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North East Lincolnshire Council

Draft Head of Internal Audit Report and Opinion

2025/26

Peter Hanmer

30 June 2026

1. Background

1.1 The work of internal audit is governed by the Global Internal Audit Standards (GIAS) in the UK Public Sector 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 and 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 GIAS.

2. Audit work carried out in 2025/26

2.1 On 17 July 2025 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.

202526 Audit Plan

Throughout 2025/26 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.

2.2 A summary of internal audit work undertaken during the year (including completed audits carried forward from 2024/25) and relevant to the opinion is contained in Appendix 1. The completion of planned audits (including grant claim certification) up to 17 June 2026 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 2025/26 planned audits as of 30 June 2026

Status of audits	Number	%
Complete	51	73
Draft	5	7
In progress	8	11
Cancelled or deferred	6	9
Total	**70**	**100**

The outcome of the work in progress will be reported in the 2026/27 audit opinion.

The cancelled or deferred audits are as follows:

- **Child to Adult Transitions**- this was covered in both the Ofsted and CQC reports and received favourable comments and therefore Audit was able to rely on the outcome of the inspections
- **ICT Business Continuity within Services**- this audit has been deferred to 2026/27 as new style resilience plan templates are to be launched in conjunction with Humber Emergency Planning Service (HEPS) in June
- **Enforcement**- The Council recognises that there is a need to review the current arrangements in relation to enforcement following a period of change, which will continue in the months ahead. Management and staffing capacity remain an issue and several staffing reviews are pending
- **Highways and Transport (section 38 expenditure)-** Due to having to re-prioritise some audit resources this has been deferred to 20206/27
- **Children's Assurance Framework (Supporting Data Quality)-** This was reviewed, in part, in the OFSTED review), whilst a review of the assurance framework is currently being undertaken and so this audit has been deferred to 2026/27
- **Working with the Voluntary Sector-** there have been recent changes to the Council's approach to the Voluntary Sector and therefore it is felt there would be greater value from the audit by reviewing these arrangements in 2026/27 when they are fully embedded

Other Assurance Providers

2.3 In forming our opinion, we also take account, where relevant, of work carried out by other assurance providers. For 2025/26 Internal Audit has placed reliance on the findings of the most recent Ofsted inspection of Children's Services, which rated the Council as **"Good" overall with "Outstanding leadership",** and the CQC Local Authority Assessment of Adult Social Care, which assessed the service as "**Requires Improvement**". These independent inspections provide a robust source of assurance and have

informed the overall audit opinion; however, it is recognised that such inspections represent a **position at a point in time and are undertaken for regulatory and service quality purposes**, which differ from the broader internal audit focus on governance, risk management and internal control. Internal Audit has therefore not duplicated this work but will continue to monitor the sustainability of improvements and the effectiveness of governance and oversight arrangements, particularly in areas identified for improvement.

2.4 In addition, each year as part of the Council's requirement to be compliant with the "Public Services Network Code of Connection" it is required to have an ICT health check conducted by an external specialist company, and audit seeks to place reliance on it. The specialist found 0 critical and 2 high vulnerabilities, which is the lowest amount of vulnerabilities found in NELC's ICT environment.

Governance

2.5 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 2025/26 we reported on the following areas as referred to in Appendix 1:
    - Consultation
    - Focus Governance arrangements
    - Health and Well-Being Strategy
    - Information Governance
    - Legal Services
    - Procurement arrangements
    - Scrutiny arrangements
    - Section 75 Follow-Up
- Where applicable in all other audits considering the government arrangements in place and he processes to monitor the delivery of strategic objectives
- Providing comment and support on the design of the Annual Governance Statement

Our audits demonstrated that Governance at the Council is generally well established and effective, with clear structures, defined roles and formal decision-making processes in place across most services.

