Internal Audit Progress Report 2026/27

Date: 30 September 2026

APPENDIX 1

Cherwell
DISTRICT COUNCIL
NORTH OXFORDSHIRE

Veritau
Assurance for the public sector

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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, the council's internal audit charter, 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 professional standards, the Head of Internal Audit is required to report progress against the internal audit plan (the work programme) agreed by the Audit and Governance Committee, and to identify any emerging issues which need to be brought to the attention of the committee.

4 The internal audit work programme for 2026/27 was agreed by this committee on 18 March 2026.

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 11 September 2026.

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, one audit has been finalised. This was Section 106 Agreements.

9 The opinion for the Section 106 Agreements audit was limited assurance, and four significant findings were raised and actions have been agreed with management. It should be noted that issues had already been identified by management and action was in progress to address weaknesses at the time of the audit.

10 Seven audits are in progress. Three of these are substantially complete and we expect them to be reported soon. Two audits have recently entered the fieldwork stage and two more are at the planning stage.

11 The work programme, showing current priorities for internal audit work, is included at annex B. To support planning and scheduling during the year,

audits are assigned to one of three prioritisation categories: 'do now', 'do next', 'do later'. The 'do now' audits are those that are in progress (i.e.as shown in annex A). Annex B therefore shows audits currently scheduled for delivery in quarters three and four.

12 Annex C summarises the key findings from the Section 106 Agreements audit. It 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 2026/27

Final reports issued

Audit	Reported to Committee	Opinion
Licensing	June 2026	Reasonable Assurance
Section 106 Agreements	September 2026	Limited Assurance

Audits in progress

Audit	Status
LATCO governance: Crown House and Graven Hill	Fieldwork complete
Project management: Bicester Market Square	Fieldwork complete
Procurement Act compliance	Fieldwork complete
IT audit – user access	Fieldwork in progress
Overtime	Fieldwork in progress
Purchasing cards and expenses	Planning
Climate action plan	Planning

Other work completed in 2026/27

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).
- 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 and Local Code of Corporate Governance.
- Representing the council in the audit part of the LGR finance workstream.

ANNEX B: CURRENT AUDIT PRIORITIES

Audit / Engagement	Rationale
Category 2 (do next)	
Property asset management: Castle Quay	Property asset management identified as priority area through discussion with senior management and Castle Quay is particularly high profile and important to the council.
Information governance	Provides coverage of key assurance area. Identified in previous years but deferred due to ongoing work in the area and other audit priorities. Very wide area of work so discussions to take place with officers to define scope and objectives.
Category 3 (do later)	
Business continuity	Key risk on leadership risk register and important area for assurance. Identified as priority through discussion with senior management.
IT audit – Disaster recovery	Key area for effective risk management of cyber security. Not directly related but complimentary to business continuity work. Identified as priority through discussion with IT management.

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
Section 106 agreements	Limited Assurance	A review of arrangements for monitoring Section 106 agreements, including the recording and tracking of developer obligations, and collection of contributions due to the council.	The review found that officers were actively undertaking a programme of work to improve Section 106 monitoring arrangements and had introduced revised monitoring templates. However, significant weaknesses were identified in records management, data quality, and the completeness of monitoring information. The council could not readily demonstrate the status of all obligations, triggers, and outstanding contributions, and there was no comprehensive system providing a complete overview of agreements. Improvements are required to strengthen governance, data integrity, monitoring, and assurance that all developer contributions due are identified and collected promptly.	Ongoing review and transfer of all Section 106 agreements into revised monitoring workbooks. Active and historic sites will be prioritised and data quality checks undertaken to confirm obligations, triggers, and payments are complete and accurate. A master monitoring spreadsheet will be introduced to record trigger dates, invoice details, payment status, and provide improved oversight of contributions due and collected.

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.

