INTERNAL AUDIT PLAN
GEDLING BOROUGH COUNCIL

2026/27

BDO

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CONTENTS

INTERNAL AUDIT APPROACH

BACKGROUND

Our risk-based approach to internal audit uses Gedling Borough Council's (the Council's) 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 16. We met with the Senior Leadership Team and Assistant Directors to bring together a full plan which will be presented to the Audit Committee (AC) meeting 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. We have suggested future areas of focus as part of the three-year strategic internal audit plan, set out on pages 7 to 9.

HIGH RISK AREAS NOT INCLUDED

The following high-risk areas have not been included in our audit plan for 2026/27:

- Cyber Security - Cyber security is one of the highest risks facing public sector organisations due to the nature of threats and the increasing hostile actors targeting public sector organisations. We have considered this as part of our risk-based audit plan, however, as cyber security has been reviewed in 25/26, we do not feel that another review in 26/27 is necessary.

- Capacity and Workforce Planning - The Council's highest risk is capacity and service delivery. This risk is incorporated into the scope of individual audit assignments; therefore, we do not propose a separate review of this topic.

- Planning and Infrastructure - Planning is a key risk for all local planning authorities. There is legislative change to planning that comes into force in 2026, so we have scheduled a review of the Planning and Infrastructure Act in 2027/28.

Further detail is included on page 17.

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 Deputy Chief Executive and the Chief Finance Officer 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 focusing 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 Senior Leadership Team and Assistant 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:

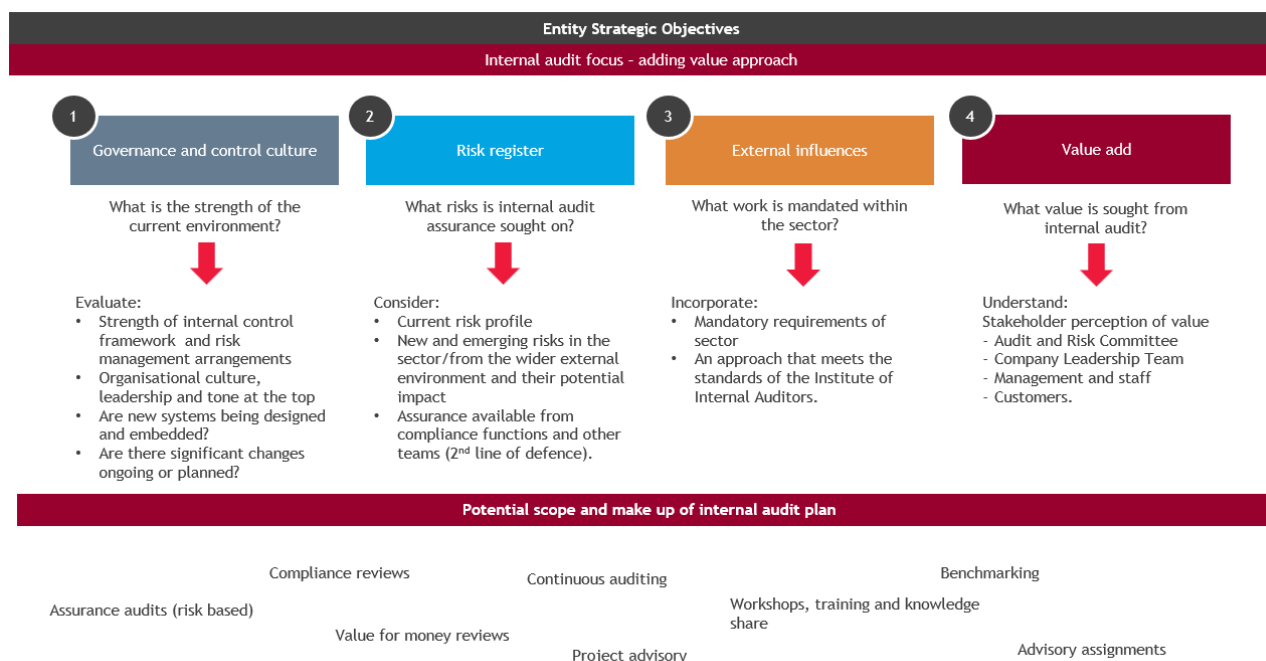| NAME	ROLE	QUALIFICATION	EMAIL
Gurpreet Dulay	Partner	CIPFA	Gurpreet.Dulay@bdo.co.uk
Max Armstrong	Manager	ACA	Max.Armstrong@bdo.co.uk
Nathan Hall	Assistant Manager	ACA	Nathaniel.Hall@bdo.co.uk

