Internal Audit Progress Report – January 2026.

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

Table of contents

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 relevant for the financial year 2025/26 relating to proper practices are laid down in the Global Internal Audit Standards, 2024 and the Application Note: Global Internal Audit Standards in the UK Public Sector, 2025.

The role of internal audit is best summarised through the purpose statement contained within the Standards, which states:

"Internal audit strengthens the organisation's ability to create, protect, and sustain value by providing the board and management within independent, risk-based and objective assurance, advice, insight and foresight.
Internal auditing enhances the organisation's:

- *Successful achievement of its objectives.*
- *Governance, risk management and control processes.*
- *Decision-making and oversight.*
- *Reputation and creditability with their stakeholders.*
- *Ability to serve the public interest.*

Internal audit is most effective when:

- it is performed by competent professionals in conformance with the GIIA Standards, which are set in the public interest.
- The internal audit function is independently positioned with accountability to the board.
- Internal auditors are free from undue influence and committed to making objective assessments.

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 on 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.

Internal quality assurance checks are undertaken at multiple points throughout assurance and advisory reviews. This culminates in the Head of Internal Audit signing off each audit report prior to its release which includes the approval of the final assurance award.
This approach provides consistency in assurance ratings and robustness in the level of assurance the committee can take from assurances.

Performance Dashboard

Figure 1
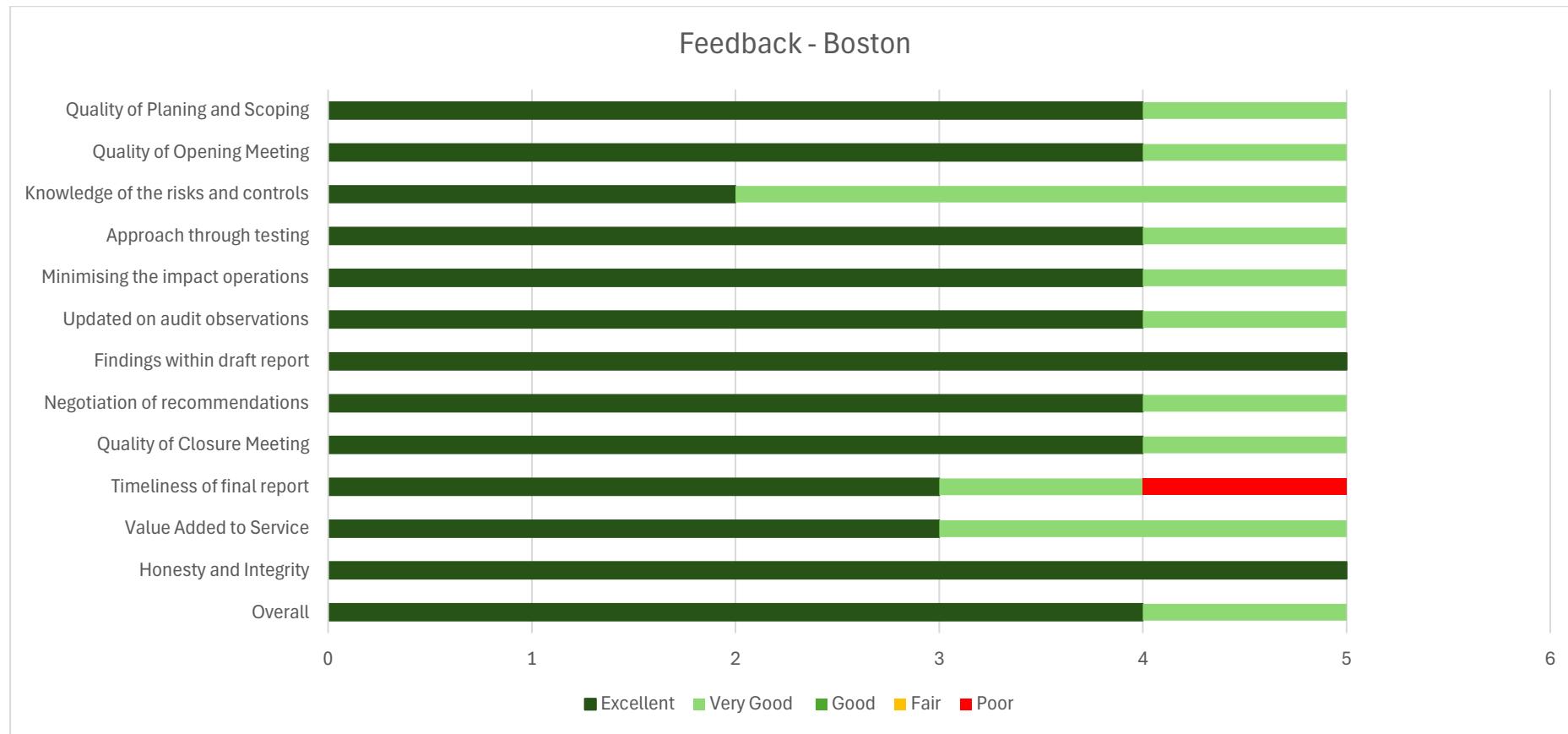
Feedback is an essential aspect of our internal quality assurance programme. Post audit feedback questionnaires (PAQs) are issued after every audit assignment. For completed 2025/26 audits officers provided feedback responses to five of the eight requests issued following completed audit assignments. The response rate has raised concerns relating to a perceivable lack of management engagement with the internal audit service. Details of this have been raised by internal audit with the senior leadership team.

