Internal Audit Progress Report
Audit Committee (18th March 2026)

Lancaster City Council

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Contents

Global Internal Audit Standards (UK public sector)

Our work was completed in accordance with Global Internal Audit Standards (UK public sector).

1 Introduction

This report provides an update to the Audit Committee in respect of the progress made in against the Internal Audit Plan for 2024/25 and 2025/26 and brings to your attention matters relevant to your responsibilities as members of the Audit Committee.

This progress report provides a summary of Internal Audit activity and complies with the requirements of the Global Internal Audit Standards (UK public sector).

Comprehensive reports detailing findings, recommendations and agreed actions are provided to the organisation, and are available to Committee Members on request. In addition, a consolidated follow up position is reported on a periodic basis to the Audit Committee.

This progress report covers the period November 2025 to March 2026.

2 Key Messages for Audit Committee Attention

Since the last meeting of the Audit Committee, there has been the focus on the following areas:

Audit Reviews
The final review from the 24/25 audit plan has been finalised: • IT Asset Management (Moderate) The following reviews have been finalised from the 25/26 audit plan: • Food Safety (Substantial Assurance) • Treasury Management (Substantial Assurance) • Social Housing Regulator (Substantial Assurance) • Revenues & Benefits – Council Tax (Limited Assurance) • Risk Maturity   Refer to Appendix C for details of Key Areas and Actions to be Delivered

The following 2025/26 audit reviews are at draft report stage, in progress or are being planned as follows:

- Key Financial Controls (draft report)

- Insurance (fieldwork)

- IT Review - M365 (Planning)

Follow Ups

A summary of the current status of all follow-up activity is included in Appendix D; however, we would draw the committee's attention to the following:

There has been progress with the implementation of recommendations since the previous Audit Committee in November 2025. 28 recommendations have been completed since November 2025, 1 recommendation has been superseded and 2 recommendations have been closed as they are no longer applicable. 7 reports have had all actions completed or superseded, Risk Management, Risk Management – Core Controls., Food Safety, Resilience Emergency Preparedness, Council Tax, Fleet Stock, Reactive Repairs and Maintenance. There are 54 actions either in progress or not yet due. There are 9 actions which are overdue, and we are awaiting updates from management on progress.

Management are working with MIAA to ensure that actions are implemented.

Audit Plan Changes

Audit Committee approval will be requested for any amendments to the original plan and highlighted separately below to facilitate the monitoring process.

- The Building Compliance Review to be carried forward from Q4 2025/26 to Q2 2026/27. This is due to the Council receiving an inspection notification from the Building Safety Regulator to take place in April 2026.

MIAA – Assured provider to the NCSC Cyber Resilience Audit Scheme

We are proud to announce that MIAA has been officially recognised as an Assured provider under the National Cyber Security Centre's (NCSC) Cyber Assessment Framework (CAF).

This accreditation marks a major milestone for MIAA and reflects our ongoing commitment to helping organisations strengthen their cyber resilience and safeguard critical systems and services.

This achievement, which is the result of a rigorous assessment process, demonstrates our credentials in auditing against the NCSC's Cyber Assessment Framework and, highlights the exceptional skills and experience of our staff as well as our organisational commitment to the highest cyber security standards. While this recognition is a tremendous achievement for MIAA, its greatest value lies with our clients, who can be confident they are engaging highly skilled individuals and a trusted, high-quality audit provider.

The Cyber Resilience Audit (CRA) scheme provides assurance for organisations delivering independent cyber audits, with a strong focus on the Cyber Assessment Framework (CAF). By becoming an NCSC Assured Provider, MIAA has demonstrated:

- Expertise in auditing against the CAF.
- Independence and integrity in delivering high-quality assessments.
- Dedication to helping organisations manage cyber risks in an ever-changing threat landscape.