Risk Management

2.6 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 any perceived conflict of interest. It provided "Satisfactory" assurance. In 2025/26 a follow-up audit was carried out, in which again the Head of Audit and Assurance was not involved. This concluded that the agreed actions from the previous audit had been implemented.
- 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 it identified the need to improve the completeness of operational risk registers
- For most audits, risk management is considered and reported on. These reviews show that risk management is generally in place and working well, with risks identified, recorded and actively managed through day-to-day processes and governance arrangements. While there is some variation in how consistently this is applied across the Council, particularly where more formal approaches are still developing, the main opportunity is to build on existing practice by improving consistency in the approach to operational risk.

Counter Fraud

2.7 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 2026. There were no issues identified within it that would adversely affect the audit opinion.

Annual-Fraud-Report 2526.pdf

Follow up

2.8 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.

2.9 A breakdown of the implementation of actions as of 31 May 2026 based on manager's responses is shown in Table 2 below. This shows that:

- only 6% of agreed actions over the last three years had not been implemented by the due date: and

- there were 294 examples over the last three years where audit had made a difference

Audit sampled-tested manager's responses and concluded that they were reliable and supported by evidence of implementation.

Table 2: Breakdown of the Implementation of Audit Actions from 2023/24 onwards as of 31 May 2026 broken down by year action was agreed

Status	23/24	24/25	25/26
Manager confirmed implemented	131	122	41
Not Due	0	1	34
Not Due- Due date changed	3	2	1
Overdue	0	11	11
Risk Accepted	7	1	1
Total	**144**	**137**	**88**

2.10 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 2025/26 four follow up audits were carried out, and the outcomes are shown in Appendix 1.

Advisory Support

2.11 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

2.12 Examples of advisory engagements carried out in 2025/26 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

2.13 We were required to carry out the mandatory certification of three grant claims in 2025/26 as listed below. All were provided with unqualified opinions, and no major control issues were identified

- Bus Services Operators Grant
- Home Upgrade Grant 2
- Local Transport and Potholes

Resourcing Audit Work

2.14 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 2026) is shown on table 4 below. A total of 980 days were delivered by 30 June 2026 compared to the revised forecast of 970. It is estimated that up to 60 days from 31 May 2026 will be required to complete the outstanding 2025/26 work, and this has been built into the resources to deliver 2026/27 audit plan.

Table 3: Resources required to deliver audit plan 2025/26 as at 30 June 2026

Audit Area	Estimated Days (Original)	Estimated Days (Revised)	Actual Days (31 May)
Strategic objectives/ Governance	415	490	498
Financial risks	100	100	106
ICT	45	45	39
Procurement and Contract Management	30	30	41
Follow Up	30	30	24
Advisory	70	80	85
Counter Fraud	50	30	40
Grants	10	11	11
24/25 work carried forward	35	53	53
Audit Management	75	75	83
Contingency	80	26	
Total	940	970	980

Statement of Independence

2.15 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.

2.16 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.

2.17 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.

3. Head of Internal Audit Annual Opinion 2025/26

3.1 Based on the work completed during 2025/26, Internal Audit can provide **satisfactory** assurance on governance, risk management and internal control. Across most areas reviewed, there is clear evidence of established governance arrangements, active management of risk, and controls operating effectively to support the achievement of objectives. While the maturity and consistency of these arrangements vary across the Council, the issues identified generally reflect opportunities to strengthen and further formalise arrangements in some areas, rather than any fundamental weakness in governance, risk management or control

In forming this opinion, I have also taken account of the observations set out below.

- **Homelessness:** The Council continues to face significant challenges in meeting its statutory duties and service demand in relation to homelessness and temporary accommodation. Internal audit work on the Housing Strategy, and homelessness in particular, indicates that action is being taken to strengthen governance and performance arrangements; however, this remains a high-pressure area and the operating environment is likely to remain challenging.
- **Adult Social Care:** The CQC inspection identified areas requiring improvement, and management has put actions in place to address these. The 2026/27 audit plan includes work to provide assurance over the implementation of these improvements and the effectiveness of the associated control environment.
- **Enforcement:** The Council recognises the need to review current enforcement arrangements following a period of organisational change. Capacity constraints and pending staffing reviews mean this remains an area of risk and one that will require continued management attention.

More generally, the Council continues to operate in a challenging financial and service environment. This reinforces the importance of ensuring that internal controls are well designed, consistently understood, and operating effectively across all service areas.

