

# Internal Audit Progress Report 2025/26

Date: 12 November 2025

ANNEX 1

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## BACKGROUND

- 1 Internal audit provides independent and objective assurance and advice about the council's operations. It helps the organisation to achieve its overall objectives by bringing a systematic, disciplined approach to the evaluation and improvement of the effectiveness of risk management, control, and governance processes.
- 2 The work of internal audit is governed by the Accounts and Audit Regulations 2015 and relevant professional standards. These include the Global Internal Audit Standards and the Application Note: Global Internal Audit Standards in the UK Public Sector.
- 3 In accordance with the Global Internal Audit Standards (UK Public Sector) the Head of Internal Audit is required to report progress against the internal audit plan (the work programme) agreed by the Audit & Governance Committee, and to identify any emerging issues which need to be brought to the attention of the committee.
- 4 The internal audit work programme was agreed by this committee in March 2025.
- 5 Veritau adopts a flexible approach to work programme development and delivery. Work to be undertaken during the year is kept under review to ensure that audit resources are deployed to the areas of greatest risk and importance to the council.
- 6 The purpose of this report is to update the committee on internal activity up to 31 October 2025, and to outline current plans for delivery over the remainder of the year.



## INTERNAL AUDIT PROGRESS

- 7 A summary of internal audit work currently underway, as well as work finalised in the year to date, is included in appendix A. Appendix A also details other work completed by internal audit during the year.
- 8 Since our last report to this committee, eight audits have been finalised. A further five internal audit engagements have reached draft report stage. These will be finalised over the coming weeks.
- 9 A total of 17 audits are in progress at the time of reporting. A further seven audits are at the background planning stage, in preparation for commencement during the current quarter.
- 10 In addition to the internal audit engagements discussed above, we have also continued to support the council by certifying central government grants, undertaking consultative engagements, and providing support and advice on governance, risk and control related matters.
- 11 The 2025/26 work programme, showing current priorities for internal audit work, is included in appendix B. The programme includes a number of audits in the 'do later' category. The internal audit work programme is

designed to include all potential areas that should be considered for audit in the short to medium term, recognising that not all of these will be carried out during the current year (work is deliberately over programmed so that we can be responsive to changes in the relative priority of work).

- 12 The eight audits that have been finalised since the last report to this committee are included in appendix C. The appendix summarises the key findings from these audits, and includes actions agreed with officers to address identified control weaknesses. The finalised reports in appendix C are also included as exempt annexes to this report.
- 13 Appendix D provides the definitions for our audit opinions and finding ratings.

## FOLLOW UP

- 14 All actions agreed with services as a result of internal audit work are followed up to ensure that issues are addressed. As a result of this work, we are generally satisfied that sufficient progress is being made to address the control weaknesses identified in previous audits.
- 15 A summary of the current status of follow up activity is included at appendix E.

## APPENDIX A: INTERNAL AUDIT WORK IN 2025/26

### Final reports issued

Audit	Reported to Committee	Opinion
Safety Valve (implementation review)	May 2025	Substantial Assurance
Housing benefits	May 2025	Substantial Assurance
NHS Data Security and Protection Toolkit: accountable suppliers	May 2025	No Opinion Given
School themed audit: purchasing and best value	July 2025	Reasonable Assurance
Communications	July 2025	No Opinion Given
Funded early education	July 2025	Reasonable Assurance
Member induction programme	July 2025	No Opinion Given
Commercial asset performance	July 2025	Substantial Assurance
Savings plans	July 2025	Reasonable Assurance
Clifton Green Primary School	July 2025	Reasonable Assurance
Elvington Primary School	November 2025	Reasonable Assurance
Carbon adaptation and reduction	November 2025	Substantial Assurance
Physical information security	November 2025	Reasonable Assurance
Schools themed audit: premium allocations	November 2025	Substantial Assurance
Public EV charging strategy	November 2025	Substantial Assurance
Free school meals: auto-enrolment	November 2025	Substantial Assurance
Recruitment and selection	November 2025	Reasonable Assurance
Contract management	November 2025	Reasonable Assurance

