Internal Audit Progress Report including Anti-Fraud update

Audit Committee (29 September 2026)

Pendle Borough Council

miaa

Contents

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 21 July – 14 September 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 focus on the following areas:

2025/26 Audit Reviews

Since the previous Accounts & Audit Committee in July, the following 2025/26 review have been progressed:

- **Procurement** – Draft report issued 10 September 2026

2026/27 Audit Reviews

Since the previous Accounts & Audit Committee in July, the following 2026/27 reviews have been finalised.

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

- **Treasury Management** – Substantial assurance
- **Project Management** – Substantial assurance

The following reviews are in progress:

- **Appraisals** (Fieldwork)

- **Homelessness** (Fieldwork)
- **Performance Management & Data Quality** (Fieldwork)
- **Key Financial Systems** (Terms of Reference approved, fieldwork agreed to commence in October)

Follow up of previous internal audit recommendations

A summary of the status of follow-up activity is included in Appendix E. We would draw the committee's attention to the following:

- Of the 71 recommendations set out in Appendix E, 11 of these are not due for follow up.
- This leaves 60 recommendations of which 48 (80%) have been fully actioned, 3 (5%) are superseded and 9 (15%) are in progress.
- There are 5 high-priority recommendations outstanding; 4 relate to IT based audits and one to VAT processes which is not yet due for follow up.
- Two parts of one of the high-priority recommendations on Information Governance relate to training and have revised timescales to March and June 2027. The remaining high-priority recommendation relates to third party supplier management. This has a revised date of 31 October 2026. A re-audit of this area is planned for Q3/Q4
- One high-priority recommendation on The Critical Application Review – IDOX audit relates to reviewing the contract with the supplier and completing a Data Processing Impact Assessment (DPIA). This has a revised implementation date of 31/12/26.
- The one part of the high-priority recommendation relating to that The Council and Liberata are still to formalise a process(es) for the collection of mobile devices and mobile phones which also details where the devices are being stored. Revised date – 30th September 2026

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.

Investors In People (IIP) Gold Standard

We are delighted to share that MIAA has been awarded Investors in People (IIP) Gold accreditation for the third consecutive time.

This is a fantastic achievement and recognition of MIAA's culture. Gold accreditation is awarded to organisations that don't just have great people practices in place, but where those practices are consistently experienced and valued by colleagues across the organisation.

Anti-Fraud update

Anti-Fraud Communications

Following the ratification of the "Anti-Fraud/Anti-Bribery/Anti-Money Laundering Policies" our Counter Fraud team has plans to provide awareness raising material to the Council's communications team this September to assist with promoting and raising awareness of them, as well as local authority fraud risks in general. This material has been 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 few issues reported, both with regard to policy compliance as well as transactional anomalies detected, management has spent time reviewing the findings. A management meeting with the anti-fraud specialist to discuss the findings and recommendations was held and a few points still need to be resolved, 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

We've also now drafted an initial fraud risk assessment profile for the Council which we'll share with Director of Resources, as accountable lead Director, for comment before the end of September. Once agreed, it will need to be completed on a self-assessment basis by relevant Council personnel with responsibility of the areas and activities covered. When signed off, additional anti-fraud measures can then be targeted at priority areas.

Added Value

Events

- Improvement Recruitment and Retention in the public sector (8th October 2026): This session will define what good employee experience is and what it looks like. Attention will be paid to how we can ensure a positive employee experience throughout the whole employee lifecycle along with highlighting how this can improve recruitment, retention, and engagement along with other organisational measures.

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

HOIA Opinion Area	TOR Agreed	Status	Assurance Level	Audit Committee Reporting
IT Critical application review: IT Asset Management	✓	Final report issued	Limited	24 March 2026
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 October		
Risk Based Assurances				
Contract Management		Q3		
Complaints		Q4		
Treasury Management	✓	Q1- Final report issued		
Homelessness	✓	Q2 - Fieldwork		
Performance management & data quality	✓	Q2 – Fieldwork		
Staff performance – appraisals	✓	Q2 - Fieldwork		
Housing Enforcement		Q3		
Information Governance re-audit		Q3/Q4		
Artificial Intelligence Governance		Q3		

