



Internal Audit Progress Report – March 2025

The Head of Internal Audit is required to provide a written status report to Senior Management and Members, summarising internal audit activity.

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Role of Internal Audit

The requirement for an internal audit function in local governance is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body 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 and guidance.'

The standards for 'proper practices'; are laid down in the Public Sector Internal Audit Standards [the Standards -updated 2017].

The role of internal audit is best summarised through its definition within the Standards, as an:

'Independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes'.

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The Council's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation's objectives.

The Purpose of the Report

In accordance with the proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter, the Head of Internal Audit is required to provide a written status report to Senior Management and Members summarising:

- the status of live internal audit reports.
- an update on progress against the internal audit plan.
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact of the Head of Internal Audits annual opinion.

Internal audit reviews culminate in an opinion rating on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. Assurance opinions are categorised as follows:

Substantial A reliable system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

Adequate There is a generally reliable system of governance, risk management and control in place. Some issues of non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

Limited Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.

No Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control are inadequate to effectively manage risks in the achievement of the objectives for the area audited.

The ratings align with terminology widely used across the public sector. They provide objective definitions and improved understanding for areas of non-compliance or in monitoring the work required for any fundamental deficiency identified.

Internal quality assurance checks are undertaken at multiple points during all assurance and advisory reviews. This culminates in the Head of Audit signing off each audit report prior to its release. This provides consistency of assurance rating and robustness in the assurance the committee can take from the assurance levels awarded.

The audit manager is responsible for the effective and timely delivery of all audit plans across the council. The audit 2024/25 strategy sets out clear aims and outcomes for achieving an effective skilled workforce to deliver high quality audit assignments.

Performance Dashboard

Figure 1

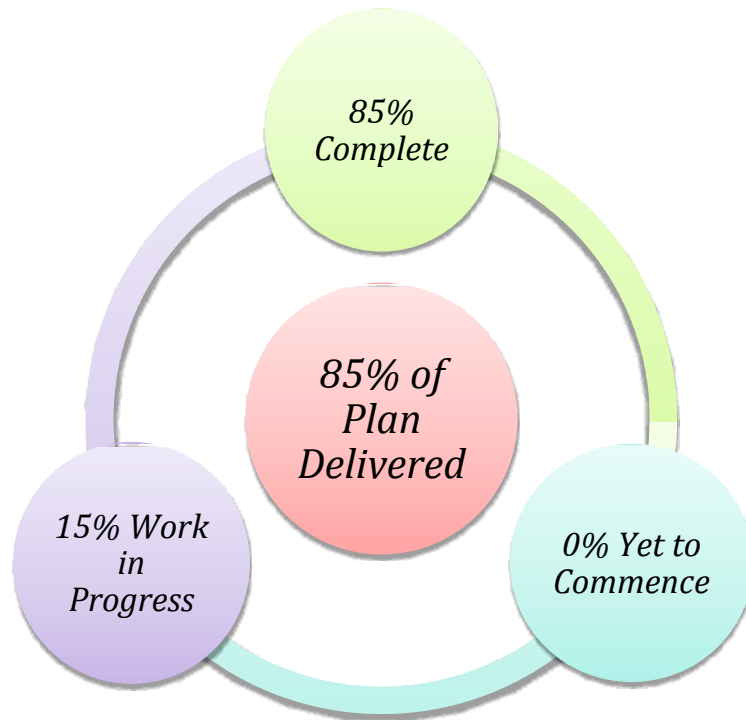


Figure 1 shows the completion of the 2024/25 internal audit plan to date. The ELDC audit team has remained stable and fully resourced throughout the year. This stability and improvement in high-quality assurance work and timely delivery of the annual audit plan has its roots in evidential based testing, triangulated discussion, strong quality oversight and developmental support.

85% plan delivery at the end of February 2025, represents good planning, engagement and delivery to timescale.

