Appendix

INTERNAL AUDIT ANNUAL REVIEW REPORT 2025/26

1. INTRODUCTION

This report provides a summary of Internal Audit activities for 2025/26.

The Accounts and Audit Regulations 2015 require the Council to undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with proper practices. The Global Internal Audit Standards and the Application note: Global Internal Audit Standards in the UK Public Sector, published by the Institute of Internal Auditors (IIA) and the Chartered Institute of Public Finance and Accountancy (CIPFA) respectively (together, 'the Standards') constitute proper practices so as to satisfy the requirements for larger relevant bodies as set out in the Regulations.

The Standards require the Chief Audit and Control Officer, as the Council's designated 'chief audit executive', to deliver an annual internal audit opinion and report that can be used by the Council to inform its governance statement. The opinion must conclude on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. The report must incorporate:

- an opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework – i.e. the control environment;
- a summary of the audit work from which the opinion is derived (including reliance placed on work by other assurance providers); and
- a statement on conformance with the Standards and the results of the quality assurance and improvement programme.

The annual opinion should also be guided by the CIPFA/SOLACE Delivering Good Governance in Local Government Framework.

2. BACKGROUND TO THE OPINION

The Council has to conduct, at least annually, a review of the effectiveness of its governance framework including the system of internal control. This review is informed by the work of senior management who have responsibility for the development and maintenance of the governance environment, this Internal Audit Review Report and from comments made by the external auditors and other review agencies and inspectorates.

A review of the effectiveness of the system of internal audit helps to ensure that the opinion in this report may be relied upon as a key source of evidence in the Annual Governance Statement. The latest review found Internal Audit to be sufficiently compliant with the requirements of the Standards to ensure that the opinion given can be relied upon for assurance purposes.

There are no causes of concern with regard to the independence and objectivity of Internal Audit. Whilst reporting on Internal Audit matters directly to the Interim Deputy Chief Executive and Section 151 Officer, the Chief Audit and Control Officer also has:

- free and unrestricted access to the General Management Team.
- free and unrestricted access to the Governance, Audit and Standards Committee (the 'Committee') and attends all of its meetings
- the right to meet with the Chair of the Committee and/or other relevant Members to discuss any matters or concerns that have arisen from Internal Audit work.

3. AUDIT OPINION ON THE OVERALL ADEQUACY AND EFFECTIVENESS OF THE COUNCIL'S INTERNAL CONTROL ENVIRONMENT

On the basis of Internal Audit work completed, it is my opinion, as the Chief Audit and Control Officer, that the current internal control environment is satisfactory such as to maintain the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.

The framework for governance is as set out in the Annual Governance Statement and, in my view, is an accurate description of the governance arrangements. In relation to risk management, I have oversight of the risk management process and conclude that a range of significant risks for the Council have been identified and are being managed.

In terms of the audit assignments completed, services were found to be generally operating with an appropriate level of internal controls. Where weaknesses and exceptions were highlighted by Internal Audit work, any matters were discussed with management and recommendations made accordingly. Where improvement actions were agreed to address these matters, progress is being made for their implementation. Where this should not the case, any outstanding significant recommendation is reported to this Committee as part of the regular progress reports.

The opinion has been arrived at with due regards to the following:

- The level of coverage provided by Internal Audit was considered to be adequate to enable this opinion to be delivered.
- Work has been planned and performed so as to obtain sufficient information and explanation considered necessary to provide evidence to give reasonable assurance that the Council's control environment is operating effectively.
- The independence and objectivity of Internal Audit has not been impaired in fact or appearance.

- Insight gained from interaction with senior management and this Committee.
- No adverse implications for the Annual Governance Statement have been identified from work undertaken by Internal Audit.
- The Internal Audit Plan 2025/26, as approved by this Committee on 17 March 2025, was informed by the Chief Audit and Control Officer's own assessment of risk and materiality, following consultation with senior management, to ensure it was aligned to the Council's corporate objectives and key strategic risks.
- The following table summarises the outcomes of audit assignments completed during and/or relating to the financial year 2025/26, including those audits completed from the previous year's plan that were finalised in the year:

Audit Title	Report Issued	Assurance Opinion	Actions (High Priority)	Actions (Other)
Creditors and Purchasing	03/04/2025	Substantial	-	-
Stores	08/04/2025	Limited	3	-
Waste Management (Recycling)	08/04/2025	Substantial	-	1
Rents (Housing)	29/04/2025	Substantial	-	1
Human Resources	09/05/2025	Substantial	-	-
Council Tax	16/05/2025	Substantial	-	-
Leisure Management System	16/05/2025	Substantial	-	-
Key Reconciliations	19/06/2025	Substantial	-	1
Homelessness	08/07/2025	Substantial	-	-
Waste Management (Garden)	23/07/2025	Substantial	-	1
Commercial Property Management	24/07/2025	Limited	3	2
Tenant Engagement	02/09/2025	Substantial	-	-
Climate Change	03/09/2025	Substantial	-	-
Anti-Social Behaviour	12/09/2025	Substantial	-	1
Housing Repairs (Reactive)	15/09/2025	Reasonable	-	-
Data Quality	30/09/2025	Reasonable	-	2
Treasury Management	22/10/2025	Substantial	-	1
Licensing	13/11/2025	Reasonable	-	-
Payroll	26/11/2025	Substantial	-	2
Kimberley Depot - Compliance	06/01/2026	Reasonable	-	2
Housing Disrepair Claims	15/01/2026	Substantial	-	1
Benefits	15/01/2026	Substantial	-	1
Committee Management System	16/02/2026	Reasonable	-	1
NNDR (Business Rates)	20/02/2026	Substantial	-	-
Human Resources	25/02/2026	Substantial	-	-
Creditors and Purchasing	26/02/2026	Substantial	-	-

