



Internal Audit Progress and Performance Update

July 2025

1. Introduction

- 1.1 The Internal Audit service for East Cambridgeshire District Council provides 210 days to deliver the 2025/26 Annual Audit Plan.
- 1.2 The Public Sector Internal Audit Standards (the Standards) require the Audit Committee to satisfy itself that it is receiving appropriate assurance about the controls put in place by management to address identified risks to the Council. 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 and an overview of the performance of the audit team.

2. Performance

Delivery of the 2025/26 Audit Plan

- 2.1 At the time of reporting, all assignments scheduled for the first quarter of the financial year are either complete or in progress and an audit scheduled for the second quarter has commenced. The Internal Audit service has a target to deliver at least 90% to draft report stage by 31st March, which has been met. Progress on individual assignments is shown in Table 1.

Are clients satisfied with the quality of the Internal Audit assignments?

- 2.2 To date, no survey responses have been received in relation to feedback on completed assignments for the 2025/26 audit plan. All feedback on 2024/25 assignments is included in the Annual Report.

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

- 2.3 Since the last Audit Committee update, the Internal Audit team has finalised three audit reports. The key findings were as follows:

Accounts payable

Accounts payable refers to money that the Council owes to its suppliers (creditors) for goods and services provided. Effective systems for the ordering, receipting and payment of goods and services, and the maintenance of accurate supplier records, particularly bank account details, are vital to the Council's financial control framework. This audit sought assurance over the design of, and compliance with, the key controls for raising requisitions, checking goods received and approving orders and invoices, as well as the controls for the creation and amendment of supplier data.

In summary, the audit found that separation of duties for raising requisitions, receipting goods, and approving orders and invoices is in place. Testing of a sample of twenty-five invoices and five credit notes confirmed that the controls were operating as intended and all expenditure was approved in accordance with the authorisation limits set out in the Financial Procedure Rules. Copies of all purchase orders, invoices and credit notes had also been retained in the financial management system, Agresso.

Supplier data is maintained by Finance officers, including setting up new supplier records and processing changes to existing supplier details. Testing of a sample of five new supplier records from 2024/25 found that new supplier forms had been completed, and bank details had been provided on letter headed paper in accordance with procedure. All bank account details had been accurately recorded on Agresso and supporting documentation had been retained.

Similarly, testing of a sample of five changes to existing supplier records in 2024/25 found that supporting documentation had been retained in the majority of cases and notes had been added to the supplier records to confirm the changes made, with the only exception relating to an email address amendment. However, when the change relates to altering bank account details, the note should include details of how the account details were verified to ensure that there is an audit trail of action taken, and in one such case tested there was no information in the note to confirm how the details had been verified.

Supplier data should also be periodically reviewed to remove obsolete and duplicate records from the system. However, no recent checks have been completed. It would be beneficial for officers to explore options to carry out an archive exercise to ensure that records are kept up to date.

Based on the work performed during the audit, assurance opinions were given as follows:

Assurance Opinion	
Control Environment	Substantial (Green)
Compliance	Good (Green)
Organisational Impact	Low (Green)

Accounts receivable

The audit of the accounts receivable system forms part of the 2024/25 suite of annually performed key financial system reviews and is undertaken to inform the Chief Internal Auditor's overall opinion on the financial control environment, which supports the Annual Governance Statement. All debtor invoices raised are processed through the Unit4 Finance System and administered by the Finance Team. The objective of the audit was to review the design of, and compliance with, key controls within the debtors system, and to provide assurance over the controls to prevent and detect fraud and error. The scope for the 2024/25 audit focused on the standard operating procedures, and examined compliance for raising invoices, issuing credit notes, allocating payments, sundry debtor reconciliations, and the suspense account.

The audit reviewed a sample of 25 debtor invoices which demonstrated a good level of compliance with Council procedures and best practice. Sundry debtor invoices were consistently generated in a timely manner and demonstrated accuracy. However, amongst the five credit notes tested, two were found to be missing evidence of the required level of approval.

Debt recovery procedures and write off authorisation levels are clearly outlined within the Council's Financial Procedure Rules. Standard Operating Procedures are in place, however, they provide summary information and lacked detailed instructions on how to perform each task effectively. There is scope for some instructions to be formalised and version control should be applied.

Sundry debtor reconciliations are performed in a timely and accurate manner, however in one case there was no evidence of an independent review, and in another, the review of the reconciliation was not dated. Officers should ensure that reviews are consistently documented and dated to ensure compliance with Council procedures and best practice.

The suspense account is reviewed regularly, with appropriate action taken to allocate entries promptly. Additionally, daily checks are performed to reconcile income transactions received with transactions posted, ensuring accuracy and completeness.

Based on the work performed during the audit, assurance opinions were given as follows:

Assurance Opinion	
Control Environment	Good (Green)
Compliance	Good (Green)
Organisational Impact	Low (Green)

Procurement compliance

The Council's Contract Procedure Rules (CPRs) are designed to ensure probity and value for money when procuring goods, works or services that meet the Council's needs and comply with legal requirements. Inconsistencies in procurement documentation have been reported by Internal Audit in previous years and testing has included following up on recommendations from the 2023/24 audit. The audit was carried out to provide assurance that officers are complying with the approved rules and practices.

