

INTERNAL AUDIT PLAN - DRAFT

South Kesteven District Council

2026/27



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AUDIT RISK ASSESSMENT

BACKGROUND

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

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

PLANNED APPROACH TO INTERNAL AUDIT 2026/27

The indicative Internal Audit programme for 2026/27 is set out on pages 6 to 12. We met with the Corporate Management Team to bring together a full plan, this would be presented to the Governance and Audit Committee meeting for review. 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 4 and 5.

INDIVIDUAL AUDITS

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

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

VARIATIONS TO THE PLAN

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

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

OUR NEXT GEN INTERNAL AUDIT APPROACH

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

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

CORE ASSURANCE

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

SOFT CONTROLS

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

FUTURE FOCUSED ASSURANCE

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

FLEXIBLE AUDIT RESOURCE

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



MAPPING YOUR STRATEGIC RISKS

REF	STRATEGIC RISKS FROM YOUR SRR AS OF SEPTEMBER 2025	NET SCORE	RATING
1	Successful/serious cyber security attack on the Council	13	
2	Health, Safety, Wellbeing, and Safeguarding failures by the Council	10	
3	Unable to maintain financial sustainability	12	
4	Unable to maintain and build sufficient staffing capacity and capability	9	
5	Unable to meet requirements of new regulations and legislation affecting the Council	6	
6	Societal, demographic and cultural changes impacting on communities within the district	8	
7	Major Governance Failure	9	
8	Significant fraud/theft successfully committed against the Council	10	
9	Increasing levels of homelessness and meeting the challenges of maintaining quality social housing provision within the district	12	
10	The implications and general uncertainty of Local Government Reorganisation on the Council	15	
11	Not leveraging the opportunities of Devolution	12	

MAPPING YOUR SRR TO THE STRATEGIC PLAN

REF	STRATEGIC RISKS FROM YOUR SRR	2026/27	2027/28	2028/29
1	Successful/serious cyber security attack on the Council	• N/A	• N/A	• Data Protection, EIR and Subject Access Request
2	Health, Safety, Wellbeing, and Safeguarding failures by the Council	• Planning Services - planning application and case management • Sickness and Absence Management	• Safeguarding	• Housing Benefit • Commercial Waste Services, Bins, Street Care and Recycling
3	Unable to maintain financial sustainability	• Rent Collection • Accounts Receivable • Asset Management Strategy - General Fund • Procurement Cards	• Council Tax and NNDR	• Main Financial Systems
4	Unable to maintain and build sufficient staffing capacity and capability	• Sickness and Absence Management • Equality Diversity and Inclusion	• Recruitment and Retention	• N/A
5	Unable to meet requirements of new regulations and legislation affecting the Council	• Renters Rights Act - response to new statutory responsibilities	• Parking	• N/A
6	Societal, demographic and cultural changes impacting on communities within the district	• Equality Diversity and Inclusion	• N/A	• EDI Maturity Assessment
7	Major Governance failure	• Planning Services - planning application and case management	• N/A	• Business Continuity and Disaster Recovery

REF	STRATEGIC RISKS FROM YOUR SRR	2026/27	2027/28	2028/29
8	Significant fraud/theft successfully committed against the Council	• Procurement Cards	• N/A	• N/A
9	Increasing levels of homelessness and meeting the challenges of maintaining quality social housing provision within the district	• N/A	• Social Housing Decarbonisation Fund (Wave 3)	• N/A
10	The implications and general uncertainty of Local Government Reorganisation on the Council	• LGR Programme Governance and Readiness Review	• N/A	• N/A
11	Not leveraging the opportunities of Devolution	• N/A	• Financial Sustainability and Savings Realisation	• N/A

INTERNAL AUDIT OPERATIONAL PLAN 2026/27

AREA	SRR	DAYS	TIMING	DESCRIPTION OF THE REVIEW	REASON FOR INCLUSION
Core Assurance					
Accounts Receivable	3	20	Q1	<p>To review the effectiveness of the Council's income billing and debt recovery arrangements by examining:</p> <ul style="list-style-type: none"> • Accuracy and timeliness of invoice generation • Aged debt monitoring, escalation and enforcement • Write-off approvals and reconciliation to the general ledger • Recovery performance across service areas with sample testing to confirm completeness and accuracy of receivables transactions. 	Accounts receivable forms a critical part of the Council's cashflow and financial sustainability. Weaknesses in billing and recovery can lead to avoidable arrears, reduced liquidity, and budget pressures. With the Council's financial environment becoming more challenging, robust debt control is essential to mitigate income loss and support the Medium-Term Financial Plan.
Asset Management Strategy - General Fund	3	20	Q1	<p>To evaluate the adequacy and effectiveness of the Council's approach to managing General Fund assets by reviewing:</p> <ul style="list-style-type: none"> • Completeness and accuracy of the corporate asset register • Condition surveys, maintenance planning and backlog management • Asset utilisation and performance monitoring • Disposal, acquisition and investment decision-making processes. 	The General Fund asset base is significant to the Council's financial resilience and long-term service delivery. Ineffective asset management can result in underutilised assets, unexpected maintenance liabilities or loss of asset value. As the Council continues to rationalise its estate and respond to increasing service pressures, assurance is required over stewardship, valuation and performance of assets
Planning Services	5,7	15	Q3	<p>To review the efficiency, accuracy and transparency of the planning application and case-handling process, including:</p> <ul style="list-style-type: none"> • Validation, consultation and decision-making controls • Timeliness of case progression against national performance indicators • Quality and completeness of documentation • Enforcement follow-up and appeals handling. 	Planning remains a high-profile service with statutory performance expectations and reputational risks. Increasing development pressure and capacity challenges can lead to delays, inconsistent decisions or legal exposure. This review will assess whether planning processes are resilient, well-controlled and capable of meeting service demands.

