



HUNTINGDONSHIRE DISTRICT COUNCIL

Internal Audit Progress Report

Corporate Governance Committee – 26 November 2025

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KEY MESSAGES

The internal audit plan for 2025/26 was approved by the Corporate Governance Committee (CGC) on 25 March 2025. This report provides an update on progress against that plan and summarises the results of the work completed by to date.



2025/26 Internal Audit Plan - Since the last CGC meeting in September 2025, we have finalised the following four final internal audit reports:

- Payroll (**Reasonable Assurance**)
- Complaints and Compliments (**Reasonable Assurance**)
- Business Rates (**Reasonable Assurance**)
- Creditor Payments (**Partial Assurance**)

In addition, we have undertaken some work in relation to the Disabled Facility Grant (DFG) Verification, and this has been signed off by the CEO. This assignment is therefore also completed.

Fieldwork for the following reviews is currently in progress:

- Capacity Planning
- General Ledger. **[to note]**

Details of the progress made and scheduling of the 2025/26 internal audit plan are included at Appendix A. **[To note]**

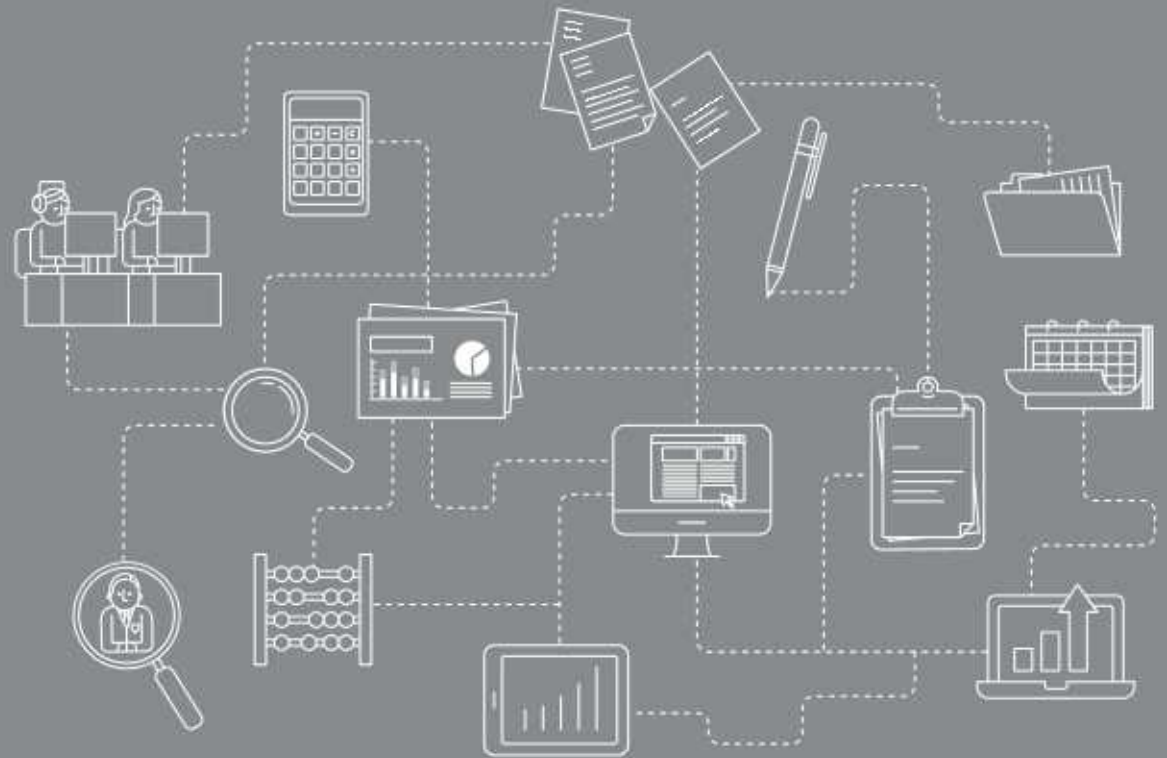


We have also included two client briefings appended to this progress report on:

- Failure To Prevent Fraud
- RSM Risk Radar Publication. **[To note]**

Final Reports

01



1. FINAL REPORTS

1.1 Summary of the key issues arising from the final reports being presented to this Committee

This section summarises the reports that have been finalised since the last meeting.

