

Committee: Audit and Standards Committee

Date:

Title: Internal Audit Update (September 2025)

25 September 2025

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Summary

1. Internal Audit provides the Council with independent assurance over its corporate governance, risk management and internal control processes. The work completed in each year provides the Audit Manager with the evidence base needed to support an annual opinion.
2. This presents Audit and Standards Committee with a summary of Internal Audit's work in the financial year to date.

Recommendations

3. Audit and Standards Committee is requested to note the content of this report and approve the proposed changes to the Internal Audit Plan.

Financial Implications

4. None

Background Papers

The following papers are referred to by the author in the preparation of this report and are available for inspection from the author of the report.

[Internal Audit Strategy 2025-28, Plan 2025-26 and Internal Audit Charter](#)

Impact

- 5.

Communication/Consultation	This report was sent to CMT in August 2025 and Cabinet in September 2025.
Community Safety	None
Equalities	None
Health and Safety	This report includes the Health and Safety audit which highlights gaps in the current arrangements and includes improvements agreed with management.

Human Rights/Legal Implications	None
Sustainability	None
Ward-specific impacts	None
Workforce/Workplace	None

Situation

6. The Council has a duty to maintain an effective Internal Audit service that is compliant with the Global Internal Audit Standards (GIAS) so that the Audit Manager can provide an annual report and opinion on the adequacy and effectiveness of the organisation's corporate governance, risk management and internal control. This can be used by the organisation to inform its annual governance statement.
7. The Internal Audit Plan is designed to provide the body of evidence the Audit Manager needs in order to support the annual report and opinion. This report summarises the progress made against the plan in the first third of the 2025/26 financial year and is attached. The executive summary for the Tenant Satisfaction Measures audit is appendix 1. The Health and Safety audit report is Appendix 2.

Risk Analysis

8.

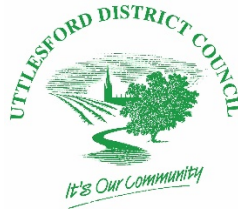
Risk	Likelihood	Impact	Mitigating actions
Inadequate audit coverage may lead to failure to provide an annual opinion of the Council's governance, risk and control arrangements; reputational damage and failure to comply with GIAS	2	2	Monitoring of plan delivery and reporting to CMT, Cabinet and Audit and Standards Committee, contingency built into plan for additional days if required; Quality Assurance and Improvement Programme including an External Quality Assessment of the Internal Audit Service.

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.



Internal Audit Update (September 2025)

1. Purpose of Report

This report summarises the work of Internal Audit in the financial year to date. Audit and Standards Committee is requested to note the content of this report. The report recognises that time previously set aside to support Local Government Reorganisation will not be required and proposes two audits to be brought into the plan from the reserve plan.

2. Background

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. The purpose of UDC's Internal Audit section is to provide independent, objective assurance and consulting services to the Council (via the Audit and Standards Committee, Chief Executive, S151 Officer, External Audit and senior managers), relating to these arrangements, which are designed to add value and improve the Council's operations.

The Audit Manager is also responsible for the delivery of an annual audit opinion that can be used by the Council to inform its governance statement. The annual opinion will also conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

In March 2025, the Audit and Standards Committee approved the audit plan for the 2025-26 financial year. This plan was based assumptions around the requirement for audit work to support the Council through the Local Government Review. Since then, the government's timetable has changed which has delayed some of the audit work in this area. This paper proposes changes to the previously agreed plan.

3. Summary

- This report summarises the findings from two audits (one moderate and one limited) and progress made in implementing previous audit recommendations. The Executive Summary for the Tenant Satisfaction Measures can be found in Appendix 1, the full Health and Safety audit report can be found in Appendix 2 and the current status of recommendations tracked in 2025/26 can be found in Appendix 3.

The Health and Safety audit (limited assurance) showed there are good governance principles in place for managing health and safety for the workforce with Corporate Health and Safety Team (CHAST) meetings attended by the Chief Executive and other CMT members. There is a culture of safety and accountability throughout the Council. Policies, procedures, and strategies are in place. However, the audit highlighted significant gaps in these processes and four high priority recommendations were raised:

- Arrangements have been made to ensure external fire safety inspections of UDC buildings, but the audit was not able to confirm that issues identified had been addressed.
Evacuation procedures in the event of a fire were not complete for all Council buildings, and we were unable to see a list of fire marshals and their training records.
- The contractual arrangements for the online Health & Safety training provider were under discussion and staff were asked not to use the online Health and Safety training modules pending resolution.
- Gaps in the Health and Safety training record, especially around Health and Safety induction training for new starters.

