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| Classification: Open | Decision Type: N/a |
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| Report to: | Audit Committee | Date: 17 February 2026 |
| Subject: | Internal Audit Progress Report | |
| Report of: | Section 151 Officer | |

Summary

1. This report outlines the work undertaken by Internal Audit from 1 October to 31 December 2025 which includes the progress to date to complete the 2024/25 audit plan and commence the 2025/26 audit plan. The report enables Members to monitor the work of the Internal Audit service, raise any issues for further consideration and provide an opportunity to request further information or to suggest areas for additional or follow up work.

The conclusions drawn from the report are:

- Work on the 2024/25 plan is completed, and the 2025/26 plan has commenced, with 11 reviews ongoing, 1 report at draft stage and 4 audits allocated to auditors.
- 8 audit reports have been issued during the quarter 3 period.
- 5 first follow up exercises and 8 second follow up exercises have been completed between the period 1 October to 31 December 2025.

Recommendation(s)

- Members note this report and the work undertaken by Internal Audit.
- Members to approve the changes / amendments to the 2025/26 audit plan.

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1.0 Background

- 1.1 This report outlines the work undertaken by Internal Audit from 1 October to 31 December 2025.
- 1.2 Management is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements i.e., the control environment. Internal Audit plays a vital role in reviewing whether these arrangements are in place and operating properly and providing advice to managers. On behalf of the Council, Internal Audit review, appraise and report on the efficiency, effectiveness and economy of these arrangements and provide assurance to the organisation (Chief Executive, Executive Directors, and the Audit

Committee) and ultimately the taxpayers, that the Council maintains an effective control environment that enables it to significantly manage its business risks. The service helps the Council achieve its objectives and provides assurance that effective and efficient operations are maintained.

- 1.3 The assurance work culminates in an annual opinion given by the Head of Fraud, Audit Insurance and Risk on the adequacy of the Council's control environment, based on the work undertaken, and this opinion feeds into the Annual Governance Statement.
- 1.4 The Internal Audit Plan for 2025/26 provides for 689 days to be delivered across all Council departments and Persona. The Audit plan covers a range of themes and was approved by Audit Committee at the meeting on 8 April 2025.
- 1.5 Work has been concluded on the outstanding reviews from 2024/25, and work is progressing on the 2025/26 audit plan. Regular progress reports are produced, informing Members of audit activities, and this is the third report of the 2025/26 financial year covering the period from 1 October to 31 December 2025 which includes 13 completed weeks.

2.0 UPDATE

2.1 Annual Audit Plan

- 2.1.1 The 2025/26 audit plan is shown at Appendix A and has been updated to show the position at the 31 December 2025.
- 2.1.2 All audit carried forward from the 2024/25 audit plan have now been completed. 79 days were allocated to complete these audits. As at 31 December 2025, 159 days had been used, which identifies an overspend of 80 days. Reasons for the overspend include 4 additional audits that had to be carried forward that were not anticipated. 6 of these audits resulted in a limited assurance opinion and these reviews needed additional unexpected level of testing and meetings to be undertaken.
- 2.1.3 Amendments required to the 2025/26 audit plan as follows:
 - The Elton High School – request to remove this 14-day audit as the school is due to convert to Academy status in September 2026. Consequently, Internal Audit would not be able to complete the full audit cycle including follow ups prior to conversion.
 - Capital Programme – request to remove this 17-day audit and to consider for the 2026/27 audit plan due to no major capital schemes being completed in within the 2025/26 financial year.
 - As of 31 December 2025, the contingency for Investigations / Whistle blowing is overspent by 27 days. Request to transfer 30 days from the contingency for unplanned work and advice and guidance allocation, to the Investigations / Whistle blowing allocation.
- 2.1.4 The 2025/26 audit plan provided for 36 audit days to be allocated to reviews to be undertaken for Persona. A plan has now been agreed, and the audits are identified in Appendix A.

2.2 Audit Plan Progress

This report summarises the outcome of reviews undertaken, including work reported to Audit Committee in this period, work currently ongoing and draft reports which have been issued to Audit clients.

Audits completed and Reports Issued

2.2.1 During the period from 1 October to 31 December 2025, 8 audits have been finalised and issued since Audit Committee last met in October 2025. These 8 reports include audits that complete the 2024/25 audit plan as well as audits that form part of the 2025/26 audit plan.