3.2 In interpreting this opinion, readers should note that:

- the opinion is based on the areas reviewed during the year and is not affected by any specific scope limitations or impairments to independence;
- assurance can never be absolute, and internal audit work cannot be designed to identify every weakness that may exist; and
- responsibility for maintaining adequate and effective arrangements for governance, risk management and internal control rests with management, not Internal Audit.

4 Quality Assurance Arrangements

4.1 In order to comply with Global Internal Audit Standards (GIAS) in the UK Public Sector, the Head of Internal Audit is required to develop and maintain an ongoing quality assurance and improvement programme (QAIP). This was shared with the Audit and Governance Committee in July 2025.

Quality Assurance and Improvement Programme 202526 (page 33-39)

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 and 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 3.

4.3 The Internal Audit Charter sets out how internal audit at the Council will be provided in accordance with the GIAS. 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.

5 Closing Remarks

5.1 We would like to take this opportunity to thank Members, Management and Staff for their continued support. We will strive to continue to provide an effective and supportive internal audit service as the Council continues to manage in a challenging external environment.

Appendix 1: Summary of Audit work supporting the Audit opinion

See separate attachment

Appendix 2: Summary of advisory work provided by Internal Audit in 2025/26

- 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.
- Extensively updated the "Guide to Internal Control" which has been shared with all staff
- Supporting the production of the Audit and Governance Committee's annual report
- Supporting the recruitment and appointment of the independent Audit Committee Chair
- Providing induction training for Audit and Governance Committee Members, as well as training on Audit, the AGS, Counter Fraud and Risk Management
- Involvement in working groups monitoring the integration of services from EQUANS
- Member of the Commercial and Productivity Board tasked with identifying and monitoring the opportunities for the Council to operate more efficiently and effectively
- Member of the Local Government Reorganisation pre-decision working group
- Carrying out a review for the Section 151 Officer and the Commercial and Productivity Board on income generation opportunities and the governance arrangements required to support them
- Carrying out a review of the internal control arrangements relating to Ward Funding and making recommendations for improvement
- Carrying out a review of the processes around the appointment of consultants, comparing their design and operation compared to National Audit Office Good Practice and making recommendations for improvements
- Carrying out a review of the inventory arrangements relating to ICT
- 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 Artificial Intelligence (AI) sub-group looking at governance and internal controls required to manage the risks around the further development of AI
- 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.
- As part of the review of the Council's Financial Procedure Rules provided feedback on them
- As part of the development of the Council's Procurement toolkit provided feedback on it
- Member of the Council group reviewing the processes for recognition and reward

Appendix 3: Quality Assurance and Improvement Programme (QAIP) 2025/26

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 Global Internal Audit Standards (GIAS) in the UK Public Sector and the CIPFA Code of Governance of Internal Audit. On 5 April 2026, following a review, an updated QAIP was taken to the Audit and Governance Committee.

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 Global Internal Audit Standards (GIAS) in the UK Public Sector and CIPFA Code of Governance of Internal Audit.
- **External assessments** of conformance to the GIAS 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 2025/26 Internal Audit has maintained, monitored, and promoted performance standards via various activities such as:

- a suite of performance indicators as shown on Appendix 4
- the requirement for all audit staff to conform to the Code of Ethics as laid out in Domain II of the standards and to confirm their understanding of them;
- the requirement for all audit staff to complete annual declarations of interest;
- 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;
- All reports are reviewed by the Head of Audit and Assurance prior to issue
- post audit questionnaires (customer satisfaction surveys) have been issued following each audit engagement which show good levels of satisfaction - as of 31 May 2026 out of the 15 questionnaires returned 100% said that the audit was carried out well and added value;

- the annual update of the internal audit strategy which was shared with the Audit Committee on 17 July 2025;
- ongoing training programmes for audit staff, including the formal introduction of Continuous Development Plans
- 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 Aduit and Assurance is a member of CIPFA's national audit advisory group, on the "Core Group" of the Local Authority Chief Auditors Network and the Yorkshire Chief Internal Auditors Group
- performance indicators to monitor the timeliness of audit delivery- as shown in table 4 there is scope to improve the timeliness of the delivery of audits. On 2 June 2026 the audit team had a discussion to identify the potential barriers preventing more timely reporting

