

Internal Audit Progress Report 2025/26

Date: 19 November 2025

APPENDIX 1

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BACKGROUND

- 1 Internal audit provides independent and objective assurance and advice about the council's operations. It helps the organisation to achieve its overall objectives by bringing a systematic, disciplined approach to the evaluation and improvement of the effectiveness of risk management, control, and governance processes.
- 2 The work of internal audit is governed by the Accounts and Audit Regulations 2015 and relevant professional standards. These include the Global Internal Audit Standards and the Application Note: Global Internal Audit Standards in the UK Public Sector.
- 3 In accordance with the Global Internal Audit Standards (UK Public Sector) the Head of Internal Audit is required to report progress against the internal audit plan (the work programme) agreed by the Accounts, Audit & Risk Committee, and to identify any emerging issues which need to be brought to the attention of the committee.
- 4 The internal audit work programme was agreed by this committee in March 2025.
- 5 Veritau has adopted a flexible approach to work programme development and delivery. Work to be undertaken during the year is kept under review to ensure that audit resources are deployed to the areas of greatest risk and importance to the council.
- 6 The purpose of this report is to update the committee on internal activity up to 31 October 2025.



INTERNAL AUDIT PROGRESS

- 7 A summary of internal audit work currently underway, as well as work finalised in the year to date, is included in annex A. Annex A also details other work completed by internal audit during the year.
- 8 Since our last report to this committee, four audits have been finalised. These were risk management (Reasonable Assurance), governance and decision making (Substantial Assurance), performance management framework (Reasonable Assurance), and treasury management (Substantial Assurance).
- 9 Three audits from the 2025/26 work programme are in progress. Fieldwork for the cybersecurity: user awareness audit, is nearing completion. Fieldwork for the licensing audit and utilities management follow-up audit is ongoing.
- 10 The 2025/26 audits of LATCO governance and section 106 agreements are in the planning stage. Contact will be made with officers over the coming weeks to agree specifications and begin fieldwork. It is possible that the

LATCO governance audit will be delayed until quarter four due to key officers' involvement in preparing its LGR proposal.

- 11 The work programme, showing current priorities for internal audit work, is included at annex B.
- 12 The four audits that have been finalised since the last report to this committee are included in annex C. The annex summarises the key findings from these audits, and includes actions agreed with officers to address identified control weaknesses.
- 13 Annex D lists our current definitions for finding priorities and overall assurance levels.

FOLLOW UP

- 14 All actions agreed with services as a result of internal audit work are followed up to ensure that underlying control weaknesses have been addressed. As a result of this work, we are generally satisfied that sufficient progress is being made to address the control weaknesses identified in previous audits.
- 15 A summary of the current status of follow up activity is included at annex E.

ANNEX A: INTERNAL AUDIT WORK IN 2025/26

Final reports issued

Audit	Reported to Committee	Opinion
Risk management	November 2025	Reasonable Assurance
Performance Management Framework	November 2025	Reasonable Assurance
Governance and decision making	November 2025	Substantial Assurance
Treasury management	November 2025	Substantial Assurance

Audits in progress

Audit	Status
Cybersecurity: user awareness and training	In progress
Licensing	In progress
Utilities management: follow-up audit	In progress
LATCO governance: Crown House and Graven Hill	Planning
Section 106 agreements	Planning

Other work completed in 2025/26

Internal audit work has been undertaken in other areas during the year, including those listed below.

- ▲ Follow up of agreed actions, including preparation of regular reports to Corporate Leadership Team (CLT).
- ▲ Development of follow-up and escalation procedure
- ▲ Attendance at, and support to, CLT, Corporate Oversight Governance Group, and the Statutory Officers' Group.
- ▲ Contribution to the council's governance dashboard.
- ▲ Contribution to the council's annual governance statement.

Audit / Engagement	Rationale
Category 1 (do now)	
Cybersecurity: user awareness and training	Provides coverage of key assurance area.
Licensing	Key operational system with no recent coverage.
Utilities management	Being undertaken as a follow-up audit, in response to the identification of significant control weaknesses in a previous audit.
Section 106 agreements	Risks and controls are changing.
Category 2 (do next)	
ICT asset management	Provides coverage of key assurance area.
LATCO governance: Crown House and Graven Hill	Provides coverage of key assurance area. Being undertaken following a request from senior management.
Category 3 (do later)	
Procurement Act compliance	-

