

AUDIT AND GOVERNANCE COMMITTEE

DATE	17 July 2025
REPORT OF	Peter Hanmer - Head of Audit and Assurance
SUBJECT	Head of Internal Audit Annual Report and Opinion 2024/225
STATUS	Open

CONTRIBUTION TO OUR AIMS

An effective control framework, good governance and risk management is fundamental to the effective delivery of the Council's services and its strategic aims. Internal Audit supports this by providing assurance, challenge and advice on their design and operation. Furthermore, the Internal Audit programme is risk based with specific priority given to those systems and processes which support the delivery of the Council's strategic aims.

EXECUTIVE SUMMARY

As set out in the Public Sector Internal Audit Standards (PSIAS) there is a requirement under PSIAS 2450 for the Chief Audit Executive to provide an annual report and opinion the Audit and Governance Committee, timed to support the Annual Governance Statement. At North East Lincolnshire Council, the Head of Audit and Assurance conducts the functions of the Chief Audit Executive as defined in the standards.

As shown in section 3 of the Annual Report, "satisfactory" assurance has been provided on the overall arrangements for governance, risk and the internal control framework. Where applicable areas requiring further development being identified.

RECOMMENDATIONS

It is recommended that as part of its role in reviewing the effectiveness of the Council's governance arrangements (including the content of the Annual Governance Statement), the Audit and Governance Committee considers and receives this report, including the control issues identified within it.

REASONS FOR DECISION

It is a requirement of the Public Sector Internal Audit Standards (PSIAS) for the Chief Audit Executive to produce an Annual Report incorporating his/ her opinion on the design and operation of the control environment.

1. BACKGROUND AND ISSUES

As set out in the Public Sector Internal Audit standards (PSIAS), against which the 2024/25 audit work was delivered. there is a requirement under PSIAS 2450, for the Chief Audit Executive to provide an annual report to the Audit and Governance Committee, timed to support the Annual Governance Statement. This must include:

- an annual opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework (i.e., the control environment).
- a summary of the audit work from which the opinion is derived (including reliance placed on work by other assurance bodies); and
- a statement on conformance with the PSIAS and the results of the internal audit Quality Assurance and Improvement Programme

The Head of Internal Audit Annual Report and Opinion is attached. The key points identified in the 2023/24 Head of Internal Annual report and opinion are as follows:

- Section 2 of the Annual Report refers to the work conducted from which the audit opinion is derived, and shows the work conducted compared to the Audit Plan. It shows that out of 55 planned assignments, 50 had been completed to either final or draft up to 30 June 2025, and the Head of Audit and Assurance was able to conclude that sufficient work had been carried out to provide a reliable, risk-based, standards compliant opinion.
- Section 3 refers to the Head of Internal Audit Opinion. Satisfactory assurance has been provided in relation to the council's risk, governance and control arrangements, although it also identifies areas of particularly high financial risk or gaps in compliance with controls which need to be managed.
- Section 4 refers to quality assurance arrangements. It concludes that Internal Audit complied with the auditing standards has arrangements in place for monitoring quality, and progress in introducing the new Global Internal Audit Standards (GIAS) in the UK Public Sector operative from April 2025. .

2. RISKS AND OPPORTUNITIES

The Head of Internal Audit's Annual Report and Opinions are a regulatory requirement and there is potential reputational risk if it was not produced or if did not provide sufficient assurance that Internal Audit carried out its responsibilities in line with the standards.

As well as individual audit assignments identifying specific areas of potential risk, it is a requirement to provide an overall opinion on the Council's risk management arrangements as shown in section 3 of the report.

3. OTHER OPTIONS CONSIDERED

Not applicable. The production of this report is a requirement of the Public Sector Internal Audit Standards.

4. REPUTATION AND COMMUNICATIONS CONSIDERATIONS

There are no specific reputation issues in relation to this report. The main messages relating to this report have been communicated with the Leadership Team, and the report will be publicised on the Council's intranet.

5. FINANCIAL CONSIDERATIONS

One of the key aspects of internal audit work is to consider the Council's systems of financial control. This is considered not only in specific audits of its key financial systems, but in most other audit assignments.

6. CHILDREN AND YOUNG PEOPLE CONSIDERATIONS

Audit assignments, and other sources of assurance, relating to Children's Services contribute to the overall opinion on the Council's control environment.

7. CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS

Climate change and the environment are included in audit's planning considerations. As part of the cyclical, risk based approach we carried out an audit around the Council's environmental strategies in 2023/24 and substantial assurance could be provided.

8. FINANCIAL IMPLICATIONS

There are no direct financial implications arising from this report. However, the report provides assurance over the reliability of the systems supporting the financial information provided within the statement of accounts.

9. LEGAL IMPLICATIONS

There are no specific legal implications associated with this report.

10. HUMAN RESOURCES IMPLICATIONS

There are no direct specific human resources implications associated with this report.

11. WARD IMPLICATIONS

The report covers issues affecting the whole operation of the council and therefore is relevant to all wards.

12. BACKGROUND PAPERS

The Public Sector Internal Audit Standards 2017
Internal Audit Plan 20225 (April 2024)
Internal Audit Interim Report (February 2025)

13. CONTACT OFFICER(S)

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Peter Hanmer
Head of Audit and Assurance



North East Lincolnshire Council

Head of Internal Audit Report and Opinion

2024/25

Peter Hanmer

30 June 2025

Background

- 1.1 For 2024/25 the work of internal audit was governed by the Public Sector Internal Audit Standards (PSIAS) and the council's audit charter. These require the Head of Internal Audit to bring an annual report to the Audit and Governance Committee. The report must include an opinion on the adequacy and effectiveness of the council's framework of governance, risk management and control. The report should also include:
- a summary of work undertaken to support the opinion, including any reliance placed on the work of other assurance bodies
 - the opinion any qualifications to the opinion, together with the reasons for those qualifications (including any impairment to independence or objectivity)
 - an overall summary of internal audit performance and the results of the internal audit service's quality assurance and improvement programme, including a statement on conformance with the PSIAS.

Audit work carried out in 2024/25

- 2.1 In April 2024, and updated in July 2024, the Head of Audit and Assurance presented a risk-based plan designed to ensure that audit met its obligation as laid down in the standards and to ensure that sufficient work would be required to provide a reliable audit opinion.

<https://www.nelincs.gov.uk/assets/uploads/2023/06/5.-Internal-Audit-Covering-Report.docxPDF-1040KBicon-namepaperclip-prefixfa.pdf>

<12.-Updated-audit-plan-250724.pdf-combined.pdf>

Throughout 2024/25 audit work continued to be prioritised based on risk and the need to provide coverage of the council's framework of governance, risk management and control. This led to some amendments to the plan which were reported to the Audit and Governance Committee and Senior Management.

For most of 2024/25 Internal Audit was conducted through a long standing shared service with North Lincolnshire but this came to an end on 31March 2025..

- 2.2 A summary of internal audit work undertaken during the year (including completed audits some carried forward from 2023/24) and relevant to the opinion is contained in Appendix 1. The completion of planned audits

(including grant claim certification) as shown on 30 June 2025 is shown below, and the Head of Audit and Assurance is satisfied that sufficient work has been carried out to provide a reliable, standards compliant year end opinion.

Table 1 Completion of 2024/25 planned audits as per 30 June 2025 (compared to the anticipated 55 audits)

Status of audits	Number	%
Complete	44	80%
Draft	4	7%
In progress	5	9%
Cancelled	2	4%

The two cancelled audits were as follows:

- **Public Health Self-Assessment:** It was originally planned that Audit would work with the Public Health team to complete to the Local Government Association (LGA) Public Health self-assessment. As shown on paragraph 2.3 this was subsequently carried out via a peer review.
- **Social Care- Transition from Children to Adults:** In 2024/25 significant work was in place to re-develop the policies and procedures, and so it was agreed to defer the audit to 2025/26.

In relation to work in progress we have not currently identified any issue which could adversely affect the overall year-end opinion. The outcome of this work will be reported in the 2025/26 audit opinion.

Other Assurance Providers

2.3 In forming our opinion we also take account, where relevant, of work carried out by other assurance providers. For 2024/25 we have taken account of the following outcomes from the work of external inspectorates and peer reviews

- **Adults Mental Health Practitioner Peer Review** - There were a number of recommendations to improve practice. The main recommendation relating to governance was the strengthening of the oversight of the Director of Adult Social Care (DASS). This has been resolved by the introduction of a bi annual oversight board chaired by the DASS
- **Integrated Front Door Health Checks-** Health Checks (carried out by a selection of Regional Partners, Assistant Directors and Heads of Service), were carried out in March and October resulting in positive feedback on the progress made in developing the service.

