
Internal Audit Annual Assurance Report 2024/25

Committee considering report:	Governance Committee
Date of Committee:	29 th July 2025
Portfolio Member:	Councillor Iain Cottingham
Report Author:	Julie Gillhespey (Audit Manager)

1 Purpose of the Report

The Public Sector Internal Audit Standards (PSIAS) require the Audit Manager to make a formal annual report to those charged with governance within the Council. The report is required to include an opinion on the effectiveness of the Council's governance, risk management and internal control frameworks, which in turn supports the Council's Annual Governance Statement.

2 Recommendation(s)

No recommendations are made within this report. The report is to inform the Governance Committee of the Internal Audit annual assurance opinion.

3 Implications and Impact Assessment

Implication	Commentary
Financial:	Not Applicable
Human Resource:	Not Applicable
Legal:	Not Applicable
Risk Management:	Internal Audit work helps to improve risk management processes by identifying control weaknesses in systems and procedures and making recommendations to provide mitigation. The aim of which is to help ensure that services

	and functions across the Council achieve their goals and targets, and the organisation as a whole meets its plans and objectives.			
Property:	Not Applicable			
Policy:	Not Applicable			
	Positive	Neutral	Negative	Commentary
Equalities Impact:				
A Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?		X		
B Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?		X		
Environmental Impact:		X		
Health Impact:		X		
ICT Impact:		X		
Digital Services Impact:		X		
Council Strategy Priorities:		X		.

Core Business:		X		
Data Impact:		X		
Consultation and Engagement:				

4 Executive Summary

- 4.1 The Public Sector Internal Audit Standards (PSIAS) require the Audit Manager to make a formal report annually to those charged with governance in the Council. The report is required to include an opinion on the Council's governance, risk management and internal control framework, which in turn supports the Annual Governance Statement.
- 4.2 The audit opinion is based upon the audit assurance work undertaken during the year; knowledge gained from previous audit work; as well as intelligence gained from other sources of assurance, both internal and external, for example, Ofsted, External Audit and the Council's Finance and Governance Group.

4.3 Purpose of the Audit Manager's Annual Assurance Report

To provide:-

- (a) An opinion on the Council's governance, risk management and control environment;
- (b) Information to support the opinion given;
- (c) A summary of the work undertaken compared with planned;
- (d) Performance of the Internal Audit Team;
- (e) A statement as to whether the work of the Audit Team complies with the PSIAS.

4.4 Assurance Opinion

- (a) From the assurance work undertaken and other sources of control/governance information e.g. the Finance and Governance Group, the Audit Manager is able to conclude that reasonable assurance can be given that the governance, risk management and control framework remains robust.
- (b) With regards to governance, the Audit Manager has noted in her two previous annual reports concerns due to the level of senior management vacancies and acting up arrangements. This situation continues to improve with most senior vacancies now filled on a permanent basis. As was noted previously, Internal Audit work during the year had not identified any operational issues because of the senior management vacancies/new appointments, however, in giving an opinion on the arrangements in place for effectiveness of governance and risk management, this is an area to mention as the number of senior manager

vacancies as well as relatively new appointments do have the potential for increased risk of uncertainty and instability within an organisation. There is continued corporate awareness of difficulties in recruiting with plans for remedial action.

- (c) The Council's financial resilience continues to be a significant corporate risk. The current situation resulting in Exceptional Financial Support (EFS) funding being requested to assist with the 2024/25 outturn and to help balance the budget for subsequent financial years.
- (d) In relation to the assurance opinions given during the year there were 3 completed corporate reviews and 3 schools that were given a less than reasonable assurance opinion. The proportion of limited assurance reports continues to be very low compared with the number of completed audits given a reasonable assurance opinion and above. All of the low assurance reports are followed up to check on progress made on implementing agreed recommendations, with outcomes reported back to the Governance Committee.
- (e) There were 3 corporate audit follow-ups given an unsatisfactory progress rating, for two of these written updates have been provided to the Governance Committee providing assurance of further progress. For the third Internal Audit have scheduled a further follow-up to take place. There was one school audit follow-up given an unsatisfactory rating.

