



Chelmsford City Council Audit and Risk Committee

24th June 2026

Internal Audit Annual Report 2025/26

Report by:

Audit Services Manager

Officer Contact:

Elizabeth Brooks, Audit Services Manager, elizabeth.brooks@chelmsford.gov.uk

Purpose

This report summarises the work that Internal Audit has undertaken during the financial year 2025/26 and provides details on the high risk and priority issues which could impact on the effectiveness of the internal control environment, risk management and governance arrangements across the Council.

Recommendations

Committee are requested to note the content of the 2025/26 Annual Report, including the Annual Opinion and the basis on which this opinion is based.

1. Introduction

- 1.1. The provision of a continuous internal audit service assists the Council in providing assurance on the control environment that support the delivery of the Council's strategy.
- 1.2. The Internal Audit Annual Plan for 2025/26 was approved by Audit and Risk Committee in February 2025. This report summarises the work that Internal Audit has undertaken during the financial year 2025/26, highlights how responsive management have been in implementing recommendations and the results of the service's Internal Quality Assessment.
- 1.3. Internal Audit Standards require that the Audit Services Manager provides a conclusion at organisation level about the effectiveness of governance, risk management, and/or control processes. Such a conclusion should reflect the professional judgment of the Audit Services Manager based on multiple engagements and must be supported by

relevant, reliable, and sufficient information as set out in this report.

2. Conclusion

The Internal Audit Annual Report 2025/26 is attached for Audit & Risk Committee to note.

List of appendices: Internal Audit Annual Report 2025/26

Background papers: None

Corporate Implications

Legal/Constitutional: The Council has a duty to maintain an effective internal provision to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance (Regulation 5 (Part 1) of the Accounts and Audit Regulations 2015). Chelmsford City Council's internal audit function will adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements.

Financial: Failure to have appropriate risk management arrangements puts the Council financial management in a weakened position and therefore increases the risk of failing to deliver Our Chelmsford Our Plan

Potential impact on climate change and the environment: None

Contribution toward achieving a net zero carbon position by 2030: None

Personnel: None

Risk Management: The scope of Internal Audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit & Risk Committee, management and outside parties (e.g. External Audit) on the adequacy and effectiveness of governance, risk management, and control process for Chelmsford City Council.

Equality and Diversity: None

Health and Safety: None

Digital: None

Other: None

Consultees: Management Team received the Internal Audit Annual Report in May 2026.

Relevant Policies and Strategies: None

Internal Audit Annual Report 2025-26

1. Introduction

1.1. Purpose of this report

1.1.1. This report summarises the work that Internal Audit has undertaken during the financial year 2025/26 and provides details on the high risk and priority issues which could impact on the effectiveness of the internal control environment, risk management and governance arrangements across the Council.

1.2. The Role of Internal Audit

1.2.1. The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. The purpose of Chelmsford City Council's Internal Audit section is to provide independent, objective assurance and consulting services to the Council (via the Audit & Risk Committee, Chief Executive, Section 151 Officer, External Audit and senior managers), relating to these arrangements, which are designed to add value and improve the Council's operations. The Council's response to Internal Audit activity should lead to the strengthening of the control environment.

1.2.2. Each year, we seek to adapt and enhance our audit approach in order to take in to account the Council's risk profile and changes in the system of internal control. This ensures that our work remains focused on the areas of high risk and seeks to avoid duplication of effort, where there are other sources of assurance in operation, for example, External Audit.

1.2.3. Internal Audit remains free from all conditions that threaten the ability of the Council's Internal Auditors to carry out their responsibilities in an unbiased manner, including matter of audit selection, scope, procedures, frequency, timing and report content. If the Audit Services Manager determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties. This has not arisen for 2025/26. The Council's Internal Auditors also maintain an unbiased mental attitude that allows them to perform engagements objectively. Internal Auditors have had no direct operational responsibility or authority over any of the activities audited.

1.2.4. Our Internal Audit Charter was presented to Senior Management and Audit & Risk Committee in March 2026 and will continue to be updated and appended to the Internal Audit Plan each year.

