



# Internal Audit Annual Report

Annual Report and Head of Audit Opinion Statement 2024/2025

# Section 1 Executive Summary

## Background and Overall Opinion Statement

### Introduction

Under the Accounts and Audit Regulations 2015, the Council is required to “*undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance*”. For the purposes of the 2023/24 opinion the standards for proper practices for internal audit are laid down in the CIPFA Local Government Application Note for the United Kingdom Public Sector Internal Audit Standards (PSIAS).

The relevant body must conduct a review, at least once a year, of the effectiveness of its system of internal control and this is reported in the Annual Governance Statement. The opinions given in this report provides independent and objective assurance on the overall adequacy and effectiveness of the Council’s system of internal control and should be used to inform the preparation of the Annual Governance Statement.

It is management’s responsibility to establish and maintain appropriate risk management processes, internal control systems, accounting records and governance arrangements. Internal Audit plays a vital role in advising management that these arrangements are in place and operating properly.

### Overall Opinion Statement

As the Head of Internal Audit, I am required to provide the Council with an opinion on the adequacy and effectiveness of the internal control environment. In giving this opinion, it should be noted that assurance can never be absolute and, therefore, only reasonable assurance can be provided that there are no major weaknesses in these processes. In assessing the level of assurance to be given, I based my opinion on:

- The findings from all internal audit work and the subsequent ratings;
- Any follow up exercises undertaken;
- The proportion of Stockton on Tees Borough Council’s audit need that has been covered within this period;
- Where weaknesses have been identified through internal audit work, we have worked with management to agree appropriate corrective actions and a timescale for introduction;
- Any limitations which may have been placed on the scope of Internal Audit. (There have been no operational constraints placed upon Internal Audit, apart from agreed budgetary control provisions).

**From the testing undertaken by the Internal Audit Section over the course of the year I am satisfied that sufficient assurance work has been undertaken to allow me to form a reasonable conclusion on the adequacy and effectiveness of the Council’s control environment to support the preparation of the Annual Governance Statement.**

**It is my opinion that the Council continues to have an appropriate, and overall, an effective system of internal control, upon which it can place reasonable reliance to deliver the Council’s objectives, and detect fraud and other malpractice within a reasonable period of time.**

**I can confirm there have been no impairments to independence or objectivity of the service.**

## **Conformance with the Public Sector Internal Audit Standards (PSIAs)**

Conformance with the Public Sector Internal Audit Standards provides assurance on the adequacy of arrangements for management of the internal audit function and the level of reliance that can be placed on the opinions given in this report.

A review of conformance has been conducted internally, this has confirmed that the service remains compliant with the PSIAs. This view is supported by an external review conducted by the Chartered Institute of Public Finance and Accountancy (CIPFA) in December 2022 which concluded that the service conforms with the PSIAs. Such an external review is required to be completed at least once every 5 years.

A revised standard came into force in April 2025, I can confirm that we have self-assessed the service against the revised Global Internal Audit Standards and believe that we are compliant with these new standards.

