

Bath & North East Somerset Council		
MEETING:	Audit Committee	
MEETING DATE:	30th April 2025	AGENDA ITEM NUMBER
TITLE:	Annual Report of the Head of Audit and Assurance 2024/25	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Assurance Levels, Appendix 1		

## **1. THE ISSUE**

- 1.1. The work of the Internal Audit Service is to provide independent assurance to the Council's senior officers and members that governance, risk management and controls are sufficient to ensure delivery of the council's objectives. As part of meeting statutory and professional requirements the Head of Audit and Assurance is also required to provide an opinion on the council's internal control environment.
- 1.2. This is the closing Internal Audit Annual Report to the Committee for the financial year 2024-25. Included is a summary of audit performance and key issues, as well as the formal opinion on the internal control framework.

## **2. RECOMMENDATION**

- 2.1. The Audit Committee is asked to note the Internal Audit Annual Report for 2024/25 and the opinion on the Internal Control environment.

## **3. THE REPORT**

- 3.1. The Annual Internal Audit Plan for 2024/25 was presented to the Audit Committee on the 1<sup>st</sup> May 2024.

The Plan forms the principal work of the Internal Audit Service and is a significant source of assurance of the effectiveness of the Council's internal control environment.

In determining the scope, depth, and breadth of the Audit Plan, the Audit Committee accepts limitations in coverage and the inherent risks associated with this. As resources and organisational risks may change dynamically over a year, audit coverage can be affected, and this may impact on the level of assurance achieved through delivering the audit plan.

### **3.2. HEADLINE INFORMATION FOR THE FINANCIAL YEAR 2024/25**

#### **3.2.1. The summary position for the financial year 2024/25 was as follows:**

- Work on the 2024/25 plan is almost complete with 21 of 24 pieces of work either finalised, reporting or substantially in progress.
- The Internal Audit service agreed to defer three audits into the following year(s) audit plan, whilst a further two are reported as no longer required.
- All final audit reports issued during 2024/25 had a “Substantial” or “Reasonable” assurance rating.
- Grant assurance work was carried out and Audit Report Letters despatched to the relevant funding body (e.g. MCA) for 37 grant funded projects / activities to provide independent assurance that B&NES Council had complied with grant expenditure terms and conditions – e.g. eligibility of spend.
- Internal Audit have responded to two reports of ‘financial irregularity’ requiring advice/ investigation. These two cases have been ‘closed’ and recovery action to recover funds is ongoing.
- Fraud awareness work took place, and this is reported in detail separately within the Counter Fraud Annual Report 2024/25.
- The Internal Audit service led on the annual governance review of the Council enabling the Annual Governance Statement 2023/24 to be compiled and included in the Council’s Statement of Accounts.
- State of the Internal Control framework is satisfactory, based on our audit opinions.

### **3.3. 2024/25 SIGNIFICANT ISSUES & ASSURANCE LEVELS**

#### **3.3.1. From the audit reviews completed in the 2024-25 financial year, no significant issues were identified.**

#### **3.3.2. All audits finalised had an opinion of either Substantial Assurance (Level 4) or Reasonable Assurance (Level 3) and these are detailed on page 4 of this report.**

#### **3.3.3. The opinion statements for assurance levels are provided in appendix 1.**

### **3.4. INVESTIGATIONS & UNPLANNED WORK**

#### **3.4.1. In addition to the core planned internal audit reviews the Internal Audit team has carried out three ‘unplanned’ reviews following requests from senior management. Two were related to ‘financial irregularity’ and fraudulent actions and a third was a reported loss of £100 cash.**

#### **3.4.2. The two fraud cases were reported to September Committee. The first case was related to salary payments being made to an individual who was set up on the Council’s payroll system as a new starter and received salary payments despite**

not actually starting their employment. The second case was related to fraudulent claims for Early Years Entitlement from a child carer. In addition to identifying the amount of the 'overpayments' and taking recovery action, which is ongoing, work was carried out to identify the internal control failures and to implement actions to avoid a repeat.

