

AUDIT AND GOVERNANCE COMMITTEE

DATE	29/01/2026
REPORT OF	Head of Audit and Assurance
SUBJECT	Interim Internal Audit Report 2025/26
STATUS	OPEN

CONTRIBUTION TO OUR AIMS

An effective Internal Audit service contributes to the achievement of the Council's strategic objectives by assessing, providing comment and, if relevant, recommending improvement to the Council's assurance and control frameworks. The Internal Audit plan has also been designed to provide assurances on the delivery of strategic outcomes, and the supporting governance framework

EXECUTIVE SUMMARY

The attached report summarises the results of Internal Audit work in relation to the 2025/26 Internal Audit Plan up to 31 December 2025. It describes the progress being made in delivering the plan, the outcome of audit of audit work, and compliance with quality standards. This report allows the Audit and Governance Committee, as part of its responsibilities, to assess the effectiveness of Internal Audit in achieving its objectives.

The attached Interim Audit Report demonstrates that:

- No significant issues have arisen from the audits which have been completed up to 31 December 2025;
- Audit is on track to substantially complete the 2025/26 audit plan by the target date of 31 May 2026; and
- Quality arrangements are in place and work continues to further comply with the Global Internal Audit Standards (GIAS) in the UK Public Sector

RECOMMENDATIONS

The Audit and Governance Committee is asked to consider this report as part of its role in monitoring the effectiveness of Internal Audit.

REASONS FOR DECISION

A key responsibility of the Committee is to obtain assurance on the effectiveness of the Council's arrangements for governance, risk management, and internal control. Internal Audit plays a significant role in evaluating the control environment, and therefore interim reports such as this contribute to the Committee discharging its duties. In addition, under the Global Internal Audit Standards (GIAS) the Committee also has responsibility in monitoring the effectiveness of Internal Audit, including the delivery of the Internal Audit Plan and compliance with Internal Audit Standards

1. BACKGROUND AND ISSUES

- 1.1 It is a requirement of auditing standards for the Audit and Governance Committee to receive regular updates on the activities of Internal Audit, in particular:
- bringing to the Committee's attention any issues identified during the 2025/26 audit which could impact on the annual opinion;
 - providing assurance that sufficient work will be conducted to provide a reliable risk based annual opinion on the effectiveness of the control environment and any amendments to the audit plan; and
 - providing an update on the activities which have taken place during 2024/25 to deliver the Quality Assurance and Improvement Programme (QAIP)
- 1.2 The attached interim report provides an update on the delivery of the audit plan up to 31 December 2025. It concludes there is good progress in ensuring that sufficient work will be delivered by 31 May 2026 to provide a reliable, standards compliant year end audit conclusion.
- 1.3 The report also shows the final reports issued by 31 December 2025. Based on the work completed so far, Internal Audit is not anticipating an adverse conclusion on the Council's governance, risk management, and internal control arrangements.
- 1.4 The report also refers to Audit's Quality Assurance arrangements. It summarises the quality assurance activities which have taken place in year, and progress on implementing improvement activities.

2. RISKS, OPPORTUNITIES AND EQUALITY ISSUES

Audits are planned and delivered using risk-based auditing concepts, whilst strategic and operational risks form a significant basis of the formulation of the audit plan

Based on the delivery of the audit plan as of 31 December 2025 the risk of not carrying out sufficient work by 31 May 2026 to provide a reliable, standards compliant year-end opinion is low.

3. OTHER OPTIONS CONSIDERED

Not applicable - the Audit and Governance Committee is required to regularly receive updates on the delivery of the audit plan as part of the discharge of its responsibilities.

4. REPUTATION AND COMMUNICATIONS CONSIDERATIONS

There are no specific reputational and communication considerations other than any identified in specific audit reports shown on Appendix 1 of the interim report.

5. FINANCIAL CONSIDERATIONS

A key role of Internal Audit is to provide assurance on the financial systems which support the production of the statement of the accounts, and specific time is allocated for this work. Any significant issues arising from this work will be reported to the Audit and Governance Committee in the Head of Internal Audit Annual Report and Opinion. In addition, effective financial reporting and processes are a key component of the control environment and therefore are considered when planning each assignment

6. CHILDREN AND YOUNG PEOPLE IMPLICATIONS

The audit plan includes a number of audits relating to Children's services, and as 31 December 2025 two reports relating to Children and Young People (Payments to Foster Parents and Public Law Outline). The overall year end conclusion will take account of audit reports relating to Children and Young People and the outcome of external Inspectorates are relevant.

