

INTERNAL AUDIT ANNUAL PLAN 2025/26 & Strategic Plan 2023-26

Maldon District Council

2025/26



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AUDIT RISK ASSESSMENT

BACKGROUND

Our risk-based approach to internal audit uses Maldon District Council's (the "Council") own risk management process and risk register as a starting point for audit planning as this represents the client's own assessment of the risks to it achieving its strategic objectives.

The extent to which we can rely on management's own perception of risk largely depends on the maturity and effectiveness of the Council's own risk management arrangements. In estimating the amount of audit resource required to address the most significant risks, we have also sought to confirm that senior management's own assessment of risk accurately reflects the Council's current risk profile.

PLANNED APPROACH TO INTERNAL AUDIT 2025/26

The indicative Internal Audit programme for 2025/26 is set out on pages 7 to 8. We collated an initial, updated plan, which was discussed at the Corporate Leadership Team meeting with feedback reflected in order to bring together a full plan which is being presented at this Performance, Governance and Audit Committee for formal review and approval. We will keep the programme under continuous review during the year and will introduce to the plan any significant areas of risk identified by management during that period.

The plan is set within the context of a multi-year approach to internal audit planning, such that all areas of key risks would be looked at over a three-year audit cycle. This is the final year of the three-year strategic internal audit plan, which is set out on pages 9 to 12.

INDIVIDUAL AUDITS

When we scope each review, we will reconsider our estimate for the number of days needed to achieve the objectives established for the work and to complete it to a satisfactory standard in light of the control environment identified within the Council. Where revisions are required, we will obtain approval from the appropriate Director prior to commencing fieldwork.

In determining the timing of our individual audits, we will seek to agree a date which is convenient to the Council and which ensures availability of key management and staff and takes account of any operational pressures being experienced.

VARIATIONS TO THE PLAN

We review the three-year strategic plan each year to ensure we remain aware of your ongoing risks and opportunities. Over the coming pages we have mapped your key risks along with the audit work we propose to undertake, demonstrating we are focussing on your most important issues.

As such, our strategic audit programme follows the risks identified during our planning processes and confirmed via discussions with the Executive Directors. If these were to change, or emerging risks were to develop during this period, we would take stock and evaluate our coverage accordingly.

OUR NEXT GEN INTERNAL AUDIT APPROACH

Our innovative Next Gen approach to internal audit ensures you maximise the potential added value from BDO as your internal audit provider and the expertise we bring from our dedicated Public Sector Internal Audit team and wider BDO specialist teams.

The Next Gen approach allows us to deliver a healthy mix of assurance that is forward looking, flexible and responsive and undertaken in partnership with yourselves. The key components to this approach are outlined below and underpin our proposed plan coverage:

CORE ASSURANCE

Reviews of fundamental finance and operational systems to provide assurance that core controls and procedures are operating as intended.

SOFT CONTROLS

Reviews seek to understand the true purpose behind control deficiencies and provide a route map to enhance their effectiveness.

FUTURE FOCUSED ASSURANCE









Rather than wait for implementation and then comment on identified weaknesses, we will work with you in an upfront / real time way.








FLEXIBLE AUDIT RESOURCE

Undertake proactive work across the Council/Trust, perhaps in preparation for regulatory reviews or change management programmes.



MAPPING YOUR STRATEGIC RISKS

REF	STRATEGIC RISKS FROM YOUR CRR	LIKELIHOOD	CONSEQUENCE	NET SCORE	RATING
1	Failure to safeguard children and vulnerable adults	2	5	10	
2	Failure to target services and influence partners with the aim of having an effective outcome on the identified health and wellbeing needs of the vulnerable population	2	4	8	
3	Failure to influence Community Safety partners to address the key areas of public concern (including rural crime) and the negative perception of crime	2	4	8	
4	Damage caused to the Council's reputation associated with delays to planned infrastructure delivery in the District by third parties which was due to mitigate approved development	5	4	20	
5	Failure to maintain a 5 year housing land supply	5	5	25	
6	Failure to meet the affordable housing need	4	5	20	
7	Failure to protect personal or commercially sensitive data	2	4	8	
8	Unable to recruit and retain staff with specific skills sets in specialist areas to meet the demands of the service (ie Planners)	4	4	16	

REF	STRATEGIC RISKS FROM YOUR CRR	LIKELIHOOD	CONSEQUENCE	NET SCORE	RATING
9	Failure to plan and deliver balanced budgets over the medium term	2	5	10	
10	Inadequate staffing structure and resource for resilience	4	4	16	
11	Uncertainty of the cost-of-living crisis impacts	3	3	9	
12	Lack of Temporary Accommodation & Social Housing to cope with demand	4	4	16	
13	Failure to have a structured way to engage and support local business	2	2	4	
14	Changes in national policy from the new government leading to uncertainty of impacts to project and service delivery	3	3	9	
16	Failure to engage and prepare to be ready for any impact of Local Government Review	3	4	12	