## Audits in progress

Audit	Status
Contract management (major project delivery)	In draft
Risk management (follow-up audit)	In draft
ICT disaster recovery	In draft
Performance management	In draft
Flexitime and annual leave	In draft
Service and role-specific training	In progress
Absence management	In progress
Travel and subsistence	In progress
Main accounting system	In progress
Sundry debtors	In progress
Ordering and creditor payments (P2P action plan and verification)	In progress
Council Tax and NNDR	In progress
Property asset management	In progress
Residential care: Ousecliffe and Wenlock Terrace	In progress
Payments to care providers and contract management (ASC&I)	In progress
Continuing healthcare	In progress
Children & Education Directorate: local scheme of delegation	In progress
Unaccompanied asylum seeker children	In progress
Schools themed audit: Governance	In progress
Home to school transport	In progress
Cybersecurity: user account management	In progress
Project management (gateway reviews)	In progress
Information access request management (annex 6 requests)	Planning
Payroll	Planning

Audit	Status
Right To Buy	Planning
Licensing	Planning
Referrals and care assessments (ASC&I)	Planning
St Mary's CE Primary School	Planning
Westfield Primary Community School	Planning

### Other work completed in 2025/26

Internal audit work has been undertaken in a range of other areas during the year, including those listed below.

- ▲ Follow up of agreed actions
- ▲ Refresh of the follow-up and escalation procedure, with regular reporting to the Governance, Risk and Assurance Group
- ▲ Grant certification work:
  - ▲ Scambusters
  - ▲ UK Shared Prosperity Fund programme assurance (2024/25)
  - ▲ HUG2
- ▲ Consultative engagements:
  - ▲ Fact-finding review into manual creditor payments
  - ▲ Fact-finding review into the management of services provided by YorHome
- ▲ Provision of support and advice:
  - ▲ Preparation of a briefing note on CIPFA's Code of Practice for the Governance of Internal Audit in UK Local Government ('the Code')
  - ▲ Support with undertaking the council's self-assessment against the Code
  - ▲ Holiday let commercial waste income collection procedures

## APPENDIX B: CURRENT AUDIT PRIORITIES

Audit / Engagement	Rationale
<b>Strategic / corporate &amp; cross cutting</b>	
<b>Do now</b>	
Contract management (major project delivery)	Provides coverage of more than one key assurance area.
Travel and subsistence	Identified in consultation with officers.
Performance management framework	No recent coverage. Provides coverage of a key assurance area.
Risk management (follow-up audit)	Key area of corporate governance. Provides broader assurance.
Flexitime and annual leave	Identified in consultation with officers.
Absence management	Emerging risk area.
Service and role-specific training	No recent coverage. Provides coverage of a key assurance area.
Information access request management	No recent coverage. Risks / controls are changing.
<b>Do next</b>	
Building security (West Offices and Hazel Court)	Provides coverage of a key assurance area.
Procurement Act compliance	Risks / controls are changing.
Data quality	Provides coverage of a key assurance area. Provides broader assurance,
<b>Do later</b>	
Overtime	
Physical information security	



Contract management  
 Risk management (maturity assessment)  
 Public health: procurement and contract management  
 York 2032: partnership governance  
 Management of York & North Yorkshire  
 Combined Authority funding

### Financial systems

#### Do now

Main accounting system	No recent coverage. Provides coverage of a key assurance area.
Ordering and creditor payments (P2P action plan and verification)	Being undertaken to verify progress made in implementing improvements to control.
Sundry debtors	No recent coverage. Provides coverage of a key assurance area.
Council Tax and NNDR	No recent coverage. Provides coverage of a key assurance area.
Payroll	Key financial system. Risks / controls are changing.

