

# Arun District Council

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| <b>REPORT TO:</b>  | <b>Audit and Governance Committee – 27 February 2025</b>                 |
| <b>SUBJECT:</b>  | <b>Internal Audit Charter and Risk-Based Annual Plan<br/>2025/26</b>     |
| <b>LEAD OFFICER:</b>   | <b>Iona Bond, Deputy Head of Southern internal Audit<br/>Partnership</b> |
| <b>LEAD MEMBER:</b>  | <b>Councillor Matt Stanley</b>   |
| <b>WARDS:</b>  | <b>All</b>   |
| <b>CORPORATE PRIORITY / POLICY CONTEXT / CORPORATE VISION:</b><br>The Council's budget promotes all of the Council's Corporate Priorities.   |  |
| <b>DIRECTORATE POLICY CONTEXT:</b><br>The Council's Internal Audit Service has an effect on all Directorates of the Council.   |  |
| <b>FINANCIAL SUMMARY:</b><br>There are no direct financial implications arising from the report. Provision of a sound Internal Audit Service should result in effective financial control and guard against theft and fraud. |  |

## 1. PURPOSE OF REPORT

- 1.1. The purpose of this paper is to provide the Committee with the Internal Audit Charter and the Internal Audit Risk-Based Plan 2025-26.

## 2. RECOMMENDATIONS

- 2.1. That the Committee are invited to provide input to and approve the:

- Internal Audit Charter 2025-26 (appendix A);
- Internal Audit Risk-Based Plan 2025-26 (appendix B).

## 3. EXECUTIVE SUMMARY

- 3.1. The Internal Audit Plan provides the mechanism through which the Chief Internal Auditor can ensure most appropriate use of internal audit resources to provide a clear statement of assurance on risk management, internal control and governance arrangements. This report presents the plan for 2025-26 for approval by the Committee.

## 4. DETAIL

4.1 The mandate for internal audit in local government is specified within the Accounts and Audit [England] Regulations 2015, which states:

*'A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.'*

4.2 From 1 April 2025, the 'standards or guidance' in relation to internal audit are those laid down in the Global Internal Audit Standards (GIAS), Application Note: Global Internal Audit Standards in the UK Public Sector (Application Note) and the Code of Practice for the Governance of Internal Audit in UK Local Government. The collective requirements shall be referred to as the Global Internal Audit Standards in the UK Public Sector (the Standards).

4.3 The Southern Internal Audit Partnership have made all necessary adaptations to its processes, procedures and practices to ensure it is best placed to conform with these requirements with effect from 1 April 2025.

4.4 The Standards (6.2) require all internal audit providers to implement and maintain an 'Internal Audit Charter'. The internal audit charter is defined as 'a formal document that includes the internal audit function's mandate, organisational position, reporting relationships, scope of work, types of service, and other specifications'.

4.5 Standard 11.3 (Communicating Results) references the possibility that a chief internal audit may be required to make a conclusion at the level of the organisation about the effectiveness of governance, risk management and/or control. Section 10B of the Application Note makes it a mandatory requirement in the UK public sector, for the chief internal auditor to prepare such an overall conclusion at least annually in support of wider governance reporting. This overall conclusion must encompass governance, risk management and control. The requirement for an overall conclusion must also inform planning carried out under GIAS Standard 9.4 (Internal Audit Plan).

4.6 In accordance with the Standards (9.4) there is a requirement that internal audit must create a risk-based internal audit plan that supports the achievement of the organisation's objectives. The internal audit plan provides the mechanism through which the Chief Internal Auditor can ensure most appropriate use of internal audit resources to fulfil the audit mandate and delivery of the internal audit strategy.

4.7 The aim of internal audit's work programme is to provide independent and objective assurance to management, in relation to the business activities; systems or processes under review that:

- The framework of internal control, risk management and governance is appropriate and operating effectively; and

- Risks to the achievement of the County Council's objectives are identified, assessed and managed to a defined acceptable level.