MAPPING YOUR CRR TO THE STRATEGIC PLAN

REF	STRATEGIC RISKS FROM YOUR CRR	2023/24	2024/25	2025/26
1	Failure to safeguard children and vulnerable adults			<ul style="list-style-type: none"> • Safeguarding
2	Failure to target services and influence partners with the aim of having an effective outcome on the identified health and wellbeing needs of the vulnerable population		<ul style="list-style-type: none"> • Health and Wellbeing 	<ul style="list-style-type: none"> • Safeguarding • Food Safety • Waste and Recycling
3	Failure to influence Community Safety partners to address the key areas of public concern (including rural crime) and the negative perception of crime			<ul style="list-style-type: none"> • Waste and Recycling
4	Damage caused to the Council's reputation associated with delays to planned infrastructure delivery in the District by third parties which was due to mitigate approved development	<ul style="list-style-type: none"> • S106 	<ul style="list-style-type: none"> • Building Control 	
5	Failure to maintain a 5-year housing land supply			
6	Failure to meet the affordable housing need	<ul style="list-style-type: none"> • Homelessness and Temporary Accommodation 		
7	Failure to protect personal or commercially sensitive data		<ul style="list-style-type: none"> • GDPR • Asset Management • Business Continuity and Disaster Recovery 	

REF	STRATEGIC RISKS FROM YOUR CRR	2023/24	2024/25	2025/26
8	Unable to recruit and retain staff with specific skills sets in specialist areas to meet the demands of the service (ie Planners)			<ul style="list-style-type: none"> HR System Review
9	Failure to plan and deliver balanced budgets over the medium term	<ul style="list-style-type: none"> Main Financial Systems Housing Benefits Compliance with the CIPFA Financial Code 	<ul style="list-style-type: none"> Main Financial Systems Capital and Commercial Project Management 	<ul style="list-style-type: none"> Main Financial Systems
10	Inadequate staffing structure and resource for resilience	<ul style="list-style-type: none"> Sickness and Absence Management EDI 		<ul style="list-style-type: none"> HR System Review IT Governance
11	Uncertainty of the cost-of-living crisis impacts			<ul style="list-style-type: none"> Corporate Governance
12	Lack of Temporary Accommodation & Social Housing to cope with demand	<ul style="list-style-type: none"> Homelessness and Temporary Accommodation 		<ul style="list-style-type: none"> Management of Property
13	Failure to have a structured way to engage and support local business			
14	Changes in national policy from the new government leading to uncertainty of impacts to project and service delivery			<ul style="list-style-type: none"> Local Government Review
16	Failure to engage and prepare to be ready for any impact of Local Government Review			<ul style="list-style-type: none"> Local Government Review

We note not all risks have reviews against them. The Council have a large volume of identified risks, and our audit plan is constrained. We will monitor these risks and flexibly adapt our audit plan as appropriate and if required to cover these risks. We also note managements own actions seek to mitigate these risks.

INTERNAL AUDIT OPERATIONAL PLAN 2025/26

AREA	DAYS	TIMING	DESCRIPTION OF THE REVIEW	REASON FOR INCLUSION
Core Assurance				
HR System Review	15	Q1	The purpose of the audit is to provide assurance on the underlying processes for the new HR system introduced in 2024.	Officers have requested a review of this area to provide assurance over the new HR system.
Local Government Review	15	Q1	To review how prepared the Council is to implement changes brought about by the Local Government Review.	Officers have requested a review of the Council's preparations for changes brought about by the Local Government Review.
Waste and Recycling	20	Q1	To review the management and operational activities of the Council's refuse and kerbside waste collection service.	Cyclical review of a high-risk area.
Management of Property	20	Q2	This audit will focus on the Council's arrangements for ensuring property is managed effectively and efficiently, following up on recommendations made in the previous review.	Cyclical review of a high-risk area.
Safeguarding	20	Q2	Follow up of previous internal audit to review of the Council's policies and arrangements to ensure the safeguarding of children and vulnerable adults.	Cyclical review of a high-risk area.
Corporate Governance	15	Q3	Review of the operation of the Committee Structure to ensure that it is fit for purpose and delivering the outcomes required by the District.	Cyclical review of a high-risk area.
IT Governance	15	Q3	The purpose of this audit is to provide assurance over the adequacy and effectiveness of the Council's IT governance arrangements.	IT is a high-risk area where there are continuous emerging and evolving risks so requires regular examination. In recognition of the digital journey that the Council is on, this review has also been