1.3. Overview of the Internal Audit Approach

1.3.1. Internal Audit Standards require that the Audit Services Manager provides a conclusion at organisation level about the effectiveness of governance, risk management, and/or control processes. Such a conclusion should reflect the professional judgment of the Audit Services Manager based on multiple engagements and must be supported by relevant, reliable, and sufficient information.

1.3.2. This is achieved through a risk-based plan of work, agreed with management and approved by the Audit & Risk Committee, which should provide a reasonable level

of assurance, subject to the inherent limitations set out in Appendix D. The opinion does not imply that Internal Audit has reviewed all risks relating to the organisation.

1.3.3. Internal audit work was performed in accordance with the Council’s Internal Audit methodology which is in conformance with Public Sector Internal Audit Standards, as supported by the External Quality Assessment (EQA) in December 2024.

1.3.4. The audit plan for 2025/26 was approved by Audit and Risk Committee in February 2025. Internal Audit Team resource comprised of the Audit Services Manager and 1.5 FTE Senior Auditors during 2025/26.

2. Internal Audit Opinion

2.1. Internal Audit is satisfied that sufficient internal audit work has been undertaken to allow an opinion to be given as to the adequacy and effectiveness of governance, risk management and control. In giving this opinion, it should be noted that assurance can never be absolute. The most that the internal audit service can provide is reasonable assurance that there are no major weaknesses in the system of internal control.

2.2. In assessing the level of assurance to be given, the following has been considered:

- All audits undertaken in the year
- Any follow up action taken in respects of audits from previous periods
- The effects of any significant changes in the Council’s systems or objectives
- Any limitations which may have been placed on the scope of internal audit
- The extent to which resource constraints may impact on the Audit Service’s Manager ability to meet the needs of the organisation
- The results of work performed by other assurance providers, such as External Audit.

OVERALL OPINION	<p>Moderate Assurance – overall the Council’s systems for control, risk and governance are generally adequate with some improvement required to address areas of weakness and non-compliance in the framework of governance, risk management and control which potentially put the achievement of objectives at risk. Please see our Summary of Findings in Section 4.</p> <p>Internal Audit reached this conclusion because medium risk rated weaknesses identified in individual assignments are not significant in aggregate to the system of internal control, high risk rated weaknesses identified in individual assignments are isolated to specific system or processes, and none of the individual assignment reports have an overall classification of critical risk and/or no assurance. This opinion has been derived from consideration of the detail below. An explanation of the types of opinion that may be given can be found in Appendix B.</p>
----------------------------	---

3. Other Sources of Assurance

3.1. Risk Management Framework

The Council’s Risk Management Framework was updated in 2025 and recognises that to be effective, it should assist the Council to identify, understand and manage risks to achieving its objectives, provide risk information to support decision-making, improve compliance with policies, procedures, laws and regulations and stakeholder expectations and provide assurance to internal and external stakeholders that the Council is well-managed.

The Principal Risk Register is central to the risk management framework, owned by Management Team and covers the Council's strategic risks which require regular oversight at senior level to ensure that, where necessary, action is taken to further mitigate risks outside the Council's indicative risk appetite. Corporate Risk Management liaise with nominated Risk Owners, Service Managers and Directors to update each Principal Risk, and report bi-annually to Management Team and Audit and Risk Committee to facilitate their monitoring and oversight. A full detailed update of the Principal Risk Register was undertaken twice during 2025/26 (September 2025 and March 2026) to ensure it is up to date and reflects the current risk profile and risk appetite.

A Risk Management Strategy was also developed for 2025/26 which set out the actions required to achieve the Strategic Risk Management Objectives, ultimately supporting the council's vision to embed a systematic approach to the identification, assessment, and mitigation of potential threats, empowering Chelmsford City Council to create a fairer, greener and more connected community through the application of proportionate, aligned, comprehensive, embedded and dynamic risk management principles.

The risk-based Internal Audit Plan is aligned to Our Council, Our Plan objectives, the Council's Principal Risks and Fraud Risk Register.

