

Internal Audit Progress Report 2026/27

Date: 16 September 2026

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 Governance & Audit 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 in 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 audit activity up to 4 September 2026, and to outline current plans for delivery over the remainder of the year.

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.
- 8 Four audits have been finalised, and one audit has reached draft report stage since the last report to this committee in July 2026.
- 9 Annex A summarises critical or significant findings from the four completed audits (where applicable) and includes actions agreed with management to address identified control weaknesses.
- 10 12 audits are in progress the time of reporting. These are in various stages of the audit lifecycle, with most being in the fieldwork stage. We expect the outcomes from ongoing audits to be reported to the committee at its January meeting.
- 11 We have also begun initial planning for audits scheduled for quarter three, to proactively commence them with officers from October. The work programme has also seen audits added, removed, and reprioritised based

on service needs and coverage requirements, in line with our dynamic approach to work programme planning and delivery.

- 12 In addition to the audits mentioned in paragraphs 8-10, we have also continued to support the council by providing support and advice on matters of risk management, governance, and control, and by certifying central government grants.
- 13 The volume of consultative work undertaken has seen a marked increase in 2026/27 compared to previous work programmes. This represents our purposeful shift towards delivering a proactive, dynamic and value-added service.
- 14 A total of four consultative engagements have been completed so far this year. Three of these were connected to high-profile grants that the council is administering and the other involved an efficiency review of the council's community languages service.
- 15 More information about other work we have delivered is provided in Annex A.
- 16 The 2026/27 work programme, showing current priorities for internal audit work, is included in Annex B.
- 17 Annex C provides the definitions for our audit opinions and finding ratings. This can be referred to, to help interpret information presented in annex A.

Follow up of agreed actions



- 18 All actions agreed with services as a result of internal audit work are followed up to ensure that issues are addressed. As a result of this work, we are satisfied that sufficient progress is being made to address the control weaknesses identified in previous audits.
- 19 A summary of the current status of follow up activity is included in Annex D.

ANNEX A: INTERNAL AUDIT WORK IN 2026/27

Audits in progress

Audit	Status
School capital allocation programme	In draft
Home to school transport	Fieldwork
Housing regulatory compliance: EICRs	Fieldwork
Awaab's law compliance	Fieldwork
Accounts preparation and closedown	Fieldwork
Special Guardianship Order allowance	Fieldwork
Adult social care cost mitigation programme	Fieldwork
VAT Accounting	Planning
Unaccompanied Asylum Seeker Children	Planning
Private Finance Initiative (PFI) schools	Planning
Housing benefits	Planning
Food standards and inspections	Planning
Service charges and fees (estates)	Planning

Final reports issued

Audit	Reported to committee	Opinion	Count of findings by priority			
			Critical	Significant	Moderate	Opportunity
Planning performance	September 2026	Reasonable Assurance	0	1	5	0
Recruitment, selection and onboarding	September 2026	Reasonable Assurance	0	2	5	0
Adult social care debt management	September 2026	Reasonable Assurance	0	2	3	0
Cyber security (user awareness and training)	September 2026	Reasonable Assurance	0	2	0	0
Contract management: CDN	July 2026	Substantial Assurance	0	0	3	0
Adult social care joint commissioning	July 2026	Reasonable Assurance	0	2	3	0
Housing rents	July 2026	Substantial Assurance	0	0	0	1
Democratic governance and decision making	July 2026	Substantial Assurance	0	0	0	1
ICT supplier management	July 2026	Reasonable Assurance	0	0	3	0

End user IT policies	July 2026	Substantial Assurance	0	0	2	1
Business continuity management	July 2026	Substantial Assurance	0	0	3	1
Housing allocations	July 2026	Reasonable Assurance	0	2	3	0
Grant-funded schemes: compliance	July 2026	Substantial Assurance	0	0	2	0

Summary of critical and significant findings (audits reported to the committee for the first time)

Audit		
Planning performance		
Finding priority & title	Finding summary	Agreed action(s) and timescale(s)
Significant	Controls to ensure that planning application fees are correctly calculated and validated are not operating consistently. In one instance, the validation and review processes had not captured that an incorrect fee category had been applied. This led to a significant underpayment of a statutory planning fee. The correct fee was later recovered.	Training will be delivered to officers involved in the process, supplemented by a mandatory note introduced within the portal to ensure case officers review and confirm the fee at assessment stage. 30 September 2026
Application fees and accuracy		
Recruitment, selection and onboarding		
Finding priority & title	Finding summary	Agreed action(s) and timescale(s)