AREA	DAYS	TIMING	DESCRIPTION OF THE REVIEW	REASON FOR INCLUSION
				included to offer ongoing assurance of how this is managed.
Food Safety	15	Q3	The purpose of this audit is to provide assurance over the adequacy and effectiveness of the key processes and controls in place over the inspection of premises and enforcement activities in relation to food safety.	Officers have requested a review of this area to ensure controls are robust to cope with increased demand.
Main Financial Systems	20	Q4	Detailed review to include GL controls, system interfaces, journals, as well as cyclical audits of debtors, creditors, payroll, budgetary control, treasury management, council tax and NNDR.	This is a mandatory element of the internal audit programme and forms a key component of the Head of Internal Audit opinion. We undertake a rotational set of reviews covering the Council's key financial systems.
Total	155			

AREA	DAYS	TIMING	DESCRIPTION OF THE REVIEW	REASON FOR INCLUSION
Contract Management				
Planning / Liaison / Management	20	Q1-Q4	Creation of audit plan, meeting with Executive Directors, PGA	Effective contract management
Recommendations follow up	10	Q1-Q4	Assessment and reporting of status of implementation of recommendations raised	Assurance for Executive Team and the Performance, Governance and Audit Committee
Total	30			
Overall Total	185			

INTERNAL AUDIT STRATEGIC PLAN 2023/26

AREA	23/24	24/25	25/26	DESCRIPTION OF THE REVIEW
Audit Areas				
Main Financial Systems	20	20	20	Detailed review to include GL controls, system interfaces, journals, as well as cyclical audits of debtors, creditors, payroll, budgetary control, treasury management, council tax and NNDR.
HMRC Employment Status	10			The purpose of the review will be to assess if the designated employment status of individuals given by the Council, and the evidence behind that designation, is appropriate
Housing Benefits	15			Assessment of benefit cases against evidence retained on systems evaluating whether cases are legitimate and sufficient evidence was received and protocols followed as well and whether reporting of information in this area is appropriate.
Sickness and Absence Management	20			To review the sickness absence management process and assess whether the Council have adequate controls and triggers in place to monitor and manage sickness absence effectively. We will also assess measures undertaken by the Council to enable staff to return to work quickly.
Climate Change and Sustainability	20			Review of all Council policies and overall strategies to set, approve and achieve environmental aims as well as steps to identify and reduce the areas carbon footprint and activities to provide a safe and clean environment.
Homelessness and Temporary Accommodation	15			This audit will review how the Council manages its homelessness and temporary accommodation responsibilities and how effective these arrangements are.
Fraud	20			Given the attempted Fraud in 2022 this review will assess the Council's fraud arrangements to ensure robust controls and reporting arrangements are in place.

AREA	23/24	24/25	25/26	DESCRIPTION OF THE REVIEW
Management of s106 Funds	15			The purpose of the audit is to review and assess the effectiveness of the management of Section 106 funds.
Compliance with the CIPFA Financial Code	15			The purpose of the review will be to provide assurance that the Council has put in place appropriate arrangements to comply with the CIPFA Financial Management Code.
Licensing	15			Review of processes in place to ensure there are sufficient controls over the management of issuing and maintaining licences and whether there are appropriate controls in place to ensure effective recovery of fee income.
Equality, Diversity and Inclusion	20			Review to assess how the Council has ensured there is a commitment to EDI across the organisation, including tone from the top, governance structures, strategy, and use of data (including both workforce and service design considerations).
Health and Safety		20		The purpose of the audit is to provide assurance over the design and operational effectiveness of the controls relating to the application of health and safety policies and practices across the Council.
Capital and Commercial Project Management		20		Review of capital and commercial projects, to include the planning, funding, delivery and the approach to project management to ensure there is sufficient due diligence and that projects are delivered in line with expectations.
Business Continuity and Disaster Recovery		15		Review Council arrangements for the overall Business Continuity and Disaster Recovery Plan including how this Plan interacts with local service plans and whether there is adequate oversight that these all remain up-to-date, regularly assessed, and tested.
Building Control		15		Review of the effectiveness of the Council's approach to and delivery of change to the Building Control service.
Health and Wellbeing		10		The review will assess the health and wellbeing initiatives in place to support staff across the Council We will consider how the success of initiatives is monitored, where it is reported and how staff feedback is considered
Contract Management		20		To consider the adequacy and effectiveness of arrangements for contract management, assessing whether arrangements are robust and transparent and that effective relationships are maintained with key partners.

