

INTERNAL AUDIT PLAN Maldon District Council

2026/27

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INTERNAL AUDIT APPROACH

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 Council'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 2026/27

The Internal Audit programme for 2026/27 is set out on pages 10 to 13. We met with the Chief Executive, the Director of Finance and the Performance, Governance and Audit (PGA) Committee Chair and vice-Chair to bring together a full plan to be presented to the PGA 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 two-year audit cycle. We have suggested future areas of focus as part of the two-year strategic internal audit plan, set out on pages 8 to 9.

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 two-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 Directors. If these were to change, or emerging risks were to develop during this period, we would take stock and evaluate our coverage accordingly.

RESOURCING

The plan has been drafted giving consideration to the Council's budget and how coverage can be best obtained. Resource will be adequate to ensure the delivery of agreed reports to time, except where this is outside of our control. BDO has a core group of professionally qualified staff, including Chartered Accountants and Institute of Internal Auditors qualified staff, as well as other specialists and experienced auditors. Our team is fully attuned with modern internal audit practice and recognised risk and governance standards.

Subject to approval of the budget, we can confirm that we have sufficient human, financial and technological resources to deliver the internal audit plan.

CORE INTERNAL AUDIT TEAM

The core team that will be managing the internal audit programme is:

NAME	ROLE	QUALIFICATION	EMAIL & TELEPHONE
Aaron Winter	Partner	FCCA	aaron.winter@bdo.co.uk 07442 851 860
Andrew Billingham	Internal Audit Manager	CIA	andrew.billingham@bdo.co.uk 07450 244 141

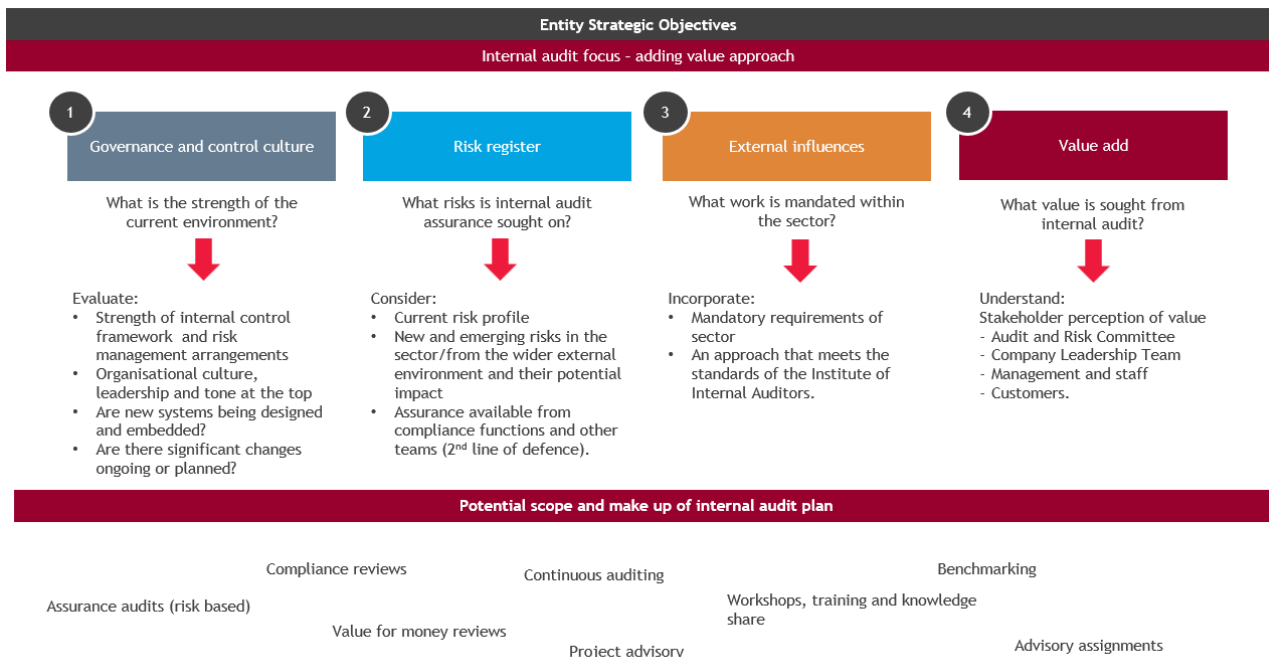
This team will be supported by our public sector internal auditors and members of our wider Risk Advisory Services (RAS) team, and wider firm, as and when required.

