AUDIT COMMITTEE

25 JUNE 2026

REPORT OF INTERNAL AUDIT MANAGER

A.2 REPORT ON INTERNAL AUDIT – MARCH 2026 - MAY 2026 AND THE HEAD OF INTERNAL AUDIT ANNUAL REPORT
(Report prepared by Craig Clawson)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To provide a periodic report on the Internal Audit function for the period March 2026 – May 2026 and the Head of Internal Audit Annual Report for 2025/26 as required by the professional standards.

EXECUTIVE SUMMARY

This report is split into three sections with a summary as follows:

1) Internal Audit Plan Progress 2025/26

- A satisfactory level of work has been carried out on the 2025/26 Internal Audit Plan in order for the Internal Audit Manager to provide an opinion in the Annual Head of Internal Audit Report for the 2025/26 financial year.
- Eight audits have been completed since the previous update to the Audit Committee in March 2026. All of which received a satisfactory opinion of adequate or substantial assurance.

2) Head of Internal Audit Annual Report

- The Head of Internal Audit Annual Report concludes that an **unqualified** opinion of **Adequate Assurance** is provided.
- Work carried out throughout the year by the Audit Committee, Senior Management and the Internal Audit Team has continued to be delivered in accordance with the principles of the Global Internal Audit Standards; however, full conformance cannot currently be confirmed until the required External Quality Assessment has been completed.
- **One audit** from a total of **25 completed** received a less than satisfactory opinion of 'Improvement Required'.
- The Internal Audit Team are currently non-compliant with the Global Internal Audit Standards as they are due an External Quality Assessment (EQA) as previously discussed. A self-assessment for 2025/26 was completed and previously reported to the committee. Quotes have now been retrieved for the EQA with the expectation to complete early 2027.

3) Internal Audit Plan Progress 2026/27

- Four audits within the 2026/27 Internal Audit Plan are currently in fieldwork.

RECOMMENDATION(S)

Audit Committee members are requested to note the reports and consider whether a satisfactory level of assurance has been provided regarding the following;

- **The annual opinion statement within this report**
- **The completion of audit work against the 2025/26 Internal Audit Plan and progress against the 2026/27 Internal Audit Plan; and**
- **Any significant audit findings provided**

REASON(S) FOR THE RECOMMENDATION(S)

The above recommendations are required to ensure that the Audit Committee agree and accept the contents of the report.

ALTERNATIVE OPTIONS CONSIDERED

The reports are for information and consideration of the Audit Committee.

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

Provision of adequate and effective internal audit helps demonstrate the Council's commitment to corporate governance matters. It also links in with the Council's key priorities of 'Delivering high quality services' and having 'Strong finances and governance'.

LEGAL REQUIREMENTS (including legislation & constitutional powers)

The Council has a statutory responsibility to maintain adequate and effective internal audit.

The Accounts and Audit Regulations 2015 make it a statutory requirement that the Council must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal audit standards and guidance.

FINANCE AND OTHER RESOURCE IMPLICATIONS

Finance and other resources

The Internal Audit function is operating within the budget set. Recruitment and retention remains to be the biggest risk of not being able to deliver the Internal Audit Plan. This is continuously monitored and the Audit Committee are updated with any issues accordingly.

USE OF RESOURCES AND VALUE FOR MONEY

External Audit expect the following matters to be demonstrated in the Council's decision making:

A) Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;
B) Governance: how the body ensures that it makes informed decisions and properly manages its risks, including; and
C) Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.

As such, set out in this section the relevant facts for the proposal set out in this report.

The following are submitted in respect of the indicated use of resources and value for money indicators:

A) Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;	**Budgets are reported to the Audit Committee annually to review. The Internal Audit Manager regularly monitors those budgets throughout the year to ensure that they remain adequate and do not overspend.**
B) Governance: how the body ensures that it makes informed decisions and properly manages its risks, including; and	**The Internal Audit Charter sets out the roles and responsibilities of both the Audit Committee and the Internal Audit function. The powers of the Audit Committee and the role of Internal Audit is also set out within the Councils Constitution.**
C) Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.	**Internal Audit continues to monitor new working practices in order to streamline processes and improve performance and potentially reduce costs. Internal Audits undertaken may support services in doing the same and potential reduce overall costs to the Council.**

MILESTONES AND DELIVERY

Review of recommendations and decision to be made on 25th June 2026 by the Audit Committee.

ASSOCIATED RISKS AND MITIGATION

Review of the functions of the Council by Internal Audit assists in identifying exposure to risk, and its mitigation.

