

Report Title	Internal Audit Annual Opinion Report 2025/26		
Are there background papers?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	
Exempt	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	
Reason for Exemption?			
Decision for Full Council?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	
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Are there Non Electronic Appendices?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	
List of Background Papers (if applicable)			

Agenda Item No \_\_\_\_\_

**Internal Audit Annual Opinion Report 2025/26**

**Summary:** This report concludes on the Internal Audit Activity undertaken during 2025/26, provides an annual opinion concerning the Council's framework of governance, risk management and control, concludes on the effectiveness of internal audit and provides key information for the Annual Governance Statement.

**Conclusions:** The Head of Internal Audit is able to give a **reasonable** opinion on the framework of governance, risk management and control overall at North Norfolk District Council.

That the Committee is requested to: -

**Recommendation:**

- Receive and consider the contents of the Annual Opinion Report of the Head of Internal Audit.
- Note that a reasonable audit opinion has been given in relation to the framework of governance, risk management and control for the year ended 31 March 2026.
- Note that the opinions expressed together with significant matters arising from internal audit work and contained within this report should be given due consideration when developing and reviewing the Council's Annual Governance Statement for 2025/26.
- Note the outcomes of the Internal Audit's performance measures and the Quality Assurance and Improvement Programme (QAIP).

Cabinet member(s):

All

Contact Officer, telephone number,  
and e-mail:

Ward(s) affected:

All

Teresa Sharman  
01603 430138[teresa.sharman@southnorfolkandbroadland.gov.uk](mailto:teresa.sharman@southnorfolkandbroadland.gov.uk)**1. Background**

- 1.1 The Head of Internal Audit should provide an annual report, detailing its opinion on the framework of governance, risk management and control, to those charged with governance to support the Council's Annual Governance Statement (AGS).

1.2 This report should include the following: -

- An opinion on the overall adequacy and effectiveness of the Council's governance, risk management and internal control environment;
- Disclose any qualifications to that opinion, together with the reasons for the qualification;
- Detail a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies;
- Any control weakness considered by the Head of Internal Audit to be relevant to the preparation of the AGS;
- A summary of the work undertaken during the year to support the opinion, including any reliance placed on the work of other assurance bodies;
- An overall summary of the performance of the Internal Audit Service against its performance indicators; and
- The results of the internal audit quality assurance programme, including details of compliance with Internal Audit Standards.

1.3 The purpose of this report is to satisfy this requirement.

## 2. Overall Position

2.1 The attached report contains the annual opinion of the Head of Internal Audit and the outcomes of Internal Audit performance measures and QAIP

## 3. Conclusion

3.1 Having considered the audit work for 2025/26 for the Council, the Head of Internal Audit is able to provide **Reasonable Assurance** in relation to the framework of risk management, governance, and internal control. The Head of Internal Audit Annual Opinion Statement – Summary' within the report provides an outline of the implications for internal control, risk management and governance based on an analysis of the limited opinion reports and the position with outstanding recommendations at year-end.

3.3 Regarding the QAIP, a gap analysis with the GIAS in the UK Public Sector was completed this year and the outcomes will be shared the Committee later in the year..

## 4. Recommendation

1) That the Committee is requested to: -

- Receive and consider the contents of the Annual Opinion Report of the Head of Internal Audit.
- Note that a reasonable audit opinion has been given in relation to the framework of governance, risk management and control for the year ended 31 March 2026.
- Note that the opinions expressed together with significant matters arising from internal audit work and contained within this report should be given due consideration when developing and reviewing the Council's Annual Governance Statement for 2025/26.

- Note the outcomes of the Internal Audit's performance measures and the Quality Assurance and Improvement Programme (QAIP).

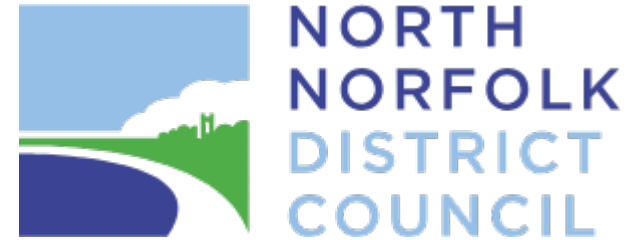
***Appendices attached to this report:***

Appendix A – Annual Opinion Report 2025/26

EASTERN INTERNAL AUDIT SERVICES



APPENDIX A



**NORTH NORFOLK DISTRICT COUNCIL**

**Internal Audit Annual Opinion Report 2025/26**

**Head of Internal Audit: Teresa Sharman**

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# Summary: Internal Audit Work 2025/26

