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1 Introduction and Background

Purpose of Report

1.1 To provide Members with:

- The progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's 2025/26 Internal Audit Plan to 16 January 2026.
- The findings for the period 18 October 2025 to 16 January 2026.
- Details of any changes required to the approved Internal Audit Plan.
- The implementation status of previously agreed audit recommendations.
- An update on performance management information to 16 January 2026.

Background

1.2 Internal Audit's Annual Plan for 2025/26 was approved by the Audit Committee at its meeting on 25 March 2025. The Audit Committee receive periodic updates against the Internal Audit Plan. This is the third update report for 2025/26.

1.3 The work of Internal Audit is required to be reported to a Member Body so that the Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit function is fulfilling its statutory obligations. It is considered good practice that progress reports also include details of changes to the agreed Annual Internal Audit Plan.

2 Audit Plan Update

Delivery of Internal Audit Plan and Key Audit Findings

2.1 As of 16 January 2026, 69% of the 2025/26 Internal Audit Plan days have been delivered (the calculation excludes contingency days that have not yet been allocated).

2.2 The following final reports have been issued since 18 October 2025:

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
Equalities, Diversity & Inclusion	Nov 2025	Substantial	One Low Priority
Housing Register & Allocations	Nov 2025	Reasonable	One Medium & One Low Priority
Risk Management	Nov 2025	Substantial	One Advisory Action
Review of Audit Committee	Dec 2025	Reasonable	Two Medium & One Low Priority
Housing Benefits	Jan 2026	Substantial	One Low Priority
Housing Safety Compliance	Jan 2026	Substantial	None

See definitions for the above assurance levels and recommendation priorities at Appendix D.

2.3 The table below summarises the position regarding delivery of the 2025/26 approved projects to 16 January 2026. Appendix A provides a status update on each individual project within the 2025/26 Internal Audit Plan.

Status	No. of Audits at this Stage	% of Total Audits
Final Report Issued	12	40%
Draft Report Issued	4	13%
In Fieldwork/Quality Review	6	20%
In Planning/Terms of Reference Issued	6	20%
Allocated	2	7%
Not Yet Allocated	0	0%
Cancelled/Deferred	0	0%
Total	30	100%

Internal Audit Plan Changes

2.4 There has not been any Internal Audit Plan changes since it was approved by this Committee on 25 March 2025.

Critical and High Priority Recommendations

2.5 Members will be aware that a Final Audit Report is issued when it has been agreed ("signed off") by management; this includes an agreement to implement the recommendations that have been made.

2.6 The schedule attached at Appendix B details any outstanding Critical, High, and Medium priority audit recommendations. Three new Medium Priority recommendations are shown in the schedule. These recommendations are from audits of Housing Register & Allocations (one) and Review of Audit Committee (two).

Performance Management

2.7 The 2025/26 annual performance indicators were approved at the SIAS Board meeting in March 2025.

2.8 The actual performance for Stevenage Borough Council against the targets that can be monitored in year is set out in the table overleaf:

Performance Indicator	Performance Target for 31 March 2026	Profiled Performance 16 Jan 2026	Actual Performance 16 Jan 2026	Notes
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excludes unused contingency)	95%	74%	69%	201 days delivered out of the current 292 days planned
2. Planned Projects * – percentage of actual completed projects to draft report stage against planned completed projects by 31 March 2026	90%	63%	53%	16 projects to draft or final report from the 30 planned
3. Client Satisfaction – percentage of client satisfaction questionnaires returned at 'satisfactory' level	90%	100%	100%	Based on the results of the 6 completed questionnaire received (from the 14 issued)
4. Number of High and Critical Priority Audit Recommendations agreed as a percentage	95%	N/A	N/A	No High Priority recommendations have been made during 2025/26

* Based on Audit Plan 'deliverables' at draft and final stage, and items carried forward from 2024/25 that were not at draft report stage by 31 March 2025.

2.9 In addition, the performance targets listed below are annual in nature. Members will be updated on the performance against these targets within a separate Annual Report:

- **5. Annual Plan** – prepared in time to present to the March meeting of each Audit Committee. If there is no March meeting, then the Plan should be prepared for the first meeting of the financial year. This indicator was achieved for 2025/26 as the audit plan for the financial year 2025/26 was presented to the Audit Committee in March 2025.
- **6. Planned Projects** - percentage of actual completed projects to final report stage against planned completed projects.
- **7. Chief Audit Executive's Annual Report** – presented at first 2025/26 meeting of the Audit Committee. This indicator was achieved for 2025/26 as the Client Audit Manager's Annual Report (for 2024/25) was presented to the June 2025 meeting of this committee.

