AUDIT AND GOVERNANCE COMMITTEE

DATE 16 July 2026

REPORT OF Peter Hanmer - Head of Audit and Assurance

SUBJECT Internal Audit Quality Assurance Programme

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

It is a requirement of the standards for Internal Audit to have a documented Quality Assurance and Improvement Programme (QAIP), for it be reviewed regularly, the outcome of the review of quality to be reported annually in the Head of Internal Audit Annual Report, and where appropriate an improvement plan to be developed.

The outcome of the review for 2025/26 has been included in the Head of Internal Audit Annual Report and Opinion. This report sets out the Quality Assurance and Improvement Programme for 2026/27.

RECOMMENDATIONS

Under its responsibilities laid out in Domain 3 of the standards, The Audit and Governance Committee is asked to note the content of the QAIP.

REASONS FOR DECISION

It is a requirement of the standards for the Audit and Governance Committee to be kept informed of the QAIP.

1. BACKGROUND AND ISSUES

The attached Quality and Improvement Programme (QAIP) lays out the Quality Assurance arrangements relating to Internal Audi for 2026/27. it takes account, in part, the outcome of quality arrangements for 2025/26 reported in the Head of Internal Audit Annual Report.

The QAIP presented to the Audit and Governance Audit committee in July 2025 required considerable changes to reflect introduction of the revised Global Internal Audit Standards (GIAS). Only small adjustments have been required for 2026/27.

2. RISKS AND OPPORTUNITIES

An effective Internal Audit QAIP provides assurance that the service complies with professional standards and public sector requirements. It supports consistent, high-quality audit work and drives continuous improvement. It also strengthens confidence in Internal Audit's opinions, advice and contribution to good governance.

Without an effective QAIP, Internal Audit may be unable to evidence compliance with required standards. This could reduce confidence in the quality and reliability of audit work. It may also create reputational risk if assurance arrangements are seen as weak or insufficient

3. OTHER OPTIONS CONSIDERED

Not applicable. The production of a QAIP, which is subject to an annual review, is a requirement of the Standards.

4. REPUTATION AND COMMUNICATIONS CONSIDERATIONS

There are no specific reputation considerations in relation to this report. .

5. FINANCIAL CONSIDERATIONS

There are no specific financial considerations related to this report.

6. CHILDREN AND YOUNG PEOPLE CONSIDERATIONS

There are no specific children and young people considerations related to this report.

7. CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS

There are no specific climate change and environmental implications related to this report.

8. PUBLIC HEALTH, HEALTH INEQUALITIES AND MARMOT IMPLICATIONS

There are no specific public health, inequalities and Marmot implications, related to this report.

9. FINANCIAL IMPLICATIONS

There are no direct financial implications arising from this report.

10. LEGAL IMPLICATIONS

There are no specific legal implications associated with this report.

11. HUMAN RESOURCES IMPLICATIONS

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

12. WARD IMPLICATIONS

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

13. BACKGROUND PAPERS

None

14. CONTACT OFFICER(S)

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

Peter Hanmer
Head of Audit and Assurance

Quality Assurance and Improvement Programme

1. Introduction

Internal Audit's Quality Assurance and Improvement Program (QAIP) is designed to provide reasonable assurance to the various stakeholders of North East Lincolnshire Council's Internal Audit Service that Internal Audit:

- Conforms with the GIAS in the UK Public Sector and the Code;
- Applies a risk based, consistent and disciplined approach to the internal audit
- activity;
- Has the ability to increase the credibility of Internal Audit within the Council;
- Anticipates, meets, and exceeds stakeholder expectations;
- Supports, develops, and retains skilled, knowledgeable, and effective Internal
- Auditors, as team members, and who are a fundamental part of the service
- with specific tasks and KPIs built into personal development plans;
- Performs its work in accordance with its Charter and mandate (which is
- consistent with the GIAS in the UK public sector and the Code;
- Operates in an effective and efficient manner; and
- Adds value and identifies areas for continual improvement to the services provided

The Standards require that the Head of Audit and Assurance:

- Develops objectives to evaluate the internal audit function's performance, which consider the input and expectations of senior management and the Audits Committee and are approved by the Audit Committee at least annually
- Develops a performance measurement methodology to assess progress towards achieving the internal audit function's objectives and to promote the continuous improvement of the internal audit function.
- Develops, implements, and maintains a Quality Assurance and Improvement Programme (QAIP) that covers all aspects of the internal audit function and

includes two types of assessment: internal assessments and external assessments.
- Develops a plan for external quality assessments that must be performed at least once every five years by a qualified, independent assessor or assessment team.
- Develops and conducts internal assessments of the internal audit function's conformance with the Standards and progress toward performance objectives.
- Establishes and implements methodologies for engagement supervision, quality assurance and the development of competencies.