Figure 1 summarises the feedback received from the following reviews risk register, ICT cyber security, leisure services, Section 106 funding and feedback from the advisory review relating to values. As demonstrated by the data, the majority of feedback received has been positive. The poor graded feedback concerns the ICT cyber security review delivered by a specialist third party, was discussed at the November audit committee.
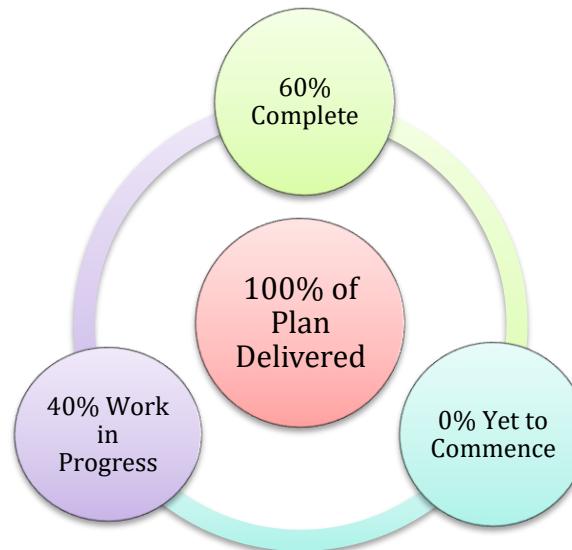
Figure 2 audit plan delivery

Figure 2 the internal audit plan is progressing as expected, with 60% of the plan completed by the end of quarter three. Tracking processes have been a focus for development during the current year along with improving and communicating the importance of tracking delivery and performance. The delivery model has delivered efficiency as a result of improvements made.

This financial year to date as seen the internal audit team adequately resourced to deliver the agreed audit plan, advisory engagements, and follow-up activity. The team utilised contingency within the annual audit plan to address risk-based needs arising during the year. In addition, the team continued to enhance its advisory function with the intention to and raise awareness and sharing lessons learned to support strong governance, effective risk management, and robust control processes.

There has been no recruitment during the current year as the team has no vacancies. All senior auditors are supervised by a qualified and skilled principal auditor. Management and quality processes have been sufficient to monitor conformance with the IIA's Global internal Audit Standards and CIPFA's Application Notes.

Analysis of 'live' Audit Reviews

Table 1

Internal audits in progress				
Assignment Area	Audit Profile	High Level Risks	Completion Due	Audit Sponsor
Planning	High	Assess the effectiveness of phase one of the planning service review across SELCP, focusing on governance, performance, and compliance. Evaluate whether the shared management structure and associated changes have been implemented effectively and are delivering against strategic objectives.	December 2025	AD Planning
Finance Resilience including Skills Capacity and Management Code Compliance	High	Provide assurance on the administration of grants and funds. A fundamental enabler of the council's corporate plan and key priorities. Review delivery, resource and risk management of grant funded programmes.	December 2025	Section 151 Officer
Health and Safety Actions Implementation	High	The audit will assess whether procedures are consistently applied, responsibilities and deadlines clearly assigned, and evidence is maintained to confirm implementation. The review will also examine governance and escalation arrangements to ensure overdue actions are addressed promptly and that reporting to SLT and Committees accurately reflects the true position of H&S compliance.	December 2025	Director of Communities
ICT AI Governance	Medium	To assess how AI, automation, and algorithm-supported processes are currently being used or explored across the Partnership, including services delivered by PSPS, and to assess whether there are appropriate controls in place. This includes reviewing governance, data protection considerations, user accountability, and preparedness for risks arising both from internal use of AI and from AI-generated information received from external sources.	March 2026	AD Corporate