Table 4: Audit Timeliness

Indicator	Target	Position as of 31 May 2026	Comment
% of audits issued in draft by the agreed date	90%	44%	This shows decreased in performance compared to 2024/25 (68%).
% of closure meetings taking place within 20 working dates after the issue of the draft report	90%	71%	This is a newly defined indicator for 2025/26. It indicates that there is some opportunity to reduce the tine taken to finalise reports
% final reports issued within 5 working days of the closure meeting	100%	98%	This is a newly defined indicator which indicates that audit acts promptly in issuing reports once agreed

Periodic Self-Assessment

The Head of Audit and Assurance carried out a self-assessment against the requirements of the GIAS on an annual basis. This concluded that the audit team "Generally Conforms" with all aspects of the standards (where "Generally Conforms" is the highest possible score). Developments implemented during the year include:

- Adoption of a revised competency framework based on a Chartered Institute of Internal Auditors model
- Development of root cause analysis in our reporting
- Widening the use of data analytics to plan work and obtain assurance and insight
- Developing the use of Artificial Intelligence to enhance audit work

- Embedding the electronic action tracking software, which is leading to a higher profile and better performance by services regards the implementation of agreed audit recommendations
- Training sessions with the audit team on the concepts of “Audit Courage” and “Audit Scepticism”.

Further developments identified for inclusion in the 2026/27 Quality Assurance Improvement Programme, include:

- Fully embedding the competency framework
- Further use of Artificial Intelligence to support audit planning, the design of testing, reporting, and the identification of trends
- Developing practices and reporting mechanisms to demonstrate how Audit adds value and provides insight and foresight as required by Domain I of the Standards “The Purpose of Audit”
- 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.

External Quality Assessment

As noted above, the GIAS 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.

The next external review is scheduled for November 2028.

Experience of the Audit Team

In addition, a key determinant of the quality is the experience of those carrying out the work. this can be demonstrated below:

- Average time in audit for team member is 23.2 years
- Head of Audit and Assurance is suitably experienced and qualified with 25 years’ experience operating at senior level, and a fully qualified member of the Chartered Institute of Public Finance and Accountancy (CIPFA), Institute of Chartered Accountancy Scotland (CA), and Chartered Institute of Internal Audit (CMIAA)

- Qualifications of other team members include Chartered Institute of Internal Audit (CMIAA), Association of Accounting Technicians (AAT), and Qualification in Computer Audit ((QICA)
- Two members of the team are studying for CIPFA and IIA respectively
- ICT audits provided by third party cyber security specialists

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. As referred to above an action plan has been developed to be included in the updated QAIP which will be taken to the Audit and Governance Committee on 16 July 2026.

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

Based on the results of the quality assurance process I consider that during 2025/26 Internal Audit generally conformed to the Global Internal Audit Standards in the UK Public Sector and the CIPFA Code of Governance of Internal Audit.

Appendix 4: Key Performance Indicators 2025/26

Objective	Indicator	Performance
Delivery	Number and % of planned audits completed to draft by 31 May 2026	50 (71%)
Delivery	Number and % of audit days completed by 31 May 2026	901 (92%)
Timeliness	% of draft audit reports issued by the due date	43%
Timeliness	% of closure meetings held within20 working days of the issue of the draft report	70%
Timeliness	% of final reports issued within 5 working days from final closure meeting	98%
Quality	Number of training days per auditor (excluding professional training)	7.1 days
Quality	Average years' experience of audit per auditor	23.2 years
Quality	Number and % of audit standards where self-assessment has concluded that internal audit"Generally Conforms"	48 (100%)
Quality	% of auditees who agreed that "the audit went well"	100%
Impact	% of auditees who agreed that "the audit added value"	100%
Impact	Number and % of actions agreed in 25/26 up to 31 May	88 (100%)
Impact	Number and % of 2024/25 agreed implemented by the due date	122 (92%)