Added Value

Briefings

Our latest briefings/blogs/podcasts are:

- [Celebrating 10 Years of the MIAA Internship Programme: Reflections from Our 2024 Interns](#)

- [Andy Maloney Blog: Neighbourhoods First: Transforming Local Health and Care Together](#)

- [25/26 MIAA Insight - AI Governance Checklist](#)

- [25/26 MIAA Insight - Local Authority Audit Committee Members Roles and Responsibilities](#)

- 25/26 MIAA Insight – Audit Committee Briefing – Global Internal Audit Standards UK Public Sector

Appendix A: Contract Performance

The Global Internal Audit Standards (UK public sector) state that 'In the UK public sector, a chief audit executive must prepare such an overall conclusion at least annually in support of wider governance reporting, mindful of any specific sector obligations or processes. This overall conclusion must encompass governance, risk management and control.'

Below sets outs the overview of delivery for your Head of Internal Audit Opinion for 25/26:

HOIA Opinion Area	TOR Agreed	Status	Assurance Level	Audit Committee Reporting
Core Reviews				
Key Financial Controls	✔	Draft Report		
Risk Management – Risk Maturity	✔	Draft Report	Not applicable	March 2026
Treasury Management	✔	Completed	Substantial	March 2026
Revenues and Benefits – Council Tax	✔	Completed	Limited	March 2026
Mandatory Training	✔	Completed	Moderate	November 2025
IT Review – M365		Planning		
Risk Based Reviews				
Fleet Stock	✔	Completed	Moderate	November 2025

Food Safety	✓	Completed	Substantial	March 2026
Car Parks	✓	Completed	Substantial	November 2025
Insurance	✓	In progress		
Corporate Health and Safety	✓	Completed	Moderate	November 2025
Social Housing Regulator	✓	Complete	Substantial	March 2026
Building Statutory Compliance (moved from Q2)		Cfwd to Q2 26/27		
Follow Up				
Quarter 1	N/A	Complete	N/A	July 2025
Quarter 2	N/A	Complete	N/A	November 2025
Quarter 3	N/A	Complete	N/A	March 2026
Quarter 4	N/A	Complete	N/A	March 2026
Added Value / Support & Guidance				
Audit Committee & Internal Audit Effectiveness Briefing	N/A	Completed	N/A	

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Social Housing Wave 3 – Chief Auditor Declaration	N/A	Completed	N/A	
2024/25 Reviews				
IT Asset Management*	✔	Complete	Moderate	March 2026
Environmental Enforcement – Fly-tipping*	✔	Complete	Substantial	November 2025
Management				
Head of Internal Audit Opinion/Annual Report/Annual Governance Statement		Ongoing	N/A	
Planning and Management		Ongoing	N/A	
Reporting and Meetings		Ongoing	N/A	
Contingency		Ongoing	N/A	

If due to circumstances beyond our control we are unable to achieve sufficient depth or coverage, we may need to caveat opinions and explain the impact of this and what will be done to retrieve the position in future.

*These reviews were/will be delivered during 2024/25 as requested by the Council, and as such will be included in the 2025/26 Head of Internal Audit Opinion.

Appendix B: Performance Indicators

The primary measure of your internal auditor's performance is the outputs deriving from work undertaken. The following provides performance indicator information to support the Committee in assessing the performance of Internal Audit.

Element	Reporting Regularity	Status	Summary
Delivery of the Head of Internal Audit Opinion (Progress against Plan)	Each Audit Committee	Green	There is ongoing engagement and communications regarding delivery of key reviews to support the Head of Internal Audit Opinion.
Qualified Staff	Annual	Green	MIAA have a highly qualified and diverse workforce which includes 75% qualified staff. The Senior Team delivering the Internal Audit Service to the Council are CCAB/IIA qualified.
Quality	Annual	Green	MIAA operate systems to ISO Quality Standards. The External Quality Assessment, undertaken by CIPFA, provides assurance of MIAA's compliance with the Public Sector Internal Audit Standards. MIAA conforms with the Public Sector Internal Audit Code of Ethics.
Percentage of recommendations raised which are agreed	Each Audit Committee	Green	100%
Percentage of recommendation which are implemented	Each Audit Committee	Amber	There is a total of 160 recommendations made as at Appendix D. 23 of these are not due for follow up, as the implementation date

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Element	Reporting Regularity	Status	Summary
			has not passed. Of the remaining 137 recommendations, 97 (71%) have been actioned or superseded and 31 (23%) are in progress. There are 9 overdue (6%). There are 13 high priority actions outstanding. MIAA are working with management to ensure actions are completed.