Assignment	Opinion issued	Actions agreed		
		L	M	H
Payroll 2025/26: Our review found that payroll controls are generally well established, with documented policies and procedures in place and complied with. The Council has a comprehensive Pay Policy and payroll procedures that guide its operations. Sample testing of leavers, new starters, and overtime payments confirmed that transactions were processed appropriately, with records updated in iTrent and payments made in a timely manner. Monthly payroll monitoring sheets are completed, and payroll output reports are generated and signed off by the Head of HR, including BACS run approvals. However, some control weaknesses were identified. The Pay Policy and payroll procedures lacked version control, making it difficult to confirm whether the most current guidance was being applied. Overtime guidance remains in draft form and requires updates and formal approval. One staff change was authorised after the effective date, increasing the risk of retrospective transactions. Of five overpayment cases reviewed, two lacked payment plans and had not been adequately pursued for recovery by the Finance Team. Additionally, there was no documented evidence of segregation of duties in payroll reconciliations, and monthly reconciliations were not consistently completed, limiting oversight and increasing the risk of undetected errors or discrepancies. <u>No high priority management actions.</u>	Reasonable Assurance	1	4	0
Complaints and Compliments 2025/26: Overall, we found that although HDC has a well-designed processes with clear timeliness and documentation expectations, we identified pertinent control weaknesses which require addressing to ensure it is functioning as designed. Specifically, we found that evidence of acknowledgments is not being consistently recorded while some acknowledgments were also being sent late, and responses are not always provided within the current timeliness expectations., the Council's policies lack version control and formal approval, there is no clear process for sharing compliments and good practices, and planning for the new Complaints Handling Code was a work in progress. Management was working on developing a project initiation document, business and workstream plan. HDC is performing well regarding the consistency of reporting, the use of templates for responding to complaints and the appropriate assigning of individuals to deal with stage one and stage two complaints as per Policy. <u>No high priority management actions.</u>	Reasonable Assurance	2	4	0

Assignment	Opinion issued	Actions agreed		
		L	M	H
Business Rates 2025/26: Key controls across Business Rates billing, collection, and recovery processes were found to be broadly well-designed and effectively implemented. Positive findings included robust procedures to ensure the accurate system input of annual billing parameters and effective controls to verify that each property has an assigned liable party and rateable value. The Council also maintains a live spreadsheet of outstanding Valuation Office Agency (VOA) valuations, regarded as good practice to facilitate timely follow-up of unresolved cases. Debt recovery follows a clear timetable with appropriate court approvals obtained where necessary. Write-offs are properly authorised and subject to regular independent sample checking by a member of the Systems and Development team. NEC system access is well managed, with thorough user onboarding, timely deactivation, and annual reviews. The collection rate is monitored as a KPI and reported monthly to the Operations, Performance and Effectiveness Board. Some control design weaknesses and instances of non-compliance were identified, notably the NEC system does not enforce approval hierarchies for refunds based on value, creating a risk of unauthorised or inappropriate refunds. Although the Council Tax and Business Rates Manager is taking steps to introduce retrospective audits of processed refunds, this control has not yet been implemented. In addition, documented procedures are still in the process of being migrated to a new format, and some gaps in procedural coverage were observed. Sample testing identified one instance of non-compliance whereby a bill suppression exception report had not been run and reviewed for one month sampled. <u>No high priority management actions.</u>	Reasonable Assurance			
Creditor Payments 2025/26: This audit has identified a number of control weaknesses resulting in two high, nine medium and one low priority management actions.				

Appendices

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APPENDIX A: PROGRESS AGAINST THE INTERNAL AUDIT PLAN 2025/26

Assignment	Status / Opinion issued / Start date	Actions agreed			Target CGC	Actual CGC meeting
		H	M	L		
1 Human Resources – Recruitment and Retention	Final Report – Partial Assurance	1	6	1	July 2025	July 2025
2 Payroll	Final Report – Reasonable Assurance	1	4	0	September 2025 (now Nov 2025)	November 2025
3 Capital Expenditure	Final Report – Partial Assurance	0	7	2	September 2025	September 2025
4 Data Quality and Performance Management	Final Report – Partial Assurance	1	4	3	September 2025	September 2025
5 Contract Management	Final Report – Partial Assurance	1	5	1	September 2025	September 2025
6 Procurement	Final Report – Partial Assurance	1	4	6	March 2026	September 2025
7 Transformation	Final Report – Partial Assurance	1	8	2	September 2025	September 2025
8 Council Tax	Final Report – Reasonable Assurance	0	1	7	September 2025	September 2025
9 Housing Benefits	Final Report – Reasonable Assurance	0	0	7	September 2025	September 2025
10 Complaints and Compliments	Final Report – Reasonable Assurance	0	4	2	November 2025	November 2025
11 Business Rates	Final Report – Reasonable Assurance	0	1	3	November 2025	November 2025
12 Creditor Payments	Final Report – Partial Assurance	2	9	1	November 2025	November 2025
13 Disabled Facility Grant (DFG) Verification	Assignment Complete	-	-	-	N/A	N/A
14 Capacity Planning	Fieldwork in progress				Nov 2025 (now Jan 2026)	
15 General Ledger	Fieldwork in progress				January 2026	
16 Market Towns Programme	December 2025 – planning				March 2026	
17 Workforce Development Strategy	December 2025 – planning				March 2026	
18 Follow Ups	Dec 2025 / Mar 2026 – planning				March / June 2026	
19 Effectiveness of CDIO Role	December 2025 – planning				March 2026	