AREA	23/24	24/25	25/26	DESCRIPTION OF THE REVIEW
GDPR		15		The purpose of the audit is to provide assurance over the design and operation of the controls in place to comply with the requirements of the General Data Protection Regulations. The risk of non-compliance with the GDPR, may lead to financial penalties and reputational damage.
Asset Management		20		The purpose of this audit is to provide assurance that the Council has maintained a full and complete asset register. The audit will also assess whether the lifecycle of assets has been considered and decision-making regarding replacement equipment is future focused.
HR System Review			15	The purpose of the audit is to provide assurance on the underlying processes for the new HR system introduced in 2024.
Corporate Governance			15	Review of the operation of the Committee Structure to ensure that it is fit for purpose and delivering the outcomes required by the District.
Management of Property			20	This audit will focus on the Council's arrangements for ensuring property is managed effectively and efficiently, following up on recommendations made in the previous review.
Safeguarding			20	Follow up of previous internal audit to review of the Council's policies and arrangements to ensure the safeguarding of children and vulnerable adults.
IT Governance			15	The purpose of this audit is to provide assurance over the adequacy and effectiveness of the Council's IT governance arrangements.
Waste and Recycling			20	To review the management and operational activities of the Council's refuse and kerbside waste collection service.
Local Government Review			15	To review how prepared the Council is to implement changes brought about by the Local Government Review.
Food Safety			15	To provide assurance over the adequacy and effectiveness of the key processes and controls in place over the inspection of premises and enforcement activities in relation to food safety.

AREA	23/24	24/25	25/26	DESCRIPTION OF THE REVIEW
Planning, Reporting, Contingency and Follow-up				
Management (inc. Follow Up and PGA Committee)	30	30	30	Creation of audit plan, meetings with Executive Directors, Follow up and attendance at PGA Committee.
Contingency	5			To be used in instances of particular concern or special projects.
Total	220	185	185	

APPENDIX I

INTERNAL AUDIT CHARTER

This charter is a requirement of internal audit standards.

The charter formally defines internal audit's purpose, authority and responsibility. It establishes internal audit's position within Maldon District Council (the 'Council') and defines the scope of internal audit activities.

Final approval of this charter resides with the Council, and in practice the charter shall be reviewed annually by management and approved annually by the Performance, Governance and Audit Committee on behalf of the Council.

STANDARDS OF INTERNAL AUDIT PRACTICE

To fulfil its purpose, internal audit will perform its work in accordance with the *Global Internal Audit Standards in the UK Public Sector*, which encompass:

- ▶ The global Institute of Internal Auditors (IIA) *Global Internal Audit Standards* (GIAS) effective from January 2025
- ▶ The Internal Audit Standards Advisory Board (IASAB) *Application Note Global Internal Audit Standards in the UK Public Sector* effective from 1 April 2025.

Internal audit is also required to comply with the Chartered Institute of Public Finance and Accountancy (CIPFA) *Code of Practice for the Governance of Internal Audit in UK Local Government*, effective from 1 April 2025.

The GIAS refer to the 'board' as 'the highest-level body charged with governance, such as a board of directors, an Audit Committee, a board of governors or trustees, or a group of elected officials or political appointees.' For the Council, 'the board' is the Performance, Governance and Audit Committee acting on behalf of the Council.

The GIAS also refer to the 'chief audit executive' as the 'leadership role responsible for effectively managing all aspects of the internal audit function and ensuring the quality performance of internal audit services in accordance with Global Internal Audit Standards.' For the Council's internal audit function, 'the chief audit executive or CAE' is the BDO-assigned partner (Aaron Winter) acting as the Head of Internal Audit.

INTERNAL AUDIT'S PURPOSE AND MANDATE

Purpose

The purpose of the internal audit function is to strengthen the Council's ability to create, protect, and sustain value by providing the Performance, Governance and Audit Committee and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

The internal audit function enhances the Council's:

- ▶ Successful achievement of its objectives
- ▶ Governance, risk management, and control processes
- ▶ Decision-making and oversight
- ▶ Reputation and credibility with its stakeholders
- ▶ Ability to serve the public interest.

The Council's internal audit function is most effective when:

- ▶ Internal auditing is performed by competent professionals in conformance with the GIAS in the UK Public Sector
- ▶ The internal audit function is independently positioned with direct accountability to the Performance, Governance and Audit Committee
- ▶ Internal auditors are free from undue influence and committed to making objective assessments.

The role of the Council's internal audit therefore includes:

- ▶ Supporting the delivery of the Council's strategic objectives by providing risk-based and objective assurance on the adequacy and effectiveness of governance, risk management and internal controls
- ▶ Championing good practice in governance through assurance, advice and contributing to the Council's annual governance review
- ▶ Advising on governance, risk management and internal control arrangements for major projects, programmes and system changes
- ▶ Access to the Council's collaborative and arm's-length arrangements.

