

<b>Meeting of:</b>	<b>GOVERNANCE AND AUDIT COMMITTEE</b>
<b>Date of Meeting:</b>	<b>29 JANUARY 2026</b>
<b>Report Title:</b>	<b>PROGRESS AGAINST THE INTERNAL AUDIT RISK BASED PLAN 2025-26</b>
<b>Report Owner: Responsible Chief Officer / Cabinet Member:</b>	<b>CHIEF OFFICER – FINANCE, HOUSING &amp; CHANGE</b>
<b>Responsible Officer:</b>	<b>ANDREW WATHAN HEAD OF REGIONAL INTERNAL AUDIT SERVICE</b>
<b>Policy Framework and Procedure Rules:</b>	<b>The proposals in this report are in accordance with the policy framework and budget.</b>
<b>Executive Summary:</b>	<ul style="list-style-type: none"> <li>The progress made against the internal audit plan as of 31<sup>st</sup> December 2025 is detailed in Appendix A. Table 1 summarises that 26 planned audit reviews have been completed to at least draft stage which equates to a completion rate of 59%.</li> <li>An audit opinion, based on the assessment of the strengths and weaknesses of the areas examined through testing of the effectiveness of the internal control environment is applied to completed audits. To date 25 <i>Substantial or Reasonable Assurance</i> (96%), and 1 <i>Limited Assurance</i> (4%) opinions have been given.</li> <li>Included within the 2025-26 plan are 7 audits that were not undertaken or completed in 2024-25. Appendix B shows that these audits have now been completed.</li> <li>A total of 109 recommendations have been made to date to improve the control environment. The progress being made in implementing the high and medium risk recommendations is regularly monitored by the Audit team and reported to this Committee.</li> </ul>

## 1. Purpose of Report

- 1.1 To provide members of the Committee with a position statement on progress being made against the audit work within the approved Internal Audit Risk Based Plan 2025-26.

## 2. **Background**

2.1 In accordance with the Global Internal Audit Standards, the Head of Audit is responsible for developing a risk-based annual audit plan which considers the Council's risk management framework. Within the Standards there is also a requirement for the Head of Audit to review and adjust the plan, as necessary, in response to changes in the Council's business, risks, operations, programmes, systems, controls and resources. The Head of Audit must also ensure that Internal Audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan.

2.2 The Internal Audit Plan for 2025-26 was submitted to the Governance and Audit Committee for consideration and approval on 19<sup>th</sup> June 2025. The Plan outlined the assignments to be carried out which will provide sufficient coverage to provide an overall opinion at the end of 2025-26.

2.3 The plan is flexible to allow for changing circumstances and events that may occur, such as requests to respond to new issues that may emerge.

## 3. **Current situation / proposal**

3.1 Progress made against the approved plan for the period 1st April 2025 to 31<sup>st</sup> December 2025 is attached at **Appendix A**. This details the status of each planned review, the audit opinion and the number of any high, medium, or low priority recommendations made to improve the control environment, as well as the date each final audit report has been issued. It should be noted that some reviews listed have no audit opinion, for example advice and guidance and Governance and Audit Committee / Corporate Management Board reporting, Fraud, Error or Irregularity. This is because the audit work carried out in respect of these items is planned but the nature of the work does not lead to testing and the formation of an audit opinion, although in some instances recommendations are made.

3.2 The Regional Internal Audit Service (RIAS) has set quarterly targets to monitor the delivery of the approved audit plan. This will assist in ensuring sufficient audit coverage has been given to the Council to provide an overall opinion at the end of 2025-26. The targets that the RIAS are working towards at the end of each quarter are as follows:

- Qtr 1 = 10%
- Qtr 2 = 30%
- Qtr 3 = 50%
- Qtr 4 = 80%

3.3 As of 31<sup>st</sup> December 2025, the level of coverage was 59% which is exceeding the target of 50%. A summary of the progress made to date is shown in **Table 1** below. Details of individual audit assignments are shown in **Appendix A**.

**Table 1 – Summary of the Progress Against the Audit Plan 2025-26**

<b>Status of Audits Assignments as of 31/12/25</b>	<b>Number</b>	<b>% of plan completed</b>
Final report issued	24	54.5%
Draft report issued	2	4.5%
Audits in progress	10	
Audits allocated	1	
Planned Audits not yet allocated	7	
<b>Total</b>	<b>44</b>	<b>59%</b>

3.4 An audit opinion is applied to an audit based on the assessment of the strengths and weaknesses of the areas examined during the audit through testing of the effectiveness of the internal control environment. **Table 2** shows the audit opinions given to the 26 completed audits; 96% of these have been given a *Reasonable Assurance* or *Substantial Assurance* opinion. Details of individual audit opinions are shown in **Appendix A**.

