



**Internal Audit Progress and Performance Update**

**March 2026**

# 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 The Internal Audit service has a target to deliver at least 90% to draft report stage by 31<sup>st</sup> March 2026, which remains on track. Progress on individual assignments is shown in Table 1. All assignments are either complete or in advanced delivery stages.

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

- 2.2 To date, six survey responses have been received in relation to feedback on completed assignments for the 2025/26 audit plan. This is summarised on page 6.

## **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 progressed delivery of the audit plan and three audit reports have been finalised. None of the audit opinions given have been less than Moderate Assurance and none have been assessed as posing a High organisational impact – which would impact significantly on the annual opinion. The key findings are summarised below.

## **Payroll**

- 2.4 The payroll audit forms part of the suite of annual reviews to assess the Council's key financial systems. Staff pay costs account for a significant proportion of the Council's total budget; it is therefore important to ensure that a sound framework of controls is in place to minimise the risk of fraud or error. This audit focused on payroll policies and procedures, the processes for adding and removing employees from the payroll system, the approval of Bacs payment files, and the completion of payroll control account reconciliations.
- 2.5 In summary, the audit found that up-to-date policies and procedures on the Council's pay structure and pay enhancements (such as overtime and allowances) are in place. The Council has a managed payroll service provided by MHR with a Service Level Agreement that sets out the roles and responsibilities for each party. Within the Council, there was also appropriate segregation of duties between HR and Finance officers.

- 2.6 Testing found that the processes for adding new starters to the payroll system were working as expected. Employee details were accurately recorded on the system, required actions were completed before adding individuals to the payroll, and first payments had been calculated correctly. Similarly, testing of the processes for leavers found that the processes were operating as intended. Appropriate checks had been completed prior to removing employees from the payroll and final pay adjustments were accurate.
- 2.7 Testing of a sample of Bacs payment files found that the payroll had been appropriately checked and approved by the Council. The total number and value of transactions also agreed to supporting documentation.
- 2.8 Payroll control account reconciliations had been completed in a timely manner, were accurately calculated with no unexplained balancing items, and had been independently reviewed.
- 2.9 Based on the work performed during the audit, assurance opinions were given as follows:

<b>Assurance Opinion</b>	
<b>Control Environment</b>	<b>Substantial (Green)</b>
<b>Compliance</b>	<b>Substantial (Green)</b>
<b>Organisational Impact</b>	<b>Low (Green)</b>

### **Staff support and engagement**

- 2.10 The objective of this audit was to provide assurance that the Council has effective arrangements to engage and support staff during the transition, reducing risks to morale, retention, and service continuity arising from Local Government Reorganisation (LGR). The review examined communication and engagement, guidance accessibility, feedback mechanisms, HR policies for flexible working and absence management, training and development provision, and monitoring of absence and turnover trends.
- 2.11 The audit found strong controls in place. A comprehensive Staff Support and Engagement Plan set out clear communication and wellbeing measures through to April 2028. Guidance and support resources are accessible via multiple channels, and wellbeing initiatives such as mental health support and resilience training are established. HR policies for flexible working and absence management are robust, and return-to-work procedures are documented.
- 2.12 Absence and turnover data are monitored quarterly, and a dedicated training budget supports career development. At this early stage, there is no evidence of increased absence or turnover due to LGR, though enhancements such as root cause analysis and proactive communication of policies will strengthen resilience. Overall, the audit provides a good level of assurance, with strong planning and controls in place to manage these risks.

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

<b>Assurance Opinion</b>	
<b>Control Environment</b>	<b>Good (Green)</b>
<b>Compliance</b>	<b>Good (Green)</b>
<b>Organisational Impact</b>	<b>Low (Green)</b>

**Governance of trading companies**

2.14 The audit sought assurance that the Council’s governance arrangements in relation to East Cambs Street Scene (ECSS) and East Cambs Trading Company (ECTC) continue to support operation in line with agreed contracts and KPIs, maintain effective oversight and risk management processes. Work focused on Teckal compliance for ECSS, contract governance, performance measurement, reporting arrangements and risk management frameworks.

2.15 ECSS continues to operate well within Teckal requirements, supported by regular monitoring and clear shareholder controls. Shareholder Agreements and service delivery contracts are comprehensive, and ECSS performance reporting is frequent, aligned with objectives and underpinned by raw data. For ECTC, performance oversight is supported by quarterly financial reporting and strategic monitoring through the annual Business Plan. Assurances are also provided through the Annual Governance Statement, which reports on achievements, delivery highlights and financial performance.

2.16 Risk management across both companies includes risk registers, quarterly Board reviews and annual oversight through Shareholder Committees.

2.17 Three opportunities for improvement were identified, based on assessment of current arrangements to CIPFA Local Authority Owned Companies: A Good Practice Guide (2022). These relate to formalising procurement arrangements within company governance documents, enhancing quarterly risk reports to include commentary on emerging risks, and developing formal risk management policies and risk appetite statements, including clearer escalation routes into the Council’s corporate risk management processes. These recommendations seek to further strengthen the existing governance framework.

