



Internal Audit Annual Report & Opinion 2024/25

The Head of Internal Audit is responsible for delivering an annual opinion and report to inform the Annual Governance Statement, concluding on the adequacy and effectiveness of the Council's governance, risk and control framework.

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1. Role of Internal Audit

The Council is required by the Accounts and Audit (England) Regulations 2015, to:

‘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.’

In fulfilling this requirement, the Council should have regard to the Public Sector Internal Audit Standards (PSIAS), as the internal audit standards set for local government. In addition, the Statement on the Role of the Head of Internal Audit in Public Service Organisations issued by CIPFA, sets out best practice and should be used to assess arrangements to improve audit quality and governance arrangements.

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.

Figure 1 International Professional Practice Framework (2017)



2. Internal Audit Approach

To enable effective outcomes, internal audit may deliver a combination of assurance and consulting activities. Assurance work involved assessing how well the systems and processes were designed and working, with consulting activities available to help to improve those systems and processes where necessary. A full range of internal audit services is provided in forming the annual opinion.

As the Head of Internal Audit, I review the approach to each audit, considering the following key points:

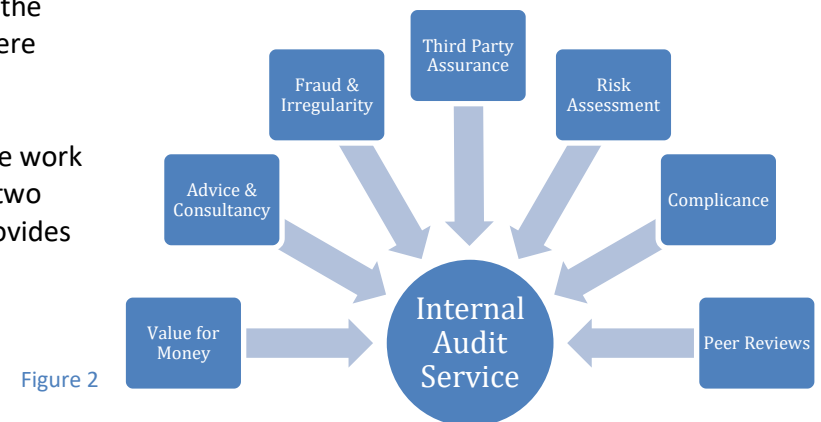
- Level of assurance required.
- Significance of the objectives under review to the organisation's success.
- Risks inherent in the achievement of objectives.
- Level of confidence required that controls are well designed and operating as intended.

All formal internal audit assignments will result in a published report. The primary purpose of the audit report is to provide an independent and objective opinion to the Council on the framework of internal control, risk management and governance in operation and to stimulate improvement.

For 2024/2025 the annual audit plan was developed from the facilitated combined assurance work undertaken in 2023/2024 and subsequent discussion with the corporate leadership team to reflect their changing risk profile and priorities. The annual plan was agreed at the Governance & Audit committee on 18 March 2024. From the original plan, one audit was deferred due to an LCC staffing issue, one audit was reduced in duration due to a scope review and two audits were added at the request of the Section 151 Officer. These amendments did not impact upon my ability to deliver an overall annual opinion.

Many aspects of routine audit delivery feed into the annual audit plan, which in turn supports the formation of an annual opinion. Figure 2 shows the main aspects that fed into the plan and were considered as part of the wider formation of that opinion.

As Head of Audit, I placed reliance on appropriate external assurance and third party assurance work which may contribute to the development of the audit plan and, by relationship between the two aspects, into the annual opinion. The International Professional Practice Framework (IPPF) provides guidance for the reliance upon such material, and this was followed in application.



3. Internal Audit Coverage

The annual internal audit plan was prepared to take account of the characteristics and relative risks of the Council's activities and to support the preparation of the Annual Governance Statement. Work was planned and performed to obtain sufficient evidence to provide reasonable assurance that the internal control system was operating effectively.

The 2024-2025 internal audit plan was considered by management periodically to complement our approach to flexible planning. The plan was informed by internal audit's own assessment of risk and materiality, in addition to consultation with corporate leadership to ensure it aligned to key risks facing the organisation. The plan remained fluid to enable responsiveness in the support of effective risk based focus and ensure that it continued to provide assurance, as required, over new or emerging challenges and risks that management needed to consider, manage, and mitigate.

