Internal Audit Progress Report including Anti-Fraud update

Audit Committee (28 July 2026)

Pendle Borough Council

miaa

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Global Internal Audit Standards (UK public sector)

Our work was completed in accordance with Global Internal Audit Standards (UK public sector).

1 Introduction

This report provides an update to the Accounts & Audit Committee in respect of closure of the 2025/26 internal audit plan and progress being made with delivery of the 2026/27 internal audit plan and brings to your attention matters relevant to your responsibilities as members of the Accounts & Audit Committee.

This progress report provides a summary of Internal Audit activity and complies with the requirements of the Global Internal Audit Standards (UK public sector).

Comprehensive reports detailing findings, recommendations and agreed actions are provided to the organisation, and are available to Committee Members on request. In addition, a consolidated follow up position is reported on a periodic basis to the Audit Committee.

This progress report covers the period 17 March – 20 July 2026.

An update on our Anti-Fraud activity has also been provided in section 2 below.

2 Key messages for Accounts & Audit Committee

Since the last meeting of the Accounts & Audit Committee, there has been the focus on the following areas:

2025/26 Audit Reviews

Since the previous Accounts & Audit Committee in March, the following 2025/26 reviews have been finalised:

- **Licensing** – Moderate assurance
- **VAT** - Moderate assurance
- **Finance Deep Dive – Budgetary Control** – Substantial assurance
- **Health & Safety** – Substantial assurance
- **Risk Management** - Substantial assurance
- **Council tax & NNDR** – Substantial assurance
- **Contract Management** – High assurance

Refer to Appendix D for details of Key Areas and Actions to be Delivered

The following reviews are at draft report stage:

- **Procurement**

2026/27 Audit Reviews

We have commenced delivery of the 2026/27 audit plan, and the following reviews are in progress:

- **Treasury Management** (draft report issued)
- **Project Management** (fieldwork)
- **Appraisals** (fieldwork)
- **Homelessness** (fieldwork)
- **Performance management & data quality** (planning)

Follow up of previous internal audit recommendations

A summary of the current status of follow-up activity is included in Appendix E, however, we would draw the committee's attention to the following:

- Of the 88 recommendations set out in Appendix D, 19 of these are not due for follow up/follow up in progress.
- This leaves 69 recommendations of which 59 (86%) have been fully actioned and 10 (14%) recommendations which are in progress/have not been actioned.
- There are no critical and 6 high priority recommendations outstanding, one of these relating to Information Governance are past their original implementation date with a revised date of 31 October 2026 and relates to introducing robust processes around contracts with third parties in regard to data, an overhaul of the DPIA process and register and improved policing of data retention periods related to the review and finalisation of the ROPA (Record of Processing Activity) documents and policy.
- There are five other high priority recommendations relate to the IT review of the IDOX system (2) which are in progress, two relating to the IT Asset Management audit which are currently being followed up and one relating to VAT processes which is not yet due.

  See **Appendix E** for further details.

Audit Plan Changes

Audit Committee approval will be requested for any amendments to the original plan and highlighted separately below to facilitate the monitoring process.

There are no proposed changes to the audit plan.

Towards Excellence

MIAA's Digital Teams have been formally awarded the Digital Skills Development Network's 'Towards Excellence in Digital Standards Level 3' accreditation. This is the highest level of recognition in this national framework.

This accreditation is part of the NW Skills Development Towards Excellence programme, which celebrates NHS organisations that demonstrate outstanding commitment to digital standards and workforce development.

Anti-Fraud update

Anti-Fraud/Anti-Bribery/Anti-Money Laundering Policies

These policies have now been finalised and issued, along with a covering commentary report for the Director of Resources. They have been reviewed by CLT and, subject to minor amendments to some terminology, are ready for final ratification prior to being uploaded to the Council website and disseminated to staff.

Anti-Fraud Communications

For 2026/27, once the policies have been ratified and published, we will provide awareness raising material to the Council's communications team to assist with promoting and raising awareness of them, as we as local authority fraud risks in general. This material is currently being developed and is based on Public Sector Fraud Authority templates.

