

INTERNAL AUDIT PLAN Oxford City Council

2026/27

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INTERNAL AUDIT APPROACH

BACKGROUND

Our risk-based approach to internal audit uses Oxford City 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 from page 10. As part of our audit planning process, we met with the Directors from the Council, the s151 Officer and representatives from the Council's trading companies, Oxford Direct Services (ODS) and OX Place, to explore opportunities for enhanced co-ordination in internal audit activities. The discussions focussed on identifying areas where internal audit could provide collaborative working and where joint input from the Council, ODS and OX Place could provide added value.

Additionally, we have assessed where there are overlaps between the Council's and ODS audit plans. To provide clarity on roles and responsibilities we have created a roles and responsibilities document, outlining which reviews from the Council's internal audit plan will involve input from ODS and OX Place (see Appendix I for details).

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 8 to 9.

HIGH RISK AREAS NOT INCLUDED

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

- Strategy review - this is because we have a review on Local Government Reorganisation (LGR) which supersedes other considerations around wider strategy.

AUDIT OPINION STRUCTURE

2026-27 Audit Plan:

- Oxford City Council: A separate Council specific Head of Internal Audit Opinion will continue to be issued. However, as was the case in the prior year we will also issue a group wide Head of Internal Audit Opinion, covering both the Council and ODS, reflecting the interconnected nature of their operations.
- Oxford Direct Services (ODS): As was the case in 2025-26, a separate BDO team will issue a Head of Internal Audit Opinion for ODS that will go to the ODS Audit Committee, however, will be reflected in the Group Head of Internal Audit Opinion which the Council's Audit and Governance Committee will receive.
- OX Place: A standalone opinion will not be issued for OX Place due to the limited number of audit reviews conducted, as it does not provide sufficient coverage to support an independent Head of Internal Audit Opinion.

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 s151 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 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 Operational Delivery Group and s151 Officer. If these were to change, or emerging risks were to develop during this period, we would take stock and evaluate our coverage accordingly.

RESOURCING

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

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

CORE INTERNAL AUDIT TEAM

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

NAME	ROLE	QUALIFICATION	EMAIL & TELEPHONE
Gurpreet Dulay	Partner	CIPFA	Gurpreet.Dulay@bdo.co.uk
Joe Taylor	Assistant Manager	ACA	Joe.B.Taylor@bdo.co.uk

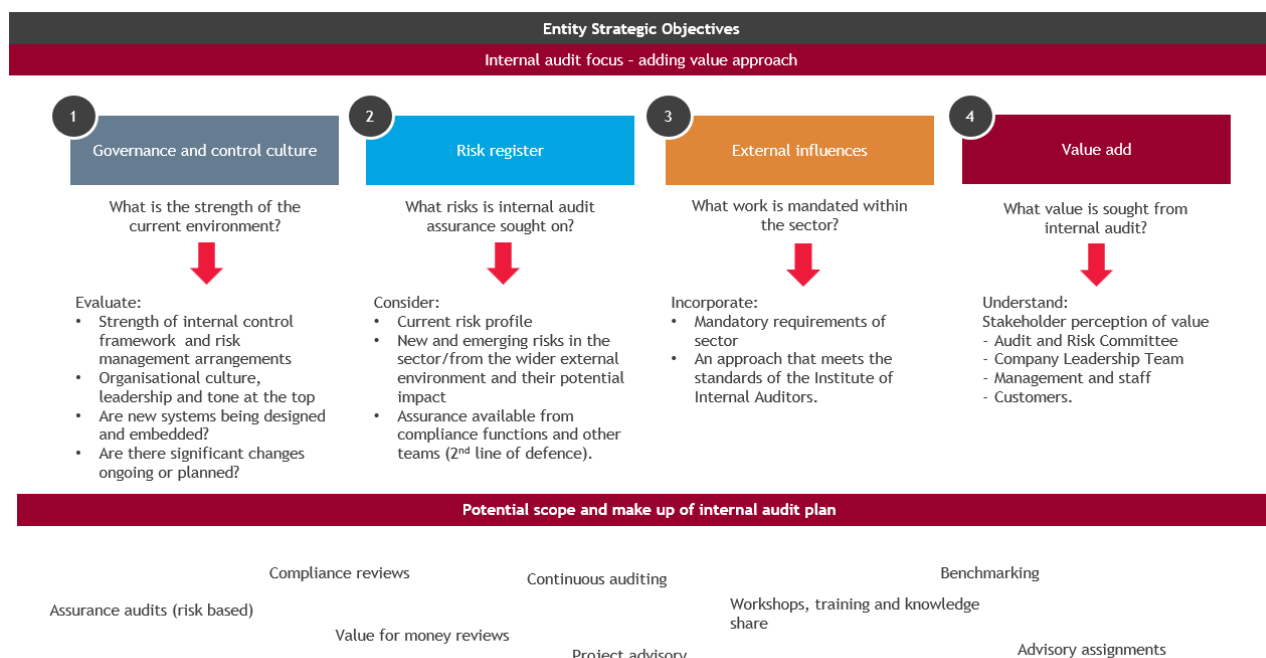
This team will be supported by our public sector internal auditors and members of our wider Risk Advisory Services (RAS) team, and wider firm, as and when required.