# Section 2 Results

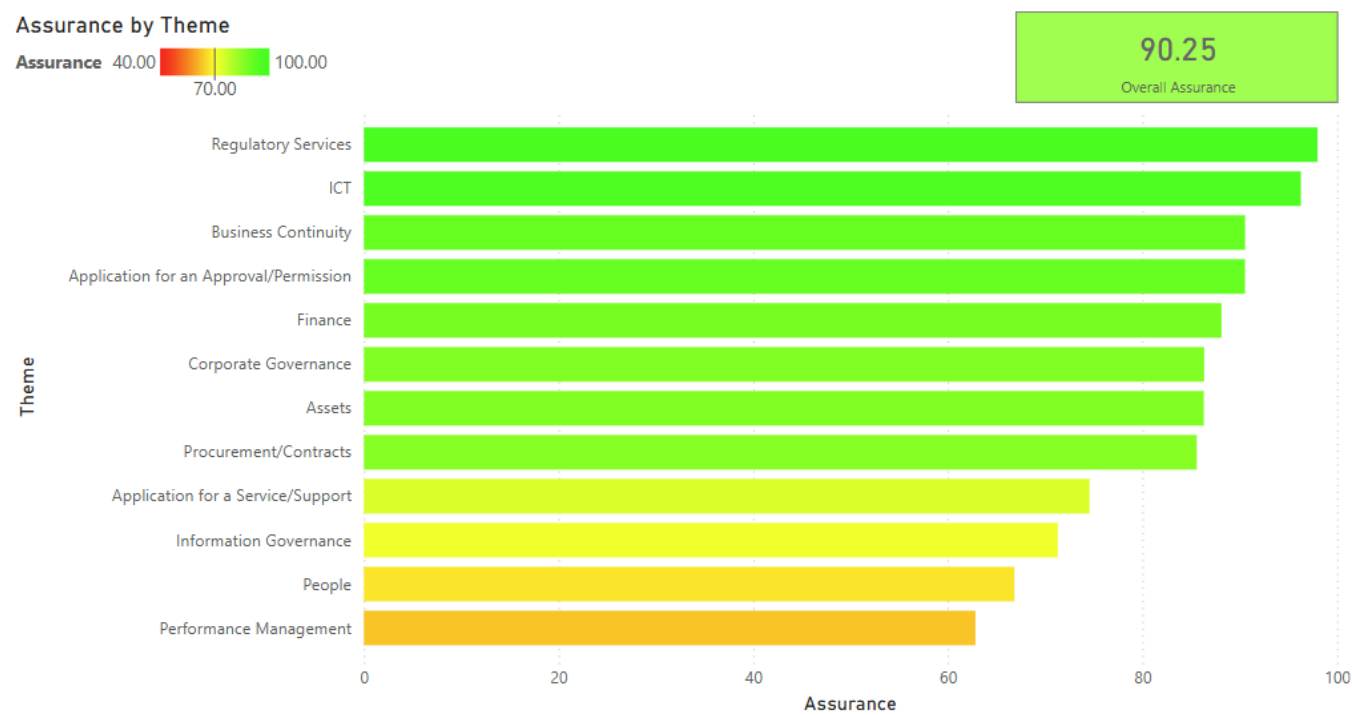
## Detailed Results to Support the Opinion Given

### Adequate Coverage

In order to be able to provide an opinion sufficient work must have been completed. Frequency of testing is determined by an audit risk assessment, which establishes a minimum frequency of testing. The risk assessment determines that for the period 1 May 2024 to 31 May 2025, 328 controls needed to be tested, for the same period 332 controls were tested. Therefore, sufficient work was completed to be able to provide an opinion. The controls specified in the program are regularly reviewed throughout the year to ensure they remain up to date.

### Assurance Levels by Theme

Each control is assigned to a governance theme. The level of assurance against each theme for the same period is shown below. In general, we have a good level of assurance against each of the themes, for information we set a benchmark of 70 to determine the adequacy of controls against individual themes. We have an overall assurance rating of 90.25, as this is an overall score the benchmark is higher at 85.



There are a small number of categories showing a lower level of assurance, the issues in those areas can be summarised by the achievement on mandatory training targets and some key performance indicators being below target e.g. recycling. Whilst these issues are important, in terms of the overall control environment they have a limited impact.

### Assurance by Strategic Risk

To support the risk management process controls are assigned to strategic risks in the risk register. The levels of assurance against each risk can be seen below, the results show a good level of assurance. The one exception is in relation to the strategic risk about supporting care leavers, this reflects the work being undertaken as part of the Powering our Future programme to improve outcomes for care leavers.

| Risk  | Assurance |
|---|-----------|
| Adults in Care                                  | 100.00    |
| Capital Projects                                | 100.00    |
| Carbon Emissions                                | 100.00    |
| Care Leavers                                    | 50.00     |
| Children in Care                                | 87.05     |
| Children with Disabilities/SEND                 | 75.00     |
| Communications                                  | 100.00    |
| Community Safety                                | 100.00    |
| Corporate Governance                            | 81.60     |
| Economic Development - Business Growth          | 94.05     |
| Economic Development - Training and Development | 100.00    |
| Education                                       | 95.35     |
| Happy & Healthy Lives                           | 91.01     |
| Highways  | 100.00    |
| Housing   | 89.53     |
| ICT Security                                    | 99.04     |
| Land & Property Assets                          | 75.00     |
| MTFP  | 92.55     |
| Poverty   | 100.00    |
| Safeguarding Adults                             | 91.27     |
| Safeguarding Children                           | 85.62     |
| Vehicle Assets                                  | 100.00    |
| Waste Management                                | 76.92     |
| Workforce                                       | 81.25     |