7. CLIMATE CHANGE, NATURE RECOVERY AND ENVIRONMENTAL IMPLICATIONS

These are considered when preparing the internal audit plan

8. PUBLIC HEALTH, HEALTH INEQUALITIES AND MARMOT IMPLICATIONS

These are considered when preparing the internal audit plan. There are four public health related audits contained in the 2025/26 audit plan, including an audit on the Health and Well-Being Strategy. As of 31 December 2025 one Public Health related audit report had been issued: Smoking Cessation

8. FINANCIAL IMPLICATIONS

There are no direct financial implications from this report

9. LEGAL IMPLICATIONS

There are no direct legal implications from this report

10. HUMAN RESOURCES IMPLICATIONS

There are no direct human resources implications from this report

11. WARD IMPLICATIONS

Applicable to all wards

12. BACKGROUND PAPERS

Internal Audit Plan 2025/26- Audit And Governance Committee 17 July 2025
<https://www.nelincs.gov.uk/assets/uploads/2025/05/10.-Audit-Plan-covering-report.pdf>

13. CONTACT OFFICER(S)

Peter Hanmer
Head of Audit and Assurance
Tel: (01472) 323799

PETER HANMER
HEAD OF AUDIT AND ASSURANCE



North East Lincolnshire Council

Interim Audit Report 2025/26

Month 9

Introduction

The purpose of this briefing paper is to keep Audit Committee Members informed in relation to the delivery of the audit plan, in particular:

- Summarising the outcome of work completed by 31 December 2025 (including 2024/25 work not completed by 30 June 2024), and bringing to the Committee's attention any issues identified during the 2024/25 audits which could impact on the annual conclusion;
- providing assurance that sufficient work will be carried out to provide a reliable risk based annual opinion on the effectiveness of the control environment; and
- providing an update on the activities which have occurred during 2025/26 in relation to quality improvement, and to ensure Internal Audit's continued compliance with Global Internal Audit Standards (GIAS) in the UK Public Sector

Progress in delivering the Audit Plan

The Audit Plan has been designed with the intention that all planned work be completed (at least in draft) by 31/5/2025.

The progress against planned work is shown in Exhibit 1. This includes 2024/25 audits which had not been reported to draft (and therefore not reported in the 2024/25 annual report and opinion), all of which have now been issued in final.

Exhibit 1: Progress in delivering the audit plan as 31 December 2025

Status	Number	%
Final	19	28
Draft	1	1
Field work Complete- Subject to internal QA review	0	0
WIP	20	29
Preparation	9	14
Not started	20	29
Total	69	100

Outcome of audits

The outcome of completed planned work up to 31 December 2025 is shown on Appendix 1, and is summarised in Exhibit 2 below

Exhibit 2: Outcome of completed audits

Assurance Provided	Number
Substantial	4
Satisfactory	13
Limited	1
None	0

In addition, during the period audit has provided clear opinions on the following grants:

- Bus Subsidies
- Highways Maintenance and potholes
- Home Upgrade Grant (Phase 2)

Audit's knowledge, expertise and experience provided advisory support in the following areas:

- Commercial and Productivity Board
- Design and operation of the Ward Fundings scheme
- Duplicate payments
- Feedback on the Draft Contract Management Toolkit
- Information Security Assurance Board
- EQUANS Exit Board and Finance Stream
- HR stakeholder group
- Review of the Financial Regulations
- Provision of Induction training to Audit and Governance Committee Members
- Provision of training to Audit and Governance Members on Internal Audit Standards, and the Annual Governance Statement
- Substantial Redevelopment of the Guide to Internal Control

Resourcing the plan

The completion of the plan was based on the delivery of 940 days by 31 May 2026 (including a contingency of 115 days). As of 31 December 2025, 567 days had been delivered compared to the target of 548 days at this point in the audit cycle, whilst 26days of contingency is still available. Therefore, there is only currently low risk to the delivery of the plan due to the lack of available resources.

A breakdown of the distribution of resources, as well as an amendment to resource budgets, is shown below.

Exhibit 3: Delivery of Audit Plan as of 31 December 2025

Audit Area	Estimated Days (Original Plan)	Revised Days (30 Nov)	Actual Days (30 Nov)
Strategic objectives/ Governance	415	490	266
Financial risks and grant certification	100	100	63
ICT	45	45	22
Procurement and Contract Management	30	30	26
Follow Up	30	30	10
Advisory	70	80	40
Counter Fraud	50	30	14
Grants	10	11	11
24/25 work carried forward	35	53	53
Audit Management	75	75	62
Contingency	80	26	
Total	940	940	567

Implementation of agreed actions

Exhibit 4 provides a breakdown of the implementation of agreed actions as at 24/9/25 based on manager's responses. There are still 13 overdue actions outstanding from 2023/24 and audit has sent out further reminders to the relevant action holders.

Exhibit 4: Implementation of agreed actions based on Manager's responses (as at 31/12/25)

Status	23/24	24/25	25/26
Manager confirmed implemented	118	88	11
Not Due	1	24	21
Not Due- Due date changed	11	7	1
Overdue	8	17	3
Risk Accepted	6	1	1
Follow up in Progress	0	0	0
Total	144	137	37

Quality Assurance and Improvement Programme

It is a requirement of the audit standards to have Quality and Assurance Improvement Programme (QAIP) in place. The current one, together with Internal Audit's Strategy, was brought to the Audit Committee in April 2025. The QAIP was

redesigned to ensure that it complied with Principle 12 of the new Global Internal Audit Standards (GIAS), which became active from 1 April 2025.

