WEST LINDSEY DISTRICT COUNCIL

Annual internal audit report for the 12 months ending 31 March 2026

12 June 2026

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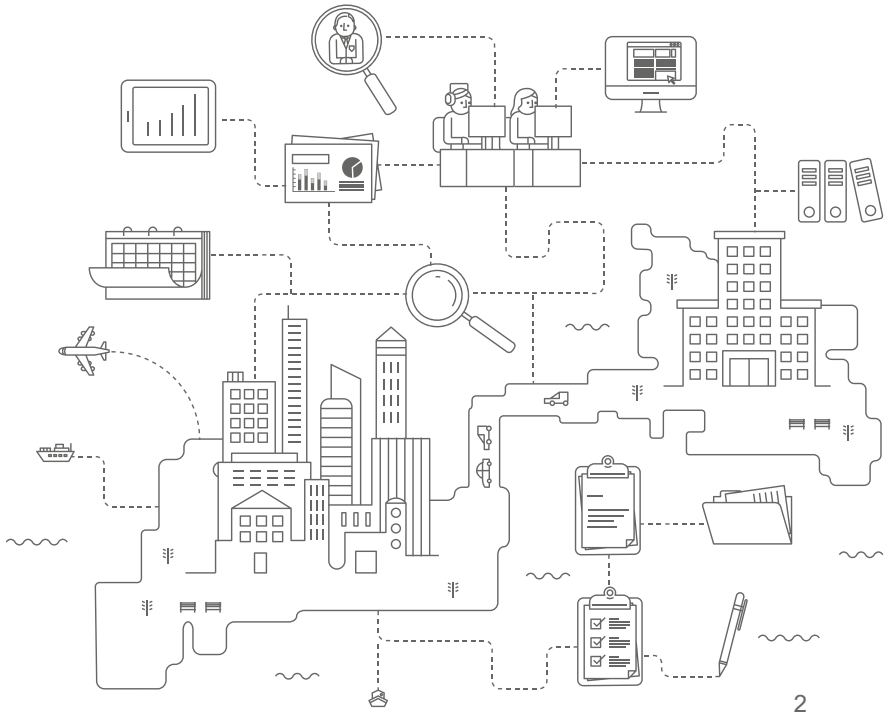

THE ANNUAL INTERNAL AUDIT OPINION

The annual internal audit opinion is based upon, and limited to, the work performed on the overall adequacy and effectiveness of the Council's risk management, control and governance processes. For the 12 months ending 31 March 2026 the Head of Internal Audit opinion for West Lindsey District Council is:

Annual opinion

Factors influencing our opinion

The factors which are considered when influencing our opinion are:

- inherent risk in the area being audited;
- limitations in the individual audit assignments;
- the adequacy and effectiveness of the risk management and / or governance control framework;
- the impact of weaknesses identified;
- the level of risk exposure; and
- the response to management actions and timeliness of actions taken.

It remains management's responsibility to develop and maintain a sound system of risk management, internal control, governance, and for the prevention and detection of errors, loss or fraud. The work of internal audit is not and should not be seen as a substitute for management responsibility around the design and effective operation of these systems.