## Recommendations

The internal audit service supports continuous improvement by making recommendations to improve the controls in place. The majority of recommendations made have either been implemented or are in the process of being implemented which demonstrates a positive contribution to the improvement of controls within the Authority.

| Priority     | Agreed    | Draft    | Implemented | Not Implemented | Risk Tolerated | Total     |
|--------------|-----------|----------|-------------|-----------------|----------------|-----------|
| High         | 6         | 3        | 21          | 1               |                | 31        |
| Low          | 5         |          | 9           |                 |                | 14        |
| Medium       | 7         | 5        | 27          | 1               | 4              | 44        |
| <b>Total</b> | <b>18</b> | <b>8</b> | <b>57</b>   | <b>2</b>        | <b>4</b>       | <b>89</b> |

## Counter Fraud

The audit team have been involved in investigating 2 fraud cases:

- Whitehouse Primary School – this investigation took place in 2023 and was in relation to the conduct of the finance and business manager. This was formally investigated by the police supported by evidence provided by the audit team. This case has now concluded with the individual concerned pleading guilty and receiving a custodial sentence.

- Car Mileage – Periodic audit testing during 2024/2025 identified an individual who appeared to be making duplicate car mileage claims. This case has recently been concluded, and it was established that fraud had been committed.

The risk of fraud occurring is considered as part of all our testing, for example when assessing an application the checks that have been made to validate information. The results of the NFI exercise completed early 2025 can be summarized as follows:

- 5687 matches returned;
- 4029 matches processed;
- 0 frauds identified, 0 errors identified.

### **Added Value Work**

The internal audit service has supported the Council outside of the normal audit process in the following ways:

- Daily checks to support Xentrall to identify any potential duplicate payments, before the payment is made. Feedback from Xentrall is that there are a number of duplicate payments prevented reducing potential losses to the council.
- Supporting the arrangements put in place to manage the closure of the cash offices.
- Supporting the development of the Adults Social Services quality assurance process

# Section 3 Quality, Assurance & Improvement Process (QAIP)

## Results of Measures in Place to Continuously Improve the Service

### Balanced Scorecard

The service monitors a number of measures designed to demonstrate compliance with the standards and the effectiveness of the service overall. There are no issues to note in any of these measures.

| Stewardship (Coverage)                 |        |             |
|--|--------|-------------|
| Measure                                | Target | Performance |
| Adequate Resources (Next 3 Months)     | 15     | 5           |
| Portfolio Coverage (Period)            | 328    | 332         |
| Presentation of Annual Report (Annual) | June   | June 2025   |
| Presentation of Activity Report        | Qtrly  | Qtrly       |

| Stakeholders                  |            |             |
|-------------------------------|------------|-------------|
| Measure                       | Target     | Performance |
| Reports Issued                | Qtrly      | Daily       |
| Fraud Strategy Review         | 31/03/2025 | Sept 2024   |
| Client Satisfaction           | TBC        | *           |
| Recommendation Implementation | 90%        | 96.6%       |

| Process                                    |            |              |
|--|------------|--------------|
| Measure                                    | Target     | Performance  |
| Self assessment against standards (Annual) | March      | March 2025   |
| External Assessment (Every 5 Years)        | March 2023 | January 2023 |
| Staff Meetings Held (Period)               | 26         | 38           |
| Up to Date Audit Manual                    | March 2024 | March 2025   |

| People                        |        |             |
|-------------------------------|--------|-------------|
| Measure                       | Target | Performance |
| Productivity (Period)         | 75%    | 65%         |
| Training (Per Financial Year) | 20     | 24          |
| Code of Conduct (Annual)      | 100%   | 100%        |
| Appraisals (Annual)           | 100%   | 100%        |