

Committee Name and Date of Committee Meeting

Audit Committee – 17 June 2025

Report Title

Internal Audit Annual Report 2024/25

Is this a Key Decision and has it been included on the Forward Plan?

No

Strategic Director Approving Submission of the Report

Judith Badger, Strategic Director of Finance and Customer Services

Report Author(s)

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Ward(s) Affected

Borough-Wide

Report Summary

This report provides information on the role of Internal Audit; the work completed during 2024-25 and highlights the key issues that have arisen from it. It provides the overall opinion of the Head of Internal Audit on the adequacy of the Council's control environment, risk management and governance. It also provides information regarding the performance of the Internal Audit function during 2024-25.

Based upon internal audit work undertaken and taking into account other internal and external assurance processes it has been possible to complete an assessment of the Council's overall control environment. In the opinion of the Head of Internal Audit, Rotherham Metropolitan Borough Council had overall an adequate framework of governance, risk management and control. This should be considered overall to be a broadly positive opinion.

A higher proportion of partial/no assurance audit reports have been issued during the year. It is on this basis that the effectiveness of the framework is considered to have diminished as some weaknesses, and evidence of non-compliance with controls or ineffective controls have been identified. This relates to a minority of service areas within the Council and cross cutting themes, for example health and safety and asset management. It is important to note that most partial or no assurance opinions have arisen in cases where management has proactively requested audit assurance in response to identified concerns. This reflects a strong awareness of areas needing improved oversight or enhanced compliance with internal controls. The work undertaken during the year has clearly focused on the key risk areas of the Council and was targeted to specific areas of concern. This demonstrates the dynamic nature of the audit plan and added value of the audit service.

This opinion and the contents of this report feed into the Annual Governance Statement.

Recommendations

The Audit Committee is asked to:

1. Note the Internal Audit work undertaken during the financial year 2024-25 and the key issues that have arisen from it.
2. Note the overall opinion of the Head of Internal Audit on the adequacy and effectiveness of the framework of governance, risk management and control within the Council.
3. Satisfy itself regarding the effectiveness and efficiency of the internal audit function by utilising the information in this report.

List of Appendices Included

Appendix 1 Internal Audit Annual Report 2024-25.

Background Papers

Public Sector Internal Audit Standards and application note.

Global Internal Audit Standards

Global Internal Audit Standards in the UK Public Sector (Application Note)

Accounts and Audit (England) Regulations 2015.

Consideration by any other Council Committee, Scrutiny or Advisory Panel

No

Council Approval Required

No

Exempt from the Press and Public

No

Internal Audit Annual Report 2024/25

1. Background

- 1.1 Internal Audit produced a risk based Annual Audit Plan in accordance with the UK Public Sector Internal Audit Standards (PSIAS). This was received by the Audit Committee at its meeting in March 2024. The Plan was regularly reviewed and monitored during the year so that it provided sufficient coverage of the key risks facing the Council.
- 1.2 During the year the Audit Committee received periodic updates on the work of Internal Audit and a summary of the key issues that arose. This annual report is a summary of Internal Audit activity during 2024-25.
- 1.3 The report is attached at **Appendix 1** and includes the following information:
 - Legislative requirements and Professional Standards
 - The Head of Internal Audit's annual opinion on the control framework, risk management and governance
 - Resources and audit coverage during the year
 - Summary of audit work undertaken during 2024-25, including both planned and responsive / investigatory work
 - Summary of other evidence taken into account for control environment opinion
 - Summary of audit opinions and recommendations made
 - Internal Audit performance indicators

2. Key Issues

- 2.1 The Head of Internal Audit's opinion is that there was overall an adequate framework of governance, risk management and control. This should be considered overall to be a broadly positive opinion.
- 2.2 A higher proportion of partial/no assurance audit reports have been issued during the year. It is on this basis that the effectiveness of the framework is considered to have diminished as some weaknesses, and evidence of non-compliance with controls or ineffective controls have been identified. This relates to a minority of service areas within the Council and cross cutting themes, for example health and safety and asset management. It is important to note that most partial or no assurance opinions have arisen in cases where management has proactively requested audit assurance in response to identified concerns. This reflects a strong awareness of areas needing improved oversight or enhanced compliance with internal controls. The work undertaken during the year has clearly focused on the key risk areas of the Council and was targeted to specific areas of concern. This demonstrates the dynamic nature of the audit plan and added value of the audit service.