- Adult Financial Assessments
- Freedom of Information / Subject Access Requests
- ISO 27001 Gap Analysis – Consultancy Report – no recommendations
- Additional Hours & Overtime Payments – Adult Services
- Purchase Card Expenditure
- VAT Submissions
- CCTV Compliance with the Code of Practice 2025/26
- Leaving Care – Finance Policy

One of the reports identified above provided limited assurance, one report had a moderate assurance, three reports had a substantial assurance, and two reports provided a full assurance rating.

All reports have been circulated to Audit Committee Members, the Leader of the Council and Cabinet Members.

2.2.2 Any level of assurance given to each audit is a balanced judgement based upon the established system of controls, the subject's approach to risk management and the nature of any recommendations and actions agreed. See Appendix B for explanations of the various levels of assurance.

Recommendations are classified over the categories of Fundamental, Significant and Merits Attention. See Appendix B for explanations of the various levels of priority.

2.2.3 The agreed actions to address the recommendations from the audit are designed to improve the control environment and / or improve "value for money" within the client's area of responsibility and we can report that the actions made in this period have been agreed by management.

Our audit reports include an action plan that records the detail of our findings, the agreed action that management intend to take in response to these findings and the timescale to undertake such action. This provides a record that progress can be measured against when we undertake our follow up audits.

2.3 Follow ups.

All audit reports are subjected to a follow up review. For those reports issued with limited assurance, a follow up review is undertaken three months after the report has been finalised, and for all other reports, a follow up is undertaken after six months. The recommendations which have been graded fundamental or significant are subjected

to a detailed follow up which includes audit testing. Since April 2025, recommendations graded merits attention are now also followed up, with the officer identified in the management action plan, and assurance is obtained that the recommendation has been implemented.

A second follow up is undertaken six weeks after the first follow up, to pick up on any recommendations that have not been implemented or only had partial implementation. Updates are provided to Audit Committee.

A recommendation tracker is in place and all recommendations that are still either outstanding or partially implemented after the second follow up are reported to the Governance & Assurance Board, which is headed by the Council Monitoring Officer.

There are no plans for a third follow-up process. Any reviews with recommendations which have not been implemented / only partially implemented are then passed to the Governance & Assurance Board to progress. Additionally, recommendations with outstanding actions are currently being monitored on an ad hoc basis by the Members Assurance Group.

In addition, after the second follow up audit has been completed, the Chair of the Audit Committee has the discretion to request the relevant Director to attend the Audit Committee meeting.

5 first follow ups reviews and 8 second follow up reviews have been completed in the period 1 October to 31 December 2025.

All reports have been circulated to Audit Committee Members, the Leader of the Council and all Cabinet Members.

The Governance & Assurance Board has met 3 times to discuss outstanding recommendations since the last progress report. The December 2025 meeting received updates of 18 recommendations, 2 fundamental and 15 significant and 1 merits attention, which are still either partially implemented / not implemented. Whilst the total number of recommendations has decreased since the last progress report, the direction of travel of total number of recommendations being classed as implemented at second follow up is still positive.

2.4 Other work

This section details other work completed by the audit team.

Assurance work – Ongoing reviews

2.4.1 There are 11 audits in progress from the 2025/26 plan. Audits which are currently taking place are:

- Catering Services provided to Secondary Schools
- Creditors – Deep Dive
- Revenues Recovery & Enforcement
- Trusts Managed by the Council
- Payroll – Voluntary Deductions
- GDPR Officer Compliance
- St Andrew C of E Primary School Ramsbottom
- St Andrew C of E Primary School Radcliffe

- Persona – Grundy Day Care Centre
- Persona – The Green Café
- Housing – Complaints Procedures

Assurance work – Draft reports

2.4.2 The following reviews have been completed, and draft reports have been issued to the client:

- Hollins Grundy Primary School

Assurance work – Allocated

2.4.3 Work has also commenced to deliver the audits detailed in the audit plan for 2025/26. The following audits have been allocated to an Auditor and preparation work is being undertaken.

- Income & Bank Key Controls 2025/26
- Main Accounting Key Controls 2025/26
- Payroll – Leavers Deep Dive
- Direct Payments – Adults

Grants

2.4.4 The Bus Operator Grant 2024/25 verification exercises have been completed, signed off and submitted to the Department for Transport (DfT).