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



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 have conducted since the start of our engagement with the Council.

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 II

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

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 Audit and Governance Committee and management are seeking from internal audit, beyond the assurance our work provides.

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

We will also work with the Operational Delivery Group 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 Operational Delivery Group 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
CRR001	Financial Services - Financial Stability - Pressure on income and increased demand for services means that the Council will not be able to deliver its plans and corporate priorities.	4	4	16	
CRR003	People - Workforce sustainability - Delivery of future ambitions.	3	3	9	
CRR006	Law, Governance & Strategy - Failure to comply with governance requirements.	3	4	12	
CRR009	Chief Executive - Political and Partnership landscape - local and national.	4	3	12	
CRR011	Communities & Citizen Services - Increased demand on services.	3	3	9	
CRR097	Community Safety - Flood.	4	3	12	
CRR098	Community Safety - Adverse weather, terrorism and utility outage.	4	3	12	
CRR099	Economy, Regeneration and Sustainability - A utilities infrastructure that does not meet the needs of the city.	4	4	16	
CRR100	ICT - Cyber security and IT infrastructure resilience.	4	4	16	
CRR102	Economy, Regeneration & Sustainability - Addressing the causes and impacts of climate change.	5	3	15	
CRR104	Chief Executive - The workforce and public are healthy and safe.	3	4	12	

REF	STRATEGIC RISKS FROM YOUR CRR	LIKELIHOOD	CONSEQUENCE	NET SCORE	RATING
CRR105	Housing - A failure to deliver housing priorities and business plans.	3	4	12	
CRR106	Housing - A failure to deliver Temporary Accommodation strategies to meet demand/increases in homelessness.	3	5	15	
CRR107	Housing - Failure to meet Social Housing (Regulation) Act customer/consumer standards.	4	4	16	

MAPPING YOUR CRR TO THE STRATEGIC PLAN

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REF	STRATEGIC RISKS FROM YOUR CRR	2026/27	2027/28	2028/29	OTHER ASSURANCE
CRR001	Financial Services - Financial Stability - Pressure on income and increased demand for services means that the Council will not be able to deliver its plans and corporate priorities.	• Right to Buy • Debt Management and Collection	• Main Financial Systems	• Main Financial Systems	
CRR003	People - Workforce sustainability - Delivery of future ambitions.				Staff surveys issued by the Council
CRR006	Law, Governance & Strategy - Failure to comply with governance requirements.	• Calls and Complaints Handling	• Local Government Reorganisation Preparedness		
CRR009	Chief Executive - Political and Partnership landscape - local and national.				LGR Review
CRR011	Communities & Citizen Services - Increased demand on services.	• Taxi Licensing			LGR Review
CRR097	Community Safety - Flood.		• Waterways • Business Continuity and Disaster Recovery	• Environmental Services	