<p style="text-align: center;"><b>12</b> Audits in 2025/26 Internal Audit Plan</p>
<p style="text-align: center;"><b>1</b> Urgent Recs Raised</p>
<p style="text-align: center;"><b>8</b> Important Recs Raised</p>
<p style="text-align: center;"><b>11</b> Routine Recs Raised</p>
<p style="text-align: center;"><b>20</b> Total recommendations raised in year</p>

Assurance Opinion Level	Number of Audits
Substantial	1
Reasonable	5
Limited	1
None	0
Position Statement	3
Deferred	0
Cancelled	2

<p style="text-align: center;"><b>Head of Internal Audit's Opinion 2025/26</b></p>	<p style="text-align: center;"><b>Reasonable</b></p>
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**23 outstanding  
recommendations at  
year-end.**  
  
**2 – Urgent**  
**18 – Important**  
**3 - Routine**  
  
**Oldest – 1 important  
recommendation from  
2021/22**

## Executive Summary

### Purpose

The Head of Internal Audit should provide an annual report, detailing its opinion on the framework of governance, risk management and control, to those charged with governance to support the Council's Annual Governance Statement (AGS).

This report should include the following: -

- An opinion on the overall adequacy and effectiveness of the Council's governance, risk management and internal control environment.
- Disclose any qualifications to that opinion, together with the reasons for the qualification.
- Detail a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies.
- Any control weakness considered by the Head of Internal Audit to be relevant to the preparation of the AGS.
- A summary of the work undertaken during the year to support the opinion, including any reliance placed on the work of other assurance bodies.
- An overall summary of the performance of the Internal Audit Service against its performance indicators.
- The results of the internal audit quality assurance programme, including details of compliance with Internal Audit Standards.

The purpose of this report is to satisfy this requirement, and Members are asked to note its content.

## Background

The Internal Audit Service for the Council is provided by the Consortium, Eastern Internal Audit Services, hosted by South Norfolk Council, which utilises the services of three contractors, TIAA Ltd, the Shared Internal Audit Service at Hertfordshire County Council and BDO LLP. As well as the in-house Team at EIAS.

All audit work is completed in accordance with the Global Internal Audit Standards (GIAS) in the UK Public Sector and the CIPFA Local Government Application Note 2025.

Internal audit provides an independent and objective opinion on the Council's internal controls by evaluation their effectiveness and operation in practice.

## Scope of Responsibility

The Council is responsible for ensuring its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions, and which includes arrangements for the management of risk.

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

This opinion statement is provided for the use of the Council in support of its AGS for the year ended 31 March 2026.

## Head of Internal Audit Annual Opinion Statement - Summary

### Opinion

For 2025/26, I can provide **reasonable** assurance in relation to the framework of risk management, governance, and internal control.

### Basis of opinion

I have considered the outcomes of audit work completed in 2025/26, other third-party assurances if available, the relative materiality of the issues arising from audit work as well as management's progress in addressing any control weaknesses identified, and management's progress with addressing outstanding recommendations from this year and previous years as detailed below.

From an analysis of the information summarised in the 'Head of Internal Audit Annual Opinion Statement – Detail' section below, the following is a summary of each area of the opinion, highlighting strengths and weaknesses and what that means for the Council: -

### Internal Controls

Internal controls are not consistently designed or operating effectively within one particular area, Environmental Health – Licensing, where: -

Weaknesses in income collection, debtor identification, and reconciliation processes reduce the Council's ability to ensure completeness and timeliness of income.

Lack of alignment with statutory requirements (Licensing Act 2003) introduces a risk of non-compliance, including failure to appropriately suspend licences for non-payment.

More broadly, the volume of overdue recommendations, including urgent and important actions, indicates that previously identified control weaknesses remain unresolved, reducing confidence in the effectiveness of the control environment.

Internal control weaknesses may be persisting beyond acceptable timeframes.

### Risk Management

Risk management arrangements are not always operating effectively, as evidenced by: -

Prolonged delays in implementing agreed actions, including urgent recommendations and longstanding issues (dating back to 2021/22).

Continued exposure in high-risk areas (e.g., Licensing income, Section 106 agreements, private sector housing, and contract management), where risks have been identified but not mitigated in a timely manner.

A pattern of revised deadlines and extended implementation periods, indicating challenges in managing and delivering risk mitigation plans.