Mandate - Authority

The Performance, Governance and Audit Committee grants the internal audit function the mandate to provide the Performance, Governance and Audit Committee and senior management with objective assurance, advice, insight, and foresight.

The internal audit function's authority is created by its direct reporting relationship to the Performance, Governance and Audit Committee. Such authority allows for unrestricted access to the Performance, Governance and Audit Committee.

The Performance, Governance and Audit Committee authorises the internal audit function to:

- ▶ Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out internal audit responsibilities; internal auditors are accountable for confidentiality and safeguarding records and information
- ▶ Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives
- ▶ Obtain assistance from the necessary organisation's personnel in relevant engagements, as well as other specialised services from within or outside the organisation to complete internal audit services.

Mandate - Independence, position, and reporting relationships

- ▶ The CAE will be positioned at a level in the organisation that enables internal audit services and responsibilities to be performed without interference from management, thereby establishing the independence of the internal audit function.
- ▶ The CAE will report functionally to the Performance, Governance and Audit Committee and administratively to the s151 Officer.
- ▶ This positioning provides the organisational authority and status to bring matters directly to senior management and escalate matters to the Performance, Governance and Audit Committee, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.
- ▶ The CAE will confirm to the Performance, Governance and Audit Committee, at least annually, the organisational independence of the internal audit function.
- ▶ The CAE will disclose to the Performance, Governance and Audit Committee any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function's effectiveness and ability to fulfil its mandate.

PERFORMANCE, GOVERNANCE AND AUDIT COMMITTEE OVERSIGHT

To establish, maintain, and ensure that the Council's internal audit function has sufficient authority to fulfil its duties, the Performance, Governance and Audit Committee will:

- ▶ Discuss with the CAE and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the internal audit function
- ▶ Ensure the CAE has unrestricted access to and communicates and interacts directly with the Performance, Governance and Audit Committee, including in private meetings without senior management present
- ▶ Discuss with the CAE and senior management other topics that should be included in the internal audit charter
- ▶ Participate in discussions with the CAE and senior management about the “essential conditions”, described in the GIAS, which establish the foundation that enables an effective internal audit function
- ▶ Review and approve the internal audit function’s charter annually, which includes the internal audit mandate and the scope and types of internal audit services
- ▶ Approve the risk-based internal audit plan
- ▶ Approve the internal audit function’s human resources administration and budgets
- ▶ Collaborate with senior management to determine the qualifications and competencies the organisation expects in a CAE
- ▶ Authorise the appointment and removal of the CAE and outsourced internal audit provider
- ▶ Approve the fees paid to the outsourced internal audit provider
- ▶ Review the CAE’s and internal audit function’s performance
- ▶ Receive communications from the CAE about the internal audit function including its performance relative to its plan
- ▶ Ensure a quality assurance and improvement program has been established and review the results annually
- ▶ Make appropriate inquiries of senior management and the CAE to determine whether scope or resource limitations are inappropriate.

Changes to the Mandate and Charter

Circumstances may justify a follow-up discussion between the CAE, Performance, Governance and Audit Committee, and senior management on the internal audit mandate or other aspects of the internal audit charter. Such circumstances may include but are not limited to:

- ▶ A significant change in the GIAS in the UK Public Sector
- ▶ A significant acquisition or reorganisation within the organisation
- ▶ Significant changes in the CAE, Performance, Governance and Audit Committee, and/or senior management
- ▶ Significant changes to the organisation’s strategies, objectives, risk profile, or the environment in which the organisation operates
- ▶ New laws or regulations that may affect the nature and/or scope of internal audit services.

Support for Internal Audit

Internal audit’s activities require access to and support from senior management, the Performance, Governance and Audit Committee and those charged with governance. Support allows internal audit to apply the mandate and charter in practice and meet expectations.

The Council will support the internal audit function by:

- ▶ Championing the role and work of internal audit to the staff within the Council and to partner organisations with whom internal audit works
- ▶ Facilitating access to senior management, the Performance, Governance and Audit Committee and the Council’s external auditor

- ▶ Assisting, where possible, with access to external providers assurance such as regulators, inspectors and consultants
- ▶ Engaging constructively with internal audit's findings, opinions and advice
- ▶ Building awareness and understanding of the importance of good governance, risk management and internal control for the success of the Council and of internal audit's contributions.