3.2. Internal Audit View on Managing the Risk of Fraud

The Council's Counter Fraud Policy was updated in November 2025 and ensures the Council approach to the prevention and detection of fraud is in line with best practice, CIPFA's guidance on Managing the Risk of Fraud and Fighting Fraud and Corruption Locally as well as assisting the Council in demonstrating its compliance with Economic Crime and Corporate Transparency Act (ECCTA) which introduced a new criminal offence of 'Failure to Prevent Fraud' (FTPF) (effective from September 2025), designed to hold organisations to account if they profit from fraud committed by their employees.

It encompasses key principles such as acknowledging the responsibility for countering fraud and corruption, identification of fraud and corruption risks, provision of resources to implement the strategy and the action to be taken in response to fraud and corruption. Actions required to deliver and implement the Strategic Counter Fraud objectives were set out in the Counter Fraud Strategy 2025-27.

The risk of fraud is monitored via the Council's Principal Risk Register and Fraud Risk Register. Other processes which assist Internal Audit in detecting potential fraudulent activity include:

- One of the criteria assessed when producing the risk-based annual audit plan is the risk of fraud as per the Council's Fraud Risk Register. In addition, all individual reviews are aligned to the Council's Fraud Risk Register to independently assess anti-fraud controls in place.
- Data Analytics were used in 2024/25 to detect any anomalies with Accounts Payable and Payroll with a specific focus on anti-fraud tests.
- Reviews of Council processes/walk throughs etc should highlight any gaps in control and areas that are vulnerable to fraudulent activity.

Additionally, where concerns of fraud have been highlighted, investigations are carried out and review of the control framework is undertaken to identify any gaps in control, establishing any lessons learned and recommendations to assist with the design of controls.

The 2024/25 Counter Fraud Annual Report was presented to Audit and Risk Committee in June 2025. The 2025/26 Counter Fraud Annual Report will be presented to Audit and Risk Committee in June 2026.

4. Summary of Findings

4.1. High Priority Findings

Report Title	Key Issues Arising
Information Governance (Limited Assurance)	High priority findings were identified relating to RoPA's (Records of Processing Activity), data retention and third-party data processors.
Driving at Work Policy (Limited Assurance)	High priority findings were identified relating to compliance, training and management information.
Cultural Strategy (Management Letter)	High priority findings were identified relating to monitoring strategic delivery actions and grant funding agreement.
Decision Making (Moderate Assurance)	A high priority finding was identified relating to Equality Impact Assessments.
Emergency Planning (Moderate Assurance)	A high priority finding was identified relating to Emergency Plan testing to ensure that they remain effective in an emergency.

4.2. Key Financial Systems (KFS)

The KFS programme is a key indicator of the overall strength of the underlying control environment, and each year Internal Audit carries out reviews of the Council's fundamental financial systems. In 2025/26, this included the following reviews, and both were moderate assurance with no high priority findings identified:

Report Title	Assurance Rating	High	Med	Low
Budgetary Control	Moderate	0	3	0
BACS	Moderate	0	3	0

Council Tax and NNDR was also part of the 2025/26 suite. The outcome of this will be reported once further work is completed.

4.3. Results of Individual Assignments (listed in order of priority of findings)

Report Title	Assurance Rating	High	Med	Low
Driving Policy	Limited	3	2	0
Information Governance	Limited	2	0	2
Cultural Strategy	n/a management letter	2	0	0
Emergency Planning	Moderate	1	2	3
Decision Making	Moderate	1	2	2
Budgetary Control	Moderate	0	3	0
BACS	Moderate	0	3	0
Car Parks	Moderate	0	2	4
Housing Grants and Loans	Moderate	0	2	0
Leisure Centres	Moderate	0	2	0
Markets	Substantial	0	1	0
Community Sports & Wellbeing	Substantial	0	0	1
Council Tax & NNDR	TBC	TBC	TBC	TBC

Review of Housing Rent Deposit Scheme (RDS) has been postponed to Autumn 2026 to provide assurance once the service has reviewed the RDS Policy.

Internal Audit have also continued to provide ad hoc support, advice and guidance during 2025/26.