Proactive Transactional Testing

The proactive anti-fraud review, utilising data analytics, of fuel card ('Fuelmate') transactional data and associated expenditure was finalised and the draft report issued in May. As there were a number of issues reported, both with regard to policy compliance as well as transactional anomalies detected, management have spent time reviewing the findings and a management meeting with the anti-fraud specialist to discuss the findings and recommendations is scheduled for 21st July, after which the report will be finalised. An update will be provided to the next Audit Committee.
A second proactive anti-fraud review, again utilising data analytics, is planned to take place in the autumn (Q3), although the area for analysis is yet to be finalised.

Council Fraud Risk Assessment

It was agreed at a meeting with the Director of Resources on 23rd June that, as part of the 26/27 plan arrangements, an assessment of the Council's fraud risk profile, in line GCFP (Government Counter Fraud Profession) requirements, would be undertaken in order to identify the priority fraud/bribery risks to which the Council might be exposed.
Once identified, additional anti-fraud measures can then be targeted at priority areas. This work has recently commenced.

Added Value

Briefings

Our latest briefings/blogs/podcasts are:

- 25/26 MIAA Insight – Emergency Preparedness, Resilience and Response Benchmarking
- 25/26 MIAA Insight – Equality, Diversity and Inclusion Benchmarking
- 25/26 MIAA Insight – Audit Committee Briefing - Cyber Security
- 25/26 MIAA Insight – Risk Management Core Controls Benchmarking

Events

- Empowering managers to support their teams (16th July 2026): Designed specifically for senior and system level leaders who want to build confident, capable managers who can recognise, understand, and support staff experiencing burnout. Through a blend of practical tools, case

studies, and proven wellbeing approaches, colleagues will discover how to create a culture where managers feel empowered to act early, have meaningful conversations, and create supportive environments where staff can recover and thrive.

Appendix A: 2025/26 Internal Audit Contract Performance

The Global Internal Audit Standards (UK public sector) state that 'In the UK public sector, a chief audit executive must prepare such an overall conclusion at least annually in support of wider governance reporting, mindful of any specific sector obligations or processes. This overall conclusion must encompass governance, risk management and control.'

Below sets outs the overview of delivery for your Head of Internal Audit Opinion for 25/26:

HOIA Opinion Area	TOR Agreed	Status	Assurance Level	Audit Committee Reporting
Core/Mandated Assurances				
Risk Management	✓	Final report issued	Substantial	28 July 2026
Finance Systems Deep Dive – Budgetary Control		Final report issued	Substantial	28 July 2026
Council tax & NNDR(Revenue & Benefits)	✓	Final report issued	Substantial	28 July 2026
Risk Based Assurances				
Payroll	✓	Final report issued	Substantial	25 November 2025
Governance Review	✓	Final report issued	Substantial	27 January 2026
VAT Audit	✓	Final report issued	Moderate	28 July 2026
Contract Management	✓	Final report issued	High	28 July 2026
Health and Safety	✓	Final report issued	Substantial	28 July 2026
Nelson Town Deal	✓	Final report issued	Substantial	24 March 2026
Procurement	✓	Draft report stage		
Licensing	✓	Final report issued	Moderate	28 July 2026
IT Critical application review: IT Asset Management	✓	Final report issued	Limited	24 March 2026

HOIA Opinion Area	TOR Agreed	Status	Assurance Level	Audit Committee Reporting
Project Management Arrangements (was Carbon Plan)		Review c/fwd to 2026/27		
IT critical application review – IDOX system	✓	Final report issued	Limited	25 November 2025
Customer services review	✓	Final report issued	Substantial	30 September 2025
Follow Up				
Qtr 1	N/A	Completed	Not applicable	29 July 2025
Qtr 2	N/A	Completed	Not applicable	30 September 2025
Qtr 3	N/A	Completed	Not applicable	25 November 2025 & 27 January 2026
Qtr 4	N/A	Completed	Not applicable	24 March 2026

Appendix B: 2026/27 Internal Audit Contract Performance

The Global Internal Audit Standards (UK public sector) state that 'In the UK public sector, a chief audit executive must prepare such an overall conclusion at least annually in support of wider governance reporting, mindful of any specific sector obligations or processes. This overall conclusion must encompass governance, risk management and control.'