CONFLICTING DEMANDS, LIMITATIONS AND RESTRICTIONS

At the time of drafting this internal audit plan we are not aware of any conflicting demands for services between major stakeholders, such as high-priority requests based on emerging risks and requests to replace planned assurance engagements with advisory engagements.

We are also not aware of any limitations on the scope of work or restrictions on our access to information.

OUR APPROACH TO PLANNING



GOVERNANCE AND CULTURE

The governance and control culture is a fundamental consideration when developing the internal audit approach. We believe that governance is not only affected by procedures, rules and regulations (hard controls); another equally important component is the established culture and behaviour of employees within the Council, as these determine the effectiveness of governance.

We have developed an understanding of these areas through a combination of our discussions with you about your business strategy and through review of documents such as your Annual Report and Accounts and previous internal audit reports, as well as the work we conducted between 2017/18 and 2025/26.

Assessment of culture and behaviour will be a key theme throughout the delivery of our work and we will look to provide insight into whether these cultural factors support ethical behaviour on an ongoing basis.

In deriving the plan for 2026/27 and onwards we will focus on any planned and ongoing changes to core systems and processes to respond to the changes in the wider environment.

EXTERNAL INFLUENCES

Our programme of work is designed to comply 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)
- ▶ The Internal Audit Standards Advisory Board (IASAB) *Application Note Global Internal Audit Standards in the UK Public Sector*.

We will also consider in our work any externally imposed regulation relating to governance, risk and control.

CURRENT CORPORATE RISK REGISTER

On an ongoing basis, our audit plan will be based upon a detailed assessment of those risks that affect the achievement of the Council's strategic objectives. Our audit programme will be designed to ensure that controls are in place such that key risks are appropriately managed and controlled. To understand the Council's objectives and key risks, we considered the following:

- ▶ The Council's strategy and objectives
- ▶ The Council's Corporate Risk Register
- ▶ The Council's financial forecasts and performance
- ▶ The content of your most recent internal audit reports, the results of which are summarised in Appendix I

The internal audit plan and Corporate Risk Register will be periodically reviewed during 2026/27. Should the plan need to change we will seek approval from the PGA Committee.

VALUE ADD

We understand that 'value' is perceived differently by each client and therefore we do not seek to have a standard approach to this element of the audit programme.

Our methodology considers the additional value the PGA Committee and management are seeking from internal audit, beyond the assurance our work provides.

We therefore consider this alongside our understanding of the risks. Added value may take a range of forms, from benchmarking and other peer comparisons, to involvement with advising on new systems implementation, advisory assignments and providing training and seminars.

OUR NEXT GEN FRAMEWORK

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 auditors 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, perhaps in preparation for regulatory reviews or change management programmes.