4.4. Management's Response to Implementing Audit Recommendations

A key measure of success and a strong internal control environment is timely implementation of recommendations. All planned audit work undertaken is subject to a formal follow up to ensure that all agreed actions have been implemented. Performance relating to the implementation of recommendations during 2025/26 is tabled below.

Audit Title	Original Assurance Rating	Key Findings
Officer and Member Conflict of Interest	Limited Assurance	In the previous report, six recommendations (three high and three medium priority) were made. Our follow up audit noted that significant work had been undertaken on the processes for managing Council officer potential conflicts of interest. Two medium

Audit Title	Original Assurance Rating	Key Findings
		priority recommendations had been implemented, and four recommendations (three high and one medium priority) had been partially implemented, with the minor outstanding elements of these recommendations relating to updating documentation to formalise the new processes.
Housing Rents	Management Letter	In the previous report, four findings (three high, one medium priority) were raised. Our follow up audit noted that actions relating to three findings (two high priority and one medium) have been implemented, with actions relating to the remaining high priority finding (KPI reporting) are partially implemented.
Internal/External Comms	Moderate Assurance	In the original report, three findings (one high, one medium and one low priority) were made. Our follow up noted that the recommendations relating to the high priority finding have largely been implemented. The outstanding elements relate to some digital development delays which are being resolved and roll out of a new policy due in 2026.
Corporate Approach to Additional Hours (Overtime)	Management Letter	In the original report, high priority findings were identified relating to management of hours. management information and policy and procedures. Our follow up noted that pro-active action had been taken in the management of hours. While it is understood that services have different requirements for the use of additional hours and therefore manage this locally accordingly, senior management should continue to monitor the use of additional hours and associated risks identified to provide oversight in an inherently high-risk area.
Cyber Security & Data Breaches	Moderate Assurance	In the previous report, recommendations relating to four medium and one low priority findings were made. Our follow up audit noted that all recommendations have been implemented.
Hylands House	Substantial Assurance	In the previous report, four recommendations (three medium and one low priority) were made. Our follow up audit noted that all recommendations have been implemented.
Volunteers	Moderate Assurance	In the previous report, three medium recommendations were made which related to forming a Volunteer Co-ordinators Group. It is encouraged that the collaboration should continue to enable the sharing of best practice, and discussion of any issues/changes in policy/requirements etc.
Corporate Property	Moderate Assurance	In the previous report, recommendations relating to two medium priority findings were made. Our follow up audit noted that both recommendations (relating to strategy and the property management system) have been partially implemented, impacted by LGR and T1 development.
Licensing	Moderate Assurance	In the previous report, three recommendations (two medium and one low priority) were made. Our follow up noted that two recommendations (one medium and one low priority) have been implemented, and one medium priority recommendation relating to integrating systems is partially implemented.
Key Financial Systems (KFS 2024/25)	Substantial Assurance	In the previous report, recommendations relating to three low priority findings were made. Our follow up noted that two recommendations

Audit Title	Original Assurance Rating	Key Findings
		had been implemented, with the remaining low priority action impacted by LGR.

The follow up review of Use of Off-Payroll Workers has been delayed to 2026/27 due to current wider work in this area. The outcome of this will be reported to a future Audit and Risk Committee meeting.

5. Review of the Effectiveness of Internal Audit

5.1. The Internal Audit Strategy 2025-27 was approved by Audit and Risk Committee in January 2025 and set out key strategic internal audit objectives and initiatives. Progress towards achieving these strategic goals and our performance against Key Performance Indicators (KPIs) used to demonstrate the effectiveness of the internal audit function during 2025/26 is shown in the table below:

Strategic Internal Audit Objectives	Strategic Internal Audit Initiatives	Priority	Key Performance Indicators	Target	Result 2025/26
Deliver an annual Internal Audit Plan which identifies the Council's most significant internal and external risks, remains flexible to respond to new and emerging risks, and which meets stakeholder needs.	<ul style="list-style-type: none"> - Collaborate internally and externally with other internal control, governance and risk management functions to coordinate and align coverage of the Council's risks and governance arrangements. - Deliver timely, effective and useful communications to key stakeholders. 	High	Audit Plan delivered to Draft Report Stage by 31st March	90%	93%
			Audit Plan delivered to final report stage by 31st May	100%	96%*
			Percentage of 2026/27 audit plan directly aligned with Principal Risks	80%	100%
			Days elapsed to issue draft audit report (10 working days from end of fieldwork meeting): 80%	To be measured for 2026/27 onwards	
Provide value-added services and proactive strategic advice to services beyond the audit plan	<ul style="list-style-type: none"> - Bring analysis and perspective on root causes of issues identified in audit findings, to help services design/take corrective actions. - Develop a management action tracker to support delivery and reporting. 	High	Percentage of applicable management actions partially or fully implemented within one year of issue of final report (where applicable)	90%	98%
			Overall customer satisfaction score for the year to meet or exceed acceptable level (i.e. very good or good) for at least 90% of completed surveys	90%	100%
			CPD requirements met per auditor, including minimum 2 hours ethics training per year.	Formal CPD requirements met for applicable team members; ethics training received by team through	

Strategic Internal Audit Objectives	Strategic Internal Audit Initiatives	Priority	Key Performance Indicators	Target	Result 2025/26
				Essex Audit Group away days.	
Embed technology and analytics into audit for workflows and applicable reviews.	Develop in-house capabilities for utilising data analytics and/or exploring the use of AI in Internal Audit.	Medium	Innovative audit techniques or tools implemented to enhance decision making by offering insights and foresights.	Use of co-pilot by audit team for terms of reference etc. Further embedding of technology in IA work to be explored during 2026/27.	

*only one report outstanding at 31st May (Council Tax and NNDR) which will be reported once further work is completed.

6. Internal Quality Assessment and Action Plan

6.1. Global Internal Audit Standard 8.3 – Quality requires that the Audit Services Manager “must develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function, including two types of assessments (external and internal). At least annually, the Audit Services Manager must communicate the results of the internal quality assessment to the Audit Committee and Senior Management”.

6.2. To achieve this, Internal Audit undertook an internal assessment against the Global Internal Audit Standards, with the results below.

6.3. Additional work to be undertaken during 2026 to fully support conformance is highlighted in yellow.

Standard	IQA June 2026
DOMAIN II – ETHICS AND PROFESSIONALISM	
Principle 1 Demonstrate Integrity - Internal auditors demonstrate integrity in their work and behaviour	
Standard 1.1 Honesty and Professional Courage	Generally Conforms
Standard 1.2 Organisation’s Ethical Expectations	Generally Conforms
<i>LGAN 2024 - 9A Ethics and Standards in Public Life</i>	Generally Conforms
Standard 1.3 Legal and Ethical Behaviour	Generally Conforms
Principle 2 Maintain Objectivity - Internal auditors maintain an impartial and unbiased attitude when performing internal audit services and making decisions	
Standard 2.1 Individual Objectivity	Generally Conforms
Standard 2.2 Safeguarding Objectivity	Generally Conforms
Standard 2.3 Disclosing Impairments to Objectivity	Generally Conforms
Principle 3 Demonstrate Competency - Internal auditors apply the knowledge, skills, and abilities to fulfil their roles and responsibilities successfully	
Standard 3.1 Competency	Generally Conforms
Standard 3.2 Continuing Professional Development	Generally Conforms
Principle 4 Exercise Due Professional Care - Internal auditors apply due professional care in planning and performing internal audit services	
Standard 4.1 Conformance with the Global Internal Audit Standards	Generally Conforms

