Audit and Governance Committee

15 July 2026

Title	Internal Audit & Investigations Annual Assurance Report 2025/26
Purpose of the report	To note the report for information
Report status	Public report
Executive Director/ Statutory Officer Commissioning Report	Director of Finance
Report author	Paul Harrington, Chief Auditor
Lead Councillor	Councillor Ruth McEwan, Corporate Services and Resources
Council priority	All
Recommendations	That the Committee: 1. Notes the Internal Audit & Investigations Annual Assurance Report for 2025/26. 2. Notes the Chief Auditor's opinion of Reasonable Assurance in respect of the Council's governance, risk management and internal control framework.

1. Executive Summary

1.1 This report presents the outcomes of Internal Audit and Counter Fraud activity for 2025/26 and provides the Chief Auditor's opinion on the adequacy and effectiveness of the Council's governance, risk management and internal control framework. The work has been undertaken in accordance with the Global Internal Audit Standards and supports the preparation of the Annual Governance Statement.

1.2 Based on the evidence available, including audit reviews, follow-up work, investigations and other sources of assurance, the Chief Auditor has concluded that **Reasonable Assurance** can be placed on the Council's internal control framework. This reflects a position where the majority of controls are operating effectively, but where improvements are required to strengthen consistency, oversight and resilience across some service areas.

1.3 The audit programme confirms that many of the Council's core systems are supported by effective governance and well-embedded controls. However, a minority of reviews identified more significant weaknesses, particularly in relation to data quality, capacity pressures and the consistent application of controls. Follow-up work shows that progress is being made in addressing previously identified issues, although some areas continue to require sustained management attention.

1.4 External assurance broadly supports this position. While the Council's overall governance arrangements are sound, inspection findings in certain high-risk services highlight that controls have not always been applied consistently in practice. This distinction between the design of controls and their effectiveness in operation is a key factor underpinning the Reasonable Assurance opinion.

1.5 Overall, the report demonstrates that the Council has a functioning and responsive governance framework, with clear areas of strength. Continued focus is required to ensure that improvements are embedded and that control arrangements operate consistently across all services.

2. Policy Context

2.1. The requirement to maintain an effective internal audit function is set out in the Accounts and Audit (England) Regulations. These regulations require local authorities to undertake an adequate and effective internal audit of their accounting records and systems of internal control, in accordance with proper practices.

2.2. The Global Internal Audit Standards provide the professional framework for internal audit activity and require the Chief Auditor to produce an annual report including an overall opinion. This report forms a key element of the Council's assurance framework and directly supports the preparation of the Annual Governance Statement.

2.3. The Council's governance framework also incorporates other sources of assurance, including external audit, regulatory inspections, management assurance statements and internal oversight arrangements. This report should therefore be read alongside these sources to provide a comprehensive view of governance effectiveness.

3. The Proposal

3.1. The Annual Assurance Report sets out the work completed by Internal Audit during 2025/26 and the evidence supporting the overall opinion. The audit plan was substantially delivered, covering a broad range of financial, operational and corporate systems, with 22 audits completed alongside advisory reviews and grant certification work.

3.2. The results present a clear and balanced picture of the Council's control environment. Most audits resulted in substantial or reasonable assurance, indicating that key controls are in place and are generally operating effectively. Strong assurance was obtained in core areas such as Electoral Register and Elections, Capital Programme and Monitoring, and Housing Benefits, where controls were well embedded, consistently applied, and supported by effective governance and oversight.

3.3. Several further audits, including Health & Safety, Traffic Regulation Orders (follow-up), Payments Against Orders (Children's), Accounts Receivable, and Occupational Therapy Waiting Lists (Adults), confirmed that control frameworks are sound overall. However, these reviews also identified opportunities to improve consistency in control application, strengthen documentation, and reduce reliance on key individuals.

3.4. A fact-finding review found that the Arcus system implementation was undermined by weak governance, planning and oversight, with unclear requirements, poor documentation and limited testing leading to service impacts, manual workarounds and high workloads. While some progress has been made, the system remains ineffective, with ongoing issues in processes, data quality, training and governance, and a structured recovery approach is now underway.