Scope and Limitations

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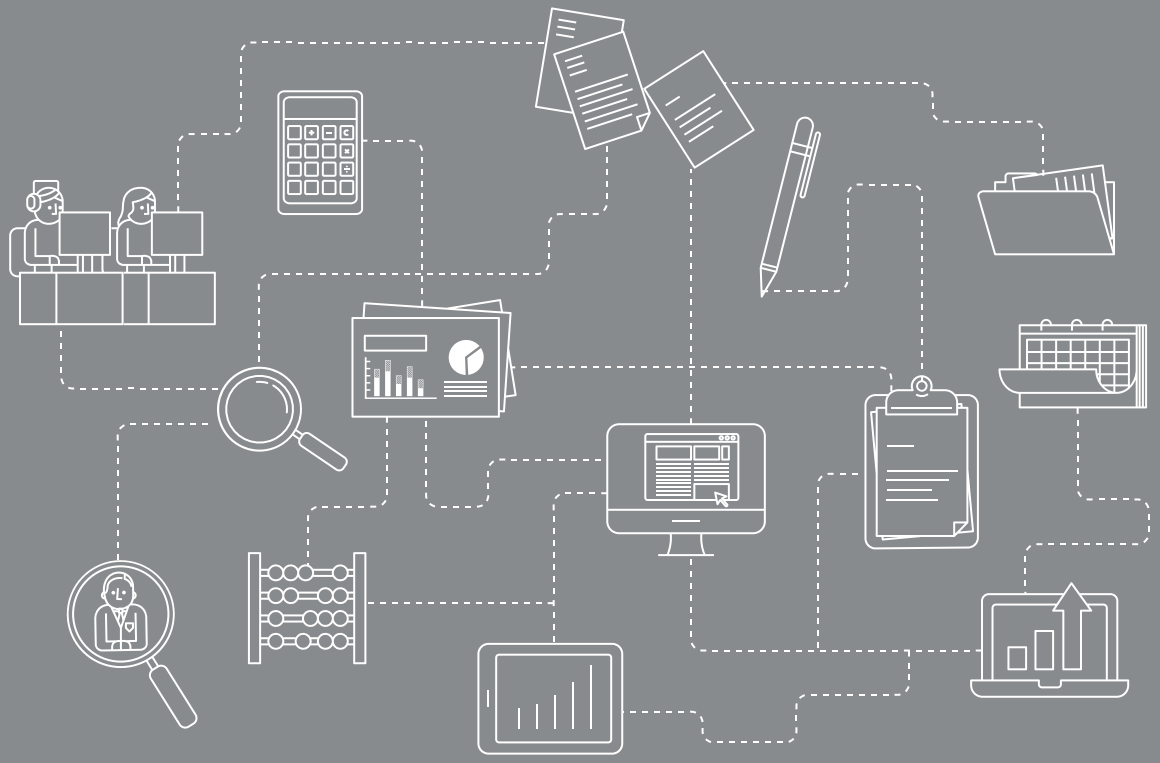

1 SCOPE AND LIMITATIONS OF OUR WORK

The formation of our opinion is achieved through a risk-based plan of work, agreed with management and approved by the Governance and Audit Committee, our opinion is subject to inherent limitations, as detailed below.

- Internal audit has not reviewed all risks and assurances relating to the Council.
- The opinion is substantially derived from the conduct of risk-based plans generated from a robust and organisation-led assurance framework. The assurance framework is one component that the board takes into account in making its annual governance statement (AGS).
- The opinion is based on the findings and conclusions of the agreed work which was limited to the area under review and agreed with management.
- Where strong levels of control have been identified, there are still instances where these may not always be effective. This may be due to human error, incorrect management judgement, management override, controls being by-passed or a reduction in compliance.
- Due to the limited scope of our audits, there may be weaknesses in the control system which we are not aware of, or which were not brought to our attention.
- The matters highlighted in this report represent only the issues we encountered during our work. It is not an exhaustive list of all weaknesses or potential improvements. Management remains responsible for maintaining a robust system of internal controls, and our work should not be the sole basis for identifying all strengths and weaknesses.
- This report is prepared solely for the use of the Governance and Audit Committee, and the Management Team of West Lindsey District Council.

Informing Our Opinion

02

2 FACTORS AND FINDINGS WHICH HAVE INFORMED OUR OPINION

A summary of internal audit work undertaken, and the resulting conclusions, is provided at appendix B.