#### Do next

Housing rents	Risks / controls are changing.
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#### Do later

- -

### Service areas

**Do now**

Unaccompanied asylum seeker children	Emerging risk area.
Residential care: Ousecliffe and Wenlock Terrace	Being undertaken in response to known areas for improvement.
Children & Education Directorate: local scheme of delegation	Risks / controls are changing. Provides coverage of a key assurance area.
Schools themed audit: Governance	Identified in consultation with officers.
Home to school transport	Risks / controls are changing. Known area of pressure.
Continuing healthcare	Risks / controls are changing.
Payments to care providers and contract management (ASC&I)	Provides coverage of more than one key assurance area.
Property asset management	Risks / controls are changing. New regulatory regime.
Right To Buy	Risks / controls are changing. Changes to government policy.
Licensing	No recent coverage. Provides coverage of a key assurance area.
Referrals and care assessments (ASC&I)	Provides coverage of a key assurance area.
Westfield Primary School	Identified in consultation with officers.
St Mary's CE Primary School	Identified in consultation with officers.

**Do next**

Foster carer payments (follow-up audit)	Follow-up of previous Limited Assurance audit.
Use of fleet vehicles	No recent coverage. Provides coverage of a key assurance area.

**Do later**

RoSH standards improvement plan (inc. housing repairs performance)

Transport and highways programme

Managing customer finances

Danesgate Community School

Schools themed audit: procurement

Education, health and care plans (EHCPs)

Children's direct payments

Out of area placements

Children leaving care

Care and support planning

Housing allocations

Building control

Section 106 agreements: use of contributions

Public protection

### Technical / projects

#### Do now

ICT disaster recovery

Provides broader assurance. Linked to key corporate risk.

Cybersecurity: user account management

Provides coverage of a security controls.

Project management (gateway reviews)

Provides coverage of more than one key assurance area.

**Do next**

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**Do later**

Cybersecurity: user awareness / resilience

Key attack vector. Provides coverage of a key assurance area.

ICT applications and database security

ICT emergency response & business continuity  
planning

Project governance (major projects)

## APPENDIX C: SUMMARY OF KEY ISSUES FROM AUDITS FINALISED SINCE THE LAST REPORT TO THE COMMITTEE

System/area (month issued)	Opinion	Area reviewed	Comments / Issues identified	Management actions agreed
Elvington Primary School (July 2025)	Reasonable Assurance	This audit reviewed the design and effectiveness of governance and controls for administering key financial, human resources, and safeguarding processes.	<p>The school's website was not up to date with the most recent academic year's declarations of interests.</p> <p>The contract register had not been fully completed and adequately reviewed by governors.</p> <p>The school had not been routinely using purchase orders to initiate expenditure.</p> <p>The school's purchase card limit was significantly higher than its typical monthly usage. Transaction logs were not being used correctly and there was no evidence that these were being checked by the card holder or independently reconciled.</p> <p>There are gaps in the undertaking of mandatory training and of training which would improve the school's resilience for managing activities</p>	<p>A number of actions were agreed to address the identified control weaknesses. These included:</p> <ul style="list-style-type: none"> <li>▲ Updating the school website to include current declarations, and strengthening processes to capture declarations when made</li> <li>▲ Quarterly reviews of the contract register and annual reporting to governors</li> <li>▲ Using Xero accounting software to encourage consistent use of purchase orders, with periodic checks to be undertaken</li> <li>▲ Reducing the school's purchase card limit</li> <li>▲ Transaction logs will be completed by the cardholder each month and independently reviewed</li> <li>▲ Mandatory training will be brought up to date, with the</li> </ul>

System/area (month issued)	Opinion	Area reviewed	Comments / Issues identified	Management actions agreed
			such as school trips and recruitment exercises.	training log improved to clearly show expiry dates ▲ A review of skills / training will be undertaken to ensure suitable resilience is built
Carbon adaptation and reduction (July 2025)	Substantial Assurance	The purpose of this audit was to provide assurance that the council has a suitable climate change action plan which supports delivery of the Climate Change Strategy, and that emissions data is accurately reported.	<p>There is a clear biennial process established to ensure the climate change action plan ('action plan') is updated following suitable consultation. Overall, a sound control environment is in place for the identification, collection and reporting of carbon emissions data. However, some control weaknesses were identified.</p> <p>Action plan actions do not have clear completion timescales or success criteria. The criteria for categorising actions are also not transparent and it is unclear which actions are the responsibility of the council or of third parties.</p> <p>Updates to action plan actions are made without supporting evidence from action owners.</p>	<p>The carbon reduction team (CRT) will revise existing actions to ensure they meet SMART criteria as part of the biennial review cycle. The CRT will also add a key and legend to the next version of the action plan.</p> <p>The CRT will request evidence of progress against actions from action owners in the next update of the action plan.</p> <p>The CRT will include emissions derived from biomass-generated electricity consumption in their next annual carbon emissions report.</p>