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

Entity Strategic Objectives
Internal audit focus – adding value approach

1 Governance and control culture	2 Risk register	3 External influences	4 Value add
What is the strength of the current environment?	What risks is internal audit assurance sought on?	What work is mandated within the sector?	What value is sought from internal audit?
Evaluate: • Strength of internal control framework and risk management arrangements • Organisational culture, leadership and tone at the top • Are new systems being designed and embedded? • Are there significant changes ongoing or planned?	Consider: • Current risk profile • New and emerging risks in the sector/from the wider external environment and their potential impact • Assurance available from compliance functions and other teams (2nd line of defence).	Incorporate: • Mandatory requirements of sector • An approach that meets the standards of the Institute of Internal Auditors.	Understand: Stakeholder perception of value - Audit and Risk Committee - Company Leadership Team - Management and staff - Customers.

Potential scope and make up of internal audit plan

Compliance reviews   Continuous auditing   Benchmarking

Assurance audits (risk based)   Workshops, training and knowledge share

Value for money reviews   Advisory assignments

Project advisory

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, your Annual Governance Statement, your corporate plan and previous internal audit reports, as well as the work we conducted between 2020/21 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, notably changes that will occur as a result of local government reorganisation. We will be mindful of this significant change and the impacts this can have on control culture during the delivery of the plan.

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

▶ Reports from other assurance providers

▶ 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 Registe will be periodically reviewed during 2026/27. Should the plan need to change we will seek approval from the AC.

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 AC 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.

We will also work with the Senior Leadership Team to identify other forms of added value that we may be able to provide to the Council, such as training to staff or committee members on relevant topics. BDO also offer all staff volunteering or 'citizenship days' under our 5+5 Policy. We will work with the Senior Leadership Team to identify value adding projects that these days can be allocated to.

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	LIKELIHOOD	CONSEQUENCE	NET SCORE	RATING
1	**CR001 -** Finance	3	3	9	🟠
2	**CR002 -** Capacity Service Delivery	4	3	12	🔴
3	**CR003 -** Health and Safety at Work	2	3	6	🟠
4	**CR004 -** Environmental	3	3	9	🟠
5	**CR005 -** Contractual Partnerships	2	3	6	🟠
6	**CR006 -** Reputation	2	3	6	🟠
7	**CR007 -** Infrastructure Assets	3	3	9	🟠
8	**CR008 -** Legislative	3	2	6	🟠
9	**CR009 -** ICT Technology	2	3	6	🟠
10	**CR010 -** Projects	2	2	4	🟢
11	**CR011 -** Fraud Bribery Misconduct	3	3	9	🟠
12	**CR012 -** Service Standards Performance Management	2	3	6	🟠
13	**CR013 -** Information Data	3	3	9	🟠

MAPPING YOUR CRR TO THE STRATEGIC PLAN

REF	STRATEGIC RISKS FROM YOUR CRR	2026/27	2027/28	2028/29	OTHER ASSURANCE
1	**CR001 -** Finance	• Main Financial Systems (Treasury Management and Payroll)	• Main Financial Systems (Medium Term Financial Strategy)	• Main Financial Systems • Council Tax and NNDR	• External Audit Review of Annual Accounts • Treasury Management Performance Reporting
2	**CR002 –** Capacity Service Delivery	• Housing and Homelessness • Waste and Recycling (including compliance with the new Waste Regulations and Simpler Recycling) • Local Government Reorganisation (LGR) Preparedness • Digital Strategy	• Business Continuity and Emergency Planning • Fleet Management • Local Government Reorganisation	• Customer Experience and GDPR • Local Government Reorganisation	• Internal Corporate Performance Reports
3	**CR003 –** Health and Safety at Work	• N/A	• Fleet Management	• N/A	• Annual Health and Safety Report • Independent Reports by the Local Government Ombudsman
4	**CR004 -** Environmental	• Waste and Recycling (including compliance with the new Waste Regulations and Simpler Recycling)	• Fleet Management	• Climate Change and Carbon Management Strategy	• N/A

