

# AUDIT AND GOVERNANCE COMMITTEE



Report subject	<b>Assurance Framework &amp; Internal Audit Planning Consultation 2025/26</b>
Meeting date	27 January 2025
Status	Public Report
Executive summary	<p>To comply with the Global Internal Audit Standards and the public sector Application Note and to ensure early consultation with the Audit &amp; Governance Committee, this report outlines the BCP Assurance Framework and the 2025/26 Internal Audit Plan proposed approach.</p> <p>The Assurance Framework (Appendix A) has been updated with some minor changes to reflect current organisational structure and governance arrangements.</p> <p>The proposed 2025/26 Internal Audit Plan approach shows the amount of resource required to provide core audit &amp; assurance work (includes high level risks, key assurance functions and key financial systems audits). Other work (includes investigations) is also planned to be carried out alongside corporate assurance (includes corporate fraud) and governance work (includes annual governance statement).</p> <p>The primary change for the 2025/26 Audit Plan is a slight reduction in resources due to decreasing audit apprentice positions from three to two during the year, offset by adding two career auditor roles. However, available time for Core Audit &amp; Assurance work has increased due to the transfer of the council tax single person discount project and reduced apprentice training.</p> <p>The proposed work in the draft 2025/26 Audit Plan has been designed to enable the Head of Internal Audit to provide an annual conclusion on the Councils' governance, risk management and control arrangements.</p>
Recommendations	<p>It is <b>RECOMMENDED</b> that <b>Audit &amp; Governance Committee</b>:</p> <p><b>(a) Agree the BCP Assurance Framework</b></p> <p><b>(b) Provide any comments or feedback on the proposed draft 2025/26 Internal Audit Plan – high level allocation of resource and delivery approach</b></p>
Reason for recommendations	<p>To comply with Global Internal Audit Standards and Application Note for the public sector.</p> <p>To set out the Council's Assurance Framework.</p> <p>To ensure Audit &amp; Governance Committee are informed of the proposed 2025/26 Internal Audit Plan approach.</p>

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Wards	Council-wide
Classification	For Information

## Background

1. The authority for setting standards for internal audit in the United Kingdom public sector rests with the Relevant Internal Audit Standard Setters (RIASS) which for local government is the Chartered Institute of Public Finance and Accountancy.
2. The RIASS have determined that the Global Internal Audit Standards (GIAS) issued by the Institute for Internal Auditors (IIA) are a suitable basis for the practice of internal auditing in the UK public sector, subject to interpretations and requirements set out in the 'Application Note'.
3. The Application Note provides UK public sector-specific context, interpretations of GIAS requirements in the specific circumstances expected to apply across the UK public sector and some additional requirements which the RIASS consider essential for the practice of internal audit in the UK public sector.
4. Auditors working in the UK public sector must follow the requirements of the GIAS subject to the interpretations and additional requirements set out in the Application Note which both come into effect from the 1st April 2025.
5. The GIAS are not a radical divergence from the current standards (Public Sector Internal Audit Standards). The Internal Audit service at BCP Council is planned to meet requirements of the GIAS and the Application Note through ongoing work against an action plan (as mentioned separately in the 2024/25 audit plan update report to this same committee meeting).

## Assurance Framework

6. BCP Council's Assurance Framework (Appendix A) has been updated with some minor changes to reflect current organisational structure and governance arrangements.
7. For each of the key assurance functions identified, it shows the 'first line' (those with management responsibility for implementing risk management and governance processes), the 'second line' (corporate and management oversight, including advice, expertise and compliance), and the 'third line', Internal Audit. It also shows where some external assurance sources exist.
8. The Framework assists the Audit & Governance Committee with their role of providing independent assurance to the Council on the effectiveness of the Council's governance arrangements, risk management framework and internal control environment.

9. It also informs the Council's Annual Governance Statement (AGS) which reports on the effectiveness of the governance framework and which is a further source of assurance to the Audit & Governance Committee.
10. The GIAS, and more specifically the Application Note, state that in the UK public sector, the Head of Internal Audit must prepare an overall conclusion on the organisation's governance, risk management and control arrangements, at least annually, in support of wider governance reporting. The Assurance Framework identifies the sources of assurance that will be used to form the basis of the annual conclusion.
11. The GIAS also state that the Head of Internal Audit must co-ordinate with internal and external providers of assurance services and consider relying on their work. The Assurance Framework sets out the way Internal Audit consider other assurance providers and this forms part of the planning process for undertaking audit reviews across the Council. Coordination of services minimizes duplication of efforts and highlights gaps in coverage of key risks.
12. Audit & Governance Committee are asked to agree the Council's Assurance Framework.