4.5 Performance of the Audit Team

- (a) The team has a service performance indicator to achieve 80% of the audit plan. For 2024/25 the actual result was 86% compared with the previous year's outcome of 89%.

5 Supporting Information

Introduction

- 5.1 The Accounts and Audit (England) Regulations (2015) require each local authority to maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper practices.
- 5.2 The Public Sector Internal Audit Standards (PSIAS), including the CIPFA "Local Government Application Notes", require the Chief Audit Executive (the Audit Manager) to make a formal report annually to those charged with governance in the Council. The report is required to include an opinion on the Council's governance, risk management and internal control framework, which in turn supports the Annual Governance Statement.

Background

- 5.3 This report sets out Internal Audit's annual opinion and includes information to support the opinion given. The report content has been compiled to conform to the requirements of the PSIAS.
- 5.4 The audit opinion is based upon the assurance work undertaken during the year and knowledge gained from previous assurance work, as well as intelligence gained from

other sources of assurance, both internal and external, for example, Corporate Board reports, Ofsted, External Audit and the Council's Finance and Governance Group.

- 5.5 A system of internal control cannot provide total assurance that all risk has been identified and mitigated; it is used to manage the level of risk so that it is at an acceptable level for an organisation, taking into account the Council's risk appetite.

Purpose of the Audit Manager's Annual Assurance Report

- 5.6 To provide:-

- (a) An opinion on the Council's governance, risk management and control environment;
- (b) Information to support the opinion given;
- (c) A summary of the work undertaken compared with the work planned;
- (d) Information on the performance of the Internal Audit Team;
- (e) A statement as to whether the work of the Audit Team complies with the PSIAS.

Assurance Opinion

- 5.7 From the assurance work undertaken and other sources of control/governance information e.g. the Finance and Governance Group, the Audit Manager is able to conclude that reasonable assurance can be given that the governance, risk management and control framework continues to be robust.
- 5.8 No system of internal control can provide absolute assurance against material misstatement or loss, therefore Internal Audit can only provide reasonable assurance.
- 5.9 With regards to governance, the Audit Manager noted concern in her annual report over the last couple of years regarding the level of senior management vacancies and acting up arrangements. By the end of 2024/25 the situation had improved with most senior vacancies now being recruited to. The findings of our audit work during this year have again not highlighted any obvious issues because of interim arrangements/new managers being in post.
- 5.10 The Council's financial resilience continues to be a significant risk. The current situation resulting in Exceptional Financial Support (EFS) funding being requested to assist with the 2024/25 outturn and to help balance the budget for subsequent financial years.
- 5.11 Internal audit work has not identified any noticeable deterioration in controls in our key financial systems and processes, the Audit Manager is aware of reviews being undertaken to re-assess the robustness of the financial controls considering the Council's financial position and need to further strengthen controls over spend and budget monitoring. Work in the audit plan for 2025/26 includes a review of Financial Governance, to assist with assessing whether the financial framework is sufficiently robust to meet the current financial challenges.
- 5.12 A detailed audit review was undertaken of the Council's Risk Management framework a few of years ago, the conclusion was that the framework was satisfactory/fit for

purpose. Risk management and effectiveness of controls to mitigate risk are covered as part of each assurance audit, and our work during the year has not identified any emerging trends/patterns of concern with how risks are being managed within the organisation.

5.13 There have been no limitations or restrictions on the audit plan coverage or scope of the work undertaken that could have a negative impact on the opinion. There have been no impairments to the objectivity or independence of the Audit team.

Results of Work Undertaken to Support the Annual Internal Audit Opinion

5.14 An assessment of the number of reviews in each opinion category is the key factor used to determine the Internal Audit annual assurance opinion. Descriptions of the assurance opinion ratings used are detailed as follows:

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. Usually moderate-to-minor issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited, but are not a cause for concern.
Limited Assurance	There is a large number of moderate weaknesses and/or significant weaknesses or non-compliance issues identified which are of concern. 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.