2.10 We currently report no risks to the delivery of a robust annual assurance opinion. However, it should be noted that SBC Plan delivery is currently behind the planned profile. This is a result of the following factors, with the position expected to be recovered during quarter four:

- a) Some audits being pushed back at client request, thereby altering the profile of delivery.
- b) Vacancies at Assistant Manager and Senior Auditor positions.
- c) Delays in our external co-sourced partner being able to commence some of their allocated audits.
- d) Some low-level anecdotal evidence of senior staff at partners experiencing capacity challenges linked to LGR. This is a known risk talking to Heads of Internal Audit who have already been through this process.

In respect of the existing gap between profiled and actual performance, this is largely attributable to delays in completing fieldwork on Cyber Security, Damp & Mould and Social-Media / Communication audits. The audit sponsors for these audits are aware of this position.

Global Internal Audit Standards - Domain III

2.11 A briefing paper on the duties and expectations of the Audit Committee under Domain III of the Global Internal Audit Standards (GIAS) is attached at Appendix E. The Committee was previously advised about the Standards and that changes were proposed and being implemented. Members should therefore note the guidance provided regarding the duties and expectations of the Audit Committee under Domain III of the GIAS.

APPENDIX A - PROGRESS AGAINST THE 2025/26 INTERNAL AUDIT PLAN

2025/26 Internal Audit Plan

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS *				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	LA				
Key Financial Systems – 75 days									
Business Rates (shared with EHC)	Substantial					74	Yes	31	Draft Report Issued
Council Tax (shared with EHC)							Yes		In Fieldwork
Housing Benefits (shared with EHC)		0	0	0	1		Yes		Final Report Issued
Treasury Management							Yes		ToR Issued
Debtors							Yes		In Planning
Creditors							Yes		ToR Issued
Payroll							Yes		In Fieldwork
Insurance		0	0	0	2		Yes		Final Report Issued
Housing Rents							Yes		ToR Issued
Cash & Banking							Yes		ToR Issued
Operational Services – 87 days									
Housing Repairs	Reasonable					15	Yes	14.5	Draft Report Issued
Housing Safety Compliance		0	0	0	0	6	Yes	6	Final Report Issued
Recycling						10	Yes	3	In Fieldwork
Park & Open Spaces						10	Yes	9.5	Draft Report Issued
Follow Up Audit Provision						5	Yes	0	Allocated
Housing Register & Allocations		0	0	1	1	10	Yes	10	Final Report Issued
Building Security		0	0	3	1	11	Yes	11	Final Report Issued
Damp & Mould						10	Yes	3.5	In Fieldwork
Garages		0	0	2	1	10	Yes	10	Final Report Issued
Corporate Services/Themes – 63 days									
Review of Audit Committee	Reasonable	0	0	2	1	6	Yes	6	Final Report Issued
Transformation/Change Management						6	Yes	0	Allocated

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AUDITABLE AREA	LEVEL OF ASSURANCE	RECS *				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	LA				
Risk Management	Substantial	0	0	0	1	6	Yes	6	Final Report Issued
Corporate Governance						6	Yes	1	ToR Issued
SHDF Grant Audit	Unqualified	0	0	0	0	6	Yes	6	Final Report Issued
Equality, Diversity & Inclusion	Substantial	0	0	0	1	7	Yes	7	Final Report Issued
Social Media/Communications						8	Yes	5.5	In Fieldwork
Procurement Act						10	Yes	9.5	Draft Report Issued
Ombudsman Referrals	Substantial	0	0	0	2	8	Yes	8	Final Report Issued
IT Audits – 6 days									
Cyber Security – Reliance on Alternative Assurance						6	Yes	2.5	In Fieldwork
Completion of 2024/25 Projects – 10 days									
ICT Hardware Inventory	Reasonable	0	0	2	0	10	Yes	10	Final Report Issued
Contingency – 8 days									
Contingency						8		0	Through Year
Strategic Support – 51 days									
Head of Internal Audit Annual Report						3	Yes	3	Complete
Audit Committee & Recommendation Follow Up						12	Yes	9	Through Year
Client Engagement & Adhoc Advice						8	Yes	7	Through Year
2026/27 Audit Planning						6	Yes	5	In Fieldwork
SIAS Service Development						10	Yes	8	Through Year
Plan & Progress Monitoring						12	Yes	9	Through Year
SBC TOTAL		0	0	10	11	300		201	

* C = Critical Priority, H = High Priority, M = Medium Priority, LA = Low/Advisory Priority

APPENDIX B: IMPLEMENTATION STATUS OF HIGH AND MEDIUM PRIORITY RECOMMENDATIONS

The following appendix provides Audit Committee Members with a summary of the most recent update provided by management in respect of any outstanding critical, high and medium priority recommendations.