Identification and Monitoring of Savings	High	To provide assurance that the newly developed systems for the identification and monitoring of savings targets across the partnership have been implemented and managed effectively as part of the budget setting process for 2026/27.	March 2026	Section 151 Officer
Disability Facilities Grants	Medium	To assess whether key risks associated with DFG delivery—particularly legal compliance, timeliness, fraud, quality of adaptations, governance, and use of Better Care Fund allocations—are being effectively identified, managed, and monitored across the Partnership.	March 2026	AD Communities and Housing Services

Table 2

Draft internal audit reports issued, awaiting management responses				
Assignment Area	Report due to Committee	Management Responses Overdue	Assurance Rating	Audit Sponsor
Funds and Grants Administration and Planning	January 2026	Yes. A closure meeting was held on 26 November 2025. Four medium-level actions were identified, and no management responses have been provided to date.	Adequate	Section 151 Officer

Final internal audit reports completed		
Assignment Area	Assurance rating	Findings Summary
Identification and monitoring of savings	Insufficient Controls	The audit was unable to establish sufficient first or second-line controls to test for adequacy and fulfil the agreed assignment scope to provide a reliable assurance rating. Seven key findings were reported with five root causes identified. The recommendations included for management to take immediate action to implement effective, formal and management led controls to provide a foundation level for the control environment and that an assurance driven audit is rearranged to provide an update on systems and processes implemented. A repeat audit will be undertaken once sufficient controls have been implemented. This anticipated to be in quarter four.
Risk Register Review	Adequate	The review identified one high, four medium and one low rated finding requiring management action to address. Risk register for Boston Borough Council met core requirements, but several risk entries lacked measurable outcomes, assigned ownership, and strategic objective alignment. Controls and mitigations were inconsistently recorded, with no formal validation process or assessment of effectiveness. Risk

		appetite was referenced but not formally defined or applied. Training records were unavailable due to the absence of a central tracking system. While oversight, by the Audit Committee and senior leadership was evident, report formats and executive summaries were often unclear or overly detailed. Strengthening documentation, formalising risk appetite, and improving strategic alignment and oversight would enhance risk management effectiveness.
ICT Cyber Security	Adequate	The review identified five medium rated findings requiring management action to address. Cyber security controls across Boston Borough Council were generally well-managed, supported by a formal strategy, ICT roadmap, and structured governance. The IT team had defined roles and processes, with cyber risks reviewed and reported appropriately. A successful ransomware simulation and appropriate network monitoring were noted. Testing identified the absence of documented procedures for threat escalation, undefined remediation timescales, and unresolved vulnerabilities without senior approval. Threat scanning intervals did not align with vendor guidance, and oversight reports lacked full visibility of identified risks. Addressing these areas would strengthen cyber resilience and assurance.
Values (Advisory)	N/A	The review identified seven key findings. Internal Audit identified that Boston Borough Councils commitment to its values framework through the workforce development strategy, though its revision for 2025/26 was delayed. Testing identified that values were not consistently linked to staff conduct codes, and the workforce strategy lacked provisions for accountability or consequences. Induction processes did not include a standard checklist for values training, limiting assurance. Communication methods varied, with some staff missing key information, and appraisals did not require reflection on values. Delays in completing appraisals further hindered performance discussions. Strengthening links between values, conduct, and performance processes would improve consistency and accountability.
Capital Budget Monitoring	Adequate	The review identified one medium rated finding requiring management action to address. Internal audit testing confirmed that updates to the capital budget monitoring process, completed in preparation for the 2025/2026 financial year, had been implemented effectively in Quarter one. Meetings with budget holders were documented using software, and agreed actions were recorded on SharePoint for monitoring, with relevant mitigations completed. Outcomes of these meetings were shared with Assistant Directors, and regular discussions were held with the Section 151 Officer regarding the position of budgets within the capital programme. Audit testing evidenced a clear audit trail for amendments to capital budgets, in line with financial regulations and procedures at each council. The Section 151 Officer had developed guidance for the 2026/2027 budget-setting process, including a review of the capital programme to ensure future revenue impacts were considered. The Capital Monitoring Team operated at full capacity, and further development was planned to ensure all expenditure was included in monitoring. Overall, internal audit testing confirmed that key risks relating to capital budget monitoring were managed effectively.