2. Internal Assessments

Ongoing Review and Supervision

The Internal Audit team is structured to ensure that all Internal Auditors are appropriately supervised and supported to deliver their work. Robust supervision arrangements are built into every stage of the assurance and advisory engagement processes, to ensure that internal audit function consistent and high-quality services e.g.

- The Internal Audit team works to an agreed process, which is delivered through standard template documents and is supported by a procedure manual. to ensure consistency, quality and compliance with appropriate planning, fieldwork, and reporting standards. The process, templates and manual are all subject to periodic review.
- Routine supervision and one to support Internal Auditors in planning and delivering audit assignments
- The Terms of Reference (TOR) for each engagement is subject to supervision and are subject to sign off by the Herad of Audit and Assurance prior to its circulation.
- Supervisory reviews of Work Programmes prior to the fieldwork commencing
- Supervisory review to be completed of the fieldwork for each engagement, prior to the results being communicated. The supervisor confirms that:
    - the supporting evidence is accurate, relevant, and complete.
    - The Internal Auditor has identified, documented, and analysed, relevant, reliable, and sufficient information as part of the fieldwork to give assurance that controls (or appropriate alternatives) are in place, adequately designed and working effectively in practice and / or identify control weaknesses.
    - Control weaknesses have been documented and evaluated to determine the root cause, potential effects (risks) and significance.
    - Conclusions are soundly based and supported by appropriate analyses and evaluations.
    - Suggested actions are practical and address the control weaknesses identified.
    - The Internal Auditor has maintained objectivity and confidentiality and exercised due professional care, professional courage and professional scepticism throughout the work carried out.

    - The engagement objectives have been met.
    - Work has been completed in compliance with the Standards.
    - The agreed engagement process has been followed.
    - Day allocations and target timescales have been met.
- Where the Head of Audit and Assurance is not the supervisor, the working papers for a sample of engagements is completed annually (as well as the supervisory review) are subject to an additional quality control review by him or her.
- Supervisory reviews completed of all draft and final reports, and all reports must receive final clearance from the Head of Audit and Assurance.
- The Auditor and the Supervisor jointly complete a review sheet at the end of the audit to identify any issues arising from the assignment and, where applicable, development needs
- Feedback from stakeholders obtained through audit questionnaires at the closure of each engagement and periodically from questionnaires sent to Assistant Directors;
- Review of the status of follow up reports in terms of recommendations implemented; and
- Regular team briefings attended by all members of the Internal Audit team, including periodic reviews of the team's approach to standards, feedback from supervision of audit work, and updates of actions arising from quality reviews

Periodic Reviews
Periodic assessments are designed to assess conformance with Internal Audit's Charter, the Global Internal Audit Standards (GIAS) in the UK, and the efficiency and effectiveness of internal audit in meeting the needs of stakeholders.

On an annual basis, the Head of Audit and Assurance or a nominated designee, will conduct an internal self-assessment of the internal audit function's conformance with the Standards. Results of the internal self-assessment will be shared with the wider Internal Audit team and reported to the senior management and Audit and Governance Committee with arrangements to address identified areas of non-conformance detailed in an action plan.

Domain	Actions
1 Purpose of Internal Audit	• Strengthen how the Internal Audit service evidence delivery of its purpose by documenting how each engagement adds value, provides insight and foresight

	• Captures stakeholder feedback, • Promotes the benefits of advisory work. • Use the checklist developed following the June 2026 team session to support consistent evidence of how audit work delivers its purpose.
2 Ethics and Professionalism	• Provide ongoing training and awareness for the audit team on the updated ethical standards and expectations. • Embed the CIIA competency framework within team development arrangements, adapting the guidance where appropriate to reflect the Council's internal audit structure
3 Governing the Audit Function	• Continue to engage with Members and senior management through training, briefings and ongoing dialogue. • Continue to ensure Members and senior management understand their respective responsibilities for supporting and overseeing Internal Audit.
4 Managing the Audit Function	• Review and update the data analytics strategy. • Develop a clear approach to the appropriate use of artificial intelligence within Internal Audit, including engagement with ICT to provide tailored training for team members. • Work with the system supplier to review the functionality and layout of the audit management software, ensuring it is used effectively and delivers maximum benefit.
5 Performing Audit Services	• Fully embed the enhanced reporting guidance developed in April and May 2026 so that audit reports consistently provide insight through stronger root cause analysis, foresight by identifying emerging risks and their potential implications, and clear SMART agreed actions. • Review the terms of reference and report templates. • Streamline the audit process to support more timely reporting of audit assignments

3. External Assessments

The standards detail that on behalf of those charged with governance, the Audit Committee and senior management, must ensure that internal audit has an external quality assessment((EQA) at least once every five years of its conformance against GIAS in the UK Public Sector.

