

Internal Audit Progress Report 2025/26

Date: 11 March 2026

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 20 February 2026, 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 seven internal audit engagements have reached draft report stage. These will be finalised over the coming weeks.
- 9 A total of 12 audits are in progress at the time of reporting. We expect these audits to have reached the reporting stage by the next committee meeting.
- 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 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).

- 12 The 2025/26 work programme, showing current priorities for internal audit work, is included in appendix B. All work is now categorised as either 'do now' or 'do later'.
- 13 Audits categorised as 'do now' will be undertaken over the remainder of 2025/26 and, once completed, will mark the conclusion of the current year's work programme.
- 14 The relative priority of all other audits previously included in appendix B has been considered, alongside other audit priorities that have emerged during consultation on the 2026/27 internal audit work programme. Those audits categorised as 'do later' in appendix B are those which have been reassessed as priorities to deliver in 2026/27. The programme for 2026/27 is being presented to the committee as part of another item on the agenda.
- 15 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.
- 16 Appendix D provides the definitions for our audit opinions and finding ratings.

FOLLOW UP

- 17 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.
- 18 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
ICT disaster recovery	March 2026	Reasonable Assurance
Follow-up audit: risk management	March 2026	Reasonable Assurance
Schools themed audit: governance	March 2026	Reasonable Assurance

Audit	Reported to Committee	Opinion
Service and role-specific training	March 2026	Reasonable Assurance
Sundry debtors	March 2026	Substantial Assurance
Main accounting system	March 2026	Substantial Assurance
Danesgate Community School	March 2026	Reasonable Assurance
Contract management: major project delivery	March 2026	Limited Assurance

Audits in progress

Audit	Status
Information access request management	In draft
Children & Education Directorate: local scheme of delegation	In draft
Performance management	In draft
Residential care: Ousecliffe and Wenlock Terrace	In draft
Flexitime and annual leave	In draft
Absence management	In draft
Unaccompanied asylum seeker children	In draft
Travel and subsistence	In progress
Ordering and creditor payments (P2P action plan and verification)	In progress
Payments to care providers and contract management (ASC&I)	In progress
Home to school transport	In progress
Cybersecurity: user account management	In progress
Payroll	In progress
Right To Buy	In progress
Children's direct payments	In progress
St Mary's CE Primary School	In progress
Westfield Primary Community School	In progress

Audit	Status
Section 106 agreements	In progress
Data quality and security: applications	In progress

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
 - ▲ Fact-finding review into the engagement of consultations on the York Station Gateway project
- ▲ 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
Strategic / corporate & cross cutting	
Do now	
Travel and subsistence	Identified in consultation with officers.
Performance management	No recent coverage. Provides coverage of a key assurance area.
Flexitime and annual leave	Identified in consultation with officers.
Absence management	Emerging risk area.
Information access request management	No recent coverage. Risks / controls are changing.
Data quality and security: applications	Provides broader assurance.
Do later	
Building security (West Offices and Hazel Court)	
Physical information security	
Procurement Act compliance	
Contract management	
Risk management (maturity assessment)	
Management of York & North Yorkshire	
Combined Authority funding	
Financial systems	

Do now

Ordering and creditor payments (P2P action plan and verification)	Being undertaken to verify progress made in implementing improvements to control.
Payroll	Key financial system. Risks / controls are changing.

Do later

Council Tax and NNDR	No recent coverage. Provides coverage of a key assurance area.
Housing rents	Risks / controls are changing.

Service areas**Do now**

Payments to care providers and contract management (ASC&I)	No recent coverage. Provides coverage of a key assurance area.
Residential care: Ousecliffe and Wenlock Terrace	Being undertaken in response to known areas for improvement.
Unaccompanied asylum seeker children	Emerging risk area.
Children & Education Directorate: local scheme of delegation	Risks / controls are changing. Provides coverage of a key assurance area.
Home to school transport	Risks / controls are changing. Known area of pressure.
Westfield Primary School	Identified in consultation with officers.
St Mary's CE Primary School	Identified in consultation with officers.
Children's direct payments	Risks / controls are changing.
Right To Buy	Risks / controls are changing. Changes to government policy.
Section 106 agreements	Being undertaken at the request of the committee.

Do later

Foster carer payments (follow-up audit)

Children's continuing care

Schools themed audit: procurement

Licensing

Technical / projects**Do now**

Cybersecurity: user account management

Provides coverage of a key assurance area.