No.	Report Title	Recommendation / Original Management Response	Responsible Officer / Original Due Date	Latest management update (or previous commentary where appropriate)	Status of Progress (Jan 2026)
1.	ICT Hardware Inventory 2024/25.	<p>Medium Priority Recommendation: <u>To address audit findings that relate to governance.</u> We recommend that the Asset Management and Mobile Development Policy, currently being developed, clearly sets out the roles and responsibilities incumbent on officers managing, disposing of and checking IT assets.</p> <p>Agreed Management Action(s): Management is committed to developing a comprehensive Asset Management & Mobile Device Policy by March 2026 to ensure secure, consistent, and appropriate use of mobile devices across the organisation. This will involve a phased approach including initial scoping, staff and union engagement, policy drafting, and formal approval. Key areas such as security, use of personal devices, and staff responsibilities will be addressed, including the disposal and compliance of assets. The policy will be developed collaboratively with trade unions and other stakeholders at both councils, ensuring transparency and alignment with organisational standards and regulatory requirements, supported by clear communication and training during rollout.</p>	<p>Responsible Officer: ICT Service Delivery Manager.</p> <p>Due Date: 31/03/2026.</p>	<u>January 2026.</u> Work in Progress	Not Yet Due.
2.	ICT Hardware Inventory 2024/25.	<p>Medium Priority Recommendation: <u>To address audit findings that relate to record keeping.</u> We recommend that a system of cross-referencing between asset registers and other records, such as inventory lists, purchase orders or delivery notes, is implemented. This should provide the Service with more certainty regarding the location and status of assets.</p> <p>Agreed Management Action(s): A review of current asset management practices will be undertaken, and updated procedures will be rolled out as part of our wider governance and compliance improvements. In particular, bridging the gap between Intune Asset inventory to assets returned for disposal, assets purchased, creating an inventory list within Manage Engine.</p>	<p>Responsible Officer: ICT Service Delivery Manager.</p> <p>Due Date: 31/03/2026.</p>	<u>January 2026.</u> Work in Progress.	Not Yet Due.
3.	Building Security	<p>Medium Priority Recommendation: <u>To address audit findings that relate to security policy.</u></p>	<p>Responsible Officer:</p>	<u>January 2026.</u> Work in Progress.	Not Yet Due.

APPENDIX B: IMPLEMENTATION STATUS OF HIGH AND MEDIUM PRIORITY RECOMMENDATIONS

No.	Report Title	Recommendation / Original Management Response	Responsible Officer / Original Due Date	Latest management update (or previous commentary where appropriate)	Status of Progress (Jan 2026)
		<p>We recommend that the Council implements a formal, Council wide Security Policy with clear processes and defined roles and responsibilities, supported by a governance structure that ensures accountability, oversight, and continuous staff awareness of security issues across all Council owned buildings.</p> <p>Agreed Management Action(s):</p> <p>A draft Security Policy is already in progress. This will be finalised and reviewed with input from key stakeholders, then presented for approval. The policy will set out governance structures, accountability, and staff responsibilities across all Council owned buildings.</p>	<p>Facilities & Compliance Manager.</p> <p>Due Date: 31/03/2026.</p>		
4.	Building Security	<p>Medium Priority Recommendation:</p> <p><u>To address audit findings that relate to buildings inventory.</u></p> <p>We recommend that the Council should establish and maintain a comprehensive and detailed inventory of all Council owned buildings. This inventory should include accurate property records and incorporate references to periodic security needs assessments to ensure alignment with risk management practices.</p> <p>Agreed Management Action(s):</p> <p>A central master record will be created in collaboration with Estates and Facilities. This will consolidate property data into one central system (e.g. Estates spreadsheet), with fields for security requirements and risk assessment references.</p>	<p>Responsible Officer: Facilities & Compliance Manager.</p> <p>Due Date: 31/05/2026.</p>	<p><u>January 2026.</u> Work in Progress</p>	Not Yet Due.
5.	Building Security	<p>Medium Priority Recommendation:</p> <p><u>To address audit findings that relate to security risk assessments.</u></p> <p>The Council should implement a formal process for conducting periodic security risk assessments for all Council owned buildings. The frequency of these assessments should be proportionate to the level of security risk associated with each property (e.g. higher risk sites like Daneshill House should be assessed more frequently than lower risk sites). All assessments should be documented, with clear identification of risks and corresponding action plans.</p> <p>Agreed Management Action(s):</p> <p>A rolling programme of security risk assessments will be introduced. High-risk sites (e.g. Daneshill House, Cavendish Road Depot) will be prioritised for early completion, with remaining</p>	<p>Responsible Officer: Facilities & Compliance Manager.</p> <p>Due Date: 31/08/2026.</p>	<p><u>January 2026.</u> Work in Progress.</p>	Not Yet Due.