Governance	Risk	Control
We have taken into consideration the governance and oversight related elements of each of the reviews undertaken as part of the 2025/26 internal audit plan. There is a governance framework in place, and we observed that the Governance and Audit Committee was effective in monitoring and challenging management and holding them to account. As part of the 2025/26 internal audit plan, we undertook an agreed upon procedures review of the council's controls and processes with regard to the Local Code of Governance. For the Code of Governance review, we agreed five 'low' priority and two 'medium' priority actions. We also agreed one suggestion.	Risk management is reviewed at the Governance and Audit Committees. We have attended all Governance and Audit Committee meetings throughout the year and confirmed the Council's risk management arrangements continued to operate effectively in this forum and were adequately reported to and scrutinised by committee members; with regular updates provided and the risk register shared and reviewed, with appropriate oversight and challenge. Our risk management opinion is also informed by our observation of risk management systems and processes throughout the course of all audits within the internal audit plan. Specific audits linked to the Council's risks (all three of which concluded with substantial assurance) included: • Financial Resilience and Scrutiny – *Risk: Inability to set a sustainable balanced budget.* • Members Onboarding and Training – *Risk: Inability for the Council's governance to support quality decision making.* • Cyber Security Operations – *Risk: ICT Security and Information Governance arrangements are ineffective.*	We undertook eight internal audit reviews in 2025/26 which resulted in an assurance opinion. From six reviews (75%) we concluded that substantial assurance could be taken and two reviews (25%) reasonable assurance could be taken in relation to the design and application of the control frameworks in place. During the year we agreed a total of 38 management actions across assurance and follow up reviews. Of the actions agreed: zero (0%) were 'high' priority, nine (24%) were 'medium' priority, 27 (71%) were 'low' priority, and two (5%) were 'advisory' priority. We also undertook two advisory reviews. For the Environment and Sustainability Strategy Review, we agreed 15 recommendations. For the HR System Readiness review, we agreed two advisory suggestions. Furthermore, the implementation of agreed management actions agreed during the course of the year are an important contributing factor when assessing the overall opinion on control. We have performed two follow-up reviews during the year, one of which concluded in a positive opinion (reasonable progress), and another in a negative opinion (little progress).

As well as the headline findings discussed above, the following areas have helped to inform our opinion. A summary of internal audit work undertaken, and the resulting conclusions, is provided at appendix A.

Acceptance of internal audit management actions

Management have agreed actions to address all of the findings reported by the internal audit service during 2025/26.

Implementation of internal audit management actions

Where actions have been agreed by management, these have been monitored by management through the action tracking process in place. During the year progress has been reported to the Governance and Audit Committee, with the validation of the action status confirmed by internal audit during two specific follow up reviews.

Follow Up 1

Our follow up of the actions agreed to address previous years' internal audit findings shows that the Council had made **reasonable progress** in implementing the agreed actions. Testing found that eight actions had been implemented, and four actions had not been implemented.

Follow Up 2

Our follow up of the actions agreed to address previous years' internal audit findings shows that the Council had made **little progress** in implementing the agreed actions. Testing found that nine actions had been implemented or superseded, five actions were partially implemented, and the remaining four actions were not implemented.

Working with other assurance providers

In forming our opinion, we have not placed any direct reliance on other assurance providers.

Topics judged relevant for consideration as part of the annual governance statement

Based on the work we have undertaken on the Council's system of internal control, the Council can use our annual opinion to inform the Annual Governance Statement (AGS).

Emerging Local Government Reorganisation presents a future risk with potential implications for governance structures, accountability arrangements and partnership working. Whilst this does not directly affect the 2025/26 head of internal audit opinion, it will require proactive oversight and clear transition planning to manage governance complexity and maintain effective controls as reorganisation progresses.