Do later

Project governance (major projects)

Project management (gateway reviews)

ICT emergency response & business continuity
planning

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
ICT disaster recovery (November 2025)	Reasonable Assurance	This audit reviewed the council's ICT disaster recovery arrangements.	<p>The council has key ICT disaster recovery arrangements in place and its current plan is clear, accessible and regularly updated. Roles are defined and incident action cards support responses, although detailed playbooks are not yet in place.</p> <p>Recovery priorities are set by ICT, without structured input from service areas.</p> <p>Disaster recovery testing is informal, relying on lessons from real incidents rather than being formally scheduled. Backup arrangements and security controls are robust.</p>	Actions to address weaknesses will be agreed as part of phase two of the ICT disaster recovery audit (scheduled for 2026/27).
Follow-up audit: risk management (November 2025)	No Opinion Given	The purpose of this audit was to review the council's arrangements for identifying, managing, and	Although some progress was evident, with the Risk Management Team beginning to reestablish its support and facilitation role, this had not been fully embedded between directorates and across service areas	A detailed management response to the report and its recommendations was provided. In summary, the response cited improvements made (and in progress) while also recognising

System/area (month issued)	Opinion	Area reviewed	Comments / Issues identified	Management actions agreed
		reporting directorate and service risks in accordance with corporate requirements. It was undertaken as a follow-up of the 2023/24 audit.	<p>sufficient for them to continue risk management work independently. This also meant that agreed processes, including the issuing of quarterly risk reports, had not been regularised.</p> <p>While arrangements for risk management remain inconsistent across directorates, and the council's risks are not visible on a council-wide basis, the risk management process is not embedded to the level expected in the policy and strategy.</p>	that the council's policy and strategy need to be reviewed to reflect the council's desired approach to risk management.
Schools themed audit: governance (November 2025)	Reasonable Assurance	The purpose of this audit was to provide assurance that maintained schools met statutory governance requirements.	Governance arrangements met statutory requirements, with appropriate structures and up-to-date schemes of delegation. However, some schools lacked a documented governance framework for the full governing body, committee terms of reference had not been recently reviewed, and declarations of interest had not been fully updated. Minutes, agendas and documentation were generally available and minutes	<p>A number of actions were agreed to address the identified control weaknesses. These included:</p> <ul style="list-style-type: none"> ▲ Reviewing training records termly ▲ Clearly capturing outcomes and actions from skills audits ▲ Making cybersecurity and data protection training mandatory for at least one governor ▲ Formalising and including the role of the Finance Committee chair / school business

System/area (month issued)	Opinion	Area reviewed	Comments / Issues identified	Management actions agreed
			<p>evidenced appropriate challenge. Policy schedules were maintained well overall.</p> <p>Governor membership and attendance were mostly strong, but some vacancies, outdated skills audits and unclear training records were noted.</p> <p>Contract registers were kept but risk registers and website compliance checks were inconsistent across schools.</p>	<p>manager link in committee terms of reference</p> <ul style="list-style-type: none"> ▲ Improving arrangements for providing 'Get Information About Schools' data ▲ Standardising risk registers and guidance, and ensuring termly review of risks ▲ Adoption of the contract register template already shared with schools ▲ Including school website checks in the annual framework.
<p>Service and role-specific training (November 2025)</p>	<p>Substantial Assurance</p>	<p>This audit reviewed the council's arrangements for identifying, monitoring and recording training required within adult social care, children and education, and housing.</p>	<p>The council's MyLo system provides a strong basis for managing training, with effective tools for assigning courses, tracking completion and maintaining certifications.</p> <p>Training matrices are well designed and updated through regular engagement between services and the Workforce Development Unit. However, not all courses are yet on MyLo, meaning that some services rely on manual records.</p>	<p>A reminder will be issued reinforcing the requirement to ensure that staff training completions are promptly recorded on MyLo. The reminder will also emphasise the need for timely renewal of service and role-specific training to prevent lapses.</p> <p>The Workforce Development Unit will promote the use of existing MyLo functionality and the annual</p>

