



# INTERNAL AUDIT PROGRESS REPORT

## APPENDIX 1

Date: September 2025



## 1. Background

- 1.1 The Service is responsible for maintaining or procuring an adequate and effective internal audit function under the Accounts and Audit (England) Regulations 2024.
- 1.2 The Global Internal Audit Standards (the Standards) require the Audit and Standards Committee to scrutinise the performance of Internal Audit and to satisfy itself that it is receiving appropriate assurance that the controls put in place by management address the identified risks to the Service. This report aims to provide the Committee with details on progress made in delivering planned work, the key findings of audit assignments completed since the last Committee meeting, updates on the implementation of actions arising from audit reports and an overview of the performance of the team.

## 2. Performance

### 2.1 *Will the Internal Audit Plan be delivered?*

The position at the time of writing this report is as follows:

- 1 assignment is completed and finalised.
- 2 assignments are at clearance/ draft report stage.
- 2 assignments are in progress.
- 1 assignment is at the planning stage; and
- 3 assignments have not yet been started.

- 2.2 The service is fully resourced, and good progress is being made on delivery of the 2025/26 internal audit plan. Adequate resources are in place to deliver the Plan and the Annual Internal Audit Opinion for 2025/26. Progress on individual assignments, including commentary on the results of those which are complete, is set out at pages 8 to 9.



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### 2.3 ***Performance Indicators***

The service is implementing a suite of indicators which aim to demonstrate and enhance performance. Each individual member of staff has an agreed target to deliver 90% of their own work plan by the end of March each year. In addition, the following performance indicators have been established, and the results will be included in the annual report for 2025/26:

| <b>Description</b>    | <b>Narrative</b>   | <b>Target</b> |
|-----------------------|--|---------------|
| Delivery              | % of audit days delivered by Year End  | 90%           |
| Productivity          | % of available time spent on productive audit work                                   | 85% (YTD 87%) |
| Effectiveness         | % of agreed recommendations implemented by the agreed date                           | 75%           |
| Customer Satisfaction | % of Post Audit Questionnaires which have rated the service as "Very Good" or "Good" | 80%           |

### 2.4 ***Based upon recent Internal Audit work, are there any emerging issues that impact upon the Internal Audit opinion of the Service's Control Framework?***

At this stage there are no emerging issues arising from the work of Internal Audit which significantly impact upon the Internal Audit opinion of the Service's Control, Governance and Risk Management framework for 2025/26.

### 2.5 ***Are clients progressing audit recommendations with appropriate urgency?***

At the time of writing there are 10 outstanding internal audit recommendations; however, none of these are overdue.



### 3. Internal audit opinions and prioritisation of recommendations

3.1 The Auditor's Opinion for each assignment is based on the fieldwork carried out to evaluate the design of the controls upon which management rely and to establish the extent to which controls are being complied with. The table below explains what the opinions mean:

**Table 1 – Assurance Categories**

| Opinion                      | Definition   |
|------------------------------|--|
| <b>Substantial Assurance</b> | A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited   |
| <b>Reasonable Assurance</b>  | There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.                     |
| <b>Limited Assurance</b>     | Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.                       |
| <b>No Assurance</b>          | Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited. |

The prioritisation of recommendations made by Internal Audit is based upon an assessment of the level of risk exposure. The Auditor's Opinion considers the likelihood of corporate/ service objectives not being achieved, and the impact of any failure to achieve objectives. In order that recommendations can be prioritised according to the potential severity of the risk, a traffic light system is used as follows:



**Table 2 - Definition of Priority of Recommendations**

| Risk Level | Definition Matrix   |
|------------|---|
| Very Low   | No action needs to be taken on these risks or these risks can be carried. They will be recorded and monitored regularly to ensure that scores do not change.  |
| Low        | These risks both unlikely to occur and may be significant in their impact. They should be managed using normal or generic planning arrangements and require minimal monitoring and control. They will be monitored regularly to ensure that scores do not change.   |
| Medium     | These risks are less significant but may cause upset and inconvenience in the short term. These risks should be monitored to ensure that they are being appropriately managed, including generic emergency planning arrangements. They will be monitored regularly to ensure that scores do not change.   |
| High       | These risks are classed as significant irrespective of likelihood of occurrence. Considerations must be given to the development of strategies to eliminate risks, as well as mitigation by multi-agency, general planning, exercising and training. These risks will be frequently monitored.  |
| Very High  | These are primary or critical risks which require immediate attention. They may have high or low likelihood of occurrence, but the consequences must be treated as high priority. Strategies must be developed to reduce or eliminate risks along with mitigation by multi-agency, general planning, exercising and training. Risk must be frequently monitored, and considerations should be made towards specific planning, rather than specific. |