The Council will also put in place conditions to enable the internal audit work:

- ▶ Ensuring that the reporting line of the chief audit executive is not lower than a member of the senior management team and that the chief audit executive has access to all members of the team
- ▶ Ensuring that client responsibility lies with a member of senior management

The Performance, Governance and Audit Committee will support internal audit by:

- ▶ Enquiring of senior management and the chief audit executive about any restrictions on the internal audit's scope, access, authority or resources that limit its ability to carry out its responsibilities effectively
- ▶ Considering the audit plan or planning scope, and formally approving or recommending approval to those charged with governance
- ▶ Meeting at least annually with the chief audit executive in sessions without senior management present.

Senior management will establish and safeguard internal audit's independence by:

- ▶ Ensuring internal audit's access to staff and records, as set out in regulations and the charter, operates freely and without any interference
- ▶ Ensuring that the chief audit executive reports in their own right to the Performance, Governance and Audit Committee on the work of internal audit
- ▶ Providing opportunities for the chief audit executive to meet with the Performance, Governance and Audit Committee without senior management present
- ▶ Where there are actual or potential impairments to the independence of internal audit, working with the chief audit executive to remove or minimise them or ensure safeguards are operating effectively
- ▶ Recognising that if the chief audit executive has additional roles and responsibilities beyond internal auditing, or if new roles are proposed, it could impact on the independence and performance of internal audit; in such cases the impact must be discussed with the chief audit executive and the views of the Performance, Governance and Audit Committee sought
- ▶ Where needed, appropriate safeguards will be put in place by senior management to protect the independence of internal audit and support conformance with professional standards. Matters around the appointment, removal, remuneration and performance evaluation of the chief audit executive will be undertaken by senior management, but these arrangements must not be used to undermine the independence of internal audit. The Performance, Governance and Audit Committee will provide feedback on the performance evaluation of the chief audit executive, which should include feedback from the Chair of the Performance, Governance and Audit Committee.

Interaction between the Performance, Governance and Audit Committee and Internal Audit

The Performance, Governance and Audit Committee will support internal audit's independence by reviewing the effectiveness of safeguards at least annually, including any issues or concerns about independence from the chief audit executive. The chief audit executive will have the right of access to the Chair of the Performance, Governance and Audit Committee at any time. The Performance, Governance and Audit Committee can escalate its concerns about internal audit independence to those charged with governance.

To ensure there is good interaction between the Performance, Governance and Audit Committee and internal audit, the Performance, Governance and Audit Committee will agree its work plan with the chief

audit executive to ensure there is appropriate coverage of internal audit matters within Performance, Governance and Audit Committee agendas. The Performance, Governance and Audit Committee will provide for the internal audit mandate and charter, strategy, plans, engagement reporting and the annual conclusion, and quality reports.

The Performance, Governance and Audit Committee is familiar with the Council's assurance framework, governance, risk management and internal control arrangements to facilitate its interactions with internal audit.

Senior management will engage with the Performance, Governance and Audit Committee on any significant changes to governance, risk and control arrangements and any concerns they may have on assurance. The Performance, Governance and Audit Committee will have oversight of the annual governance statement before final approval.

Where there is disagreement about the management of risks or agreed audit actions between internal audit and senior management, the Performance, Governance and Audit Committee will review and make their recommendation to either management or those charged with governance.

Internal Audit Resources

The Performance, Governance and Audit Committee and senior management will engage with the chief audit executive to review whether internal audit's financial, human and technological resources are sufficient to meet internal audit's mandate as set out in the regulations and achieve conformance with GIAS in the UK public sector. Where there are concerns about internal audit's ability to fulfil its mandate or deliver an annual conclusion, the concerns will be formally recorded and reported to those charged with governance.

If resource issues result in a limitation of scope on the annual conclusion, this will be reported and disclosed in the annual governance statement. Decisions on internal audit resourcing by senior management and those charged with governance must take account of the longer-term risks to the governance and financial sustainability of the Council and internal audit's role in supporting those objectives. Where there are temporary resource constraints, senior management must work with the chief audit executive to establish longer-term plans for sustainable internal audit resources.

Quality

Annually, the Performance, Governance and Audit Committee will review the results of the chief audit executive's assessment of conformance against GIAS in the UK public sector (including CIPFA's Code of Practice for the Governance of Internal Audit in UK Local Government), including any action plan. The Performance, Governance and Audit Committee will review the chief audit executive's annual report, including the annual conclusion on governance, risk management and control, and internal audit's performance against its objectives. To meet the requirements of the regulations (the mandate) for internal audit, the Performance, Governance and Audit Committee will satisfy itself on the effectiveness of internal audit. They will take into account conformance with the standards, interactions with the Committee, performance and feedback from senior management. Their conclusions will be reported to those charged with governance, for example, as part of the Performance, Governance and Audit Committee's annual report.