The increase in overdue recommendations (from 19 (2024/25) to 23 (2025/26)) may suggest that risks are not being actively reduced at the required pace.

Control weaknesses expose the Council to financial loss, non-compliance, and service inefficiencies.

### **Governance**

Governance arrangements may not be ensuring accountability and delivery of improvement, as demonstrated by: -

Failure to implement agreed actions within expected timeframes, including urgent and important recommendations. While improvements have been made in closing recommendations, this has not been sufficient to offset the overall level of outstanding and overdue actions.

Weak enforcement of statutory and internal policy requirements, particularly within Licensing and S106 arrangements.

Are governance mechanisms effectively monitoring, challenging, and driving progress on audit findings? If not, they may not be providing sufficient oversight or challenge to ensure that risks are effectively managed and that control improvements are delivered in a timely and sustained manner.

### **Overall**

There are weaknesses in the Council's internal control, risk management, and governance arrangements. The persistence of overdue recommendations, including urgent actions, alongside areas of statutory non-compliance and ineffective control processes, reduces assurance that risks are being managed effectively. The Council remains exposed to risks of financial loss, regulatory breach, and reduced service effectiveness.

## Head of Internal Audit Annual Opinion Statement - Detail

### Third party assurances

No third-party assurance have been relied upon.

### Limited opinions

#### Environmental Health – Licensing

The audit highlighted weaknesses in the monitoring and oversight of annual fees for premises licences which led to uncertainty over the payment of annual fees. It is a mandatory requirement of the Licensing Act 2003 to suspend a license where payment has not been received and non-compliance therewith, could expose the Council to legal challenge.

This audit contained one urgent and one important recommendation as follows: -

To integrate automated invoicing functionality to enable annual licence fees to be promptly billed and collected and introduce a reconciliation and tracking process to identify unpaid licences and recover outstanding fees to ensure that debtors are identified in a timely manner and dealt with in accordance with the Licensing Act 2003. (Urgent) This recommendation was closed post year-end.

Review the Council's Licensing Policy to ensure it aligns with section 55A of the Licensing Act 2003, suspend a premises licence if the holder has failed to pay the annual fee, and invoke the legislative requirement to suspend licenses where payment has been requested but not received. (Important) This recommendation is past its due date and has a revised due date of June 2026.

### Outstanding Recommendations

In relation to the follow up of management actions, to ensure that they have been effectively implemented, the position at year end, as shown in the table below, is that 23 recommendations (2024/25 – 19) were past their due at year-end, two of which were urgent (2025/26 – Environmental Health (completed) and 2024/25 – Section 106 Arrangements (past the due date)).

### **Oldest outstanding recommendation**

One important recommendation remains past its due date from 2021/22 - Key Controls and Assurance relating to the income from penalty charge notices; this now has a revised due date of June 2026.

### **Outstanding recommendations from 2024/25**

I note that eight recommendations (one urgent, six important and one routine) out of the ten made in the 'Limited' Section 106 Arrangements 2024/25 audit remain past their due dates and are in progress, with revised due dates up to July 2026. This means that the ability of the Council to manage s106 agreements and funds effectively is still at risk.

I note that two recommendations (important) out of the six made in the 'Limited' Private Sector Housing 2024/25 audit remain past their due dates and are in progress, with revised due dates up to May 2026.

I note that one recommendation (important) out of the nine made in the 'Limited' Waste Management Contract 2024/25 audit remain past their due date and is in progress, with a revised due date up to May 2026.

I note that the recommendations in the other two 'limited' reports in this year, Environmental Charter and Risk Management, are all closed.

Please refer to the separate Progress Report June 2026, which shows the details of the progress made to date in relation to the implementation of agreed recommendations, and which also provides an update from management regarding all outstanding recommendations.

Audit Year	Total Number of Recs Past Due Date	Number of Urgent Recs	Number of Important Recs	Number of Routine Recs
2021/22	1	0	1	0
2024/25	17	1	13	3
2025/26	5	1	4	0
<b>Total</b>	<b>23</b>	<b>2</b>	<b>18</b>	<b>3</b>

## Audit Outcomes

The outcome of all audits completed in 2025/26 is shown in the table below.