MAPPING YOUR STRATEGIC RISKS

REF	STRATEGIC RISKS FROM YOUR CRR (FEBRUARY 2026)	LIKELIHOOD	CONSEQUENCE	NET SCORE	RATING
5	Failure to maintain a five year housing land supply	5	5	25	
10	Inadequate staffing structure and resource for resilience	3	4	12	
16	Failure to engage and prepare to be ready for any impact of Local Government Review	3	4	12	
17	Failure to provide adequate building safety and access systems	3	4	12	
1	Failure to safeguard children and vulnerable adults	2	5	10	
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	3	3	9	
8	Unable to recruit and retain staff with specific skills sets in specialist areas to meet the demands of the service	3	3	9	

MAPPING YOUR STRATEGIC RISKS

REF	STRATEGIC RISKS FROM YOUR CRR (FEBRUARY 2026)	LIKELIHOOD	CONSEQUENCE	NET SCORE	RATING
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	
6	Unable to secure sufficient and appropriately affordable housing to meet local need due to market conditions, development viability, and reliance on external delivery partners	2	4	8	
7	Failure to protect personal or commercially sensitive data	2	4	8	
12	Lack of Temporary Accommodation and Social Housing to cope with demand	2	3	6	
9	Failure to plan and deliver balanced budgets over the medium term	1	5	5	

MAPPING YOUR CRR TO THE STRATEGIC PLAN

REF	STRATEGIC RISKS ¹ FROM YOUR CRR (FEBRUARY 2026)	2026/27	2027/28 ²
5	Failure to maintain a five year housing land supply		
10	Inadequate staffing structure and resource for resilience	<ul style="list-style-type: none"> Recruitment and Retention 	<ul style="list-style-type: none"> Workforce Governance
16	Failure to engage and prepare to be ready for any impact of Local Government Review	<ul style="list-style-type: none"> Local Government Reorganisation 	<ul style="list-style-type: none"> Local Government Reorganisation
17	Failure to provide adequate building safety and access systems	<ul style="list-style-type: none"> Leisure Services 	<ul style="list-style-type: none"> Cemetries
1	Failure to safeguard children and vulnerable adults		
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		
8	Unable to recruit and retain staff with specific skills sets in specialist areas to meet the demands of the service	<ul style="list-style-type: none"> Recruitment and Retention 	

¹ Audits have been assigned to the most applicable risk.

² The two year coverage is to align with the Internal Audit contract period whilst also recognising the planned Local Government Reorganisation. We can consider key risk areas for future coverage as we move into 27/28.

REF	STRATEGIC RISKS ¹ FROM YOUR CRR (FEBRUARY 2026)	2026/27	2027/28 ²
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"> • Grounds Maintenance • Car Parking 	<ul style="list-style-type: none"> • Social media / Communications • Complaints Handling
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"> • Anto Social Behaviour and Enforcement 	<ul style="list-style-type: none"> • Whistleblowing
6	Unable to secure sufficient and appropriately affordable housing to meet local need due to market conditions, development viability, and reliance on external delivery partners	<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
12	Lack of Temporary Accommodation and Social Housing to cope with demand	<ul style="list-style-type: none"> • Homelessness and Temporary Accommodation 	
9	Failure to plan and deliver balanced budgets over the medium term	<ul style="list-style-type: none"> • Main Financial Systems - Treasury Management • Performance Management 	<ul style="list-style-type: none"> • Main Financial Systems • Capital Projects

INTERNAL AUDIT OPERATIONAL PLAN 2026/27

AREA	CRR	DAYS	TIMING (QUARTER)	DESCRIPTION OF THE REVIEW	REASON FOR INCLUSION
Core Assurance					
Recruitment and Retention	8, 10	15	Q2	To provide assurance around the Council's current recruitment processes and assess the procedures from identifying the need and skills required and approving the requirement to recruit, through to the review/approval stages to a new starter/joiner to ensure their efficiency. We will also assess the retention processes in operation.	This area has not been examined by Internal Audit for several years and is a key risk on the CRR.
Anti-Social Behaviour and Enforcement	3	20	Q2	To assess the design and operational effectiveness of the controls in place around Anti-Social Behaviour.	This area has not been examined by Internal Audit for several years and community safety is a key risk on the CRR.
Homelessness/Temporary Accommodation	6, 12	20	Q2	To review how the Council manages its homelessness and temporary accommodation responsibilities and how effective these arrangements are.	This area has not been examined by Internal Audit for several years and is a key risk on the CRR.
Performance Management	9	20	Q2	To review controls to ensure that there are clear performance management arrangements in place and measures are used to manage, monitor and improve overall Council performance.	This was identified by management as an agreed area of focus during the audit planning process.