3.5. A smaller number of audits identified more significant weaknesses. Limited assurance opinions were issued for Financial Assessments & Benefits Team (FAB), Children's Savings Accounts & Junior ISA (follow-up), Joint Legal Team Billing Process, Home Improvement Grant, and Commercial Lease/Rent Roll (follow-up). These reviews highlighted recurring issues around data quality, reconciliation processes, capacity constraints and inconsistent governance arrangements.

3.6. The audit of Lone Working (Children's Services) resulted in a no assurance opinion, reflecting a material gap between policy and practice. Weaknesses were identified in training compliance, system use and managerial oversight, giving rise to risks relating to staff safety and operational control.

3.7. Follow-up work provides a mixed position. Improvements have been made in areas such as Traffic Regulation Orders, where governance and oversight have strengthened. However, in other areas, including Commercial Leases Rent Roll and Children's Savings Accounts, previously identified weaknesses, particularly around data integrity and financial controls, had yet have yet to be fully resolved at the time of the audit.

3.8. Alongside internal audit activity, the Corporate Investigations team has continued to provide an important component of the Council's overall assurance framework. The team undertakes investigations across a range of areas, including tenancy fraud, council tax reduction, and misuse of Blue Badges, responding to referrals and proactive data-matching exercises. Activity levels have increased in a number of areas, including housing tenancy referrals and blue badge misuse cases, with outcomes including recovered assets, prevented losses and financial savings.

3.9. The introduction of additional data-matching activity, including Fraud Hub work, has increased the volume of intelligence available and supported a more proactive approach to identifying potential fraud and irregularity. The team has also managed a range of internal investigations and triaged whistleblowing referrals, with 14 whistleblowing allegations received during the year. This increase suggests improved awareness of reporting routes and confidence in the Council's arrangements for raising concerns.

3.10. Taken together, the audit findings indicate that the Council's governance framework is generally effective, with strong arrangements in many core systems. However, there remains variability in how consistently controls are applied across services, particularly where capacity pressures, data quality issues or governance weaknesses are present. This overall position, supported by wider assurance sources, underpins the Chief Auditor's opinion of Reasonable Assurance for 2025/26.

4. Contribution to Strategic Aims

4.1. An effective system of governance, risk management and internal control underpins all of the Council's strategic priorities, particularly the objective of ensuring that the Council is fit for the future.

4.2. The work of Internal Audit supports this by providing independent assurance over key systems and processes, identifying areas for improvement, and promoting good practice across the organisation. This contributes to better decision-making, improved service delivery and increased accountability.

4.3. By identifying weaknesses and supporting corrective action, internal audit activity also helps to protect public resources, enhance service resilience and maintain public confidence.

5. Environmental and Climate Implications

5.1. There are no direct environmental or climate implications arising from this report. The report relates to governance, audit and assurance arrangements rather than service delivery or operational activity.

6. Community Engagement

6.1. No public consultation has been undertaken in relation to this report. The findings are based on audit work conducted across Council services, with engagement from relevant managers and officers during the audit process.Report authors must engage with and consult staff and councillors to help them finalise the report (see report writing checklist for further details).

7. Equality Implications

7.1. The report does not propose changes to policy or service delivery and therefore does not have direct equality implications. However, the work of Internal Audit supports equitable service delivery by identifying weaknesses in controls, governance and oversight which, if unaddressed, could impact disproportionately on service users.

8. Other Relevant Considerations

8.1. The report highlights a number of risk management considerations, particularly in relation to service areas where limited or no assurance has been provided. These risks principally relate to governance weaknesses, data quality issues and operational pressures, which may affect the reliability of decision-making and service outcomes if not addressed.

9. Legal Implications

9.1. The requirement to produce an Annual Assurance Report is set out in the Accounts and Audit (England) Regulations. The report forms part of the Council's statutory governance framework and supports the preparation of the Annual Governance Statement.

10. Financial Implications

10.1. The Internal Audit function operates within an agreed budget. The work undertaken during the year supports value for money by identifying control weaknesses, preventing loss and improving efficiency across the Council's operations.

11. Timetable for Implementation

11.1. Not applicable.

12. Background Papers

Appendices

1. Appendix 1 – Internal Audit & Investigations Annual Assurance Report 2025/26