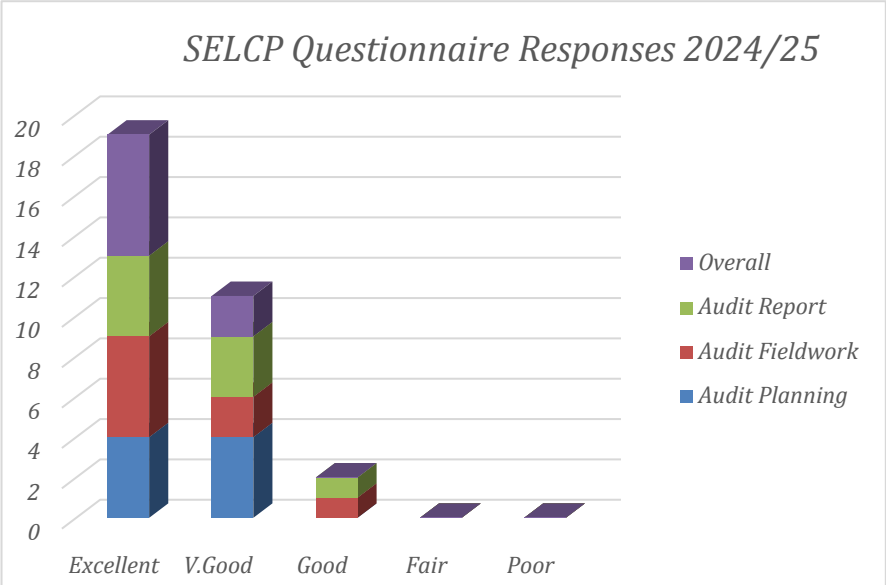
Feedback is an essential aspect of the audit programme and feeds into our internal quality assurance process. The format for feedback has been revised for 2024/25 to provide greater clarity on behaviours and actions of auditors from a client perspective and naturally supports the effective use of resources and conformance evidence with the new Global Internal Audit Standards.

ELDC officers have provided feedback responses for all requests from completed assignments. This supports a high level of management engagement with the feedback received being utilised to support continuous improvement within the audit team.

As part of the internal audit obligation to deliver continuous improvement the feedback process was digitised to aid efficiency for clients and improve internal analysis. The content for feedback was developed with a focus on each stage of audit delivery as well as professional attributes and engagement.

Figure 2 shows the feedback received to date from across the council for completed assignments. There is an expectation that all clients will provide feedback on their audit experience with the team. The results of audit feedback will be used by managers in developing team and individual improvements as well as to inform training requirements and quality learning across the entire audit team.

Figure 2



	Excellent	V.Good	Good	Fair	Poor
Audit Planning	4	4	0	0	0
Audit Fieldwork	5	2	1	0	0
Audit Report	4	3	1	0	0
Overall	6	2	0	0	0

Update on Internal Audit Activity

The new Global Internal Audit Standards (GIAS) come into effect from April 2025. The audit team have maintained a focus on modifying procedures to demonstrate alignment with the revised Standards. Analysis of current practice against the revised Standards has been completed and an action plan developed for preparedness. There are no significant changes required to the methodology and delivery plans across the team. Work has focused on formalising aspects of current informal planning and preparation work. The Standards will require additional involvement from the Audit Committee which the Audit Manager will assist and support with.

The new Standards have a greater emphasis on accountability, purpose, wider understanding and professional behaviour as well as independence and audit committee communication. Shaped into five domains with underlying principles. Each principle contains standards relevant to that principle, there are in total 15 principles and 52 standards.

Domain three covers governing the audit function, there is greater emphasis and evidence required of engagement around the purpose of internal audit with senior management and members of the audit committee.

Training with members took place in January 2025, there was good engagement and questions from the members of the committee. Further training is planned for 2025/26, including updates on the GIAS and audit charter.

Since the last progress report in January 25, four audits have been delivered in accordance with the internal audit plan, which was approved by the Audit Committee on March 2024. The remaining audits planned for delivery in quarter four are progressing in line with plans. The audits are:

- Staff awareness and training on cyber security and Capacity aims and priorities.

We have agreed with management to move the schedule ICT Cyber Security audit due in quarter four, to quarter one of next year.

We regularly report on whether agreed management actions from audits have been implemented by the agreed implementation date.