Assignment		Status / Opinion issued / Start date	Actions agreed			Target CGC	Actual CGC meeting
			H	M	L		
20	Risk Management	January 2026 - planning				Jan 2026 (now Mar 2026)	
21	Democratic Services	January 2026 – planning				March 2026	
22	Artificial Intelligence (AI)	January 2026 - planning				March 2026	
23	GDPR (Advisory)	February 2026 – planning				June 2026	

APPENDIX B: OTHER MATTERS

There have been the following changes to the Internal Audit Plan for 2025/26 since the last meeting in September 2025.

Note	Auditable area	Reason for change
	The Risk Management review is now scheduled for Q4 at the request of the previous S151 Officer and the Monitoring Officer. RSM have been to asked to move this assignment to an advisory review to provide forward looking advice in respect of methods to further develop and enhance risk management arrangements. Given the Risk Manager is relatively new in post, it was agreed that a review in Q4 would add most value.	
	Following further scoping meetings we have amended some timeframes for audits with audit sponsors. These amendments in timing were made in respect of the technology risk related audits, including Artificial Intelligence (AI), Effectiveness of CDIO Role and GDPR reviews. This is a result of scoping meetings with the relevant 3C Shared Services Director.	

Detailed below are the changes to the 2025/26 plan previously reported to the Committee.

Note	Auditable area	Reason for change
	The Risk Management review is now scheduled for Q3 at the request of the S151 Officer, with the Complaints and Compliments audit being brought forward into Q2 in response to this request.	
	We have commenced the scheduling process for the 2025/26 internal audits and there have been some minor changes to timing of reviews. This includes Capital Expenditure moved to Q1, Data Quality and Performance Reporting moved to Q1 and Workforce Development Strategy has moved to commence in Q3.	

Head of Internal Audit opinion 2025/26

The Committee should note that the assurances given in our audit assignments are included within our Annual Assurance report. In particular the Committee should note that any negative assurance opinions will need to be noted in the annual report and may result in a qualified / negative annual opinion.

We have issued seven negative (partial) assurance reports for the year to date. We agreed with the CEO and S151 that this was possible given some of these areas have not been subject to review in recent years, and we have agreed wider scopes of work. These seven opinions will impact the year end opinion. We do have two follow up audits to carry out (December 2025 and Q4) to determine if these actions have been implemented promptly in year, which will also be taken into account when preparing our opinion.

We will keep the S151 Officer, and the wider CLT apprised of the potential impact on the year end opinion as more reports are finalised. We will also advise the Committee at the next meeting, and we have also recently briefed the lead Councillor for Governance, and have further briefings scheduled in 2025/26.

We have provided the definitions of our assurance opinions at Appendix C to this report.

Quality assurance and continual improvement

To ensure that RSM remains compliant with the IIA standards and the financial services recommendations for Internal Audit we have a dedicated internal Quality Assurance Team who undertake a programme of reviews to ensure the quality of our audit assignments. This is applicable to all Heads of Internal Audit, where a sample of their clients will be reviewed. Any findings from these reviews being used to inform the training needs of our audit teams. The Quality Assurance Team is made up of; the Head of the Quality Assurance Department (FCA qualified) and an Associate Director (FCCA qualified), with support from other team members across the department. This is in addition to any feedback we receive from our post assignment surveys, client feedback, appraisal processes and training needs assessments.

Added value work

We have issued the following client briefings since the last Committee.

- Failure To Prevent Fraud
- RSM Emerging Risk Radar – Autumn 2025

APPENDIX C: ASSURANCE OPINIONS



Minimal Assurance

Taking account of the issues identified, the board cannot take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective.

Urgent action is needed to strengthen the control framework to manage the identified risk(s).



Reasonable Assurance

Taking account of the issues identified, the board can take reasonable assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.

However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified risk(s).



Partial Assurance

Taking account of the issues identified, the board can take partial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective.

Action is needed to strengthen the control framework to manage the identified risk(s).



Substantial Assurance

Taking account of the issues identified, the board can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.

FOR FURTHER INFORMATION CONTACT



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The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Actions for improvements should be assessed by you for their full impact. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

Our report is prepared solely for the confidential use of Huntingdonshire District Council, and solely for the purposes set out herein. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM UK Risk Assurance Services LLP for any purpose or in any context. Any third party which obtains access to this report or a copy and chooses to rely on it (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM UK Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

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We have no responsibility to update this report for events and circumstances occurring after the date of this report.

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