Audit Area	Status	Opinion	Total Number	Urgent	Important	Routine	Improvement Actions
Building Control	Audit completed	Reasonable	3	0	0	3	0
Environmental Health - Licensing	Audit completed	Limited	3	1	1	1	0
Artificial Intelligence Advisory Review	Audit completed	Advisory Work	N/A	N/A	N/A	N/A	N/A
Workforce Strategy and Learning Development Plan	Audit completed	Advisory Work	N/A	N/A	N/A	N/A	N/a
Risk Management	Audit completed	Follow Up	N/A	N/A	N/A	N/A	N/A
Corporate Governance	Audit completed	Substantial	0	0	0	0	5
Health & Safety Statutory Compliance Checks on Temporary Accommodation	Audit completed	Reasonable	4	0	3	1	1
Key Financial Controls	Audit completed	Reasonable	4	0	2	2	0
Planned Preventative Maintenance of Council Owned Properties	Audit completed	Reasonable	4	0	0	4	1
Procurement	Audit completed	Reasonable	2	0	2	0	1

Audit Area	Status	Opinion	Total Number	Urgent	Important	Routine	Improvement Actions
Budget Setting and Control	Cancelled	-	-	-	-	-	-
Applications Audit – HR System	Cancelled	-	-	-	-	-	-

<b>Grant Certifications</b>	The following grants have been certified by EIAS so far during 2025/26: - <ul style="list-style-type: none"> <li>Disabled Facilities Capital Grants (Period end - 2024/25)</li> </ul>
<b>Low Priority Audits</b>	These audits were Project Management Framework, Council Tax Support Scheme and Woodland Management and Country Park provision. There is not sufficient budget to complete them.
<b>Follow Up</b>	A provision of days is allowed to monitor progress with implementing recommendations made each month.

## Performance Measures Outcomes

### Overall Outcome

Detailed below are the outcomes of the performance measures which relate to the performance of the main contractor delivering internal audits across all the Councils in the Consortium. Performance measures are consortium wide measures.

The overall performance status is determined as 'Amber' with only five 'fully met', four 'partially met' and one 'not met'.

Other than KPI 1, which is measured annually and KPI 6 which is measured continuously, all KPIs are measured quarterly.

This is the overall performance status at the time of writing our report. There are still several reports to be finalised across the Consortium and feedback surveys to be returned.

## Senior Management

KPI Reference	Description	Outcome
KPI 1	S151, S17 Satisfaction, annual minimum is good – three out of seven replies were received from S151 Officers	Not Met - Average

## Internal Audit Process

KPI Reference	Description	Outcome	Details
KPI 2	APM issued minimum 20 working days before agreed start date - 90% quarterly	Partially Met	Only met in 2 out of 4 quarters
KPI 3	Draft reports issued within 10 working days of fieldwork end date - 95% quarterly	Partially Met	Met in 3 out of 4 quarters
KPI 4	Final reports issued within 5 working days of management responses - 95% quarterly	Partially Met	Met in 3 out of 4 quarters
KPI 5	Quarterly performance pack reported to the Contract Manager within 15 working days of the end of the quarter	Partially Met	Only met in 3 out of 4 quarters

KPI Reference	Description	Outcome	Details
KPI 6	Respond to the Contract Manager within 3 working days where unsatisfactory feedback has been received	Met	N/A
KPI 7	PSIAS compliance - deep dive review of files - 100%. Four files per quarter	N/A	Not completed on 2025/26 audits

## Clients

KPI Reference	Description	Outcome	Outcome
KPI 8	Average feedback scores from key clients, quarterly minimum average	Met - Good	Overall score at time of writing the report was 3.2 (1 is poor and 4 is excellent)

## Innovation and Capabilities

KPI Reference	Description	Outcome
KPI 9	Percentage of recommendations accepted by management - 90% overall	Met
KPI 10	Percentage of qualified / experienced staff working on the contract each quarter - 60%	Met
KPI 11	Number of training hours per members of staff completed each quarter - minimum 1 day per quarter	Met

### Actions to Improve

As the tables above highlight, the Contractor has not met their targets for several of the KPIs this year.

As a result, the 10% quality payment, which is withheld until the end of the year, was adjusted accordingly and not paid in full.

#### Action to address poor performance

As the Contractor does not have exclusivity, BDO LLP and the shared internal audit service at Hertfordshire County Council continue to be used on half of the Consortium's Internal Audit Plan as well as EIAS auditors.

The contract is now being re-procured ready to be in place for the 2027/28 audit year.

## Quality Assurance and Improvement Programme (QAIP)

### QAIP

#### What do the Standards say?

The chief audit executive must develop, implement and maintain a quality assurance and improvement programme that covers all aspects of the internal audit function. The programme has two elements, internal assessments and external assessments.