AREA	CRR	DAYS	TIMING (QUARTER)	DESCRIPTION OF THE REVIEW	REASON FOR INCLUSION
Grounds Maintenance	2	15	Q3	To provide assurance around the controls in place to effectively manage grounds maintenance.	This area has not been examined by Internal Audit for several years.
Car Parking	2	15	Q3	To review the Council's arrangements for the administration, collection and recording of car parking income.	This area has not been examined by Internal Audit for several years.
Leisure Services	17	15	Q4	To provide assurance over the design and operational effectiveness of the controls relating to contract management and oversight of leisure facilities/assets in the borough. Including how the arrangements are monitored to ensure the health outcomes of the local community are achieved.	This area has not been examined by Internal Audit for several years and there is a new contract in place.
Main Financial Systems - Treasury Management	9	20	Q4	To review the controls and processes in place over the Council's treasury management arrangements.	This is a core component required to deliver the Head of Internal Audit opinion and provides a core foundation for the Annual Governance Statement pertaining to the functionality of the Council's internal controls
Total		140			
Future Focused Assurance					
Local Government Reorganisation		15	Q3	LGR is the most significant structural change that has faced local authorities in recent decades. We have held several days to provide advisory support to the Council over its preparedness.	Key emerging risk on the Council's CRR
Total		15			

AREA	CRR	DAYS	TIMING	DESCRIPTION OF THE REVIEW	REASON FOR INCLUSION
Contract Management					
Planning / liaison / management	N/A	15	Q1 - Q4	Creation of audit plan, meeting with Directors	Effective contract management
Recommendations follow up	N/A	10	Q1 - Q4	Assessment and reporting of status of implementation of recommendations raised	Assurance for Executive Team and PGA Committee
Performance, Governance and Audit Committees	N/A	5	Q1 - Q4	Attendance at PGA Committee meetings, pre-meets and PGA Committee Chair/Vice Chair liaison	Effective contract management
Total		30			

SUMMARY	DAYS
Core Assurance	140
Future Focused Reviews	15
Contract Management	30
Total days	185

AREAS CONSIDERED BUT NOT INCLUDED IN 2026/27

The following areas have been considered for 2026/27 but have not been included. These will be considered in future years and should any areas of the Internal Audit Plan be removed during the year, we will consider whether any of these can be brought forward.

AREA	CRR	REASON FOR EXCLUSION
Workforce Governance	10	To be included as part of the forward plan to enable focus on other higher risk priorities during 2026/27.
GDPR	7	Previously considered in 2024/25. To be included as part of the forward plan to enable focus on other higher risk priorities during 2026/27.
Complaints Handling	2	To be included as part of the forward plan to enable focus on other higher risk priorities during 2026/27.
Whistleblowing	3	To be included as part of the forward plan to enable focus on other higher risk priorities during 2026/27.
Cemeteries	17	To be included as part of the forward plan to enable focus on other higher risk priorities during 2026/27.
Capital Projects	9	Previously considered in 2024/25. To be included as part of the forward plan to enable focus on other higher risk priorities during 2026/27.
Social Media/Communications	2	To be included as part of the forward plan to enable focus on other higher risk priorities during 2026/27.