Below sets outs the overview of delivery for your Head of Internal Audit Opinion for 2026/27:

HOIA Opinion Area	TOR Agreed	Status	Assurance Level	Audit Committee Reporting
Core/Mandated Assurances				
Strategic Risk Management		Q3		
Key Financial Systems		Q2 – Due to commence Sept		
Risk Based Assurances				
Contract Management		Q3		
Complaints		Q4		
Performance management & data quality		Q2 - Planning		
Treasury Management	✓	Draft report issued		
Homelessness	✓	Q2 - Fieldwork		
Housing Enforcement		Q3		
Staff performance – appraisals	✓	Q2 - Fieldwork		
Information Governance re-audit		Q3/Q4		
Artificial Intelligence Governance		Q3		
Project Management Arrangements (was Carbon Plan)	✓	Fieldwork		
Follow Up				

HOIA Opinion Area	TOR Agreed	Status	Assurance Level	Audit Committee Reporting
Qtr 1	N/A	Completed	Not applicable	28 July 2026
Qtr 2	N/A	In progress		
Qtr 3	N/A			
Qtr 4	N/A			

Appendix C: Performance Indicators

The primary measure of your internal auditor's performance is the outputs deriving from work undertaken. The following provides performance indicator information to support the Committee in assessing the performance of Internal Audit.

Element	Reporting Regularity	Status	Summary
Delivery of the Head of Internal Audit Opinion (Progress against Plan)	Each Audit Committee	Green	There is ongoing engagement and communications regarding delivery of key reviews to support the Head of Internal Audit Opinion.
Issue a Client Satisfaction Questionnaire following completion of every audit.	Each Audit Assignment	Green	Questionnaire issued with each audit report.
Percentage of recommendations raised which are agreed	Each Audit Committee	Green	Actions agreed by the Council on all recommendations raised.
Qualified Staff	Annual	Green	MIAA have a highly qualified and diverse workforce which includes 75% qualified staff. The Senior Team delivering the Internal Audit Service to the Council are CCAB/IIA qualified.
Quality	Annual	Green	MIAA operate systems to ISO Quality Standards. The External Quality Assessment, undertaken by CIPFA, provides assurance of MIAA's compliance with the Public Sector Internal Audit Standards. MIAA conforms with the Public Sector Internal Audit Code of Ethics.

Appendix D: Key Areas from our Work and Actions to be Delivered

Report Title	**Licensing**			
Executive Sponsor	Director of Place			
Assurance opinion	**Moderate**			
Objective	To provide assurance over the adequacy and effectiveness of current controls over Licensing. **Limitations to scope:** The review was limited to the controls in operation at the Council and focused on Taxi, Alcohol and Entertainment licensing.			
Recommendations	0 x Critical	1 x High	3 x Medium	1 x Low
Summary	Overall, there was an adequate system of internal control, however, in some areas weaknesses in design and inconsistent application of controls put the achievement of some aspects of the system objectives at risk. The Council had a Statement of Licensing Policy for the period 2021 - 2026 and it was accessible to the public via the Council's website. The Council also had a Taxi Licensing Policy which took effect from 1st April 2022 and was last updated in March 2024. The role of the Council and applicants of licenses were defined in the Taxi Licensing Policy, and it was accessible to the public and employees on the Council's website. There were procedural notes and documentation requirements on taxi, alcohol and entertainment licencing applications on the Council's website. The Council had an electronic license register that was accessible to the public via the Council's website. Sample testing identified the Council received the appropriate application fees before processing the respective licensing applications. The Council uses a 15-point penalty scheme amongst its taxi licensing enforcement actions and exceeding the penalty points within 3 years could lead to a suspension of a taxi license. The following areas for improvement were identified: • sample testing of licensing applications identified supporting evidence for required checks such as outstanding recalls checks and vehicle tax check were not documented or retained and 50% of the Taxi licenses for drivers were not compliant with the 2-day performance indicator of issuance of			

