
Internal Audit Update Report – Quarter Three 2025/26

Committee considering report:	Governance Committee
Date of Committee:	28 April 2026
Portfolio Member:	Councillor Iain Cottingham
Report Author:	Julie Gillhespey (Audit Manager)
Forward Plan Ref:	G4741

1 Purpose of the Report

- 1.1 To update the Committee on the status of Internal Audit work as at the end of Quarter Three 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

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 Three 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.			
Property:	None			
Policy:	None			
	Positive	Neutral	Negative	Commentary
Equalities Impact:				
A Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?		X		
B Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?		X		
Environmental Impact:		X		
Health Impact:		X		
ICT Impact:		X		
Digital Services Impact:		X		
Council Strategy Priorities:		X		

Core Business:		X		
Data Impact:		X		
Consultation and Engagement:	None			

4 Executive Summary

- 4.1 To update the Committee on the status of Internal Audit work as at the end of Quarter Three 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 From the five corporate audits completed during the period, there was one given a limited assurance opinion, details provided in the main body of the report.
- 4.5 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 Three, the projected year end figure was 92%. However, the team now has two vacancies, therefore the year end percentage will be impacted by the number of planned audit days lost due to vacancies in the final 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
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	1
Schools			1	1

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). There were no follow-up reviews completed in the quarter.

5.5 **Limited Assurance Opinion Report - Personal Budgets (PBs)/Direct Payments (DPs) - Children with Disabilities and SEND Teams**

The key areas identified that require improvements are as follows:-

- a) Policy documents, guidance for staff and PB / DP agreements are out of date/not in sufficient detail and require a review and updating.

- b) There is currently no formal basis or guidance in place on how to calculate PBs and DPs, except where a Personal Assistant is used where there is a standard rate calculation used.
 - c) Some errors in payments were identified and some care plans reviewed did not provide a clear link between the care identified and the payments being made. In addition, supporting information to clarify how the payment had been calculated was sometimes missing.
 - d) For both teams the legal agreement requires an annual financial review of the PB utilisation, neither team were undertaking these reviews, and our sample checks identified cases where annual care reviews had either not taken place or had not been recorded.
 - e) As annual financial reviews are not carried out, and for the SEN team regular expenditure returns were not requested, there was no effective means for surplus funds to be pro-actively identified, with reliance being placed on the honesty of the parent / carer to declare any overpayment.
 - f) There is also a lack of management oversight in utilisation of PB's. No management reports are produced / reviewed to ensure that the policy and operational processes are being adhered to, and that issues with PB utilisation and associated budgets are being highlighted and managed effectively.
- 5.6 Details of the audit work in progress and the stage reached are set out at Appendix B. This includes 2 audits still in progress from last financial year, one of which is at draft report stage and we are waiting for responses from the relevant service, and for the second there was an agreed postponement. 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 Three the projected year end figure is 92%. There are two vacancies in the team, this will reduce the team's performance percentage during the last quarter as it is based on number of occupied posts when the plan is compiled, no allowance had been made for vacant posts.
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Proposals

This report is to update the Governance Committee of the progress of Internal Audit work at the end of Quarter Three 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 that was given a less than reasonable assurance opinion. The volume of limited assurance reports continues to be low, and there are no concerns that need to be raised with the Committee this quarter.

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

Subject to Call-In:

Yes: No:

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

Officer details:

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