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| Title of Report | Internal Audit Annual Report 2025/26 |
| For Consideration By | Audit Committee |
| Meeting Date | 17 June 2026 |
| Classification | Open |
| Ward(s) Affected | All |
| Group Director | Naeem Ahmed, Group Director, Finance & Corporate Resources |

1. **Introduction**

- 1.1 This report provides details of the performance of Internal Audit during 2025/26 and the areas of work undertaken, together with an opinion on the soundness of the control environment in place to minimise risk to the Council.
- 1.2 This report is presented for information and comment and supports part of the Committee's role in overseeing corporate governance.

2. **Recommendations**

The Audit Committee is recommended to: -

- 2.1 **To comment upon and note this report of Internal Audit's performance and opinion of the Council's framework of governance, risk management and internal control.**
- 2.2 **Approve the updated Internal Audit Charter and Strategy.**

3. **Reason(s) for decision**

- 3.1 The Global Internal Audit Standards (GIAS) came into force on 1 April 2025 and they apply to all internal audit service providers.
- 3.2 GIAS and additional requirements that arise from it require the Head of Internal Audit to report an annual internal audit opinion functionally to the Audit Committee and to deliver an annual internal audit opinion to inform the Annual Governance Statement. The opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

- 3.3 The Annual Report must incorporate: -
- the opinion
 - a summary of the work that supports the opinion
 - a statement on conformance with the GIAS and the results of the quality assurance and improvement programme.

3.4 This report fulfils these requirements.

4. **Background**

4.1 Annual Report

- (i) The annual report of the Internal Audit Service includes a summary of managers' implementation of agreed high and medium priority audit recommendations. In addition, the following are presented:
- A summary of assurance levels arising from reviews carried out in 2025/26 (Appendix 2)
 - Definitions of assurance levels (Appendix 3)
 - Internal Audit performance against key performance indicators (Appendix 4)
 - Comparison of assurances for key financial systems (Appendix 5)
 - Internal Audit Charter (Appendix 6, **for approval**)
 - Internal Audit Strategy (Appendix 7, **for approval**)
 - Draft Annual Governance Statement 2025/26 (Appendix 8) (Note that this is a standalone item which is presented to the Audit Committee as an important assessment of the Council's governance arrangements ahead of its inclusion in the final accounts)
 - The rationale for the Head of Audit's annual opinion (Appendix 9)
- (ii) The Audit Annual Plan was formulated by: -
- Analysis of the corporate and directorate risk registers
 - Consultation with chief officers and senior managers to ensure that account is taken of any concerns they raise
 - New Council initiatives, government initiatives and legislation
 - A review of past Internal Audit work
- (iii) This report provides details of the performance of the Council's Internal Audit Service and seeks to give reassurance that the service is being delivered in accordance with statutory responsibilities and is continually seeking to improve the standards of its service.
- (iv) The service was most recently restructured during 2022. One post is currently occupied on a fixed-term contract basis, all other posts are permanently staffed. An apprentice scheme concluded during 2025/26 and the apprentice has since been appointed to permanent position on the team. Allocation of audit resources have focussed on reviews that provide evidence to support the Corporate Head of Audit, Anti-Fraud & Risk Management's annual assurance statement.

- (v) Using the cumulative knowledge and experience from the audit review of the systems and controls in place over many years, including the results of previous audit work and the work undertaken to date, it is considered that overall, throughout the Council there remains a reasonable internal control environment despite the challenges that the Council continues to experience.

4.2 Internal Audit Charter

The Internal Audit Charter (Appendix 6) sets out the nature, role, responsibility, status and mandate of internal auditing within the Council, and outlines the scope of internal audit work. To ensure that the Charter remains relevant and current, it is reviewed annually. There are no significant changes to report because the Charter was updated in full in May 2025 (following the introduction of GIAS).

4.3 Internal Audit Strategy

The Internal Audit Strategy (Appendix 7) is a high level document which outlines how the Internal Audit Service will be delivered to meet the requirements contained within the Internal Audit Charter. There are minimal changes which again reflect the 2025 changes after the new professional standards were introduced.

4.4 Policy Context

The work of the Internal Audit Service complied with the Global Internal Audit Standards throughout the reporting year. Internal Audit reviews consider all applicable policies of the Council.

Equality Impact Assessment

- 4.5 This report does not require an equality impact assessment, but where applicable equality issues and adherence to corporate policies would be considered in audit reviews.

Sustainability and climate change

- 4.6 Not applicable

Consultations

- 4.7 Consultation on the internal audit plan took place with senior management throughout the Council, and the plan was approved by the Audit Committee.

Risk assessment

- 4.8 The work of Internal Audit was based upon a risk assessment which covers all areas of the Council's activity and is continually changing to reflect new initiatives, risk areas and legislation. There was also continuous reassessment of risk as audits were undertaken, plus regular consultation with directors, chief officers and senior managers to ensure that account was taken of any concerns they raised during the year.

5. Comments of the Group Director, Finance and Corporate Resources

- 5.1 There are no financial implications arising from this report as the costs of providing the audit service are included within the Council's base budgets.
- 5.2 An effective audit service is important in order to ensure that key internal controls are assessed, thereby aiding the prevention and detection of fraud and other occurrences that could otherwise result in budget pressures. It is noted that the results of internal audit work indicate that, overall, the Council's control framework is reasonable, despite the legacy challenges we are still facing from the lasting impacts of the pandemic, the cost of living crisis and delays in the implementation of key systems.

6. Comments of the Director of Legal, Democratic and Electoral Services

- 6.1 The Accounts and Audit Regulations 2015 place obligations on the Council to ensure that its financial management is adequate and effective and that it has a sound system of internal control which includes arrangements for management of risk. An adequate system of internal audit is inherent. This report demonstrates how the Council is fulfilling its obligations in this regard.
- 6.2 The Audit Committee is asked to note the report on Internal Audit's performance and opinion. There are no immediate legal implications arising from the report.

7. Comments of the Director of Human Resources and Organisational Development

- 7.1 The work of the Internal Audit and Investigation services are delivered from existing budgets and work plans are developed with regard to the resources that are available. Internal Audit is a statutory service and it is also noted that the benefits arising from the investigation activities set out in this report considerably exceed the cost of the division as a whole. As such, there are no HR considerations that arise from this report.

Appendices

Appendix 1 - Internal Audit Service Annual Report 2024/25

Appendix 2 - Detailed analysis of internal audit reviews 2024/25

- Appendix 3 - Definitions of Assurance Levels
- Appendix 4 - Internal Audit Performance in 2024/25
- Appendix 5 - Key Financial Systems – analysis of audit findings
- Appendix 6 - Internal Audit Charter
- Appendix 7 - Internal Audit Strategy 2020-2025
- Appendix 8 - Draft Annual Governance Statement 2024/25
- Appendix 9 - Rationale for the Audit Opinion

Background documents

None

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| Report Author | Michael Sheffield Corporate Head of Audit, Anti-Fraud & Risk Management michael.sheffield@hackney.gov.uk 0208 356 2505 |
| Comments for the Group Director, Finance & Resources | Deirdre Worrell Director Financial Management deirdre.worrell@hackney.gov.uk 0208 356 7350 |
| Comments for the Director of Legal, Democratic and Electoral Services | Louise Humphreys Director, Legal, Democratic & Electoral Services Louise.humphreys@hackney.gov.uk 0208 356 4817 |
| Comments for the Director of Human Resources & Organisational Development | Adenike Fafolu Strategic HR and OD Business Partner Adenike.fafolu@hackney.gov.uk 0208 356 7119 |