As this report is a periodic update report, there is no exposure to strategic risks within the Councils Risk Management Framework. There is however an operational risk of being unable to complete and deliver the internal audit plan and be unable to provide the Head of Internal Audit Annual Opinion.

OUTCOME OF CONSULTATION AND ENGAGEMENT

Internal Audit activity assists the Council in maintaining a control environment that mitigates the opportunity for crime.

During the course of internal audit work issues regarding equality and diversity, and health inequalities may be identified and included in internal audit reports.

There is no specific effect on any particular ward.

EQUALITIES

There are no equality impacts directly associated with this progress report. However they will need to be considered as part of any improvement / remedial actions undertaken by the relevant Service where necessary.

SOCIAL VALUE CONSIDERATIONS

There are no direct implications associated with this report but will be considered as part of the delivery of the audit plan as necessary.

IMPLICATIONS RELATED TO DEVOLUTION AND/OR LOCAL GOVERNMENT REORGANISATION

There are no direct implications associated with this report but will be considered as part of the delivery of the audit plan as necessary.

IMPLICATIONS FOR THE COUNCIL'S AIM TO BE NET ZERO BY 2050

There are no direct implications associated with this report but will be considered as part of the delivery of the audit plan as necessary.

OTHER RELEVANT IMPLICATIONS

Set out what consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are then set out below.

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.

Crime and Disorder	**N/A**
Health Inequalities	**N/A**
Area or Ward affected	**N/A**

ANY OTHER RELEVANT INFORMATION
N/A

PART 3 – SUPPORTING INFORMATION

BACKGROUND
The Accounts and Audit Regulations 2015 (England) state that "A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance". In respect of the Internal Audit Plan the Global Internal Audit Standards require the Chief Audit Executive (Head of Internal Audit) to: - • Establish a risk based Internal Audit Plan, at least annually, to determine the priorities of the Internal Audit function, consistent with the Council's goals. • Has in place a mechanism to review and adjust the plan, as necessary, in response to changes to the Council's business, risks, operations, programmes, systems and controls. • Produces a plan that takes into account the need to produce an annual Internal Audit opinion. • Considers the input of senior management and the Audit Committee in producing the plan. • Assesses the Internal Audit resource requirements. *The term chief audit executive is used to ensure consistency with the GIAS, although the term is rarely used in local government. Each authority should be clear which individual fulfils these responsibilities, regardless of actual job title. In practice the chief audit executive may delegate appropriate responsibilities to other qualified professionals in the internal audit function but retains ultimate accountability.*
PREVIOUS RELEVANT DECISIONS TAKEN BY COUNCIL/CABINET/COMMITTEE ETC.
N/A
INTERNAL AUDIT PROGRESS 2025/26
A satisfactory level of work has been completed against the 2025/26 Internal Audit Plan to enable the Internal Audit Manager to provide the annual Head of Internal Audit opinion for the financial year. The plan has continued to be delivered on a risk-based and flexible basis, with work prioritised to reflect the Council's key risks, changes in service priorities and available resources.

Since the previous update to the Audit Committee, eight audits have been completed. All eight received a satisfactory level of assurance, being either Adequate or Substantial Assurance. This provides positive assurance that appropriate governance, risk management and internal control arrangements are generally operating effectively across the areas reviewed. The audits completed this period are;

- Payroll
- Housing Regulations Implementation Plan
- Health and Safety
- Housing Repairs and Maintenance
- Use of AI
- Procurement
- Planning Policy
- IT Governance

Work has continued across the 2025/26 plan, including core assurance reviews, consultancy support, follow-up work and advice on internal control, risk management and governance arrangements. The Internal Audit Team has also continued to monitor outstanding agreed actions and work with services to confirm that improvements are implemented in a timely and proportionate way.

The Internal Audit Manager continues to oversee the Internal Audit, Counter-Fraud and Compliance functions, with GDPR responsibilities also sitting within the wider remit. Work undertaken across these areas contributes to the overall assurance picture, although any audit work requiring independent review of those areas will be considered carefully to preserve the independence and objectivity of the Internal Audit function.

Quality Assurance – The Internal Audit function continues to issue satisfaction surveys following completed audit reviews. Feedback is monitored as part of the Quality Assurance and Improvement Programme and no matters have been identified that would materially affect the annual opinion for 2025/26.

Resourcing

Internal Audit continues to operate within the approved staffing establishment, with access to a third-party provider for specialist audit days where required. Recruitment and retention remain key risks to delivery and are kept under regular review. The Audit Committee and Senior Management will continue to be advised of any resourcing issues that may impact delivery of the Internal Audit Plan or the ability to provide the annual opinion.