- **Public Health Peer Review** – North and North East Lincolnshire Public Health service took part in a combined LGA self-assessment, and a sector led improvement ADPH Peer Review during 2024-25. The peer review focussed on how well embedded the public health function. A number of recommendations were made by the peer review team, and a joint Northern Lincolnshire Public Health action plan is being finalised to identify how the Council will meet those recommendations.
- **Cyber Assessment Framework (CAF) for Local Government** – This focused on Managing Security Risk and Minimising the Impact of Incidents. It reported that “Analysis of evidence submitted demonstrates that the council apply good practices identified by the CAF in many areas.” 48/59 Indicators of Good Practice met for ‘Achieved’ status.

Governance

2.4 in relation to Governance arrangements our opinion takes account of the following:

- Carrying out audits for those areas which underpin the Council’s governance framework as defined in the Code of Governance. In 2024/25 we reported on the following areas as referred to in Appendix 1:
 - Business Planning
 - Data Quality/ Data Maturity
 - Freedom of Information Act
 - Freeport- Accountable Body Arrangements
 - Governance of the Capital Programme
 - Member Development
 - Organisational Development
 - Project Management
 - NELC/ HNYICP Partnership – Section 75 arrangements
- Where applicable in all other audits the processes to monitor the delivery of strategic objectives is considered

Risk Management

2.5 in relation to risk management our opinion takes account of the following:

- On a cyclical basis we carry out an audit of the Council’s risk management framework, with one being carried out in 2024/25. As the Head of Audit and Assurance has some responsibilities around the design and maintenance of the risk framework this was carried out by a third-party auditor to prevent and perceived conflict of interest. It provided “Satisfactory” assurance.
- The annual report of the Strategic Lead for Risk and Governance in relation to risk management arrangements. This concluded that a Council wide approach to risk management was in place, although

there was scope to ensure that it was comprehensively applied and documented in all areas

- For most audits, the management of risk is audited and reported upon. In the majority of audit, a systematic risk management was in place, but this was not necessarily the case in a significant minority of areas

Counter Fraud

- 2.6 As well as the specific counter fraud carried out by the audit team shown within Appendix 1 and its co-ordination role in support of the National Fraud Initiative (NFI), Audit and Assurance has a dedicated Counter Fraud Team. The collective outcome of counter fraud work is summarised in the Annual Fraud Report, which was reported to the Audit Committee on 3 April 2025. There were no issues identified within it that would adversely affect the audit opinion.

[6.-Annual-Fraud-Report.pdf](#)

Follow up

- 2.7 All actions agreed with services resulting from internal audit work are followed up to ensure that issues are addressed. In August 2024 a new automated action tracking system was introduced which provides each report owner with a business licence to gain access to the system, and once their actions fall due for completion, they receive an automatic alert asking them to provide an update. Reminder updates are then issued monthly.
- 2.8 A breakdown of the implementation of actions as of 19 June 2025 based on manager's responses is shown in Table 2.

Table 2: Breakdown of the Implementation of Audit Actions from 2022/23 onwards as of 30 June 2025 broken down by year action was agreed

	2022/23		2023/24		2024/25	
Number of Actions (by year agreed)	141	%	148	%	85	%
Open Actions						
Agreed action but not yet implemented (past due date)	4	3%	26	18%	4	5%
Agreed action but not yet implemented (not yet due)	2	1%	14	9%	41	48%
Closed actions						
Manager confirmed implemented	131	92%	102	69%	40	47%
Manager accepts risk	3	2%	6	4%	0	0

- 2.9 Where a limited opinion has been issued in an audit area, or where an audit has been revisited within 3 years of the previous report, agreed actions will be

retested directly by audit. In 2024/25 four follow up audits were carried out, and the outcomes are shown in Appendix 1.

Advisory Support

2.10 In addition to the risk-based assurance work referred to above, Audit also carries out engagements and other advisory activities. Typically, these are undertaken at the request of senior management and the nature and scope of such work is subject to agreement with the party requesting the services. Advisory engagements include:

- providing advice on the development and implementation of new policies and the design of processes and systems
- providing facilitation and training; and
- carrying out hoc reviews and investigations requested by management

2.11 Examples of advisory engagements carried out in 2024/25 are shown on Appendix 2. Although advisory in nature, depending on the outcome of such work it may be considered when forming the audit opinion.