Supporting Transformation and Change

2.4.5 The Internal Audit Plan 2025/26 includes a provision of 74 days to be made available to support services throughout the year by providing consultancy advice or independent assurance as / when our input is appropriate.

Advice given in the period 1 October to 31 December 2025:

- Work is undertaken with Registrars on a quarterly basis to securely destroy any spoil certificates
- Anti-money laundering checks
- Peel Tower – Income Collection
- Attendance to the Procurement Continuous Improvement Group (PCIG)
- Attendance to the Finance Transformation Board
- Support to the IG Team with a Local Government & Social Care Ombudsman (LGO) enquiry.
- Support to the Data Protection Officer (DPO) at Mersey Drive Primary School.
- Support to IG team in relation to a Data Protection Impact Assessment (DPIA) for Beebot AI Limited.
- Support in relation to a purchase card error by Business & Investment team.

2.5 Investigations / Fraud / Whistleblowing

The team continues to be available to support the business with internal investigations providing technical skills and advice when called upon and managing the whistleblowing hotline / online referrals.

Details of investigations are reported separately to Audit Committee in part B of the meeting.

2.6 School Audits

For 2025/26 the annual plan includes 50 days to undertake individual school reviews. The audit team have consulted with colleagues from Children's Services and have developed a school audit plan to be delivered. 4 school reviews are now to be undertaken.

In addition, arrangements remain in place that Internal Audit will undertake School Audits on requests received, during the year, from the Executive Director of Children's Services and / or Director of Finance, where it is thought an audit review would be beneficial to the School and the Council.

An Education and Skills Leadership team has also been established within the Council and Internal Audit are represented on this group, providing advice to the group on specific issues which may arise at schools.

2.7 Collaboration

We have ongoing representation on sub-groups of the Northwest Heads of Internal Audit Group. The groups have been established to share good practice across the region.

- IT Audit Group
- Schools Audit Group
- Chief Audit Executive Group

2.8 Performance Measures and Targets

Please find at Appendix C performance measures & target results up to the end of quarter 3 (1 April to 31 December 2025) where applicable. The results so far are not highlighting any major areas of concerns.

Links with the Corporate Priorities:

- Internal Audit undertakes assurance work to all Departmental Directors and Statutory Officers regarding the systems in place, making recommendations for improvements to control and protect the assets and resources of the Council. The control and mitigation of the loss of funds gives the assurance that public money is used in an appropriate manner to deliver the Corporate Priorities.
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Equality Impact and Considerations:

Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to -

- (a) eliminate discrimination, harassment, victimisation, and any other conduct that is prohibited by or under this Act.
- (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it.
- (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services.

Internal Audit provide assurance to Committee Members and the public that the organisation is delivering services in line with agreed policies and procedures which have considered the requirements of the Equality Act 2010.

Environmental Impact and Considerations:

- N/a – no decision required.

Assessment and Mitigation of Risk:

| Risk / opportunity | Mitigation |
|---|--|
| Risks are highlighted in Audit Plans and in the terms of reference for each Audit review. | Internal Controls are reviewed in each audit to mitigate identified risks. Actions are reported to managers and progress is monitored and reported on a regular basis. |

Legal Implications:

- The Council must have a sound system of internal control which facilitates the effective exercise of its functions, including risk management. This is both a legal requirement and a requirement of the Financial Regulations set out in the Council's Constitution. This report provides information on the work of the Council's Internal Audit Service, in ensuring compliance.

Financial Implications:

- There are no financial implications arising from this report. The work of the Internal Audit Service however supports the governance framework.

Background papers:

- Internal Audit Plan 2025/26 (Appendix A)
- Explanation of Opinion ratings (Appendix B)
- Performance Measures and Targets 2025/26 (Appendix C)
- Internal Audit and Follow Up Reports issued throughout the course of the year

Please include a glossary of terms, abbreviations and acronyms used in this report.

| Term | Meaning |
|-------------|--|
| ISO | The International Organisation for Standardisation |
| CCTV | Close Circuit TV |
| VAT | Value Added Tax |
| GDPR | General Data Protection Regulation |
| DfT | Department for Transport |
| PCIG | Procurement Continuous Improvement Group |
| LGO | Local Government & Social Care Ombudsman |
| DPO | Data Protection Officer |
| DPIA | Data Protection Impact Assessment |