HOIA Opinion Area	TOR Agreed	Status	Assurance Level	Audit Committee Reporting
Project Management Arrangements (was Carbon Plan)	✓	Final report issued		
Follow Up				
Qtr 1	N/A	Completed	Not applicable	28 July 2026
Qtr 2	N/A	Completed	Not applicable	29 September 2026
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	**Treasury Management**			
Executive Sponsor	Director of Resources			
Assurance opinion	**Substantial**			
Objective	To provide assurance that the most significant key treasury management controls are appropriately designed and operating effectively in practice. **Limitations to scope:** The scope of this review was limited to the controls in operation at the Council and did not constitute a detailed review on the appropriateness of individual investment or borrowing decisions.			
Recommendations	0 x Critical	0 x High	1 x Medium	1 x Low
Summary	Overall, there is a good system of internal control designed to meet the system objectives, and controls are generally being applied consistently. The Council has approved Treasury Management Strategy Statement - Minimum Revenue Provision Policy Statement and Annual Investment Strategy for the period 2025/26 and 2026/2027 documents, which are accessible to the public and staff on the Council's website. The strategy statement complies with key reporting principles of the CIPFA Treasury Management Code for local authorities. The Council has a cash flow forecast for 2026/27 and a record of investments and loans for the same period. A review of the Council's investment portfolio for 25/26 revealed compliance with the Council's approved counter party limits. There were records of monthly investment balance reconciliations carried out for the period September 2025 to April 2026 which were reviewed and signed off by the Head of Finance. The Council has a Treasury Management Practice Note with sections covering Treasury Risk Management areas such as liquidity risk, interest rate risk and credit/counterparty risk. A Treasury Management Strategy Statement and Annual Investment Strategy Mid-Year Review Report for 2025/26 was issued to the Executive committee and it highlights information on the Council's mid-year treasury position. A treasury management quarterly monitoring report was presented at the Accounts &			

	Audit Committee for 2025/26 Q1 on 29th July 2025, Q2 on 26th November 2025 and Q3 on 27th January 2026. The Annual Treasury Management Review (out-turn) report for 2024/25 was issued to the Executive Committee on 17th July 2025. The following areas for improvement were identified. • From a sample of investment transactions reviewed, there were variations to initial investment transactions identified without evidence of approval of the variations. **Medium Risk** • Minimum liquidity thresholds are not formally defined or documented. **Low Risk**
Key Areas Agreed for Action	• Management will introduce additional approval for cases where the planned counterparty changes, or/and in cases where the amount to be invested increases. The Council feel this is an area of low risk, as the counterparty list is approved in the Treasury Management Strategy, and markets are reviewed daily for the best possible rates of return. At present approval requests include notes of possible variation based on actual liquidity and rates on the day. • The Council will implement a procedure note to reflect processes undertaken by the treasury team to ensure balances in the current account are at minimum level and liquidity is maintained by the use of call accounts. This practice is both for reasons of security and ability to generate interest income. At all times funds are held at instant access to keep a level of liquidity whilst achieving the best possible economical advantage for the Council.
Key Risks Highlighted with No Agreed Action	N/A

Report Title	**Project Management**			
Executive Sponsor	Director of Resources			
Assurance opinion	**Substantial**			
Objective	To provide assurance over the design and operating effectiveness of Project Management processes at the Council. **Scope Limitation**: Due to the Project Management Office (PMO) office only being established earlier this year and there only being two projects in early stages of PMO oversight, it was not possible to undertake full testing on the operating effectiveness of controls and therefore our opinion is given only on the design of the project management controls. Our review has not formed an opinion on the viability or anticipated results of any projects.			
Recommendations	0 x Critical	0 x High	1 x Medium	2 x Low
Summary	Overall, there is a good system of internal control designed to meet the system objectives, and controls are generally appropriately designed. We focused this review predominantly on the control design of the PMO approach based on guidance and processes developed so far, from the project planning stage through to post project review and reporting. PMO Operating Approach guidance has been developed which provides a framework and processes outlining roles and responsibilities, details of the project lifecycle and how the PMO function intends to operate and support throughout the process. Templates have also been developed to be used throughout the project management phases to outline key information and provide appropriate controls and consistency. We have identified a number of suggested improvements to the guidance to provide more clarity in certain areas around the PMO structure, training, monitoring, reporting, KPIs and other performance measures. Additionally, from a review of the limited documentation available for the two projects in their infancy under the new PMO function, we identified a small number of minor gaps in completion on some of the templates.			
Key Areas Agreed for Action	Recommendations accepted.			