System/area (month issued)	Opinion	Area reviewed	Comments / Issues identified	Management actions agreed
			<p>MyLo is not always updated to reflect the true status of training, resulting in inaccurate or incomplete information. Reporting arrangements also varied, with no consistent process for escalating training performance at directorate level.</p>	<p>Learning Needs Analysis to support consistent oversight of training compliance. Through this exercise, it will be recommended that Directorate Management Teams discuss training issues quarterly, and awareness of available MyLo system support will be reinforced.</p>
<p>Sundry debtors (December 2025)</p>	<p>Substantial Assurance</p>	<p>This audit reviewed the council's arrangements for issuing invoices, collecting and recording income, monitoring debt, and writing off debt.</p>	<p>Invoices are raised accurately with proper supporting information, and no duplicates were found. Only a very small number of duplicate debtor accounts and unallocated suspense items exist, and both were being addressed at the time of the audit. The council's corporate debt policy and guidance on raising invoices are outdated and do not fully reflect current practice.</p> <p>Income is correctly allocated, and credit notes are properly authorised (albeit with occasional delays in processing).</p>	<p>Debt forums will be established for the Adult Social Care and Integration directorate, and similar measures introduced for non-adult social care debt.</p> <p>Details of service-area specific debt recovery procedures will be documented. The corporate debt policy will be reviewed, and a suitable review schedule established. Existing guidance on raising invoices will also be updated.</p> <p>Refunds will now be processed twice a week. The debtors team will regularly produce a report of</p>

System/area (month issued)	Opinion	Area reviewed	Comments / Issues identified	Management actions agreed
			<p>Debt is monitored but recovery is inconsistent and not always sustained, with older debts being significant in volume and value.</p> <p>Debt write-offs are well controlled and authorised, although accounts could be closed more promptly.</p>	<p>outstanding refunds. The income services team will then be notified that there are refunds to process.</p>
<p>Main accounting system (December 2025)</p>	<p>Substantial Assurance</p>	<p>The purpose of this audit was to provide assurance on access arrangements to the financial management system and on the performance of key in-system activities.</p>	<p>Access to the financial management system (FMS) is appropriately restricted and supported by layered controls, but weaknesses in user access management—such as complex access structures, inconsistent forms, and delays for movers and leavers—reduce assurance that access remains appropriate.</p> <p>Controls over journals, virements and year-end processes are generally effective, although virement guidance could be clearer.</p> <p>Feeder system data is transferred accurately, with timely uploads and reconciliations.</p>	<p>Service managers' responsibilities for user access management, particularly regarding the timely completion or user access forms when roles or responsibilities change, will be reinforced, and communicated.</p> <p>The user access management process will be enhanced by streamlining access categories and clearly defining the permissions associated with each, based on typical role requirements. User access request forms will be updated to ensure they are clearer, more</p>

System/area (month issued)	Opinion	Area reviewed	Comments / Issues identified	Management actions agreed
			Suspense and control accounts are reviewed regularly, with reasonable balances and prompt resolution of discrepancies.	user-friendly, and aligned with the revised process. The virements guidance will be reviewed and updated to clearly define what constitutes a virement, and to clarify the associated processes for managing and approving them and evidencing approval on the FMS.
Danesgate Community School (December 2025)		This audit reviewed the governance and financial management arrangements at Danesgate Community School - a specialist provider for pupils with social, emotional and mental health needs.	Danesgate Community Pupil Referral Unit's management committee operates within a compliant legal constitution, with statutory policies and website content up to date. Governance is effective, with regular meetings, challenge, and budget oversight. However, some gaps in governor training and inconsistent financial delegations were noted. Financial processes are generally sound. Systems and controls for purchasing, income, payroll, payment cards, reconciliations and petty cash are appropriate but some	A review of governor training and skills will be conducted to identify training requirements. Training will be a regular item on management committee meetings and governors will be signposted to the training available through the council's governance team. The financial management policy will be reviewed. The debt management policy will be reviewed. Debt management will be a standing item on

System/area (month issued)	Opinion	Area reviewed	Comments / Issues identified	Management actions agreed
			<p>financial policies lack sufficient guidance to support their practical implementation.</p> <p>The school's contract register lacks key detail, and some contracts have not been recently reviewed.</p>	<p>Finance and Resource committee meeting agendas.</p> <p>The contract register will be updated to ensure that it contains information to assist governors in overseeing contract management.</p>
<p>Contract management: major project delivery (January 2026)</p>	Limited Assurance	<p>The focus of this audit was on how the main construction contracts for the Tadcaster Road project, Housing Delivery Programme, and York Station Gateway had been managed. However, in the case of York Station Gateway, we also evaluated officers' own review into the</p>	<p>The key finding from this audit related to the management of the York Station Gateway project. A number of weaknesses were identified, as follows:</p> <ul style="list-style-type: none"> ▲ entering the construction contract 'at risk', before legal agreements with statutory undertakers had been sufficiently progressed ▲ additional costs incurred as a result of changes during project delivery ▲ inaccuracy / incompleteness of financial implications in decision reports ▲ gaps in project governance, and insufficient delivery and support capacity. 	<p>A number of actions were agreed to address the identified control weaknesses. These included:</p> <ul style="list-style-type: none"> ▲ Reviewing and improving the existing Programme Management Office function (including resourcing and skills) ▲ Reviewing wider programme and contract governance arrangements ▲ Creating of dedicated construction / commercial contract management capacity ▲ Undertaking recruitment and creating a career pathway to better retain and grow talent in project management