REF	STRATEGIC RISKS FROM YOUR CRR	2026/27	2027/28	2028/29	OTHER ASSURANCE
				• Environmental Health and Food Inspections	
5	**CR005** – Contractual Partnerships	• Local Government Reorganisation (LGR) Preparedness	• Local Government Reorganisation	• Governance of Partnership Arrangements • Local Government Reorganisation	• Contract Performance Reports
6	**CR006** - Reputation	• Housing and Homelessness	• Business Continuity and Emergency Planning	• Climate Change and Carbon Management Strategy	• N/A
7	**CR007** – Infrastructure Assets	• Leisure Transformation	• Planning and Infrastructure Act • Community Safety (including CCTV)	• N/A	• N/A
8	**CR008** – Legislative	• Housing and Homelessness • Waste and Recycling (including compliance with the new Waste Regulations and Simpler Recycling) • Local Government Reorganisation (LGR) Preparedness	• Renters' Rights Act • Planning and Infrastructure Act • Community Safety (including CCTV) • Local Government Reorganisation	• Climate Change and Carbon Management Strategy • Environmental Health and Food Inspections • Local Government Reorganisation	• Independent Reports by the Local Government Ombudsman
9	**CR009** – ICT Technology	• Digital Strategy	• Business Continuity and Emergency Planning • ICT Disaster Recovery	• Cyber Security	• N/A

REF	STRATEGIC RISKS FROM YOUR CRR	2026/27	2027/28	2028/29	OTHER ASSURANCE
10	**CR010 -** Projects	• Section 106 and Community Infrastructure Levy (CIL) • Leisure Transformation	• N/A	• N/A	• Highlight Reports from External Contractors
11	**CR011 –** Fraud Bribery Misconduct	• N/A	• N/A	• N/A	• N/A
12	**CR012 –** Service Standards Performance Management	• Housing and Homelessness • Waste and Recycling (including compliance with the new Waste Regulations and Simpler Recycling)	• N/A	• Customer Experience and GDPR • Council Tax and NNDR	• N/A
13	**CR013 –** Information Data	• N/A	• ICT Disaster Recovery • Community Safety (including CCTV)	• Customer Experience and GDPR • Cyber Security	• Independent Reports by the Information Commissioners Office • Regulation of Investigatory Powers Report

INTERNAL AUDIT OPERATIONAL PLAN 2026/27

AREA	CRR	DAYS	TIMING (QUARTER)	DESCRIPTION OF THE REVIEW	REASON FOR INCLUSION (INCLUDING ANY RELEVANT TOPICAL REQUIREMENTS)
Core Assurance					
Main Financial Systems	1	15	Q3	This review will assess the Council's treasury management and payroll arrangements. Treasury Management We will assess the Council's compliance with the CIPFA Code of Practice on Treasury Management and the Prudential Code for Capital Finance in Local Authorities for its treasury management practices and reporting procedures. We will also review a sample of investments and borrowings with counterparties to ascertain whether these have been subject to appropriate authorisation and fall within counterparty limits. Payroll We will assess the Council's management of its payroll function, including procedures for adding news staff to the payroll, removing leavers and processing changes to the payroll. We will also assess the adequacy of the arrangements for reconciling the payroll to the general ledger.	This is a cyclical review to obtain core assurance for our Head of Internal Audit Opinion. Treasury Management and Payroll have not been subject to a review in recent years, so we have included it in the plan for 26/27 to provide broad coverage of assurance over financial controls. This review has deliberately been planned for later in the year because the Council are planning an upgrade to the payroll system. System changes can often heighten the risk of compliance with controls.
Housing and Homelessness	2,6,8,12	15	Q2	This review will be a follow up on high and medium risk findings from reviews conducted in	As part of our internal audit plans in prior years, BDO have raised several high-risk findings in relation to housing and homelessness. This

AREA	CRR	DAYS	TIMING (QUARTER)	DESCRIPTION OF THE REVIEW	REASON FOR INCLUSION (INCLUDING ANY RELEVANT TOPICAL REQUIREMENTS)
				24/25 into Temporary Accommodation and 25/26 into asset management for residential properties.	review will be a detailed follow up on the implementation of the recommendations raised to provide assurance to the Audit Committee over the actions taken to manage and mitigate the risks identified.
Waste and Recycling (including compliance with the new Waste Regulations and Simpler Recycling)	2,4,8,12	20	Q3	This review will assess the design and effectiveness of controls for waste management across the Council. It will consider operational management of the service (including missed bin collections and escalation) as well as preparedness for changes in legislation, ie Simpler Recycling. As this is a fast-changing area, the detailed scope of this review will be agreed with management based on the key risks facing the service area.	The new Simpler Recycling requirements form part of the waste regulations under the Environment Act 2021. These took effect from 31 March 2025. From 31 March 2026, local authorities will be required to collect core recyclable waste streams for all households in England, with transitional arrangements for weekly food waste collections which will commence later in 2026. Local authorities will be required to complete kerbside plastic film collections from 31 March 2027. These legislative requirements constitute a transformational change in household waste collection for local authorities.
Section 106 and Community Infrastructure Levy (CIL)	10	15	Q2	We will review the Council's management of S106 and CIL allocations to ensure that the funds are spent promptly on local infrastructure. We will also assess the oversight and monitoring of S106 and CIL funds and the progress of funded projects. We may also assess the Council's processes for collecting and monitoring S106 and CIL agreements to identify when triggers are met, to ensure prompt collection of income.	The Council hold over £1m in unspent S106 and CIL funds to be used on investing in local infrastructure across the borough to alleviate the impact of demand arising from local property developments. The Council's CIL allocations were approved by Cabinet in December 2025, setting out the local infrastructure that collected funds will be invested in. Due to the upcoming structural changes in local government, there is an

