



DARLINGTON

Borough Council



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 2024/25 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 Darlington 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.

Section 2 Results

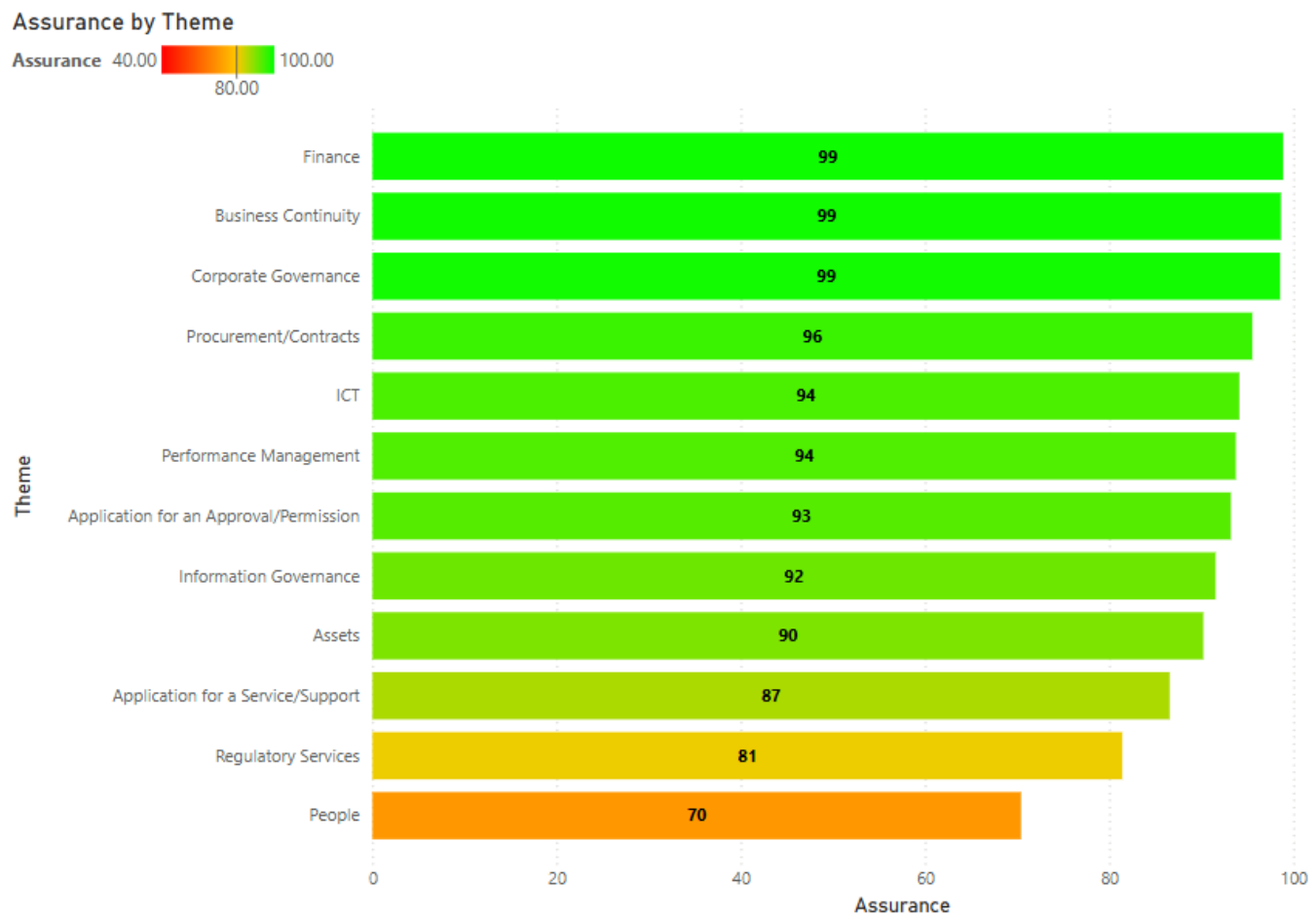
Detailed Results to Support the Opinion Given

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 April 2024 to 31 March 2025, a minimum of 292 controls needed to be tested, for the same period 309 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 is shown below. In general, we have a good level of assurance against each of the themes, for information we set a benchmark of 80 to determine the adequacy of controls. We have 1 category below this value, as reported a number of times during the year, the assurance level in the people category is reduced due to the achievement of targets for mandatory information governance training. Whilst this remains a concern it is somewhat offset by the high levels of assurance in regard to information governance and therefore does not impact on the overall opinion. The other area that is showing a lower level of assurance is regulatory services, this is in large part due to some recruitment difficulties and the requirement for services to prioritise casework over routine checks.