Through an agreed formal follow up process internal audit follow up, test and evidence that management actions have been implemented. Greater reliance can be placed on this evidential testing that control improvements are implemented in a timely way.

We have completed three follow up audits of procurement cards, Invest EL and payroll rec. All resulted in an improved assurance opinion.

Where actions have not been implemented new dates for completion are required from management. Changes to dates are reported to senior management and the audit committee, ensuring there is effective oversight and approval that agreed improvements to the control environment have not been actioned in the agreed timescales.

Analysis of Audit Reviews

The table below shows the audits completed since January 2025 along with details of the actions. The details of any overdue actions can be found in Appendix 1.

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Total Management Actions	Not Accepted	Not Yet Due	Completed				
								High	Medium	Low	Critical
2024/2025 Audits											
Payroll Reconciliations follow up	January 2025	S151 Officer	Substantial	1	0	1	0	0	1	0	0
Budget Monitoring revenue	February 2025	S151 Officer	Adequate	4	0	4	0	0	3	1	0
Invest EL follow up	February 2025	SLT	Adequate	9	0	9	0	0	5	4	0
Depot	March 2025	SLT	Adequate	5	0	5	0	0	5	0	0
TOTAL				19	0	19	0	0	14	5	0

Executive Summaries of 'Limited' or 'No' Assurance Opinions

The table below provides a summary of the limited or no assurance reports published since the last progress report. **There are none to report.**

Executive Summaries of ‘Substantial’ or ‘Adequate’ Assurance Opinions

The table below provides a summary of the substantial or adequate assurance reports published since the last progress report.

Audit Review Title: Budget Monitoring Revenue					
Audit Sponsor	Assurance Opinion/ Equivalent	Management Actions			
section 151 officer	Adequate	Low 1	Medium 3	High 0	Critical 0
Summary of Key Observations:					
<p>The review identified that the monitoring of the revenue budgets aligned to agreed practice. Testing revealed that financial information was made available to budget managers on a quarterly basis which facilitated effective monitoring and decision making. This was supported by finance business partners meeting with budget holders to identify reasons for variances, key concerns and forecast updates agreed for the financial year. Action plans aimed at addressing issues identified were initiated at meetings. The Service Level Agreement (SLA) specifies that budget monitoring should be conducted monthly to ensure timely identification of variances. It was noted that the shift to quarterly monitoring was approved by the S151 officer to streamline operations on a temporary basis. Monthly monitoring for high-risk budget areas would ensure a more robust oversight and enable earlier identification and correction of variances.</p> <p>Audit testing identified that budget adjustments were processed in compliance with financial procedure provisions, and supporting documentations retained to support actions taken. This ensured transparency, accountability and financial management.</p> <p>Internal Audit conducted a survey of budget holders to gain a wider insight into budget monitoring. Out of 95 budget holders surveyed, 37 responses were received giving a 39% return rate.</p>					

Responses showed that

- 38% agreed that training provided made the process more effective and efficient.
- 54% are clear on their role as budget holders.
- 40% refer to the financial procedures and constitution for guidance.
- 68% agreed that sufficient analysis of actual spend compared to budget was provided by finance business partners
- 68% agreed that periodic meetings with finance business partners were effective in providing robust financial monitoring
- 60% agreed that their finance business partners have developed a good understanding of their budgets and service areas.

Results also highlighted the following areas that require additional support and process / resource.

- 38% believed that training has not been effective and 56% have not received formalised training. It is noted that a training session on budget setting has taken place since the survey was completed.
- 55% do not have a robust understanding of the budget setting process.

The review found that escalation of potential budget overspends of over £20,000 to senior management was not being completed in line with directives agreed and stated as implemented as part of the previous financial resilience audit. This could impact timely intervention and decision making.

The review identified a requirement to improve budget holder training to increase proficiency in budget monitoring. Currently, reliance is placed on informal trainings during quarterly monitoring meetings which is insufficient and may result in inconsistencies across the service. Formal training would need to be delivered by the finance service provider to support effective budget management.