	license following validation. The Council received a large influx of applications and have now recruited an additional staff member to help ease resourcing pressures. (**High risk, actions now completed)** • Sample testing of authorised licenses identified no separate oversight of licensing decisions from an independent officer. (**Medium risk)** • There were duplicate records of licenses, conflicting license renewal dates and expired status licenses on the register of licenses reviewed. **(Medium risk)** • There were no formal recording and monitoring of inspection plans and inspection activities for licensing. Although the Council does not currently have an appropriate risk-based inspection plan in place, we noted that efforts are underway to develop one. Lastly, the taxi inspection spot checks have reduced in the last year due to human resource limitations within the team and legal constraints. **(Medium risk).** • The Council's Taxi Licensing Policy states it took effect on 1st April 2022 and was last updated on 21st March 2024. However, the policy does not include a next review date or specify a required review frequency. **(Low risk)**
Key Areas Agreed for Action	• The checks needed for applications are set out in Idox itself and all checks are required to be undertaken and recorded in Idox. Not all checks were being printed off and stored in the EDRMS. The process has now been altered and all checks are retained in the EDRMS. Idox does not have the ability to be configured to flag up applications. Applications have to be issued the day or the day after they are valid so effectively every valid application would need to be flagged. A query has been developed that lists all valid applications. This will be run each day to look at all outstanding applications needing to be issued. A report has been set up in access that details all of the applications determined in the quarter. It establishes if any checks have not been completed. In addition, a quarterly random sample audit will be carried out. The process has been altered so that the actual date is inputted. The received date does not however affect performance which is assessed against the day an application becomes valid which in turn is used to assess the processing time. (**High risk, actions all completed)** • The processing of licensing applications requires continuity from the member of staff as they can often be complex processes. The processes will be amended to ensure that there is overview of the final decision by another officer. The metric will be amended. **(Medium risk, action by 31 May 2026)** • The records have been removed which were historic records. The system does not allow duplicate records to be inputted. A query in access has been developed to allow a monthly check of data. This

	will be supplemented by a quarterly check of the data using random sampling. The system cannot be configured to flag conflicting records or irregular entries as these cannot be defined. The query will flag up anomalies in dates and missing information. **(Medium priority, action by 30 April 2026)** • The process of adopting a risk based process has been set out in the Service Plan and work has commenced on that. Idox will be altered in order to allow monitoring and implementation of the risk based approach. Recording of inspections will be carried out for all inspections using the available inspection fields in Idox. A query has been developed to allow monitoring of outstanding matters. **(Medium risk, action by 31 December 2026)** • The wording will be amended to reflect a timescale. **(Low priority, action by 30 April 2026)**
Key Risks Highlighted with No Agreed Action	N/A

Report Title	**VAT**			
Executive Sponsor	Director of Resources			
Assurance opinion	**Moderate**			
Objective	The overall objective was to review the design and operational effectiveness of the controls of the Council's VAT processes. Scope Limitation: The review does not provide assurance in relation to the validity of VAT returns/claims and the correct application of VAT rules/compliance with HMRC rules, rather, the review focused on the controls in place to ensure VAT rules were applied and returns agreed back to supporting documentation. Our review did not assess IT controls in relation to the VAT accounting system in place.			
Recommendations	0 x Critical	1 x High	2 x Medium	0 x Low
Summary	There was an adequate system of internal control, however, in some areas weaknesses in design and/or inconsistent application of controls puts the achievement of some aspects of the system objectives at risk. Areas of good practice were noted around the Council's membership of Public Sector (PS) Tax which allows the Council to access expert VAT advice. VAT returns were completed monthly and submitted to			

	HMRC in a timely manner. Working papers and supporting documents were in place to support VAT return workings and sample testing of three months of VAT returns noted these had been submitted within the require timeframes. Sample testing of income and expenditure transactions noted these were accounted for correctly for VAT purposes. Areas for improvement were identified in relation to producing a VAT policy/procedure which staff can refer to for guidance on how to account for and treat VAT and no specific VAT training is provided to staff. The VAT returns are not checked and/or approved prior to submission to HMRC. **(1 x High Risk and 1 x Medium Risk)** One purchase invoice was not a valid VAT invoice. The Council's vatable invoices did not fully comply with HMRC regulations as the VAT rate was not specified. **(Medium Risk)** Under Section 33 of the VAT Act 1994 Councils are subject to partial exemption rules. The partial exemption rules allow the Council to recover input tax incurred in making exempt supplies if the total of the input tax in making those supplies is less than 5% of the Council's total input tax for the year. We noted at the commencement of our audit that the Council had not been calculating the partial exemption and therefore not reclaiming any potential input tax. We were advised that this was due to the capacity of the Finance team. The Council has since engaged PS Tax to undertake this calculation for them to assess if any input tax can be reclaimed therefore no recommendation has been made.
Key Areas Agreed for Action	Recommendations accepted. VAT policy to be drafted. VAT training course booked for Finance Staff involved in payment. Reminder and 'guidance to be provided to all those processing invoices through intelligent scanning. (**1 High and 2 Medium Risk, Training to be completed 30 June 2026 and VAT policy/guidance to be completed by 30 September 2026)**
Key Risks Highlighted with No Agreed Action	N/A

