

Agenda Item No 4
Audit and Standards Committee
7 January 2025

Title: Internal Audit Progress Report: Qtr. 2 2024/25

Lead Officer: Ian Davy (Audit and Risk Manager)

Portfolio Holder: Councillor Chilvers

Wards of the District directly affected: None directly impacted

Approvals required	Date	Name
Portfolio Holder	13 December 2024	Councillor Chilvers
Finance	5 December 2024	Andrew Rollins
Legal Services	Not applicable	
Chief Executive	5 December 2024	Chris Elliott
Strategic Director	5 December 2024	Dave Barber
Head of Service(s)	5 December 2024	Andrew Rollins
Section 151 Officer	5 December 2024	Andrew Rollins
Monitoring Officer	5 December 2024	Graham Leach
Equalities, Diversity and Inclusion Business Partner	13 December 2024	Daniel Keating
Leadership Co-ordination Group	13 December 2024	Various
Final decision by this Committee or rec to another Cttee / Council?	Yes	
Contrary to Policy / Budget framework?	No	
Does this report contain exempt info/Confidential? If so, which paragraph(s)?	Yes – Appendices 2(b) and 3(b) and Internal Audit Report on Cyber Security	
Does this report relate to a key decision (referred to in the Cabinet Forward Plan)?	No	
Accessibility Checked?	Yes	

Summary

The Report advises on progress in achieving the Internal Audit Plan 2024/25, summarises the audit work completed in the second quarter and provides assurance that action has been taken by managers in respect of the issues raised by Internal Audit.

Recommendations

- 1 That the report, including its appendices, be noted and, where appropriate, approved. Specifically:
 - 1.1 That Appendix 1, detailing the performance of Internal Audit in completing the Audit Plan, be considered. (Section 1.6 of this report)
 - 1.2 That Appendices 2(a) (open) and 2(b) (confidential), setting out the action plans accompanying the Internal Audit reports issued in the quarter, be reviewed. (Para. 1.7.3)
 - 1.3 That Appendices 3(a) (open) and 3(b) (confidential), recording the state of implementation of recommendations issued in previous quarters, be reviewed. (Para. 1.8.2)
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1 Reason for the Recommendations

- 1.1 Members have responsibility for corporate governance, of which internal audit forms a key part.
- 1.2 The Audit and Standards Committee is operating, in effect, as an audit committee in regard to receiving and acting upon this report. Guidance on the role and responsibilities of audit committees is available from a number of sources including that of CIPFA and the Chartered Institute of Internal Auditors.
- 1.3 Essentially, the purpose of an audit committee is:
 - To provide independent assurance of the associated control environment.
 - To provide independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment.
- 1.4 To help fulfil these responsibilities, audit committees should review summary internal audit reports and the main issues arising and seek assurance that action has been taken where necessary.

1.5 Assurance

- 1.5.1 Management is responsible for the system of internal control and should set in place policies and procedures to help ensure that the system is functioning correctly. On behalf of the Authority, Internal Audit review, appraise and report on the efficiency, effectiveness, and economy of financial and other management controls.

1.5.2 Each audit report gives an overall opinion on the level of assurance provided by the controls within the area audited. The assurance bands are shown below:

Assurance Levels

Level of Assurance	Definition
Substantial Assurance	There is a sound system of control in place and compliance with the key controls.
Moderate Assurance	Whilst the system of control is broadly satisfactory, some controls are weak or non-existent and there is non-compliance with several controls.
Limited Assurance	The system of control is generally weak and there is non-compliance with the controls that do exist.

1.6 Progress Against Plan

1.6.1 At the start of each year, an Audit Plan is approved that sets out the audit assignments to be undertaken. A detailed analysis of progress to date in completing the Audit Plan for 2024/25 is set out as Appendix 1.

1.6.2 There has been a need to review the audits to be completed as part of the current year's plan following the review undertaken on the staffing needs of the Internal Audit team and the resulting delays in bringing the team back up to full strength. The proposed amendments to the plan are covered in a separate report on this agenda.