REF	STRATEGIC RISKS FROM YOUR CRR	2026/27	2027/28	2028/29	OTHER ASSURANCE
CRR098	Community Safety - Adverse weather, terrorism and utility outage.		Business Continuity and Disaster Recovery		
CRR099	Economy, Regeneration and Sustainability - A utilities infrastructure that does not meet the needs of the city.				Continued discussions with management to assess risk
CRR100	ICT - Cyber security and IT infrastructure resilience.	Cyber Security	ICT Policies, Procedures and Training		
CRR102	Economy, Regeneration & Sustainability - Addressing the causes and impacts of climate change.		Housing Decarbonisation	- Environmental Services - Climate Change and Carbon Management Strategy	
CRR104	Chief Executive - The workforce and public are healthy and safe.	LGR People Strategy and Plan			LGR Review
CRR105	Housing - A failure to deliver housing priorities and business plans.	Disabled Facilities Grants			Previous audits on Local Plan and subsequent follow-up
CRR106	Housing - A failure to deliver Temporary Accommodation strategies to meet demand/increases in homelessness.			Temporary Accommodation	
CRR107	Housing - Failure to meet Social Housing (Regulation) Act customer/consumer standards.	Housing Rents			Advisory review conducted in 2025

INTERNAL AUDIT OPERATIONAL PLAN 2026/27

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AREA	SRR	DAYS	TIMING	DESCRIPTION OF THE REVIEW	REASON FOR INCLUSION (INCLUDING ANY RELEVANT TOPICAL REQUIREMENTS)
Core Assurance					
Right to Buy	CRR001	15	Q1	The overarching objective of this audit is to provide assurance that the Council’s process and controls for managing the Right to Buy Scheme is in accordance with the statutory process.	Identified as an area in which the Council would like assurance. Significant changes to the Right to Buy scheme discounts in England came into effect on 21 November 2024, resulting in a substantial increase in applications prior to the deadline.
Debt Management and Collection	CRR001	15	Q1	Covering business rates, council tax and overpaid housing benefit and suspense accounts, to provide assurance over reconciliations from feeder systems to ledger, cash interface file processing, recording, monitoring and collection of debt.	Area of core responsibility and identified in discussion with management
Calls and Complaints Handling	CRR006	15	Q2	To provide assurance over the Council’s arrangements for handling and responding to complaints from service users and members of the public.	Area of core responsibility and identified in discussion with management
Disabled Facilities Grants	CRR105	15	Q2	The purpose of the audit is to provide assurance over the Council’s arrangements for assessing DFG grant applications and the accuracy and timeliness of payments to contractors, following the satisfactory completion of works.	The administration of the Disabled Facilities Grant is a statutory service provided by local authorities, to support disabled resident make modifications to their home to aid their living. Mandatory Disabled Facilities Grant is £30,000.

AREA	SRR	DAYS	TIMING	DESCRIPTION OF THE REVIEW	REASON FOR INCLUSION (INCLUDING ANY RELEVANT TOPICAL REQUIREMENTS)
					The Council previously provided a discretionary top-up of £10,000.
Housing Rents	CRR107	15	Q2	A review of housing rents governance, processes and policies to assess the design of controls and strength of arrangements.	Raised as an important area in discussions with management particularly in light of the Renters Rights Act 2025 which this review would cover.
Cyber Security	CRR100	20	Q3	A review of the design and effectiveness of the Council's procedures for identifying and managing its cyber security risks on an ongoing basis. This review will also cover some elements of ODS services too as the Council run the IT services for ODS. It will cover the infrastructure and any non-supported structures for ODS.	Failure to prevent and respond to a cyber-attack is a key risk on the Council's Corporate Risk Register. This area is also constantly evolving and therefore warrants regular examination. This audit was originally meant to be undertaken in 2025/2026 but has been moved to 2026/2027.
Taxi Licensing	CRR011	15	Q4	The purpose of this audit is to provide assurance that adequate processes are in place to ensure taxi licences are processed in accordance with statutory legislation, appropriate background checks are conducted on licence holders and enforcement action is taken on those operation without or outside the terms of the licence.	Area of core responsibility and identified in discussion with management
Total		110			

