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# Internal Audit Update Report – Quarter One 2025/26

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Committee considering report: Governance Committee

**Date of Committee:** 30<sup>th</sup> September 2025

Portfolio Member: Councillor Iain Cottingham

**Report Author:** Julie Gillhespey (Audit Manager)

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## 1 Purpose of the Report

- 1.1 To update the Committee on the status of Internal Audit work as at the end of Quarter One 2025/26.
- 1.2 The Global Internal Audit Standards (GIAS) in the UK Public Sector, require the Audit Manager to provide periodic updates to senior officers and members on performance against the Audit Plan. As stated in the Council's approved Internal Audit Charter, quarterly updates are required to be presented to the Committee.
- 1.3 The periodic reports aim to provide a progress update against the work in the Audit Plan together with highlighting any emerging significant issues/risks that are of concern.

## 2 Recommendation(s)

No recommendation is made, the report is to provide the Governance Committee with an update on Internal Audit Work as at the end of Quarter One 2025/26.

## 3 Implications and Impact Assessment

Implication	Commentary
Financial:	None
Human Resource:	None
Legal:	None
Risk Management:	Internal Audit work helps to improve risk management processes by identifying control weaknesses in systems and procedures and making recommendations to provide

	mitigation. The aim of which is to help ensure that services and functions across the Council achieve their goals and targets, and the organisation as a whole meets its plans and objectives.			
<b>Property:</b>	None			
<b>Policy:</b>	None			
	<b>Positive</b>	<b>Neutral</b>	<b>Negative</b>	<b>Commentary</b>
<b>Equalities Impact:</b>				
<b>A</b> Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?		X		
<b>B</b> Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?		X		
<b>Environmental Impact:</b>		X		
<b>Health Impact:</b>		X		
<b>ICT Impact:</b>		X		
<b>Digital Services Impact:</b>		X		
<b>Council Strategy Priorities:</b>		X		

<b>Core Business:</b>		X		.
<b>Data Impact:</b>		X		
<b>Consultation and Engagement:</b>	None			

## 4 Executive Summary

- 4.1 To update the Committee on the status of Internal Audit work as at the end of Quarter One of 2025/26.
- 4.2 The Global Internal Audit Standards (GIAS) in the UK Public Sector, require the Audit Manager to provide periodic updates to senior officers and members on performance against the Audit Plan. As stated in the Council's approved Internal Audit Charter, quarterly updates are required to be presented to Committee.
- 4.3 The periodic reports aim to provide a progress update against the work in the Audit Plan together with highlighting any emerging significant issues/risks that are of concern.
- 4.4 There was one corporate audit completed during the period which was given a limited assurance opinion.
- 4.5 There are no significant issues of concern identified through audit work during the period that needs to be highlighted to senior officers/members.
- 4.6 The Audit Team has an in-service reportable performance target to achieve at least 80% of the audit plan for the year. As at the end of Quarter One, the projected year end figure is 96%. This projection is higher than usual at this stage of the year primarily as there has been a lower level of annual leave taken in the first quarter.

## 5 Supporting Information

### Introduction/Background

- 5.1 For each piece of assurance work undertaken the report provides an audit assurance opinion on the effectiveness of governance, risk management and control in the area under review.
- 5.2 An assessment of the number of reviews in each opinion category is the key factor used to determine the Internal Audit annual assurance opinion. Descriptions of the assurance opinion ratings used are detailed as follows:

Opinion	Description
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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. Usually moderate-to-minor issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited, but are not a cause for concern.
Limited Assurance	There is a large number of moderate weaknesses and/or significant weaknesses or non-compliance issues identified which are of concern. 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.

- 5.3 Appendix A to this report sets out the audit work that has been finalised this quarter. The table below shows the breakdown of completed audits by opinion given. For this reporting period there was one completed corporate audit given a less than reasonable assurance opinion.

Audit Type	No Assurance	Limited Assurance	Reasonable Assurance	Substantial Assurance
Corporate Systems		1	3	
Schools				

- 5.4 We carry out a follow-up review for all audits given a less than reasonable assurance opinion. We use three categories to provide a conclusion on the level of progress with implementing agreed recommendations, **Fully Implemented**, **Satisfactory** (no issues of concern still needing to be addressed), and **Unsatisfactory** (large number of recommendations outstanding and/or weaknesses of concern not addressed). Appendix A includes the one school follow-up that was finalised in the quarter, the following table shows the progress opinion.