Significant	The council lacks sufficiently robust procedures and guidance relating to conflicts of interest. The audit identified that procedures could be strengthened by defining what classes as a conflict, developing a procedure for where a panel chair identifies a conflict, and including a stage where panel members are prompted to declare conflicts. Furthermore, no log exists to record identified conflicts and mitigating actions.	Guidance will be updated to include a definition of perceived conflicts of interest, and requirements for how panel members should identify and mitigate them. <i>30 November 2026</i>
Conflicts of interest procedures		
Significant	Narrative justification is not currently required alongside scoring for selection responses. There is a decentralised approach to recording supporting evidence from shortlisting and interviews, with some managers uploading documentation to the central system and some retaining elsewhere, leading to inconsistency across recruiting managers.	Guidance for shortlisting and interviewing will be reviewed and updated to set clear expectations. 30 November 2026 A quality assurance process will be introduced to review four recruitments per month, prioritised by role significance and recruiting frequency. <i>28 February 2027</i>
Record-keeping practices		
Adult social care debt management		
Finding priority & title	Finding summary	Agreed action(s) and timescale(s)
Significant	Management information and wider debt monitoring arrangements do not provide a complete, clear, and meaningful view of adult social care debt performance. Key indicators such as a breakdown of debt by age profile and high-value debtor analysis, are not included in reporting. Furthermore, formal reporting of adult social care debt has reduced in recent years, from quarterly narrative-based updates to twice-yearly high-level updates.	A revised reporting framework will be developed to improve visibility of debt trends, aged debt, recovery performance, and key risks. Reporting will be strengthened through enhanced validation and regular management review to support informed decision-making. <i>31 March 2027</i>
Monitoring and oversight of overall debt performance		
Significant	Debt recovery cases are not being actively monitored and	A dedicated ASC debt recovery team and

Insufficient recovery action prior to write off	progressed in a timely manner. Delays were identified in a significant number of cases reviewed during the audit, including gaps in recovery action of up to three years and lack of evidenced follow-up / investigation prior to write off.	additional management capacity have been approved to improve oversight, consistency, and recovery outcomes. Processes, controls, case management, and reporting arrangements will be reviewed and enhanced. <i>31 March 2027</i>
Cyber security (user awareness and training)		
Finding priority & title	Finding summary	Agreed action(s) and timescale(s)
Significant		
Completion and follow-up of mandatory cyber security training	The overall completion rate for the first twelve months of the council's mandatory cyber security training programme was 65%, with 105 users at 0% completion. There was no formalised follow-up process to remind non-compliant users to complete the required training.	Reminder emails addressed to the line managers of staff who do not complete mandatory modules will be introduced. <i>31 October 2026</i>
Significant		
Follow-up on negative simulation results	A follow-up process for users who have failed several phishing simulation exercises had not yet been implemented. At the time of the audit, a process was being developed.	A follow-up process will be implemented to target users who have failed phishing simulation exercises. <i>31 October 2026</i>

Other work in 2026/27

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

- ▲ Follow up of agreed actions
- ▲ Grant certifications:
 - ▲ Core Growth Hub
- ▲ Consultative engagements:
 - ▲ Adult Skills Fund: readiness review
 - ▲ Community Languages Service (workflow efficiency)
 - ▲ Connect to Work (accountable body arrangements review)
 - ▲ Crisis and Resilience Fund (payment controls and fraud risk mitigation)
- ▲ Support and advice:
 - ▲ Unit4 reimplementation project support (ongoing throughout 2026/27)
 - ▲ AI strategy and governance

ANNEX B: CURRENT AUDIT PRIORITIES

Audit / Engagement	Rationale
Strategic / corporate & cross cutting	
Do now	
Pride in Place (consultative)	Identified in consultation as a key risk area in relation to grant funding.
Service charges and fees (estates)	Identified in consultation with officers as a key risk area. Links to strategic risk (SRR 2.3).
Leaseholder statement of accounts (consultative)	Annual certification on the leaseholder statement of accounts. Links to strategic risk (SRR 3.3).
Do next	
Polygamous working (consultative)	Identified in consultation with members of this committee.
Procurement pipeline and forward planning	Provides coverage of key assurance area.
Subject access requests (children's services)	Identified in consultation with officers as a key risk area. Links to strategic risk (SRR 5.1).
Do later	
Procurement Act compliance	Provides coverage of key assurance area. Links to strategic risk (SRR 5.1).
Physical information security	Provides coverage of key assurance area. Links to strategic risk (SRR 4.3).
Hybrid and flexible working	Identified in consultation with officers as an area requiring assurance due to recent policy changes. Links to strategic risk (SRR 2.2).
Financial systems	
Do now	