Standard	IQA June 2026
Standard 4.2 Due Professional Care	Methodology in place; team training scheduled for June 2026
Standard 4.3 Professional Scepticism	Generally Conforms
Principle 5 Maintain Confidentiality - Internal auditors use and protect information appropriately	
Standard 5.1 Use of Information	Generally Conforms, although data cleanse due.
Standard 5.2 Protection of Information	Generally Conforms, although data cleanse due.
<i>LGAN 2024 - 9B Handling Information</i>	Generally Conforms, although data cleanse due.
DOMAIN III - Governing the Internal Audit Function	
Principle 6 Authorised by the Board - The board establishes, approves, and supports the mandate of the internal audit function	
Standard 6.1 Internal Audit Mandate	Generally Conforms
<i>CIPFA Code of Practice 2024: Principle 1.1 Internal Audit's Mandate</i>	Generally Conforms
Standard 6.2 Internal Audit Charter	Generally Conforms
<i>CIPFA Code of Practice 2024: Principle 1.2 Internal Audit's Charter</i>	Generally Conforms
Standard 6.3 Board and Senior Management Support	Generally Conforms
<i>CIPFA Code of Practice 2024: Principle 1.3 Support for internal audit</i>	Generally Conforms
Principle 7 Positioned Independently - The board establishes and protects the internal audit function's independence and qualifications	
Standard 7.1 Organisational Independence	Generally Conforms
<i>LGAN 2024 - 10A Resources</i>	Generally conforms
<i>CIPFA Code of Practice 2024: Principle 2.1 Organisational independence</i>	Generally Conforms
Standard 7.2 Chief Audit Executive Qualifications	Generally Conforms
<i>LGAN 2024 - 10C CAE Qualifications</i>	Generally Conforms
<i>CIPFA Code of Practice 2024: Principle 2.2 Qualifications of the CAE</i>	Generally Conforms
Principle 8 Overseen by the Board - The board oversees the internal audit function to ensure the function's effectiveness	
Standard 8.1 Board Interaction	Generally Conforms
<i>CIPFA Code of Practice 2024: Principle 3.1 Audit Committee Interaction</i>	Generally conforms
Standard 8.2 Resources	Generally Conforms
<i>LGAN 2024 - 10A Resources</i>	Generally Conforms
<i>CIPFA Code of Practice 2024: Principle 3.2 Resources</i>	Generally Conforms
Standard 8.3 Quality	Generally Conforms
<i>CIPFA Code of Practice 2024: Principle 3.3 Quality</i>	Generally conforms
Standard 8.4 External Quality Assessment	Generally conforms
<i>LGAN 2024 - 10D Selecting Independent Assessors</i>	Generally Conforms
<i>CIPFA Code of Practice 2024: Principle 3.4 External Quality Assessment</i>	Generally Conforms
DOMAIN IV - Managing the Internal Audit Function	
Principle 9 Plan Strategically - The chief audit executive plans strategically to position the internal audit function to fulfil its mandate and achieve long-term success	

Standard	IQA June 2026
Standard 9.1 Understanding Governance, Risk Management, and Control Processes	Generally Conforms
<i>LGAN 2024 - 9C Value for money</i>	Generally Conforms
Standard 9.2 Internal Audit Strategy	Generally Conforms
Standard 9.3 Methodologies	Methodology in place; team training scheduled for June 2026
Standard 9.4 Internal Audit Plan	Generally conforms; annual planning process to be documented.
Standard 9.5 Coordination and Reliance	Generally Conforms
<i>LGAN 2024 - 9D The role of regulators</i>	Generally conforms
Principle 10 Manage Resources - The chief audit executive manages resources to implement the internal audit function's strategy and achieve its plan and mandate	
Standard 10.1 Financial Resource Management	n/a
Standard 10.2 Human Resources Management	Generally Conforms
Standard 10.3 Technological Resources	Generally Conforms
Principle 11 Communicate Effectively - The chief audit executive guides the internal audit function to communicate effectively with its stakeholders	
Standard 11.1 Building Relationships and Communicating with Stakeholders	Generally Conforms; intranet page to be created
Standard 11.2 Effective Communication	Generally Conforms; consistent use of project checklist and HIA checklist to be introduced in 2026
Standard 11.3 Communicating Results	Generally conforms
<i>LGAN 2024 - 10B Overall Conclusions and Annual Reporting</i>	Generally Conforms
Standard 11.4 Errors and Omissions	Generally Conforms
Standard 11.5 Communicating the Acceptance of Risks	Generally Conforms
Principle 12 Enhance Quality - The chief audit executive is responsible for the internal audit function's conformance with the Global Internal Audit Standards and continuous performance improvement	
Standard 12.1 Internal Quality Assessment	Generally Conforms
Standard 12.2 Performance Measurement	Generally Conforms
Standard 12.3 Oversee and Improve Engagement Performance	Generally Conforms; consistent use of project checklist and HIA checklist to be introduced in 2026
DOMAIN V - Performing Internal Audit Services	
Principle 13 Plan Engagements Effectively - Internal auditors plan each engagement using a systematic, disciplined approach	
Standard 13.1 Engagement Communication	Generally Conforms; consistent use of project checklist and HIA checklist to be introduced in 2026.
Standard 13.2 Engagement Risk Assessment	Methodology in place; team training scheduled for June 2026
Standard 13.3 Engagement Objectives and Scope	Methodology in place; team training scheduled for June 2026
Standard 13.4 Evaluation Criteria	Methodology in place; team training scheduled for June 2026
Standard 13.5 Engagement Resources	Generally Conforms
Standard 13.6 Work Program	Methodology in place; team training scheduled for June 2026