- The Tenant Satisfaction Measures audit (moderate assurance) confirmed that the Authority has put processes in place to conduct an independent tenant satisfaction survey and to collect the technical measures required by the regulator. One high priority recommendation was made to ensure issues identified from the surveys are addressed. In addition, 3 medium findings were identified relating to the design, implementation and calculation of the Tenant Perception Survey and the Technical Requirements of TSM, as well as the completeness of data types included within the Data Protection Impact Assessment (DPIA).
- In April 2024, Internal Audit introduced a new follow-up system to ensure all issues identified through audits are addressed in a timely manner. On 1 April 2025, there were 50 recommendations that were outstanding, of which 26 were past their original due date (including 8 high priority). On 1 August 2025, 19 recommendations had been closed in the financial year and there were 54 recommendations outstanding of which 27 were past their original due date (including 9 high priority). This approximates a steady state where audit recommendations are raised at a similar rate to their closure.
- Delivery of the audit plan is shown in section 4 below and section 5 summarises the status of all current audit recommendations.

4. Internal Progress Report

The table below shows the current status of the Internal Audit plan. The final 2024/25 audit is now complete. The Tenant Satisfaction Measures Executive Summary is shown in Appendix 1 and the Two of these audits are reported in Appendices 1 and 2 The Corporate Governance (2024-25) audit was presented to the Audit and Standards Committee in May 2025 alongside the Annual Governance Statement.

Work is underway on another five audits, with the remainder scheduled for the rest of the financial year quarter. The scope for two of the audits has been varied from that originally agreed in March 2025:

- The original audit plan was based on the original timeline for implementing the new Finance system and was to look at the operation of the new system. Since the system will not go live until the new financial year, there is an opportunity to review the project at an earlier stage and provide assurance that the risks have been mitigated effectively. This is shown in the table as the Technology1 ERP Implementation Project audit.
- As part of the preliminary work on the External Funding / Grants Received audit we extracted data from the financial system and risk assessed the income and expenditure associated with each grant. The Social Housing Decarbonisation grant was prioritised due to its complexity, value, and the time pressures associated with delivery. As work was starting on the audit, we discovered that there were contractual issues with the provider that were being resolved. It became clear that better value would be attained if the audit were rescoped to focus on how we reached the current situation and what lessons can be learnt for the future.

The original plan for the 2025/26 financial year included an assumption that some time would be required to support UDC in its preparations for Local Government Reorganisation. Since then, the UK Government's timeframe has slipped and there is no internal audit work required until 2026/27. As a result, two audits have been moved from the reserve to active plan for 2025/26:

- Locata – this will be a third contract management audit to ensure the Council receives necessary assurances that its data held by third parties is protected appropriately. [The Northgate and Idox contracts were reviewed in 2024/25].
- Responsible Authorities Group – this audit will ensure the partnership meets our statutory duties and that benefits of the arrangement are being maximised.

As a result of discussions with the Chief Executive and Strategic Directors, the Facilities Contract Management audit has been removed from the 2025/26 plan and is likely to be included in the 2026/27 plan.

Audit Title	Current Status	Audit Opinion
2024/25 Plan		
Corporate Governance (2024-25)	Complete	Moderate
Health and Safety	Complete	Limited
Tenant Satisfaction Measures	Complete	Moderate
2025/26 Plan		
Corporate Governance (2025-26)	Q4	
Local Government Review	Deferred	N/A
Housing Repairs and Maintenance	Q4	
Housing Revenue Account (HRA) Medium Term Financial Plan	Q3	
Technology1 ERP Implementation Project (New Finance System)	Fieldwork	
Waste Management	Q2	
Consultants and Agency Staff	Fieldwork	
Procurement	Q2-Q3	
Contract Management	Q3	
Council Tax	Fieldwork	
Business Rates	Fieldwork	
Safeguarding	Q3	
External Funding / Grants Received	Planning	
Recruitment Vetting	Q4	
Locata	Q3-Q4	
Responsible Authorities Group (was Local Strategic Partnership)	Q4	
Consultancy, advice and other Internal Audit Workstreams		
Counter-Fraud Working Group		
Reserve Plan		
Facilities Contract Management		
Leisure PFI		
General Data Protection / Freedom of Information		
Minor databases		
IT Inventory		

Internal audit's counter-fraud activity is reported to Audit and Standards Committee separately from the rest of audit work.

5. Recommendation Tracking

In April 2024 Internal Audit introduced a new follow-up system whereby recommendations are followed up and reported on as they become due rather than following up on the audit as a whole.