External Quality Assessment

On behalf of those charged with governance and the Performance, Governance and Audit Committee senior management will ensure that internal audit has an external quality assessment at least once every five years of its conformance against GIAS in the UK public sector, (including CIPFA's Code of Practice for the Governance of Internal Audit in UK Local Government).

Senior management and the chief audit executive will discuss the timing of the review and report the options and their recommendation to the Performance, Governance and Audit Committee. The proposals for the scope, method of assessment and assessor will be brought to the Performance, Governance and Audit Committee for agreement. The assessor must use CIPFA's Code of Practice for the Governance of

Internal Audit in UK Local Government alongside the standards and be familiar with the sector. The Performance, Governance and Audit Committee will receive the complete results of the assessment and consider the chief audit executive's action plan to address any recommendations. Progress will be monitored.

CHIEF AUDIT EXECUTIVE ROLES AND RESPONSIBILITIES

Ethics and Professionalism

The CAE will ensure that internal auditors:

- ▶ Conform with the GIAS in the UK Public Sector, including the principles of Ethics and Professionalism (integrity, objectivity, competency, due professional care, and confidentiality) and the Seven Principles of Public Life (the 'Nolan Principles') (selflessness, integrity, objectivity, accountability, openness, honesty and leadership)
- ▶ Understand, respect, meet, and contribute to the legitimate and ethical expectations of the organisation and be able to recognise conduct that is contrary to those expectations
- ▶ Encourage and promote an ethics-based culture in the organisation
- ▶ Report organisational behaviour that is inconsistent with the organisation's ethical expectations, as described in applicable policies and procedures.

Objectivity

The CAE will ensure that the internal audit function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the CAE determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others.

Internal auditors will have no direct operational responsibility or authority over any activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment.

Internal auditors will:

- ▶ Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties and at least annually, such as the CAE, Performance, Governance and Audit Committee, management, or others
- ▶ Exhibit professional objectivity in gathering, evaluating, and communicating information
- ▶ Make balanced assessments of all available and relevant facts and circumstances
- ▶ Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

Managing the Internal Audit Function

The CAE has the responsibility to:

- ▶ Understand the organisation's governance, risk management and control processes, and the importance in the UK public sector of securing value for money, in developing an effective strategy and plan.
- ▶ At least annually, develop a risk-based internal audit plan that considers the input of the Performance, Governance and Audit Committee and senior management; discuss the plan with the Performance, Governance and Audit Committee and senior management and submit the plan to the Performance, Governance and Audit Committee for review and approval
- ▶ Communicate the impact of resource limitations on the internal audit plan to the Performance, Governance and Audit Committee and senior management
- ▶ Review and adjust the internal audit plan, as necessary, in response to changes in the organisation's business, risks, operations, programs, systems, and controls

- ▶ Communicate with the Performance, Governance and Audit Committee and senior management if there are significant interim changes to the internal audit plan
- ▶ Ensure internal audit engagements are performed, documented, and communicated in accordance with the GIAS in the UK Public Sector
- ▶ Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services to the Performance, Governance and Audit Committee and senior management periodically and for each engagement as appropriate
- ▶ Ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the GIAS in the UK Public Sector and fulfil the internal audit mandate (in public sector internal audit, the chief audit executive is required to have a CMIA, or a CCAB qualification, or an equivalent professional qualification which includes training on the practice of internal audit, and suitable internal audit experience)
- ▶ Identify and consider trends and emerging issues that could impact the Council and communicate to the Performance, Governance and Audit Committee and senior management as appropriate
- ▶ Consider emerging trends and successful practices in internal auditing
- ▶ Establish and ensure adherence to methodologies designed to guide the internal audit function
- ▶ Ensure adherence to relevant policies and procedures unless such policies and procedures conflict with the internal audit charter or the GIAS; any such conflicts will be resolved or documented and communicated to the Performance, Governance and Audit Committee and senior management
- ▶ Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services; if the CAE cannot achieve an appropriate level of coordination, the issue will be communicated to senior management (including the barriers to effective coordination with other assurance providers) and if necessary escalated to the Performance, Governance and Audit Committee.

Communication with the Performance, Governance and Audit Committee and Senior Management

The CAE will report periodically to the Performance, Governance and Audit Committee and senior management regarding:

- ▶ The internal audit function's mandate
- ▶ The internal audit plan and performance relative to its plan
- ▶ Internal audit budget
- ▶ Significant revisions to the internal audit plan and budget
- ▶ Potential impairments to independence, including relevant disclosures as applicable
- ▶ Results from the quality assurance and improvement program, which include the internal audit function's conformance with the GIAS in the UK Public Sector and action plans to address the internal audit function's deficiencies and opportunities for improvement
- ▶ Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the Performance, Governance and Audit Committee
- ▶ Results of assurance and advisory services
- ▶ Resource requirements
- ▶ Management's responses to risk that the internal audit function determines may be unacceptable or acceptance of a risk that is beyond the Council's risk appetite.

