Internal Audit Update Report – Quarter One 2026/27

Committee considering report:	Audit and Risk Committee
Date of Committee:	29 September 2026
Portfolio Member:	Councillor Iain Cottingham
Report Author:	Julie Gillhespey (Audit Manager)

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 2026/27.

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 Audit and Risk Committee with an update on Internal Audit Work as at the end of Quarter One 2026/27.

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 One 2026/27.

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 three corporate audits completed during the period, there was one given a limited assurance opinion. There was also one school report given a limited assurance opinion. There was one corporate follow-up that was given an unsatisfactory progress rating.

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 One the projected year end figure was 84%. This is lower than the usual percentage at this time of year, as the team continues to have a Senior Auditor vacancy.

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 in the quarter. There is a lower number of completed audits for this quarter, the main reason being that there was less audit work commenced in the previous quarter because of the two vacancies in the team. One vacant post was recruited to at the end of March 2026; therefore, the level of audit work being undertaken has increased for 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, and one school audit.

Audit Type	No Assurance	Limited Assurance	Reasonable Assurance	Substantial Assurance
Corporate Systems		1	2	
Schools		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 was one corporate follow-up completed during the period where an unsatisfactory progress rating was given.

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

5.5 Limited Assurance Opinion Reports/ Unsatisfactory Follow-up Audits

Management and Oversight of School Deficits

Key issues identified for this audit were reported to the Governance and Ethics Committee in January 2026, as an emerging issue to highlight to Committee regarding the depletion of the Schools Reserve Fund. The key areas where we have made recommendations are as follows:

a) There is a worsening budget position for schools, with an increasing number going into a deficit budget position. There are known reasons for this, particularly a national decline in pupil numbers, with West Berkshire experiencing a more significant percentage reduction than the national average over recent years. Maintained schools are also facing a notable increase in the need for SEND provision.

b) Although work is underway to establish a corporate strategy to address these challenges, this will take time to implement and embed and for resulting improvements in school budget balances to be realised. In the meantime, there is need for shorter- and medium-term approaches to effectively manage the situation.

c) Changes in staffing, resources and practices have delayed development of changes in approach for oversight and management of school budget deficit position. At the time of this review, Finance and Education Services were actively working to improve communication and sharing of information, as well as reviewing operational capacity within Finance, and looking at team restructuring, identification of deficit drivers, and financial modelling to increase the level of data to assist with longer-term financial planning.

d) As well as the issue of there being a continuous increase in the number of schools going into deficit, the audit also identified a sustained pattern in the significant reduction of schools with a surplus balance, which previously have assisted in offsetting the deficit balances all of which are held in the School Fund Reserve Account.

e) The reduction in the balance held in the School Fund Reserve account will impact on the Council's General Reserve if it goes into a deficit position which we have projected could happen in the next year. At the time of the audit this had not been reflected in service-level or corporate registers, and longer-term forecasting of the School Fund Reserve was not being undertaken, only an end of year figure calculated for the Council's year-end financial statements. This issue of concern was raised with senior officers/members in November 2025 and was reported to the Governance Committee prior to completion of the audit to expedite timely remedial action.

f) We found there is an effective framework in place in relation to the Council's Scheme for Financing Local Authority-Maintained Schools, the content meets statutory requirements and is regularly reviewed against changes in government requirements.

Theale Primary School

We did not identify any significant areas of concern, the audit opinion was reached due to the number of control weaknesses where improvements were required, the key points being:

a) several areas where core financial administration processes require strengthening, including Agresso FMS reconciliations, purchase ordering and payment procedures, procurement card controls, bank reconciliation activities, additional time claim processing, and School Fund accounting.

b) A review of delegated financial authorities, aligned to job descriptions and defined roles and responsibilities is advised to streamline workflows and enhance operational effectiveness.

c) There was limited evidence/source documentation for some governance and financial processes, including a lack of evidence of verification processes/authorised signatories and FGB challenge recorded in minutes. Improvements to audit trails are therefore required to ensure robust financial control and oversight.

West Berkshire Lottery Follow-up Audit (2nd Stage Follow-up)

a) Our latest follow up has identified a further positive step, with progress made in addressing resourcing challenges. Funding had been secured to recruit a Social Value role, which will assume responsibility for the day-to-day management and monitoring of the lottery, and therefore there is resource available to review and expand the lottery oversight undertaken as per our advisory recommendations.

b) However, there has been no further progress in finalising the contract with the service provider, assurance therefore remains limited in relation to compliance with Gambling Commission requirements, the Council's Contract Rules, and clarity of delegated roles and responsibilities.

The Service Director for Community Services has been invited to the meeting to provide further information regarding the issues with progressing the recommendations, especially in relation to having a contract in place.

5.6 Details of the audit work in progress and the stage reached are set out at Appendix B. This includes a number of audits still in progress from last financial year, 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. There were also a few audits that were put on hold when staff left which were then picked up at a later stage by the Audit Manager.

5.7 Audit work may also 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.

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

5.9 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.

5.10 The Audit Team has an in-service reportable performance target to achieve at least 80% of the audit plan work for the year. As at the end of Quarter One the projected year end figure was 84%. This is lower than the usual percentage at this time of year, due to the team still having a Senior Auditor vacancy. A further attempt at recruitment is currently underway.

Proposals

This report is to update the Audit and Risk Committee of the progress of Internal Audit work at the end of Quarter One 2026/27.

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 and one school audit completed during the period that were given a less than reasonable assurance opinion. There was also one corporate audit follow-up given an unsatisfactory opinion. The volume of limited assurance reports and unsatisfactory follow-up audits continues to be low, and there are no emerging significant issues/risks that are of concern that need to be raised with the Committee this quarter.

8 Appendices

Appendix A - Completed Audit Work

Appendix B - Current Audit Work

Appendix C - Anti-Fraud Work Plan Update

Appendix D - Completed Audits – Supporting Information

Appendix E - Completed Audits – Audit Risk Heatmaps

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:

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