AREA	CRR	DAYS	TIMING (QUARTER)	DESCRIPTION OF THE REVIEW	REASON FOR INCLUSION (INCLUDING ANY RELEVANT TOPICAL REQUIREMENTS)
					increased focus on unspent funds being reallocated across the new authority.
Total		65			

AREA	CRR	DAYS	TIMING	DESCRIPTION OF THE REVIEW	REASON FOR INCLUSION (INCLUDING ANY RELEVANT IIA TOPICAL REQUIREMENTS)
Future Focused Assurance					
Local Government Reorganisation (LGR) Preparedness	All	20	Q3 or Q4	LGR is the most significant structural change that has faced local authorities in recent decades. We have held a number of days to provide advisory support to the Council over its preparedness for LGR.	This is a significant risk facing all local authorities, therefore, across our local government portfolio, we have held days in all plans for LGR.

A decision is expected to be made over the future structure of local government in Nottinghamshire in July 2026. Therefore, we will apply a flexible scope with the Council to ensure that audit days can be best used once there is greater clarity about the nature of the new authority that the Council will be part of. |
| Leisure Transformation | 7,10 | 20 | Q2 | This review will assess the Council's management of its Leisure Transformation Programme, focusing on the project to transform the Carlton Leisure and Community Wellbeing Centre ("Carlton Active"). We will assess the management of this project by the Carlton Control Board, including project timescales and financial management. | Cabinet approved the Leisure Transformation Programme in November 2025 to be delivered as an internally managed project. This will be a large project and therefore, will be a higher risk project for the Council with a large budget. |
| Digital Strategy | 2,9 | 20 | Q1 | We will provide assurance over the Council's implementation of its Digital Strategy.

This will include a review of the project management of the Delivery Plan to ascertain whether there are clear arrangements for overseeing the strategy and the roadmap. We will also consider whether projects have met the objectives of the original business plan. This review will specifically assess key strategic | The Council's Digital, Data and Technology Strategy 2024-2027 establishes the Delivery Plan for how it will use digital transformation to support smarter working and a digitally enabled customer experience.

So far, the Council have upgraded the customer relationship management (CRM) system and the website, rolled out White Space (the waste management system) and have planned other |

AREA	CRR	DAYS	TIMING	DESCRIPTION OF THE REVIEW	REASON FOR INCLUSION (INCLUDING ANY RELEVANT IIA TOPICAL REQUIREMENTS)
				projects such as the Customer Experience Programme and the Depot Modernisation Programme.	digital projects. This is a key risk to the Council as it will impact its efficiency and how it engages with customers. Our IT internal audit specialists will be deployed to complete this review.
Total		**60**			

AREA	CRR	DAYS	TIMING	DESCRIPTION OF THE REVIEW	REASON FOR INCLUSION (INCLUDING ANY RELEVANT IIA TOPICAL REQUIREMENTS)
Flexible Audit Resource - To be allocated during the year as required but could include the examples shown below					
Contingency	N/A	5	All	Contingency days left to allocate flexible or used to supplement the scope of audits in the plan to broaden the scope.	We have built in an allocation of flexible days into our plan to support the Council on emerging risks or projects during the year.
Total		**5**			

AREA	CRR	DAYS	TIMING	DESCRIPTION OF THE REVIEW	REASON FOR INCLUSION
Contract Management					
Planning / liaison / management	N/A	8	Q1 - Q4	Creation of audit plan, meeting with Executive Directors	Effective contract management
Recommendations follow up	N/A	7	Q1 - Q4	Assessment and reporting of status of implementation of recommendations raised	Assurance for Senior Leadership Team and AC
Audit Committees	N/A	5	Q1 - Q4	Attendance at AC meetings, pre-meets and AC Chair liaison	Effective contract management
Total		**20**			