APPENDIX B: IMPLEMENTATION STATUS OF HIGH AND MEDIUM PRIORITY RECOMMENDATIONS

No.	Report Title	Recommendation / Original Management Response	Responsible Officer / Original Due Date	Latest management update (or previous commentary where appropriate)	Status of Progress (Jan 2026)
		buildings assessed in line with agreed risk-based frequencies. Results will be logged and monitored against action plans.			
6.	Housing Register & Allocations	<p>Medium Priority Recommendation: <u>To address audit findings relating to information sharing.</u> We recommend that:</p> <ul style="list-style-type: none"> a) The Referral to Letting Process' is updated to ensure that following completed assessments, when an applicant is contacted to explain the reasons why they are not suitable b) Lettings are also directly informed of this. c) Housing IT assess whether Lettings can be granted view only access to the TILS arm of NEC. d) Housing IT further identify if there is an opportunity to add a notification / flag in Lettings work tray for unsuitable Independent Living applications to ensure all applications are followed through no matter the status. <p>Agreed Management Action(s):</p> <ul style="list-style-type: none"> a) Referral to letting process. Since 3 October 2025 we introduced outcome letters for successful and unsuccessful applicants explaining the reason if unsuccessful. This has been added to the process as well as updating the lettings team via email. b) We met with Housing I.T to discuss access and whilst it can be granted we agreed it would be better for the lettings team to see the signed assessment saved in IAW. c) We have agreed the security level for the document and are arranging access and training to implement imminently. Once in place the process 6.2 will be updated again. d) No possible functionality to add a flag to work in tray for the lettings team, however, feel it would be covered by the notification from specialist support to lettings following every assessment. 	<p>Responsible Officer: Specialist Support Services Manager & Lettings Manager, Community Advice & Support.</p> <p>Due Date: Immediate.</p>	<u>January 2026.</u> This is a new recommendation and therefore the latest position.	Implemented.
7.	Review of Audit Committee	<p>Medium Priority Recommendation: <u>To address audit findings relating to statistics on Member training.</u> We recommend that arrangements for the retention of information relating to Member induction training for the Audit Committee are reviewed and emphasised to the responsible officers.</p> <p>Agreed Management Action(s):</p>	<p>Responsible Officer: Assistant Director of Finance & Deputy S151 Officer.</p>	<u>January 2026.</u> This is a new recommendation and therefore the latest position.	Not Yet Due.

APPENDIX B: IMPLEMENTATION STATUS OF HIGH AND MEDIUM PRIORITY RECOMMENDATIONS

No.	Report Title	Recommendation / Original Management Response	Responsible Officer / Original Due Date	Latest management update (or previous commentary where appropriate)	Status of Progress (Jan 2026)
		HR and L&D teams will be contacted to ensure that any induction of Audit Committee members is kept and provided when required. Also, any bespoke trainings for example SIAS/SAFS and Treasury training records will also be kept.	Due date: Prior to the first meeting of new municipal year.		
8.	Review of Audit Committee	<p>Medium Priority Recommendation: <u>To address audit findings relating to completing an annual self-assessment.</u> We recommend that the arrangements regarding the annual self-assessment, particularly the retention and accessibility of its results, are reviewed and strengthened to ensure that any risks identified because of the exercise can be monitored and managed appropriately.</p> <p>Agreed Management Action(s): The Annual Self-Assessment exercise was not completed due to the departure of the previous Assistant Director of Finance & Deputy S151 Officer. The new postholder will ensure this is incorporated into the work programme going forward so that it is completed each year as part of our governance and assurance processes.</p>	Responsible Officer: Assistant Director of Finance & Deputy S151 Officer. Due date: March each year.	<u>January 2026.</u> This is a new recommendation and therefore the latest position.	Not Yet Due.