Outcomes of Internal Audit Work
The Global Internal Audit Standards require the Internal Audit Manager to report to the Audit Committee on significant risk exposures, control issues and the results of internal audit work. The audits completed during the year, together with wider assurance activity and follow-up work, have been considered when forming the annual opinion.

Assurance	Colour	Number this Period	Total for 2025/26 Plan	
Substantial		3	13	
Adequate		5	11	
Improvement Required		0	1	
Significant Improvement Required		0	0	
No Opinion Required		0	1	

For the purpose of the colour coding approach, both Substantial and Adequate opinions are shown in green as both are within acceptable tolerances.

Issues arising from audits completed in the period under review receiving an 'Improvement Required' or 'Significant Improvement Required' opinion and requiring reporting to Committee are:

- No significant issues were identified during this period.

Management Response to Internal Audit Findings – Processes remain in place to track agreed management actions arising from Internal Audit reports and to seek assurance that appropriate corrective action has been taken. Follow-up work is undertaken where appropriate, with significant or long overdue actions reported to the Audit Committee.

The number of high severity issues outstanding was as follows:

Status	Number	Comments
Overdue more than 3 months	1	
Overdue less than 3 months	0	
Not yet due	1	

Update on previous significant issues reported

Previous significant issues and long-term actions are included within the action tracking report appended to this report. Progress will continue to be monitored and reported to the Audit Committee as part of the established follow-up arrangements.

ANNUAL AUDIT REPORT OF INTERNAL AUDIT MANAGER

Introduction and Purpose of the Annual Report

The Council is required by the Accounts and Audit Regulations 2015 to undertake an effective Internal Audit to evaluate the effectiveness of its risk management, internal control and governance processes, taking into account the Global Internal Audit Standards (GIAS).

CIPFA has developed the Code of Practice for the Governance of Internal Audit in UK Local Government (the Code) to support authorities in establishing their internal audit arrangements and providing oversight and support for internal audit.

The Code is designed to work alongside new Global Internal Audit Standards (GIAS) and replaces the organisational responsibilities set out in the Statement on the role of the head of internal audit (CIPFA, 2019). It is aimed at those responsible for ensuring effective governance arrangements for internal audit:

- The body or individual charged with governance – this includes the police and crime commissioner and chief constable (corporations sole) in policing or full body of the authority.
- The audit committee, the primary committee that may hold some delegated responsibilities towards internal audit.
- Senior management of the authority, including the statutory officers, head of paid service, monitoring officer and section 151/section 95 officer that hold responsibilities for governance.

It applies to all authorities applying Global Internal Audit Standards in the UK Public Sector and that are within the scope of the statutory regulations on internal audit.

The GIAS state that a professional, independent and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector. The role of the Head of Internal Audit (Internal Audit Manager), in accordance with the GIAS, is to provide an opinion based upon, and limited to, the work performed on the overall adequacy and effectiveness of the organisation's governance, risk management, and control processes.

All guidance from the Chartered Institute of Public Finance and Accountancy is also considered in line with the Accounts and Audit Regulations and the GIAS when delivering a Head of Internal Audit annual opinion.

As set out in the Global Internal Audit Standards (GIAS) there is a requirement that the Chief Audit Executive must provide an annual report to the Audit Committee, timed to support the Annual Governance Statement. This must include:

- An annual internal audit 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 GIAS and the results of the internal audit Quality Assurance and Improvement Programme.

The Council is responsible for ensuring its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council must ensure that there is a sound system of internal control which facilitates the effective exercise of the Council's functions, and which includes arrangements for the management of risk. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

To ensure a robust framework for managing risk and accountability, the Council employs a 'Three Lines of Defence' assurance model, structured as follows:

Senior Management and Departmental Leadership: The first line of defence lies with operational management, which holds direct responsibility for identifying, assessing, and mitigating risks within their areas of control.

Internal Governance: Acting as the second line of defence, internal governance includes oversight activities from various control departments such as Statutory Officers, Corporate Oversight Functions, IT Security, Data Protection, and Quality Control. This layer supports operational management by implementing effective risk practices and ensuring reliable risk-related communication flows across the organisation.

Internal Audit: As the third line of defence, the internal audit function, mandated under the Accounts and Audit Regulations 2015, provides an independent evaluation of the Council's risk management, governance, and control processes. This ensures compliance with established public sector auditing standards and guidance.

Requirement for an Overall Assurance Conclusion

The Global Internal Audit Standards require the Chief Audit Executive (Head of Internal Audit) to communicate the results of internal audit services to the board and senior management. In the Council's governance structure, the Audit Committee fulfils the relevant board role for oversight of Internal Audit.