At least annually, the chief audit executive must communicate the results of the internal quality assessment to the Audit Committee and senior management covering the internal audit function's conformance with the Standards and achievement of performance objectives and plans to address deficiencies and opportunities for improvement.

A quality assurance and improvement programme is designed to evaluate and promote the internal audit function's conformance with the Standards, achievement of performance objectives, and pursuit of continuous improvement.

The Head of Internal Audit is responsible for ensuring that the internal audit function is continuously seeking improvement. This requires developing measures to assess the performance of internal audit engagements, internal auditors, and the internal audit function. These measures form the basis for evaluating progress toward performance objectives including continuous improvement.

### Internal Assessment

#### What do the Standards say?

The Head of Internal Audit must establish a methodology for internal assessments, that includes ongoing monitoring of the internal audit function's conformance with the Standards and progress toward performance objectives, periodic self-assessments to evaluate conformance with the Standards, and communication with the Audit Committee and senior management about the results of internal assessments. An action plan to address instances of nonconformance with the Standards and opportunities for improvement must be developed.

### Ongoing monitoring

This involves the day-to-day supervision, review, and measurement of the internal audit function and is incorporated into ours and our contractor's routine policies and procedures used to manage the internal audit function. Ongoing monitoring is primarily achieved through supervisory reviews throughout audit work and the use of template working papers and documents, to ensure standardisation and consistency in the application of audit work.

Performance measures are in place to determine the efficiency and effectiveness of the internal audit function as reported above. Currently, we are only reporting against these for the main contractor. Performance measures have been agreed with the other two contractors and will be formally measured in 2026/27.

Weekly operational and quarterly performance meetings are held with the main Contractor, as will be the case for the other two contractors.

### Periodic self-assessments

These enable the internal function to validate its conformance with all the Standards. These evaluate: -

- The adequacy of the internal audit function's methodologies.
- How well the internal audit function supports the achievement of the Council's objectives.
- The quality of internal audit services performed, and supervision provided.
- The degree to which stakeholder expectations are met and performance objectives are achieved.

### Results of self-assessment

A self-assessment has not been completed for 2025/26. This is because a gap analysis was completed against the new GIAS in the UK Public Sector, the results of which will be presented to the Committee later this year.

## External Assessment

### What do the Standards say?

The chief audit executive must develop a plan for an external quality assessment (EQA) and discuss the plan with the Audit Committee. The EQA must be performed at least once every five years by a qualified, independent assessor or assessment team.

### Last EQA

An EQA was carried out in October 2022 by the Chartered Institute of Internal Auditors (IIA) against the previous Standards. The Internal Audit Service received a 'generally conforms' result, with conformance in 60 out of 64 areas (two areas were not applicable, and two resulted in 'partially conforms').

### Progress with actions

One area of partial conformance was highlighted in coordinating and maximising assurance. Within the Strategic and Annual Plans report for the audit year 2023/24 presented in March 2023, an Assurance Map was provided, outlining the then top risks, along with first, second and third lines of assurance. This has not been repeated since.