Grant Certification

2.12 We were required to carry out the mandatory certification of five grant claims in 2024/25 as listed below. All were provided with unqualified opinions and no major control issues were identified

- Bus Improvement Grant
- Bus Service Operating grant
- Local Transport Plan
- Multiply
- Troubled Families

Resourcing Audit Work

2.13 The resource input to deliver the revised audit plan included in the revised audit plan included in the Head of Internal Audit Interim Report (January 2025) is shown on table 2 below. Although a total of 675 days were delivered by 31 May 2025 compared to the revised forecast of 775, sufficient work has been carried out to derive a reliable, standards compliant audit opinion. In particular, the contingency of 60 days was not required. It is estimated that up to 10 days will be required to complete the outstanding 2024/25 work, and this has been built into the 2025/26 audit plan.

Table 3: Resources required to deliver audit plan 2024/25

Area	24/25 audit days planned			Actual days delivered	
	Mar-24	Jul-24	Dec-24	Jun-25	
Strategic Outcomes and Governance	350	319	264	278	
Financial systems	120	100	100	90	All planned work based on risk assessment carried out in November 2024 completed
ICT	35	35	35	38	
Procurement and contract management	25	25	26	33	
Probity and Counter fraud	50	50	50	41	Work in 2024/25 was primarily related to the National Fraud Initiative
Grant Certification	40	30	27	25	
Advisory	60	50	66	69	Budgeted and actual days based on advisory requests in year.
Follow up	30	30	30	26	
Management time	75	75	75	68	
Work ongoing as of 30 June 2024 reported 2024/25		37	42	36	Budget and time charged excludes work carried out by third party audit support
Contingency	65	74	60		Contingency not required
Total	850	825	775	705	

Statement of Independence

- 2.14 The Head of Audit and Assurance has no operational responsibilities for any financial systems, including system development and installation. He does, however, have responsibilities for the management of the counter fraud and insurance/ risk teams. The potential conflict of independence is managed by ensuring that any cyclical audits carried out in these areas are carried out by third party internal assurance provider.
- 2.15 The Head of Internal Audit is free from interference, although has due regard for the Authority's key objectives and risks and consults with Members and Officers charged with governance, when setting the priorities of the annual audit plan, for example; in determining the scope and objectives of work to be carried out and in performing the work and communicating the results of each

audit assignment. There must be and is no compromise on the ability of Internal Audit to provide an independent assurance on the control framework.

- 2.16 The Internal Audit team has free and unfettered access to the Section 151 Officer, Chief Executive, Monitoring Officer, the Leader of the Council and the Chair of the Audit Committee.

Head of Internal Audit Annual Opinion 2024-25

- 3.1 Overall we can provide “Satisfactory” assurance on the Council’s framework of governance, risk management and control, (where satisfactory assurance is defined as “*Controls support the business objectives, but some improvements should be made*”) subject to the following observations:

- **Homelessness:** The Council has capacity challenges to meet its obligations, and demands upon it, in relation to Homelessness and Temporary Accommodation- furthermore, whilst there are strong controls in place in many areas, the absence of an up-to-date Homelessness Strategy and the identified gaps in information held in respect of cases need to be addressed to improve the overall control environment
- **Council/ Health Partnership (Section 75 Agreement):** Whilst the establishment of the Joint Committee provides a platform for developing integrated commissioning arrangements, we identified improvements that could be made to the effectiveness of governance arrangements such as having more regular meetings, developing a programme of work, introducing a more systematic approach to risk management, and improving the audit trail in place to support decision making for joint governance arrangements.
- **Procurement and Contract Management:** Although we were generally satisfied in relation to the design of procurement and contract management arrangements, for 4 out of the 5 contracts we sample tested we found that there were areas of non-compliance with them
- **External placements/ High Needs Block:** Although good and improving controls are in place in relation to Children’s Service’s external placements and High Needs Block, they remain high risk areas due to inherent cost and demand pressures relating to both.

- 3.2 When considering the opinion, readers should note the following:

- this opinion is based solely upon the areas taken into consideration and it is not affected by any specific impairments or scope limitations:
- assurance can never be absolute, neither can Internal Audit’s work be designed to identify or address all weaknesses that might exist; and
- responsibility for maintaining adequate and appropriate systems of governance, risk management and internal control resides with the Council’s management and not Internal Audit.