APPENDIX C: INTERNAL AUDIT PLAN 2025/26 – PLANNED AUDIT START DATES

April	May	June	July	August	September
IT Hardware Inventory (c/f from Q4 2024/25) Final Report Issued	Building Security Final Report Issued	SHDF Grant Audit Final Report Issued	Ombudsman Referrals Final Report Issued	Equality, Diversity & Inclusion Final Report Issued	Housing Safety Checks Final Report Issued
Insurance Final Report Issued	Garages Final Report Issued		Review of Audit Committee (c/f from May) Final Report Issued	Housing Repairs (c/f from June) Draft Report Issued	Cyber Security In Fieldwork
			Parks & Open Spaces Draft Report Issued		Housing Register & Allocations Final Report Issued
					Damp & Mould In Fieldwork
October	November	December	January	February	March
Procurement Act (c/f from June) Draft Report Issued	Business Rates Draft Report Issued	Council Tax In Fieldwork	Debtors In Planning	Creditors ToR Issued	Transformation/Change Management Allocated
Risk Management Final Report Issued	Housing Benefits Final Report Issued	Treasury Management ToR Issued	Payroll In Fieldwork	Housing Rents ToR Issued	
Social-Media / Communication (c/f from August) In Fieldwork	Cash & Banking ToR Issued	Recycling (c/f from September) In Fieldwork	Corporate Governance ToR Issued	Follow Up Audit Allocated	