Report Title	**Finance Deep Dive – Budgetary Control**			
Executive Sponsor	Director of Resources			
Assurance opinion	**Substantial**			
Objective	The overall objective is to provide assurance that there are robust systems and controls in place to set and approve the Council's revenue budgets and financial reporting is sufficient, timely and accurate. Scope Limitation: The review does not provide an opinion on the Council's performance against the budget.			
Recommendations	0 x Critical	0 x High	2 x Medium	1 x Low
Summary	Overall, there are fundamentally robust processes in place to set, agree and monitor revenue spending in the context of medium-term financial planning. Substantial assurance is delivered, and we note that controls have been improved since our previous review in 2022/23, including a more structured planning process, and greater rigour in budget monitoring of variances and forecast. At the conclusion of review a provisional c£200k surplus was projected. We consider there to be sufficient prudence in the medium-term plan, which extends beyond the life of the Council, and includes future savings plans which would still drawdown on reserves, but would leave a level of general reserves available for general budget support commensurate with the latest risk-based assessment of 'desirable' reserves. Medium priority recommendations made for further improvement are around full acceptance of budgets by service heads, with agreed caveats if appropriate, and a protocol for authorisation prior to committing expenditure where insufficient budget remains, beyond the existing virement process. A low priority recommendation was made in relation to updating the Budgets and Spending section of the Council's website.			
Key Areas Agreed for Action	• All managers to be consulted with to ensure all sign-offs are received. **(Medium risk, action by 30 June 2026)** • FPRs 2.18 to include additional guidance on known additional expenditure. **(Medium risk, action by 30 June 2026)** • Links/documents to be updated. (Low priority, action by 30 September 2026)			
Key Risks Highlighted with No Agreed Action	N/A			

Report Title	**Health & Safety**			
Executive Sponsor	Director of Place			
Assurance opinion	**Substantial**			
Objective	To evaluate the controls in place to identify and manage risks in relation to compliance with the Corporate Health and Safety requirements. Scope Limitation: The review does not include an opinion on the suitability of agreed actions included in any risk assessments completed. We did not confirm compliance with the Health and Safety at Work Act (1974) and Management of Health and Safety at Work Regulations (1999). The review looked at arrangements for the health and safety of employees not members of the public.			
Recommendations	0 x Critical	0 x High	3 x Medium	1 x Low
Summary	Overall, there was a good system of internal control, however there is an opportunity to further strengthen the controls in place such ensuring health and safety risk assessments are up to date, developing a health and safety training matrix, reporting health and safety training compliance. Areas of good practice related to the Council having a Health & Safety Policy in place that was supported by procedural documents with all being accessible for council staff to access. Roles and responsibilities of staff and governance meetings have been clearly defined within the Corporate Health & Safety Policy Responsibilities 2025. The Council had a risk assessment procedure and risk assessment monitoring spreadsheet in place for the monitoring of risk assessment compliance. Reporting on incidents was evidenced throughout the year on a quarterly basis; no incidents were found to be RIDDOR reportable. Several meetings received reports on Health & Safety from the Corporate Management Team, Work Safely Group, Waste Services and Liaison Group. Main responsibilities for oversight of Health & Safety was through the Risk Management Working Group with updates provided at each meeting on Health & Safety activities across the Council. Sample testing conducted on risk assessments provided assurance that within the sample tested they were completed in full. Health and Safety risks are included within the Strategic Risk Register with an update provided on a quarterly basis. Health & Safety training that had been provided to council staff was able to be evidenced.			