Fundamental financial controls (consultative)	Provides coverage of a number of key financial controls. Links to strategic risk (SRR 2.3).
Accounts preparation and closedown	Provides coverage of a key assurance area. Links to strategic risk (SRR 2.3).
VAT Accounting	Provides coverage of a key assurance area. Links to strategic risk (SRR 2.3).
Housing benefits	Provides coverage of a key assurance area. Links to strategic risk (SRR 3.1).
Do next	
Council tax and NNDR	Provides coverage of a key assurance area.
Treasury management	Provides coverage of a key assurance area. Links to strategic risk (SRR 2.1).
Do later	
-	-
Service areas	
Do now	
Home to school transport	Emerging risk area.
Direct payments and overnight provision	Identified in consultation with officers as a key risk area.
Unaccompanied Asylum Seeker Children	Emerging risk area. Links to strategic risk (SRR 3.4).
Special Guardianship Order allowance	Identified in consultation with officers as a key risk area.
Adult social care cost mitigation programme	Identified in consultation with officers as a key risk area. Links to strategic risk (SRR 3.1).
Private Finance Initiative (PFI) schools	Identified in consultation with officers as a key risk area. Links to strategic risk (SRR 2.3).

Awaab's Law compliance	Emerging risk area.
Housing regulatory compliance: EICRs	Emerging risk area.
Selective licensing designation (consultative)	Identified in consultation with officers as a key risk area.
Food standards and inspections	Identified in consultation with officers as an area requiring assurance due to recent process changes. Links to strategic risk (SRR 3.2).
Do next	
School themed audit: SFVS returns	Identified in consultation with officers as a key risk area.
School themed audit: Financial forecasting	Identified in consultation with officers as a key risk area. Links to strategic risk (SRR 2.3).
Direct payments (adult social care)	Identified in consultation with officers as a key risk area.
Payments to care providers	Identified in consultation with officers as a key risk area. Links to strategic risk (SRR 3.2).
Right to buy	Identified in consultation with officers as a key risk area.
Complaint handling	Identified in consultation with officers as a key risk area. Links to strategic risk (SRR 4.3).
Ward community funding	Identified in consultation with officers as a key risk area. Links to strategic risk (SRR 1.2).
Changing futures	Identified in consultation with officers to review controls ahead of phase 2.
Partnership working (Health & Wellbeing Board)	Identified in consultation with officers as a key risk area.
Do later	
Safeguarding (adult social care)	Identified in consultation with officers as a key risk area.
SEND commissioning	Emerging risk area. Links to strategic risk (SRR 3.1).

Section 17 payments	Identified in consultation with officers as a key risk area. Links to strategic risk (SRR 3.2).
Acquisitions (homelessness)	Identified in consultation with officers as a key risk area. Links to strategic risk (SRR 3.3).
Housing regulatory compliance: HHSRS	Emerging risk area.
Housing repairs	Identified in consultation with officers as a key risk area.
Savings delivery	Identified in consultation with officers as a key risk area.
Technical / projects	
Do now	
-	-
Do next	
IT: access controls	Identified in consultation with officers as a key risk area. Links to strategic risk (SRR 4.3).
LLBSP Project management (consultative)	Identified in consultation with officers as a key risk area.
Do later	
ICT server administration and security	Identified in consultation with officers as a key risk area. Links to strategic risk (SRR 4.1).

ANNEX C: AUDIT 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.