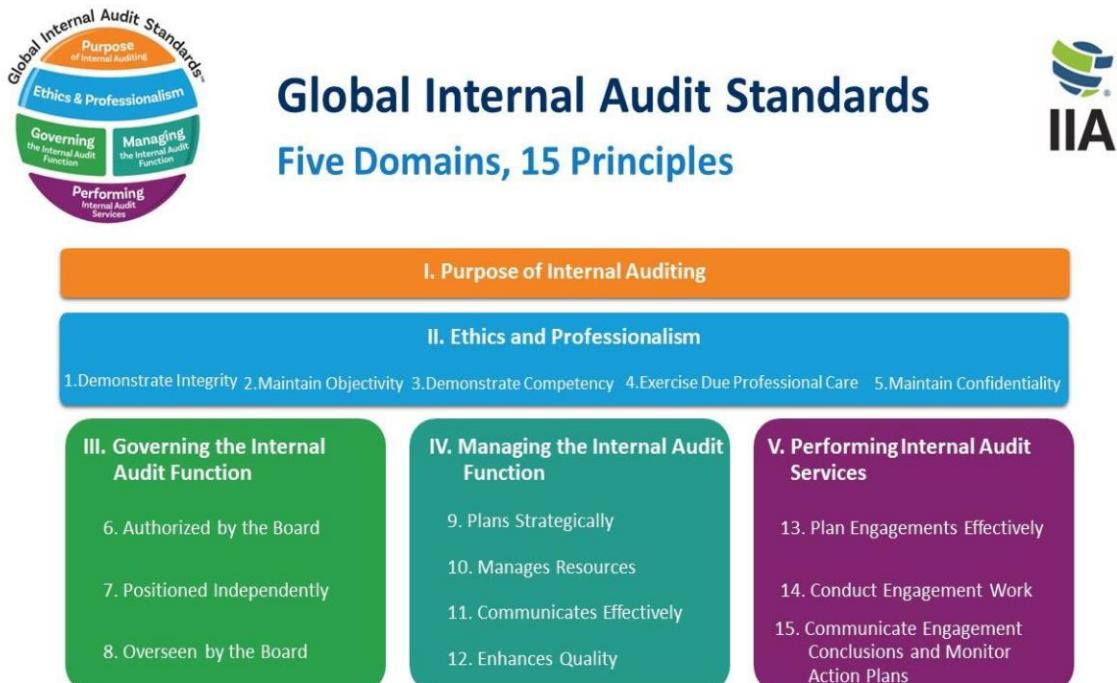
APPENDIX D - ASSURANCE / RECOMMENDATION PRIORITY LEVELS

Audit Opinions									
Assurance Level	Definition								
Assurance Reviews									
Substantial	A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.								
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.								
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.								
No	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.								
Not Assessed	This opinion is used in relation to consultancy or embedded assurance activities, where the nature of the work is to provide support and advice to management and is not of a sufficient depth to provide an opinion on the adequacy of governance or internal control arrangements. Recommendations will however be made where required to support system or process improvements.								
Grant / Funding Certification Reviews									
Unqualified	No material matters have been identified in relation the eligibility, accounting and expenditure associated with the funding received that would cause SIAS to believe that the related funding conditions have not been met.								
Qualified	Except for the matters identified within the audit report, the eligibility, accounting and expenditure associated with the funding received meets the requirements of the funding conditions.								
Disclaimer Opinion	Based on the limitations indicated within the report, SIAS are unable to provide an opinion in relation to the Council's compliance with the eligibility, accounting and expenditure requirements contained within the funding conditions.								
Adverse Opinion	Based on the significance of the matters included within the report, the Council have not complied with the funding conditions associated with the funding received.								
Recommendation Priority Levels									
Priority Level									
Priority Level	Definition								
Corporate	<table border="1"> <tr> <td>Critical</td> <td>Audit findings which, in the present state, represent a serious risk to the organisation, i.e. reputation, financial resources and / or compliance with regulations. Management action to implement the appropriate controls is required immediately.</td> </tr> <tr> <td>High</td> <td>Audit findings indicate a serious weakness or breakdown in control environment, which, if untreated by management intervention, is highly likely to put achievement of core service objectives at risk. Remedial action is required urgently.</td> </tr> <tr> <td>Medium</td> <td>Audit findings which, if not treated by appropriate management action, are likely to put achievement of some of the core service objectives at risk. Remedial action is required in a timely manner.</td> </tr> <tr> <td>Low</td> <td>Audit findings indicate opportunities to implement good or best practice, which, if adopted, will enhance the control environment. The appropriate solution should be implemented as soon as is practically possible.</td> </tr> </table>	Critical	Audit findings which, in the present state, represent a serious risk to the organisation, i.e. reputation, financial resources and / or compliance with regulations. Management action to implement the appropriate controls is required immediately.	High	Audit findings indicate a serious weakness or breakdown in control environment, which, if untreated by management intervention, is highly likely to put achievement of core service objectives at risk. Remedial action is required urgently.	Medium	Audit findings which, if not treated by appropriate management action, are likely to put achievement of some of the core service objectives at risk. Remedial action is required in a timely manner.	Low	Audit findings indicate opportunities to implement good or best practice, which, if adopted, will enhance the control environment. The appropriate solution should be implemented as soon as is practically possible.
Critical	Audit findings which, in the present state, represent a serious risk to the organisation, i.e. reputation, financial resources and / or compliance with regulations. Management action to implement the appropriate controls is required immediately.								
High	Audit findings indicate a serious weakness or breakdown in control environment, which, if untreated by management intervention, is highly likely to put achievement of core service objectives at risk. Remedial action is required urgently.								
Medium	Audit findings which, if not treated by appropriate management action, are likely to put achievement of some of the core service objectives at risk. Remedial action is required in a timely manner.								
Low	Audit findings indicate opportunities to implement good or best practice, which, if adopted, will enhance the control environment. The appropriate solution should be implemented as soon as is practically possible.								

APPENDIX E – BRIEFING PAPER: GLOBAL INTERNAL AUDIT STANDARDS – DOMAIN III

1. The purpose of this briefing paper is to serve as a reminder of the duties and expectations of the Audit Committee under Domain III of the GIAS. The GIAS are arranged into five Domains (sections), as also outlined in the image below:

The Global Internal Audit Standards – Domains and Principles



2. Domain III explicitly sets out essential requirements, principles and standards with which Senior Management and the Board (Audit Committee) must conform with to demonstrate compliance with the standards. These are further supplemented or interpreted by the Application Note for the GIAS in the UK Public Sector and the CIPFA Code of Practice for the Governance of Internal Audit in Local Government.
3. The images below depict the three principles and nine standards of Domain III that specifically relate to arrangements that should be in place to formalise key governance structures, authority, independence and oversight mechanisms.

6. Authorised by the Board

The Board establishes, approves and supports the mandate of internal audit

6.1 Internal Audit Mandate

6.2 Internal Audit Charter

6.3 Board and Senior Management Support

7. Positioned Independently

The Board establishes and protects the internal audit function's independence and qualifications

7.1 Organisational independence

7.2 Chief Audit Executive Qualifications

8. Overseen by the Board

The Board oversees the internal audit function to ensure the functions effectiveness

8.1 Board Interaction

8.2 Resources

8.3 Quality

8.4 External Quality Assessments

APPENDIX E – BRIEFING PAPER: GLOBAL INTERNAL AUDIT STANDARDS – DOMAIN III

4. While the Chief Audit Executive (CAE) has responsibilities to communicate effectively and provide the board (Audit Committee) with information, the Audit Committee also has a role and responsibilities that are key to the internal audit function's ability to fulfil the Purpose of Internal Auditing.

Principle 6: Authorised by the Board (Audit Committee)

(To be effective and to meet the requirements of professional standards, internal audit's authority needs to be established.)

Standard 6.1 Internal Audit Mandate

5. The authority, role, and responsibilities of the internal audit function are defined in the Internal Audit Mandate and the Internal Audit Charter. In local government in England, internal audit's authority has statutory backing through the Accounts and Audit Regulations 2015.

Standard 6.2 Internal Audit Charter

6. The mandate and charter empower the internal audit function to enhance the Council's success by providing senior management and the Audit Committee with objective, risk-based assurance and advice. The internal audit function carries out the mandate by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes throughout the Council.