**Table 2 – Audit Opinions Applied to Audits as of 31<sup>st</sup> December 2025**

<b>Audit Opinions</b>	<b>Number</b>	<b>%</b>
Substantial Assurance	8	31%
Reasonable Assurance	17	65%
Limited Assurance	1	4%
No Assurance	0	
<b>Total</b>	<b>26</b>	<b>100%</b>

3.5 For reference, the audit assurance/opinion categories are:

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

3.6 **Table 2** identifies that there has been 1 *Limited Assurance* opinion audit issued. This is the Corporate Risk Management audit. All recommendations made in this audit report have been accepted and the identified key issues, which need to be addressed, are identified below:

### **Corporate Risk Management**

- The absence of a designated officer with sole responsibility for Corporate Risks undermines clear accountability and inconsistent risk management across the Authority.
- Senior Officers, who should be supporting the identified Risk Owners to monitor and review the risks, were not identified.
- Due to the lack of communication and evidence provided during this internal audit review, limited testing could be undertaken.
- The implementation of the Risk Management software system requires prioritisation.
- It could not be demonstrated that Corporate Risks were being reported and monitored at a Senior Management level, including Directorate Senior Management teams, Corporate Management Board (CMB), Cabinet/ Corporate Management Board (CCMB), or at Overview and Scrutiny Committees, due to a lack of supporting evidence.
- Corporate Risks are not correctly identifiable within the Directorates Business Plans.

3.7 Generally when a *Limited Assurance* opinion is issued, management need time to implement the agreed recommendations to make the necessary improvements to the control environment. In these circumstances, the Audit Team would undertake a follow up audit, usually within six to twelve months of the final report being issued to verify that appropriate controls were subsequently in place. If improvements have not been made and the recommendations have not been implemented this could result in a second *Limited Assurance* opinion. At this stage the Head of RIAS would recommend that the relevant Corporate Director / Head of Service be invited to a future meeting of the Committee to provide the necessary assurances that action will be taken to address the issues identified within the audit report.

3.8 **Appendix A** includes 3 follow up audits recently completed at St Mary's Catholic School, Penybont Primary School and Maesteg Comprehensive School. The previous audits at these schools each provided *Limited Assurance* in respect of the governance, risk management and internal controls. It is pleasing to note that all 3 follow up audits have verified that improvements have been made at each school and each has been given a *Reasonable Assurance* audit opinion.

3.9 The audit plan 2025-26 includes audits that were not started during 2024-25 or were incomplete at year end. There are 7 of these which are identified at **Appendix B** and all 7 have now been completed and final reports issued.

3.10 **Appendix A** shows that a total of 109 recommendations have been made to date to improve the control environment: 5 high priority (4.5%), 65 (59.5%) medium priority and 39 (36%) low priority. The implementation of the high and medium priority recommendations are regularly monitored by the Audit Team to ensure that the identified and agreed improvements are made. More detailed information is included for Committee in the separate Recommendation Monitoring report.

#### **4. Equality implications (including Socio-economic Duty and Welsh Language)**

4.1 The protected characteristics identified within the Equality Act, Socio-economic Duty and the impact on the use of the Welsh Language have been considered in the preparation of this report. As a public body in Wales the Council must consider the impact of strategic decisions, such as the development or the review of policies, strategies, services and functions. This is an information report, therefore it is not necessary to carry out an Equality Impact assessment in the production of this report. It is considered that there will be no significant or unacceptable equality impacts as a result of this report.

#### **5. Well-being of Future Generations implications and connection to Corporate Well-being Objectives**

5.1 The well-being goals identified in the Act were considered in the preparation of this report. It is considered that there will be no significant or unacceptable impacts upon the achievement of well-being goals/objectives as a result of this report

#### **6. Climate Change and Nature Implications**

6.1 There are no climate change or nature implications arising from this report.

#### **7. Safeguarding and Corporate Parent Implications**

7.1 There are no safeguarding or corporate parent implications arising from this report.

#### **8. Financial Implications**

8.1 There are no direct financial implications arising from this report however effective audit planning and monitoring are key contributors in ensuring that the Council's assets and interests are properly accounted for and safeguarded.

#### **9. Recommendation**

9.1 It is recommended that members of the Committee note the content of the report and the progress made against the 2025-26 Internal Audit Risk Based Plan.

#### **Background documents**

None