Our Performance

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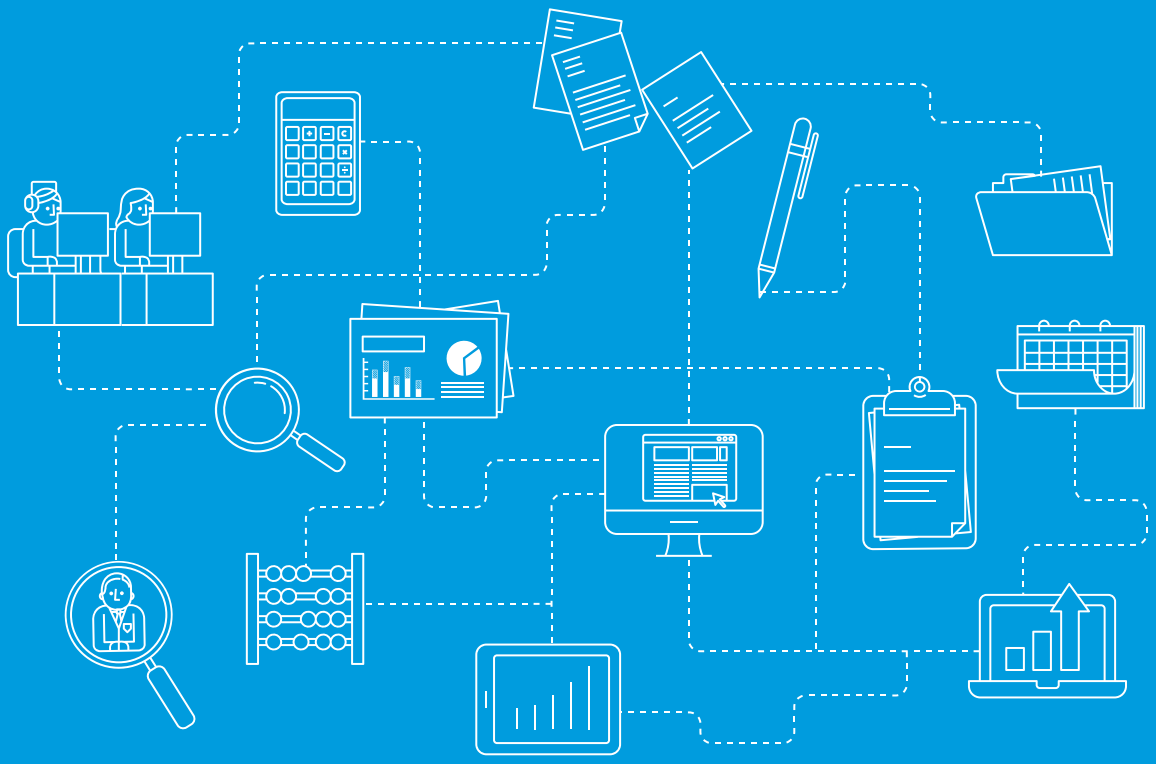

3.1 Wider value adding delivery

Wider value adding delivery:

Area of work	How has this added value?
International Fraud Awareness Week	We issued invites to a number of free webinars that RSM were hosting for International Fraud Awareness Week.
Emerging Risk Radar – Spring 2025, Autumn 2025 and Spring 2026	We issued our latest Emerging Risk Radars throughout the year which is a summary of survey responses from board members across all industries and sectors. The document outlines the key risks emerging and steps for the organisation to follow to react to emerging risks.
Publications, articles, and reports	We have issued a number of publications in year, shared with management including: • Driving Value from Artificial Intelligence • Quality Assurance and Improvement Programme
Best Practice	Throughout our work, where appropriate, we have shared best practice across the sector in our recommendations of improvements to control.
Use of Specialists	To support the delivery of the internal audit plan, we have used our Technology Risk Assurance Specialists to conduct the Cyber Security Operations internal audit review and our ESG Specialists to complete the Environment and Sustainability Strategy Review.
1:1 meetings / discussions	Throughout the year we have continued to liaise with management and held operational meetings where required to obtain an update on the council's developments. We have attended all Governance and Audit Committee meetings.
Flexible annual planning approach	We have remained flexible with our annual planning approach. This enables us to react to changes in priority and risk, to ensure internal audit is focused in the right areas at the right time, to be the best source of assurance where needed in specific areas of risk or control.

3.2 Conflicts of interest

RSM were commissioned to deliver Risk Training Workshops to the council in 2025/26. These were conducted under a separate letter of engagement and by a separate team to the core internal audit team. As such, we do not perceive this to be a conflict of interest.

Internal audit remains independent and there have been no threats to our independence when delivering the audit plan during 2025/26.

