

---

# Internal Audit Annual Assurance Report 2025/26

---

<b>Committee considering report:</b>	Audit and Risk Committee
<b>Date of Committee:</b>	23 June 2026
<b>Portfolio Member:</b>	Councillor Iain Cottingham
<b>Date Portfolio Member agreed report:</b>	
<b>Report Author:</b>	Julie Gillhespey (Audit Manager)

---

## 1 Purpose of the Report

The Global Internal Audit Standards (GIAS) for the UK Public Sector require the Audit Manager to make a formal annual report to those charged with governance within the Council. The report is required to include an opinion on the effectiveness of the Council's governance, risk management and internal control frameworks, which in turn supports the Council's Annual Governance Statement.

## 2 Recommendation(s)

No recommendations are made within this report. The report is to inform the Audit and Risk Committee of the Internal Audit annual assurance opinion.

## 3 Implications and Impact Assessment

Implication	Commentary
<b>Financial:</b>	Not Applicable
<b>Human Resource:</b>	Not Applicable
<b>Legal:</b>	Not Applicable
<b>Risk Management:</b>	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>	Not Applicable			
<b>Policy:</b>	Not Applicable			
	<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>				

## 4 Executive Summary

- 4.1 The Global Internal Audit Standards (GIAS) for the UK Public Sector require the Audit Manager to make a formal report annually to those charged with governance in the Council. The report is required to include an opinion on the Council's governance, risk management and internal control frameworks, which in turn supports the Annual Governance Statement.
- 4.2 The audit opinion is based upon the audit assurance work undertaken during the year; knowledge gained from previous audit work; as well as intelligence gained from other sources of assurance, both internal and external, for example, Corporate Board reports, Ofsted and External Audit.

### 4.3 Purpose of the Audit Manager's Annual Assurance Report

To provide:-

- (a) An opinion on the Council's governance, risk management and control environment;
- (b) Information to support the opinion given;
- (c) A summary of the work undertaken compared with planned;
- (d) Performance of the Internal Audit Team;
- (e) A statement as to whether the work of the Audit Team complies with the GIAS.

### 4.4 Assurance Opinion

- (a) From the assurance work undertaken and other sources of control/governance information the Audit Manager is able to conclude that reasonable assurance can be given that the governance, risk management and control frameworks remain robust.
  - (b) With regards to governance, the Audit Manager has noted in her two previous annual reports concerns due to the level of senior management vacancies and acting up arrangements. This situation continues to improve with senior vacancies now filled on a permanent basis. As was noted previously, Internal Audit work during the year had not identified any operational issues because of the significant level of change at senior management level, however in giving an opinion on the arrangements in place for effectiveness of governance and risk management, this
-

is an area to mention, as the level of relatively new appointments does have the potential for increased risk of uncertainty and instability within an organisation.

- (c) The Council's financial resilience continues to be a significant corporate risk. The current situation resulting in a further request for Exceptional Financial Support (EFS) to assist with the 2025/26 outturn and to help balance the budget for subsequent financial years.
- (d) In relation to the assurance opinions given during the year there were 4 completed corporate reviews that were given a less than reasonable assurance opinion out of the 20 reports completed in the year. The proportion of limited assurance reports therefore continues to be very low compared with the number of completed audits given a reasonable assurance opinion and above. There were no schools given a less than reasonable assurance opinion. All of the low assurance reports are followed up to check on progress made on implementing agreed recommendations, with outcomes reported back to the Audit and Risk Committee.
- (e) There were no audit follow-ups given an unsatisfactory progress rating.

#### **4.5 Performance of the Audit Team**

- (a) The team has a service performance indicator to achieve 80% of the audit plan. For 2025/26 the actual result was 84% compared with the previous year's outcome of 86%. Although a lower percentage than the previous year, this was a very good achievement for the Team, bearing in mind that there were two vacancies for nearly four months, and the target was set based on having a full establishment.

## **5 Supporting Information**

### **Introduction**

- 5.1 The Accounts and Audit (England) Regulations (2015) require each local authority to maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper practices.
- 5.2 The Global Internal Audit Standards (GIAS) for the UK Public Sector require the Chief Audit Executive (the Audit Manager) to make a formal report annually to those charged with governance in the Council. The report is required to include an opinion on the Council's governance, risk management and internal control framework, which in turn supports the Annual Governance Statement.

### **Background**

- 5.3 This report sets out Internal Audit's annual opinion and includes information to support the opinion given. The report content has been compiled to conform to the requirements of the GIAS in the UK Public Sector.
  - 5.4 The audit opinion is based upon the assurance work undertaken during the year and knowledge gained from previous assurance work, as well as intelligence gained from other sources of assurance, both internal and external, for example, Corporate Board reports, Ofsted and External Audit.
-

5.5 A system of internal control cannot provide total assurance that all risk has been identified and mitigated; it is used to manage the level of risk so that it is at an acceptable level for an organisation, taking into account the Council's risk appetite.