Audit Title	Report Issued	Assurance Opinion	Actions (High Priority)	Actions (Other)
Rents (Housing)	02/03/2026	Substantial	-	1
Capital Works	10/03/2026	Reasonable	-	3
Bramcote Leisure Centre (Governance)	17/03/2026	Substantial	-	-
Income Receipting System	30/03/2026	Substantial	-	1
Information Management	08/04/2026	Substantial	-	1

4. QUALIFICATIONS

The opinions expressed in this report have been based upon the work carried out by Internal Audit in 2025/26 (and subsequently beyond year-end) and other assurance reports received, including those from the external auditors.

In the context of the Standards, 'opinion' means that Internal Audit will have done sufficient, evidenced work to form a supportable conclusion about the activity being examined. Internal Audit will word its opinion appropriately if it cannot give reasonable assurance (e.g. because of limitations to the scope and/or adverse findings arising from its work).

In giving an opinion, it should be noted that assurance can never be absolute. The most that Internal Audit can provide to the Council is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes. The matters raised in this report are only those which came to the attention of Internal Audit during the course of its work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

The overall opinion is therefore provided with the following caveats:

- The opinion does not imply that Internal Audit has reviewed all the Council's risks, controls and governance arrangements. The opinion is substantially derived from the conduct of risk-based audit assignment work and, as such, it is only one component that is taken into account when producing the Annual Governance Statement.
- No system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give absolute assurance.
- Full implementation of all agreed actions is essential if the benefits of the control improvements detailed in each audit report are to be realised.

5. ISSUES RELEVANT TO THE ANNUAL GOVERNANCE STATEMENT

This Committee considered significant governance issues as part of the draft Annual Governance Statement for 2025/26 that was approved on 18 May 2026.

The Chief Audit and Control Officer has reviewed the draft Annual Governance Statement. The significant governance issues raised in the statement were considered to be appropriate. It was also found that the issues carried forward from the previous year had been addressed or were ongoing items that are in the process of being addressed.

With regard to the audits completed during the year, no actions were classed as being critical where action was considered imperative to ensure that the Council was not exposed to excessively high risks. Where a limited assurance opinion was issued, the outstanding actions from these audits are not thought to be significant to the preparation of the Annual Governance Statement.

6. SUMMARY OF INTERNAL AUDIT ACTIVITY

6.1 Performance Overview

Overall, 96% of the planned audits were complete or awaiting finalisation as at the year-end, above the 90% target. As reported to this Committee on 23 March 2026, this takes into account the deferral of three audits in to 2026/27 at the request of the relevant Assistant Director. The audit time released by such deferral was utilised to make an early start on the Internal Audit Plan for 2026/27.

During the period, 31 audit reports were issued. The reports included 29 recommendations, of which 6 were considered to be high priority. No recommendation was considered to be so ‘critical’ as to be exposing the Council to intolerably high risks.

A limited assurance opinion was issued in respect of the audit of Stores and Commercial Property Management. This opinion is given where Internal Audit considered that controls within the respective systems provided only limited assurance that risks material to the achievement of the system’s objectives are adequately managed.

6.2 Internal Audit Resources

The Chief Audit and Control Officer is pleased to report that, some sickness leave aside, no vacancy periods have arisen during the financial year.

6.3 Special Investigations

Internal Audit completed work on the following special investigations:

- Assessments of the financial viability of potential tenants, suppliers and service providers applying to be considered for a number of tendered contracts and of potential tenants for the Council’s commercial premises.

- Collation of a report regarding departmental arrangements for adequate data quality management at the request of the General Management Team.

- Collation of a report regarding departmental arrangements for adequate fraud risk management at the request of the General Management Team.

- A review of the use of audio-visual equipment within the Council at the request of the General Management Team.

6.4 Corporate Counter Fraud Activity and National Fraud Initiative (NFI)

Internal Audit continues to take a prominent role in leading and co-ordinating counter fraud activities, committing approximately 40 days to counter fraud activity in 2025/26, which included work to co-ordinate and complete elements of the NFI data matching exercise.

An annual report on counter fraud activity will be presented to this Committee in September 2026 to provide Members with details of activity in 2025/26. The report will also include the outcome of a fraud risk assessment exercise, in conjunction with senior management, to inform the Fraud and Corruption Risk Register.

7. QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

In order to facilitate the review of the effectiveness of internal control required by the Accounts and Audit Regulations 2015, it is necessary to complete a review of the effectiveness of its internal audit.

The latest review was completed as a self-assessment against ‘proper practice’ in relation to the Standards. The effectiveness of Internal Audit is not solely judged against the extent of compliance with the Standards since the reviews are about effectiveness and not process and other aspects provide evidence to support the review including reports on the results of completed audit assignments and any significant findings; reports setting out the Internal Audit Plan for the forthcoming year; and an annual report on the performance of Internal Audit.

Members may recall that, in addition, and as required by the Standards, the Internal Audit Service was in March 2023 subject to an External Quality Assessment (EQA) by a qualified, independent assessor from outside of the organisation. The review concluded that the Internal Audit Service at Broxtowe ‘generally conforms’ with the Public Sector Internal Audit Standards (the highest level of opinion available), with the service considered to be ‘established’ in two of the primary assessment categories and ‘excelling’ in the third.