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.

| Assurance by Risk | | | Assurance |
|-------------------|---|--|-----------|
| Rsk Ref | Risk | | |
| SR1 | Implementation of recommendations from the Capital Process Review is needed to improve effective capital project management | | 100.00 |
| SR10 | Planning Performance at risk of Standards Authority intervention | | 100.00 |
| SR11 | VAT partial exemption breach due to exempt VAT being close to the 5% limit | | 100.00 |
| SR12 | Fraud in general | | 100.00 |
| SR13 | Instability within financial markets adversely impacts on finance costs and investments | | 100.00 |
| SR14 | Financial pressures to the General Fund as a result of increased levels of unemployment and increased Council Tax Support claims | | 100.00 |
| SR15 | Inability to cope with significant increase in homelessness cases following the impact of COVID. | | 100.00 |
| SR16 | Inability to contain placement costs for children looked after due to lack of sufficient in house placements | | 83.33 |
| SR17 | Inability to recruit and retain sufficient qualified suitably experienced social workers in Children's Services impacts on cost and quality of service | | 100.00 |
| SR18 | Inability to recruit and retain sufficient qualified suitably experienced social workers and reablement staff in Adult Services impacts on cost and quality of service | | 100.00 |
| SR19 | Failure to identify vulnerable schools and broker appropriate support to address needs | | 100.00 |
| SR20 | Increased demand for Adult Services impacts negatively on plans for budget efficiencies | | 100.00 |
| SR21 | Increased demand for Children's Services impacts negatively on budget | | 100.00 |
| SR22 | Market (Domiciliary Care Residential Care providers) failure following the Care Act/Living Wage | | 100.00 |
| SR23 | Market (Domiciliary Care Residential Care providers) for Vulnerable Families with Children (including SEND) experiences provider failure | | 100.00 |
| SR25 | The Deprivation of Liberty Safeguards Threshold changes significantly increases the amount of people deprived of their liberty resulting in potential for increased legal challenge | | 100.00 |
| SR26 | Failure to respond appropriately to safeguard vulnerable adults, in line with national legislation and safeguarding adults procedures | | 100.00 |
| SR27 | Failure to respond appropriately to safeguard vulnerable children, in line with national legislation and safeguarding children, thresholds and procedures. | | 100.00 |
| SR28 | Working with other local commissioners to ensure their understanding of their responsibilities within the Childhood pathway. | | 100.00 |
| SR29 | Risk of unsuccessful mobilisation of new service - Support, Recovery and Treatment in Darlington through Empowerment (STRIDE). | | 100.00 |
| SR3 | Business Continuity Plans not in place or tested for key critical services | | 100.00 |
| SR33 | Impact of national cost of living crisis on customers and audiences for Leisure and Cultural facilities | | 100.00 |
| SR34 | Budget & resource implications arising from the ability to progress and complete schemes/projects in the event of further construction inflation, material supply and resource demands | | 100.00 |
| SR35 | Potential impact on public transport networks if commercial services do not recover or continue to receive support from Government and routes are withdrawn | | 100.00 |
| SR36 | Failure to meet the Council's commitment to becoming Carbon neutral by 2050 | | 100.00 |
| SR38 | Reputational and regulatory risk if reinspection not successful | | 94.62 |
| SR40 | Managing the impact of severe weather events | | 100.00 |
| SR42 | Risk of enforcement action from the ICO | | 87.80 |
| SR43 | Risk of new dangerous variant or a significant wave of COVID-19 impact on the Council's ability to provide services as a result of a new dangerous variant or a significant wave of COVID-19 or the activation of UKHSA Contingency plan | | 100.00 |
| SR44 | April 2023 will see the implementation of the CQC inspection framework for Adult Social Care. Due to the significant demands on adult social care, the pressures following covid, and the workforce recruitment and retention crisis will impact on the ratings- resulting in an "requiring improvement" outcome. | | 95.00 |
| SR7 | Financial implications of Maintaining and conserving key capital assets within the borough | | 100.00 |
| SR8 | Investment in regeneration projects is not delivered | | 100.00 |

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 | Implemented | Not Implemented | Risk Tolerated | Total |
|--------------|-----------|-------------|-----------------|----------------|-----------|
| High | 14 | 15 | | | 29 |
| Low | 3 | 8 | 1 | 1 | 13 |
| Medium | 6 | 30 | 3 | 1 | 40 |
| Total | 23 | 53 | 4 | 2 | 82 |

Counter Fraud

We consider fraud risk as part of all of our testing, for example when assessing an application that checks that have been made to validate information, which would be included across a number of themes. The results of the NFI exercise completed early 2025 can be summarized as follows:

- 2994 matches returned;
- 802 matches processed;
- 0 frauds or errors identified to date.

Added Value Work

The internal audit service have 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.
- Completed a full review of petty cash processes providing advice on improvements.

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 | 16 |
| Portfolio Coverage (Period) | 292 | 309 |
| Presentation of Annual Report (Annual) | June | April 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% | 93% |

| 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 2025 | March 2025 |

| People | | |
|-------------------------------|--------|-------------|
| Measure | Target | Performance |
| Productivity (Period) | 75% | 75% |
| Training (Per Financial Year) | 20 | 23 |
| Code of Conduct (Annual) | 100% | 100% |
| Appraisals (Annual) | 100% | 100% |