To comply with the Local Government Transparency Code, the Council publishes all expenditure over £500 on its website together with a link to the online contract register. In November 2024, the Council launched a new website. Work to transfer contract information on to the new version of the contracts register is now complete and is compliant with the regulations.

Testing of payments included in the expenditure reports with a cumulative value with a single supplier of over £40k (during 2024/25 to October) identified a number of discrepancies where spend could not be matched to a register entry. Based on the audit findings, there is a need for a wider review of the arrangements whereby contracts are consistently and promptly added on to the Council's contract register. In two cases selected, goods or services had been procured above this threshold, but no corresponding contract register entry could be found and it is understood that contracts have not been produced in either case. The lack of formal contract represents a risk

and non-compliance with procedure rules. In one case it was asserted that the Legal team had been instructed by the service area in March 2024 with regard to drafting a contract, but no contract had been produced as at February 2025. Concerns regarding the drafting of contract documents in a timely manner had been raised as part of the 2023/24 audit and based on these findings, there remains scope for improvement in this area.

An audit sample was selected to cover all departments and a range of financial thresholds where possible. Compliance testing was carried out on a sample of seven contracts awarded during 2024/25. The sample contained five contracts awarded on the basis that they were exempt from CPR requirements. The five exemptions applied had been duly approved with justification documented. One of the contracts selected was confirmed to have been awarded in accordance with CPR requirements and the remaining case related to insurance and no formal approval for the procurement to take place could be evidenced.

Based on the work performed during the audit, assurance opinions were given as follows:

Assurance Opinion	
Control Environment	Moderate (Amber)
Compliance	Moderate (Amber)
Organisational Impact	Medium (Amber)

Housing allocations and homelessness

The 'Allocation of Accommodation: Guidance for Local Authorities in England' is the statutory guidance issued in 2012 to Local Authorities in England (Section 169 of the Housing Act 1996). Housing Authorities are required to have regard to it in exercising their functions under Part VI of the Housing Act 1996. Section 166A of the Housing Act 1996 provides that authorities must also have regard to their homelessness strategies when framing their allocations policy.

East Cambridgeshire District Council is a member of the Home Link choice-based lettings scheme, which covers the Cambridgeshire and West Suffolk area. The management of the district's housing register was brought in house on 1st November 2024. This audit was to provide assurance over the consistent and fair application of the housing allocations and homelessness policy and procedures so that qualifying applicants are given an appropriate level of priority.

The Council has a clear Lettings Policy in place, outlining the requirements for the fair and consistent allocation of housing and homelessness support. Guidance is readily available to the public on how to apply for housing, and sample testing demonstrated strong compliance with the Lettings Policy. The officer responsible for processing application is highly experienced, having previously worked for the external company that managed housing applications before the process was brought in house. They are now rolling out training to other team members to build resilience and ensure knowledge transfer. However, the audit identified that there are no documented

standard operating procedures in place and there is no formal process for management oversight of housing application decisions.

Appeals and reviews are handled appropriately but there is no log maintained to track their status or progress which could impact transparency and timely resolution. Furthermore, the financial threshold for housing applications is set at £60k however this is not explicitly stated in the Lettings policy or any internal procedures or guidance, which may lead to a lack of clarity for both staff and applicants.

The Council has a Homelessness and Rough Sleeper Strategy in place outlining effective measures for prevention, relief and long-term support. The strategy includes specific initiatives tailored for vulnerable groups ensuring alignment with statutory requirements and best practices. It is regularly reviewed and kept up to date to reflect changing needs and legal obligations.

Additionally, the Council provides a wealth of information and guidance on its website for individuals facing homelessness ensuring accessibility to support services. Sample testing of homelessness referrals confirmed that appropriate assistance is being provided and that documentation is being retained to verify decisions where required, demonstrating strong compliance with policies and legal requirements.

Based on the work performed during the audit, assurance opinions were given as follows:

Assurance Opinion	
Control Environment	Moderate (Amber)
Compliance	Good (Green)
Organisational Impact	Low (Green)

Planning service review

The Planning Service Review (PSR), also known as the Planning Ways of Working (WOW) Project, was initiated under the Council's Corporate Plan to improve the efficiency, quality, and timeliness of planning decisions, including reducing reliance on Extensions of Time (EoTs).

The audit reviewed governance, implementation, and monitoring arrangements across both phases of the project. Phase 1 focused on foundational improvements, while Phase 2 aims to embed and expand these changes. Governance structures were found to be sound, with clear roles, regular oversight, and collaborative tools, such as MS Teams, supporting project delivery. Progress was well-documented, and leadership engagement was consistent throughout the project lifecycle.

Key improvements from Phase 1 included a revised department structure, enhanced digital tools, and a new negotiation protocol. Records of Extensions of Time (EoTs) indicate a reduced usage from 2023 to 2024, in line with intended outcomes – however, audit sample testing highlighted that documentation of second extensions requires improvement.