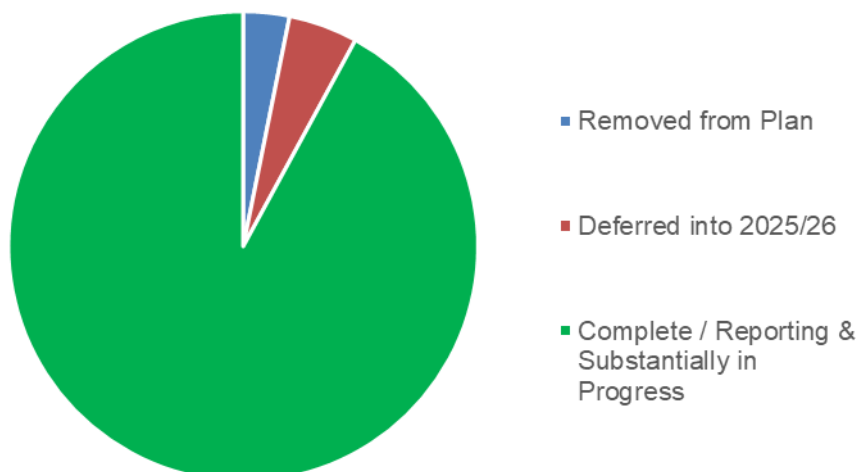
### **3.5. COUNTER FRAUD**

- 3.5.1. Anti-Fraud and corruption guidance has been provided to services when requested and this has been supplemented by the publication and distribution of the November 2024 Anti-Fraud Bulletin.
- 3.5.2. The Internal Audit service has continued its role as the Council's Key Co-ordinator for the Cabinet Office National Fraud Initiative (NFI). The NFI is a data matching exercise that helps to detect and prevent fraud. It is conducted by the Cabinet Office under its statutory data matching powers. B&NES Council datasets for NFI 2024 included: blue badges, Council Tax, electoral registration, housing waiting lists, payroll, pensions, and resident parking permits.
- 3.5.3. A detailed report of all counter fraud related activity that took place in 2024-25 is presented within a separate paper to this Committee meeting. This covers work completed and progress undertaken by the service, including but not limited to:
- National Picture and Emerging Risks
  - Work on the National Fraud Initiative (NFI)
  - Staff Information and Awareness
  - Internal Audit Targeted Work and Investigations.

### **3.6. COMPLETION OF 2024/25 INTERNAL AUDIT PLAN**

- 3.6.1. There were 26 pieces of assurance audit work within the plan and 37 Grant Certifications. Of the total number of audits:
- 21 audits had been completed or were at reporting stage / substantially in progress.
  - 37 Grant Certifications have been completed.
  - Three audits have been agreed to defer into 25/26 (one in Resources, one in Operations and one in Sustainable Communities)
  - Two planned pieces of work were no longer required (One in Sustainable Communities and one in Resources).

### 2024/25 Internal Audit Plan Position



Audit Area	Status	Comments
Climate & Ecological Emergency Response - Performance Monitoring / Reporting	Final	Audit Opinion Level 3 – Reasonable Assurance
Learning Disabilities Pooled Budget - Governance	Final	Audit Opinion Level 4 – Substantial Assurance
Financial Saving Plan - Monitoring & Delivery Review	Final	Audit Opinion Level 4 – Substantial Assurance
Community Sub Contracted Services - Governance (ICB Lead)	Final	Audit Opinion Level 4 – Substantial Assurance
DSG -Safety Valve - Programme Management	Final	Audit Opinion Level 4 – Substantial Assurance
IT - IT Services Recovery Management	Draft	Work completed, reporting to client
IT - Liquidlogic EYES - Data Integrity Audits	In Progress	Audit in Progress
IT - Penetration Testing - IT Health check Remediation Plan	Final	Audit Opinion Level 3 – Reasonable Assurance
IT - Public Website Security	Deferred	Deferred into 25/26 as requested by Client
Car Parking - Emissions income charging	In Progress	Audit in Progress
Supported Lodgings (Children's)	Final	Audit Opinion Level 4 – Substantial Assurance
Fashion Museum Project - Governance	Draft	Work completed, reporting to client
Corporate Estate - Energy Management	In Progress	Audit in Progress

Debt Management - Corporate Policy (Development of new policy)	Briefing Report	Briefing Report produced
Aequus Group - Financial Governance	In Progress	Audit in Progress
Resettlement Schemes (Homes for Ukraine) & LA Housing Fund Grant	In Progress	Audit in Progress
Creditor Payments - Supplier Set-Up & Duplicate Payments	Final	Audit Opinion Level 4 – Substantial Assurance
Adult Care Adaptions - Use of Disabled Facilities Grants Stage 1 (current system workflow review - inform improvement plan)	Deferred	Deferred into 25/26 as agreed with client
Corporate Parent - Child Protection Independent Reviewing Officers	Draft	Work completed, reporting to client
Car Parking - Park & Ride Contract	No longer required	No longer required based on reassessment of risks
Fleet Management - Workshop Activity / Trading	In Progress	Audit in Progress
Payroll Variations	Final	Audit Opinion Level 4 – Substantial Assurance
Contract Standing Order Exemptions	Final	Audit Opinion Level 3 – Reasonable Assurance
Temporary Accommodation	Draft	Work completed, reporting to client
Risk Management - Decision Making - adequacy of report risk management assessment	No longer required	Risk Management Strategy being developed
WECA bidding - Regeneration Schemes programme management	Deferred	Deferred into 25/26
37 Grant Certifications	Complete	Grant Claim Reviewed, Tested and Approved
Governance - Annual Governance Statement	Complete	23/24 statement reported to Audit Committee and included within Accounts. 24/25 being drafted and will be presented for approval in Sep 25
Governance - Audit Committee, Boards, Advice and Guidance	Complete	Undertaken throughout year
Fraud – National Fraud Initiative	In Progress	Ongoing Work – Completed Throughout Year

