

Bath & North East Somerset Council		
MEETING:	Audit Committee	
MEETING DATE:	26th November 2025	AGENDA ITEM NUMBER
TITLE:	Internal Audit – Update Report (Planned Work 2025/26)	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
None		

## **1. THE ISSUE**

- 1.1. This report is to provide an update on the work of the Internal Audit team and progress made in delivering the Annual Audit Assurance Plan 2025/26.
- 1.2. The work of the Internal Audit Service is to provide independent assurance to the Council's senior officers and members that governance, risk management and controls are sufficient in ensuring delivery of the council's objectives.

## **2. RECOMMENDATION**

- 2.1. The Audit Committee is asked to:
  - 1) Note progress in delivery of the 2025/26 Annual Internal Audit Assurance Plan.
  - 2) Note the associated fraud prevention and unplanned work that is underway.

## **3. THE REPORT**

- 3.1. This report provides an update on progress in delivering the 2025/26 Annual Assurance Plan and summarises activity from 1<sup>st</sup> April to 1<sup>st</sup> November 2025.
- 3.2. The summary position as of November 2025 is as follows:
  - Work on the plan continues to progress and as at the 1<sup>st</sup> of November approximately 68% of audit activity was complete or at reporting stage.
  - There have not been any audit reports issued where it was considered that the overall systems of internal control provided 'Limited Assurance' or 'No Assurance'.
  - One detailed investigation (unplanned work) has been completed.
  - One piece of unplanned work has also been requested.
  - Due to the additional time spent on the investigation and request for unplanned work, it is proposed that this will need to replace some of the planned audit activity.
  - The importance of fraud prevention continues to be highlighted throughout the Council, including published information and guidance in association with International Fraud Awareness Week.

### **3.1.1. Audit Assurance Levels and Work In Progress**

- 3.1.2. From the audits completed within the 2025/26 planned programme of work, there have not been any reports issued to date where it was considered that the systems of internal control gave either 'No Assurance' (Level 1) or 'Limited Assurance' (Level 2).
- 3.1.3. There are however recommendations that were made in previous audit reports which have not yet been fully implemented, including some that were considered high-risk and have now passed their completion date. These are described in full in section 3.4 of this report.
- 3.1.4. In addition to the formal reviews carried out as part of the 2025/26 planned programme of work, a significant amount of grant expenditure review and certification work also takes place. This generally relates to external funding received from the West of England Combined Authority, as well as some that are related to the direct award of grants from government departments.

### **3.1.5. Investigations and Unplanned Work**

#### Investigation – Loss of resident's money

- 3.1.6. There has been one investigation so far this year and this work has now been completed. The investigation related to a relatively small amount of cash that had gone missing from a care home, which is owned and operated by Bath and North East Somerset Council. Whilst the value of the missing money was low, it however belonged to a resident. In addition to the funds, associated paperwork had also gone missing.
- 3.1.7. The Internal Audit investigation was completed alongside colleagues from HR, whose work was focussed on interviewing staff at the home. The overall conclusion from this joint work was that the missing money could not be located during the investigation, nor could the exact reason for its disappearance be confirmed. This is due to the fact that several weaknesses in controls were identified at the time of the incident which meant that money could go missing without being detected. As this has been accepted as being the home's issue, the missing funds have been reimbursed to the resident.
- 3.1.8. A series of findings and associated recommendations were made following the investigation which have been agreed with the Head of Service – Residential Services. This includes a recommendation that further work in this area should be completed as part of the 2026/27 Internal Audit plan. This will give Senior Management and the Audit Committee assurance that similar issues do not exist at other residential homes.

### Unplanned Work

- 3.2.9 A request has been made via Senior Management for Internal Audit to support an unplanned piece of work on Children's Direct Payments. This work is focussed on ensuring the consistent application of eligibility criteria for Children's Direct Payments and that the associated criteria and guidance are current, clearly communicated, and readily accessible to both service users and Council staff responsible for administering the scheme. In addition, the review will evaluate the decision-making processes for the allocation of short breaks and verify the existence of a robust framework for the issuance, monitoring, and recovery of unused direct payments.

The Committee are advised that this audit will replace the previously planned review of the 'Follow-up on External Audit Annual Report recommendations', which is no longer required.

### **Counter Fraud**

#### Fraud Awareness Week

- 3.2.10 On an annual basis in November, 'International Fraud Awareness Week' is held. This year it covered the period 16<sup>th</sup> – 22<sup>nd</sup> November. Ahead of this, the Internal Audit Service produced an article/ newsletter for The Knowledge. The newsletter discussed fraud and reminded staff of the counter-fraud arrangements at Bath and North East Somerset Council, including mandatory training requirements, common types of fraud to be aware of, and links to policies and guidance.