System/area (month issued)	Opinion	Area reviewed	Comments / Issues identified	Management actions agreed
			The council is not reporting emissions from its biomass-generated electricity consumption in line with reporting guidance.	
Physical information security compliance (August 2025)	Reasonable Assurance	This audit reviewed the physical information security arrangements in place at West Offices and Hazel Court. It also involved assessing arrangements at the Union Terrace and Robinson Court hostels. Access to restricted areas was assessed by reviewing access arrangements for the Electoral Services room in West Offices.	<p>Although most cupboards were secured and desks cleared at West Offices and Hazel Court, unlocked cabinets and cupboards containing documents, physical assets, and keys were found at both sites. The documents found often contained personal data, and sometimes of a sensitive nature.</p> <p>Similarly, during the visits to Union Terrace and Robinson Court unlocked filing cabinets with personal records of residents were found. While both hostels always have staff present on site, staff do not have direct oversight of the records when not in use.</p> <p>There is no documented access procedure for officers to request or remove access to the Electoral Services room. An annual review of</p>	<p>A number of actions were agreed to address the identified control weaknesses. These included:</p> <ul style="list-style-type: none"> <li>▲ Sharing the detailed findings with information asset owners, and requesting improvement / reinforcement of arrangements</li> <li>▲ Regular all-staff emails on council policies, procedures and instructions on clearing desks, locking cupboards, storing keys, and password security.</li> <li>▲ Review and improvement of access request and monitoring procedures for the Electoral Service room</li> <li>▲ Undertaking annual secure room access reviews and communicating this requirement to service managers</li> </ul>

System/area (month issued)	Opinion	Area reviewed	Comments / Issues identified	Management actions agreed
			access rights to the Electoral Services room has also not taken place in recent years. Key logs to the room showed that more officers had access than was expected.	
Schools themed audit: premium allocations (August 2025)	Substantial Assurance	<p>The purpose of this audit was to provide assurance that procedures in place at the council's maintained schools meet DfE guidance on use of pupil premium funding.</p> <p>The audit reviewed procedures at six maintained schools.</p>	<p>The governing body of five of the schools had reviewed and approved the pupil premium strategy. One school's governing body had not approved the strategy.</p> <p>Four schools were unable to provide a detailed breakdown from their financial management systems of expenditure on provisions for pupil premium students. This makes it more difficult to monitor delivery of their strategies.</p> <p>All primary schools must submit a digital return to the DfE detailing their use of the 2025 PE and sport premium funding by 31 July 2025. Staff at all six schools stated that they were not aware of the digital reporting changes that were being</p>	<p>Schools will be reminded of the importance of having their pupil premium strategies approved in the full governing body meetings.</p> <p>Schools have or will be adopting Xero as their new finance system. The council will look to introduce a financial process to ensure all premium allocation spending is suitably recorded and coded accurately.</p> <p>Schools will be reminded of the importance of the council's school finance updates, and a clearer update for the digital submission will be provided.</p>



System/area (month issued)	Opinion	Area reviewed	Comments / Issues identified	Management actions agreed
			introduced. This is despite being informed by the council.	
Public EV charging strategy (October 2025)	Substantial Assurance	The purpose of this audit was to provide assurance on the council's arrangements for managing its EV charging estate. It focused on ensuring that the strategy aligns with the council's corporate objectives, and that financial management arrangements are sound.	<p>The current strategy has clear links to the Corporate Plan outcomes, the council's Climate Change Strategy, and the Local transport Strategy. An updated strategy is currently being written and is expected to launch in December 2025.</p> <p>All income collected by BP Pulse on behalf of the council had been invoiced and reclaimed. However, a number of instances were identified where an incorrect tariff rate had been charged by BP Pulse. These had not been identified by the council when the charging statements were received. Errors were seen in all statements provided, covering the period from April 2023 to March 2025. The contract with BP Pulse runs until November 2025 and a temporary rolling extension has been agreed until the council enters a new contract.</p>	Statements are currently checked prior to invoicing. However, these checks will be amended to include a check on the tariff rate being charged. The council will continue to work with BP Pulse to resolve the historic misbilling and ensure all overpayments are corrected.