Standard	IQA June 2026
Principle 14 Conduct Engagement Work - Internal auditors implement the engagement work program to achieve the engagement objectives	
Standard 14.1 Gathering Information for Analyses and Evaluation	Methodology in place; team training scheduled for June 2026
Standard 14.2 Analyses and Potential Engagement Findings	Methodology in place; team training scheduled for June 2026
Standard 14.3 Evaluation of Findings	Methodology in place; team training scheduled for June 2026
Standard 14.4 Recommendations and Action Plans	Methodology in place; team training scheduled for June 2026
Standard 14.5 Engagement Conclusions	Methodology in place; team training scheduled for June 2026
Standard 14.6 Engagement Documentation	Generally Conforms; consistent use of project checklist and HIA checklist to be introduced in 2026.
Principle 15 Communicate Engagement Results and Monitor Action Plans - Internal auditors communicate the engagement results to the appropriate parties and monitor management's progress toward the implementation of recommendations or action plans	
Standard 15.1 Final Engagement Communication	Methodology in place; team training scheduled for June 2026
Standard 15.2 Confirming the Implementation of Recommendations or Action Plans	Recommendation Tracker created; more consistent use planned in 2026

Annual Opinion Categories

The table below sets out the four types of annual opinion that Internal Audit use, along with the types of findings that may determine the annual opinion given. The Audit Services Manager will apply their judgement when determining the appropriate annual opinion, so the guide given below is indicative rather definitive.

Type of Annual Opinion	When to use this type of annual opinion
Substantial	<ul style="list-style-type: none"> • Generally, only low risk rated weaknesses found in individual assignments; and • None of the individual assignment report have an overall report classification of either high or critical risk
Moderate	<ul style="list-style-type: none"> • Medium risk rated weaknesses identified in individual assignments that are <i>not significant in aggregate</i> to the system of internal control; and/or • High risk rated weaknesses identified in individual assignments that are <i>isolated</i> to specific systems or processes; and • None of the individual assignment reports have an overall classification of critical risk
Limited	<ul style="list-style-type: none"> • Medium risk rated weaknesses identified in individual assignments that are <i>significant in aggregate but discrete</i> parts of the system of internal control remain unaffected; and/or • High risk rated weaknesses identified in individual assignments that are <i>significant in aggregate but discrete</i> parts of the system of internal control remain unaffected; and/or • Critical risk rated weaknesses identified in individual assignment that are <i>not pervasive</i> to the system of internal control; and • A <i>minority</i> of the individual assignment reports may have an overall report classification of either high or critical risk.
No	<ul style="list-style-type: none"> • High risk rated weaknesses identified in individual assignments that <i>in aggregate are pervasive</i> to the system of internal control; and/or • Critical risk rated weaknesses identified in individual assignments that are <i>pervasive</i> to the system of internal control; and/or • <i>More than a minority</i> of the individual assignment reports have an overall report classification of either high or critical risk.

