

INTERNAL AUDIT PROGRESS REPORT

APPENDIX 1

Date: January 2026

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:

- 4 assignments are fully completed.
- 1 assignment is at the draft report stage.
- 7 assignments are in progress.
- 1 assignment is on hold due to a management request, until February.
- 2 assignments are at the planning stage.

- 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 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. Progress on individual assignments, including commentary on the results of those which are complete, is set out at pages 7 to 11.

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2.3 **Performance Indicators**

The service is implementing a suite of indicators which aim to demonstrate and enhance performance. 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: 86%
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%

*the target is set at 90% because full delivery of audit days can only occur in an ideal scenario where the service is operating at maximum efficiency and effectiveness, where there are no in year vacancies, where sickness absence levels are low, and where there is high availability and engagement with client officers.

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 29 outstanding internal audit recommendations. There is 1 overdue High priority action related to the provision of assurance that cyber security awareness training has been completed by all Members. There is also 1 overdue Medium priority action which relates to periodic entitlement reviews for households in receipt of Council Tax Single Person Discount.

3. Internal audit opinions and prioritisation of recommendations

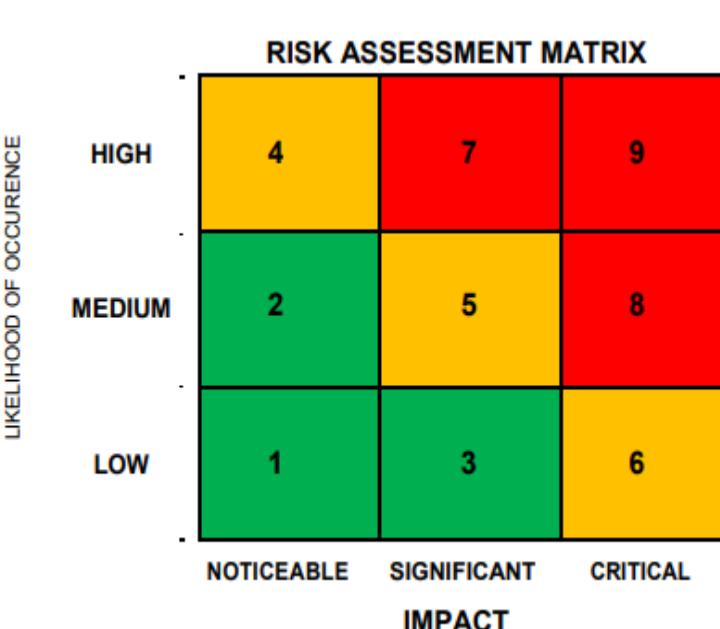
3.1 The Auditor's Opinion for each assignment is based on the fieldwork carried out to evaluate the design of the controls upon which management rely and to establish the extent to which controls are being complied with. The table below explains what the opinions mean:

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)	<p>Immediate control improvement required.</p> <p>Fundamental control weaknesses that present a significant material risk to the function or system objectives and requires immediate attention by Senior Management.</p>	 <p>RISK ASSESSMENT MATRIX</p> <table border="1"> <thead> <tr> <th rowspan="2">LIKELIHOOD OF OCCURRENCE</th> <th colspan="3">IMPACT</th> </tr> <tr> <th>NOTICEABLE</th> <th>SIGNIFICANT</th> <th>CRITICAL</th> </tr> </thead> <tbody> <tr> <th>HIGH</th> <td>4</td> <td>7</td> <td>9</td> </tr> <tr> <th>MEDIUM</th> <td>2</td> <td>5</td> <td>8</td> </tr> <tr> <th>LOW</th> <td>1</td> <td>3</td> <td>6</td> </tr> </tbody> </table>	LIKELIHOOD OF OCCURRENCE	IMPACT			NOTICEABLE	SIGNIFICANT	CRITICAL	HIGH	4	7	9	MEDIUM	2	5	8	LOW	1	3	6
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M (4-6)	<p>To be monitored closely and cost-effective controls sought.</p> <p>Other control weaknesses where there are some controls in place but there are issues with parts of the control that need to be addressed by Management within the area of review.</p>																				
L (1-3)	<p>To be reviewed regularly and seek low-cost control improvements.</p> <p>Issues of best practise where some improvement can be made.</p>																				

4. Internal Audit delivery

4.1 At the time of report writing 186 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 31/12/2025
Core Financial Systems	83	36
Corporate Work	67	53
Other systems audits	126	71
Sub total	276	160
Support Budgets including reading, audit management meetings, corporate meetings, annual plans, reports and Audit Committee Support.	32	26
Sub total	32	26
Total Audit Days	308	186