### **Purpose of the Audit Manager's Annual Assurance Report**

5.6 To provide:-

- (a) An opinion on the Council's governance, risk management and control environment;
- (b) Information to support the opinion given;
- (c) A summary of the work undertaken compared with the work planned;
- (d) Information on the performance of the Internal Audit Team;
- (e) A statement as to whether the work of the Audit Team complies with the GIAS.

### **Assurance Opinion**

5.7 From the assurance work undertaken and other sources of control/governance information e.g. the Finance and Governance Group, the Audit Manager is able to conclude that reasonable assurance can be given that the governance, risk management and control framework continues to be robust.

5.8 No system of internal control can provide absolute assurance against material misstatement or loss, therefore Internal Audit can only provide reasonable assurance.

5.9 With regards to governance, the Audit Manager noted concern in her annual report over the last couple of years regarding the level of senior management vacancies and acting up arrangements. By the end of 2025/26 the situation had improved. The findings of our audit work during this year have again not highlighted any obvious issues because of a large level of relatively new senior managers being in post.

5.10 The Council's financial resilience continues to be a significant risk. The current situation resulting in Exceptional Financial Support (EFS) funding being requested to assist with the 2025/26 outturn and to help balance the budget for subsequent financial years.

5.11 Internal audit work has not identified any noticeable deterioration in controls in our key financial systems and processes, the Audit Manager is aware of reviews being undertaken to re-assess the robustness of the financial controls considering the Council's financial position and need to further strengthen controls over spend and budget monitoring. Work in the audit plan for 2026/27 includes a review of Financial Governance, to assist with assessing whether the financial framework is sufficiently robust to meet the current financial challenges.

5.12 A detailed audit review of the Council's Risk Management framework is included in the Audit Plan for 2026/27, although the previous audit concluded that the framework was fit for purpose, there have been a number of changes to the framework in recent years, we therefore consider it timely to provide an updated assurance opinion. Risk assessment, management and effectiveness of controls to mitigate risk are covered as part of each assurance audit, and our work during the year has not identified any

---

emerging trends/patterns of concern with how risks are being managed within the organisation.

5.13 There have been no limitations or restrictions on the audit plan coverage or scope of the work undertaken that could have a negative impact on the opinion. There have been no impairments to the objectivity or independence of the Audit team.

### Results of Work Undertaken to Support the Annual Internal Audit Opinion

5.14 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.

5.15 A summary of the Internal Audit assurance work completed during the year is detailed below analysed by the assurance opinion that was given:-

Audit Type	No Assurance	Limited Assurance	Reasonable Assurance	Substantial Assurance
Corporate Systems	0	4	12	4
Schools	0	0	5	1

5.16 As the above table shows there were no completed audits given a No Assurance opinion during the year. There were 4 completed corporate reviews and no schools

that were given a less than reasonable assurance opinion, this number continues to be a small proportion of the audits completed in the year.

- 5.17 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).
- 5.18 A summary of the outcome of audit follow-up work completed during the year is detailed below:-

Follow-up Type	Unsatisfactory	Satisfactory	Fully Implemented
Corporate Systems	0	1	0
Schools	0	3	0

Details to support the audits given a less than reasonable assurance opinion and unsatisfactory progress for Follow-up audits, are set out in each quarterly update report.

### Internal Audit Work Progress Update since the last Quarterly Report

- 5.19 Attached to this report are the appendices listing work undertaken for the final quarter of the year, with completed work at Appendix A, work in progress at Appendix B, and table C showing progress on the specific Anti-Fraud Work Plan. During the final quarter there was one review given a less than Reasonable Assurance Opinion, which is set out below.

### 5.20 Limited Assurance Report – Procurement Cards

Key areas of Weakness:

- (a) As concluded in previous audits, there is a generally sound framework in place for approving and issuing procurement cards and PINS to the cardholder, supported by comprehensive central guidance. However, updates to the guidance are not routinely issued or communicated to existing cardholders, and no formal training is provided by Accountancy, leading to inconsistent understanding and application of procedures.
  - (b) From sample testing of 4 services issued with procurement cards we identified repeat findings from previous audits which included insecure card storage, card sharing, incomplete documentation relating to procurement card purchases, inconsistent checks of appropriateness and occasionally accuracy of expenditure, and delays in reconciliation processes and communication of cardholder changes to Accountancy.
-

- (c) Additionally, the lack of formal internal procedures within Accountancy and absence of systematic processes for the collection and reporting of metrics and trends related to the use of procurement cards, limits management visibility and oversight of card activity and associated risks.

5.21 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.

### **Audit Team Resources and Performance**

5.22 The team has a service performance indicator to achieve 80% of the audit plan. For 2025/26 the actual result was 84% compared with last year's outturn of 86%. Although the outturn was lower last year, we had two vacant posts for 4 months of the year.

5.23 The 80% target has been in place for quite a few years, the Audit Manager considers it remains a reasonable target, it is not easy to achieve nor one that over stretches the team. The reasonableness of the target also factors in that the calculation used for determining the number of productive days per team member is set at the higher end of days available when it has been benchmarked.