Appendix C: Key Areas from our Work and Actions to be Delivered

Report Title	IT Asset Management			
Executive Sponsor	Chief Officer - Resources			
Objective	To provide an opinion on the level and effectiveness of IT asset management controls operated by the IT team over the Council's computer hardware and software assets and identify opportunities for improvement, where appropriate.			
Assurance Rating	Moderate			
Recommendations	0 x Critical	1 x High	2 x Medium	0 x Low
Summary	The review identified that there was an adequate system of internal control operated on the IT asset management controls at the Council. However, it was identified that there was some areas of weakness identified. Whilst the review identified several areas of good practice, there were also opportunities to strengthen controls in several key areas including; policies, procedures, reporting and governance controls, contract(s) in place for decommissioning / recycling of IT equipment / devices and staff and reconciliation process in place to update, review, reconcile assets to maintain and confirm accuracy of inventories and identify potentially dormant, duplicate, or missing assets. The organisation utilised Freshworks for the management of assets across the estate, Freshworks contained relevant heading relating to the management of assets. A sample test revealed that different assets across the organisation all had associated information asset owners (IAO) attached The Council were able to mark assets as stolen or lost on the information asset register (IAR) and laptops were able to be wiped / disabled within Active Directory (AD). Mobile devices were managed via InTune – this allowed them to be remote locked, reset passcode and remote wiped.			

During the review, we identified the organisation did not have a process for the management of dormant devices across the estate, furthermore, assets across the organisation that were known to cause issues to the service desk team were not reported anywhere for review. It was identified that the last audit of devices across the organisation took place at the end of 2024 completed by the Council and conducted on an ad hoc basis, however there was no documentation relating to lessons learnt from the audit, there was no evidence that the reconciliation activities had become business as usual.

Report Title	Food Safety			
Executive Sponsor	Chief Officer – Environment and Place			
Objective	To provide assurance on the controls in place and that they are appropriately designed and operating effectively in relation to Food Safety.			
Assurance Rating	Substantial			
Recommendations	0 x Critical	0 x High	0 x Medium	2 x Low
Summary	Overall, there was an adequate system of internal control, however there is an opportunity to further strengthen the controls in place in relation to ensuring that the council is responding and informing people who have made complaints in relation to food safety. Areas of good practice related to the Council having a 2025/26 Food Service Plan in place along with supporting procedures in relation to food safety. It was confirmed that all training and qualifications are maintained and stored with the shared drive. The Council produces several reports in relation to food safety from monthly KPIs, annual achievement reports to submissions to the Food Standards Agency. Primary Authorities for which the Council are responsible for have been defined and appropriate documentation such as summary frameworks are maintained. Sample testing conducted on registrations, inspections, follow up inspections, recommendations and complaints confirmed that a full audit trail is available through the Civica system and on the shared drive.			

	This included all relevant documentation and events such as allergen testing, food sampling audits, inspections, notices etc.

Report Title	Treasury Management
Executive Sponsor	Chief Officer - Resources
Objective	The overall objective of the review was to provide assurance that the most significant key controls are appropriately designed and operating effectively in practice in relation to Treasury Management.
Assurance Rating	Substantial

Recommendations	0 x Critical	0 x High	0 x Medium	1 x Low

| Summary | Overall, there was an adequate system of internal control, however there is an opportunity to further strengthen the controls in place in relation to the annual training / refresher training provided to council members to ensure that they have the required knowledge and skills to undertake their roles or any decisions being made.

Areas of good practice related to Treasury Management Strategy in place which was up to date and had been approved by the Council. The Cabinet and Council received appropriate reports throughout the year on treasury management activities as outlined within the CIPFA Code of Practice for Treasury Management 2021. These included quarterly and mid-year reports along with an annual report at the end of year.