AREA	SRR	DAYS	TIMING	DESCRIPTION OF THE REVIEW	REASON FOR INCLUSION
Procurement Cards	3,8	20	Q1	<p>To evaluate the controls over procurement card usage by reviewing:</p> <ul style="list-style-type: none"> • Cardholder permissions and spend limits • Transaction monitoring, approval and reconciliation • Documentation and audit trail for purchases • Compliance with financial regulations and procurement rules. Sample transactions will be tested for validity, approval, and supporting evidence. 	Procurement cards carry inherent fraud and misuse risks. With cost pressures continuing, it is essential that P-Card spend is well-controlled, fully supported and compliant. This audit will provide assurance that expenditure is appropriate and that monitoring arrangements prevent loss and ensure accountability.
Rent Collection	3	20	Q3	<p>To review the effectiveness of rent billing, arrears monitoring and income recovery for Housing services by examining:</p> <ul style="list-style-type: none"> • Rent setting and annual billing accuracy • Monitoring of arrears, early intervention and escalation pathways • Repayment arrangements and enforcement action • Write-offs, void rent loss and reconciliation processes. Sample tenancy accounts will be reviewed for completeness and accuracy. 	In 2023/24, the Council budgeted rental income at c£23.7m, and as of Dec 2023, collection stood at £20.1m (against expected invoices of £28.2m). Rental income is a major funding stream for Housing and critical to maintaining stock condition and service provision. Rising arrears pressures, cost of living challenges and increasing demand for social housing heighten the importance of effective rent collection. Material scale of the income stream and the income collection risk could lead to significant income loss and financial instability.
Sickness and Absence Management	2,4	15	Q3	<p>To review the Council's sickness and absence management framework by examining:</p> <ul style="list-style-type: none"> • Recording accuracy in HR systems • Monitoring of short- and long-term absence • Trigger compliance and return-to-work documentation • Occupational health referrals and case handling • Workforce reporting and management oversight - a sample of absence cases will be tested for compliance and consistency procedures. 	Effective management of sickness absence is vital for workforce capacity, cost control and service resilience. Increasing workloads and recruitment challenges place additional pressure on staffing. Weaknesses can lead to high absence levels, increased agency costs and reduced productivity. Assurance is required to ensure the policy is consistently applied and supports both staff wellbeing and operational needs.
Renters' Rights Act - Response to New	5	15	Q4	<p>To assess the Council's readiness and compliance arrangements relating to new statutory duties under the Renters' Rights Act. This includes reviewing:</p>	The Renters' Rights Act introduces new statutory obligations for local authorities in licensing, enforcement, tenant protection and property

AREA	SRR	DAYS	TIMING	DESCRIPTION OF THE REVIEW	REASON FOR INCLUSION
Statutory Responsibilities				<ul style="list-style-type: none"> • Policy updates and implementation planning • Tenant communication and rights awareness • Licensing, property standards and enforcement functions • System updates and record-keeping • Staff training and resource allocation. 	standards. Early assurance is essential to mitigate legal, financial and reputational risks arising from non-compliance. The review supports the Council's transition to full compliance and readiness for regulatory oversight.
Total		125			

AREA	SRR	DAYS	TIMING	DESCRIPTION OF THE REVIEW	REASON FOR INCLUSION
Soft Controls					
Equality, Diversity, and Inclusion	2,4,6	15	Q2	<p>Assess how well EDI responsibilities are embedded across the Council by reviewing:</p> <ul style="list-style-type: none"> • EDI policies and communication • Workforce diversity metrics, recruitment and retention practices • Staff training and awareness • Accessibility and fairness in service delivery • Monitoring, reporting and compliance with statutory duties. 	EDI remains a statutory requirement and a key organisational priority, with public expectations increasing. Failure to embed EDI effectively may expose the Council to discrimination claims, reputational harm and poor service outcomes. The review supports assurance over fairness, inclusivity and compliance with the Equality Act across both workforce and service delivery.
Total	15				