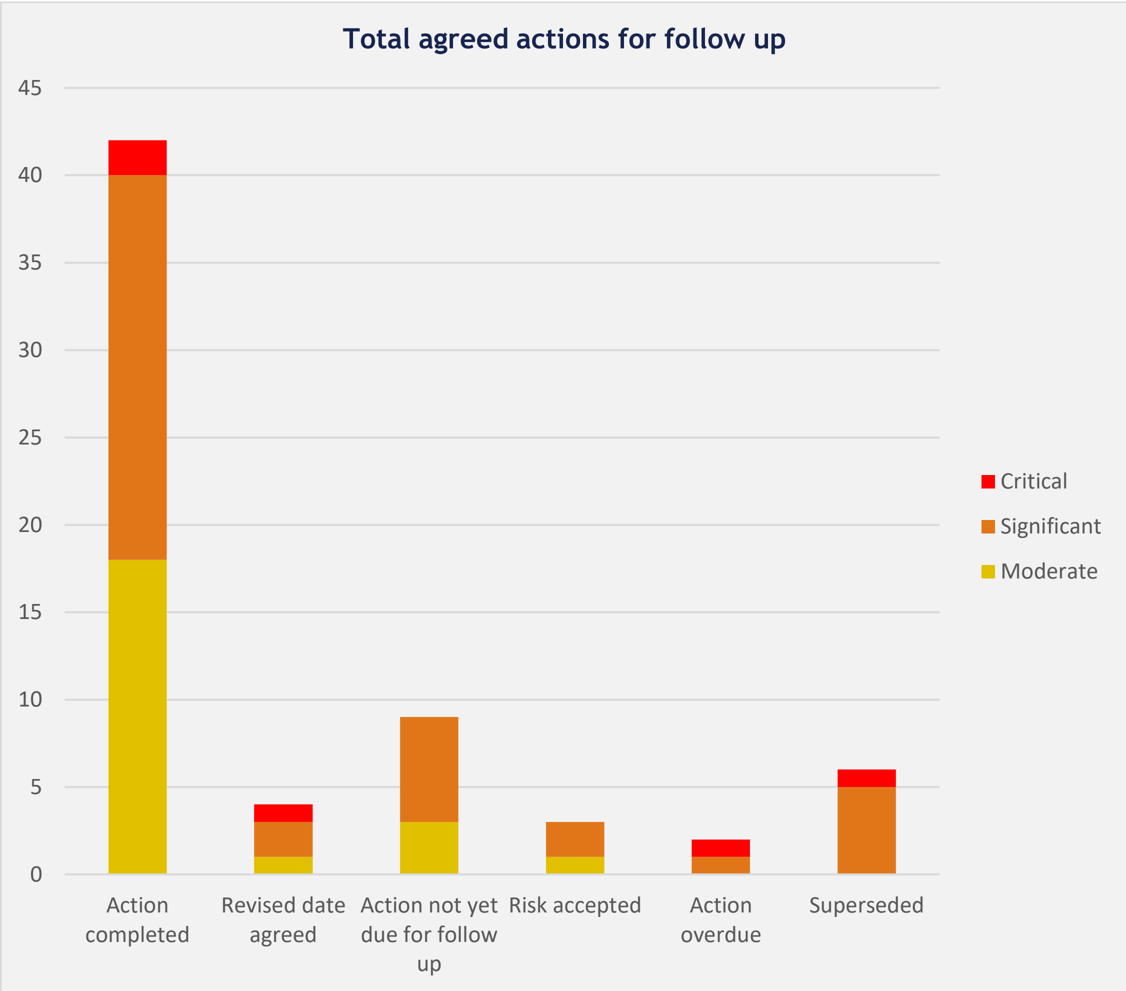
ANNEX E: FOLLOW UP OF AGREED AUDIT ACTIONS

1 In figure 1, below, the status of agreed actions from follow-up activity undertaken for the twelve months up to 11 September 2026 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 12 September 2025 and 11 September 2026, regardless of when they were originally due (i.e. it may include actions which fell due prior to the reporting period but which are still being followed up).

3 It also shows the number of actions which have been agreed in finalised audits but which have either (a) not yet fallen due, 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 for follow up in last twelve months



4 A total of 57 agreed actions have required follow up this year[1]. Of these, 42 (74%) have been satisfactorily implemented.

5 Three actions have been marked as risk accepted[2]. The risk accepted status is used when senior management has decided to accept the risk of not completing the action.

6 Six actions have been superseded. These related to the original Utilities management audit. A follow-up audit was completed by Veritau and a new approach to improve utilities management was being taken. A new action was agreed with management as part of this work and resulted in some of the original actions being superseded.