System/area (month issued)	Opinion	Area reviewed	Comments / Issues identified	Management actions agreed
		<p>circumstances relating to the significant overspend and delays with the project.</p>	<p>The remaining findings related to inaccuracies in how York Station Gateway costs were presented in monthly project highlight reports, a lack of rigour in reviewing and approving the Tadcaster Road project brief, and inconsistency / unavailability of compensation event documentation.</p>	<ul style="list-style-type: none"> ▲ Identifying and delivering training to key staff involved in construction project delivery ▲ Reviewing highlight reports to ensure that RAG ratings take account of multi-phase projects ▲ Adopting the NEC approach to managing and recording compensation events ▲ Undertaking a feasibility review on investing in a contract management system.

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.

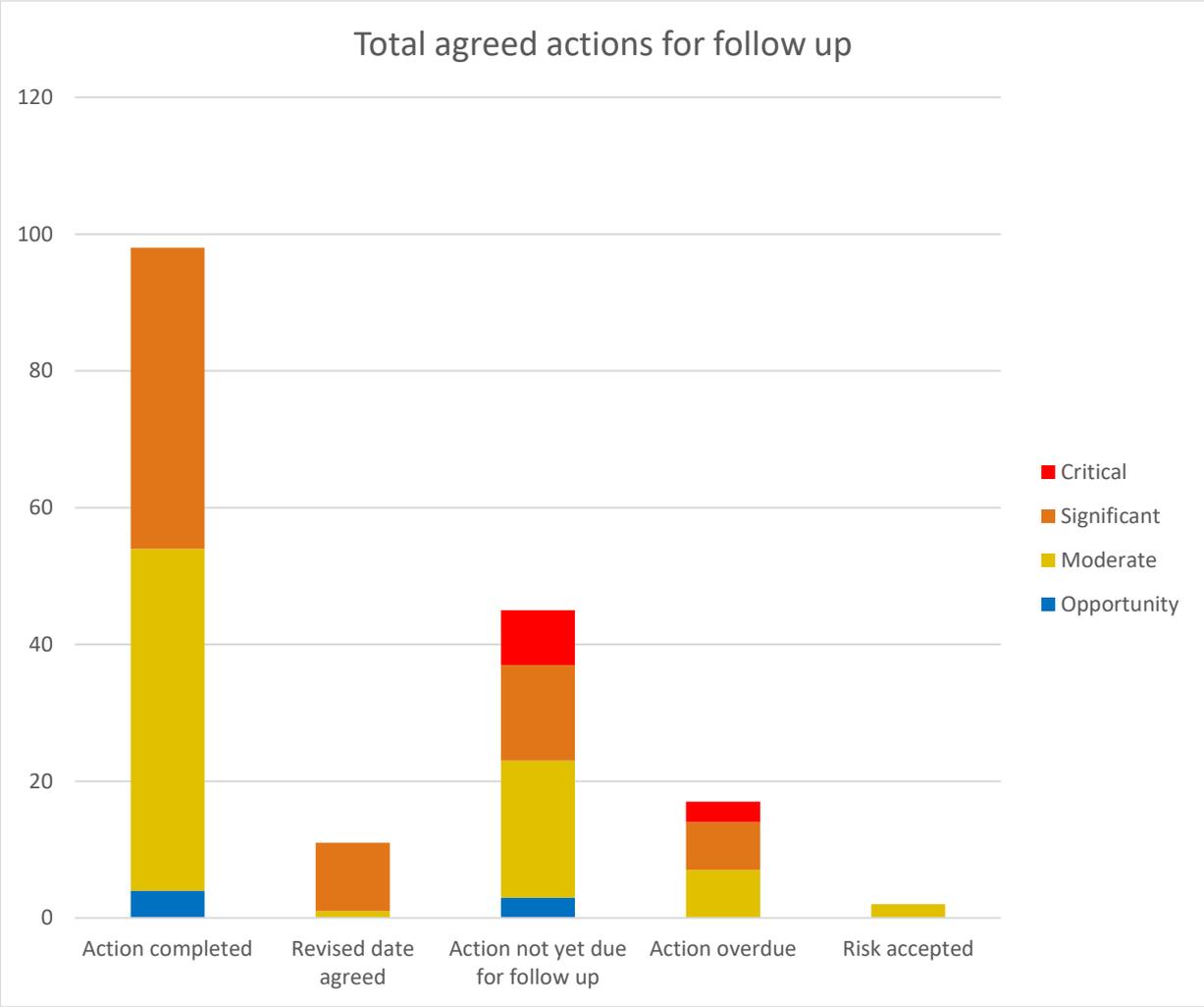
Finding ratings

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

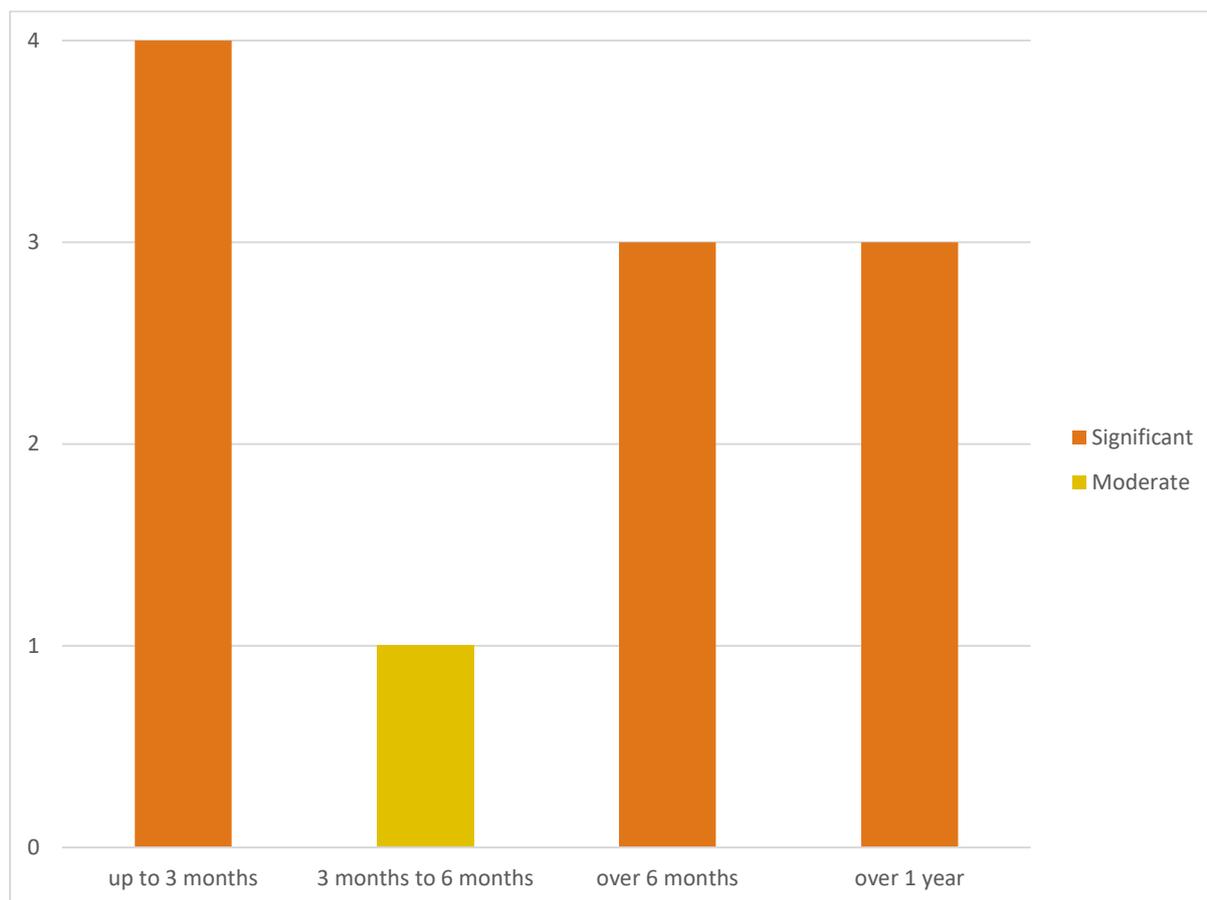
- 1 Follow up work is carried out through a combination of questionnaires completed by responsible managers, risk assessment, and by further detailed review by the auditors where necessary.
- 2 Where responsible officers have not taken the action they agreed to, issues are escalated to more senior officers. 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 – 19 February 2026 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