AREA	SRR	DAYS	TIMING	DESCRIPTION OF THE REVIEW	REASON FOR INCLUSION
Future Focused Assurance					
LGR Programme Governance and Readiness Review	6,7,10,11	20	Q4	<p>Assess whether governance arrangements for Local Government Reorganisation (LGR) are robust, well-coordinated, and capable of supporting a controlled and timely transition. The review will examine:</p> <ul style="list-style-type: none"> • Programme governance structure, roles, responsibilities and reporting lines • Clarity and ownership of workstreams (Finance, HR, ICT, Assets, Customer Services, Regulatory) • Risk management, issue escalation and decision-making processes • Stakeholder engagement, communications and transparency • Resource planning, capacity and skills alignment • Readiness assessments, implementation planning and monitoring dashboards. 	<p>This is the highest-ranking risk in the September 2025 Strategic Risk Register note this as a major risks linked to organisational change, service transformation, capacity pressures, and regulatory/policy shifts – all of which intensify under LGR. Without strong programme governance, the Council faces risks of:</p> <ul style="list-style-type: none"> • Disruption to critical frontline services • Loss of financial control and budget uncertainty • Inadequate data migration or system integration • Workforce instability or loss of key skills • Missed statutory deadlines or compliance failures. <p>Given the scale and complexity of LGR, early internal audit oversight is vital to support assurance, strengthen readiness, and mitigate transition risks.</p>
Total		20			

AREA	SRR	DAYS	TIMING	DESCRIPTION OF THE REVIEW	REASON FOR INCLUSION
Flexible Audit Resource - To be allocated during the year as required but could include the examples shown below					
Contingency/ Flexible resource	N/A	20	All	Contingency days left to allocate to flexible work.	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					20

AREA	SRR	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 Corporate Management Team.	Effective contract management.
Recommendations follow up	N/A	7	Q2 and Q4	Assessment and reporting of status of implementation of recommendations raised.	Assurance for Council Management Team and Governance and Audit Committee.
Governance & Audit Committee	N/A	5	Q1 - Q4	Attendance at Governance and Audit Committee meetings, pre-meets and Governance and Audit Committee Chair liaison.	Effective contract management.
Total		20			

SUMMARY	DAYS
Core Assurance	125
Soft Controls	15
Future Focused Reviews	20
Flexible Audit Resource	20
Contract Management	20
Total days	200

APPENDIX I

INTERNAL AUDIT CHARTER

This charter is a requirement of internal audit standards.

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

Final approval of this charter resides with the Governance and Audit Committee (GAC) 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 GAC 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 GAC 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 GAC

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

The GAC 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 GAC 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 GAC, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.
- ▶ The HoIA will confirm to the GAC, at least annually, the organisational independence of the internal audit function.
- ▶ The HoIA will disclose to the GAC 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.

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 GAC 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 GAC, 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, GAC, 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, GAC, 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 GAC 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 GAC 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 GAC 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 GAC on the work of internal audit
- ▶ Providing opportunities for the HoIA to meet with the GAC 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 GAC 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 GAC will provide feedback on the performance evaluation of the HoIA, which should include feedback from the Chair of the GAC.

Interaction between the Governance and Audit Committee and Internal Audit

The GAC 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 GAC at any time. The GAC 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 GAC agendas. The GAC workplan will provide for the internal audit mandate and charter, strategy, plans, engagement reporting and the annual conclusion, and quality reports.

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

Internal Audit Resources

The GAC 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 GAC 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 GAC 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 GAC will satisfy itself on the effectiveness of internal audit. They will take into account conformance with the standards, interactions with the GAC, performance and feedback from senior management. Their conclusions will be reported to those charged with governance, for example, as part of the GAC's annual report.

External Quality Assessment

On behalf of those charged with governance and the GAC, 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 GAC. The proposals for the scope, method of assessment and assessor will be brought to the GAC 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 GAC 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 RESPONSIBILITIES

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, GAC, 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 GAC and senior management; discuss the plan with the GAC and senior management and submit the plan to the GAC for review and approval
- ▶ Communicate the impact of resource limitations on the internal audit plan to the GAC 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 GAC 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 GAC 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 CMIA, or a CCAB qualification, or an equivalent professional qualification which includes training on the practice of internal audit, and suitable internal audit experience)
- ▶ Identify and consider trends and emerging issues that could impact the Council and communicate to the GAC 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 GAC 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 GAC.

Communication with the Governance and Audit Committee and Senior Management

The HoIA will report quarterly to the GAC 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 GAC
- ▶ 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 GAC 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 GAC 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 GAC 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 GAC 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 GAC 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 GAC whether appropriate co-operation has been provided by management and staff.

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