Quality Assurance Arrangements

- 4.1 In order to comply with Public Sector Internal Audit Standards (PSIAS) the Head of Internal Audit was required to develop and maintain an ongoing quality assurance and improvement programme (QAIP). The objective of the QAIP is to ensure that working practices continue to conform to professional standards. The results of the QAIP are reported to the Audit Committee each year as part of the annual report. The QAIP consists of various elements, including:
- maintenance of a detailed audit procedures manual and standard operating practices
 - ongoing performance monitoring of internal audit activity regular customer feedback
 - training plans and associated training and development activities; and periodic self-assessments of internal audit working practices (to evaluate conformance to the standards)

The outcome of QAIP activities is shown on Appendix 3.

- 4.2 As per the standards, external assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The most recent external assessment of internal audit's working practices was undertaken in November 2023 by the Chartered Institute of Public Finance and Accountancy (CIPFA) This concluded that internal audit activity generally conforms to the PSIAS (the highest possible score and, overall, the findings were very positive. An action plan has been developed, and progress continues to be made in implementing the recommendations as discussed on Appendix 4
- 4.3 The Internal Audit Charter sets out how internal audit at the Council will be provided in accordance with the PSIAS. The Charter is reviewed by the Head of Audit and Assurance on an annual basis and any proposed changes are brought to the Audit Committee. As reported to the Audit Committee on 10 April 2024 only minor changes were required.
- 4.4 The PSIAS, upon which the 2024/25 audit work was carried out, is based on the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF). The new Global Internal Audit Standards (GIAS), with some small variations relating to the UK Public Sector, became operative from 1 April 2025. In preparation for producing and delivering the 2025/26 audit plan Audit has reviewed its processes, and where applicable identified actions to ensure compliance with revised standards, most of which have been, or in the progress of being, implemented as shown on Appendix 4.

Closing Remarks

- 5.1 We would like to take this opportunity to thank Members, Management and Staff for their continued support as we conduct audit work during a period of continued significant organisational change. We will strive to continue to provide an effective and supportive internal audit service as the council deals with the challenges it faces in the future.

Appendix 1: Summary of Audit work supporting the Audit opinion

See separate attachment

Appendix 2: Summary of advisory work provided by Internal Audit in 2024/25

- Via membership of CIPFA's Better Governance Forum, inform relevant managers of national developments and emerging issues relating to internal control and governance which may impact upon their duties.
- Carrying out advisory audits to identify "lessons learnt" relating to the commissioning, project management and contract management of major projects
- Co-ordinating the production of the Audit and Governance Committee's annual report
- Supporting the recruitment and appointment of the second Co-opted Audit Committee Member
- Providing induction training for Audit and Governance Committee Members
- Providing advice and support to the Audit Committee in relation to the latest guidance from CIPFA regarding the operation of Audit Committees, and also their responsibilities in relation the Global Internal Audit Standards (GIAS)
- Involvement in working groups preparing for the transfer of services from EQUANS
- Providing training to management teams on good governance and internal control
- Providing advice to Finance on how to identify potential trade creditor invoice duplicates before payment is made.
- Providing advisory support in relation to the development of governance arrangements relating to the Greater Lincolnshire Combined County Authority
- Providing support on the submission for the NHS toolkit
- Providing support for maintained schools in compiling their School Financial Value Standards (SFVS) returns
- Representation on the Information Security and Assurance Board, including advice and support on the investigation of potential breaches.
- Representation on the Policy and Procedures Stakeholders Group, and where appropriate providing advice and support on the design of new Human Resources policies from a governance and internal control perspective.

Appendix 4: Quality Assurance and Improvement Programme (QAIP) 2024/25

Background Ongoing Quality Arrangements

Internal Audit maintains appropriate ongoing quality assurance arrangements designed to ensure that internal audit work is undertaken in accordance with the Public Sector Internal Audit Standards. On 18 April 2024, following a review, an updated QAIP was taken to the Audit Committee.

Quality Assurance and Improvement Programme

In line with the standards in total there are three key requirements of the QAIP, as follows:

- **Ongoing monitoring** of the performance of the internal audit activity. This refers to the day-to-day supervision, review and measurement of internal audit activity that is built into policies and routine procedures.
- **Periodic self-assessments** (or assessments by other persons within the organisation with sufficient knowledge of internal audit practices) to assess conformance with the International Professional Practices Framework (IPPF) that includes the Definition of Internal Auditing, the Code of Ethics, and the International Standards.
- **External assessments** of conformance to the IPPF once every five years by a qualified, independent assessor or assessment team from outside the organisation. External assessments can be in the form of a full external assessment, or a self-assessment with independent external validation.