3.3 Conformance with internal auditing standards

RSM affirms that our internal audit services are designed to conform to the Global Internal Audit Standards in the UK Public Sector. Our next external quality assessment (EQA) will take place in 2026.

Under the Standards, internal audit services are required to have an EQA every five years. Our risk assurance service line commissioned an external independent review of our internal audit services in 2021 to provide assurance whether our approach meets the requirements of the International Professional Practices Framework (IPPF), and the Internal Audit Code of Practice, as published by the Global Institute of Internal Auditors (IIA) and the Chartered IIA.

The external review concluded that RSM 'generally conforms* to the requirements of the IIA Standards' and that 'RSM IA also generally conforms with the other Professional Standards and the IIA Code of Ethics. There were no instances of non-conformance with any of the Professional Standards'.

* The rating of 'generally conforms' is the highest rating that can be achieved, in line with the IIA's EQA assessment model.

3.4 Quality assurance and continual improvement

To ensure that RSM remains compliant with the Global Internal Audit Standards in the UK Public Sector we have a dedicated internal Quality Assurance Team who undertake a programme of reviews to ensure the quality of our audit assignments. This is applicable to all Heads of Internal Audit, where a sample of their clients will be reviewed. Any findings from these reviews are used to inform the training needs of our audit teams.

As part of the Quality Assessment and Improvement Programme, none of your files were selected for Internal Quality Monitoring programme during 2025/26. From the results of the reviews undertaken across our client base, there are no areas which we believe warrant flagging to your attention as impacting on the quality of the service we provide to you.

In addition to this, any feedback we receive from our post assignment surveys, client feedback, appraisal processes and training needs assessments is also taken into consideration to continually improve the service we provide and inform any training requirements.

3.6 Performance indicators

Delivery	Target	Actual	Quality	Target	Actual
Audits commenced in line with original timescales*	Yes	Yes	Conformance with IIA Standards	Yes	Yes
Draft reports issued within 10 working days of debrief meeting	10 working days	6 working days (average)	Liaison with external audit to allow, where appropriate and required, the external auditor to place reliance on the work of internal audit	Yes	Yes
Management responses received within 10 working days of draft report	10 working days	22 working days[1] (average)	Response time for all general enquiries for assistance	2 working days	2 working days (average)
Final report issued within 3 working days of management response	3 working days	2 working days (average)	Response for emergencies and potential fraud	1 working day	N/A

[1] The Environment and Sustainability Strategy Review was responded to after 99 working days. As such this increases the average for the year. Without this outlier, the average response times to reports was 15 working days.