### **Internal Audit Charter 2025-26**

- 4.8 The internal audit charter is reported to the Audit Committee annually for review and approval and it has been updated to reflect the requirements of the new Standards. A copy is attached as Appendix A.

### **Internal Audit Risk-Based Plan 2025-26**

- 4.9 The proposed risk based internal audit plan for 2025-26 is attached at Appendix B and has been developed at a strategic level providing a value adding, and proportionate level of assurance aligned to the Council's strategic outcomes. It is based on a range of inputs including review of the Council's strategic risk register, sector knowledge and discussions with Directorate management teams.
- 4.10 Internal audit focus should be proportionate and appropriately aligned, and as such, only high and medium priority reviews identified during the planning process are incorporated within the Internal Audit Plan. The exception to this is where 'mandatory' audits (for example to certify the accuracy of grant claims to meet funding requirements) or specific management requests have been raised and sufficient capacity is available.
- 4.11 The audit plan will remain fluid to ensure internal audit's ability to react to the changing needs of the Council. Any additions to the plan must be able to clearly demonstrate a contribution to the audit conclusion on risk management, control and governance.
- 4.12 Any changes to the plan (including advisory assignments) will be transparently reported to the Corporate Management Team and the Audit Committee during the course of the year for approval as part of our regular Progress Reports.
- 4.13 The Internal Audit Charter ensures the Chief Internal Auditor has sufficient resource necessary to fulfil the requirements and expectations to deliver an internal audit conclusion.
- 4.14 Significant matters that jeopardise the delivery of the plan, or require changes to the plan will be identified, addressed and reported to the Audit Committee, through regular progress reports.
- 4.15 The endorsement and sponsorship of the plan(s) at member / chief officer level will assist in providing the engagement and buy-in of staff at an operational level to ensure the outcome of audit reviews are optimised.

## **5. CONSULTATION**

- 5.1. No consultation has been undertaken with external bodies.

## **6. OPTIONS / ALTERNATIVES CONSIDERED**

- 6.1. No other options are available.

## **7. COMMENTS BY THE GROUP HEAD OF CORPORATE SUPPORT/SECTION 151 OFFICER**

- 7.1. A fit for purpose, monitored Internal Audit system enhances financial control and reduces the risk of theft and fraud for the Council.

## **8. RISK ASSESSMENT CONSIDERATIONS**

- 8.1. The Internal Audit Plan is not delivered inhibiting the production of an annual conclusion in accordance with the Accounts & Audit Regulations 2015 and accompanying guidance (GIAS).
- 8.2. The proposed Internal Audit Plan is approved by Corporate Leadership Team (CLT) and Audit & Governance Committee. A regular progress report is presented to CLT and Audit & Governance Committee to monitor progress against the plan.
- 8.3. As detailed within the Internal Audit Charter the Chief Internal Auditor will notify CLT and Audit & Governance Committee if in their opinion they are in any way inhibited in carrying out assurance work.

## **9. COMMENTS OF THE GROUP HEAD OF LAW AND GOVERNANCE & MONITORING OFFICER**

- 9.1. A sound system of Internal Audit is one of the requirements of the Local Government Finance Act 1972.

## **10. HUMAN RESOURCES IMPACT**

- 10.1. There are no impacts.

## **11. HEALTH & SAFETY IMPACT**

- 11.1. There are no impacts.

## **12. PROPERTY & ESTATES IMPACT**

- 12.1. There are no impacts

**13. EQUALITIES IMPACT ASSESSMENT (EIA) / SOCIAL VALUE**

13.1. There are no impacts.

**14. CLIMATE CHANGE & ENVIRONMENTAL IMPACT/SOCIAL VALUE**

14.1. There are no impacts.

**15. CRIME AND DISORDER REDUCTION IMPACT**

15.1. There are no impacts.

**16. HUMAN RIGHTS IMPACT**

16.1. There are no impacts.

**17. FREEDOM OF INFORMATION / DATA PROTECTION CONSIDERATIONS**

17.1. There are no impacts.

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**BACKGROUND DOCUMENTS:**

None