An adequate assurance rating has been provided for the revenue budget monitoring.

We would like to thank the members of the finance team and the budget holders we engaged with during the audit exercise.

- An overall review of capital budget monitoring should take place including processes and resourcing to ensure the system is working efficiently.

This audit assessed two key areas of the budgeting monitoring process: (1) The revenue budget monitoring and (2) Capital budget monitoring, each of which is assigned a separate assurance rating based on its performance and control environment.

An adequate assurance rating has been provided for the revenue budget monitoring with a limited assurance being awarded for the capital budget monitoring.

Audit Review Title: Payroll Reconciliation Follow Up					
Audit Sponsor	Assurance Opinion/ Equivalent	Management Actions			
SLT	Substantial	Low 0	Medium 1	High 0	Critical 0
<p>Summary of Key Observations:</p> <p>The Internal audit review of the payroll reconciliation follow up has provided a substantial rating over the internal controls and processes tested. The audit evidenced that five of the seven actions from the previous audit have been fully implemented, one has been partially implemented while an alternative control was developed for an action.</p> <p>Two key recommendations from the March 2024 audit related to the documentation of the process and the completion of the reconciliations on a monthly basis. Audit testing has confirmed that both recommendations have been implemented. Testing also confirmed that reconciliations were reviewed after completion for accuracy and completeness by the Deputy Chief Financial Officer (DCFO) and signed off in line with the process timeline.</p>					

Internal Audit identified that there is a process in place to provide cover and continuity of service when key staff are absent. The adoption of this process was a key action from the previous report and is now implemented. The implementation of agreed management actions provides increased assurance that reconciliations will be completed and will not become delayed and behind schedule.

A medium recommendation was evidenced as partially implemented. The account code mapping issues on the payroll and finance system have to be corrected on a monthly basis. Liaison has taken place with the payroll provider and action taken aims to resolve the issue in November 2024. At the time of this audit assignment, it was not possible to provide any further assurance on this action.

Audit testing from the budget monitoring audit 2024/25, confirmed that quarterly salary budget reviews between budget holders and finance staff were taking place which identify and correct inaccuracies. In addition, additions and variance checks are performed on a monthly basis to mitigate the risk of payroll fraud. Whilst the original action which required sense checking payroll runs against previous periods was not implemented, the alternative actions are sufficient to address the risk.

One medium rated recommendation has been provided to support the implementation of the outstanding actions and improve the control environment.

Audit Review Title: Invest East Lindsey					
Audit Sponsor	Assurance Opinion/ Equivalent	Management Actions			
SLT	Adequate	Low 4	Medium 5	High 0	Critical 0
Summary of Key Observations:					

Internal audit tested that 19 previously identified internal audit recommendations and four external audit recommendations related to Invest East Lindsey for their effective implementation. The audit was able to confirm that of the 23 recommendations in total, 12 have been fully implemented and eight had been partially implemented.

Audit were unable to provide assurance on three recommendations that related to member and management oversight due to the absence of key decisions from the Executive Board or Council during the follow up review period from September 2023 to January 2025. This does not imply that the actions have not been implemented, just that the actions had not gone through the agreed process for us to test and verify.

The review identified that Invest East Lindsey has established comprehensive policies and procedures, including financial regulations, dividend payment arrangements, a shareholder's agreement, and a director's handbook. These improvements provide a solid foundation for enhanced governance and operational efficiency.

The review confirmed that several areas within the recommendations still require strengthening to fully implement the actions agreed upon in the original reports. This includes

- Implement comprehensive risk management processes to ensure effective tracking, accountability, and oversight.
- Ensuring that all relevant updates, including high-level financial summaries, audited accounts, and company performance overviews, are consistently provided to ELDC Audit & Governance (A&G) Committee and Executive Board.
- Implement an approval process for money transfers which includes clear guidelines and requires prior approval and dual authorisation from approved personnel.

As a result of the audit work undertaken and the satisfactory evidence available, an **adequate** assurance rating has been awarded.