#### National Fraud Initiative

- 3.2.11 The Internal Audit function also carry out other anti-fraud activity, such as coordinating the National Fraud Initiative (NFI) on behalf of the Council's Section 151 Officer.
- 3.2.12 The National Fraud Initiative (NFI) is a national exercise that is carried out every two years using data matching/ analytics to compare different datasets across participating organisations. Data for the NFI is provided by some 1,100 organisations from across the public and private sectors and helps participants identify potentially fraudulent claims, error and overpayments. These organisations provide data from their systems as prescribed by the Cabinet Office. The data is then matched and (data matching) reports are made available for each participating organisation to review. It is then for each organisation to make the necessary enquiries, and any identified fraud is recorded within the NFI system to enable the effectiveness of the initiative to be monitored.
- 3.2.13 For local authorities such as Bath and North East Somerset Council, example data sets for matching purposes include (but are not limited to); Housing Benefit, Council Tax reductions, Payroll, Adult Social Care Personal Budgets and Disabled Parking (Blue Badges).

3.2.14 During the 2024/25 NFI exercise, a data match was identified suggesting a potential case of dual employment (“career polygamy”) involving an individual working across both BANES and another neighbouring authority. This match was flagged to Internal Audit by the officer responsible for reviewing NFI payroll matches.

Following consultation with Internal Audit, further investigation was undertaken by B&NES HR in coordination with the other local authority. The review confirmed that there was no overlap in the individual’s working hours across the two roles, and therefore no breach of employment terms.

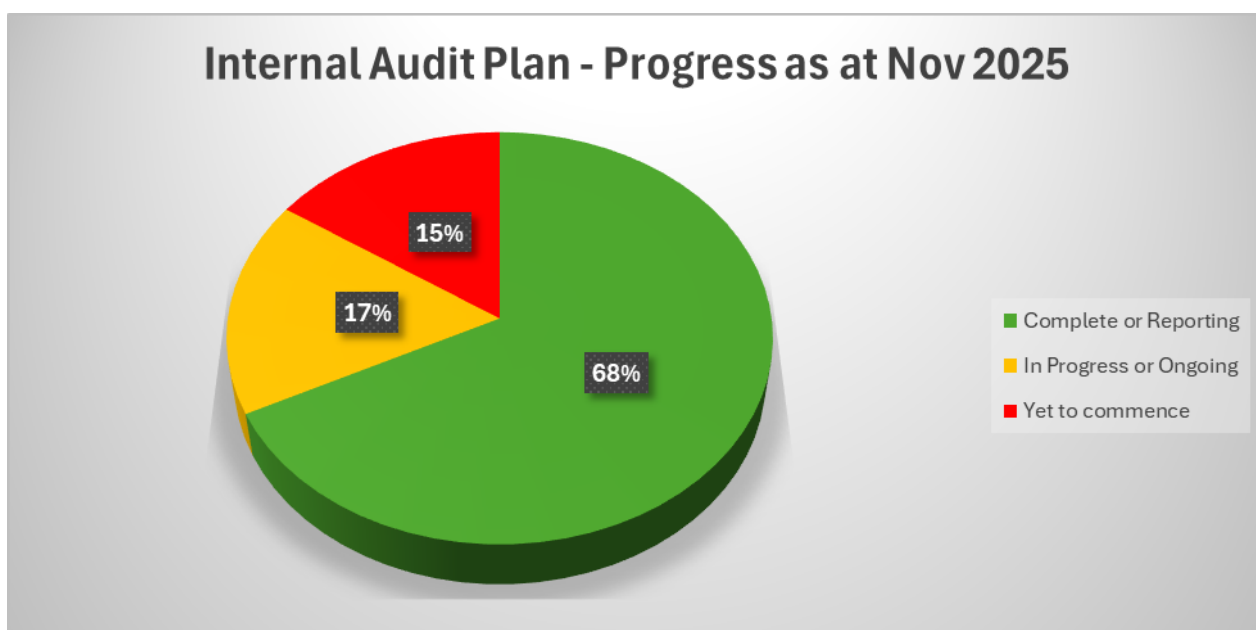
While the investigation confirmed that no fraudulent activity had occurred, the case raised potential Health & Safety and duty of care concerns due to the total number of hours worked across both positions. At the time of reporting, this matter remains under review by the HR Advisory team and the HR Business Partner.