All internal audit reviews included in appendix one culminated in an opinion 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.

Two consultancy audit reviews have taken place during the year with the intention of providing independently obtained evidence to inform areas for further development and/or improvement to procedural efficiencies and processes. Consultative assignments culminate in a written report, shared with the appropriate Director and officers, which detailed findings, identified root causes and proposed recommendations.

Consultative work is considered when forming my opinion and any action taken consequently is revisited when the assurance programme is considered in its entirety.

The audit programme includes follow up work to understand whether the risks identified during assurance assignments have evidence of actions being taken by management. This process results in an additional independent assessment of the impact and resultant risks once management action has been taken. The follow up programme is designed to support effective oversight of the risk profile as well as inform the Head of Internal Audit on the attitude of management towards monitoring and completing agreed actions to drive improvement.

4. Internal Audit Opinion

As Head of Internal Audit, I am responsible for the delivery of an annual audit opinion and report that can be used by the Council to inform their annual governance statement. The annual opinion concludes on one overall independent audit opinion supported by a narrative on the three key areas of governance, risk management and controls.

In giving this opinion, assurance can never be absolute and therefore, only reasonable assurance can be provided that there are no major weaknesses in the processes reviewed. In assessing the level of assurance to be provided, I have used the following to aid my opinion:

- ✓ Written reports on all internal audit work completed during the year (assurance and consultancy).
- ✓ Results of any follow up work undertaken in respects of previous years' internal audit work, including consultancy.
- ✓ The results of work other review bodies where appropriate.
- ✓ The extent of the resources available to deliver the internal audit work.
- ✓ The quality and performance of the internal audit service and the extend of compliance with the Standards.
- ✓ The proportion of the Council's audit need that has been covered within the period.

The assurance opinions are categorised as follows:

Substantial Assurance
<p>There is a sound framework of control operating effectively to mitigate key risks, which is contributing to the achievement of business objectives.</p> <ul style="list-style-type: none">• No individual audit engagement classed as limited or no assurance.• Occasional medium rated risks identified in individual audit engagements although mainly low weaknesses.• Internal audit has confidence in management's attitude to resolving identified issues.
Adequate Assurance
<p>The control framework is adequate and controls to mitigate key risks operate effectively, although some controls need to improve to ensure business objectives are met.</p> <ul style="list-style-type: none">• Medium risk rated weaknesses identified in individual audit assignments.• Isolated high rated risks identified for isolated issues.• No critical rated risks identified through the audit programme.• Internal audit is broadly satisfied with management's approach to resolving identified issues.

Limited Assurance
<p>The control framework is not operating effectively to mitigate key risks. A number of key controls are absent and/or are not being applied to meet business objectives.</p> <ul style="list-style-type: none"> • A significant number of medium and/or high rated risks identified in individual audit assignments. • Isolated critical and/or high rated risks identified that are not systemic. • Internal audit has concerns about management's approach to resolving identified issues.
Low Assurance
<p>A control framework is not in place to mitigate key risks. The Council is exposed to abuse, significant error or loss and/or misappropriation. Objectives are unlikely to be met.</p> <ul style="list-style-type: none"> • Serious systemic control weaknesses identified through aggregation of individual audit engagements. • Significant number of high and/or critical rated risks identified for isolated issues. • Internal audit has serious concerns about management's approach to resolving identified issues.
No Assurance
<p>Insufficient internal audit work has taken place during the period to substantiate an independent opinion. The rationale for this will be fully explained in the report.</p>
<p>Please Note</p> <p>Results and observations of internal audit advisory/consultancy work form an important part of the opinion. Where they have material weighting this will be fully explained in the report.</p> <p>Internal audit may downgrade an opinion based on the work of internal audit where it is aware of material findings by another trusted assurance party. This will be fully explained in the report.</p> <p>Circumstances may arise where internal audit is aware of specific issues with the control environment that negate the use of the framework. The rationale for such deviation will be fully explained in the report.</p>

