



INTERNAL AUDIT PROGRESS REPORT

APPENDIX 1

Date: October 2025

1. Background

- 1.1 The Council is responsible for maintaining or procuring an adequate and effective internal audit function under the Accounts and Audit (England) Regulations 2024.
- 1.2 The Global Internal Audit Standards (the Standards) require the Audit, Governance and Standards Committee to scrutinise the performance of Internal Audit and to satisfy itself that it is receiving appropriate assurance that the controls put in place by management address the identified risks to the Council. This report aims to provide the Committee with details on progress made in delivering planned work, the key findings of audit assignments completed since the last Committee meeting, updates on the implementation of actions arising from audit reports and an overview of the performance of the team.

2. Performance

2.1 *Will the Internal Audit Plan be delivered?*

The position at the time of writing this report is as follows:

- 1 assignment is fully completed.
- 2 assignments are at the draft report stage.
- 1 assignment is at the fieldwork completion stage, and a report will be issued shortly.
- 6 assignments are in progress.
- 3 assignments are at the planning stage.
- 5 assignments have not yet been started.

- 2.2 The service is fully resourced. The annual plan was developed later for 2025/26, to allow for the development of an internal audit universe and for a comprehensive review of risk and coverage to be undertaken with the new Deputy Chief Executive. As such, internal audit work has been backloaded for the current financial year. Adequate resources are in place to deliver the remainder of the Plan and the Annual Internal Audit Opinion for 2025/26. All work has been allocated, and delivery will accelerate in the coming months. Progress on individual assignments, including commentary on the results of those which are complete, is set out at pages 7 to 8.

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2.3 **Performance Indicators**

The service is implementing a suite of indicators which aim to demonstrate and enhance performance. Each individual member of staff has an agreed target to deliver 90% of their own work plan by the end of March each year. In addition, the following performance indicators have been established, and the results will be included in the annual report for 2025/26:

Description	Narrative	Target
Delivery	% of audit days delivered by Year End	90%
Productivity	% of available time spent on productive audit work	85% Actual YTD: 87%
Effectiveness	% of agreed recommendations implemented by the target date	75%
Customer Satisfaction	% of Post Audit Questionnaires which have rated the service as "Very Good" or "Good"	80%

2.4 **Based upon recent Internal Audit work, are there any emerging issues that impact upon the Internal Audit opinion of the Council's Control Framework?**

At this stage there are no emerging issues arising from the work of Internal Audit which significantly impact upon the Internal Audit opinion of the Council's Control, Governance and Risk Management framework for 2025/26.

2.5 **Are clients progressing audit recommendations with appropriate urgency?**

At the time of writing there are 23 outstanding internal audit recommendations, of which 1 High risk recommendation is overdue. The overdue recommendation relates to the provision of assurance that cyber security awareness training has been completed by all Members.

Internal Audit will follow up on this outstanding action again in late 2025.

3. Internal audit opinions and prioritisation of recommendations

- 3.1 The Auditor's Opinion for each assignment is based on the fieldwork carried out to evaluate the design of the controls upon which management rely and to establish the extent to which controls are being complied with. The table below explains what the opinions mean:

Table 1 – Assurance Categories

Opinion	Definition
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. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. 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.

The prioritisation of recommendations made by Internal Audit is based upon an assessment of the level of risk exposure. The Auditor's Opinion considers the likelihood of corporate/ service objectives not being achieved, and the impact of any failure to achieve objectives. In order that recommendations can be prioritised according to the potential severity of the risk, a traffic light system is used as follows:

Table 2 - Definition of Priority of Recommendations

Risk Level	Definition	Matrix
H (7-9)	Immediate control improvement required. Fundamental control weaknesses that present a significant material risk to the function or system objectives and requires immediate attention by Senior Management.	

4. Internal Audit delivery

- 4.1 At the time of report writing 116 productive days had been delivered against the full year plan of 308 days. It is anticipated that the objective of hitting 90% of the full year plan by 31st March 2026 will be achieved.

