AUDIT AND GOVERNANCE COMMITTEE

DATE 05/11/2026

REPORT OF Head of Audit and Assurance

SUBJECT Internal Audit Update Report 30 September 2026

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

This report provides the Audit and Governance Committee with progress in delivering the audit plan in 2026/27 up to 30 September 2026, and the outcome of audit work issued in final up to that date.

RECOMMENDATIONS

The Audit and Governance Committee is requested to note the progress in the delivery of the 2026/27 audit plan, and the outcome of audist issued up to 30 September 2026.

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.

Furthermore, under Domain 3 of the Global Internal Audit Standards (GIAS) the Committee has responsibility in monitoring the effectiveness of Internal Audit, including

- monitoring the delivery of the Internal Audit Plan; and
- receiving updates on the outcome of audit work.

1. BACKGROUND AND ISSUES

1.1 The Audit Plan has been designed with the intention that all planned work be completed (at least in draft) by 31/5/26.

1.2 The progress against planned work is shown in Table 1 below. This includes 2025/26 audits which had not been reported to draft (and therefore not reported in the 2025/26 annual report and opinion), all of which have now been issued in final.

Table 1: Progress in delivering the audit plan on 30 September 2026

Status	Number	%
Final	5	8
Draft	3	5
Field work Complete- Subject to internal QA review	2	3
WIP	13	21
Preparation	7	11
Not started	34	52
Total	64	100

1.3 The above table does not include the following audits, which were originally in the audit plan which been cancelled or deferred:

- **All Age Housing with Care Strategy**- A number of components of the strategy had already been subject to separate audits (e.g. community living, homecare, care leavers etc). Although Extra Housing has not been subject to audit in recent years, it was agreed to carry out the audit in early 2027/28 to take account of the scheduled provision of additional schemes
- **Domestic Abuse**- Given that the strategy was only approved in September 2026 it was agreed that an audit would have more value in early 2027/28 when the operation of new arrangements were more embedded
- **Food Waste-** The implementation of the new extensive requirements to Food Waste are not scheduled until February 2027. Therefore, audit agreed with the service that it would be of greater value to review the approach to Food Waste to early 2027/8 so the operation of the new arrangements could be tested and evaluated
- **Smoking in pregnancy-** After the review of data relating to this area, and the continual improvement in performance, it was agreed (on a risk basis) that there would be no need for detailed audit in 2026/27
- **Voice of the child**- As many of the requirements of “Voice of the Child” has been covered in the 25/26 audits of Child Advocacy and Care Lavers it was agreed that this would no longer need to be an audit priority in 2026/27.

1.4 Up to 30 September five planed audits have been issued in final. The outcome of them is shown on appendix 1 attached, and is summarised in Table 2 below:

Table *2: Outcome of audits issued in final since 30 September 2026*

Assurance Provided	Number
Substantial	1
Satisfactory	3
Limited	1
None	0

1.5 One report, Community Assets, received Limited Assurance. Management has introduced positive control improvements and taken action to address lease and rent review backlogs and arrears. However, because these measures had only recently been implemented, there was in sufficient evidence that they have been successful in reducing the rent review backlogs.

1.6 The Council has also the benefits of Audit's knowledge, expertise and experience provided advisory support in the following areas:

- Membership of the Commercial and Productivity Board
- Membership of the Information Security Assurance Board
- Membership of the People Policy review group
- Carrying out two advisory audits (ongoing) relating to the Freeport Company in preparation for the transfer of Accountable responsibilities from NELC to the Hull and East Yorkshire Combined Authority
- 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
- Sharing good practice on governance, risk, and internal control through its membership of CIPFA's Better Governance Forum
- Provision of training to the Leadership Forum in September 2026
- Contributing to the Council's response to the consultation on changes to the statutory Best Value duty

1.7 In relation to the implementation of audit actions, these are summarised on Table 3 below:

Table 3: Implementation of agreed actions based on Manager's responses (as of 30 September 2026)

Status	23/24	24/25	25/26
Manager confirmed implemented	135	132	63
Not Due	0	0	41
Not Due- Date Amended	1	2	9
Overdue	1	2	17
Risk Accepted	7	1	3
Total	**144**	**137**	**133**

1.8 The completion of the plan was based on the delivery of 930 days by 31 May 2027 (including a contingency of 120 days). As of 30 September 2026, 330 days had been delivered compared to the target of 310 days at this point in the audit cycle, whilst 38 days of contingency is still available. However, the completion of the 2025/26 outstanding audits has required more resource than originally anticipated, and therefore there is some residual risk around the delivery of the plan which will need to be monitored, and if required some re-prioritisation of the plan.

2. RISKS, OPPORTUNITIES AND EQUALITY ISSUES

Based on the delivery of the audit plan 2026/27 as of 30 September 2026 the risk of not carrying out sufficient work by 31 May 2026 to provide a reliable, standards compliant audit conclusion is low, although delivery needs to be consistently monitored and where appropriate audit work be prioritised.

3. OTHER OPTIONS CONSIDERED

Not applicable - the Audit and Governance Committee is required to regularly receive updates on the delivery of the audit plan, and the outcome of completed audits.

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 this 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.

The 2026/27 Audit Plan can be delivered within Internal Audit ‘s budget envelope

6. CHILDREN AND YOUNG PEOPLE IMPLICATIONS

These are considered when preparing internal audit plans, and and the 2026/27 audit plan includes assignments relating to Children and Young People. The respective overall year end conclusion will take account of audit reports relating to Children and Young People and the outcome of external Inspectorates where 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, and there is a specific audit in the audit plan on the delivery of the Health and Well-Being strategy.

When planning and designing audit assignments, auditors will take account any Health Inequality or Marmot related issues, where applicable.

9. FINANCIAL IMPLICATIONS

There are no direct financial implications arising from this report.

10. LEGAL IMPLICATIONS

There are no direct legal implications arising from this report

11. HUMAN RESOURCES IMPLICATIONS

There are no direct human resources implications arising from this report

12. WARD IMPLICATIONS

Applicable to all wards

13. BACKGROUND PAPERS

Internal Audit Plan 2026.27 - Audit and Governance Committee 16 April 2026
https://www.nelincs.gov.uk/assets/uploads/2025/06/007-Audit-Update-Report-Covering-Report-April-2026.pdf

14. CONTACT OFFICER(S)

Peter Hanmer
Head of Audit and Assurance
Peter,Hanmer@nelincs.gov.uk
Tel: (01472) 323799

PETER HANMER
HEAD OF AUDIT AND ASSURANCE

Appendix 1 : Summary of Completed Audit Work 2026/27

Audit Assignments	Director	Assurance	Priority 1 Actions	Priority 2 Actions	Priority 3 Actions	Comments
Delivery of strategic outcomes and good governance						
Commercial Estates	Environment, Economy, and Infrastructure	Limited	0	1	2	Management has introduced positive control improvements and taken action to address lease and rent review backlogs and arrears. However, because these measures had only recently been implemented, there was in sufficient evidence that they have been successful in reducing the rent review backlogs.
Community Living Serevices	Adults	Satisfactory	0	0	2	
Occupational Therapy Services	Adults	Satisfactory	0	0	2	
Financial systems						
System C Interfaces	Childrens	Satisfactory	0	0	2	
Procurement and contract and contract monitoring						
Public Health Provider Selection	Public Health	Substantial	0	0	0	