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

<b>Assurance Opinion</b>	
<b>Control Environment</b>	<b>Good (Green)</b>
<b>Compliance</b>	<b>Good (Green)</b>
<b>Organisational Impact</b>	<b>Low (Green)</b>

### **Implementation of audit recommendations by officers**

- 2.9 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.
- 2.10 Since the last Audit Committee meeting, no agreed actions have been implemented by officers. An overview of actions is provided in Table 2.
- 2.11 At the time of reporting, there are two actions which are overdue for implementation. Of these, one is more than three months overdue and relates to the need to undertake a review of the procedures to improve the drafting of contract documents in a timely manner and, therefore, the accuracy of the Contracts Register, with management oversight of completion of such requests. The other overdue action is low priority, less than three months overdue, and expected to be completed in March 2026.

**Table 1 - Progress against 2025/26 Internal Audit Plan**

Assignment	Planned start	Status	Assurance sought	Assurance Opinion			Comments
				Control Environment	Compliance	Org impact	
<b>Key financial systems</b>							
Bank reconciliations	Q4	Fieldwork complete					
Payroll	Q3	<b>Final report issued</b>	To provide assurance over the key controls in respect of: <ul style="list-style-type: none"> <li>• Payroll policies and procedures;</li> <li>• Adding new starters to the payroll system;</li> <li>• Removing leavers from the payroll system; and</li> <li>• Preparation and approval of payroll BACS files.</li> </ul>	<b>Substantial (Green)</b>	<b>Substantial (Green)</b>	<b>Low (Green)</b>	See section 2
Accounts payable	Q4	Fieldwork underway					
Accounts receivable	Q4	Draft report issued					
<b>Key policy compliance</b>							
Information requests	Q2	<b>Final report issued</b>	To provide assurance over the timely and compliant handling of Freedom of Information (FoI) and Environmental Information Requests (EIRs).	<b>Good (Green)</b>	<b>Moderate (Amber)</b>	<b>Low (Green)</b>	Reported in October 2025
Procurement compliance	Q4	Draft report					
<b>Risk based audits</b>							

Assignment	Planned start	Status	Assurance sought	Assurance Opinion			Comments
				Control Environment	Compliance	Org impact	
Asset management	Q1	Final report issued	To provide assurance over asset management processes, including both compliance regimes for corporate properties and management of leased assets.	Moderate (Amber)	Good (Green)	Low (Green)	Reported in October 2025
Disaster recovery	Q1	Final report issued	To provide assurance over the Council's disaster recovery arrangements to support restoration of systems in the case of an unplanned outage or incident	Good (Green)	Good (Green)	Low (Green)	Reported in October 2025
Major project – Bereavement Centre	Q3	Final report issued	To continue assurance over the project management arrangements in place to support delivery of this major project on budget, within timescales and to expected standards. To include assurances at key stages of the project in relation to risk/issue management, governance and decision making, communications, project resources, project planning, quality management, benefits realisation and cost management	Good (Green)	Good (Green)	Low (Green)	Reported in January 2026
Staff engagement and support	Q3	Final report issued	To provide assurance over the Council's support and engagement with employees, in relation to Local Government Reorganisation, monitoring of recruitment and retention risks and absence management.	Good (Green)	Good (Green)	Low (Green)	See section 2
Governance of the trading companies	Q3	Final report issued	To provide assurance over the Council's management of the trading companies - i.e. contract management arrangements, integrity of performance reporting and risk management.	Good (Green)	Good (Green)	Low (Green)	See section 2
Net Zero	Q3	Fieldwork underway					
Preparedness for changes in waste regulations	Q3	Draft report					
<b>Governance and Counter Fraud</b>							

Assignment	Planned start	Status	Assurance sought	Assurance Opinion			Comments
				Control Environment	Compliance	Org impact	
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	<b>Complete</b>		<b>N/A</b>			

**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 <b>implemented</b> since last Committee meeting	-	-	-	-	-	-	-	-
Action <b>closed</b>	-	-	-	-	-	-	-	-
Actions <b>overdue by less than three months</b>	-	-	-	-	1	100%	1	50%
Actions <b>overdue by more than three months</b>	-	-	1	100%	-	-	1	50%
<b>Totals</b>	-	-	<b>1</b>	<b>100%</b>	<b>1</b>	100%	<b>2</b>	<b>100%</b>

## Customer Satisfaction

At the completion of each assignment, the Auditor issues a Customer Satisfaction Questionnaire to each client with whom there was a significant engagement during the assignment. The Head of Service and the Line Manager receive a CSQ for all assignments within their areas of responsibility. The standard CSQ asks for the client's opinion in relation to the assignment. The responses received during the year to date are set out below.

Question	Excellent	Good	Fair	Poor
<b>Quality</b> - How would you rate the overall quality of the internal audit conducted?	6			
<b>Communication</b> - How effective was the communication from the audit team throughout the audit process?	6			

Question	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
<b>Communication</b> - Audit findings and recommendations were clearly explained and documented.	5	1			
<b>Professionalism</b> - The audit team was professional and courteous in their interactions with you.	6				
<b>Value</b> - The audit provided valuable insights and recommendations that will help improve your processes.	3	3			

Question	Yes	No
<b>Quality</b> - Were the audit objectives and scope clearly defined and communicated?	6	
<b>Communication</b> - Did the audit team keep you informed of the audit progress and any issues encountered?	6	

## 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
<b>Substantial</b>	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.
<b>Good</b>	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.
<b>Moderate</b>	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.
<b>Limited</b>	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.
<b>No</b>	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
<b>High</b>	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.
<b>Medium</b>	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.
<b>Low</b>	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.