Standard 6.3 Board (Audit Committee) Support

7. Internal audit's activities require access to and support from senior management, the Audit Committee and those charged with governance. Support allows internal audit to apply their mandate and charter in practice and meet expectations.

What do Standards 6.1 to 6.3 look like in practice for the Audit Committee?

Standards 6.1 and 6.2

The Audit Committee should:

- Approve the Internal Audit Charter and comment / query or challenge as necessary.

Standard 6.3

The Audit Committee:

Should work collaboratively / individually with senior management (as necessary and where not already happening) to support internal audit or obtain assurance that appropriate arrangements are in place as follows:

- Champion the role and work of internal audit to the staff within the authority and to partner organisations with whom internal audit will work.
- Facilitate access to senior management, the Audit Committee and the authority's external auditor.

APPENDIX E – BRIEFING PAPER: GLOBAL INTERNAL AUDIT STANDARDS – DOMAIN III

- Assist, where possible, with access to external providers of assurance such as regulators, inspectors and consultants.
- Engage constructively with internal audit's findings, opinions and advice.
- Build awareness and understanding of the importance of good governance, risk management and internal control as well as internal audit's contributions.
- Ensure there are organisational structures where the CAE reporting line is not lower than a member of the senior management team, has access to all members of the senior management team, and the CAE should be a senior manager, providing them with the necessary profile to fulfil the function's mandate.
- Where internal audit is outsourced / delivered through a partnership arrangement, ensure there is a nominated CAE, and client responsibility lies with a member of senior management.
- The organisational position of the chief audit executive should be supported by direct reporting to the Audit Committee.

Specific actions that the Audit Committee are solely responsible for are to:

- Enquire of senior management and the chief audit executive about any restrictions on the internal audit's scope, access, authority or resources that limit its ability to carry out its responsibilities effectively. (SIAS report on this to the Audit Committee as part of the Annual Assurance Opinion and Internal Audit Annual Report).
- Consider and approve the Audit Plan / Planning Strategy.
- Meet at least annually with the CAE in sessions without senior management present.

Principle 7: Positioned Independently

(On behalf of those charged with governance and the Audit Committee, senior management establishes and protects the internal audit function's independence and qualifications.)

Standard 7.1 Organisational Independence

8. The Audit Committee is responsible for ensuring the independence of the internal audit function. Independence is defined as the freedom from conditions that impair the ability of the internal audit function to carry out internal audit responsibilities in an unbiased manner. Independence is established through accountability to the Audit Committee, access to relevant resources, and freedom from interference.

Standard 7.2 Chief Audit Executive Roles, Responsibilities, and Qualifications

9. CAEs must be suitably qualified, i.e., CMAA, or a CCAB qualification, or an equivalent professional qualification which includes training on the practice of internal audit, and suitable internal audit experience. In local government, matters around the appointment,

APPENDIX E – BRIEFING PAPER: GLOBAL INTERNAL AUDIT STANDARDS – DOMAIN III

removal, remuneration and performance evaluation of an in-house chief audit executive will be undertaken by senior management, but these arrangements must not be used to undermine the independence of internal audit.

What do Standards 7.1 to 7.2 look like in practice for the Audit Committee?

Standards 7.1 and 7.2

The Audit Committee should:

- Provide feedback on the proposed job description (when recruiting) and the performance evaluation of the CAE should include feedback from the Chair of the Audit Committee. In shared or outsourced arrangements, the Audit Committee should provide feedback on the operation of the contract.
- Support internal audit's independence by reviewing the effectiveness of safeguards at least annually, including any issues or concerns about independence raised by the CAE.
- Escalate any concerns about internal audit independence to those charged with governance.
- Support the CAE's right of access to the chair of the Audit Committee at any time.
- Receive and consider the CAE's disclosure or confirmation annually whether there have been any restrictions on independence that limit internal audit's ability to carry out its responsibilities effectively (achieved through the Committee receiving and considering the Annual Assurance Opinion and Internal Audit Annual Report).

The Audit Committee should also understand Senior Managements / SIAS Boards role to:

- Ensure internal audit's access to staff and records.
- Ensure that the CAE reports to the audit committee on the work of internal audit.
- Provide opportunities for the CAE to meet with the audit committee without senior management present (at least annually).
- Work with the CAE to remove or minimise actual or potential impairments to the independence of internal audit, and ensure safeguards are operating effectively.
- Recognise that if the CAE 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. The impact must be discussed with the CAE and the views of the Audit Committee sought.

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Principle 8: Overseen by the Board

(To ensure the effectiveness of internal audit, it should be overseen by the Audit Committee on behalf of those charged with governance.)