There is currently no formal mechanism in place to collect customer feedback or assess satisfaction with the service. Adopting such mechanisms may provide greater insight into the areas of strength and those for potential further improvement.

Phase 2 of the review is progressing with clear objectives and stakeholder involvement. There is scope for a reflection on the outcomes of Phase 1 and any lessons learnt which can inform Phase 2.

Overall, the audit provides good assurance that the Planning Service Review is being effectively managed, with a strong foundation for ongoing service enhancement and evidence of delivery on intended benefits to date.

Based on the work performed during the audit, assurance opinions were given as follows:

Assurance Opinion	
Control Environment	Good (Green)
Compliance	Good (Green)
Organisational Impact	Low (Green)

2.4 Implementation of audit recommendations by officers

Where an Internal Audit review identifies any areas of weakness or non-compliance with the control environment, recommendations are made and an action plan agreed with management, with timeframes for implementation.

Since the last Audit Committee meeting, ten agreed actions have been implemented by officers. An overview is provided in Table 2.

At the time of reporting, there is one action which is overdue for implementation – which is less than three months overdue.

Table 1 - Progress against 2025/26 Internal Audit Plan

						Assurance Opinion			
Assignment		Planned start	Status		Assurance sought	Control Environment	Compliance	Org impact	Comments
Key financial systems									
Bank reconciliations		Q4	Not started						
Payroll		Q3	Not started						
Accounts payable		Q4	Not started						
Accounts receivable		Q4	Not started						
Key policy compliance									
Information requests		Q2	Fieldwork underway						
Procurement compliance		Q4	Not started						
Risk based audits									
Major project – Bereavement Centre		TBC	Not started						
Asset management		Q1	Fieldwork underway						
Disaster recovery		Q1	Draft report issued						

						Assurance Opinion			
Assignment		Planned start	Status		Assurance sought	Control Environment	Compliance	Org impact	Comments
Staff engagement and support		Q3	Not started						
Governance of the trading companies		Q3	Not started						
Net Zero		Q3	Not started						
Preparedness for changes in waste regulations		Q3	Not started						
Governance and Counter Fraud									
Counter Fraud support / promotion / policies		TBC	As required		Not applicable – consultancy work.	Daily monitoring of Report Fraud mailbox			
National Fraud Initiative		TBC	As required		Not applicable – consultancy work.				
Risk management support and real time assurances		Q1 – Q4	Ongoing		Ongoing assurances over the controls listed in the Risk Register and supporting embedding of risk management.	Assurances provided on risk entries throughout the year.			
Annual Governance Statement support		Q1	Complete			N/A			

Table 2 - Implementation of agreed management actions

	'High' priority recommendations		'Medium' priority recommendations		'Low' priority recommendations		Total	
	Number	% of total	Number	% of total	Number	% of total	Number	% of total
Actions due and implemented since last Committee meeting	-	-	4	80%	6	100%	10	91%
Actions overdue by less than three months	-	-	1	20%	-	-	1	9%
Actions overdue by more than three months	-	-	-	-	-	-	-	-
Totals	-	-	5	100%	6	100%	11	100%

Glossary

At the completion of each assignment the Auditor will report on the level of assurance that can be taken from the work undertaken and the findings of that work. The table below provides an explanation of the various assurance statements that the Committee might expect to receive.

Compliance Assurances		
Level	Control environment assurance	Compliance assurance
Substantial	There is a sound system of internal control to support delivery of the objectives.	The control environment is operating as intended with no exceptions noted which pose risk to delivery of the objectives.
Good	There is generally a sound system of internal control, with some gaps which pose a low risk to delivery of the objectives.	The control environment is generally operating as intended with some exceptions which pose a low risk to delivery of the objectives.
Moderate	There are gaps in the internal control framework which pose a medium risk to delivery of the objectives.	Controls are not consistently operating as intended, which poses a medium risk to the delivery of the objectives.
Limited	There are gaps in the internal control framework which pose a high risk to delivery of the objectives.	Key controls are not consistently operating as intended, which poses a high risk to the delivery of the objectives.
No	Internal Audit is unable to provide any assurance that a suitable internal control framework has been designed.	Internal Audit is unable to provide any assurance that controls have been effectively applied in practice.

Organisational Impact	
Level	Definition
High	The weaknesses identified during the review have left the Council open to a high level of risk. If the risk materialises it would have a high impact upon the organisation as a whole.
Medium	The weaknesses identified during the review have left the Council open to medium risk. If the risk materialises it would have a medium impact upon the organisation as a whole.
Low	The weaknesses identified during the review have left the Council open to low risk. This may have a low impact on the organisation as a whole.

Limitations and responsibilities

Limitations inherent to the internal auditor's work

Internal Audit is undertaking a programme of work agreed by the Council's senior managers and approved by the Audit 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 assignments; or were not 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 and others; management overriding controls; and unforeseeable circumstances.

Future periods

The assessment of each audit area is relevant to the time that the audit was completed in. 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.