AREA	SRR	DAYS	TIMING	DESCRIPTION OF THE REVIEW	REASON FOR INCLUSION (INCLUDING ANY RELEVANT IIA TOPICAL REQUIREMENTS)
Future Focused Assurance					
LGR People Strategy and Plan	CRR104	20	Q3	The purpose of this audit is to provide assurance that the Local Government Reorganisation (LGR) People Strategy and Plan developed by the Council is robust and capable of preparing the organisation for change management as part of LGR.	Area of core responsibility and identified in discussion with management
Total		20			

AREA	SRR	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 / Flexible resource	N/A	20	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		20			

AREA	CRR	DAYS	TIMING	DESCRIPTION OF THE REVIEW	REASON FOR INCLUSION
Contract Management					
Planning / liaison / management	N/A	20	Q1 - Q4	Creation of audit plan, meeting with Executive Directors	Effective contract management
Recommendations follow up	N/A	10	Q1 - Q4	Assessment and reporting of status of implementation of recommendations raised	Assurance for Operational Delivery Group and the Audit and Governance Committee
Audit and Governance Committees	N/A	5	Q1 - Q4	Attendance at Audit and Governance meetings, pre-meets and Chair liaison	Effective contract management
Total					

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SUMMARY	DAYS
Core Assurance	110
Future Focused Reviews	20
Flexible Audit Resource	20
Contract Management	35
Total days	185

AREAS CONSIDERED BUT NOT INCLUDED IN 2026/27

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

AREA	CRR	REASON FOR EXCLUSION
Strategy Review	All	We have a review of LGR which will supersede a review of this area

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APPENDIX I - ROLES AND RESPONSIBILITIES OF THE COUNCIL, ODS AND OX PLACE

This document sets out the principles of our approach for developing consistent working arrangements between BDO, Oxford City Council (OCC), Oxford Direct Services (ODS) and OX Place within their respective internal audit programmes. Having clear protocols around approvals across all stages is important to the integrity of the outputs produced. The table below sets out the minimum expectations for approvals - all approvals must be done via email or letter and verbal approvals cannot be accepted. BDO will retain all evidence of approvals.

DEFINITIONS

- Lead - this always refers to BDO. It is defined as the organisation responsible to the delivery and management of the task
- Approve - this is who BDO require to formally approve the task and will be one of the three organisations
- Consult - this is where BDO will reach out to one or more of the Group organisations to ask for their feedback into a specific task. This feedback will be given to the Approver and be taken into account in the process prior to finalisation of any given task. Where there may be disagreement between the Approver and those Consulted, the Approver decision is taken
- Inform - this is where BDO will reach out to one or more of the Group organisations to inform them of the outcome of a task providing the output where appropriate. This is therefore a post task process to inform. It may happen on occasion that an organisation is informed in advanced however they are not being consulted to seek feedback/input.

INTERNAL AUDIT PLAN

	L Lead, A Approve, # inform, @ Consult				
	BDO	OCC	ODS	OX Place	
Agreement of Annual Plan	L	A	@	#	BDO to develop plan in each year. Interviews and presentation to the ODG, Trading Companies prior to A&G approval
Agreement of Annual Audit Plan - ODS	L	@	A	#	Per above however BDO will seek approval from ODS Audit Committee/Board
Agreement of Annual Audit Plan - OX Place	L	@	@	A	Per above however BDO will seek approval from OX Place Board