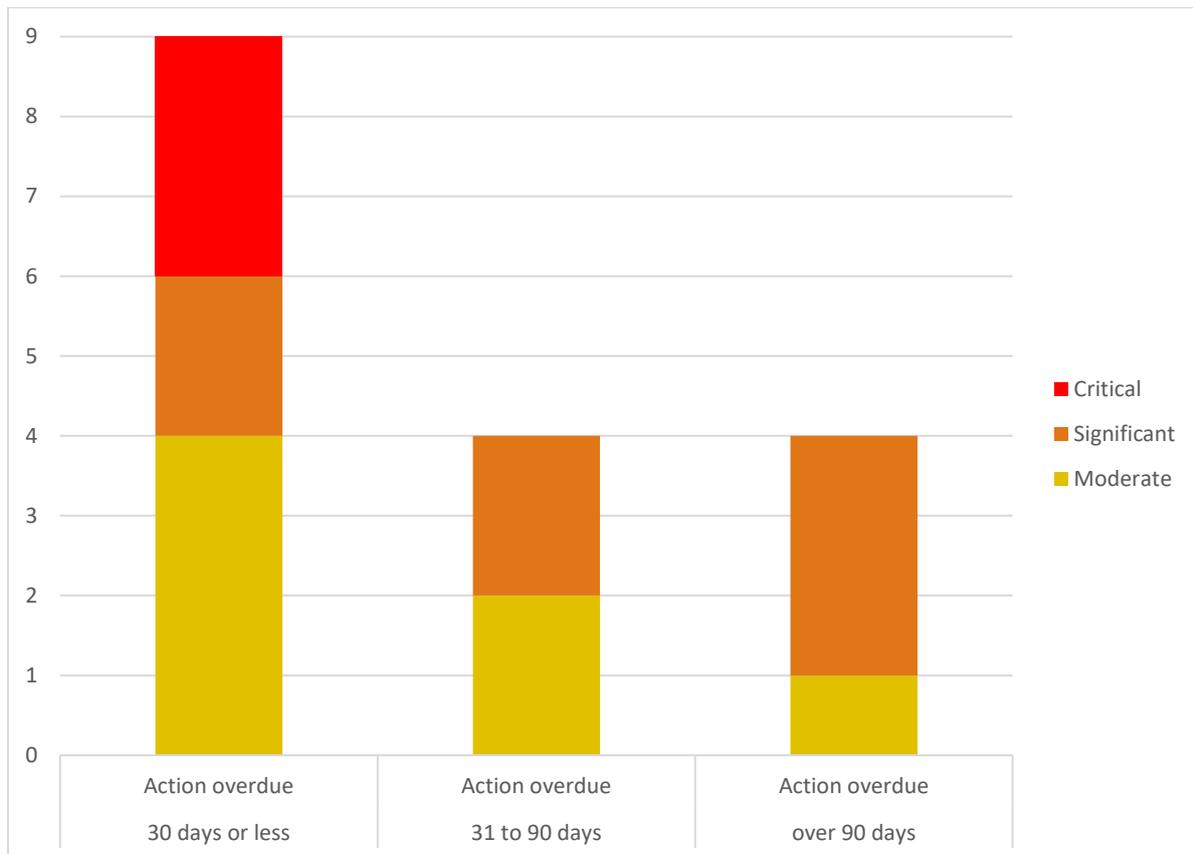
- 6 A total of 128 actions have been followed up so far this year. Of these, 98 have been satisfactorily implemented. 45 actions are not yet due for follow-up as their original implementation date has not passed at the time of reporting.
- 7 A total of 11 actions have had their original implementation 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, 17 actions are overdue. This is shown in figure 3, below.

Figure 3: Length of time actions have been overdue



- 10 Nine of the overdue actions have only just fallen due so follow up action is ongoing. For critical actions this will include detailed testing.
- 11 For seven of the eight actions overdue by more than 30 days we have received a response and the process of following up the action and drawing conclusions is ongoing.
- 12 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.
- 13 One action is overdue, and we have not yet received a response from the action owner. This is a moderate priority action. We will continue to pursue a response.
- 14 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.