### 3.7. DEFERRED AUDITS AND AUDITS NO LONGER REQUIRED

Due to the additional time spent on investigations and unplanned work, we have deferred a small amount of audit activity into 2025/26. In addition, some of the planned audits are no longer required. They are as follows:

- **IT - Public Website Security** – The audit was deferred at the request of the audit client to enable a review of the controls after the Public Website had been migrated to an external party in 2024/25.
- **Adult Care Adaptions** - Use of Disabled Facilities Grants Stage 1 (current system workflow review - inform improvement plan) – The audit client requested to replace the Brokerage (Adults & Children) audit with a review of Adult Care Adaptations due to changing priorities. It was agreed with the client to defer the audit to May 2025.
- **Mayoral Combined Authority (MCA) bidding - Regeneration Schemes programme management** – The audit was deferred to May 2025, to enable completion of the Fashion Museum Project Management – Governance audit, the findings of which will inform the MCA Bidding - Regeneration Schemes programme management audit.
- **Risk Management - Decision Making - adequacy of report risk management assessment** – The Risk Management Strategy is being developed, and it was agreed that this audit was not required as it would not add value because the review would be based on the previous strategy.
- **Car Parking - Park & Ride Contract** – It was decided that the audit was no longer required based on ongoing assessment of risks by Internal Audit and other unplanned work.

### 3.8. IMPLEMENTATION OF RECOMMENDATIONS

- 3.8.1. The follow-up of recommendations prioritised on ensuring that critical and high-level recommendations have been implemented. This is because this category of recommendation will have either identified significant risks, or identified improvements that could best help the organisation to achieve its objectives.
- 3.8.2. Audit staff communicate with officers throughout the audit process to ensure that proposed recommendations are understood, are relevant, and are achievable within the organisation and its resources. Through following this approach, we can report that most of the recommendations agreed in 2024-25 were found to have been implemented where they were due to be.
- 3.8.3. Three areas where work was still in progress to implement the agreed high-level recommendations, were:

**Travel Perk** – it was identified that five high-risk recommendations and three medium-risk recommendations had not been implemented. The high-risk recommendations related to 1) contract management and monitoring, 2) Council travel policy for Travel Perk, 3) compliance and approval controls, 4) arrangements for reviewing spend and 5) the role of the Travel Perk system administrators. However, when the follow-up of recommendations was carried out in September 2024, it was found that progress had been limited. This was due to resource constraints i.e. implementation of these recommendations was dependent on the Council identifying funding and then recruiting to a new role for a Corporate Contracts Manager, which is now in progress. Service management agreed to take full responsibility to manage and monitor the outstanding actions and associated risks.

**Care Leavers (Children's)** – while four high-risk recommendations had been substantially progressed at the time that the follow-up was undertaken, there were some actions still to be completed. It was noted that the progression of the recommendations relate, in the main, to the increased capacity in the Care Experienced Team (CET) from November 2024 and planned improvements to the case management system and associated data reporting.

**Deputyship Service** – there are two high-risk recommendations that had been partially implemented, relating to 1) annual review visits and, 2) review of personal allowance spend records / transactions. The follow-up noted the key actions to be completed, which included developing a Performance Framework for annual review visits and investigating systems that can improve timeliness of documenting visit outcomes. The progress had been impacted predominately due to capacity of the service i.e. increasing case load (20% since the audit was conducted), resource constraints and officers temporarily covering additional functions. A new date (June 2025) was agreed for the delivery of the outstanding actions and Internal Audit will follow this up as part of the 2025/26 audit plan.

### 3.9. **FORMAL OPINION ON THE INTERNAL CONTROL FRAMEWORK**

#### 3.9.1. **Statement of the Head of Audit & Assurance**

As part of our statutory requirements, the Head of Audit & Assurance in fulfilling the role of the Council's Chief Internal Auditor/ Chief Audit Executive, is required to give an opinion on the internal control framework.