	Areas for further improvement were identified in relation to ensuring a health and safety training matrix is in place **(Medium risk),** ensuring compliance with health and safety training is monitored and reported on (**Medium risk)** and ensuring that all risk assessments are fully completed and up to date **(Medium risk).** Review of the Risk Assessment Procedure identified that this was dated as 2022/23, Prcoedure for Dealing with Voilent Incidents at Work was dated as 2021/22 and the Accident Reporting Procedure was dated as 2022 and therefore these required updating. **(Low risk)**
Key Areas Agreed for Action	• Health & Safety training - Discussions to be held during staff's Personal Development Reviews. **(Medium risk, action by 30 June 2026)** • Action – provide service leads with list of staff members who need to complete training. List to include courses to be completed and monitor completion. Raise at RMWG – Corporate Governance meeting and CLT. **(Medium risk, action by 30 September 2026)** • Provide service leads with information on the risk assessments requiring checking and signing as agreed. List to include details of who received assessment previously. **(Medium risk, action by 30 June 2026)** • Advised policies were to be renewed as part of the 3 yearly cycle in August and September 2026. **(Low risk, action by 30 September 2026)**
Key Risks Highlighted with No Agreed Action	N/A

Report Title	**Risk Management**			
Executive Sponsor	Director of Resources			
Assurance opinion	**Substantial**			
Objective	The overall objective was to provide assurance that core risk management controls have been adequately designed and are operating effectively. Scope Limitation: The review does not provide assurance on how well individual risks have been managed			
Recommendations	0 x Critical	0 x High	1 x Medium	2 x Low
Summary	Whilst the Council had good processes in place in relation to risk management specifically in relation to the governance arrangements, there were areas where the council could further strengthen the existing controls and processes that are in currently in place. The first recommendation relates to the linked actions to risks on the Strategic Risk Register and identified a need to ensure that linked actions were identified for all risks, there are at least quarterly updates provided for all actions **(Low risk)** and that a process is agreed for the formal approval of risks to be escalated to the Strategic Risk Register and for the removal of risks where required **(Medium risk).** Testing also identified that annual risk management refresher training had not taken place in 25/26, with the last training being undertaken in February 2025. **(Low risk)**			
Key Areas Agreed for Action	• Whilst these discussions were had as part of the reviews of the relevant reports within these forums, they were not captured in the Minutes. The Council will ensure going forward that the approval for the escalation or demotion of risks is captured in the minutes for relevant meetings. **(Medium risk, action by 31 August 2026)** • The team ensures that there are quarterly updates (as a minimum) provided on all risks and linked actions. However, the Council accepts that there may not always be an updated implementation date provided. The Council will continue to complete the quarterly review and updates process as currently delivered ensuring that the quarterly updates include revised implementation dates if required. The Council will ensure that all risks within the SRR have linked actions in place. **(Low risk, action by 31 August 2026)**			

	• The training delivered in February 2025 was delivered as such to coincide with an improved Strategic Risk Register and the launch of a new Risk Management Toolkit. The next training is also being planned to coincide with the refresh of the Risk Management Strategy due later this year given resources and capacity available in this area. **(Low risk, action by 31 August 2026)**
Key Risks Highlighted with No Agreed Action	N/A

Report Title	**Council tax & NNDR**			
Executive Sponsor	Director of Resources			
Assurance opinion	**Substantial**			
Objective	The overall objective of the audit was to identify and evaluate the controls in place to manage key risks which would affect the effective operation of the system for Non-Domestic Rates (NNDR) and Council Tax. Scope Limitation - The scope of this review focussed on the controls in operation at the council and on behalf of Pendle Council operated by Liberata. The review does not provide assurance on the IT system controls in place and the identification of any potentially fraudulent claims.			
Recommendations	0 x Critical	0 x High	1 x Medium	0 x Low
Summary	An overall assurance rating of substantial has been awarded in respect of the systems in place surrounding council tax and NNDR processing for the council. The parameters set within the NEC system were confirmed to have been approved and were a correct reflection of the charges to be made for the 2026/27 billing period prior to any invoices being issued. Valuation office updates for both council tax and NNDR were noted to be timely and accurately processed, with a reconciling check completed to confirm accuracy. Monthly income reconciliations were completed timely and reviewed and approved appropriately. Discounts and exemptions had been applied appropriately and supporting evidence of checks completed had been retained. Evidence of chasing for accounts in arrears was also confirmed with monies being recovered where possible and clear records of all contact made being retained for those in dispute.			

