Reasonable
P2425-32	Social Care, Safeguarding & Health	Childrens Services	Youth Offending Service (2023/24)	Medium	Draft	Reasonable
P2425-40	Communities & Place	Placemaking, Housing, Highways and Flooding	Car Parks	Medium	Draft	Reasonable
P2425-57	People, Performance and Partnerships	Human Resources	Job Evaluation / Equal Pay	High	Draft	Limited
Redacted	Redacted	Redacted	Redacted	Redacted	Draft	Limited

Non – opinion / Added Value Audit Work

Job number	Directorate	Service	Job Name
P2425-68	Communities & Place	Communities & Place General	Fleet Management Board

Internal Audit Opinions

Each report contains an opinion which is an overall assessment of the control environment reviewed.

OPINION	DESCRIPTION
SUBSTANTIAL ASSURANCE	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
REASONABLE ASSURANCE	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
LIMITED ASSURANCE	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
NO ASSURANCE	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

The table below summarises the risk ratings used during our audits:

RISK RATING	DESCRIPTION
CRITICAL	Major or unacceptable risk which requires immediate action.
SIGNIFICANT	Important risk that requires attention as soon as possible.
MODERATE	Risk partially mitigated but should still be addressed.
STRENGTH	No risk. Sound operational controls and processes confirmed.

For grant claim audits:

Unqualified opinion - the terms and conditions of the grant were generally complied with;

Qualified opinion - the terms and conditions of the grant were not fully complied with; the identified breaches of terms and conditions will be reported to the grantor and internally to relevant Head of Service/Chief Officer.

AUDIT COMMITTEE SEPTEMBER 2022

INTERNAL AUDIT SECTION PROGRESS REPORT 2022/23 – 3 MONTHS

APPENDIX 3

Performance Indicators

N / A – not available

	2023/24	Q1	Q2	Q3	Q4	Target
1	Percentage of planned audits completed	15%	36%	50%	82%	80% pa
2	Average no. of days from audit closing meeting to issue of a draft report	2	4	2.5	1.8 days	15 days
3	Average no. of days from receipt of response to draft report to issue of the final report	N/A	4.2	1.6	1.4 days	10 days
4	Percentage of recommendations made that were accepted by the clients	N/A	100%	100%	100%	95%
5	Percentage of clients at least 'satisfied' by audit process	N/A	100%	100%	100%	95%

	2024/25	Q1	Q2	Q3	Q4	Target
1	Percentage of planned audits completed	10%				10% in Q1 80% pa
2	Average no. of days from audit closing meeting to issue of a draft report	2.7 days				15 days
3	Average no. of days from receipt of response to draft report to issue of the final report	N/A*				10 days
4	Percentage of recommendations made that were accepted by the clients	N/A*				95%
5	Percentage of clients at least 'satisfied' by audit process	N/A*				95%

* These statistics are based on the conclusion of an audit review (final report stage). As at 30th June 2023, no 2023/24 audit review had yet been finalised.

SUMMARY OF WEAKNESSES – JOB EVALUATION (2024/25)

The objective of the audit was to examine and evaluate the financial and administrative controls, as well as the effectiveness of the governance framework operating within the job evaluation process. The scope included examining the policy/guidance framework, adherence to the Job Evaluation Scheme, and the decision-making, validation, and appeals process. However, the audit did not re-perform individual job evaluations but ensured high-level reasonableness and adherence to the internal control framework.

RISK RATING	DESCRIPTION	TOTAL IDENTIFIED
CRITICAL	Major or unacceptable risk which requires immediate action.	0
SIGNIFICANT	Important risk that requires attention as soon as possible.	10
MODERATE	Risk partially mitigated but should still be addressed.	9
STRENGTH	No risk. Sound operational controls and processes confirmed.	11

Ref.	SIGNIFICANT
1.04	The Job Evaluation Guidance was not aligned to actual working practices. There was no evidence to confirm that the Guidance had been reviewed since its inception.
1.05	There was no documented Senior Officer Job Evaluation process.
1.06	There was no central point of storage for all documents relating to the Job Evaluation process. Although a retention period had been set for documents, not all staff were aware of this.
2.04	Roles had been regraded without going through the Job Evaluation process.
2.05	Requests to perform a Job Evaluation did not always come from the Head of Service (or above).
3.06	There was no evidence to confirm that prior to an Honorarium being awarded that the additional duties had been considered through the Job Evaluation process.
3.07	Employees who have been awarded Honorarium or Market Forces Payments were not provided with notification letters.
3.08	Honorarium payments have been paid for periods in excess of the recommended 18 months.
3.09	HR Business Partners or Accountants were not required to formally comment on or confirm that they support Honorarium and Market Forces arrangements prior to authorisation.
3.10	Payroll Amendment Forms were not checked to ensure that the correct authorisation or Job Evaluation procedures had been followed.

Ref.	MODERATE
1.07	The Authority's Equal Opportunities in Employment Policy was dated 2002 (22 years) with no evidence of review.
1.08	HR Business Partners who undertake Job Evaluations have not been provided with any formal training for the use of Zellis' Greater London Provincial Scheme (GLPC) electronic system.
1.09	No master record existed of all Job Evaluation requests, their current status and if any appeals were received.
2.06	The Head of Service/Headteacher New Post Evaluation Request Form (JE1) or Manager / Headteacher Post Re-evaluation Request Form (JE2) were not completed for the Job Evaluations reviewed.
3.11	Job Evaluations were not subject to a secondary review as set out as an expectation within the Job Evaluation Guidance
3.12	Backdated pay was not appropriately authorised by the Head of Service.
3.13	New Post Request Forms were deleted after 18 months.
3.14	Market Forces payments had not been correctly paid pro-rata for part time staff.
3.15	The date the Job Evaluation was undertaken was not always noted on the system.