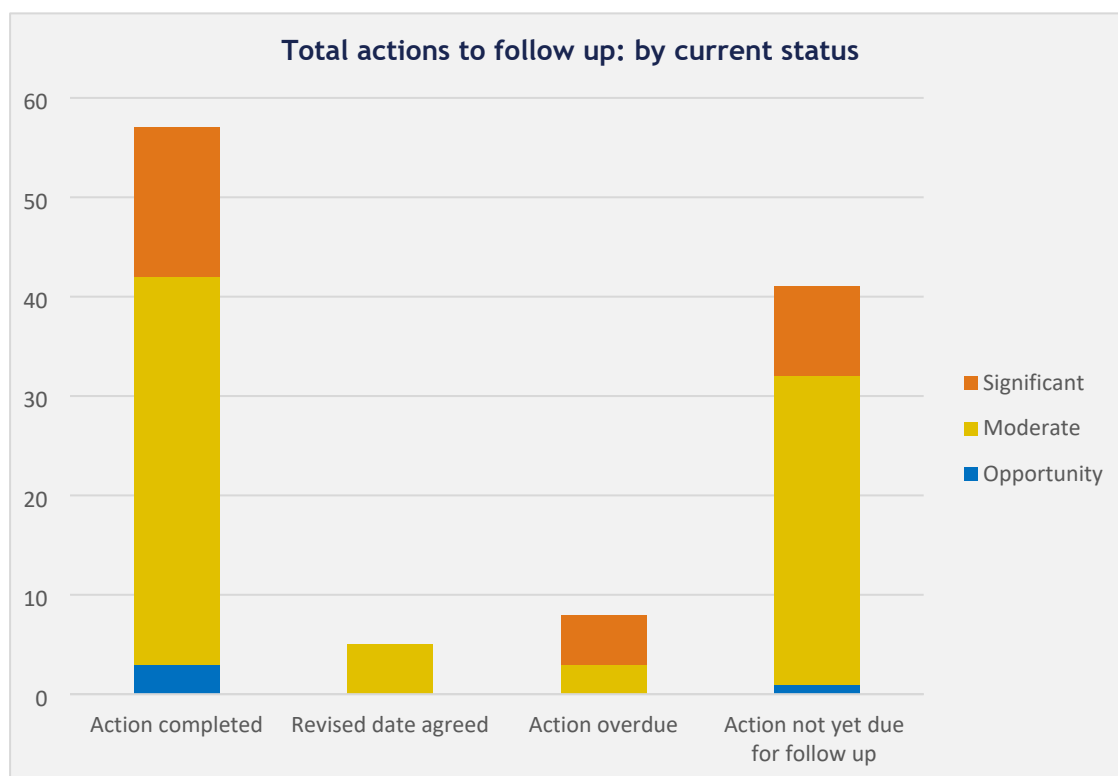
Opinion	Assessment of internal control
Substantial assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable assurance	Overall, satisfactory management of risk 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 D: FOLLOW UP OF AGREED ACTIONS

- 1 Follow up work is carried out through a combination of questionnaires completed by responsible managers, risk assessment, and by further detailed review by the auditors where necessary.
- 2 Where responsible officers have not taken the action they agreed to, issues are escalated to more senior officers. Ultimately, they may be referred to the Governance & Audit Committee in accordance with the follow-up and escalation procedure.
- 3 In figure 1, below, the status of agreed actions from follow-up activity undertaken in the last 12 months¹ is shown.
- 4 For clarity, the figure shows the results of follow up activity for this period, regardless of when actions were originally due (that is, it includes actions which were due prior to 1 April 2025).
- 5 For completeness, it also shows actions which have been agreed in finalised audits but which have not yet fallen due and so have not been followed up.