ANNEX C: SUMMARY OF KEY ISSUES FROM AUDITS FINALISED SINCE THE LAST REPORT TO THE COMMITTEE

System/area (month issued)	Opinion	Area reviewed	Comments / Issues identified	Management actions agreed
Risk Management (July 2025)	Reasonable Assurance	Strategies, policies and processes for risk management; oversight of risk management to monitor and manage risks.	<p>Risk management processes, roles and responsibilities and risk appetite are defined in the risk management strategy. Development of the strategy could be improved.</p> <p>The council's leadership risk register (LRR) is presented regularly and in detail. The monitoring report could be more effective if it included action plans or the key exposures the committee needs to be aware of.</p> <p>There is a framework for risk review at strategic and operational levels. However, evidence of consistent application of this framework was not readily available.</p> <p>During the audit, a new project risk management system was introduced. The availability of risk information and reporting functionality offered by this system represents an opportunity to strengthen the council's risk management framework.</p>	<p>Evidence requirements for operation of the risk framework will be strengthened.</p> <p>Risk register consistency and oversight will be improved.</p> <p>Risk reporting arrangements will be reviewed and improved.</p> <p>Guidance information and training record retention will be improved.</p> <p>An improved scoring matrix will be introduced and a process for reviewing the effectiveness of the risk strategy introduced.</p>

System/area (month issued)	Opinion	Area reviewed	Comments / Issues identified	Management actions agreed
Performance management framework (July 2025)	Reasonable Assurance	Validating, monitoring and reporting performance data; alignment of performance measures to council priorities; identifying under performance and taking action.	<p>The corporate priorities detailed in the Council's Business Plan and the Annual Delivery Plan (ADP) are cascaded down through service plans to individual performance objectives. However, the framework supporting this has not been documented in a formal policy.</p> <p>ADP milestones and Business Plan KPIs are appropriately aligned with the strategic priorities. However, some quarterly milestones would benefit from additional detail on how progress can be measured.</p> <p>Controls are effective in ensuring performance measures are accurate and consistent. However, the Unity system is not currently used in a manner that sufficiently supports the performance management framework.</p> <p>Processes are in place to ensure that any identified under-performance at corporate level is reported to stakeholders but could be strengthened.</p>	<p>The development of the Performance Management Framework will be completed and will set out processes and expectations to ensure consistency.</p> <p>The Unity system is due for renewal and council will review what system will best support its needs.</p> <p>Officers will be reminded of the requirements for developing and reporting milestones and action plans. Budgetary information will be considered for inclusion in the performance management framework.</p>

System/area (month issued)	Opinion	Area reviewed	Comments / Issues identified	Management actions agreed
Governance and decision making (October 2025)	Substantial Assurance	Design and operation of processes in accordance with the constitution; review of committee papers; decision making and documentation of decisions made under delegated powers.	<p>Decision-making follows the council's governance framework, including compliance with relevant protocols, the scheme of delegation, and legal requirements.</p> <p>All delegated decisions and decision reports to committees and portfolio holders were subject to scrutiny by appropriate officers in finance, legal and risk. Delegated decisions and decision reports are published on the council's website, with a decision note signed by the Monitoring Officer.</p> <p>The CLT terms of reference lack clarity on the necessary attendance for specific decisions, such as those related to budgeting. Improvements could also be made to the record keeping of information delivered verbally to CLT.</p> <p>The scheme of delegation was last reviewed in February 2023. The council plans to review the Constitution once the LGR process has concluded.</p>	<p>Terms of reference will be drawn up to indicate who should be in attendance at CLT meetings before decisions can be taken.</p> <p>CLT discussions that lead into future decisions will be formally recorded and circulated for agreement.</p>

System/area (month issued)	Opinion	Area reviewed	Comments / Issues identified	Management actions agreed
Treasury management (October 2025)	Substantial Assurance		<p>The council's Treasury Management Strategy (TMS) and Capital and Investments Strategy, comply with the CIPFA Prudential and Treasury Management Codes. Treasury activity is appropriately reported to councillors, using expected prudential indicators.</p> <p>Investing and borrowing is undertaken in accordance with the TMS and supporting procedures, with suitable segregation of duties in place in preparing and approving transactions. There is also good monitoring and forecasting of cashflow, loans and investments.</p> <p>Due diligence checks and considerations are documented in approval forms. However, in two instances of borrowing, approval forms were not completed. We therefore could not confirm that the required checks took place.</p>	The approval form templates will be reshared with officers, accompanied by a reminder to complete the forms and store them in the relevant shared folder when deputising for colleagues.