System/area (month issued)	Opinion	Area reviewed	Comments / Issues identified	Management actions agreed
Free school meals: auto-enrolment (October 2025)	Substantial Assurance	The audit reviewed arrangements for managing the council's free school meal auto-enrolment service.	A standard operating procedure, aligned with 'Fix Our Food' best practice, is in place and is consistently followed. Processes are in place to safeguard information and ensure data held is handled appropriately. Regular checks are undertaken on the database to ensure its continued accuracy.	N/A
Recruitment and selection (October 2025)	Reasonable Assurance	The purpose of this audit was to provide assurance on the council's arrangements for recruitment, selection, and onboarding of permanent staff.	<p>Despite the comprehensive resources available to recruiting managers and business support, they did not make consistent use of these. Shortlisting matrices, interview record forms, notification to appoint forms, and new starter checklists had not been completed correctly or, in some cases, were missing altogether.</p> <p>Pre-employment checks were carried out in all cases but not always properly recorded in a way that meets Home Office guidance.</p> <p>Suitable management of a conflict of interest, declared at the application</p>	<p>A range of actions have been agreed with management to address the identified control weaknesses. Key among these are:</p> <ul style="list-style-type: none"> <li>▲ a review of all recruitment forms to ensure they are sufficiently clear</li> <li>▲ distribution of an all-staff HR advisory circular reinforcing council requirements</li> <li>▲ training for business support on right to work checks</li> <li>▲ an update to recruitment and selection guidance on how to handle and record conflicts of interest</li> </ul>

System/area (month issued)	Opinion	Area reviewed	Comments / Issues identified	Management actions agreed
			stage of one recruitment, was not evidenced.	
Contract management (October 2025)	Reasonable Assurance	This audit reviewed the council's contract management arrangements, including procedures and training. It also involved a more detailed review of how a sample of 10 contracts have been managed.	<p>The absence of corporately agreed expectations for contract management and a lack of training available to contract managers were the two key issues identified. This has led to inconsistent approaches across different service areas. Not all of this inconsistency can be explained by the variety in contracts being managed. Several service areas are also dependent on the knowledge of one individual to manage contracts.</p> <p>Other issues identified included contracts which had missing or unclear terms in several important areas for contract management, unavailability or inaccessibility of contract documents, and issues with the quality and completeness of contract performance meeting records.</p>	<p>A new contract management post has been created within the Commercial Procurement that would look to bring in a consistent approach to contract management across the council, and to provide training on corporate expectations. The recruitment process was unsuccessful so the post will be readvertised as a permanent position, in the hope that this will encourage more candidates.</p> <p>Legal Services and Commercial Procurement will jointly develop a checklist of standard terms to be included in all contracts let by the council, irrespective of value.</p> <p>The Director of Governance will present a report to Council Management Team which reinforces expectations for the</p>

System/area (month issued)	Opinion	Area reviewed	Comments / Issues identified	Management actions agreed
				drafting, retention, and ongoing management of contracts.

## APPENDIX D: ASSURANCE AUDIT OPINIONS AND FINDING PRIORITIES

### Audit opinions

Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit. Our overall audit opinion is based on four grades of opinion, as set out below.