	Refunds were noted to be approved in line with established limits, and accurately and timely processed. No write offs had been carried out for the second consecutive financial year due a lack of policy being available, which is currently under review by the council**. (Medium Risk)**
Key Areas Agreed for Action	The write off policy has now been approved and issued to Liberata, the write off report is currently being prepared for presentation to the Council Executive Committee for approval. **(Medium priority, action by 31 July 2026)**
Key Risks Highlighted with No Agreed Action	N/A

Report Title	**Contract Management**			
Executive Sponsor	Director of Resources			
Assurance opinion	**High**			
Objective	The overall objective was to provide assurance that the Council has effective arrangements in place for managing its contract with Liberata including the processes for recording, monitoring and reviewing contract performance. Scope Limitation: The scope of this review focused on the objectives described in Appendix A and was limited to the controls in operation at the Council.			
Recommendations	0 x Critical	0 x High	0 x Medium	0 x Low

Summary	The review noted that there is a high assurance that the Council has arrangements in place to effectively monitor its contract with Liberata. There was a detailed contract in place between Liberata and the Council for the provision of key services, this contract was originally for 15 years commencing in 2005 but has since been renewed through a deed of agreement to February 2030. There was an agreed performance framework in place that is reviewed and agreed annually. The achievement toward the agreed PIs and KPIs on the framework is reported to the council via the Partnership Steering Group report, PSG, and the Partnership Board Report, PBR. Liberata use a system for recording all data in respect of the PIs, Pentana, the figures in Pentana were found to accurately reported on the PBR for November and December 2025. Performance was discussed quarterly in performance clinics, where each Service Manager attended to discuss the performance for their respective PIs. The PSG was presented monthly to the Partnership Steering Group, where good discussion was noted, the minutes for which were presented to the Council's Corporate Leadership Team meetings, providing a good governance and oversight process. The performance was also reviewed at the Joint Partnership Board, attended by Members, Directors, Managers and Liberata representatives. The annual charge for 2025/26 was calculated on a spreadsheet that included the agreed added indexation, the charge was agreed via email on 26 March 2025, the January and February 2026 invoices were noted to be accurate charges of 1/12th of this agreed fee.
Key Areas Agreed for Action	N/A
Key Risks Highlighted with No Agreed Action	N/A

Appendix E: Follow up of previous internal audit recommendations

AUDIT TITLE (YEAR)	NO OF RECS	ASSURANCE LEVEL	PROGRESS ON IMPLEMENTATION				OUTSTANDING RECOMMENDATIONS				COMMENTS
			✓/S	P	X	Not due/ FUIP	C	H	M	L	
Council Tax and NNDR (2022/23)	3	Substantial	3	-	-	-	-	-	-	-	All recommendations actioned.
Mandatory Training (2023/24)	5	Substantial	4	1	-	-	-	-	1	-	Corporate Leadership Team have confirmed mandatory training requirements which have been communicated to staff and there is centralised monitoring of mandatory training. Compliance will be reported at the end of Q1 2026/27.
Information Governance (2023/24)	5	Limited	3	2	-	-	-	1	1	-	Progress has been made since the Information Governance Officer came into post in March 2026. Two high and one medium risk recommendation have been notified as completed with the remaining two recommendations ongoing. The high priority recommendation outstanding relates to third party supplier management and ensuring IG controls are in place. A re-audit of this area is planned for Q3/Q4.
Staff performance / Appraisals (20234/24)	6	Limited	4	2	-	-	-	-	2	-	The outstanding recommendations relate to consideration of competency / values based recruitment processes and standardised role competencies / behaviour framework. It is unlikely that competency /values based recruitment processes will be prioritised given other key HR/workforce priorities ahead of LGR. There is a revised implementation date of 31/1/26 (original implementation dates 31 March 2025).
Complaints & Learning (2024/25)	10	Moderate	9	1	-	-	-	-	1	-	The outstanding recommendation relates to reporting from the JADU system on the time from the date of receipt of the complaint to the date of completion. It is to be checked whether this report can be automated.
Finance Deep Dives – AP/AR (2024/25)	8	Moderate	7	-	1	-	-	-	1	-	Update 7/1/26 - The system upgrade has not been carried out yet. In discussion with the IT team to schedule the upgrade. As a result a GRN has yet to be implemented. Revised date 30 June 2026.