Annual Audit Opinion 2024/2025
<p>I am satisfied that sufficient assurance work has been carried out to allow me to form a conclusion on the adequacy and effectiveness of the internal control environment.</p> <p>In my opinion the frameworks of governance, risk management and management controls provide adequate assurance.</p> <p>High rated risks identified through audit testing were isolated to specific areas such as outsource contract management and the application of adequate management oversight. To improve internal control further works should be undertaken to improve partnership working and second line assurance on process and policy delivery and monitoring.</p>

5. Key Observations on Governance, Risk & Control

Assurance Opinion From 2024-25 Reviews

Significant findings from our reviews have been reported to the Governance & Audit Committee throughout the year and a summary of the assurance opinions is outlined below.

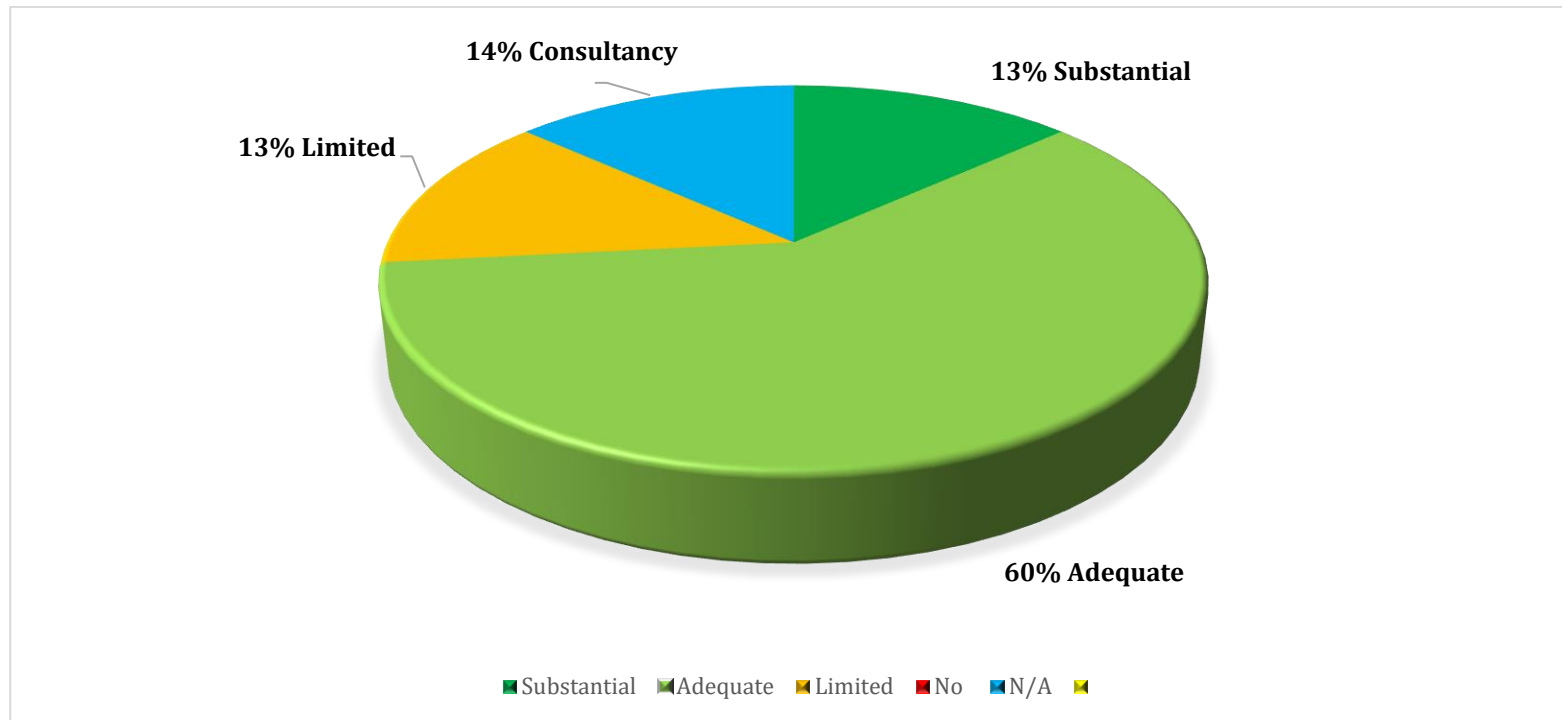


Figure 3

Consultancy work is undertaken at the request of management to aid their development of in house processes and assist in the implementation of improvement plans where needed. Assurance work provides the committee with an evidence based assurance rating in addition to the risk rated findings along with routine follow up reviews and resultant risk position.