PSPS Contract Management	Adequate	The review identified eight medium and one low rated finding's requiring management action to address. Audit testing confirmed that the contract had been monitored by the Shareholder Board, Stakeholder Board, and Client Liaison Group, attended by councillors and officers from the partner councils and PSPS. KPIs were in place within individual Service Level Agreements and monitored through regular liaison, with systems established to ensure compliance with TECKAL guidance. A medium risk relating to the PSPS relationship was recorded in the partnership risk register, although one council's operational register did not include PSPS-related risks. The audit noted ongoing reviews of resourcing in finance and service delivery in light of potential Local Government Reorganisation changes. Separation of duties existed for PSPS Board members; however, not all councillor board members had declared their roles in published interests. While specific contract management was not in place, governance arrangements covered key elements effectively, though some internal controls required strengthening to maintain effectiveness.
Leisure Services Procurement	Substantial	No findings were identified during the review. Audit testing confirmed full compliance with the Public Contracts Regulations 2015 during Stages 1 and 2 of the procurement, with legal scrutiny applied at each stage and governance evidenced through senior leadership oversight, member briefings, and Joint Scrutiny Committee involvement. Documented procedures and templates had been followed, and evidence showed clear segregation of duties across procurement design, bid evaluation, legal review, and decision-making. Whistleblowing arrangements were in place across the councils and PSPS, reducing bias and supporting impartiality in line with Regulation 24. Testing of Stage 3 found no issues, and the procurement was expected to conclude within anticipated timelines, meeting regulatory requirements and strategic objectives. Overall, substantial assurance was provided that controls and processes for managing the procurement were operating effectively.
Section 106	Adequate	The review identified five medium rated findings requiring management action to address. Internal audit testing confirmed that documentation for the allocation of s106 funds was accurate and supported by regular stakeholder engagement. Monitoring records aligned with published Infrastructure Funding Statements (IFS) as required under the Community Infrastructure Levy Regulations, and budget monitoring was integrated with financial reporting. However, the statutory deadline for IFS publication was missed at ELDC and BBC, and s106-related risks were not formally recognised within operational risk registers. Delays in implementing the Uniform planning system also affected progress towards aligning planning processes across the partnership. While key risks were managed effectively, internal audit identified areas where controls could have been strengthened.

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

There have been no finalised limited or no assurance awards for April to December 2025.

Planning and Resourcing

Table four shows delivery progress against the annual audit plan agreed by the Committee in March 2025.

Table five shows delivery progress for advisory engagements. The team 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 and agree to share changes or amendments with the audit committee along with risk-based rationale and any arising implications.

The audit team is adequately resourced to deliver the remainder of the audit plan for 2025/26. An annual report and opinion will be presented to the audit committee in July 2026 which will include all outcomes. It is expected the audit programme will be delivered in its entirety and will be sufficient to inform the annual audit opinion.

Table 4 – Audit plan delivery

Audit Review	Audit Sponsor	Scoping	Audit Objective	Fieldwork	Draft Report	Final Report	Assurance Opinion or Equivalent
ASSURANCE WORK 2024/2025							
Risk Register Review	Monitoring Officer	✓	✓	✓	✓	✓	Adequate
Capital Budget Monitoring	S151 Officer	✓	✓	✓	✓	✓	Adequate
ICT Cyber Security	AD Corporate	✓	✓	✓	✓	✓	Adequate
Identification and Monitoring of Savings	S151 Officer	✓	✓	✓	✓	✓	Insufficient Controls Report
PSPS Contract Management	S151 Officer	✓	✓	✓	✓	✓	Adequate

Audit Review	Audit Sponsor	Scoping	Audit Objective	Fieldwork	Draft Report	Final Report	Assurance Opinion or Equivalent
Leisure Services Procurement	AD Leisure & Local Services	✓	✓	✓	✓	✓	Substantial
Funds and Grants Administration and Planning	S151 Officer	✓	✓	✓	✓		Adequate
Section 106	AD Planning	✓	✓	✓	✓	✓	Adequate
Health and Safety Actions Implementation	Director of Communities	✓	✓	✓	✓		
Planning	AD Planning	✓	✓	✓			
Finance Resilience including Skills Capacity and management Code Compliance	Section 151 Officer	✓	✓	✓			
ICT AI Governance	AD Corporate	✓	✓				
Identification and Monitoring of Savings	S151 Officer	✓	✓				
Disability Facilities Grants	AD Communities and Housing Services	✓	✓				