3.2.15 New data relating to Residential Care Homes and Personal Budgets became mandatory in October 2025 and is to be extracted and updated in November 2025. Therefore, Internal Audit have been working with colleagues in Adult Social Care to prepare for this. Matches for these data sets will be released in December and the full data matching exercise will be completed in early 2026.

### 3.2. Completion of audit plan

3.2.1. There are currently 71 pieces of audit work within the plan, and the majority of this work (68%) is complete or at reporting stage. Of the total number of audits:

- 48 Audits are complete or at reporting stage,
- 12 Audits are in progress or are ongoing pieces of work,
- 11 Audits are yet to commence.



Audit Area	Status	Comments
FWD Project (Formerly ISTART)	Complete	Complete - Grant Claim Reviewed, Tested and Approved
Bath City Centre High Street Renewal Project: Love Our High Street Bath HSR (LOHS)	Complete	Complete - Grant Claim Reviewed, Tested and Approved
Bath Central Riverside	Complete	Complete - Grant Claim Reviewed, Tested and Approved
Love Our High Street Local Centres	Complete	Complete - Grant Claim Reviewed, Tested and Approved
MSN market Square	Complete	Complete - Grant Claim Reviewed, Tested and Approved
Housing and Regeneration Enabling Fund (HREF)	Complete	Complete - Grant Claim Reviewed, Tested and Approved
Bath Creative Quarter F&D	Complete	Complete - Grant Claim Reviewed, Tested and Approved
Milsom Quarter Project Phase 2	Complete	Complete - Grant Claim Reviewed, Tested and Approved
Strategic Masterplanning for BANES Local Plan - Phase 1&2	Complete	Complete - Grant Claim Reviewed, Tested and Approved
Future Bright Q3 / Q4 2024/25 claims	Complete	Complete - Grant Claim Reviewed, Tested and Approved
Skills Connect	Complete	Complete - Grant Claim Reviewed, Tested and Approved
Universal Business Support Service UBS	Complete	Complete - Grant Claim Reviewed, Tested and Approved
Somer Valley Rediscovered	Complete	Complete - Grant Claim Reviewed, Tested and Approved
Waterspace Connected	Complete	Complete - Grant Claim Reviewed, Tested and Approved
Chew Valley Lake Recreational Trail South	Complete	Complete - Grant Claim Reviewed, Tested and Approved
CRSTS Walking and Cycling - Bath Quays Links	Complete	Complete - Grant Claim Reviewed, Tested and Approved
CRSTS Walking and Cycling - Scholars Way	Complete	Complete - Grant Claim Reviewed, Tested and Approved
North Keynsham SDL	Complete	Complete - Grant Claim Reviewed, Tested and Approved
Bath River Line	Complete	Complete - Grant Claim Reviewed, Tested and Approved
Pothole Grant & LATS	Complete	Complete - Grant Claim Reviewed, Tested and Approved
CRSTS maintenance challenge fund	Complete	Complete - Grant Claim Reviewed, Tested and Approved
CRSTS WECA Capacity Funding Grant	Complete	Complete - Grant Claim Reviewed, Tested and Approved
CRSTS Grants for LN's.	Complete	Complete - Grant Claim Reviewed, Tested and Approved
CRSTS WECA Mobilisation Funding (assumed capital)	Complete	Complete - Grant Claim Reviewed, Tested and Approved
CRSTS MSN & Westfield, Walking, Wheeling & Cycling Links	Complete	Complete - Grant Claim Reviewed, Tested and Approved
Somer Valley Enterprise Zone (WECA Investment Fund)	Complete	Complete - Grant Claim Reviewed, Tested and Approved
WECA Parks Pollinator	Complete	Complete - Grant Claim Reviewed, Tested and Approved