Table 3 - Summary of Days Delivered for 2025/26

Summary of Audit Areas	Plan Budget	Days Delivered as at 30/09/2025
Core Financial Systems	83	30
Corporate Work	67	26
Other systems audits	126	41
Sub total	276	97
Support Budgets including reading, audit management meetings, corporate meetings, annual plans, reports and Audit Committee Support.	32	19
Sub total	32	19
Total Audit Days	308	116

The following table shows the status of each assignment in the annual plan, the budget in days, and the anticipated reporting date. The table is designed to assist members in building up a picture of the assurance being provided during the course of the year.

Table 4 – Summary of Internal Audit progress and findings, year to date

<u>Audit Area</u>	<u>Status</u>	<u>Anticipated Reporting Date</u>	<u>Assurance Rating</u>	<u>Summary of Findings/ Comments</u>
General Ledger	Draft Report issued	November 2025	TBC	
Payroll	Work in Progress	November 2025	TBC	
Treasury Management	Not Yet Started	March 2026		
Contract Management	Work in Progress	January 2026	TBC	
Procurement	Planning	March 2026	TBC	
Use of Grant Monies including Bus Operators Grant Claim	Work in Progress	March 2026	Not Applicable	Certification work is completed as and when required. In July 2025 the Bus Operators Grant Claim was certified for the period ended 31 st March 2025. At the time of writing the claim for the period ended 30 th September 2025 was in the process of being certified.
Creditors/ Accounts Payable	Not Yet Started	February 2026		
Insurance	Planning	December 2025	TBC	

<u>Audit Area</u>	<u>Status</u>	<u>Anticipated Reporting Date</u>	<u>Assurance Rating</u>	<u>Summary of Findings/ Comments</u>
Corporate Health & Safety	Fieldwork completed	November 2025	TBC	
Anti-Fraud, Bribery & Corruption	Not Yet Started	January 2026		
Data Protection/ GDPR	Planning	January 2026		
Local Government Transparency Code	Draft Report issued	November 2025	TBC	
Environmental Impact Assessments	Work in Progress	November 2025	TBC	
Trade Waste	Not Yet Started	March 2026		
Safeguarding	Not Yet Started	February 2026		
Assurance Statements of Internal Control	Completed	Not applicable	Not applicable	This work supports the Council in preparing its Annual Governance Statement.
Food Waste consultancy review	Work in Progress	November 2025	Not applicable – consultancy work	
Follow up of Recommendations	Work in Progress	March 2026	TBC	At the time of writing there are 26 outstanding internal audit recommendations, of which 1 High and 1 Medium risk recommendations are overdue.

5. Limitations inherent in the work of internal audit

Internal Audit undertakes a programme of work agreed by the Council's senior managers and approved by the Audit Committee subject to the limitations outlined below.

Opinion

Each audit assignment undertaken addresses the control objectives agreed with the relevant responsible managers. There might be weaknesses in the system of internal control that Internal Audit are not aware of because they did not form part of the programme of work, were excluded from the scope of individual internal audit assignments or were not brought to the attention of Internal Audit. As a consequence, the Audit Committee should be aware that the Audit Opinion for each assignment might have differed if the scope of individual assignments was extended or other relevant matters were brought to Internal Audit's attention.

Internal Control

Internal control systems identified during audit assignments, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision making, human error, control processes being deliberately circumvented by employees, management override of controls, and unforeseeable circumstances.

Future Periods

The assessment of each audit area is relevant to the time that the audit was completed. In other words, it is a snapshot of the control environment at that time. This evaluation of effectiveness may not be relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulatory requirements or other factors; or
- The degree of compliance with policies and procedures may deteriorate.

Responsibilities of Management and Internal Auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance, and for the prevention or detection of irregularities and fraud. Internal Audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

Internal Audit endeavours to plan its work so that there is a reasonable expectation that significant control weaknesses will be detected. If weaknesses are detected, additional work is undertaken to identify any consequent fraud or irregularities. However, Internal Audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and its work should not be relied upon to disclose all fraud or other irregularities that might exist.