Figure 1: Total agreed actions by current status

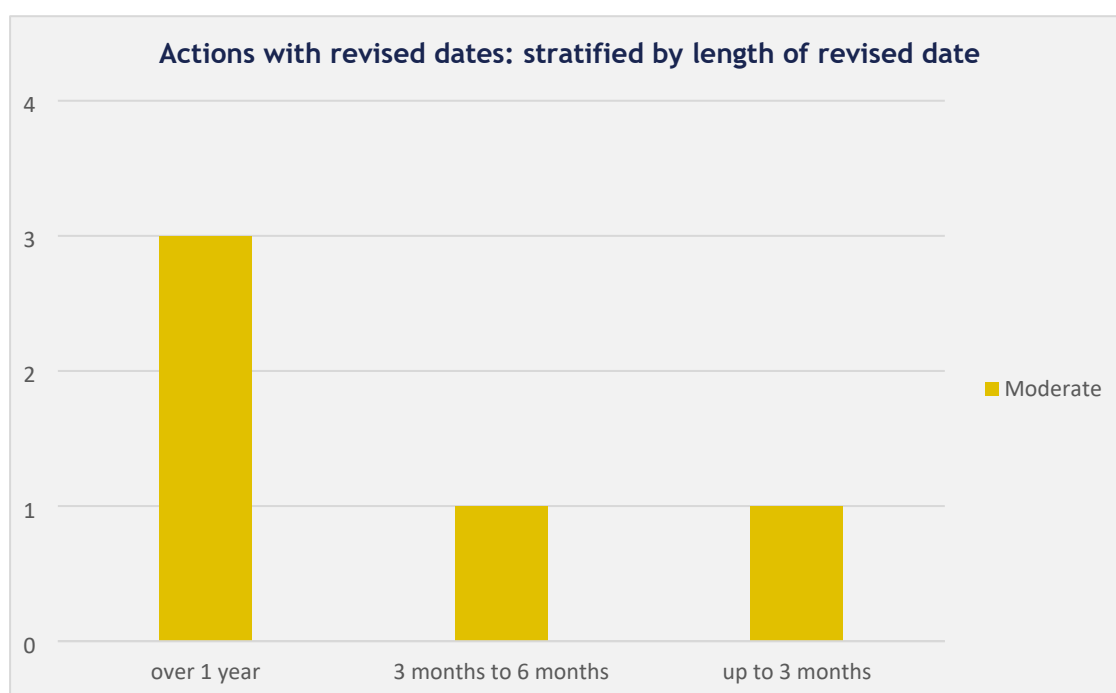


- 6 A total of 70 actions have been followed up so far this year. Of these, 57 have been satisfactorily implemented. 41 actions are not yet due for follow-up as their original implementation date has not passed at the time of reporting.

¹ Effective 1 April 2025, follow-up data has been reported on a rolling 12-month basis.

- 7 A total of 5 actions have had their original implementation timescale extended, with a revised implementation date being agreed with the action owner.
- 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, below, shows how long dates have been revised from the original implementation date.

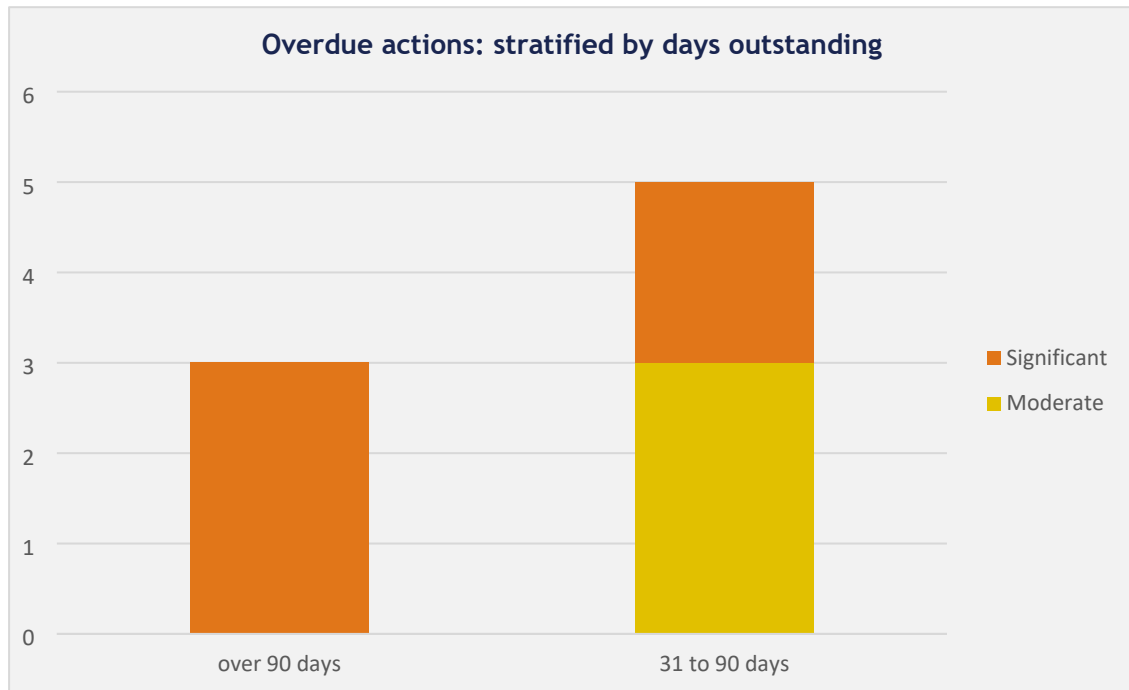
Figure 2: Length of revised dates agreed for action implementation



- 10 At the time of reporting, 8 actions are overdue². This is shown in figure 3, on the following page.
- 11 For all 8 actions that are overdue we have received a response from officers. In these cases, the process of following up the action and drawing conclusions is ongoing.
- 12 There will usually be some instances like this at any point in time. It can be due to ongoing communication with the responsible officers to obtain evidence confirming completion of the action. It can also be due to instances where the action taken is not exactly as agreed and further work is being undertaken to assess whether the action taken does satisfactorily address the risk or because there are ongoing discussions about whether to agree revised dates for the action.

² Four of the overdue actions relate to the high needs funding audit, and three relate to the school traded services (educational psychology) audit.

Figure 3: Length of time actions have been overdue



13 At this stage, no overdue actions are being escalated to the committee.