Standard 8.1 Board Interaction

10. Audit Committee oversight is essential to ensure the overall effectiveness of the internal audit function. Achieving this principle requires collaborative and interactive communication between the Audit Committee and the CAE.

Standard 8.2 Resources

11. The Audit Committee and senior management must engage with the chief audit executive 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 the function is outsourced or shared, the focus should be on the budgeted contract.

Standard 8.3 Quality and Standard 8.4 External Quality Assessment

12. The Audit Committee receives assurance about the quality of the performance of the CAE and the internal audit function through the quality assessment and improvement program, including the board's direct review of the results of the external quality assessment.

What do Standards 8.1 to 8.4 look like in practice for the Audit Committee?

Standard 8.1

The Audit Committee:

- Should follow the CIPFA Audit Committee guidance for the oversight of internal audit.
- Must agree its work plan with the Chief Audit Executive to ensure there is appropriate coverage of internal audit matters within audit committee agendas.
- Should provide for the internal audit mandate and charter, strategy, plans, engagement reporting and the annual conclusion, and quality reports within its annual workplan. The Committee should also oversee the tracking and implementation of internal audit recommendations.
- Must familiarise itself with the authority's assurance framework and approach to governance, risk management and internal control arrangements to fulfil the wider terms of reference of the committee (see AGS and Code of Corporate Governance). This understanding will facilitate its interactions with internal audit.
- Should have oversight of the annual governance statement before final approval. Audit Committee familiarity with these will support their effective interaction with internal audit.
- Review and support progression of instances where internal audit considers the management of risk or proposed actions in response to audit engagements

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represent an unacceptable level of risk to the authority.

Standard 8.2

The Audit Committee should:

- Confirm that if resource issues result in a limitation of scope on the annual conclusion, this should also be reported and disclosed in the annual governance statement.
- Confirm that where there are concerns about internal audit's ability to fulfil its mandate or deliver an annual conclusion, the concerns are formally recorded and reported to those charged with governance.
- Understand that 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 authority and internal audit's role in supporting those objectives.
- Receive the CAE's disclosure or confirmation at least annually or as necessary whether there has been any human, technological or human resource matters that have adversely affected internal audit's ability to carry out its responsibilities effectively (done with the Annual Assurance Opinion and Internal Audit Annual Report, and Annual Audit Plan).

Standard 8.3

The Audit Committee should:

- Review annually the results of the CAEs assessment of conformance against GIAS in the UK public sector, including any action plan.
- Review the CAE's annual report, including the annual conclusion on governance, risk management and control, and internal audit's performance against its objectives.
- Review in-year updates and make appropriate enquiries if there are concerns about internal audit performance.
- Satisfy itself on the effectiveness of internal audit to meet the requirements of the mandate for internal audit. They should consider conformance with the standards, interactions with the committee, performance and feedback from senior management.
- Report conclusions to those charged with governance, for example as part of the Audit Committee's Annual Report.

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Standard 8.4

The Audit Committee:

- Must receive the complete results of the EQA and consider the chief audit executive's action plan to address any recommendations. Progress should be monitored.

The Audit Committee must also understand senior management's / SIAS Board's role to ensure that:

- Internal audit has an external quality assessment (EQA) at least once every five years of its conformance against GIAS in the UK public sector, including the CIPFA Code.
- Discuss the CAE's plan for the EQA and report the options, suggested timing and their recommendation to the Audit Committee.
- Where the authority is the client of an internal audit provider, (shared, partnership or outsourced functions), then agreement on the approach to the EQA will need to take account of the broader arrangements. This is agreed through the SIAS Board before reporting to the respective Audit Committees.
- Where the authority commissions the EQA, the proposals for the scope, method of assessment and assessor should be brought to the Audit Committee for agreement.

13. Since the implementation of the GIAS, SIAS has ensured that key documents and reports provided to the Audit Committee have been updated to reflect the requirements of the Standards, for example, the Internal Audit Strategy, Internal Audit Charter and Mandate, Audit Plan Reports, Progress Update Reports, Annual Assurance Opinion and Internal Audit Annual Reports.
14. However, it is important for Audit Committee members to remain aware of their responsibilities for reviewing and interpreting this information and seeking wider assurance that the Council maintains an effective, appropriately resourced and independent internal audit function, and that outcomes from the work of internal audit are appropriately acted upon by senior management. The GIAS, Application Note for the GIAS in the UK Public Sector and the CIPFA Code of Practice for the Governance of Internal Audit in Local Government provide a timely reminder of the Audit Committee's responsibilities in this regard, and how they can be exhibited in practice.