ANNEX D: ASSURANCE ENGAGEMENT OPINIONS AND FINDING PRIORITIES

Audit opinions

Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit. Our overall audit opinion is based on four grades of opinion, as set out below.

Opinion	Assessment of internal control
Substantial assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

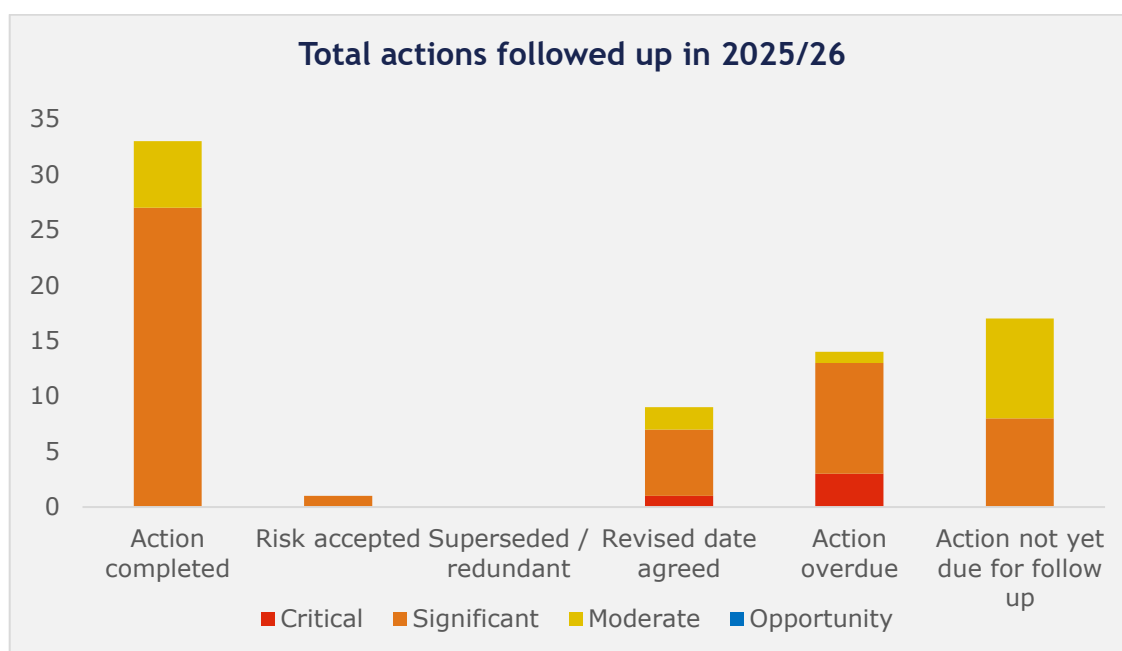
Finding ratings

Critical	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Significant	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Moderate	The system objectives are not exposed to significant risk, but the issue merits attention by management.
Opportunity	There is an opportunity for improvement in efficiency or outcomes but the system objectives are not exposed to risk.

ANNEX E: FOLLOW UP OF AGREED AUDIT ACTIONS

- 1 In figure 1, below, the status of agreed actions from follow-up activity undertaken up to 31 October 2025 is shown. Actions have been categorised by the rating of the finding from which they were raised (i.e. from a scale of opportunity to critical – see annex D for definitions).
- 2 For clarity, figure 1 is showing the results of all actions followed up between 1 April 2025 and 31 October 2025, regardless of when they were originally due (i.e. it may also include actions which fell due prior to the reporting period but which are still being followed up). For completeness, it also shows the number of actions which have been agreed in finalised audits but which have either (a) not yet fallen due and so have not been followed up or (b) which have been followed up and a revised completion date has been agreed.

Figure 1: Total actions followed up in 2025/26



- 3 A total of 57 agreed actions have required follow up this year¹. Of these, 33 (58%) have been satisfactorily implemented.
- 4 One action has been marked as risk accepted². The risk accepted status is used when senior management has decided to accept the risk of not completing the action. This action was to consider whether more frequent monitoring of emissions could be done but the responsible officer has