**Table 3 – Risk Matrix**

| <b>RISK MATRIX</b> |                     |                |                       |                   |                        |                 |
|--------------------|---------------------|----------------|-----------------------|-------------------|------------------------|-----------------|
| <b>Impact</b>      | <b>Severe (5)</b>   |                |                       |                   |                        |                 |
|                    | <b>Major (4)</b>    |                |                       |                   |                        |                 |
|                    | <b>Moderate (3)</b> |                |                       |                   |                        |                 |
|                    | <b>Minor (2)</b>    |                |                       |                   |                        |                 |
|                    | <b>Minimal (1)</b>  |                |                       |                   |                        |                 |
|                    |                     | <b>Low (1)</b> | <b>Low/Medium (2)</b> | <b>Medium (3)</b> | <b>Medium/High (4)</b> | <b>High (5)</b> |
|                    | <b>Likelihood</b>   |                |                       |                   |                        |                 |

**Table 4 – Impact and Likelihood Ratings**

| LEVEL                | SERVICE DELIVERY                          | FINANCIAL        | REPUTATIONAL  |
|----------------------|---|------------------|---|
| <b>Severe</b>        | Major external interruption or loss       | Greater than £5m | Extensive interest by national/international media requiring continued strategic response, press management resulting in sustained media exposure |
| <b>Major</b>         | Noticeable external interruption or loss  | £2.5m to £5m     | Interest by national media requiring strategic response   |
| <b>Moderate</b>      | Significant internal interruption or loss | £1m to £2.5m     | Significant interest by local/regional media with formal response required.   |
| <b>Minor</b>         | Internal interruption only                | £0.5m to £1m     | Minimal interest by local/regional media that may require informal or formal response   |
| <b>Insignificant</b> | Unnoticeable internal interruption only   | Less than £0.5m  | Rumours - potential requirement for clarification of the facts  |

| Descriptor         | Description                            | Probability (over 3 years) |
|--------------------|--|----------------------------|
| <b>High</b>        | Near certain to occur                  | >75%                       |
| <b>Medium/High</b> | Will often occur                       | 21-75%                     |
| <b>Medium</b>      | May occur                              | 6-20%                      |
| <b>Low /Medium</b> | Will seldom occur                      | 1-5%                       |
| <b>Low</b>         | May occur in exceptional circumstances | <1%                        |

**4. Internal Audit delivery**



4.1 At the time of report writing, based upon data as of 15<sup>th</sup> August 2025, 52 productive days had been delivered against the full year plan of 104 days. This is 13 days ahead of the pro rata figure for the time of year. Adequate resources are in place to deliver the plan.

**Table 5 - Summary of Days Delivered for 2025/26**

| Summary of Audit Areas   | Plan Budget | Days Delivered as at 15/08/2025 |
|--|-------------|---------------------------------|
| Core Financial Systems   | 22          | 2                               |
| Corporate Work   | 36          | 35                              |
| Other systems audits   | 36          | 10                              |
| <b>Sub total</b>   | <b>82</b>   | <b>47</b>                       |
| Support Budgets including any advice, audit management meetings, annual plan development, reports and Audit Committee support. | 10          | 5                               |
| <b>Total Audit Days</b>  | <b>104</b>  | <b>52</b>                       |

The following table shows the status of each assignment in the annual plan, the budget in days, and the anticipated reporting date. This table will also summarise the findings of each of the audits as they are completed. The table is designed to assist members in building up a picture of the assurance being provided.