Where an organisation-wide conclusion is provided, the Standards require the conclusion to reflect professional judgement and to be supported by relevant, reliable and sufficient information.

Criteria Used as the Basis for the Annual Opinion

The annual opinion has been formed by assessing the Council's governance, risk management and internal control arrangements against the following criteria:

- the Accounts and Audit Regulations 2015;
- the Global Internal Audit Standards in the UK Public Sector;
- the Council's Constitution, policies, procedures and established governance framework;
- the Internal Audit Charter, Internal Audit Strategy and risk-based Internal Audit Plan;
- the Council's strategic objectives, corporate risks and Annual Governance Statement process;
- the Council's arrangements for financial management, compliance, safeguarding of assets, information governance and ethical conduct; and

- Internal Audit's assurance framework, including the Council's assurance ratings, audit methodology, reporting arrangements and action tracking process.

Scope and Period Covered by the Opinion

The opinion covers the period 1 April 2025 to 31 March 2026. It relates to the Council's overall framework of governance, risk management and internal control during that period.

The opinion is based on internal audit work completed during the year, the outcomes of follow-up work, wider assurance activity, and relevant information available at the time this report was prepared. It does not provide assurance over every system, service, risk or control within the Council and should therefore be considered alongside other sources of assurance available to the Audit Committee and senior management.

Summary of Information Supporting the Opinion

A satisfactory level of work has been completed against the 2025/26 Internal Audit Plan to support the annual opinion. The plan was delivered on a risk-based and flexible basis and was kept under review to ensure that resources were directed to areas where assurance, advice or insight would provide the greatest value.

The work undertaken included reviews of key financial systems, governance arrangements, operational service areas, IT-related controls, follow-up activity, consultancy support, counter-fraud and compliance activity, and advice on internal control, risk management and governance matters.

During 2025/26, the assurance outcomes reported for the year show that 13 reviews received Substantial Assurance, 11 received Adequate Assurance, two received Improvement Required and none received Significant Improvement Required. This demonstrates that, across the majority of areas reviewed, governance, risk management and internal control arrangements were generally operating effectively and within acceptable tolerances.

Themes, Significant Issues and Follow-Up

The results of audit work have been considered collectively to identify significant themes, root causes or systemic issues. The work completed during the year has not identified any extensive or systemic control failure that would require a qualified annual opinion. However, individual areas for improvement have been identified and reported through audit reports during the year.

Where weaknesses were identified, management actions were agreed with responsible officers. Progress against agreed actions is monitored through the established action tracking process. The status of actions is reported to the Audit Committee, and significant or long overdue actions are escalated where appropriate.

Where management does not progress agreed actions in accordance with expected timescales, Internal Audit obtains an explanation and considers whether the remaining risk may exceed the Council's tolerance. Where necessary, such matters are escalated to senior management and the Audit Committee in line with the Standards.

The main themes from the work completed for 2025/26 are;

- Core finance, governance and statutory processing controls are generally strong.
- The principal material risks this year identified from audit activity is debt recovery, lack of capacity and backlog management.
- Many “Adequate” opinions are being driven by monitoring and system-maturity issues, not wholesale control failure.
- Documentation, policy upkeep, formal sign-off and central records remain recurring governance themes.

Positive improvement stories should be recognised as well as weaknesses. Huge improvements have been made across the Council which is reflected in the fact that only one area received and ‘Improvement Required’ opinion. Direction of travel with internal control has improved or been maintained broadly and services have engaged and embraced improvement actions generally.

Reliance on Other Assurance Providers

In forming the annual opinion, Internal Audit has considered relevant assurance from other sources where appropriate. This includes management assurance, corporate risk reporting, the Annual Governance Statement process, external audit activity, counter-fraud and compliance work, information governance activity and other relevant internal control information available during the year.

Reliance has only been placed on such sources where the information was considered relevant to the annual opinion and where it was reasonable to do so. The Internal Audit Manager remains responsible for the annual opinion provided in this report.

Governance, Risk Management and Internal Control

The Council’s governance, risk management and internal control arrangements have been considered through the delivery of the Internal Audit Plan and wider assurance activity. Overall, the Council continues to operate a generally sound system of governance, risk management and internal control. There remains an appropriate framework for decision-making, management oversight, risk reporting and accountability, supported by the work of the Audit Committee, senior management and statutory officers.

The work completed during the year has not identified any extensive or systemic control failure that would require a qualified annual opinion. However, individual areas for improvement have been identified and reported during the year.

The Council continues to face a challenging operating environment, including financial pressures, changing service demands, increased expectations around governance and transparency, technological change, and the future implications of devolution and Local Government Reorganisation. These issues reinforce the need for a flexible, risk-based and forward-looking Internal Audit approach.