Opinion	Assessment of internal control
Substantial assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

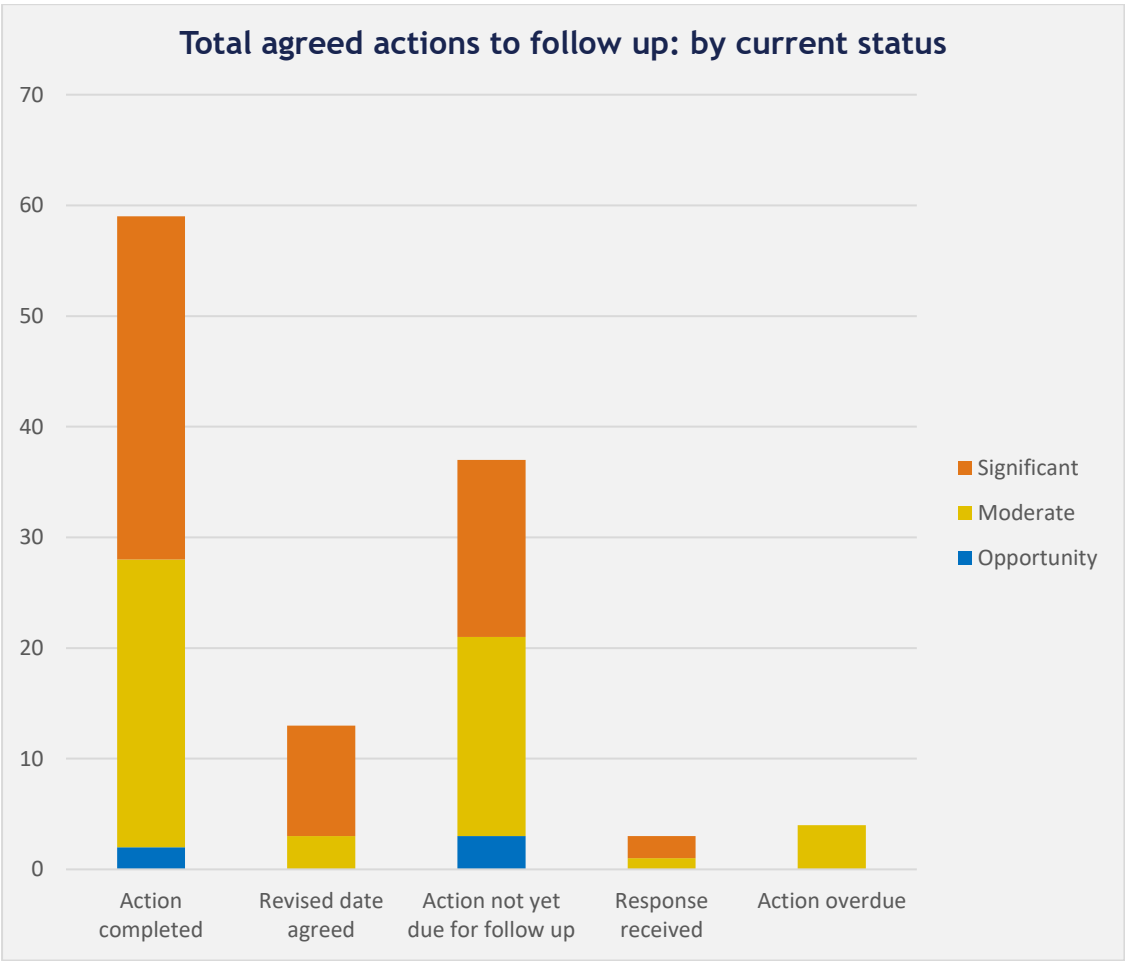
### Finding ratings

Critical	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Significant	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Moderate	The system objectives are not exposed to significant risk, but the issue merits attention by management.
Opportunity	There is an opportunity for improvement in efficiency or outcomes but the system objectives are not exposed to risk.