Sample testing conducted on five days' worth of investments or redemptions identified that a full audit trail was maintained by the Council, including showing the initial recommendation the appropriate approval and then subsequent deal note detailing all the information and approval. It was confirmed that all the days tested where in line with the Strategy. Cash flow was updated and reviewed on a daily basis with a full audit trail and reconciliation provided by the council. |
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Report Title	Social Housing Regulator			
Executive Sponsor	Chief Officer – Housing and Property			
Objective	The overall objective was to review and evaluate the governance arrangements the Council has in place to comply with the Regulator of Social Housing Consumer Standards.			
Assurance Rating	Substantial			
Recommendations	0 x Critical	0 x High	3 x Medium	2 x Low
Summary	On 1 April 2024 Regulator of Social Housing introduced new consumer standards for social housing landlords, designed to drive long-term improvements in the sector. It also began a programme of landlord inspections. The Council has been notified that an inspection by the Regulator of Social Housing is due in April 2026. Prior to the introduction of the consumer standards the Council developed an annual rolling programme of self-assessments, which have been updated against the new four standards (Tenancy, Neighbourhood and Community, Safety and Quality, and Transparency, Influence and Accountability), as well as against the rent standard.

Lancaster City Council's suite of policies generally provides good coverage for the Consumer Standards. There are some gaps where roles and responsibilities are unclear with a lack of explicit role titles and have limited clarity on contractor responsibilities.

The evidence to support the self-assessments is not held in a single location, but in multiple locations, making it harder for the evidence to be monitored and kept up to date.

The Council has identified 422 pieces of evidence listed across the four consumer standards. Within each standard there are a number of sub sections, but all the evidence is recorded for each under one of four categories, Council evidence, Tenant Voice evidence, Governance and Future Actions. Reviewing the evidence supplied, there were five unique (and eight in total) items that did not have evidence to support the assessment. | | | |

The Council Housing Advisory Group (CHAG) has three Cabinet members as part of its membership as well as being chaired by the portfolio holder for Housing. Although no escalation process is defined the membership of the groups ensures suitable influence and escalation if required. A review of the minutes of the CHAG for 2025, identified that there were some discussions regarding the self-assessments and the presentation of the Service Improvement and Assurance Plan at the CHAG. Whilst the minutes evidence discussions taking place, they are not sufficiently detailed to confirm robust and substantive discussions and decisions.

Report Title	Revenues and Benefits – Council Tax			
Executive Sponsor	Chief Officer – Resources			
Objective	To provide assurance that the key controls in relation to Council Tax are appropriately designed and operating effectively in practice.			
Assurance Rating	Limited			
Recommendations	0 x Critical	2 x High	0 x Medium	2 x Low
Summary	The approved budget by the Council for 2025/26 reflects an increase in the Council Tax of 2.99%. the full Council Tax proposal was input onto the Council Tax system, with the parameters agreed and confirmation of accurate input was provided to the Council. The review provides limited assurance in that there is a compromised system of internal control as weaknesses in the design and/or inconsistent application of controls puts the achievement of the system objectives at risk.			

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There are a variety of discounts available for council taxpayers to apply for, which are detailed on the Councils website including the application process. All exemptions and discounts should have review dates applied to ensure that the discount applied remains appropriate with a regular system of obtaining confirmation that the discounts and exemptions should remain in place. As of October 2025, there were 31,864 discounts applied, 8.5% had no date recorded for reviewing the discount and 65% had review dates that had passed, but the discount was still in place.

The Council Tax suspense accounts have historic entries from 2011 onwards, which should be investigated and cleared or written off.

Council Tax arrears were recovered in accordance with the Council Tax and Business Rates Recovery Policy. A review of a sample of defaulted accounts including first, second and final reminders along with court liability orders were reviewed and all were found to be supported by evidence of the letters being issued and in the correct sequence.