Ongoing Monitoring of Performance

Throughout 2024/25 Internal Audit has maintained, monitored, and promoted performance standards via various activities such as:

- the requirement for all audit staff to conform to the Code of Ethics and to confirm their understanding of them;
- the requirement for all audit staff to complete annual declarations of interest;
- the job descriptions and role profiles for each internal audit post were subject to comprehensive review in 2024 to ensure they are fit for purpose;
- continued regular 1:2:1 meeting to monitor progress with audit engagements;
- conducting regular performance meetings;
- all assignments have been subject to quality review by an experienced supervisor;
- post audit questionnaires (customer satisfaction surveys) have been issued following each audit engagement which show good levels of satisfaction - as of 30 June 2025 out of the 13 questionnaires returned 100% said that the audit was carried out well and added value;

- the development of an updated internal audit strategy which was shared with the Audit Committee on 10 April 2024;
- ongoing training programmes for audit staff;
- performance indicators to monitor the timeliness of audit delivery- as shown in table 4 performance has improved on the previous year but still requires improvement;
- regular participation by The Head of Audit and Assurance and other members of the Internal Audit team in various professional networks and events e.g. the Head of Audit and Assurance is a member of CIPFA's national audit advisory group and on the "Core Group" of the Local Authority Chief Auditors Network.

Table 4: Audit Timeliness

Indicator	Target	Position as of 31 May 2024	Comment
% of audits issued in draft by the agreed date	90%	68%	Performance below target but improvement on previous year (48%) and lower than 22/23 (73%). This has been impacted by the team's resourcing challenges during 2023/24
% of audits issued in final within 20 working days of the issue of the draft	90%	68%	Performance below target improvement on previous year (62%)

Periodic Self-Assessment

The Head of Audit and Assurance carried out a self-assessment against the requirements of the PSISAs on an annual basis. Due to the PSISAs being superseded in April 2025 a light touch assessment was carried out with particular reliance on implementing the action plan arising from the external quality assessment which took place in November 2023 and reported in January 2024 (as discussed below). This review has found there had been no detrimental changes to the design and operation of the Audit Team's quality standards, whilst further improvements have been made such as:

- launching a new electronic Action Tracking system in August 2024 which has improved the effectiveness of monitoring, and reporting upon, the implementation of audit actions;
- further increasing the use of data analytics to obtain assurance; and

- reviewing job descriptions so that they are more clearly lay out the responsibilities of team members; and

The Head of Audit and Assurance also carried out an annual self-assessment against the five requirements of the five key principles contained in *the CIPFA document “The Role of the Head of Internal Audit” (2019)*

- Championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments
- Giving an objective and evidence-based opinion on all aspects of governance, risk management and internal control
- The HIA in a public service organisation must be a senior manager with regular and open engagement across the organisation, particularly with the Leadership Team and with the Audit Committee
- The HIA in a public service organisation must lead and direct an internal audit service that is resourced to be fit for purpose.
- The HIA in a public service organisation must be professionally qualified and suitably experienced

We are satisfied that each of these give principles has been successfully met.

During 2024/25 we have also carried out a self-assessment against the new standards and have been implementing changes to our processes ensure conformance. These include:

- providing training to audit staff on the new standards to team members, particularly on “Domain 2 - Ethics and professionalism”;
- providing briefings and training to Audit Committee Members and senior management on their responsibilities in relation to “Domain 3”- Governing the Audit Function;
- updating the Audit Charter, the Audit Strategy, and the Quality Assurance Improvement Programme to reflect the Audit Charter;
- revising to the Terms of Reference and Report templates; and
- work in progress to update the audit manual to support the delivery of the standards

Outstanding areas requiring further development have been identified in the updated Quality Assurance Programme discussed below

External Quality Assessment

As noted above, the PSIAS require the Head of Internal Audit to arrange for an external assessment to be conducted at least once every five years to ensure the continued application of professional standards. The assessment is intended to provide an independent and objective opinion on the quality of internal audit

practices. An external assessment of the shared internal audit working practices was undertaken in November 2023 Ray Gard, an approved reviewer for the Chartered Institute of Public Finance and Accountancy (CIPFA). The report concluded that internal audit activity 'generally conforms' to the PSIAS in all eleven areas of the standards.