SUMMARY	DAYS
Core Assurance	65
Soft Controls	-
Future Focused Reviews	60
Flexible Audit Resource	5
Contract Management	20
Total days	**150**

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
Cyber Security	9,13	Cyber security is one of the highest risks facing public sector organisations due to the nature of threats and the increasing hostile actors targeting public sector organisations. We have considered this as part of our risk-based audit plan, however, as cyber security has been reviewed in 25/26, we do not feel that another review in 26/27 is necessary.
Capacity and Workforce Planning	2	The Council's highest risk is capacity and service delivery. This risk is incorporated into the scope of individual audit assignments. Therefore, we do not propose a separate review on this topic.
Planning and Infrastructure	2,7,12	Planning is a key risk for all local planning authorities. There is legislative change to planning that comes into force in 2026, so we have scheduled a review of the Planning and Infrastructure Act in 2027/28.

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		
Risk Management	Substantial	Moderate
Main Financial Systems (Fraud)	Advisory Review	
People Services	Limited	Moderate
Asset Management – Commercial Assets	Moderate	Moderate
Asset Management - Residential Properties	Draft Report Phase	
Freedom of Information Requests and Complaints	Fieldwork Phase	
Corporate Governance	Fieldwork Phase	
Cyber Security	Confidential	
2024/25		
Cemetries and Pet Cremation Service	Moderate	Moderate
Housing Benefits	Substantial	Substantial
Environment - Carbon Management Strategy	Substantial	Moderate
Equality, Diversity and Inclusion (EDI)	Advisory Review	
Parks and Street Care	Moderate	Limited
Fleet Management	Limited	Moderate
Temporary Accommodation	Moderate	Limited
Procurement and Contract Management	Moderate	Moderate
Budget Management	Moderate	Moderate
2023/24		
Community Health and Wellbeing (with focus on Leisure Services)	Moderate	Substantial

AUDITED AREA	DESIGN RATING	EFFECTIVENESS RATING
Council Tax and NNDR	Substantial	Substantial
GDPR Information and Governance	Moderate	Moderate
Generating External Income	Moderate	Moderate
Budget Setting and Efficiency Savings	Moderate	Substantial
Health and Safety	Moderate	Moderate
Main Financial Systems	Moderate	Moderate
Project and Programme Management	Substantial	Moderate
Safeguarding	Limited	Limited

AUDITED AREA	DESIGN RATING	EFFECTIVENESS RATING

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 Gedling Borough Council ('the Council') and defines the scope of internal audit activities.

Final approval of this charter resides with the Audit Committee (AC) on behalf of the Cabinet.

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.

For local government internal audit, 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 (AC) 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 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 AC 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 AC
- ► 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 AC grants the internal audit function the mandate to provide the AC 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 AC. Such authority allows for unrestricted access to the AC.

The AC 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 AC 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 AC, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.

- ▶ The HoIA will confirm to the AC, at least annually, the organisational independence of the internal audit function.

- ▶ The HoIA will disclose to the AC 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.

AUDIT COMMITTEE OVERSIGHT

To establish, maintain, and ensure that the Council's internal audit function has sufficient authority to fulfil its duties, the AC 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 AC, 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, AC, 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, AC, 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 AC 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 AC 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 AC 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 AC on the work of internal audit
- ▶ Providing opportunities for the HoIA to meet with the AC 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 AC 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 AC will provide feedback on the performance evaluation of the HoIA, which should include feedback from the Chair of the AC.

Interaction between the Audit Committee and Internal Audit

The AC 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 AC at any time. The AC can escalate its concerns about internal audit independence to those charged with governance.

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

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

Internal Audit Resources

The AC 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 AC 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 AC 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 AC will satisfy itself on the effectiveness of internal audit. They will take into account 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 AC's annual report.

External Quality Assessment

On behalf of those charged with governance and the AC, 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 AC. The proposals for the scope, method of assessment and assessor will be brought to the AC 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 AC 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, AC, 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 AC and senior management; discuss the plan with the AC and senior management and submit the plan to the AC for review and approval

- ▶ Communicate the impact of resource limitations on the internal audit plan to the AC 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 AC 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 AC 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 AC 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 AC 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 AC.

Communication with the Audit Committee and Senior Management

The HoIA will report periodically eg quarterly to the AC 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 AC

- ▶ 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 AC 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 AC 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 AC 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. 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 AC 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 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 AC 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 Internal audit to confirm to each meeting of the AC whether appropriate co-operation has been provided by management and staff.

FOR MORE INFORMATION:

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