Governance

Every assurance assignment includes a review of governance elements. Governance arrangements are considered during the planning and scoping of each review and in most cases, the scope of our work includes an overview of:

- the governance structure in place, including respective roles, responsibilities, and reporting arrangements,
- relevant policies and procedures to ensure that they are in line with requirements, regularly reviewed, approved, and appropriately publicised and accessible to officers and staff.

Based on the work completed during the year, and observations through a variety of management and governance meetings, in my opinion the governance frameworks in place across the Council are fit for purpose and subject to regular review. There is also appropriate reporting to the Governance & Audit Committee to provide the opportunity for independent consideration of assurance and included in-year updates and review of the Annual Governance Statement.

Risk Management

The evidence obtained during the review demonstrated that risk management arrangements were in place with strategic risk reviewed in line with the strategic approach agreed. Risk work continues to be delivered across service areas to further develop and support the embedding of risk understanding and application. Risk reports are reviewed and progress reported to senior officers and to the Governance & Audit Committee.

In accordance with the constitution, the Governance & Audit Committee play a key role in monitoring the effective development of risk management. The strategic risk register has been presented through appropriate committees and scrutiny groups for overview and the strategic risk register has featured as a regular agenda item throughout the year.

The risk registers are key documentation that is considered during the development of our risk based internal audit plan. The information in the risk register is considered when scoping each review in detail to ensure that our work is appropriately focussed. In my opinion the council has a risk framework in place which meets entry requirements for routine management oversight of the Council's objectives.

Control

Internal audit work found improvements across the internal control environment in comparison to 2023/24. As a result of testing within the internal control environment, there were no no-assurance ratings awarded. There was a reduction in the award of substantial ratings with an increase in adequate and limited assurance awards. This demonstrated that controls were sufficient in these areas and when tested were deemed to work effectively and support the delivery of corporate objectives.

Limited Assurance Review: Insurance

Insurance administration was outsourced by PSPS to TRF (including insurance contract renewal). Testing and interviews identified minimal evidence of assigned responsibility, routine contract management, documented procedure, and agreement and understanding of roles providing effective service delivery. There were no established processes for maintaining the council's asset registers for insurance purposes, which resulted in 2024/25 insurance contracts re-tender exercise requiring postponement for a year and existing contracts being extended. This was not compliant with the councils' procurement and contract regulations. Testing of current asset registers to insurance asset records identified records did not reconcile and presented as incomplete.

Limited Assurance Review: Finance Systems – Bank Reconciliation

Bank reconciliation involved a different process for each account with high levels of manual intervention and limited system automation which increased the risk of error and inaccuracies. An income system implementation project had commenced to add functionality to bank accounts management, but no further systems improvements were planned with management focused on addressing the backlog and maintaining that status. The service level agreements between the councils and PSPS set out expected delivery and performance reporting, including an agreed standard for monthly account reconciliations and related quarterly performance target reporting. Audit testing identified that reconciliations for seven accounts had been completed monthly in the last quarter, but two had not been completed. The timing and procedures for reporting details for quarterly performance targets had not been agreed at the time of the audit. There were continued impacts from staff turnover affecting upon organisation knowledge as well as capacity.

6. Additional Observations

Management Actions

During the year, there were delays in obtaining data necessary to perform audit tests and gaining unrestricted access to data, control systems and information. Further work needs to be undertaken to provide adequate access to support the audit plan delivery and provide efficiency in resource deployment. The delays impacted negatively upon our key performance indicators.

2025/26 will see a change of audit management personnel along with proactive engagement with the Section 151 Officer to aid audit delivery, access and efficiency.

