

**Committee:** Audit and Standards Committee **Date:** Tuesday,  
**Title:** Internal Audit Charter, Strategy and Plan 2024/25 26 March 2024  
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### Summary

1. This report presents the Audit and Standards Committee with the updated Internal Audit Charter and the Internal Audit Strategy and Plan for the 2024/25 financial year. Its purpose is to ensure that the Audit Manager has an evidence base that can be used to inform the Internal Audit Annual Report and Opinion for the 2024/25 financial year.

### Recommendations

2. Audit and Standards Committee are requested to note the content of this report.

### Financial Implications

3. None

### Background Papers

4. The following papers were referred to by the author in the preparation of this report and are available for inspection from the author of the report.

### Impact

- 5.

Communication/Consultation	This report was sent to CMT in February 2024
Community Safety	None
Equalities	None
Health and Safety	None
Human Rights/Legal Implications	None
Sustainability	None

Ward-specific impacts	None
Workforce/Workplace	None

## Situation

6. The Council has a duty to maintain an effective Internal Audit service that is compliant with the UK Public Sector Internal Audit Standards (PSIAS) so that the Audit Manager can provide an annual report and opinion on the adequacy and effectiveness of the organisation's corporate governance, risk management and internal control. This can be used by the organisation to inform its annual governance statement.
7. The Internal Audit Charter establishes Internal Audit's position, responsibilities and reporting lines and establishes the authority necessary to conduct the engagements that provide the evidence base for the Internal Audit annual report and opinion.
8. The Internal Audit Strategy outlines the services' approach to providing the assurance UDC needs and ensuring the service has the skills and experience required. This has been used to develop the Internal Audit Annual Plan for 2024/25.

## Risk Analysis

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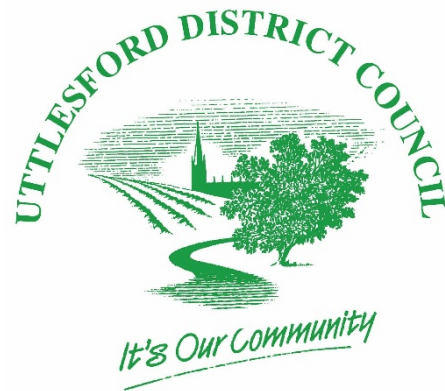
Risk	Likelihood	Impact	Mitigating actions
Inadequate audit coverage may lead to failure to provide an annual opinion of the Council's governance, risk and control arrangements; reputational damage and failure to comply with PSIAS	2	2	Monitoring of plan delivery and reporting to CMT and Audit and Standards Committee, contingency built into plan for additional days if required; Quality Assurance and Improvement Programme including an External Quality Assessment of the Internal Audit Service.

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.



**INTERNAL AUDIT STRATEGY  
2024-2027  
AND  
INTERNAL AUDIT PLAN  
2024-2025**

## 1. INTRODUCTION

Internal Audit's purpose, authority and responsibilities are set out in our Charter (see Appendix A). As a service we are guided by the UK Public Sector Internal Audit Standards (PSIAS)<sup>1</sup>, which defines Internal Audit as:

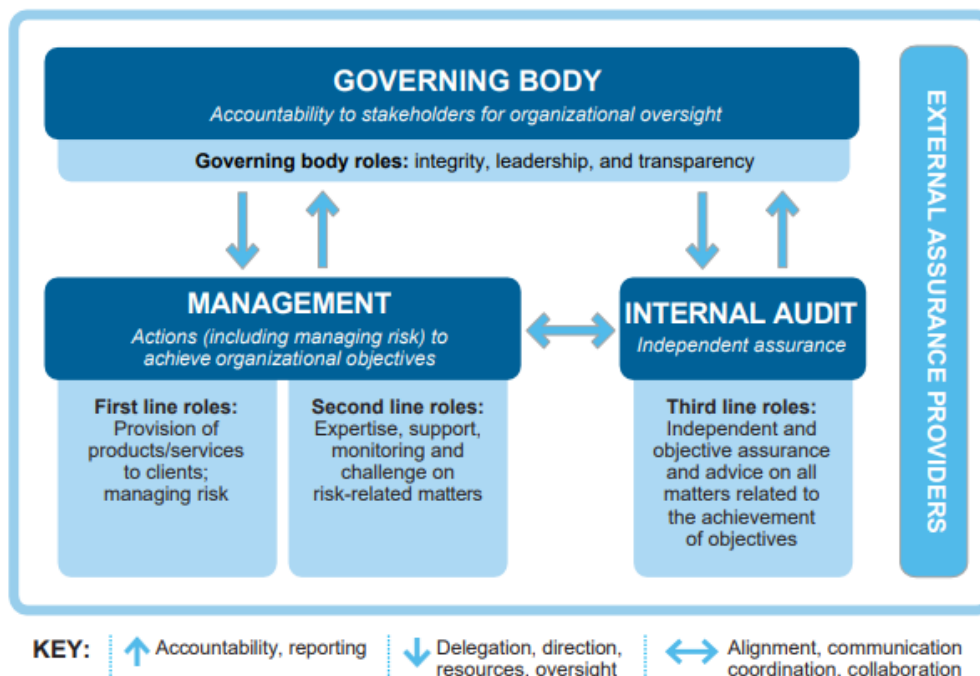
*“An independent, objective and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”*