In forming this view, I have considered the work of the Audit & Assurance function as well as other assurances I can rely on and consideration of the wider governance framework and performance of the council.

As highlighted during previous reports to the Audit Committee within 2024-25, we are reporting the state of the internal control framework as satisfactory based on our audit opinions.

The council's internal control framework and systems to manage risk had not altered significantly from the previous year and it is therefore my opinion that, based on the work completed, the council's internal control framework and systems to manage risk continue to be reasonable.

- Reasonable assurance can be provided over the council's systems of internal control, helping to ensure corporate priorities can be achieved.
- There were not any significant reported breaches of the council's policies, including Financial Regulations and Contract Standing Orders.
- Managers throughout the council were aware of the importance of maintaining adequate and effective governance arrangements.
- Appropriate arrangements were in operation to prevent and detect fraud and audit reviews and investigations did not identify any systemic failures.

- Senior Management - led by the Chief Operating Officer as risk management sponsor – demonstrate a pro-active approach to the fundamental themes of good governance and risk management.
- There were no fundamental system failures or control breakdowns to business - critical functions.

During 2024-25, there has been a greater increase in Council staff working from the office, and in line with this, we have been able to continue our increase in the number of in-person internal audit reviews (i.e. as opposed to online). We believe this allows for greater observation and understanding of work behaviours, which can provide further insight into the activity being audited.

In 2024-25 there were relatively minor adjustments to the internal audit plan. The vast majority of work undertaken continued to take place in the areas planned and agreed, and it is my opinion that, based on the work completed, the council's internal control framework and systems to manage risk are reasonable.

The ongoing financial challenge to all Local Authorities and further macroeconomic factors also place pressure locally on services to respond and manage risk in a proportionate way. A robust Internal Audit service is a vital component of the Council's governance systems and provides the third and final line of defence in relation to the internal control framework.

The Audit Committee has been supportive of our work throughout the year and I would like to thank elected members and the independent members for their input and guidance.

#### **4. STATUTORY CONSIDERATIONS**

- 4.1. There are no specific statutory considerations related to this report. Accounts & Audit Regulations set out the expectations of provision of an Internal Audit service. This is supported by S151 of the Local Government Act and CIPFA Codes of Practice and the IIA professional standards for delivery of an adequate Internal Audit Service.

#### **5. RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)**

- 5.1. There are no direct resource implications relevant to this report.

#### **6. RISK MANAGEMENT**

- 6.1. A proportionate risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision-making risk management guidance. Significant risks to the council arising from an ineffective Internal Audit Service include lack of internal control, failures of governance and weak risk management. Specific risks include supplementary External Audit Fees and undetected fraud. Internal Audit assists the Council in identifying risks, improvement areas and recommending good practice.



- 6.2. The Audit Committee has specific responsibility for ensuring the Council's Risk Management and Financial Governance framework is robust and effective.

## **7. EQUALITIES**

- 7.1. A proportionate equalities impact assessment has been carried out using corporate guidelines and no significant issues have been identified.

## **8. CLIMATE CHANGE**

- 8.1. There are no direct climate change implications related to this report.

## **9. OTHER OPTIONS CONSIDERED**

- 9.1. No other options to consider related to this report.

## **10. CONSULTATION**

- 10.1. The Council's Section 151 Officer has had the opportunity to input to this report and has cleared it for publication.

<b>Contact person</b>	<i>Tariq Rahman, Head of Audit &amp; Assurance</i>
<b>Background papers</b>	
<b>Please contact the report author if you need to access this report in an alternative format</b>	

## APPENDIX 1 - Description of Audit Assurance Ratings and Opinion:

Assurance Rating	Opinion
<b>Level 5 - Full Assurance</b>	The systems of internal control are excellent with a number of strengths, no weaknesses have been identified, and full assurance can be provided over all the areas detailed in the Assurance Summary.
<b>Level 4 - Substantial Assurance</b>	The systems of internal control are good with a number of strengths evident and substantial assurance can be provided as detailed within the Assurance Summary.
<b>Level 3 - Reasonable Assurance</b>	The systems of internal control are satisfactory, and reasonable assurance can be provided. However, there are a number of areas detailed in the Assurance Summary which require improvement and specific recommendations are detailed in the Action Plan.
<b>Level 2 - Limited Assurance</b>	The systems of internal control are weak, and only limited assurance can be provided over the areas detailed in the Assurance Summary. Prompt action is necessary to improve the current situation and reduce the levels of risk exposure.
<b>Level 1 - No Assurance</b>	The systems of internal control are poor, no assurance can be provided and there are fundamental weaknesses in the areas detailed in the Assurance Summary. Urgent action is necessary to reduce the high levels of risk exposure.