Independence, Objectivity and Safeguards

The Internal Audit function has continued to operate independently and objectively during 2025/26. The Internal Audit Manager has direct access to senior management and the Audit Committee, and Internal Audit activity is reported periodically to support effective oversight.

The Internal Audit Manager also has responsibility for Counter-Fraud, Compliance and Information Governance. These areas provide useful assurance and intelligence on the Council's wider control environment. Where audit work is required in areas for which the Internal Audit Manager has operational responsibility, appropriate safeguards will be applied to preserve independence and objectivity, including the use of external or independent review arrangements where necessary.

No matters have been identified during 2025/26 that have materially impaired the independence or objectivity of the annual opinion.

Resources, Competency and Delivery

Internal Audit operated within the approved staffing establishment during the year, with access to specialist third-party support where required. The resources available were sufficient to allow the Internal Audit Manager to provide an annual opinion for 2025/26.

The Internal Audit function continues to consider the knowledge, skills and experience required to deliver the plan, including the use of specialist support where necessary. Professional development, supervision, review of audit work and quality assurance arrangements are used to support the competence, consistency and reliability of audit work.

Recruitment and retention remain key risks to the continued delivery of the Internal Audit Plan and will continue to be monitored and reported to the Audit Committee where they may affect delivery or assurance coverage.

Quality Assurance and Conformance with the Global Internal Audit Standards

The Internal Audit function maintains a Quality Assurance and Improvement Programme to support continuous improvement and to assess conformance with the Global Internal Audit Standards. This includes ongoing supervision of audit work, review of completed assignments, monitoring of performance, feedback from audit clients, and periodic reporting to the Audit Committee.

Internal Audit work has continued to be delivered in accordance with the principles of the Global Internal Audit Standards. A self-assessment against the Standards has been completed and previously reported to the Audit Committee. However, full conformance cannot currently be confirmed because an External Quality Assessment is due. Quotes have now been obtained, with the expectation that the External Quality Assessment will be completed in early 2027.

This represents a known non-conformance with the Standards in respect of the requirement for external quality assessment. The matter has been disclosed to the Audit Committee and will continue to be reported until resolved. It does not affect the ability of the Internal Audit Manager to provide an annual opinion for 2025/26, as the opinion is based on the audit work completed, the assurance available and the professional judgement of the Internal Audit Manager.

Limitations to the Annual Opinion

There were no scope or resource limitations that prevented the Internal Audit Manager from providing an annual opinion for 2025/26. The opinion is based on the work completed during the year and the wider assurance information available at the time of reporting. Although the Elections audit was deferred and not completed in year this was not significant enough to impact the overall assurance opinion.

As with all internal audit opinions, assurance is reasonable and not absolute. Internal Audit has not reviewed every risk, system or control within the Council and cannot guarantee that all weaknesses, fraud or irregularity have been identified. Responsibility for designing, operating and maintaining effective governance, risk management and internal control arrangements remains with management.

The Head of Internal Audit Annual Opinion 2025/26

Based on the work completed during 2025/26, the assurances obtained from wider assurance activity, the results of follow-up work, ongoing engagement with senior management and the Audit Committee, it is the opinion of the Internal Audit Manager that the Council has maintained a generally sound framework of governance, risk management and internal control during the year.

No significant or systemic control weaknesses have been identified that would require qualification of the annual opinion. Areas requiring improvement have been reported during the year and are subject to agreed management actions and follow-up monitoring.

After considering all of the above, an overall unqualified opinion of **'Adequate Assurance'** is provided for the 2025/26 financial year.

This opinion should be considered alongside the wider Annual Governance Statement process. It provides one source of assurance to support the Council's statutory assessment of the effectiveness of its governance arrangements, but it does not remove the responsibility of management to maintain effective controls, manage risks and ensure continuous improvement.

The above report will also inform the Council's Annual Governance Statement as part of its statutory governance responsibilities.

INTERNAL AUDIT PROGRESS 2026/27

At this early stage of the financial year, none of the audits from the 2026/27 Internal Audit Plan have yet been finalised. Four audits are currently progressing through the fieldwork phase.

The Internal Audit Team have been monitoring outstanding actions and working hard to ensure that services work with us to confirm that agreed actions are completed in a timely manner.

Work has begun in areas such as Housing Rents, Waste and Recycling, Seafront Management and Risk Management.

There are no significant issues or particular areas of concern to report at this time.

APPENDICES
Appendix A – Internal Audit Progress Report 2025/26 *Appendix B – Action Tracking Report* *Appendix C - 2026-27 Internal Audit Plan Progress Report*

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