On 1 April 2025, there were 50 recommendations that were outstanding (including 20 high priority), of which 26 were past their original due date (including 8 high priority). On 1 August 2025, there were 54 recommendations outstanding (including 20 high priority), of which 27 were past their original due date (including 9 high priority). 19 recommendations have been closed in the year to date. The table in Appendix 3 shows the status of recommendations carried forward from 2024/25 and those made in Internal Audit final reports issued in 2025/26. The current position of the overdue high priority recommendations are set out below:

Key Health and Safety Landlord Duties

- One related to the UDC ownership of a comprehensive property register with complete records of inspections / tests / surveys / completion of actions identified in surveys. Internal Audit received evidence confirming this is in place in September 2025.
- The other related to reviewing Key Performance Indicators related to Key Health and Safety Landlord Duties and putting a checking process in place with sign-off by the Interim Director of Property. Internal Audit has confirmed that the Housing Key Performance Indicators have been updated and received evidence confirming that the checking process is operational in September 2025.

Housing Rents

There were four elements to the recommendation involving reviewing the housing management / housing rent team structures, use of temporary resources to clear a backlog of rent arrears, considering the use of tracing agents and monitoring payment plans. The staff structure has been revised, and the Council is recruiting staff to clear the backlog. On 29 June 2025, total rent arrears was £640,665 (compared to £578,517 in January 2024). The Strategic Director of Housing Health and Communities has raised this with the Director of Finance Revenues and Benefits.

Temporary Accommodation

- One related to a contract for provision of temporary accommodation. The team have been working on reducing demand prior to tendering for the service. Internal audit has been informed that the number of cases in B&B and nightly accommodation has dropped from 44 to 21 and action is underway to move eight others. Tendering will occur once the Council has a clearer understanding of long-term demand.
- The other related to ensuring B&B providers were meeting health and safety obligations. Work on this has been delayed due to restructuring of the Housing Solutions team. Internal Audit understands that Environmental Health (Commercial) have been asked to inspect properties as soon as possible.

CCTV

Internal audit understands that a maintenance contract has been approved in principle. Once this has been formalised, the necessary strategy policy and procedures will be completed. Due to the specialism of the ANPR equipment, they cannot be included in the CCTV maintenance contract but will be maintained via existing arrangements.

Biodiversity Net Gain (BNG)

- One related to BNG checks. All officers received BNG refresher training in April and the planning template has been updated to prompt officers to consider BNG. Management carried out a spot-check in August to confirm BNG is now properly considered for all applications. This recommendation is now closed.
- The other related to legal templates. Standard BNG clauses have been agreed, and the team was instructed to start using them at the end of August. This recommendation is now closed.

Internal audit is monitoring progress on the remaining recommendations and will ensure all are closed appropriately.

6. Quality Assurance Improvement Programme (QAIP)

Global Internal Audit Standard 12.1 requires the Audit Manager to develop and conduct internal assessments of the internal audit function's conformance with the Global Internal Audit Standards and progress towards performance objectives. Action plans must be developed where appropriate. The results of these assessments must be communicated to the board (Audit and Standards Committee) and senior management. They are also reported to Cabinet, although this is not a requirement of internal audit standards.

There are five key elements of UDC's QAIP:

- Internal quality reviews of each audit assignment to ensure it meets the required standards. 1:1s incorporate an opportunity to reflect on each audit to identify successes and learn lessons for future audit work.
- Monitoring against KPIs. KPIs are in place to measure quality as well as quantity of audit work. These are key client questionnaires for each assignment and a senior stakeholder survey to measure the overall standing and impact of Internal Audit.
- UDC's annual appraisal process.
- Annual Internal Quality Assessment (IQA) to demonstrate conformance with PSIAS. The most recent IQA was completed in January 2025.
- An External Quality Assessment (EQA) to provide independent verification that internal audit standards have been complied with. UDC's most recent EQA was completed by Havering Council in November 2024 and reported to Audit and Standards Committee in February 2025.

The report to Audit and Standards Committee in May 2025 showed that all actions identified in the IQA and EQA had been completed.

Our performance against our performance indicators as at 1 August 2025 is shown in the table below:

KPI	Year-end Target	Actual 01/08/25	Comments
Audit Plan delivered to Draft Report Stage by 31st March:	90%	13%	Includes finalisation of 2024/25 plan
Audit Plan delivered to final report stage by 30 th April:	75%	13%	Includes finalisation of 2024/25 plan
Customer Satisfaction results: overall average score good/excellent good or good) each survey returned	80%	86%	Based on two surveys received in the year to date.
Senior Stakeholder survey: overall average of 80% or above	80%	N/A	To be completed in November / December 2025
Compliance with GIAS	Generally Compliant	Generally Compliant	Complete – next IQA to be completed in Q3/Q4.

The commencement of the 2025/26 audit plan has been slower than originally scheduled, due to a combination of operational factors. Staff availability has been affected by a mix of absences and competing service demands, which has delayed the initiation and completion of some audits. Additionally, the need to rescope the External Funding / Grants Received audit has meant this audit did not proceed as initially planned (see section 4 above). As a result, while a number of audits are currently in progress, the volume of completed work is lower than would typically be expected at this point in the year. The team is actively managing the plan to ensure that the overall annual plan is delivered by the end of the financial year.