Report Title	Risk Maturity
Executive Sponsor	Chief Officer – People & Policy/Chief Officer - Resources
Objective	To undertake a review of the Councils self-assessment of the Council's risk maturity against the IIA risk maturity model, considering the actions already taken/planned by the Council and to determine appropriate actions to progress the Council, if necessary, from its current position to a status of risk enabled.
Assurance Rating	Approaching Level 3 – Risk defined: The organisation has considered risk management and put in place strategies led from a risk management team/ strategy and policies in place and communicated. Risk appetite defined. This is the overall rating derived from the following thematically assessed maturity:

	Culture	Approaching Level 3 – Risk Defined
	Roles & Responsibilities	3 – Risk Defined
	Processes	3 – Risk Defined
	Monitoring & Feedback	2 – Risk Aware
Summary	We have assessed the level as 'approaching' level 3 as although some controls are in place for each of the themes, there are some gaps/process improvements required to fully attain level 3. The Council have made significant improvements to their risk management over the last few years from a poor starting position in which a no assurance was provided for risk management in 2021/22. Our assessment places the Council at close to attaining Level 3 (of the 5 level IIA model), a mid-point in its improvement journey towards a fully risk mature organisation. Particular strengths are a well written policy based on good risk management principles, and a strong GRACE system for documenting and monitoring risk registers. The Council faces a resourcing challenge in its continued pursuit of improved risk maturity and a challenge to improve the quality and content of risk registers. This could be achieved with increased training and a greater accountability on risk owners to relive some of the resource pressures.	

Appendix D: Follow up of previous internal audit recommendations

The status of the actions is as at 9th March 2026.

AUDIT TITLE (YEAR)	NO OF RECS	ASSURANCE LEVEL	PROGRESS ON IMPLEMENTATION				OUTSTANDING RECOMMENDATIONS				COMMENTS
			✓/S	P	X	Not due	C	H	M	L	
2021/22											
Council Tax	8	Moderate	7/1	-	-	-	-	-	-	-	Remaining recommendation superseded with the 25/26 Council Tax review
2022/23											
Budgetary Controls	3	Substantial	2	-	-	1	-	-	-	1	Remaining recommendation in progress with a revised deadline.
Cyber Security			Confidential								2 recommendations implemented and all remaining recommendations in progress.
Data Protection: Policy and Process Follow up			Confidential								All recommendations in progress.
Resilience and Emergency Preparedness	7	Limited	7	-	-	-	-	-	-	-	All recommendations implemented.
CCTV	4	Limited	-	4	-	-	-	4	-	-	All recommendations are in progress.
Contracts	11	Limited	7	4	-	-	-	1	2	1	Remaining recommendations in progress.
2023/24											

AUDIT TITLE (YEAR)	NO OF RECS	ASSURANCE LEVEL	PROGRESS ON IMPLEMENTATION				OUTSTANDING RECOMMENDATIONS				COMMENTS
			✓/S	P	X	Not due	C	H	M	L	
Payroll	6	Limited	5	1	-	-	-	1	-	-	High recommendation in progress, delays due to resourcing issues.
Risk Management	6	Substantial	6	-	-	-	-	-	-	-	All recommendations implemented.
Climate Change	5	Substantial	4	-	-	1	-	-	1	-	Final recommendation not yet due.
Reactive Repairs and Maintenance	9	Limited	9	-	-	-	-	-	-	-	All recommendations implemented.
Budgetary Control	7	Substantial	5	1	-	1	-	-	1	1	Medium recommendation not yet due and low recommendation in progress.
Mobile Device Management	Confidential										All recommendations in progress.
2024/25											
Air Quality Duty Review	5	Substantial	2/2*	1	-	-	-	-	-	1	Remaining recommendation in progress. 2 recommendations unable to be taken forward.
Procurement Cards	10	No	6	4	-	-	-	-	4	-	Critical and high recommendation implemented. 4 medium recommendations in progress.
Homelessness	7	Limited	5	-	-	2		1	1	-	Recommendations not yet due.
Markets	7	Moderate	4	3	-	-	-	-	2	1	Recommendations not yet due.
Appraisals	6	Moderate	5	-	1	-	-	-	1	-	1 medium recommendation awaiting update.