The QAIP identified areas for development in 2025/26. As shown in Appendix 2, timely progress is being made in making implementing these developments.

During 2025/26 several quality review measures have been carried out to ensure compliance with the standards, including the following:

- continuing to ensure that all audit work is subject to supervision and review, with any emerging issues being discussed at monthly team meetings;
- regularly updating the Audit Manual which provides guidance to staff on how to carry out their work and team meetings to talk about the various sections of the manual;
- sending out post questionnaires to assess whether auditees consider that audits have been carried out well and add value; and
- monitoring the timeliness of the completion of audits- as of 31 December 2025 against a target of 90%
 - 56% of audits had been issued in draft by the date agreed in the terms of reference
 - 81% of closure meetings were held within 20 working days of the issues of the draft report
 - 94% of final reports were issued within 5 working days of the final closure meeting.

Further quality assurance and improvement activities will be carried out during the remainder of 2025/2026 and will be reported in the Annual Head of Audit Report and Opinion. These will include “cold” reviews by the Head of Audit and Assurance of a sample of completed file, a self-assessment against the current standards, and a survey of Senior Managers to provide confirmation that Internal Audit successfully delivers its purposes as laid out in Domain 1 of the standards.

Appendix 1

Final Audit Reports Issued up to 31 December 2025

See Separate Attachment

Appendix 2

Progress against implementing the required actions identified in the Quality Assurance and Improvement Programme (QAIP)

Domain	Actions	Progress
1 Purpose of Internal Audit	Adopting the purpose of internal audit as defined in Principle 1 of the GIAS and demonstrate via assignment planning and reporting how it demonstrates insight and foresight.	Guidance has been produced by CIPFA in December 2025 on how audit teams can demonstrate how they meet the definitions, including survey questions to management. This guidance will be applied in the first half of 2026
2 Ethics and Professionalism	<p>Training the audit team on the updated ethical standards</p> <p>Updating the competency framework based on anticipated guidance from CIIA and CIPFA</p> <p>Creating a culture and environment that supports professional courage</p>	<p>Comprehensive training on ethical standards and professional standards is provided to team member on a regular basis</p> <p>Work has started on developing a competency framework with the aim for it to be implemented by April 2026. CIPFA guidance is due shortly</p> <p>Training and discussions have been held within the Audit Team on professional courage and professional scepticism, whilst the importance of the concept for audit has been discussed with the Assistant Director Group.</p>
3 Governing the Audit Function	<p>Providing Audit Committee and Senior Management within an understanding of internal audit – particularly the things they must do as per the standards</p> <p>Updating the Internal Audit Charter to reflect the changes to the Standards</p>	<p>Training has been provided to Members and Senior Management including the sharing of online seminars with them</p> <p>Complete- Updated charter approved April 2025</p>
Domain	Action	Progress
4 Managing the Audit Function	Updating the existing Internal Audit Strategy as now a formal requirement of the standards.	Complete- The Internal Audit Strategy was approved by the Audit and Governance Committee in April 2025. A

		further refresh to be presented April 2026
5 Performing Audit Services	<p>Focusing on root cause analysis</p> <p>Considering how to embed IIA Topical Requirements due to be mandatory in 2026</p> <p>Continuing the development and use of new technologies in audit work</p>	<p>There have been regular discussions at Audit Team Meetings about the concept of root cause analysis, and the report template has been amended to incorporate it</p> <p>When preparing the 2026/27 plan we will take account of Topical Requirements</p> <p>We continue to develop our approach to data analytics and have increasingly adopted the benefit of Artificial Intelligence to support our work, particularly for designing testing schedules.</p>

Appendix 1 : Summary of Completed Audit Work 202526 up to 30 September 2025

Appendix 1 : Summary of Completed Audit Work 202526 up to 30 September 2025						
Audit Assignments	Director	Assurance	Priority 1 Actions	Priority 2 Actions	Priority 3 Actions	Comments
Border Control Post Income	Environment	Substantial	0	0	1	
Humber Freeport	Resources	Satisfactory	0	0	1	
Payments to Foster Carers	Childrens	Satisfactory	0	0	1	
Public Law Outline	Childrens	Satisfactory	0	0	3	
Regeneration (with focus on Shared Prosperity Fund)	Regeneration	Substantial	0	0	0	
Financial systems						
Charge Cards	Resources	Limited	0	2	3	Limited Assurance due to examples of credit holders not submitting evidence of the supporting payments to Accountancy for checking within expected timescales, increasing the risk of the cards not being used in line with financial regulations, VAT not being fully recovered, and the risk of fraudulent use. Given the relatively small number of Council charge cards in itself it is not anticipated that this will impact on audit's the overall year end conclusion on the Council's internal control environment, or on the assurance provided within the Annual Fraud Report. Accountancy have been proactive in responding to the report and have updated the guidance on the use of charge cards and distributed it to charge card holders. A follow up audit will be carried later in the year to confirm whether compliance with guidance has improved compliance.
Duplicate payments	Resources	Satisfactory	0	0	1	
Travel Expenses	Resources	Satisfactory	0	0	1	