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	Final Report issued	N/A	Limited	<p>There were some areas found to be well managed; in particular:</p> <ul style="list-style-type: none"> Central procedures are reviewed and updated annually. Sample testing showed budgets were uploaded correctly to the general ledger. Sample testing showed closing year end balances were correctly carried forward to the new year. The Finance and Performance quarterly monitoring circulated to the Audit Committees found the budget analysis to be quite detailed and provided reasons for under/overspends. <p>Significant progress has been made since the last internal audit review. However, at the time of the audit control and suspense account reconciliations had not yet been completed for 2024/25, and completion of bank reconciliations is behind schedule for both authorities. The audit also highlighted for half of the tested journal transactions there was no supporting evidence available. These issues were caused by an understandable focus on bringing the statutory accounts up to date, and dealing with legacy issues following implementation of a new finance system. Internal Audit will revisit this area in 2026/27.</p>

<u>Audit Area</u>	<u>Status</u>	<u>Anticipated Reporting Date</u>	<u>Assurance Rating</u>	<u>Summary of Findings/ Comments</u>
Payroll	Final Report issued	N/A	Substantial	<p>The scope covered the following areas:</p> <ul style="list-style-type: none"> • Policies and procedures. • Employee training related to pay. • Payroll system parameters. • Arrangements to reconcile and review the payroll records and the establishment listing. • Authorisation and processing of starters, leavers and payroll amendments. • Calculation and authorisation of overtime payments. • Payments to third parties. • Payroll run review and approval. <p>The audit found that controls were well designed, and testing confirmed their operation as expected. The only issue identified related to final authorisation of the payroll run, and management agreed to immediately implement a final sign off by the Deputy s151 Officer.</p>
Contract Management	Work in Progress	February 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 June 2025 the Bus Operators Grant Claim was certified for the period ended 31 st March 2025. In December 2025 the Bus Operators Grant Claim was certified for the period ended 30 th September 2025.

<u>Audit Area</u>	<u>Status</u>	<u>Anticipated Reporting Date</u>	<u>Assurance Rating</u>	<u>Summary of Findings/ Comments</u>
Creditors/ Accounts Payable	Planning	March 2026	TBC	
Insurance	Work in Progress	February 2026	TBC	Fieldwork is close to completion.
Corporate Health & Safety	Final Report issued	N/A	Limited	<p>The objective of this audit was to assess the effectiveness of the corporate health and safety governance, risk management, and compliance controls, with a particular focus on the areas of highest risk which were identified as the authorities' depot sites. The review focused on statutory obligations under health and safety legislation, internal policy adherence, and operational risk mitigation.</p> <p>The audit was requested by Senior Management. It was expected that some significant issues would be identified, but that development of an action plan would help with addressing the areas of greatest risk.</p> <p>The review found the following areas were working well:</p> <ul style="list-style-type: none"> • The Senior Health and Safety Advisor is actively contributing towards a positive health and safety culture within both organisations. • Where the organisation faced barriers to providing first aider training, officers demonstrated initiative by securing first aider training provided by Rubicon Leisure. • Based on questionnaire responses, managers generally feel that they understand their responsibilities regarding health and safety and feel safe raising concerns about unsafe behaviour and/ or conditions.

<u>Audit Area</u>	<u>Status</u>	<u>Anticipated Reporting Date</u>	<u>Assurance Rating</u>	<u>Summary of Findings/ Comments</u>
			Yellow	<ul style="list-style-type: none"> The Joint Health and Safety Committee functions as an appropriate and effective governance control. <p>However, as expected the audit identified a number of significant issues, all of which have been accepted by management with an action plan agreed.</p> <ul style="list-style-type: none"> There was no standardised or corporately driven method for monitoring first aider coverage. Some service areas had no means of ensuring first aiders were trained, present, and providing sufficient coverage. 59% of new starters since September 2023 had not received Health & Safety induction training. Furthermore, there was no standardised means of ensuring role specific health & safety training was provided. A significant number of service areas did not provide health & safety risk assessments as requested by the auditor. We were therefore unable to provide assurance that the assessments had been completed and were of sufficient quality. There was no explicit requirement for associated service areas to be notified of incidents which, while not in their area of responsibility, may be relevant to their operations. This reduces the scope to apply lessons learnt and ensure similar incidents don't recur.
Anti-Fraud, Bribery & Corruption	Work in Progress	February 2026	TBC	

<u>Audit Area</u>	<u>Status</u>	<u>Anticipated Reporting Date</u>	<u>Assurance Rating</u>	<u>Summary of Findings/ Comments</u>
Data Protection/ GDPR	On Hold at management request	April 2026	TBC	Service management requested that fieldwork be delayed until February 2026, due to a lack of officer availability.
Local Government Transparency Code	Draft Report issued	January 2026	TBC	Awaiting final clearance with management.
Environmental Impact Assessments	Work in Progress	February 2026	TBC	Fieldwork is close to completion.
Safeguarding	Work in Progress	February 2026	TBC	Fieldwork is close to completion.
Assurance Statements of Internal Control	Completed	Not applicable	Not applicable	This work supports the Council in preparing its Annual Governance Statement.
Follow up of Recommendations	Work in Progress	March 2026	TBC	At the time of writing there are 29 outstanding internal audit recommendations, of which 1 High risk recommendation is overdue and 1 Medium risk recommendation is 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.