Active Travel Fund Tranche 4: Residential Cycle Hangars	Complete	Complete - Grant Claim Reviewed, Tested and Approved
Next Door Nature in the Somer Valley	Complete	Complete - Grant Claim Reviewed, Tested and Approved
Bathscape Landscape City Framework	Complete	Complete - Grant Claim Reviewed, Tested and Approved
South West Net Zero Hub - Local Net Zero Capacity Development Fund - Local Capacity Grant	Complete	Complete - Grant Claim Reviewed, Tested and Approved
CRSTS Grant Somer Valley Links	Complete	Complete - Grant Claim Reviewed, Tested and Approved
CRSTS Grant Bath Walking, Wheeling & Cycling Links	Complete	Complete - Grant Claim Reviewed, Tested and Approved
CRSTS Grant Bath City centre Phase 1	Complete	Complete - Grant Claim Reviewed, Tested and Approved
CRSTS Grant Resource Funding	Complete	Complete - Grant Claim Reviewed, Tested and Approved
Green Infrastructure Implementation	Complete	Complete - Grant Claim Reviewed, Tested and Approved
Future Bright Q1 2025/26 claim	Complete	Complete - Grant Claim Reviewed, Tested and Approved
South West Net Zero Hub - Local Net Zero Capacity Development Fund - 25/26 & FINAL Claim	Complete	Complete - Grant Claim Reviewed, Tested and Approved
Effective Transitions Fund	Complete	Complete - Grant Claim Reviewed, Tested and Approved
Mayoral Priority Skills Fund	Complete	Complete - Grant Claim Reviewed, Tested and Approved
RONI WEX pilot	In Progress	Audit in Progress
Capability and Ambition Funding	In Progress	Audit in Progress
Aequus Group - Financial Governance	Reporting	Work completed, reporting to client
Adaptions - Use of Disabled Facilities Grants	Complete	Complete – Briefing Paper
Fleet Management - Workshop Activity / Trading	Reporting	Work completed, reporting to client
Adult Safeguarding Improvement Plan Implementation	Reporting	Audit in Progress
CQC Regulated Services	Not Started	Audit Not Yet Commenced
Children Services - Budget Management & Monitoring	Not Started	Audit Not Yet Commenced
SEND Payment Process Consultancy	Not Started	Audit Not Yet Commenced
City Regions Sustainable Transport Settlements (CRSTS) - Delivery of Projects	Not Started	Audit Not Yet Commenced
Property - Commercial Estate (income collection and debt management)	Not Started	Audit postponed until Q4 due to introduction of new property management system
Debt Management	Not Started	Audit Not Yet Commenced
Property - Commercial Estate (Voids Management)	In Progress	Audit in Progress
Contract Management - Highways Maintenance	Not Started	Audit Not Yet Commenced
Payroll - Contingency Planning - Failure of Pay-run processing	In Progress	Audit in Progress
Pixash Waste and Highways Facility (re. Fleet Audit.)	Not Started	Audit Not Yet Commenced
Adult Direct Payments	Not Started	Audit Not Yet Commenced
'Follow-Up' on 2023/24 (2024/25 published) External Audit Annual Report weakness / recommendations	Reporting	Replaced with Children's Direct Payments - Reporting
Public Website Security	In Progress	Audit in Progress
Privileged Account Access - IT Administration	In Progress	Audit in Progress
Patch Management	Not Started	Audit Not Yet Commenced

IT - IT Change Board Operations	Not Started	Audit Not Yet Commenced
Virtual School (Statutory Responsibilities)	Complete	Complete
Early Years Capacity (Statutory Responsibilities)	In Progress	Audit in Progress
Investigation - Cleeve Court Resident's Personal Monies	Complete	Complete – Findings Described in Section 3.6.
Itrent Data Deletions / Sanitisation	Reporting	Work completed, reporting to client
Governance - Annual Governance Statement	Ongoing	2024/25 Complete
Governance - Audit Committee, Boards, Advice and Guidance	Ongoing	Ongoing Work - Completed Throughout Year
Follow-up of Previous Year Recommendations	Ongoing	Ongoing Work - Completed Throughout Year
Fraud – National Fraud Initiative	Ongoing	Ongoing Work – Matches Due for Release January 2026
Fraud – Training, Advice & Guidance	Ongoing	Ongoing Work - Completed Throughout Year

### 3.3. Implementation of Recommendations

- 3.4.1 The follow-up of recommendations is prioritised on ensuring that critical and high level recommendations have been implemented. This is because the critical and high level recommendations made will have either identified significant risks, or identified improvements that could best help the organisation to achieve its objectives.
- 3.4.2 Audit staff communicate continuously with auditees throughout the review process to ensure that proposed recommendations are understood, are relevant, and are achievable to the business.
- 3.4.3 Whilst all recommendations have been followed-up with the officer(s) responsible, there are recommendations from Internal Audit reports that have not been fully implemented by the agreed due date. Details are as follows:
- 3.4.4 DSG - Safety Valve - Programme Management (Mechanisms & Framework)

<b>DSG -Safety Valve - Programme Management (Mechanisms &amp; Framework)</b>			
	<b>Complete</b>	<b>In Progress</b>	<b>Outstanding</b>
<b>High</b>			
<b>Medium</b>	1	1	
<b>Low</b>	1		
<b>Opportunity</b>			
<b>Total</b>	<b>2</b>	<b>1</b>	<b>0</b>

Good progress has been made on implementing the recommended audit actions that followed the 2024/25 audit of DSG - Safety Valve. In respect of the one medium-risk recommendation that has been partially implemented, this relates to the creation and use of the DSG programme dashboard. The dashboard has been created, and work is underway to understand how the savings targets in the revised Deficit Management Plan can be tracked & monitored. The completion of the work is reliant on Business Intelligence (BI) Team capacity.