7 Four 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:

- Governance and decision making
- Procurement compliance
- Utilities management

8 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

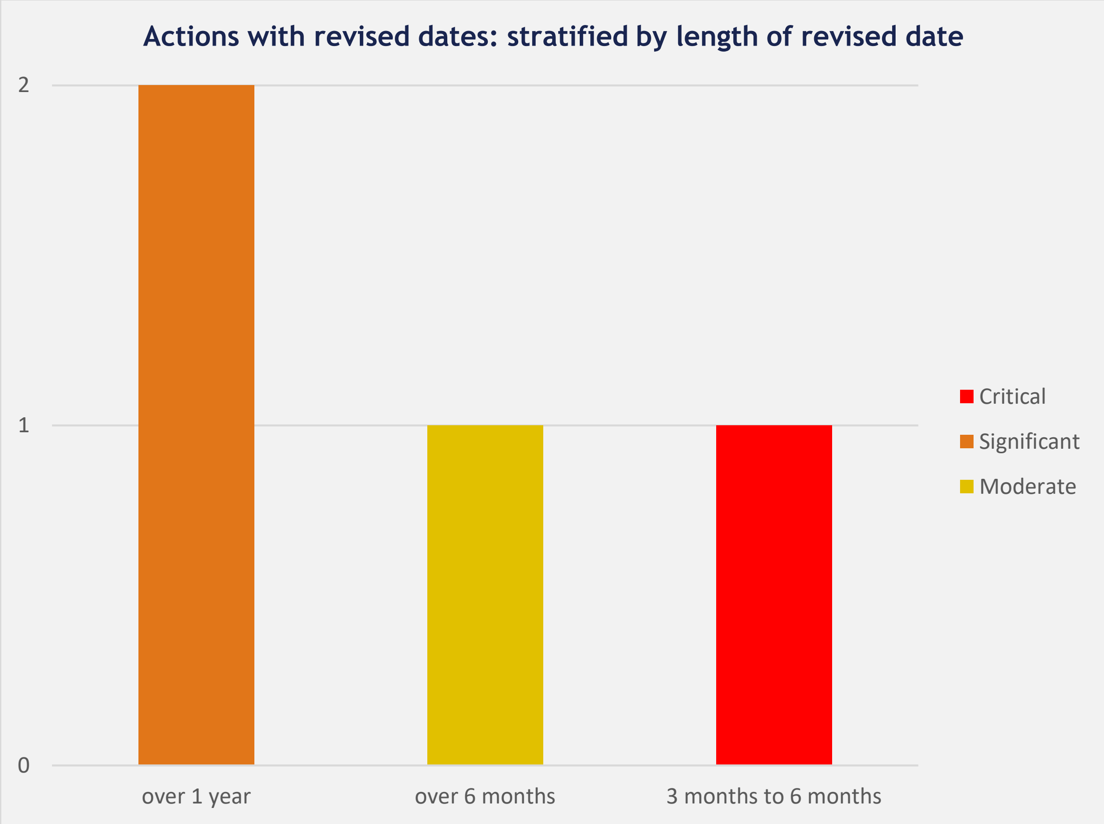
9 Figure 2, on the following page, groups agreed actions by how far from the original implementation date the revised date has been set, and the priority of the action.

10 From figure 2, the committee can see that three actions have been revised by over six months from the original implementation date and one action has been revised for between three to six months from the original implementation date.

11 One critical action (relating to Utilities management) has been revised. A report on the options for utility contract renewals is due to be taken to the Executive team in September.

[1] A further 8 agreed actions are not due for follow up at the time of reporting.
[2] These relate to frequency of 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. Annual monitoring and reporting does remain in place.

Figure 2: Length of revised dates for action implementation



12 At the time of reporting, 2 agreed actions are overdue. These are show in figure 3, on the following page, and relate to the following audits:

- PCI DSS (Payment card industry data security standard)
- IT asset management

13 Actions are categorised as overdue when the implementation date (either original or revised) has passed, and we have not had a response from the action owner to confirm completion.

14 One of the overdue actions is rated critical (PCI DSS). This action is dependent on implementation of a new system, Netcall, which is PCI compliant. This is due to go live soon. The other overdue action relates to IT asset management. It was due to be implemented by 31 August 2026, so has only just become overdue. Progress has been made, with a new procedure for asset lifecycle management having been introduced with new fields; the asset register just needs updating to include the new fields. Due to the progress and responses from officers we have no concerns regarding the completion of this action and expect completion to be confirmed soon.

Figure 3: Length of time actions have been overdue