External assessments will appraise and express an opinion about internal audit's conformance with the Standards and include recommendations for improvement, as appropriate.

The essential conditions for the External Quality Assessment are as follows:

Audit and Governance Committee:

- Discuss with the Head of Audit and Assurance the plans to have an external quality assessment of the internal audit service conducted by an independent, qualified assessor;
- Collaborate with senior management and the Head of Audit and Assurance to determine the scope and frequency of the external quality assessment;
- Consider the responsibilities and regulatory requirements of the internal audit service and the Head of Audit and Assurance, as described in the internal audit charter, when defining the scope of the external quality assessment;
- Review and approve the Head of Audit Assurance's plan for the performance of an external quality assessment. Such approval should cover, at a minimum the scope and frequency of assessments and the competencies and independence of the external assessor or assessment team;
- Require receipt of the complete results of the external quality assessment;
- Review and approve the Head of Audit and Assurance's action plan to address identified deficiencies and opportunities for improvement, if applicable; and
- Approve a timeline for completion of the action plans and monitor progress.

Senior Management:

- Collaborate with the Audi and Governance Committee and the Head of Audit and Assurance to determine the scope and frequency of the external quality assessment; and
- Review the results of the external quality assessment, collaborate with the Audit and Governance Committee and the Head of Audit and Assurance to agree on action plans that address identified deficiencies and opportunities for improvement, if applicable and agree on a timeline for completion of the actions plans.

GIAS in the UK Public Sector Standard 8.4 sets out a requirement that when selecting the independent assessor or assessment team, the chief audit executive must ensure at least one person holds an active Certified Internal Auditor designation. The CIPFA Application Note has determined that this requirement is replaced by a requirement that at least one person have the characteristics outlined for chief audit executive qualification.

The most recent review was carried out in November 2023 and reported in February 2024. This confirmed compliance with the then Public Sector Internal Audit Standards and CIPFA's Application Note. This concluded that Internal Audit "Generally Conforms with the Standards." The implementation of subsequent action plan was subject to regular review, and update reports are provided to the Audit and Governance Committee

EQAs will continue a five-year cycle with the next EQA required to be undertaken around November 2028. Discussions around the selection of an appropriate assessor and the scope of the assessment will take place with the Section 151

Officers and Chair of the Audit and Governance Committee early in the 2028-29 financial year.

4. Performance Management

To meet the requirements of the Standards, arrangements are in place to capture performance data across all aspects of internal audit's work. Performance indicators designed to evaluate the overall performance of internal audit, progress toward achieving the strategic objectives identified in the Internal Audit Strategy, and the internal audit pursuit of continuous improvement, are outlined in the table below.

Objective	**Indicator**
Delivery	Number and % of planned audits completed by 31 May
Delivery	Number and % of audit days completed by 31 May
Timeliness	% of draft audit reports issued by the due date
Timeliness	% of closure meetings held within 20 working days of the issue of the draft report
Timeliness	% of final reports issued within 5 working days from final closure meeting
Quality	Number of training days per auditor (excluding professional training)
Quality	Average years' experience of audit per auditor
Quality	Number and % of audit standards fully complied with as per HOIA annual self-assessment
Quality	% of auditees who agreed that "the audit went well"
Impact	% of auditees who agreed that "the audit added value"
Impact	Number and % of actions agreed
Impact	Number and % of 2025/26 agreed implemented by the due date

Performance against these indicators will be reported in the Head of Internal Audit Annual Report, as well as periodic update reports to the Audit and Governance Committee and senior management.

5. Communicating Results

The Head of Audit and Assurance is responsible for implementing the QAIP and will ensure that the results of this programme are communicated to Senior Management and the Audit and Governance Committee via the Head of Internal Audit Annual report. The communication of the QAIP results will include:

- The outcomes in respect of both internal and external assessments;
- Confirmation that the Internal Audi conforms with GIAS in the UK Public Sector if supported by results of both the QAIP's internal and external assessments; and
- Any non-conformance areas will feed into action plans, with significant areas of noncompliance will be used to inform the Annual Governance Statement

6. Review of QAIP

This document will be subject to periodic review and will be update accordingly following any changes to the GIAS or internal audit's operating environment and will be reviewed at least on an annual basis.