### 3.4.5 Climate & Ecological Emergency Response - Performance Monitoring / Reporting

Climate & Ecological Emergency Response - Performance Monitoring & Reporting			
	Complete	In Progress	Outstanding
High			2
Medium			2
Low			1
Opportunity			
Total	0	0	5

The follow-up for the Climate & Ecological Emergency Response - Performance Monitoring & Reporting audit was due in Q2 2025/26. Following a meeting with the Climate & Environment Team Manager, it was agreed to extend the period of follow-up until the end of November 2025.

Two high-risk issues were identified, these being the absence of an overarching and consistently maintained action tracking and monitoring record for the CE Action Plan (beyond annual progress updates), and the lack of a fully developed operational framework to monitor strategic priorities and individual actions, including clear specifications for delivery, measurement, reporting, and ongoing oversight.

At the time of writing this report, the recommendations remain outstanding for the following reasons:

- Since the audit, a service restructure has taken place, resulting in the newly created Climate & Environment Team.
- In addition to the restructure, the officer originally responsible for the implementation of the key recommendations left the Council.
- A newly appointed Climate Emergency Officer will now take a lead role in progressing the audit recommendations. However, they only started within the C&E Team during August 2025.

Internal Audit will therefore work with the Climate and Emergency Team/ Climate Emergency Officer over the coming months to ensure that these recommendations are finally implemented.

## 4 STATUTORY CONSIDERATIONS

- 4.1 There are no specific statutory considerations related to this report. Accounts & Audit Regulations set out the expectations of provision of an Internal Audit service. This is supported by S151 of the Local Government Act and CIPFA Codes of Practice and the IIA professional standards for delivery of an adequate Internal Audit Service.



## **5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)**

5.1 There are no direct resource implications relevant to this report.

## **6 RISK MANAGEMENT**

6.1 A proportionate risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision-making risk management guidance. Significant risks to the Council arising from an ineffective Internal Audit Service include lack of internal control, failures of governance and weak risk management. Specific risks include supplementary External Audit Fees and undetected fraud. Internal Audit assists the Council in identifying risks, improvement areas and recommending good practice.

6.2 The Audit Committee has specific responsibility for ensuring the Council's Risk Management and Financial Governance framework is robust and effective.

## **7 EQUALITIES**

7.1 A proportionate equalities impact assessment has been carried out using corporate guidelines and no significant issues have been identified.

## **8 CLIMATE CHANGE**

8.1 There are no direct climate change implications related to this report.

## **9 OTHER OPTIONS CONSIDERED**

9.1 No other options to consider related to this report.

## **10 CONSULTATION**

10.1 The Council's Section 151 Officer has had the opportunity to input to this report and has cleared it for publication.

<b>Contact person</b>	<i>Peter Cann (<a href="mailto:peter_cann@bathnes.gov.uk">peter_cann@bathnes.gov.uk</a>)</i>
<b>Background papers</b>	<i>'Internal Audit Plan 2024/25' – April 2025</i>
<b>Please contact the report author if you need to access this report in an alternative format</b>	

## Appendix A – Internal Audit Opinions

Assurance Rating	Opinion
<b>Level 5 Full Assurance</b>	The systems of internal control are <b>excellent</b> with a number of strengths evident. No weaknesses have been identified, and full assurance can be provided.
<b>Level 4 Substantial Assurance</b>	The systems of internal control are <b>good</b> with a number of strengths evident and substantial assurance can be provided.
<b>Level 3 Reasonable Assurance</b>	The systems of internal control are <b>satisfactory</b> , and reasonable assurance can be provided. However, there are a number of areas which require improvement.
<b>Level 2 Limited Assurance</b>	The systems of internal control are <b>weak</b> , and only limited assurance can be provided. Prompt action is necessary to improve the current situation and reduce the levels of risk exposure.
<b>Level 1 No Assurance</b>	The systems of internal control are <b>poor</b> , and no assurance can be provided. There are fundamental weaknesses, and urgent action is necessary to reduce high levels of risk exposure.