5.15 A summary of the Internal Audit assurance work completed during the year is detailed below analysed by the assurance opinion that was given:-

Audit Type	No Assurance	Limited Assurance	Reasonable Assurance	Substantial Assurance
Corporate Systems	0	3	9	4

Schools	0	3	3	7
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- 5.16 As the above table shows there were no completed audits given a No Assurance opinion during the year. There were 3 completed corporate reviews and 3 schools that were given a less than reasonable assurance opinion, however this number continues to be a small proportion of the audits completed in the year.
- 5.17 We carry out a follow-up review for all audits given a less than reasonable assurance opinion. We use three categories to provide a conclusion on the level of progress with implementing agreed recommendations, Fully Implemented, Satisfactory (no issues of concern still needing to be addressed), and Unsatisfactory (large number of recommendations outstanding and/or weaknesses of concern not addressed).
- 5.18 A summary of the outcome of audit follow-up work completed during the year is detailed below:-

Follow-up Type	Unsatisfactory	Satisfactory	Fully Implemented
Corporate Systems	3	1	0
Schools	1	3	0

Details to support the audits given a less than reasonable assurance opinion and unsatisfactory progress for Follow-up audits, are set out in each quarterly update report.

Internal Audit Work Progress Update since the last Quarterly Report

- 5.19 Quarter 3 progress update was reported to the Governance Committee at the April 2025 meeting, attached to this report are the appendices listing work undertaken up to the end of the financial year, with completed work at Appendix A, work in progress at Appendix B, and table C showing progress on the specific Anti-Fraud Work Plan. During the final quarter there were no reviews given a less than Reasonable Assurance Opinion. There was one unsatisfactory School Follow-up, the summary detail covering the issues/why the opinion was given are set out below:-

Garland School (now Burghfield Common Federation) Unsatisfactory Follow-up

Although there were no issues of significant concern outstanding, the majority of the recommendations outstanding related to moderate areas of weakness, which resulted in the Unsatisfactory progress rating. Key areas still to be addressed relate to:-

- (a) Setting out processes for all quote/tender thresholds;

- (b) Review the need for requisitions or amend requirement in the Financial Management Policy, where it is decided to continue to use them it should be ensured this is complied with.
- (c) Undertake declarations of interest/skills assessments for staff with financial responsibilities.

5.20 Governance Committee has previously requested a written update on progress made/planned for the Accounts Receivable Unsatisfactory Audit Follow-up. This has now been provided by the Service Director, see Appendix D. From an Audit perspective this update provides assurance on progress undertaken/planned for the key outstanding recommendations.

5.21 A previous request from an Executive Briefing meeting was that Internal Audit update reports provide audit outcomes in a visual format. Appendix E sets out a visual presentation to support the audit report opinion in the format of an audit risk heatmap.

5.22 Whilst considering the options to look at a visual presentation of our findings, the opportunity was taken to consider the level of information provided to the Governance Committee regarding audit outcomes. Appendix F has been drafted to give further detail to support the corporate audit report opinion, it sets out the scoping of each audit as well as the number and significance of recommendations made.

Audit Team Resources and Performance

5.23 The team has a service performance indicator to achieve 80% of the audit plan. For 2024/25 the actual result was 86% compared with last year's outturn of 89%.

5.24 The 80% target has been in place for quite a few years, the Audit Manager considers it remains a reasonable target, it is not easy to achieve nor one that over stretches the team. The reasonableness of the target also factors in that the calculation used for determining the number of productive days per team member is set at the higher end of days available when it has been benchmarked.

5.25 For context, there are other measures more of a qualitative nature that are as equally important because of the nature of internal audit work, these other performance factors shouldn't be put at risk because of the need to turnover audit work more quickly due to a more stringent corporate target.

5.26 All internal audit work has been undertaken in accordance with the requirements of the PSIAS, the Core Principles of Internal Audit and the Code of Ethics for Internal Audit. Under the PSIAS there is a requirement to have an external assessment of the internal audit service every five years. The last external assessment was undertaken in June 2023, the outcome of which was that the Council achieved a 'Fully Conforms' opinion, this is the highest category of compliance (the other possible conclusions being 'partially conforms' and 'does not conform'). The next assessment will be due before June 2028.