Appendices

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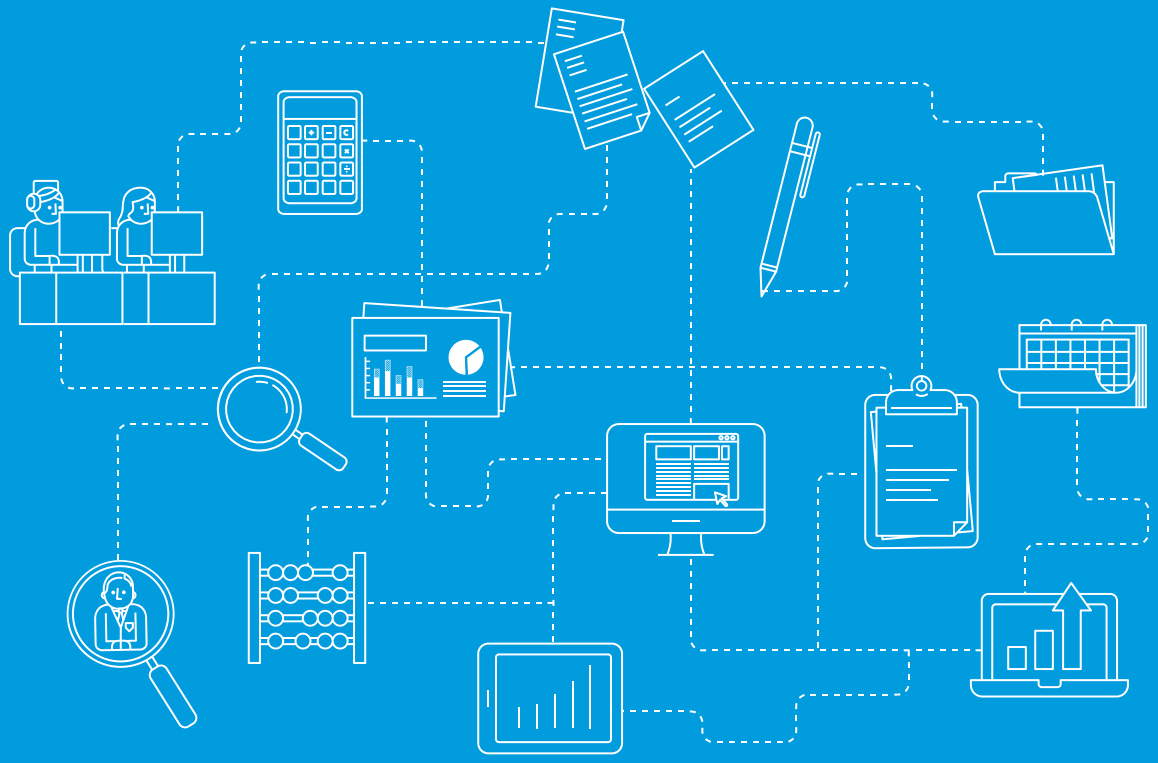

APPENDIX A: SUMMARY OF INTERNAL AUDIT WORK COMPLETED

All of the assurance levels and outcomes provided below should be considered in the context of the scope, and the limitation of scope, set out in the individual assignment report.

Assignment	Executive lead	Status / Opinion issued	Actions agreed			
			A	L	M	H
Fraud Risk Assessment - Follow Up and Testing	Director of Finance and Assets and 151 Officer	Reasonable Assurance	0	1	3	0
Follow Up 1	Assistant Director, People and Democratic Services	Reasonable Progress	0	3	1	0
Cyber Security Operations	Director, Change Management, ICT and Regulatory Services	Substantial Assurance	0	1	1	0
Members Onboarding and Training	Assistant Director, People and Democratic Services	Substantial Assurance	0	2	0	0
Grant Funding and Grant Management	Director, Planning, Regeneration and Communities	Substantial Assurance	0	3	0	0
Financial Resilience and Scrutiny	Director of Finance and Assets and 151 Officer	Substantial Assurance	0	1	0	0
Procurement	Director of Finance and Assets and 151 Officer	Substantial Assurance	0	2	0	0
Code of Governance	Assistant Director, People and Democratic Services	Agreed Upon Procedures	1	5	2	0
Environment and Sustainability Strategy Review	Head of Policy and Strategy	No opinion / Advisory	15 recommendations			
Planning Enforcement	Director, Planning, Regeneration and Communities	Substantial Assurance	2	3	0	0
HR System Readiness	Assistant Director, People and Democratic Services	No opinion / Advisory	2	0	0	0
Emergency Planning / BCP	Housing and Environmental Enforcement Manager	Reasonable Assurance	0	3	3	0
Follow Up 2	Assistant Director, People and Democratic Services	Little Progress	0	8	1	0

APPENDIX B: OPINION CLASSIFICATION

We use the following levels of opinion classification within our internal audit reports, reflecting the level of assurance the board can take:

Minimal Assurance

Taking account of the issues identified, the board cannot take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective.

Urgent action is needed to strengthen the control framework to manage the identified risk(s).

Reasonable Assurance

Taking account of the issues identified, the board can take reasonable assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.

However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified risk(s).

Partial Assurance

Taking account of the issues identified, the board can take partial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective.

Action is needed to strengthen the control framework to manage the identified risk(s).

Substantial Assurance

Taking account of the issues identified, the board can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.

FOR FURTHER INFORMATION CONTACT

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