5.24 For context, there are other measures more of a qualitative nature that are as equally important because of the nature of internal audit work, these other performance factors shouldn't be put at risk because of the need to turnover audit work more quickly due to a more stringent corporate target.

5.25 All internal audit work has been undertaken in accordance with the requirements of the GIAS in the UK Public Sector, which set out the core principles, quality standards and Code of Ethics that the Council's Internal Audit Team are required to follow. Under the GIAS there is a requirement to have an external assessment of the internal audit service every five years. The last external assessment was undertaken in June 2023, the outcome of which was that the Council achieved a 'Fully Conforms' opinion, this is the highest category of compliance (the other possible conclusions being 'partially conforms' and 'does not conform'). The next assessment will be due before June 2028.

5.26 The GIAS require IA to have an Improvement Programme. The plan last year included four areas for improvement:-

- (a) Ensure that the working practices and quality of work continues to fully comply with professional standards.
- (b) Promote the scope for Internal Audit to have a greater role in advisory reviews.
- (c) Carry out an exercise to gain a fuller picture of second lines of defence, so these can be incorporated into the Assurance Map maintained by Internal Audit, and considered as part of audit planning/placing reliance on second lines of defence.
- (d) Be mindful of emerging technology (e.g. AI), and plans to utilise these across Council services, and assess the impact on approach to audit work.

The first two points have been actioned. The third was postponed due to the vacancies in the year, as it would be a large time-consuming project, and was not a

---

priority. For the 2026/27 improvement plan it was decided to use a different approach for this, and gain the information gradually as part of ongoing audit work. The fourth is an ongoing action for the team to ensure awareness is maintained.

5.27 The Audit Team currently consists of five posts; the Audit Manager, a Principal Auditor and three Senior Auditors, one of the Senior posts is currently vacant and a recruitment exercise underway.

### **Audit Plan Actual Coverage**

5.28 The following table shows the level of time spent in each type of audit activity compared with the planned time:-

<b>Audit Activity</b>	<b>Planned Time</b>	<b>Actual Time (up to allocated project time budgets)</b>
Assurance work	563	474
Investigations (potential fraud/HR investigations etc)	0	2
Unplanned advisory project work e.g. ITrent	0	14
Grant Sign Off Work	15	15
Plan preparation and Monitoring (corporate and schools)/Audit and Risk Committee Update Reports	47	35
Adhoc advice requests (corporate and schools)	25	33
Follow-up audits (corporate and schools)	20	23
Other (external professional liaison, fraud training, monitoring of School Financial Value Standard (SFVS) Annual Returns.	15	14
Plan Contingency Days	45	
<b>Total Days</b>	<b>730</b>	<b>610</b>
(These are the totals that are used to calculate the productivity percentage i.e. the 84% referred to in 5.22)		

## **5.29 Notes to support the information in the table at point 5.28 above:-**

- (a) Unplanned advisory/investigatory work reduces the level of assurance work that can be undertaken in a year. There were only a few requests for Internal Audit to participate/provide advice on unplanned project work and ad hoc investigations, so there was minimal impact on the level of planned assurance work that could be undertaken. The team undertook 84% of actual assurance work compared with planned.
- (b) The planned work not undertaken is reviewed as part of risk assessing and preparing the new audit plan and rescheduled into the following year where deemed appropriate.

5.30 Under the Local Government Transparency Code 2015 the Council is required to publish certain information regarding fraud. In order to meet this duty the following information is provided:-

- (a) There are no professionally accredited counter-fraud internal investigators, the Internal Audit team has the skills and experience to undertake such work where it arises.
- (b) There have been no occasions where the powers under the Prevention of Social Housing Fraud have been used by the Audit Team.
- (c) There were no investigations undertaken of potential fraud, and therefore no costs incurred relating to such work (any associated salary costs for time spent).

## **Proposals**

5.31 This report is to inform the Audit and Risk Committee of the Internal Audit annual assurance opinion.

## **6 Other options considered**

Not applicable, this annual report is required to be prepared.

## **7 Conclusion**

This report was produced to provide the Audit Manager's opinion on the Council's governance, risk management and control frameworks for 2025/26. The Audit Manager's annual audit opinion is that reasonable assurance can be given that the Council's governance, risk management and control frameworks continue to be robust.

## **8 Appendices**

- 8.1 Appendix A - Audit Work Completed during last quarter of 2025/26
  - 8.2 Appendix B - Audit Work in Progress as at 31st March 2026
  - 8.3 Appendix C - Fraud Plan Progress as at 31st March 2026
  - 8.4 Appendix D - Completed Audits - Audit Risk Heatmaps
-

## 8.5 Appendix E - Completed Audits - Detail to Support Audit Report Opinions

---

### Background Papers:

None

### 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

**Wards affected:** All wards

### Officer details:

Name: Julie Gillhespey  
Job Title: Audit Manager  
Tel No: 01635 519455 (ext 2455)  
E-mail: Julie.gillhespey@westberks.gov.uk

---