OXFORD CITY COUNCIL 2026-27 INTERNAL AUDIT PLAN WITH RESPONSIBILITIES

	L Lead, A Approve, # inform, @ Consult				
	BDO	OCC	ODS	OX Place	Responsible Head of Service
Annual Planning					
Right to Buy	L	A	N/A	@	Will be confirmed with management post Audit and Governance Review approval
Debt Management and Collection	L	A	@	N/A	Will be confirmed with management post Audit and Governance Review approval
Calls and Complaints Handling	L	A	@	N/A	Will be confirmed with management post Audit and Governance Review approval
Disabled Facilities Grants	L	A	N/A	N/A	Will be confirmed with management post Audit and Governance Review approval
Housing Rents	L	A	N/A	N/A	Will be confirmed with management post Audit and Governance Review approval
Cyber Security	L	A	@	N/A	Will be confirmed with management post Audit and Governance Review approval
Taxi Licensing	L	A	N/A	N/A	Will be confirmed with management post Audit and Governance Review approval
LGR Review	L	A	@	N/A	Will be confirmed with management post Audit and Governance Review approval

APPENDIX II

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		
Medium Term Financial Strategy		Fieldwork Stage
Fire Safety Follow Up	Moderate	Moderate
Leisure Centre Contracts		Fieldwork Stage
Data Analytics		Fieldwork Stage
Purchase Cards	Limited	Limited
Treasury Management	Substantial	Substantial
Equality, Diversity and Inclusion (EDI) Maturity	N/A	N/A
ODS Client And Commissioning - Thematic Review		Fieldwork Stage
2024/25		
QL Optimisation	Moderate	Moderate
Affordable Housing - Project Management	Substantial	Substantial
Risk Management - Risk Maturity	N/A	N/A
Homelessness Prevention	Moderate	Moderate
Fire Risk Assessments (Specialist Advice)	N/A	N/A
Income Generation	Substantial	Moderate
Accounts Payable	Moderate	Moderate
GDPR and High-Level Freedom of Information	Limited	Moderate
Data Analytics	Moderate	Moderate

AUDITED AREA	DESIGN RATING	EFFECTIVENESS RATING
2023/24		
Recruitment and Retention	Moderate	Moderate
Planning Services	Substantial	Moderate
Building Control	Moderate	Moderate
Selective Licensing	Moderate	Moderate
Data Analytics	Moderate	Moderate
Empty Properties and Dwellings	Substantial	Moderate
Accounts Receivable	Substantial	Moderate
Planned Maintenance and Refurbishment	Moderate	Moderate

APPENDIX III

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 Oxford City Council ('the Council') and defines the scope of internal audit activities.

Final approval of this charter resides with the Audit and Governance Committee (A&G) 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 (A&G) 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 A&G 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 A&G

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

The A&G 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 A&G 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 A&G, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.
- ▶ The HoIA will confirm to the A&G, at least annually, the organisational independence of the internal audit function.
- ▶ The HoIA will disclose to the A&G 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 AND GOVERNANCE COMMITTEE OVERSIGHT

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

Interaction between the Audit and Governance Committee and Internal Audit

The A&G 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 A&G 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 A&G agendas. The A&G workplan will provide for the internal audit mandate and charter, strategy, plans, engagement reporting and the annual conclusion, and quality reports.

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

Internal Audit Resources

The A&G 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 A&G 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 A&G 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 A&G 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 A&G's annual report.

External Quality Assessment

On behalf of those charged with governance and the A&G, 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 A&G. The proposals for the scope, method of assessment and assessor will be brought to the A&G 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 A&G 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, A&G, 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 A&G and senior management; discuss the plan with the A&G and senior management and submit the plan to the A&G for review and approval
- ▶ Communicate the impact of resource limitations on the internal audit plan to the A&G 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 A&G 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 A&G 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 A&G 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 A&G 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 A&G.

Communication with the Audit and Governance Committee and Senior Management

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

FOR MORE INFORMATION:

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