Quality Assurance Improvement Programme

The CAE will develop, implement, and maintain a quality assurance and improvement program (QAIP) that covers all aspects of the internal audit function.

The program will include external and internal assessments of the internal audit function's conformance with the GIAS in the UK Public Sector, as well as performance measurement to assess the internal audit function's progress toward the achievement of its objectives and promotion of continuous improvement.

The plan will assess the efficiency and effectiveness of internal audit and identify opportunities for improvement.

Annually, the CAE will communicate with the Performance, Governance and Audit Committee and senior management about the internal audit function's QAIP, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments.

External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside BDO. Qualifications must include at least one assessor holding an active Certified Internal Auditor credential. For public sector internal audit, such a person should have an understanding of the GIAS commensurate with the Certified Internal Auditor designation, including internal audit relevant continuing professional development and an understanding of how the GIAS are applied in the UK public sector.

SCOPE AND TYPES OF INTERNAL AUDIT SERVICES

The scope of internal audit services covers the entire breadth of the organisation, including all the Council activities, assets, and personnel.

The scope of internal audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the Performance, Governance and Audit Committee and management on the adequacy and effectiveness of governance, risk management, and control processes for the organisation.

The nature and scope of advisory services may be agreed with the party requesting the service, provided the internal audit function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

Internal audit engagements may include evaluating whether:

- ▶ Risks relating to the achievement of the Council's strategic objectives are appropriately identified and managed
- ▶ The actions of the Council's officers, directors, management, employees, and contractors or other relevant parties comply with organisational policies, procedures, and applicable laws, regulations, and governance standards
- ▶ The results of operations and programs are consistent with established goals and objectives
- ▶ Operations and programs are being carried out effectively and efficiently
- ▶ Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the Council
- ▶ The integrity of information and the means used to identify, measure, analyse, classify, and report such information is reliable
- ▶ Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

INTERNAL AUDIT PERFORMANCE MEASURES AND INDICATORS

The tables below contain some of the performance measures and indicators that are considered to have the most value in assessing the efficiency and effectiveness of internal audit.

The Performance, Governance and Audit Committee should approve the measures which will be reported to each meeting and / or annually as appropriate. In addition to those listed here we also report on additional measures as agreed with management and included in our Progress Report.

TABLE ONE: PERFORMANCE MEASURES FOR INTERNAL AUDIT

MEASURE / INDICATOR

Audit Coverage

Annual Audit Plan delivered in line with timetable.

MEASURE / INDICATOR

Actual days are in accordance with Annual Audit Plan.

Relationships and customer satisfaction

Customer satisfaction reports - overall score at average at least 3.5 / 5 for surveys issued at the end of each audit.

Annual survey to Performance, Governance and Audit Committee to achieve score of at least 70%.

External audit can rely on the work undertaken by internal audit (where planned).

Staffing and Training

At least 60% input from qualified staff.

Audit Reporting

Issuance of draft report within 3 weeks of fieldwork 'closing' meeting.

Finalise internal audit report 1 week after management responses to report are received.

90% recommendations to be accepted by management.

Information is presented in the format requested by the customer.

Audit Quality

High quality documents produced by the auditor that are clear and concise and contain all the information requested.

Positive result from any external review.

MANAGEMENT AND STAFF PERFORMANCE MEASURES AND INDICATORS

The management and staff of the Council commit to the following:

- Providing unrestricted access to all of the Council's records, property, and personnel relevant to the performance of engagements
- Responding to internal audit requests and reports within the agreed timeframe and in a professional manner
- Implementing agreed recommendations within the agreed timeframe
- Being open to internal audit about risks and issues within the organisation
- Not requesting any service from internal audit that would impair its independence or objectivity
- Providing honest and constructive feedback on the performance of internal audit.

The following three indicators are considered good practice performance measures, but we go beyond this and report on a suite of measures as included in each Performance, Governance and Audit Committee Progress Report.

TABLE TWO: PERFORMANCE MEASURES FOR MANAGEMENT AND STAFF

MEASURE / INDICATOR**Response to Reports**

Audit sponsor to respond to terms of reference within one week of receipt and to draft reports within two weeks of receipt.

Implementation of recommendations

Audit sponsor to implement all audit recommendations within the agreed timeframe.

Co-operation with internal audit

MEASURE / INDICATOR

Internal audit to confirm to each meeting of the Performance, Governance and Audit Committee whether appropriate co-operation has been provided by management and staff.

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