1.6.3 The Cyber Security audit, carried forward from 2022/23 is now completed and this was reported to the Audit and Standard Committee in a separate report alongside the Quarter 1 progress report. However, it is included within the Q2 reports for completeness.

1.7 Internal Audit Reviews Completed in the Quarter and Management Responses to Recommendations

1.7.1 Three audits (including the abovementioned Cyber Security audit) were completed in the second quarter of 2024/25.

1.7.2 The Internal Audit reports arising from the completed reviews are available for viewing on the online agenda for the meeting.

1.7.3 The action plans accompanying these reports are set out for separate review as Appendices 2(a) and 2(b). These appendices details the recommendations arising together with the management responses, including target implementation dates.

1.8 Implementation of Recommendations Issued Previously

1.8.1 All recommendations are followed up once the agreed implementation date has passed. Officers are able to provide an update as soon as they have completed the agreed action, as opposed to waiting to be chased for a response, although the vast majority still have to be chased.

- 1.8.2 The state of implementation for all relevant recommendations is set out in Appendices 3(a) and 3(b). Responses have been received in respect of all recommendations.
- 1.8.3 It should also be noted that where officers have not completed the recommendation in line with the original target date, they are now being asked for a new date by which the agreed action will be completed. If this is not met, this will be flagged separately in future reports to Audit and Standards Committee (with, as per usual protocol, the option of Members asking the officers to attend to explain the lack of progress).
- 1.8.4 Revised target dates have been provided for **six** recommendations relating to the audits of **Banking Arrangements, Financial Strategy, Planning and Budgetary Control, Treasury Management, VAT Accounting (two recommendations)** and **Void Management**. The target dates in relation to five of these recommendations had been extended previously (all except Void Management).
- 1.8.5 The completion of the **Banking Arrangements** action has been delayed as previous responses had gone in a 'different direction' to the original agreed action. This is now back on track.
- 1.8.6 The recommendation in respect of **Financial Strategy, Planning and Budgetary Control** is almost completed but consultation with another member of staff has highlighted that some changes are required, so the running of the course has been delayed.
- 1.8.7 The completion of the actions in relation to the **VAT Accounting** and **Treasury Management** audits have been affected by the prioritisation of the final accounts work.

1.9 Review

- 1.9.1 Members are reminded that they can see any files produced by Internal Audit that may help to confirm the level of internal control of a service, function or activity that has been audited or that help to verify the performance of Internal Audit.

2 Alternative Options

- 2.1 The report is not based on 'project appraisal' so this section is not applicable.

3 Legal Implications

- 3.1 There are no legal implications identified as a result of this report.

4 Financial Implications

- 4.1 There are no financial implications identified as a result of this report.

5 Corporate Strategy

- 5.1 Warwick District Council has adopted a Corporate Strategy that sets three strategic aims for the organisation – see below.
- Delivering valued, sustainable services.

- Low cost, low carbon energy across the district.
- Creating vibrant, safe and healthy communities of the future.

5.2 Internal Audit contributes to the delivery of these strategic aims as part of an assurance framework. This ensures that the activities necessary to deliver these aims are reviewed and, where appropriate, improved.

6 Environmental/Climate Change Implications

6.1 There are no environmental or climate change implications identified as a result of this report.

7 Analysis of the Effects on Equality

7.1 An EIA is not required as part of this report.

8 Data Protection

8.1 There are no Data Protection implications identified as a result of this report.

9 Health and Wellbeing

9.1 There are no health and wellbeing implications identified as a result of this report.

10 Risk Assessment

10.1 The whole report is about risks and the risk environment. Clearly there are governance-related risks associated with weak internal control, risk management and governance processes.

11 Consultation

11.1 Please refer to 'header page' of this report.

Background papers:

Not applicable.

Supporting documents:

Internal Audit Plan (see revised version as another agenda item on this report)

Internal Audit Reports (linked as appendices to this item).