- 2.3 An opinion of partial assurance was given in eleven areas subject to audit and one no assurance opinion. Action plans have been agreed with management in respect of all final audit reports issued.
- 2.4 Overall, resource levels provided sufficient capacity to provide an adequate level of assurance, and sufficient work was completed to enable the Head of Internal Audit to provide her overall opinion.
- 2.5 Public Sector Internal Audit Standards (PSIAS) require that an internal assessment of the Internal Audit function must be undertaken annually, with an external assessment at least every five years. In 2020-21 an external assessment was completed which showed general conformance with the standards. The internal assessment during 2024-25 showed this had been maintained.
- 2.6 The Global Internal Audit Standards and the Application Note “Global Internal Audit Standards in the UK Public Sector are applicable to audit work undertaken from 1 April 2025. The Code of Practice for the Governance of Internal Audit in UK Local Government also comes into force on the 1st April 2025. Work has been undertaken during the year in readiness for the new standards, including preparing the audit team via the provision of training sessions and updating documentation supporting the audit process.
- 2.7 A Quality Assurance and Improvement Programme (QAIP) was put into place during 2021 using the results of the external assessment. An updated QAIP based on the latest internal assessment has been produced to maintain and increase the level of conformance within the team. The next external assessment is planned for the 2025/26 year and will be undertaken by Cipfa.

3. Options considered and recommended proposal

- 3.1 This report is presented to enable the Audit Committee to fulfil its responsibility for overseeing the work of Internal Audit. It provides an annual summary of Internal Audit work completed and the key issues arising from it and the overall opinion of the Head of Internal Audit on the adequacy of the Council’s control environment. It also provides information about the performance of the Internal Audit function during the year.

4. Consultation on proposal

- 4.1 All Internal Audit reports referred to in this report have been discussed and agreed with the appropriate Service Manager and Assistant Director, and have also been issued formally to the relevant Strategic Director, Chief Executive and the Leader.

5. Timetable and Accountability for Implementing this Decision

- 5.1 The Audit Committee is asked to receive this report at its 17th June 2025 meeting.

6. Financial and Procurement Advice and Implications

- 6.1 There are no direct financial or procurement implications arising from this report. The budget for the Internal Audit function is contained within the budget for the Finance and Customer Services Directorate.

7. Legal Advice and Implications

- 7.1 The provision of Internal Audit is a statutory requirement for all local authorities that is set out in the Accounts and Audit (England) Regulations 2015. These state:

“A relevant authority must 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.”

- 7.2 Internal Audit also has a role in helping the Council to fulfil its responsibilities under s.151 of the Local Government Act 1972, which are:

“each local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs”

8. Human Resources Advice and Implications

- 8.1 There are no direct Human Resources implications arising from the report.

9. Implications for Children and Young People and Vulnerable Adults

- 9.1 This document constitutes a report of progress against delivery of the Internal Audit Plan for 2024/25. A significant proportion of the Plan is devoted to the examination of risks facing Children and Young People's Services and Adult Social Care.

10. Equalities and Human Rights Advice and Implications

- 10.1 There are no direct Equalities and Human Rights implications arising from this report.

11. Implications for CO₂ Emissions and Climate Change

- 11.1 There are no direct CO₂ and Climate Change implications arising from the report.

12. Implications for Partners

- 12.1 Internal Audit is an integral part of the Council's Governance Framework, which is wholly related to the achievement of the Council's objectives, including those set out in the Council Plan.

13. Risks and Mitigation

- 13.1 The following risks have been identified.

Risk	Impact	Probability	Mitigation
Failure to deliver the audit plan. Unable to give an annual opinion and assurance to the council.	4	2	Risk-based approach to audit planning, including consultation with management. Robust task/time management process. Audit Plan kept under review to ensure it reflects key risks across Council. Half-yearly meetings with all Directorate Leadership Teams to ensure plan is up to date. Progress reports provided to Audit Committee.
Age profile of the team. Loss of knowledge and expertise if older team members leave.	4	4	Training and development of the team. Succession planning. Introduction of a new data analytics approach to entice colleagues with previously unrealised transferable skills into the profession.
Increased incidence of suspected fraud/corruption impacting on the ability to achieve the audit plan.	5	1	Time for investigations included in the plan. Proactive anti fraud work planned. Senior management and Audit Committee informed that the plan is flexible and should be reactive to risks.

Accountable Officer(s)

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