A copy of the external assessment report was reported to the committee on 17 April 2024, and progress on the action plan to implement those improvements was presented to it on 30 January 2025. Most of the actions have now been implemented including:

- introducing a formal recording of team members' Continuing Personal Development (CPD) and training plans;
- taking advantage of the review of job descriptions and the ending of the shared services to carry out a rotation of audit areas amongst the team;
- introducing new "cold review" arrangements;
- revisions to the audit team's key performance indicators to be introduced alongside the 2025/26 audit plan; and
- enhancements to the QAIP process, particularly action planning.

For the remaining actions, where they are still relevant under the new standards, they have been taken forward to the action plan referred to below.

Improvement Action Plan

Although the audit team meets the standards it operates in an ever-evolving environment and therefore it essential that its practices and skills keep up to date with changing developments, particularly with the introduction of the new standards. An action plan has been developed to be included in the updated QAIP which will be taken to the Audit and Governance Committee on 17 July 2025. This action plan will be based upon:

- the team's updated strategy 2025-28
- outstanding actions from the External Quality Assessment; and
- the implementation of the new standards

Overall Conformance with PSIAS (Opinion of the Head of Internal Audit)

Based on the results of the quality assurance process I consider that during 2024/25 the service generally conformed to the Public Sector Internal Audit Standards, including the Code of Ethics and the Standards

Appendix 1 : Summary of Completed Audit work up to 30 June 2025

Audit Assignments	Director	Assurance	Residual Risk	Comments
Delivery of strategic outcomes and good governance				
Adult Social Care Debt Management	Adult Social Care	Substantial	Medium	
Asset Management and Rationalisation Programme	Resources	Satisfactory	Medium	
Border Post (Draft)	Economy, Environment and Infrastructure	Substantial	Medium	
Business Planning	Resources	Substantial	Low	
Child Exploitation	Childrens	Substantial	Medium	
Children Missing from Education (CME) and Elective Home Education (EHE)	Childrens	Substantial	Low	
Children's Front Door (Draft)	Childrens	Satisfactory	Medium	
Cleethorpes Funding Bid Masterplan Governance	Economy, Environment and Infrastructure	Substantial	Medium	
Data Quality- Data Maturity	Resources	Satisfactory	Medium	The audit assessed the data maturity of the Council based on an LGA toolkit. Overall the Council was assessed as around level 3 (out of 5) which is defined as "Organisations that are developing their capacity and capabilities in terms of data."
Disabled Facilities Grants	Adults	Satisfactory	Medium	
Energy Management	Economy, Environment and Infrastructure	substantial	low	
Freedom of Information Act/ Environmental Information Regulations	Resources	Substantial	Low	
Freeport- Accountable Body Arrangements	Resources	Substantial	Low	
Governance of the Capital Programme	Resources	Substantial	Low	

Audit Assignments	Director	Assurance	Residual Risk	Comments
Grounds Maintenance- Third party contracts	Economy, Environment and Infrastructure	satisfactory	Low	
Heritage Assets	Economy, Environment & Infrastructure	Satisfactory	Medium	
High Needs Block	Childrens	Satisfactory	High	Although the service is delivering the actions of the high needs strategy, full implementation will take considerable time and effort, whilst the cost of high need needs expenditure remains considerably higher than budget.
Homelessness	Economy, Environment & Infrastructure	Limited	High	Whilst there are strong controls in place across many of the areas which were included in the scope of the audit, the absence of an up to date Strategy and the identified gaps in information held in respect of cases need to be addressed to improve the overall control environment. Furthermore, there are significant demand challenges in relation to this
Local Plan Preparation	Economy, Environment and Infrastructure	Substantial	Low	
Member Development	Resources	Satisfactory	Low	
Organisational Development	Resources	Satisfactory	Low	
Project Management	Economy, Environment and Infrastructure	Satisfactory	Medium	
Public Health Suicide data	Public Health	Substantial	Medium	
Quality and contractual oversight of the commissioned market	Adults	Satisfactory	Low	
Recruitment	Resources	Substantial	Low	
Risk Management	Resources	Satisfactory	Low	
NELC/ HNYICB Partnership- Section 75 Governance Arrangements	Adults	Limited	High	<p>The Joint Committee is the main forum responsible for the oversight, strategic direction and leadership of the S75 arrangements. However, since the revised S75 Agreement became operational from April 2024, the Joint Committee has only met once in January 2025, although it had met prior to April 2024 in shadow form.</p> <p>Whilst the establishment of the Joint Committee provides a platform for developing integrated commissioning arrangements, we identified certain improvements that could be made to the effectiveness of governance arrangements such as introducing a more systematic approach to risk management and improving the audit trail in place to support decision making for joint governance arrangements.</p>