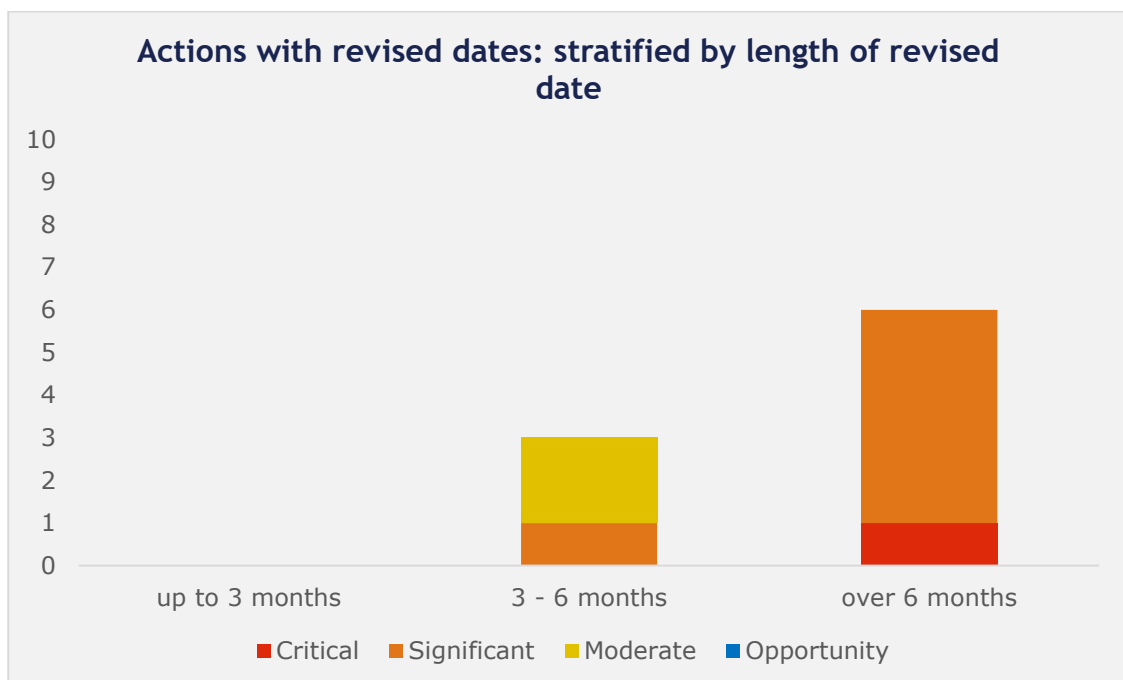
¹ For information, a further 17 actions have been agreed which are not due for follow up at the time of reporting.

² This relates to frequent emissions monitoring and reporting from the 2022/23 Climate audit which officers have identified as not being in line with standard practice or being realistic to implement.

determined that annual monitoring is standard practice and a proportionate and cost effective management of risk.

- 5 A total of nine actions have had their original implementation timescale extended (i.e. a revised date has been agreed with the action owner). These relate to the following audits:
 - ▲ HR
 - ▲ Revenues and benefits IT application
 - ▲ PCI DSS
 - ▲ Corporate health and safety
 - ▲ Procurement compliance
 - ▲ Performance management framework
- 6 Figure 2, below, groups agreed actions by how far from the original implementation date the revised date has been set, and the priority of the action.
- 7 We agree revised dates where the delay in addressing an issue will not lead to unacceptable exposure to risk and where the delays may be unavoidable. However, the committee should be aware that lengthy or continued revised dates do inevitably lead to a degree of risk exposure to the council.
- 8 From figure 2, the committee can see that three actions have been revised between three to six months from the original implementation date. In addition, 5 actions linked to 'significant' rated findings and one action linked to 'critical' rated findings have been revised by over six months from the original implementation date.

Figure 2: Length of revised dates for action implementation



- 9 At the time of reporting, 14 agreed actions are overdue. These relate to the following audits:
- ▲ Corporate health and safety
 - ▲ Climate
 - ▲ GDPR
 - ▲ Procurement compliance
 - ▲ Utilities management
- 10 Actions are categorised as overdue when the implementation date (either original or revised) has passed, and we have not had an adequate response from the action owner to confirm completion.
- 11 In our 16 July 2025 report to the committee, there were only three overdue actions. The main reason for the increase in overdue actions is that the revised implementation timescales for nine actions from the 2023/24 utilities management audit have now passed. These actions have been categorised as overdue until Veritau completes its follow-up audit in this area. For four of the overdue actions, the agreed timescales recently passed and responses have been received from officers but the follow up is in progress to clarify action taken addresses the risks or to obtain evidence before the action can be confirmed to be completed.
- 12 Figure 3, below, demonstrates that one action is overdue by up to three months from the agreed implementation date. The remaining 13 actions are overdue by between three and six months.

Figure 3: Length of time actions have been overdue