And the mission of internal audit as:

*“To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.”*

This document provides a framework for providing independent assurance on UDC's Risk Management, Control and Governance processes. UDC's Internal Audit uses the “Three Lines of Defence<sup>2</sup>” in its assurance provision. In this, controls established by management over their sphere of influence is the first line of defence, the various risk, control and compliance oversight functions established by UDC are the second line of defence and independent assurance (Internal Audit) is the third line of defence. Each of these “lines” plays a distinct role within the organisation's wider governance framework. The Chief Executive, Section 151 Officer, Monitoring Officer, CMT, Audit and Standards Committee, Scrutiny, Cabinet and Full Council have an oversight role.

### The IIA's Three Lines Model



<sup>1</sup> [PSAIS\\_1\\_April\\_2017.pdf \(publishing.service.gov.uk\)](#)

<sup>2</sup> [three-lines-model-updated-english.pdf \(theiia.org\)](#)

## 2. STRATEGIC OBJECTIVES

Internal Audit has three core strategic objectives to enable achievement of our mission and vision:

### 2.1 Aligned Priorities

- Internal Audit programmes will be developed in consultation with key clients in order to ensure they are aligned with UDC's core objectives and that key risks have been mitigated effectively. Internal Audit's approach will evolve as UDC's risk management matures.
- The strategy will be reviewed as and when local priorities change or national initiatives have a impact locally.
- We will take a balanced and pragmatic approach to our work and our reports will emphasise positive findings alongside areas for improvement.
- We will consider the work of other assurance providers (e.g. external audit) in order to minimise duplication of work and maximise coverage.
- Our performance measurement and monitoring arrangements will be focused on the aspects of the service most valued by senior management and the Audit and Standards Committee.

### 2.2 Effective Staff

- The Audit Manager and both Internal Auditors hold relevant professional qualifications and maintain their annual continual professional development requirements. The Audit Manager considers the team to be of appropriate size for the organisation.
- We will ensure that staff have or develop the skills necessary to provide assurance over the key risks facing UDC. This will include considering the future impact new technologies such as artificial intelligence on service delivery.
- Our Quality Assurance and Improvement Program (QAIP) will demonstrate conformity with PSIAS and will aid continuous development of the service.
- Compliance requires an external quality assessment (EQA) to be completed every five years. UDC has not been compliant since August 2022. An EQA will take place as soon as practicable.
- The Institute of Internal Auditors (IIA) published new Global Internal Audit Standards<sup>3</sup> in January 2024. These are due to come into effect from 1 January 2025. Internal Audit processes will be reviewed over the course of the year to ensure they align with the new standards.

### 2.3 Positive Impact

- We will build strong, positive, professional relationships with key clients and engage with them in the development of our strategies and work plans.
- We will seek to be involved in key projects and working groups to provide assistance on governance, risk and control and also to promote our work and the services we can provide to a wider audience.

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<sup>3</sup> [globalinternalauditstandards\\_2024january9\\_printable.pdf \(theiia.org\)](https://www.theiia.org/globalinternalauditstandards_2024january9_printable.pdf)

### 3. INTERNAL AUDIT CHARTER

The Internal Audit Charter is a key document that defines purpose, authority and responsibilities of the Internal Audit service. It must meet the requirements of PSIAS.

The Internal Audit Charter establishes Internal Audit's position within UDC, including the Audit Manager's reporting lines, authorisation to access to records, staff and physical properties relevant to the performance of engagements, and also defines the scope of Internal Audit activities. It is also a reference point for measuring the effectiveness of Internal Audit. It includes:

- The Mission of Internal Audit
- The Definition of Internal Audit
- The Core Principles
- The Code of Ethics

The Audit Manager has conducted a light-touch review of the Internal Audit Charter and updated it to reflect current reporting lines and to define Internal Audit's role in relation to counter-fraud activities and the Annual Governance Statement. It is anticipated that more substantial changes will be necessary in 2024/25 as a result of the new Global Internal Audit Standards. The Audit Manager is waiting for guidance from CIPFA on the matter.