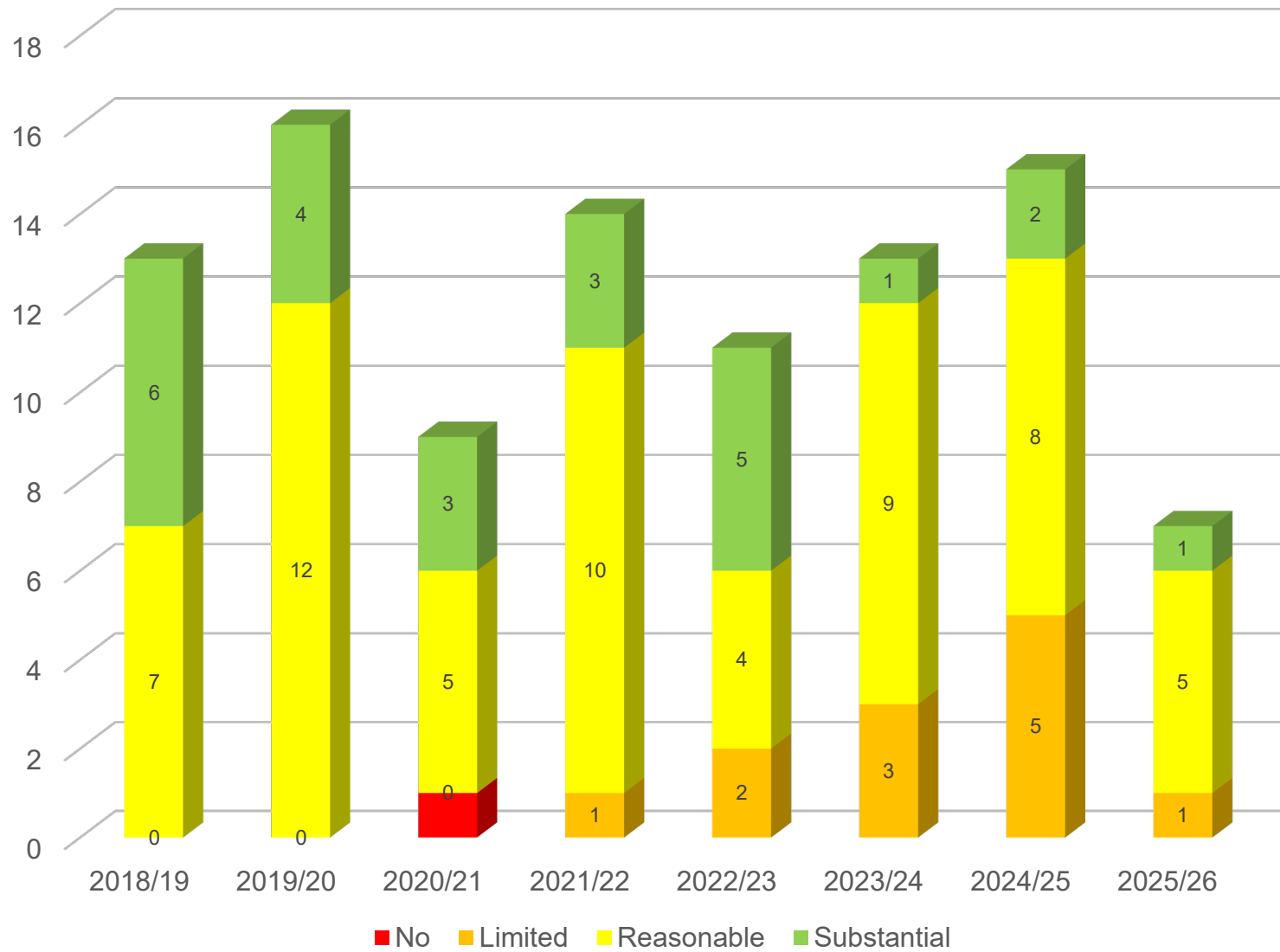
The second area of partial conformance was raised to ensure that all EIAS clients receive an external quality assessment as it falls due on the five-year anniversary. This will be ensured at the five-year anniversary in 2027.

## Appendix 1 – Summary of Audit Opinions

### Audit Opinions by Year

The table below, and the bar chart on the following page, shows the audit opinions over the last eight years for assurance work outcomes only.

Audit Year	Total Audits	Number with Substantial assurance	Number with Reasonable assurance	Number with Limited assurance	Number with No Assurance
2018/19	13	6	7	0	0
2019/20	16	4	12	0	0
2020/21	9	3	5	0	1
2021/22	14	3	10	1	0
2022/23	11	5	4	2	0
2023/24	13	1	9	3	0
2024/25	15	2	8	5	0
2025/26	7	1	5	1	0
<b>Total</b>	<b>98</b>	<b>25</b>	<b>60</b>	<b>12</b>	<b>1</b>



## Appendix 2 - For Your Information

Definitions for overall assurance opinions and recommendation ratings are shown below.

Substantial Assurance	There is a robust system of internal controls operating effectively to ensure that risks are managed, and process objectives achieved.
Reasonable Assurance	The system of internal controls is generally adequate and operating effectively but some improvements are required to ensure that risks are managed, and process objectives achieved.
Limited Assurance	The system of internal controls is generally inadequate or not operating effectively and significant improvements are required to ensure that risks are managed, and process objectives achieved.
No Assurance	There is a fundamental breakdown or absence of core internal controls requiring immediate action.
Position Statement	Advisory work.

Urgent – Priority 1	Fundamental control issue on which action to implement should be taken within 1 month.
Important - Priority 2	Control issue on which action to implement should be taken within 3 months.
Routine – Priority 3	Control issue on which action to implement should be taken within 6 months.