Follow-up Type	Unsatisfactory	Satisfactory	Fully Implemented
Corporate Systems			
Schools		1	

## 5.5 Limited Assurance Opinion Report - Homelessness

We found the processes and controls established for managing homelessness applications / allocations were effective. The key issues identified, which have resulted in the Limited Assurance opinion, were in relation to the rent recording and collection processes, the key issues identified were as follows:-

- (a) There had been an ongoing issue relating to the new Housing software system used to record details of rent accounts, and its ability to produce invoices and interface with two other key financial systems.
- (b) As the 3 systems were not compatible with each other, a decision was taken to not raise invoices whilst the issue was rectified. The issue took longer to resolve than anticipated resulting in a backlog of invoices, this was a known issue at the time of the audit and the backlog of invoices was being progressed.
- (c) There was a need to check and reconcile the data on each of the 3 systems to ensure that it was accurate, this was in progress at the time of the audit.
- (d) The documented processes being followed for income collection/debt management needed reviewing to bring them up to date as well as introducing more robust debt management processes e.g. aged debt analysis reviews.

5.6 Details of the audit work in progress and the stage reached are set out at Appendix B. This includes audits still in progress from last financial year, most of which are at the draft report stage and therefore are almost complete. For context, where work is commenced late in the last quarter of the year, it will inevitably roll into the next year to be completed. Also, audit work may take longer than planned for a number of reasons, we are very reliant on services providing us with the required information/managers responding to draft audit reports in a timely manner. As a small team, we also need to react to emerging changes in risk during the year, for example suspected fraud, requests for unplanned work and investigations, as well as audit advice, which may require a reprioritisation of work, and result in delays in the planned work already commenced.

5.7 Progress made against the Anti-Fraud Work Plan is set out at Appendix C.

5.8 In relation to corporate audits, Appendix D gives further detail to support the audit report opinion, setting out the scoping of each audit as well as the number and significance of recommendations made. Appendix E sets out a visual presentation to support the audit report opinion in the format of an audit risk heatmap.

5.9 The Audit Team has an in-service reportable performance target to achieve at least 80% of the audit plan for the year. As at the end of Quarter One, the projected year end figure was 96%. This projection is higher than usual at this stage of the year primarily as there has been a lower level of annual leave taken in the first quarter, it is expected that the projected percentage will reduce when calculated at the end of Quarter Two.

## Proposals

This report is to update the Governance Committee of the progress of Internal Audit work at the end of Quarter One 2025/26.

## 6 Other options considered

The quarterly update report for the Committee is required to comply with the Council's Internal Audit Charter and professional good practice.

## 7 Conclusion

There was one corporate audit completed during the period given a less than reasonable assurance opinion. The volume of limited assurance reports therefore continues to be low, and there are no concerns that need to be raised with the Committee.

## 8 Appendices

- 8.1 Appendix A - Completed Audit Work
- 8.2 Appendix B - Current Audit Work
- 8.3 Appendix C - Anti-Fraud Work Plan Update
- 8.4 Appendix D - Completed Audits – Supporting Information
- 8.5 Appendix E - Completed Audits – Audit Risk Heatmaps

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### Subject to Call-In:

Yes: ☐ No: ☒

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|--|-------------------------------------|
| The item is due to be referred to Council for final approval   | <input type="checkbox"/>            |
| Delays in implementation could have serious financial implications for the Council   | <input type="checkbox"/>            |
| Delays in implementation could compromise the Council's position   | <input type="checkbox"/>            |
| Considered or reviewed by Overview and Scrutiny Management Committee or associated Task Groups within preceding six months | <input type="checkbox"/>            |
| Item is Urgent Key Decision  | <input type="checkbox"/>            |
| Report is to note only   | <input checked="" type="checkbox"/> |

### Officer details:

Name: Julie Gillhespey  
Job Title: Audit Manager  
Tel No: 01635 519455  
E-mail: julie.gillhespey@westberks.gov.uk

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## Document Control

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<b>Author:</b>	Julie Gillhespey (Audit Manager)		
<b>Owning Service</b>	Strategy and Governance		

## Change History

Version	Date	Description	Change ID
1			