Table 5 – Advisory assignment delivery

Audit Review	Audit Sponsor	Scoping	Audit Objective	Fieldwork	Draft Report	Final Report	Assurance Opinion or Equivalent
ASSURANCE WORK 2024/2025							
Values	Monitoring Officer	✓	✓	✓	✓	✓	Not Applicable

Appendix 1 Overdue management actions

Table 6 presents the outstanding management actions from 2021/22. The outstanding high management action from 2020/21has been extended to 31 March 2026. This is due to the income system that is used to take payments being upgraded. Implementation has been delayed. Alongside the upgrade there is a solution for taking card payment over the phone which will support PCIDSS compliance. The extension has been supported.

Table 7 shows those from 2024/25. Three medium management actions from the Towns Fund and Capital Programme review have been extended at the request of the AD Growth to allow for a service review to be concluded and recommendations implemented.

Table 6-Management Actions (2020-2021)

Audit Year	Audit	Audit Report Date	Audit Sponsor	Assurance Opinion	Management Actions Total	Management Actions - Closed	Management Actions - Not Due	Management Actions - Follow Up Required	Open Management Actions - Risk Analysis			
									Critical	High	Medium	Low
2021/22	BBC - Key Controls testing	Jun-22	S151 Officer	Substantial	6	5	1	0	0	1	0	0
TOTAL					6	5	1	0	0	1	0	0

Table 7-Management Actions (2024-2025)

Audit Year	Audit	Audit Report Date	Audit Sponsor	Assurance Opinion	Management Actions Total	Management Actions - Closed	Management Actions - Not Due	Management Actions - Follow Up Required	Open Management Actions - Risk Analysis			
									Critical	High	Medium	Low
2024/25	SELCP - Housing Benefits and Council Tax Support	Dec-24	S151 Officer	Substantial	1	0	1	0	0	0	1	0
2024/25	SELCP - Towns Fund and Capital Programme	May-25	AD, Growth	Adequate	4	1	3		0	0	3	0
TOTAL					5	1	4	0	0	0	4	0

Table 8 below shows all actions now under internal audit management and oversight. During quarter three follow up reviews were conducted resulting in the evidenced closure of 11 actions, 27 actions were not due at the time of extracting the data. Quarter four will see eight of the outstanding actions reviewed for effective implementation and reported as part of the final yearend report. The audit team have improved follow up procedures now that the team are proficient in assessing the adequacy and effectiveness of management actions. A programme of delivery is in place to provide the committee with the residual risk should management actions remain outstanding after the agreed implementation date, or if actions fail to mitigate the finding and associated risk to the council.

Future reports will inform the committee should any dates be delayed by management alongside their rationale.

Table 8

Audit Year	Audit	Audit Report Date	Audit Sponsor	Assurance Opinion	Management Actions Total	Management Actions - Closed	Management Actions - Not Due	Management Actions - Follow Up Required	Open Management Actions - Risk Analysis			
									Critical	High	Medium	Low
2024/25	Budget Monitoring - Revenue	Mar-25	S151 Officer	Adequate	4	3	1	0	0	0	1	0
2024/25	Capacity, Aims and Priorities	Apr-25	AD, Corporate	Adequate	4	3	1	0	0	0	1	0
2024/25	Insurance	Jan-25	S151 Officer	Limited	8	6	2	0	0	2	0	0
2024/25	Bank Reconcilations	Sep-24	S151 Officer	Limited	3	2	1	0	0	0	1	0
2025/26	Risk Register Review	Jul-25	AD, Governance	Adequate	6	0	6	0	0	1	4	1
2025/26	ICT Cyber Security	Aug-25	AD, Corporate	Adequate	5	4	1	0	0	0	1	0
2025/26	Capital Budget Monitoring	Sep-25	S151 Officer	Adequate	1	0	1	0	0	0	1	0
2025/26	Section 106	Oct-25	AD, Planning	Adequate	5	0	5	0	0	0	5	0
2025/26	PSPS Contract Management	Oct-25	S151 Officer	Adequate	9	0	9	0	0	0	8	1
TOTAL					45	18	27	0	0	3	22	2