**Table 6 – Summary of Internal Audit progress and findings, year to date**

| <u>Audit Area</u>                                 | <u>Status</u>       | <u>Anticipated Reporting Date</u> | <u>Assurance Rating</u> | <u>Summary of Findings/ Comments</u>   |
|---|---------------------|-----------------------------------|-------------------------|--|
| Main Ledger including Process Changes             | Not Yet Started     | January 2026                      | TBC                     |  |
| Procurement & Contract Management                 | Planning            | November 2025                     | TBC                     |  |
| Performance Management & Data Quality             | Draft Report issued | September 2025                    | TBC                     |  |
| Unwanted Fire Signals – Quality Assurance Process | Final Report issued | August 2025 (actual)              | <b>Reasonable</b>       | <p>In September 2024, the Service introduced a new policy in order to reduce the number of unwanted fire signals (UwFS) that are attended. The objective of this audit was to provide assurance that new procedures have been consistently applied and that where inconsistency has occurred, this is reasonable and evidenced.</p> <p>The scope covered:</p> <ul style="list-style-type: none"> <li>• Review the accuracy of the application of UwFS policy, to include: <ul style="list-style-type: none"> <li>○ Consistency of call filtering</li> <li>○ Adherence to Automatic Fire Alarm (AFA) response timeframes</li> <li>○ Identification of inconsistencies in the application of the policy, as part of the internal quality assurance process, and the sharing of information to ensure shared learning and development.</li> </ul> </li> </ul> |



| Audit Area                   | Status              | Anticipated Reporting Date | Assurance Rating | Summary of Findings/ Comments  |
|------------------------------|---------------------|----------------------------|------------------|--|
|                              |                     |                            |                  | <p>The review found the following areas of the system were working well:</p> <ul style="list-style-type: none"> <li>• Testing did not identify any unexplainable instances of call filtering use outside of UwFS Policy timeframes or non-attendance to incidents where a fire was present, indicating that call handlers are consistently applying timeframes and consistently providing a response where necessary.</li> <li>• Call handlers are successfully utilising available site intel to make informed decisions when call filtering.</li> </ul> <p>The audit highlighted scope to improve the internal Quality Assurance process, for example by incorporating structured feedback to reduce the risk of recurring errors which may result in repeated attendance to false alarms.</p> |
| Risk Management              | Draft Report issued | September 2025             | TBC              |  |
| Project Management           | Work in Progress    | November 2025              | TBC              |  |
| Leave Processes              | Not Yet Started     | February 2026              | TBC              |  |
| Overtime                     | Not Yet Started     | March 2026                 | TBC              |  |
| Follow up of Recommendations | Work in Progress    | March 2026                 | TBC              | The results of follow up audit reviews have been satisfactory, with no overdue recommendations at the time of reporting.   |



## 5. Limitations inherent in the work of internal audit

Internal Audit undertakes a programme of work agreed by the Authority's senior managers and approved by the Audit and Standards Committee subject to the limitations outlined below.

### ***Opinion***

Each audit assignment undertaken addresses the control objectives agreed with the relevant responsible managers. There might be weaknesses in the system of internal control that Internal Audit are not aware of because they did not form part of the programme of work, were excluded from the scope of individual internal audit assignments or were not brought to the attention of Internal Audit. As a consequence, the Audit and Standards Committee should be aware that the Audit Opinion for each assignment might have differed if the scope of individual assignments was extended or other relevant matters were brought to Internal Audit's attention.

### ***Internal Control***

Internal control systems identified during audit assignments, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision making, human error, control processes being deliberately circumvented by employees, management override of controls, and unforeseeable circumstances.

### ***Future Periods***

The assessment of each audit area is relevant to the time that the audit was completed. In other words, it is a snapshot of the control environment at that time. This evaluation of effectiveness may not be relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulatory requirements or other factors; or
- The degree of compliance with policies and procedures may deteriorate.

### ***Responsibilities of Management and Internal Auditors***

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance, and for the prevention or detection of irregularities and fraud. Internal Audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

Internal Audit endeavours to plan its work so that there is a reasonable expectation that significant control weaknesses will be detected. If weaknesses are detected, additional work is undertaken to identify any consequent fraud or irregularities. However, Internal Audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and its work should not be relied upon to disclose all fraud or other irregularities that might exist.