The Internal Audit Charter is attached in Appendix A for CMT to note and approve.

### 4. INTERNAL AUDIT PLAN 2024-25

The Internal Audit plan aims to provide independent assurance on UDC's Risk Management, Control and Governance processes and provide the evidence base for the 2024/25 Internal Audit Opinion. This plan has been developed by a review of the corporate risk register, discussions with senior management and through Internal Audit's risk assessment. This included sense-checking the UDC risk register "Risk in Focus"<sup>4</sup> (research conducted annually by the IIA into the highest risk areas that heads of Internal Audit across Europe believe are impacting their organisations). This identified 11 broad risk areas<sup>5</sup>:

- Financial Risk
- Regulatory Compliance
- Contracts and Partnership Management
- People
- Information Governance and Cybersecurity
- Business Continuity
- Health, Safety and Wellbeing
- Fraud
- Climate Change
- Communications, reputation, and stakeholder relations
- Organisational culture

The Internal Audit risk assessment mapped these risk areas to UDC's services to determine the highest priorities for assurance.

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<sup>4</sup> [ciia-risk-in-focus-2024\\_final-web.pdf](#)

<sup>5</sup> The Audit Manager concluded that the opportunities provided by / impact of new technologies was not a current material risk for UDC but would become one over the next 2-3 years.

The proposed Internal Audit Plan for 2024/25 is shown in Appendix B, with Appendix C mapping the plan to these risk areas. The first section of the plan are the proposed audit work which will result in a formal opinion. The second section contains consultancy / advisory work where a formal opinion is not expected. The third section is a reserve plan which will be used if other audit work is delayed for operational reasons. The plan includes two audits (Leisure PFI and Consultants and Agency Staff) that have had to be deferred from 2023/24 due to staff illness. There will be a mid-year review, with both CMT and the Audit and Standards Committee receiving an update with any necessary amendments to the plan in September or November 2024.

Progress on all recommendations carried forward from previous years alongside those made in 2024/25 will be monitored until they are completed, superseded or risks are formally accepted. Significant issues will be escalated through line management where necessary, with periodic reporting on outstanding recommendations to CMT and Audit and Standards Committee.

CMT is asked to note and approve the proposed audit plan.

## **5. CONSULTING, COUNTER FRAUD AND ADVISORY SERVICES**

UDC's Internal Audit Charter states that "Internal Audit may perform consulting activities (that is, provide independent advice and guidance to management on governance, risk management and control issues) as appropriate. These may take the form of ad hoc answers to queries that are addressed through a short conversation or email. More substantive activities will be included in the audit plan.

UDC's Internal Audit Charter also states that the Audit Manager has the responsibility to "lead and deliver the council's Counter Fraud and Corruption Strategy.

The Internal Audit Annual Report and the Corporate Governance Audit will provide and evidence base to support the Council's Annual Governance Statement.

## **6. QUALITY ASSURANCE IMPROVEMENT PROGRAMME (QAIP)**

In complying with PSIAS, UDC's Internal Audit has established a QAIP. According to PSIAS:

*A quality assurance and improvement programme is designed to enable an evaluation of the internal audit activity's conformance with the standards and an evaluation of whether internal auditors apply the code of ethics. The programme also assess the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement. The chief audit executive should encourage board oversight in the quality assurance and improvement programme.*

There are five key elements of UDC's QAIP:

- Internal quality reviews of each audit assignment to ensure it meets the required standards. 1:1s incorporate an opportunity to reflect on each audit to identify successes and learn lessons for future audit work.
- Monitoring against KPIs. KPIs are in place to measure quality as well as quantity of audit work. These are key client questionnaires for each assignment and a senior stakeholder survey to measure the overall standing and impact of Internal Audit.
- UDC's annual appraisal process
- Annual Internal Quality Assessment (IQA) to demonstrate conformance with PSIAS. The most recent IQA was completed in November 2023. Appendix D presents the actions identified as a result of the exercise and progress to date.
- And External Quality Assessment (EQA) to provide independent verification that PSIAS have been complied with. The most recent EQA was completed in August

2017 and UDC's Internal Audit service will be non-compliant with PSIAS until that has been completed.