# APPENDIX E: FOLLOW UP OF AGREED AUDIT ACTIONS

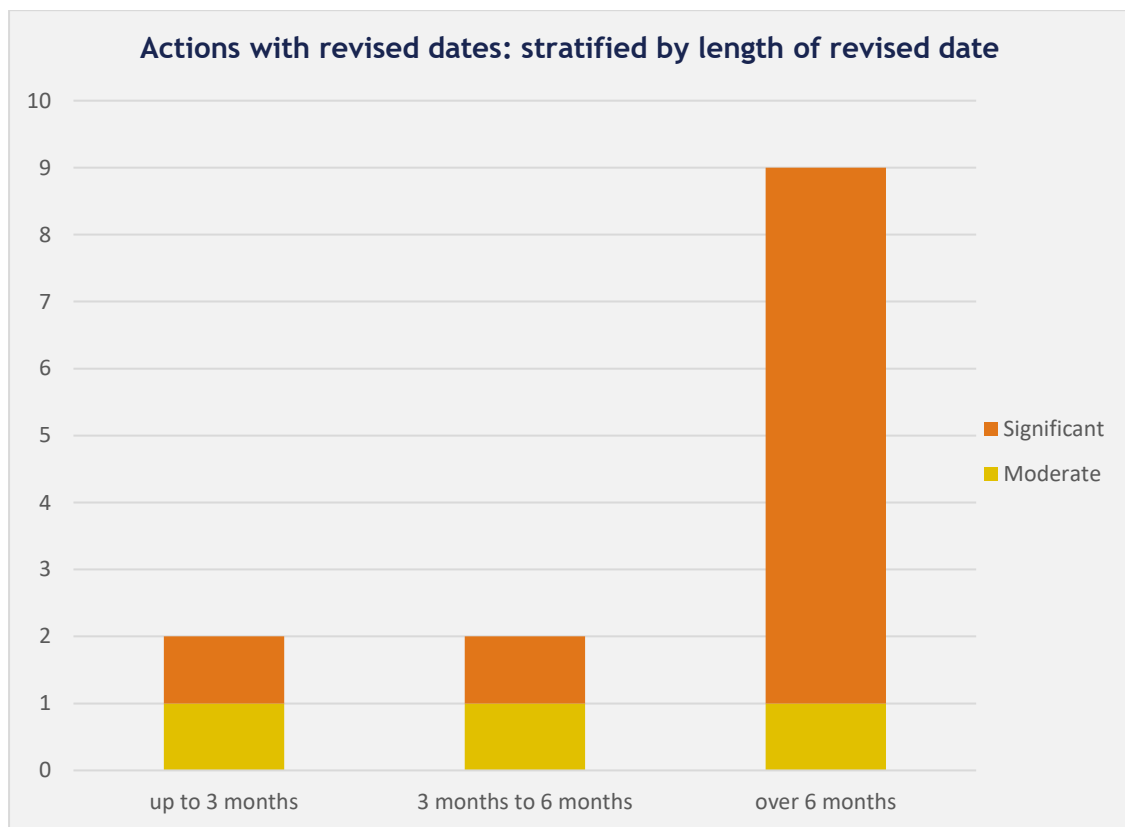
- 1 Follow up work is carried out through a combination of questionnaires completed by responsible managers, risk assessment, and by further detailed review by the auditors where necessary.
- 2 Where responsible officers have not taken the action they agreed to, issues are escalated to more senior officers. Ultimately, they may be referred to the Audit & Governance Committee in accordance with the follow-up and escalation procedure.
- 3 In figure 1, below, the status of agreed actions from follow-up activity undertaken between 1 April 2025 – 15 October 2025 is shown.
- 4 For clarity, the figure shows the results of follow up activity for this period, regardless of when actions were originally due (that is, it includes actions which were due prior to 1 April 2025 but which are still being followed up).
- 5 For completeness, it also shows actions which have been agreed in finalised audits, but which have not yet fallen due and so have not been followed up.