### **Proposed Audit Plan 2025/26 – High level allocation of resource**

#### Best Practice Compliance

13. The Internal Audit planning process is informed by the Council's Assurance Framework and compliance with GIAS as detailed above. The audit plan also considers the purpose, authority and responsibilities of the Internal Audit team as described in the Audit Charter.
14. The GIAS standards state that the Head of Internal Audit must create an internal audit plan that supports the achievement of the organisation's objectives, base the plan on a documented assessment of the organisation's strategies, objectives and risks and also be informed by the board and senior management. The arrangements below seek to achieve these requirements.
15. Internal Audit identify, document and risk assess the audit universe (i.e. the auditable areas of the Council), which includes consideration of the following areas:
  - Risks to achieving the Council's Priorities and Objectives as stated in the Corporate Strategy
  - Risks to delivering key Council projects, including those overseen by the Corporate Strategy Delivery Board
  - Risks identified in the Corporate Risk Register and in Service / Directorate Risk Registers, including consideration of the risk framework/maturity of the organisation
  - Risks to achieving Service / Directorate Priorities and Objectives as stated in business plans and other service documentation
  - Council overall governance arrangements including the annual governance statement, local code of governance and decision records/reports
  - Other sources of data, including financial/performance/procurement/ partnerships information, assets held, business continuity arrangements, corporate ethics activities, IT governance and systems, last audit/investigation findings, other internal/external reports and legislation.
16. The relative priority of planned audit work, based on the audit risk assessment, helps to determine which High Level Risk audits will be undertaken during the year.
17. Assurance work is planned to be carried out across a range of High Level Risk areas at corporate, directorate and service areas, as well as Key Assurance Functions (compliance with corporate policies), Key Financial Systems, Counter Fraud and Other areas (see core audit and assurance work in table below).

18. The proposed work in the draft 2025/26 Audit Plan has been designed to enable the Head of Internal Audit to provide an annual conclusion on the Council's governance, risk management and control arrangements.
19. The table below outlines the Audit Plan days for 2025/26, with comparison to the 2024/25 Audit Plan. The primary change for 2025/26 is a slight reduction in overall resources, attributed to the planned decrease in audit apprentice positions from three to two during the year, which will be offset by the addition of two new career auditor roles. Despite this, the total available time for Core Audit & Assurance work has increased, owing to the transfer of the council tax single person discount project and a reduction in apprentice training requirements.

AUDIT ACTIVITY	DETAIL	A	B	C	Reason for Difference
		2024/25 Original Plan Days	2025/26 Plan Days	Difference vs Revised Plan (Days) (B-A)	
<b>CORE AUDIT &amp; ASSURANCE WORK</b>					
HIGH LEVEL RISKS	As per audit risk assessment using Corporate Strategy, Corporate & Directorate Risk Registers and other sources	740	<b>860</b>	120	Additional resource from Council Tax SPD project transfer and reduction in apprentice training
KEY FINANCIAL SYSTEMS	Financial systems with significant value / materiality	160	<b>160</b>	0	
KEY ASSURANCE FUNCTIONS	As identified on Assurance Framework (Appendix A)	195	<b>195</b>	0	
COUNTER FRAUD RISKS	As per Internal Audit's Counter Fraud Risk Register	160	<b>180</b>	20	
SCHOOLS	As per Internal Audit's Schools Risk Assessment	50	<b>50</b>	0	
OTHER	Including audit planning, advice and follow ups	270	<b>270</b>	0	
<b>TOTAL</b>		<b>1,575</b>	<b>1,715</b>	<b>140</b>	
<b>OTHER AUDIT WORK</b>					
INVESTIGATIONS	Fraud/management investigations	100	<b>100</b>	0	No change
CONTINGENCY WORK	Other audit reviews as requested and carry forwards	20	<b>20</b>	0	
GRANT CERTIFICATION WORK	Head of Internal Audit certification as required per grant conditions	45	<b>45</b>	0	
FINANCIAL REGULATIONS COMPLIANCE	Responding to requests for support and advice and instances of breaches	20	<b>20</b>	0	
TRANSFORMATION & EFFICIENCY	Supporting transformation, and income generation (including commercial) & business opportunities in support of the MTFP	35	<b>35</b>	0	
<b>TOTAL</b>		<b>220</b>	<b>220</b>	<b>0</b>	
<b>CORPORATE ASSURANCE WORK</b>					
CORPORATE FRAUD	Includes service support on right to buy applications verification, fraud referrals & the council tax single person discount project	260	<b>125</b>	-135	Transfer of council tax single person discounts review project to revenues service
FREE EARLY EDUCATION FUNDING AUDITS	Assurance on funds allocated to providers	50	<b>50</b>	0	
OTHER CORPORATE ASSURANCE WORK	Includes Charter Trustees audits and ill health pension review role	30	<b>30</b>	0	
<b>TOTAL</b>		<b>340</b>	<b>205</b>	<b>-135</b>	