Anti-fraud and Anti-corruption

The Council states that it is committed to the highest possible standards of openness, probity and accountability and recognises that the electorate need to have confidence in those that are responsible for the delivery of services. A fraudulent or corrupt act can impact on public confidence in the Council and damage both its reputation and image.

The Council maintains policies to support the effective management of the prevention, detection and investigation of possible fraud and corruption and has counter-fraud controls contained within key risk policies.

7. Quality Assurance, Improvement & Performance

The Standards require the Head of the Internal Audit to develop and maintain a Quality Assurance and Improvement Programme (QAIP) to enable the internal audit service to be assessed against the Standards (2017) and the Local Government Application Note (2019) (LGAN) for conformance.

The QAIP must include provision for both internal and external assessments: internal assessments are both on-going and periodical and external assessment must be undertaken at least once every five years. In addition to evaluating compliance with the Standards, the QAIP also assesses the efficiency and effectiveness of the internal audit activity, identifying areas for improvement.

An 'External Quality Assessment' of Lincolnshire County Council's Internal Audit Service was undertaken by CIPFA in May 2022. In considering all sources of evidence the external assessment team concluded: ***'It is our opinion that the Assurance Lincolnshire Partnership's (now known as LCC Internal Audit Service,) self-assessment is accurate and as such we conclude that they FULLY CONFORM to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note.'***

Disclosure of Non-Conformance

There are no disclosures of Non-Conformance to report. In accordance with Public Sector Internal Audit Standard 1312 [External Assessments], I can confirm that Lincolnshire County Council conforms to the definition of Internal Auditing; the Code of Ethics and the Standards.

Quality Control

The Internal Audit Service continues to provide a service that is responsive to the needs of the Council and maintains consistently high standards. In complementing the QAIP this was achieved in 2024-2025 through the following internal processes:

- Implementation and delivery of specific training needs for all internal auditors.
- Reviewed and updated internal systems and processes covering all aspects of delivery and quality assurance.
- Development of an overarching quality assurance framework to inform future training and support needs.
- Separation of the counter fraud and internal audit functions to enable appropriate skill alignment and collaborative working opportunities to respond to risks, demands and opportunities.

Internal Audit Performance

The following performance indicators are maintained to monitor effective service delivery:

Boston Borough Council – Performance Measures	
Audit Management	Performance Measure
Annual Plan presented to Governance & Audit Committee by 31 st March.	Yes
Annual Internal Audit Report presented to Governance & Audit Committee by 30 th July.	Yes
Completion of Annual Audit Plan	100%
Individual Assurance Assignments	
Timescales	
• Draft report issued within 10 working days of completing audit.	73%
• Final report issued within 10 working days of closure meeting/receipt of management responses.	92%
• Individual audit assignment in timescales delivered as agreed in the latest internal audit plan.	63%
Percentage of recommendations agreed.	100%
Client feedback on Audit (average)	Very Good

Acknowledgement

I would like to take this opportunity to give my genuine thanks to all those staff and officers throughout the Council with whom internal audit have made contact in the year.

Appendix 1: Summary of assurance reviews throughout 2024/2025

Substantial Assurance: 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.	
<ul style="list-style-type: none"> Financial Systems: Treasury Management Financial Systems: Housing Benefits 	
Adequate Assurance: 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.	
<ul style="list-style-type: none"> PSPS SLA and Performance Performance Management P-Card Follow Up Visit Budget Monitoring Capital Programme/Towns Fund Follow Up Payroll Reconciliation Aims, Capacity and Priority Waste Depots Cyber Threat Training 	
Limited Assurance: 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.	
<ul style="list-style-type: none"> Finance Systems – Bank Reconciliations Insurance 	
No Assurance: 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.	
No assignments were awarded no assurance.	

Summary of consultancy work outcomes 2024/2025

Assurance Area	Outcome Summary
Combined Risk	Facilitated workshop for management to provide an overview of assurance sources for each directorate and service area with a focus on risks and risk management. Outcomes included a good level of awareness across assistant directors and managers on how their services are performing and their ability to identify potential issues.
Transformation	The review provided recommendations to improve governance arrangements and introduce formality to engagement and reporting processes.
Governance consultancy	The review provided recommendations to improve questioning, the development of assurances sought and improve processes to assist with medium term thematic awareness.