5.27 The PSIAS require IA to have an Improvement Programme. The plan last year included one area for improvement:-

- (a) To assess the scope of each audit to see if the use of some form of data analytics would be the preferred approach and/or a useful addition.

This has been established as a continuous action and takes place as part of planning each audit.

5.28 The Audit Team currently consists of five posts; the Audit Manager, a Principal Auditor, two Senior Auditors and one Auditor post (current post holder is undertaking an Internal Audit Apprenticeship).

Audit Plan Actual Coverage

5.29 The following table shows the level of time spent in each type of audit activity compared with the planned time:-

Audit Activity	Planned Time	Actual Time (up to allocated project time budgets)
Assurance work	577	428
Investigations (potential fraud etc.)	0	29
Unplanned advisory project work e.g. ITrent	0	37
Grant Sign Off Work	15	13
Plan preparation and Monitoring (corporate and schools)/Governance Committee Update Reports	39	54
Adhoc advice requests (corporate and schools)	25	31
Follow-up audits	30	32
Other (external professional liaison, fraud training, monitoring of School Financial Value Standard (SFVS) Annual Returns.	29	33
Plan Contingency Days	45	
Total Days	760	657

(These are the totals that are used to calculate the productivity percentage i.e. the 86% referred to in 5.22)

5.30 Notes to support the information in the table at point 5.29 above:-

- (a) The Audit Manager/Principal Auditor was involved in a few unplanned investigations during the year, some were at the request of senior managers, others were where allegations had been raised about potential for fraud/wrong-doing. There were also a few requests for Internal Audit to participate/provide advice on some projects.
- (b) Unplanned advisory/investigatory work reduces the level of assurance work that can be undertaken in a year. The team undertook 74% of actual assurance work compared with planned, if the team had not been required to spend time on unplanned investigation work/project advice, then the time spent on planned assurance work would have been in the region of 86%.
- (c) The planned work not undertaken is reviewed as part of risk assessing and preparing the new audit plan and rescheduled into the following year where deemed appropriate.

5.31 Under the Local Government Transparency Code 2015 the Council is required to publish certain information regarding fraud. In order to meet this duty the following information is provided:-

- (a) There are no professionally accredited counter-fraud internal investigators, the Internal Audit team has the skills and experience to undertake such work where it arises.
- (b) There have been no occasions where the powers under the Prevention of Social Housing Fraud have been used by the Audit Team.
- (c) There were two investigations of potential fraud raised by a whistleblower. After an initial investigation into both cases it was considered there was no evidence to support the allegations made.
- (d) There have been no specific costs incurred for the fraud work undertaken this year except for the salary costs for the days spent by the Audit Team on the above mentioned fraud work. Costs of the days spent on the investigating potential fraud cases (using a daily salary cost) was approximately £10,155 for 2024/25.

Proposals

5.32 This report is to inform the Governance Committee of the Internal Audit annual assurance opinion.

6 Other options considered

Not applicable, this annual report is required to be prepared.

7 Conclusion

This report was produced to provide the Audit Manager's opinion on the Council's governance, risk management and control framework for 2024/25. The Audit Manager's annual audit opinion is that reasonable assurance can be given that the Council's governance, risk management and control framework continues to be robust.

8 Appendices

- 8.1 Appendix A - Audit Work Completed during last quarter of 2024/25.
- 8.2 Appendix B - Audit Work in Progress as at 31st March 2025.
- 8.3 Appendix C - Fraud Plan Progress as at 31st March 2025.
- 8.4 Appendix D - Accounts Receivable Follow-up Audit – Service Update
- 8.5 Appendix E - Completed Audits - Audit Risk Heatmaps
- 8.6 Appendix F - Completed Audits - Detail to Support Audit Report Opinions

Background Papers:

None.

Subject to Call-In:

Yes: ☐ No: ☒

The item is due to be referred to Council for final approval ☐

Delays in implementation could have serious financial implications for the Council ☐

Delays in implementation could compromise the Council's position ☐

Considered or reviewed by Overview and Scrutiny Management Committee or associated Task Groups within preceding six months ☐

Item is Urgent Key Decision ☐

Report is to note only ☒

Wards affected: All

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