AUDIT TITLE (YEAR)	NO OF RECS	ASSURANCE LEVEL	PROGRESS ON IMPLEMENTATION				OUTSTANDING RECOMMENDATIONS				COMMENTS
			✓/S	P	X	Not due/ FUIP	C	H	M	L	
Council tax & NNDR (2024/25)	2	Substantial	2	-	-	-	-	-	-	-	All recommendations actioned.
Emergency Planning (2024/25)	4	Substantial	4	-	-	-	-	-	-	-	All recommendations actioned.
Customer Services (2024/25)	3	Substantial	3	-	-	-	-	-	-	-	All recommendations actioned.
Disabled Facilities Grant (2024/25)	8	Moderate	8	-	-	-	-	-	-	-	All recommendations actioned.
Payroll (2025/26)	3	Substantial	2	-	-	1	-	-	1	-	Outstanding recommendation not due for follow up until 31 March 2026.
Critical IT application – IDOX system (2024/25)	3	Limited	-	2	-	1	-	2	1	-	Recommendations are in progress with a revised implementation date or awaiting confirmation of completion. The two high priority recommendations relate to reviewing user accounts and password controls on IDOX system and reviewing contract with supplier to ensure current and complete a DPIA.
Governance (2025/26)	2	Substantial	2	-	-	-	-	-	-	-	All recommendations actioned.
IT Asset Management (2025/26)	3	Limited	-	-	-	3	-	2	1	-	Follow up in progress. The two high priority recommendations relate to review of the various IT asset registers and review of controls to manage acquisition, distribution, installation, collection, and disposal and management of changes to assets such as physical location, ownership and build upgrades.
Nelson Town Deal (2025/26)	4	Substantial	2	1	-	1	-	-	1	1	Follow up in progress.

AUDIT TITLE (YEAR)	NO OF RECS	ASSURANCE LEVEL	PROGRESS ON IMPLEMENTATION				OUTSTANDING RECOMMENDATIONS				COMMENTS
			✓/S	P	X	Not due/ FUIP	C	H	M	L	
Licensing (2025/26)	5	Moderate	4	-	-	1	-	-	1	-	Remaining recommendation has implementation date of 31 December 2026.
VAT processes (2025/26)	3	Moderate	-	-	-	3	-	1	2	-	Follow up not due.
Budgetary Control (2025/26)	3	Substantial	2	-	-	1	-	-	1	-	Outstanding recommendation relates to the sign off of budget acceptance by budget holders for which the final acceptance forms are being chased.
Health & Safety (2025/26)	4	Substantial	-	-	-	4	-	-	3	1	Follow up not due.
Risk Management (2025/26)	3	Substantial	-	-	-	3	-	-	1	2	Follow up not due.
Council tax & NNDR (2025/26)	1	Substantial	-	-	-	1	-	-	1	-	Follow up not due.
Totals	**88**	**-**	**59**	**9**	**1**	**19**	**-**	**6**	**19**	**4**	

Key to recommendations:

✓/S	Implemented or Superseded
P	Partially implemented/recommendation in progress
X	Recommendation not implemented
ND/FUIP	Not due for follow up/Follow up in progress

C	Critical priority recommendation
H	High priority recommendation
M	Medium priority recommendation
L	Low priority recommendation

Appendix F: Assurance Definitions and Risk Classifications

Level of Assurance	Description
High	There is a strong system of internal control which has been effectively designed to meet the system objectives, and that controls are consistently applied in all areas reviewed.
Substantial	There is a good system of internal control designed to meet the system objectives, and that controls are generally being applied consistently.
Moderate	There is an adequate system of internal control, however, in some areas weaknesses in design and/or inconsistent application of controls puts the achievement of some aspects of the system objectives at risk.
Limited	There is a compromised system of internal control as weaknesses in the design and/or inconsistent application of controls puts the achievement of the system objectives at risk.
No	There is an inadequate system of internal control as weaknesses in control, and/or consistent non-compliance with controls could/has resulted in failure to achieve the system objectives.

Risk Rating	Assessment Rationale
Critical	Control weakness that could have a significant impact upon, not only the system, function or process objectives but also the achievement of the organisation's objectives in relation to: • the efficient and effective use of resources • the safeguarding of assets • the preparation of reliable financial and operational information • compliance with laws and regulations.
High	Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives. This weakness, whilst high impact for the system, function or process does not have a significant impact on the achievement of the overall organisation objectives.
Medium	Control weakness that: • has a low impact on the achievement of the key system, function or process objectives; • has exposed the system, function or process to a key risk, however the likelihood of this risk occurring is low.
Low	Control weakness that does not impact upon the achievement of key system, function or process objectives; however implementation of the recommendation would improve overall control.

Limitations

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regards to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

Responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

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