Audit Review Title: Depots					
Audit Sponsor	Assurance Opinion/ Equivalent	Management Actions			
SLT	Adequate	Low 0	Medium 5	High 0	Critical 0
<p>Summary of Key Observations:</p> <p>Internal audit's review of the plans to identify a suitable site for the required waste depot at Boston Borough Council found that there were effective governance arrangements in place with oversight provided by the waste improvement programme board. Audit testing confirmed there is effective governance with all decisions and recommendations being the responsibility of the chair, who represents senior management on the board. Updates on progress are reported along with issues, risks and recorded actions. Internal audit are able verify that progress reports have been presented to cabinet for discussion and review.</p> <p>Internal audit confirmed that external expertise was appointed to evaluate different options for future depot provision, supporting alignment with the council's business objectives. Senior management applied their appraisal to develop a comprehensive project initiation document aimed at identifying a suitable depot site for BBC. The council has been engaged with agents in searching for a suitable site and a plot of land adjacent to the existing depot was identified in January 2025.</p> <p>The existing plans and evidenced approach provide an adequate level of assurance that the council is preparing for the next stage of the project. A dedicated programme manager and project officer have been appointed to provide project management support. Five medium recommendations have been made to strengthen the waste improvement programme, enhance risk management and improve scrutiny. The key recommendations are: Review the risk management approach and risk registers to support effective risk management of the project.</p>					

Planning and Resourcing

For 2024/25 we currently have sufficient resource in place to deliver the plan agreed for 2024/25, as agreed by the Committee in March 2024. The table below shows delivery progress for the audit assignments planned for the whole year of 2024/25. Whilst there is an indicative plan agreed, we retain a flexible approach to regularly reviewing our plan to ensure we can respond adequately to the council’s risk needs and profile should that change mid-year. Any changes or amendments will be shared with the committee along with risk-based rationale and any arising implications.

There has been one addition to the audit plan. Through discussion with the S151 officer, we have identified risks within the insurance function and have included an audit in Q2 to assess the controls and governance for insurance tendering processes and staff capacity and capability to manage the service.

Work Plan 2024/25

Audit Review	Audit Sponsor	Scoping	Audit Objective	Fieldwork	Draft Report	Final Report	Assurance Opinion or Equivalent
ASSURANCE WORK 2024/2025							
Q1 - PSPS SLAs and Performance	Senior Leadership Team (SLT)	}	}	}	}	}	Adequate
Q1 - Performance Management	SLT	}	}	}	}	}	Adequate
Q1 – Governance Consultation	SLT	}	}	}	}	}	Consultancy
Q1 - Update CF policies	SLT	}	}	}	N/A	N/A	Advisory

Q2 – Finance systems – Treasury Management.	SLT	∩	∩	∩	∩	∩	Adequate
Q2 – Finance systems – Housing Benefits	SLT	∩	∩	∩	∩	∩	Substantial
Q2 – Finance systems – Bank Reconciliations.	SLT	∩	∩	∩	∩	∩	Limited
Q2 – P-Card Follow Up	SLT	∩	∩	∩	∩	∩	Adequate
Q2 - Budget Monitoring	SLT	∩	∩	∩	∩	∩	Adequate
Q2 – Insurance - NEW	SLT	∩	∩	∩	∩	∩	Limited
Q3 - Capital Programme / Towns Fund	SLT	∩	∩	∩			
Q3 - Follow Up Payroll Reconciliation	SLT	∩	∩	∩	∩	∩	Substantial
Q3 - Transformation	SLT	∩	∩	∩	∩		Not Applicable
Q3 – Depots	SLT	∩	∩	∩	∩	∩	Adequate
Q3 - Combined Assurance	SLT	∩	∩	∩	∩		Assurance Report to Audit Committee March 2025
Q1/4 - Management Time	SLT						Not Applicable
Q4 - Capacity Aims and Priority	SLT	∩	∩	∩			
Q4 – ICT Areas cyber security	SLT	∩	∩				Postponed to Q1 2025/26
Q4 – Invest EL Follow Up	SLT	∩	∩	∩	∩	∩	Adequate

Overdue Medium and Low priority actions

There are none to report.