Committee:	Audit and Standards Committee	**Date:**
Title:	Internal Audit Update (January 2026)	27 January 2026
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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
Internal Audit Update (September 2026)

Impact

5.

Communication/Consultation	This report was sent to CMT in December 2025.
Community Safety	None
Equalities	None
Health and Safety	None

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 since the September 2025 update for the 2025/26 financial year and is attached. The executive summary for the Council Tax and National Non-Domestic Rates audit is appendix 1. The Technology One ERP Implementation Project 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.
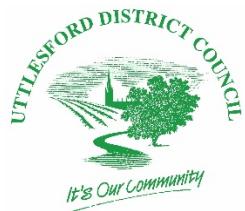
Internal Audit Update (January 2026)

1. Purpose of Report

This report summarises the work of Internal Audit in the period from August to November 2025. Audit and Standards Committee is requested to note the content of this report. The paper includes reporting on three audits and sets out internal audit priorities for the remainder of the financial year.

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 adjusted in September 2025 as the requirement for audit work to support the Council through the Local Government Review in 2025/26 did not materialise. This paper summarises the audit work carried out to date up to 1 December 2025 and outlines Internal Audit priorities for the remainder of the financial year.

3. Summary

This report summarises the findings from three audits (two substantial and one limited) and progress made in implementing previous audit recommendations. The Executive Summary for the Council Tax and National Non-Domestic Rates (NNDR) audits can be found in Appendix 1, the full Technology One Enterprise Resource Package (ERP) Implementation 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 Technology One Enterprise Resource Package Project audit (limited opinion) identified key problems with the project's initiation that have resulted in missed opportunities and increased risks for the project.

Projects for replacing key IT systems typically require 18-24 months for successful implementation. In 2023, the Blueprint Uttlesford Programme was looking for opportunities for improving the efficiency of Council processes. The original end date for the Integra contract in (August 2025) gave a window of opportunity for replacing the finance system as part of the Blueprint programme. This was not taken.

Since then, the Council has made key improvements to its control processes.

- A Head of Transformation and Project Management joining the earlier this year. She has been working to help identify the Council's project pipeline.
- A contracts register now in place.

If these had been in place in 2023, it is more likely that the project to replace the Council's finance system would have been initiated at the time.

Cabinet received the report proposing options to replace Integra nine months before the contract was due to end and the project officially commenced soon after. The initial go live date was a little over six months after project initiation, although that was subsequently extended. The late start and short timeframe for the project initiation was the root cause of the issues identified in the audit:

- Shortened discovery phase with initial stakeholder engagement limited to Director level. The plan for communicating with key stakeholders was not developed in the early stages of the project.
- A project board terms of reference that documents roles and responsibilities within the project including authority for expenditure, risk acceptance and change management.
- No formal project initiation documentation with clearly defined project outcomes and a plan to measure their achievement
- Initial project plans were high level, and the risk register was not developed fully.
- Insufficient budget at project initiation and board oversight of project costs

Local Government Reorganisation will see UDC and partner authorities implementing IT systems across the new Authority's systems. One critical priority recommendation was made to ensure that lessons learnt from this project are applied to that programme of work. Four high priority and two medium priority recommendations were made to enhance delivery of the project.

The NNDR and Council Tax audits were both given substantial assurance ratings, with only one medium priority recommendation made across the two systems. The Council can take comfort in the level of control in these two core financial systems.

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 December 2025, 33 recommendations had been raised and 37 recommendations had been closed in the financial year and there were 44 recommendations outstanding of which 24 were past their original due date (including 9 high priority). This is a modest reduction on the numbers reported in September 2025.

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 status of the Internal Audit plan. The Council Tax and NNDR Executive Summaries are shown in Appendix 1 and Technology One ERP Implementation Project audit is shown in Appendix 2. Work is underway on another six audits, and it is anticipated that another three audits will be completed in 2025/26.

The Technology One ERP Implementation Project, Consultants and Agency Staff, and External Funding / Grants Received audits have all been complex audits that have required more audit resource than initially anticipated. This has impacted on delivery against the plan and it is unlikely that the full plan will be delivered this year. As a result, the following audits will be deprioritised:

- Procurement. The Council provided training to procurement training to staff in 2024 in advance of new Contract Procedure Rules being approved by Council in May 2025. Findings from the Technology One ERP Implementation Project audit indicate that more time is required for the new processes to become embedded. Elements of the External Funding / Grants Received and Consultants and Agency staff audit will also provide some assurances in this area. Whilst a Council-wide audit of procurement remains an aspiration, it is considered that other areas should take priority in 2025/26.
- Contract Management. The Locata, External Funding / Grants Received, and Housing Repairs and Maintenance audits will provide some assurance over the Council's contract management processes.
- Housing Revenue Account (HRA) Medium Term Financial Plan. After obtaining financial data and assessing risks within the systems, both the Consultants and Agency Staff and External Funding / Grants Received audits reviewed processes within Housing. It is therefore sensible to deprioritise one of the remaining Housing audits. The immediate risks associated with the Housing Repairs and Maintenance Contract are considered higher.