APPENDIX I

PREVIOUSLY AUDITED AREAS

The table below sets out the audits and advisory reviews that we have carried out for the Council over the last three years:

AUDITED AREA	DESIGN RATING	EFFECTIVENESS RATING
2025/26 (to date)		
Waste and Recycling	Substantial	Moderate
Corporate Governance	Substantial	Moderate
HR System Review	Limited	Moderate
Safeguarding	Moderate	Moderate
Management of Property	Moderate	Moderate
Food Safety	Substantial	Substantial
IT Governance	Moderate	Moderate
MTFS	Moderate (draft)	Substantial (draft)
Main Financial Systems	TBC	TBC
2024/25		
Health and Safety	Moderate	Limited
Capital and Commercial Project Management	Substantial	Moderate
Health and Wellbeing	Substantial	Substantial
Contract Management	Substantial	Moderate
GDPR	Moderate	Moderate
Building Control	Limited	Moderate
Business Continuity and Disaster Recovery	Substantial	Substantial
Asset Management	Moderate	Substantial
Main Financial Systems	Moderate	Moderate
2023/24		
HMRC Employment Status	N/A Advisory	N/A Advisory

AUDITED AREA	DESIGN RATING	EFFECTIVENESS RATING
EDI	N/A Advisory	N/A Advisory
Sickness and Absence Management	Substantial	Substantial
Management of s106 Funds	Moderate	Moderate
Licensing	Moderate	Moderate
Climate Change	Substantial	Substantial
Housing Benefit	Substantial	Moderate
Homelessness and Temporary Accommodation	Moderate	Moderate
Fraud	N/A Advisory	N/A Advisory
CIPFA Financial Management Code	Moderate	Substantial
Main Financial Systems	Substantial	Moderate

APPENDIX II

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 Performance, Governance and Audit Committee (PGAC) 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 PGAC 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' is the BDO-assigned partner/director acting as the Head of Internal Audit (HoIA).

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 PGAC 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 PGAC

- ▶ 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 PGAC grants the internal audit function the mandate to provide the PGAC 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 PGAC. Such authority allows for unrestricted access to the PGAC.

The PGAC 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 HoIA 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 HoIA will report functionally to the PGAC and administratively to the s151 Officer/Director of Finance.
- ▶ This positioning provides the organisational authority and status to bring matters directly to senior management and escalate matters to the PGAC, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.
- ▶ The HoIA will confirm to the PGAC, at least annually, the organisational independence of the internal audit function.
- ▶ The HoIA will disclose to the PGAC 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 PGAC will:

- ▶ Discuss with the HoIA and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the internal audit function
- ▶ Ensure the HoIA has unrestricted access to and communicates and interacts directly with the PGAC, including in private meetings without senior management present

- ▶ Discuss with the HoIA and senior management other topics that should be included in the internal audit charter
- ▶ Participate in discussions with the HoIA 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 Council expects in a HoIA
- ▶ Authorise the appointment and removal of the HoIA and outsourced internal audit provider
- ▶ Approve the fees paid to the outsourced internal audit provider
- ▶ Review the HoIA’s and internal audit function’s performance
- ▶ Receive communications from the HoIA 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 HoIA to determine whether scope or resource limitations are inappropriate.

Changes to the Mandate and Charter

Circumstances may justify a follow-up discussion between the HoIA, PGAC, 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 Council
- ▶ Significant changes in the HoIA, PGAC, and/or senior management
- ▶ Significant changes to the Council’s strategies, objectives, risk profile, or the environment in which the Council 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 PGAC 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 PGAC 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 HoIA is not lower than a member of the senior management team and that the HoIA has access to all members of the team
- ▶ Ensuring that client responsibility lies with a member of senior management

The PGAC will support internal audit by:

- ▶ Enquiring of senior management and the HoIA 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 HoIA 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 HoIA reports in their own right to the PGAC on the work of internal audit
- ▶ Providing opportunities for the HoIA to meet with the PGAC without senior management present
- ▶ Where there are actual or potential impairments to the independence of internal audit, working with the HoIA to remove or minimise them or ensure safeguards are operating effectively
- ▶ Recognising that if the HoIA 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 HoIA and the views of the PGAC 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 HoIA will be undertaken by senior management, but these arrangements must not be used to undermine the independence of internal audit. The PGAC will provide feedback on the performance evaluation of the HoIA, which should include feedback from the Chair of the PGAC.