AUDIT TITLE (YEAR)	NO OF RECS	ASSURANCE LEVEL	PROGRESS ON IMPLEMENTATION				OUTSTANDING RECOMMENDATIONS				COMMENTS
			✓/S	P	X	Not due	C	H	M	L	
Social Housing Rent Setting	3	Substantial	1	2	-	-	-	-	2	-	Recommendations in progress.
Risk Management	4	Moderate	4	-	-	-	-	-	-	-	All recommendations implemented.
Environmental Fly Tipping	5	Substantial	3	2	-	-	-	-	1	1	Recommendations in progress.
Key Financial Systems	9	Limited	2	5	2	-	-	1	4	2	Recommendations are being followed up in the 25/26 Financial Controls Review.
IT Asset Management	3	Moderate	-	3	-	-	-	1	2	-	Recommendations in progress.
2025/26											
Mandatory Training	6	Moderate	-	-	2	4	-	1	4	1	Recommendations not yet due or awaiting update.
Fleet Stock	7	Moderate	5/2*	-	-	-	-	-	-	-	Recommendations implemented. *2 low recommendations cannot be implemented by the Council, as they require developments to inhouse systems which are unachievable.
Car Parks	6	Substantial	-	-	3	3	-	-	4	2	Recommendations not yet due or awaiting update.
Corporate Health and Safety	4	Moderate	1	1	1	1	-	1	2	-	Recommendation in progress, awaiting update or not yet due.
Food Safety	2	Substantial	2	-	-	-	-	-	-		All recommendations implemented.

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AUDIT TITLE (YEAR)	NO OF RECS	ASSURANCE LEVEL	PROGRESS ON IMPLEMENTATION				OUTSTANDING RECOMMENDATIONS				COMMENTS
			✓/S	P	X	Not due	C	H	M	L	
Treasury Management	1	Substantial	-	-	-	1	-	-	-	1	Recommendation not yet due.
Social Housing Regulator	5	Substantial	-	-	-	5	-	-	3	2	Recommendations not yet due.
Council Tax	4	Limited	-	-	-	4	-	2	-	2	Recommendations not yet due.
TOTALS	**160**		**92/5**	**31**	**9**	**23**	**0**	**13**	**34**	**16**	

Key to recommendations:

✓/S	Implemented or Superseded	C	Critical priority recommendation	L	Low priority recommendation
P	Partially implemented/recommendation in progress	H	High priority recommendation	*	Unable to take forward
X	Recommendation not implemented/awaiting update	M	Medium priority recommendation		

Appendix E: Assurance Definitions and Risk Classifications

Level of Assurance	Description
High	There is a strong system of internal control which has been effectively designed to meet the system objectives, and that controls are consistently applied in all areas reviewed.
Substantial	There is a good system of internal control designed to meet the system objectives, and that controls are generally being applied consistently.
Moderate	There is an adequate system of internal control, however, in some areas weaknesses in design and/or inconsistent application of controls puts the achievement of some aspects of the system objectives at risk.
Limited	There is a compromised system of internal control as weaknesses in the design and/or inconsistent application of controls puts the achievement of the system objectives at risk.
No	There is an inadequate system of internal control as weaknesses in control, and/or consistent non-compliance with controls could/has resulted in failure to achieve the system objectives.

Risk Rating	Assessment Rationale
Critical	Control weakness that could have a significant impact upon, not only the system, function or process objectives but also the achievement of the organisation's objectives in relation to: - the efficient and effective use of resources - the safeguarding of assets - the preparation of reliable financial and operational information - compliance with laws and regulations.
High	Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives. This weakness, whilst high impact for the system, function or process does not have a significant impact on the achievement of the overall organisation objectives.
Medium	Control weakness that: - has a low impact on the achievement of the key system, function or process objectives; - has exposed the system, function or process to a key risk, however the likelihood of this risk occurring is low.
Low	Control weakness that does not impact upon the achievement of key system, function or process objectives; however implementation of the recommendation would improve overall control.

Limitations

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regards to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

Responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Reports prepared by MIAA are prepared for your sole use and no responsibility is taken by MIAA or the auditors to any director or officer in their individual capacity. No responsibility to any third party is accepted as the report has not been prepared for, and is not intended for, any other purpose and a person who is not a party to the agreement for the provision of Internal Audit and shall not have any rights under the Contracts (Rights of Third Parties) Act 1999.

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