Key to Assurance Levels in Individual Reports

No Assurance	There are fundamental weaknesses in the control environment which jeopardise the achievement of key service objectives and could lead to significant risk of error, fraud, loss or reputational damage being suffered.
Limited	There are a number of significant control weaknesses which could put the achievement of key service objectives at risk and result in error, fraud, loss or reputational damage. There are High recommendations indicating significant failings. Any Critical recommendations would need to be mitigated by significant strengths elsewhere.
Moderate	An adequate control framework is in place but there are weaknesses which may put some service objectives at risk. There are Medium priority recommendations indicating weaknesses, but these do not undermine the system's overall integrity. Any Critical recommendation will prevent this assessment, and any High recommendations would need to be mitigated by significant strengths elsewhere.
Substantial	There is a sound control environment with risks to key service objectives being reasonably managed. Any deficiencies identified are not cause for major concern. Recommendations will normally only be advice and best practice.

Key to Risk Ratings for Individual Findings in Reports

Critical	Financial: Severe financial loss; Operational: Cessation of core activities; People: Life threatening or multiple serious injuries to staff or service users or prolonged workplace stress. Severe impact on morale & service performance. Mass strike actions etc; Reputational: Critical impact on the reputation of the Council which could threaten its future viability. Intense political and media scrutiny i.e. front-page headlines, TV; Legal and Regulatory: Possible criminal, or high-profile civil action against the Council, members or officers. Statutory intervention triggered impacting the whole Council. Critical breach in laws and regulations that could result in material fines or consequences; Projects: Failure of major Projects and/or politically unacceptable increase on project budget/cost. Elected Members required to intervene.
High	Financial: Major financial loss. Service budgets exceeded; Operational: Major disruption of core activities. Some services compromised. Management Team action required to overcome medium-term difficulties; People: Serious injuries or stressful experience (for staff member or service user) requiring medical attention/ many workdays lost. Major impact on morale and performance of staff; Reputational: Major impact on the reputation of the Council. Unfavourable media coverage. Noticeable impact on public opinion; Legal and Regulatory: Major breach in laws and regulations resulting in significant fines and consequences. Scrutiny required by external agencies; Projects: Key targets missed. Major increase on project budget/cost. Major reduction to project scope or quality.
Medium	Financial: Moderate financial loss. Handled within the team; Operational: Significant short-term disruption of non-core activities. Standing Orders occasionally not complied with, or services do not fully meet needs. Service Manager action will be required; People: Injuries (to staff member or service user) or stress levels requiring some medical treatment, potentially some workdays lost. Some impact on morale and performance of staff; Reputational: Moderate impact on the reputation or brand of the organisation. Limited unfavourable media coverage; Legal and Regulatory: Moderate breach in laws and regulations resulting in fines and consequences. Scrutiny required by internal committees or internal audit to prevent escalation; Projects: Delays may impact project scope or quality (or overall project must be re-scheduled). Small increase on project budget/cost. Handled within the project team.
Low	Financial: Minor financial loss; Operational: Minor errors in systems/operations or processes requiring Service Manager or Team Leader action. Little or no impact on service users; People: Minor injuries or stress with no workdays lost or minimal medical treatment. No impact on staff morale; Reputational: Minor impact on the reputation of the organisation; Legal and Regulatory: Minor breach in laws and regulations with limited consequences; Projects: Minor delay without impact on overall schedule. Minimal effect on project budget/cost or quality.

Limitations and Responsibilities

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems. Internal Audit shall endeavour to plan its work so that there is a reasonable expectation of detecting significant control weaknesses and, if detected, Internal Audit shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, Internal Audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected. Accordingly, the examinations of Internal Audit should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist, unless Internal Audit is requested to carry out a special investigation for such activities in a particular area.

Limitations inherent to the internal auditor's work

Internal Audit work has been performed subject to the limitations outlined below:

- **Opinion**

The opinion is based solely on the work undertaken as part of the agreed internal audit plan. There might be weaknesses in the system of internal control that Internal Audit are not aware of because they did not form part of our programme of work, were excluded from the scope of individual internal audit assignments or were not brought to our attention. As a consequence, management and the Audit & Risk Committee should be aware that the opinion may have differed if the programme of work or scope for individual reviews was extended or other relevant matters were brought to Internal Audit's attention.

- **Internal control**

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

- **Future periods**

Historic evaluation of effectiveness may not be relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- The degree of compliance with policies and procedures may deteriorate