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

The PGAC will support internal audit's independence by reviewing the effectiveness of safeguards at least annually, including any issues or concerns about independence from the HoIA. The HoIA will have the right of access to the Chair of the PGAC. The PGAC can escalate its concerns about internal audit independence to those charged with governance.

To ensure there is good interaction between the PGAC and internal audit, the PGAC will agree its work plan with the HOIA to ensure there is appropriate coverage of internal audit matters within PGAC agendas. The PGAC workplan will provide for the internal audit mandate and charter, strategy, plans, engagement reporting and the annual conclusion, and quality reports.

The PGAC 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 PGAC on any significant changes to governance, risk and control arrangements and any concerns they may have on assurance. The PGAC 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 PGAC will review and make their recommendation to either management or those charged with governance.

Internal Audit Resources

The PGAC and senior management will engage with the HOIA 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 HOIA to establish longer-term plans for sustainable internal audit resources.

Quality

Annually, the PGAC will review the results of the HOIA'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 PGAC will review the HOIA'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 PGAC will satisfy itself on the effectiveness of internal audit. They will consider conformance with the standards, interactions with the AC, performance and feedback from senior management. Their conclusions will be reported to those charged with governance, for example, as part of the PGAC's annual report.

External Quality Assessment

On behalf of those charged with governance and the PGAC, 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 HOIA will discuss the timing of the review and report the options and their recommendation to the PGAC. The proposals for the scope, method of assessment and assessor will be brought to the PGAC 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 PGAC will receive the complete results of the assessment and consider the HOIA's action plan to address any recommendations. Progress will be monitored. Where the AC does not have delegated authority, the committee will report the overall results of the external quality assessment to those charged with governance.

HEAD OF INTERNAL AUDIT ROLES AND REPONSIBILITIES

Ethics and Professionalism

The HOIA 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 HOIA 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 HOIA 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 HoIA, PGAC, 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 HoIA has the responsibility to:

- ▶ Understand the Council'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 PGAC and senior management; discuss the plan with the PGAC and senior management and submit the plan to the PGAC for review and approval
 - ▶ Communicate the impact of resource limitations on the internal audit plan to the PGAC and senior management
 - ▶ Review and adjust the internal audit plan, as necessary, in response to changes in the Council's business, risks, operations, programs, systems, and controls
 - ▶ Communicate with the PGAC 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 PGAC 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 HoIA is required to have a CMIIA, 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 PGAC 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 PGAC and senior management
 - ▶ Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services; if the HoIA cannot achieve an appropriate level of coordination, the issue will be communicated to senior management (including the barriers to effective co-ordination with other assurance providers) and if necessary escalated to the PGAC.
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Communication with the Performance, Governance and Audit Committee and Senior Management

The HoIA will report periodically to the PGAC 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 PGAC
- ▶ 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 HoIA 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 HoIA will communicate with the PGAC 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 Council, including all the Council's 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 PGAC and management on the adequacy and effectiveness of governance, risk management, and control processes for the Council.

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 PGAC 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
<p>Audit Coverage Annual Audit Plan delivered in line with timetable. Actual days are in accordance with Annual Audit Plan.</p>
<p>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).</p>
<p>Staffing and Training At least 60% input from qualified staff.</p>
<p>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.</p>
<p>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.</p>

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 Council
- 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 PGAC Progress Report.

TABLE TWO: PERFORMANCE MEASURES FOR MANAGEMENT AND STAFF

MEASURE / INDICATOR
<p>Response to Reports</p> <p>Audit sponsor to respond to terms of reference within one week of receipt and to draft reports within two weeks of receipt.</p>
<p>Implementation of recommendations</p> <p>Audit sponsor to implement all audit recommendations within the agreed timeframe.</p>
<p>Co-operation with internal audit</p> <p>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.</p>

FOR MORE INFORMATION:

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