GOVERNANCE WORK					
CORPORATE MANAGEMENT & LIAISON	Work with External Audit and Senior Management	70	<b>70</b>	0	No change
MEMBER LIAISON	Audit & Governance Committee work	65	<b>65</b>	0	
AGS (Annual Governance Statement)	Preparation & monitoring of the Council's Annual Governance Statement and local code of governance	75	<b>75</b>	0	
<b>TOTAL</b>		<b>210</b>	<b>210</b>	<b>0</b>	
IA SERVICE MANAGEMENT WORK					
MANAGEMENT & MEETINGS	Staff management and meetings, including 1-2-1s and recruitment	285	<b>280</b>	-5	Staff FTE reduction during year
AUDIT DEVELOPMENT	Development of computerised audit management system, audit techniques (e.g. data analytics) and associated processes	80	<b>80</b>	0	
PERFORMANCE MANAGEMENT	Monitoring/reporting on team performance and quality assurance processes	45	<b>45</b>	0	
<b>TOTAL</b>		<b>410</b>	<b>405</b>	<b>-5</b>	
NON-PRODUCTIVE TIME					
LEAVE	Including bank holidays	535	<b>520</b>	-15	Less bank holidays & staff FTE reduction during year. Apprentice training completed during year
SICK/DOWNTIME	Including service interruption from equipment/technology failure	55	<b>55</b>	0	
TRAINING & CPD	Including staff appraisals and qualification training	320	<b>200</b>	-120	
<b>TOTAL</b>		<b>910</b>	<b>775</b>	<b>-135</b>	
<b>TOTAL DAYS</b>		<b>3,665</b>	<b>3,530</b>	<b>-135</b>	Staff FTE reduction during year

### Audit Plan Delivery

20. The Core Audit & Assurance Work audits will generally be completed on a Directorate basis covering a selection of Key Assurance Function areas, any appropriate Financial Systems, High Level Risks and relevant Counter Fraud work determined by the relative priority of the audits identified during the annual planning process. This approach enables Internal Audit to prioritise work within and between each Directorate and be able to respond to any changes in the Council's business, risks, operations, programmes, systems and controls.
21. During 2025/26, as the Council operates in a challenging financial and economic backdrop, it will continue to create further efficiencies, maximise opportunities and drive through new ways of working, a flexible audit approach will be provided. The 2025/26 Audit Plan will be dynamic and updated in a timely manner in response to any changes in the Council's risks, controls, systems, projects and organisational change/culture.
22. Internal Audit will support this organisation change by identifying emerging risks, advising on process and control changes, and supporting management with maintaining robust governance arrangements. Throughout the year, real-time assurance will be provided, aided by the development of data analytics and continuous assurance work in line with our strategy.

### Audit Plan Consultation/Agreement

23. Following this consultation with Audit & Governance Committee, the Corporate Directors and Service Directors will be consulted to inform the plan and capture any emerging risks/pertinent issues.
24. Following the full consultation process the final 2025/26 Audit Plan will be brought back to this Committee for formal approval in March 2025 which will include a detailed breakdown of audit days required in each Directorate and a list of provisional audits for quarter one of 2025/26.
25. Any impact on the delivery of the Audit Plan through resource limitations, conflicting demands of stakeholders, changes in planned high risk audit areas, or limitation of audit scope will be communicated to the Committee via quarterly plan progress reports. Any significant changes to the Audit Plan will be discussed and agreed with senior management and the Audit & Governance Committee.
26. Audit & Governance Committee are asked to consider and comment on the proposed 2025/26 Audit Plan approach.

### **Options Appraisal**

27. See audit plan approach option above.

### **Summary of financial implications**

28. The Audit Plan is delivered within the Finance base budget approved as part of the wider Council's budget setting process. The 2025/26 Audit Plan outlined above assumes the 2025/26 Internal Audit budget will be approved broadly on the same basis as 2024/25 (£776,000) and allowing for inflationary growth only. This level of resource is considered sufficient to enable the Head of Internal Audit to provide an annual conclusion on the Councils' governance, risk management and control arrangements.

### **Summary of legal implications**

29. There are no direct legal implications from this report.

### **Summary of human resources implications**

30. There will be 13.8 budgeted full-time equivalent (FTE) Internal Audit staff planned for the 2025/26 Audit Plan, inclusive of the Head of Audit & Management Assurance who manages several other teams and an Auditor who specialises in corporate fraud prevention, detection and investigation.
31. It is the opinion of the Head of Internal Audit that these resources are sufficient to provide Audit & Governance Committee and the Council's Corporate Management Board with the assurances required.

### **Summary of sustainability impact**

32. There are no direct sustainability impact implications from this report.

### **Summary of public health implications**

33. There are no public health implications from this report.

### **Summary of equality implications**

34. There are no direct equality implications from this report.

### **Summary of risk assessment**

35. This report ensures compliance with the Global Internal Audit Standards and Application Note for the public sector.

### **Background papers**

None

### **Appendices**

Appendix 1 – BCP Assurance Framework