Audit Assignments	Director	Assurance	Residual Risk	Comments
School Nursing	Public Health	Substantial	Medium	
Section 106 agreements	Economy, Environment and Infrastructure	Satisfactory	Low	
Tourism	Economy, Environment and Infrastructure	Substantial	Low	
Traffic regulation orders	Economy, Environment and Infrastructure	Substantial	Low	
Waste Disposal (Draft)	Economy, Environment and Infrastructure	Satisfactory	Medium	
Financial systems				
Bank Reconciliation Follow up	Resources	Satisfactory	Medium	Reduced backlog of unmatched items and draft monthly monitoring sheet being produced. Procedures still need documenting.
Finance- 2nd line of assurance functions	Resources	Satisfactory	Low	
Finance manual journals	Resources	Satisfactory	Low	
Local Taxation and Benefits	Resources	Substantial	Medium	
Local Taxation and Benefits-Billing	Resources	Substantial	Medium	
Payroll Parameters	Resources	Substantial	Low	
Treasury Management	Resources	Substantial	Low	
Unit4 Access Follow up	Resources	Satisfactory	Medium	
Value Added Tax	Resources	Satisfactory	Low	
ICT				
Customer Services Management Platform	Resources	Limited	Low	Although the implementation of the project followed overall good practice and high-level requirements were understood, there was a lack of a risk assessment and detailed technical requirements could result in issues going forward. Since implementation no major issues have arisen, and lessons have been learnt for future ICT project implementations
Cyber Security- Incident Handling (Draft)	Resources	Satisfactory	Low	
Income System - ICT controls	Resources	Satisfactory	Low	Following an audit of the income management system we identified several recommendations to enhance the system's governance. These recommendations primarily focused on access controls, including the improvement and documentation of user roles and responsibilities within the income system. The ICT department has successfully implemented these recommendations, thereby strengthened the control environment and this allowed us to revise our assessment to a satisfactory level.
Information Governance for Microsoft 365 (M365)	Resources	Satisfactory	Low	
Review of ICT Strategy Refresh & Draft Cyber Security Strategy	Resources	Satisfactory	Low	
Penetration Testing	Resources	Satisfactory	Low	
Procurement and contract and contract monitoring				
Procurement and Contract Maangement- Central Arrangements	Resources	Satisfactory	Medium	

Audit Assignments	Director	Assurance	Residual Risk	Comments
Procurement and Contract Management- Individual Contracts		Limited		Although we were generally satisfied in relation to the design of procurement and contract management arrangements, for 4 out of the 5 contracts we sample tested we found that there were areas of non-compliance with them
Follow up				
Adult Social Care Complaints and Local Ombudsman Decisions	Adults	Substantial	Low	All seven recommendations have been implemented
Children's Commissioning	Children's	Satisfactory	High	Out of the six actions from the previous report, three have been implemented, one no longer applicable, and two are scheduled to be completed by September 2025. However, the costs of external placements remain very high due to market pressures
Discharge of Mental Health Act Responsibilities	Adults	Limited	Medium	At the time of the audit there were still a number of outstanding actions, required implementing once the s117 Policy was in place. Review of the policy is being led by the Integrated Care Board (ICB). The Council, and its partners, therefore remained at risk of not meeting their legal obligations in relation to mental health. Subsequent to the audit, a peer review was carried out and this has made recommendations, particularly strengthening oversight arrangement by the DASS
Public Health Grant	Public Health	Satisfactory	Low	Three of the four actions have been completed or been substantially completed, and the fourth is scheduled to be completed by 31 December 2024.
Fraud and Probity				
Council Tax Single Discounts	Resources			
Depot security	Economy, Environment and Infrastructure	Satisfactory	Medium	
Gifts and Hospitality	Resources	Substantial	Low	