	• The PMO Operating Approach guidance should be updated to ensure monitoring and reporting arrangements are clear in terms of the information which will be reported, where the reports will be submitted and reviewed (e.g.Council Leadership Team CLT), with an approved example template included in the stage 4 documentation library. • The PMO function should consider how it intends to measure the success of the function based on the criteria set out in the guidance, with updates provided in the monthly reporting template where appropriate.
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	
Mandatory Training (2023/24)	5	Substantial	5	-	-	-	-	-	-	-	All recommendations actioned.
Information Governance (2023/24)	5	Limited	2	3	-	-	-	2	1	-	Two parts of one of the high-priority recommendations relate to training and have revised timescales to March and June 2027. The remaining high-priority recommendation relates to third party supplier management. A re-audit of this area is planned for Q3/Q4.
Staff performance / Appraisals (20234/24)	6	Limited	6	-	-	-	-	-	-	-	Four recommendations actioned. Due to Local Government Reorganisation, the two recommendations relating to role competencies / behaviour framework and the PDR Policy will not be actioned. These are taken as superseded.
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. Work on combining the JADU and M365 reporting process is being undertaken but difficult to ascertain completion date.
Finance Deep Dives – AP/AR (2024/25)	8	Moderate	7	1	-	-	-	-	1	-	A system upgrade is required for the implementation of the outstanding recommendation which relates to goods received noticing. The implementation date has been revised to June 2027.
Critical IT Application – IDOX System (2024/25)	3	Limited	2	-	-	1	-	1	-	-	One high-priority recommendation which relates to reviewing the contract with the supplier and completing a DPIA has a revised implementation date of 31/12/26.
Payroll (2025/26)	3	Substantial	2	-	-	1	-	-	1	-	Outstanding recommendation relates to policy and procedural documentation and is being followed up. Target completion date to be advised after consulting the team on progress to date.

AUDIT TITLE (YEAR)	NO OF RECS	ASSURANCE LEVEL	PROGRESS ON IMPLEMENTATION				OUTSTANDING RECOMMENDATIONS				COMMENTS
			✓/S	P	X	Not due/ FUIP	C	H	M	L	
IT Asset Management (2025/26)	3	Limited	2	1	-	-	-	1	-	-	The one part of the high-priority recommendation relating to that The Council and Liberata are still to formalise a process(es) for the collection of mobile devices and mobile phones which also details where the device is being stored. Revised date – 30th September 2026
Nelson Town Deal (2025/26)	4	Substantial	3	1	-	-	-	-	1	-	Follow up in progress. Awaiting confirmation of match funding details.
Licensing (2025/26)	5	Moderate	5	-	-	-	-	-	-	-	All recommendations actioned.
VAT processes (2025/26)	3	Moderate	-	-	-	3	-	1	2	-	Follow up not due. The high-priority recommendation relate to that The Council should produce written procedures on VAT which provide guidance to Finance staff on which VAT codes to use and how to account for VAT and other associated VAT processes. Due date 30 September 2026
Budgetary Control (2025/26)	3	Substantial	2	1	-	-	-	-	1	-	Outstanding recommendation relates to the sign-off of budget acceptance by budget holders. The final form is expected imminently. Target date 30 September 2026
Health & Safety (2025/26)	4	Substantial	3	-	-	1	-	-	-	1	Outstanding recommendation not due for follow up. Target date 30 September 2026
Risk Management (2025/26)	3	Substantial	2	1	-	-	-	-	-	1	Outstanding recommendation relates to risk management training requirements. The scheduling of this training will be dependent on the provider and current workloads.
Council Tax & NNDR (2025/26)	1	Substantial	1	-	-	-	-	-	-	-	Recommendation actioned.
Project Management (2025/26)	3	Substantial	-	-	-	3	-	-	1	2	Follow up not due.

AUDIT TITLE (YEAR)	NO OF RECS	ASSURANCE LEVEL	PROGRESS ON IMPLEMENTATION				OUTSTANDING RECOMMENDATIONS				COMMENTS
			✓/S	P	X	Not due/ FUIP	C	H	M	L	
Treasury Management (2026/27)	2	Substantial	-	-	-	2	-	-	1	1	Follow up not due.
Totals	**71**	**-**	**51**	**9**	**-**	**11**	**-**	**5**	**10**	**5**	

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.

Reports prepared by MIAA are prepared for your sole use and no responsibility is taken by MIAA or the auditors to any director or officer in their individual capacity. No responsibility to any third party is accepted as the report has not been prepared for, and is not intended for, any other purpose and a person who is not a party to the agreement for the provision of Internal Audit and shall not have any rights under the Contracts (Rights of Third Parties) Act 1999.

Claude Chonzi

Engagement Manager

Tel: 07833 234825

Email: Claudius.chonzi@miaa.nhs.uk

Darrell Davies

Engagement Lead

Tel: 07785 286381

Email: Darrell.davies@miaa.nhs.uk

Louise Cobain

Director Lead

Tel: 07815 966625

Email: Louise.cobain@miaa.nhs.uk