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)	Planning	
Local Government Review	Deferred	N/A
Housing Repairs and Maintenance	Q4	
Housing Revenue Account (HRA) Medium Term Financial Plan	Deprioritised (Q4)	
Technology1 ERP Implementation Project (New Finance System)	Complete	Limited
Waste Management	Fieldwork	
Consultants and Agency Staff	Fieldwork	
Procurement	Deprioritised (Q4)	
Contract Management	Deprioritised (Q4)	
Council Tax	Complete	Substantial
National Non-Domestic Rates	Complete	Substantial
Safeguarding	Planning	
External Funding / Grants Received	Fieldwork	
Recruitment Vetting	Q4	
Locata	Q4	
Responsible Authorities Group (was Local Strategic Partnership)	Planning	
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 December 2025, there were 50 recommendations outstanding (including 1 critical and 19 high priority), of which 24 were past their original due date (including 9 high priority). 33 recommendations have been raised and 37 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:

Housing Rents

There were four elements to the outstanding Housing Rents 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. Discussions to finalise the debt management approach are ongoing.

Temporary Accommodation

There are two outstanding recommendations from the Temporary Accommodation audit:

- One related to a contract for provision of temporary accommodation. The team are still working on reducing demand prior to tendering for the service. 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

There are two outstanding recommendations from the CCTV audit:

- One relates to the overall management of CCTV across the Council's properties. The CCTV policy and code of practice have been updated and are on the Council's website. There is a contract in place for the London Road office. Work is underway to confirm the arrangements for the Museum and sheltered housing.
- The other relates to the use of CCTV at the Canfield Depot. This is covered by a separate contract as it also covers the CCTV in the waste disposal fleet. It is understood that there are restrictions in how the CCTV is used and who can access it, but processes are not currently documented.

Business Continuity

Work is underway to ensure that the Council has a robust set of Business Continuity plans. The Emergency Planning Officer ran a workshop with Senior Management Team. This helped identify the critical services and to determine the recovery timescales. Ongoing activity will help identify all interdependencies and ensure consistency between all the plans. Testing of the plans will follow at a later date.

Implementation of the recommendations has slipped slightly with one of the nine recommendations implemented and two beyond their original target date. Internal Audit is satisfied there is a robust plan of action to deliver the necessary improvements.

Idox & Northgate Contracts (Climate Change)

The Idox and Northgate audits both identified the same issue i.e. the Council had not defined its approach to scope 3 emissions (i.e. carbon dioxide emissions within the supply chain). As a result, one high priority recommendation was made for the Council to determine its approach to these emissions.

No progress has been made on this action as the Climate Change team has faced other priorities, with the Heat Decarbonisation Plan / Public Sector Decarbonisation Scheme work taking priority recently. The Climate Change lead proposes to revisit this action in the new calendar year.

<u>Tenancy Satisfaction Measures</u>

The audit raised one high priority recommendation related to the introduction of a central record that enables tracking and monitoring of feedback and actions. It is understood this has been actioned and the Acuity tracker enables monitoring and reporting of on all actions. Internal Audit is awaiting evidence that this tracker addresses all issues raised in the audit.

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

6. <u>Quality Assurance Improvement Programme (QAIP)</u>

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 3 December 2025 is shown in the table below:

KPI	Year-end Target	Actual 01/12/25	Comments
Audit Plan delivered to Draft Report Stage by 31st March:	90%	29%	Includes finalisation of 2024/25 plan
Audit Plan delivered to final report stage by 30th April:	75%	29%	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	Surveys were sent to Senior Stakeholders in December 2025.
Compliance with GIAS	Generally Compliant	Generally Compliant	Complete – next IQA to be completed in Q4.

The commencement of the 2025/26 audit plan was slower than originally scheduled, due to a combination of operational factors. The Technology One ERP Implementation Project, Consultants and Agency and External Funding / Grants Received audits have been more complex than originally anticipated, with the resultant demand for additional resource. The pace of audit work is now starting to pick up but some audits have been deprioritised (see section 4 above).