Figure 1: Total agreed actions by current status



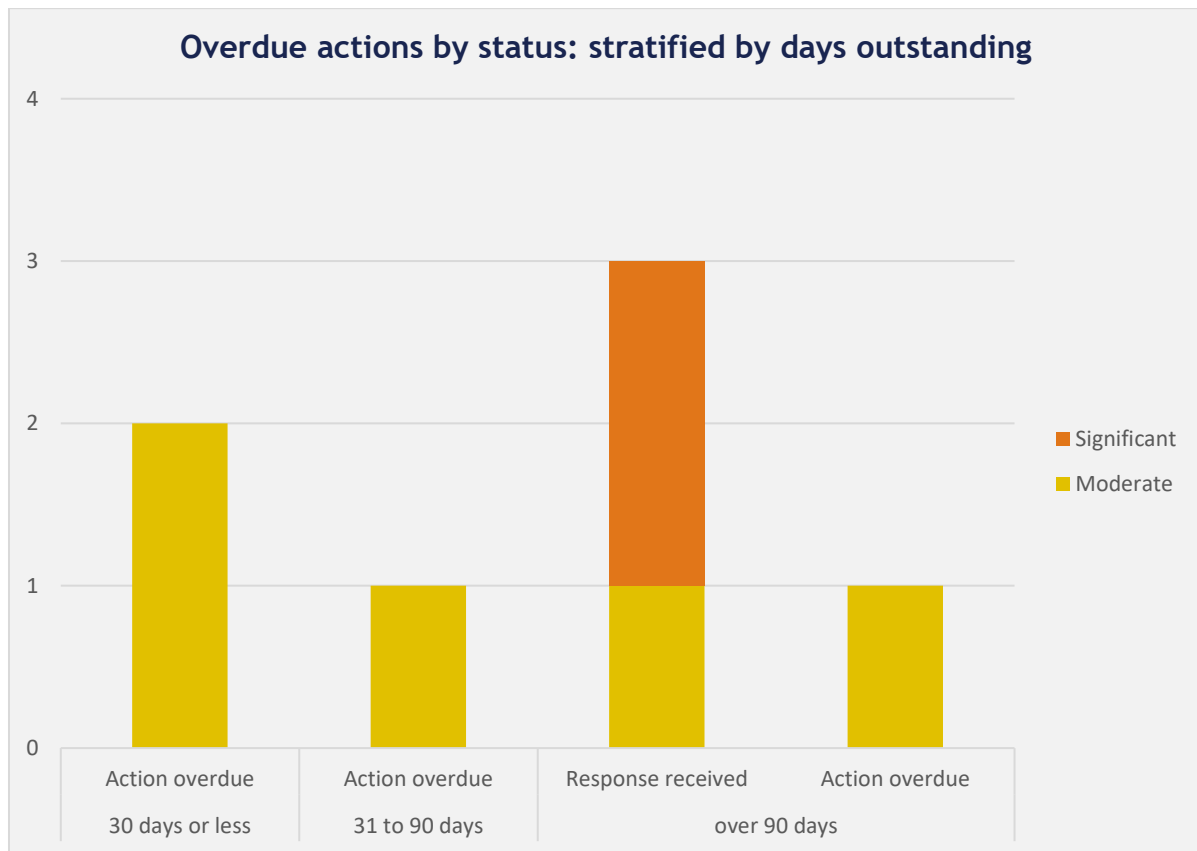
- 6 A total of 79 actions have been followed up so far this year. Of these, 59 have been satisfactorily implemented. 37 actions are not yet due for follow-up as their original implementation date has not passed at the time of reporting.
- 7 A total of 13 actions have had their original implementation timescale extended, with revised implementation dates being agreed with the action owner. We agree revised dates where the delay in addressing an issue will not lead to unacceptable exposure to risk and where the delays may be unavoidable. However, the committee should be aware that lengthy or continued revised dates do inevitably lead to a degree of risk exposure to the council.
- 8 Figure 2, below, shows how long dates have been revised from the original implementation date.

*Figure 2: Length of revised dates agreed for action implementation*



- 9 At the time of reporting, seven actions are overdue. This is shown in figure 3, below.

Figure 3: Length of time actions have been overdue



- 10 Included in figure 3 are three actions where we have received a response but have not yet been able to conclude whether the risk has been satisfactorily addressed.
- 11 There will usually be some instances like this at any point in time. It can be due to ongoing communication with the responsible officers to obtain evidence confirming completion of the action. It can also be due to instances where the action taken is not exactly as agreed and further work is being undertaken to assess whether the action taken does satisfactorily address the risk or because there are ongoing discussions about whether to agree revised dates for the action.
- 12 Four actions are overdue, and we have not yet received a response from the action owner. These relate to two audits and are all moderate priority actions. We will continue to pursue responses.
- 13 Overdue actions are escalated according to the agreed escalation policy, firstly to relevant directors, then to senior officers via GRAG (Governance, Risk and Assurance Group). They may subsequently be brought to the Audit & Governance Committee. At this stage, no overdue actions are being escalated to the committee.