

REPORT TITLE: INTERNAL AUDIT CHARTER AND RISK BASED PLAN 2025-26

17 JULY 2025

REPORT OF CABINET MEMBER: Cllr Neil Cutler, Deputy Leader and Cabinet Member for Finance and Transformation

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WARD(S): ALL WARDS

#### PURPOSE

The purpose of this report is to provide the Audit & Governance Committee with the Internal Audit Charter and Risk Based Internal Audit Plan 2025-26 for consideration and approval.

#### RECOMMENDATIONS:

1. The Audit & Governance Committee are invited to consider, provide input to and approve the
  - Internal Audit Charter 2025-26 (Appendix A); and
  - Internal Audit Risk Based Plan 2025-26 (Appendix B).

## IMPLICATIONS:

### 1 COUNCIL PLAN OUTCOME

- 1.1 Internal audit plays a vital role in supporting the Council accomplish plan outcomes by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 1.2 The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.
- 1.3 The Council's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the Council Plan Outcomes.

### 2 FINANCIAL IMPLICATIONS

- 2.1 Internal audit is provided through the Southern Internal Audit Partnership. The plan comprises a total of 295 audit days and the associated cost for 2025-26, excluding any inflationary adjustment for nationally agreed pay awards (if applicable), will be £106,790. The plan will remain fluid throughout the year to meet the changing needs of the Council.

### 3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 The Accounts and Audit Regulations 2015 require local authorities to “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.

### 4 WORKFORCE IMPLICATIONS

- 4.1 There are no additional workforce implications arising from the content of this report.

### 5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 There are no property and asset implications arising from the content of this report.

### 6 CONSULTATION AND COMMUNICATION

- 6.1 The contents of this report were discussed, noted and agreed with the Executive Leadership Board who recommend the report to the Audit & Governance Committee for approval.

## 7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 There are no environmental implications arising from the content of this report.

## 8 PUBLIC SECTOR EQUALITY DUTY

- 8.1 None.

## 9 DATA PROTECTION IMPACT ASSESSMENT

- 9.1 None required.

## 10 RISK MANAGEMENT

<b>Risk</b>	<b>Mitigation</b>	<b>Opportunities</b>
Financial Exposure	Internal Audit supports the Council to ensure proper financial management, effective and transparent governance, risk management and control through its audit activities and assurance service.	Enhancement of the Council's reputation through the strengthening of the effectiveness of risk management, control and governance processes.
Exposure to challenge		
Innovation		
Reputation		
Achievement of outcome		

## 11 SUPPORTING INFORMATION:

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

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

- 11.2 From 1 April 2025, the 'standards or guidance' in relation to internal audit are those laid down in the Global Internal Audit Standards (GIAS), Application Note: Global Internal Audit Standards in the UK Public Sector (Application Note) and the Code of Practice for the Governance of Internal Audit in UK Local Government. The collective requirements shall be referred to as the Global Internal Audit Standards in the UK Public Sector (the Standards).
- 11.3 The Southern Internal Audit Partnership have made all necessary adaptations to its processes, procedures and practices to ensure it is best placed to conform with these requirements with effect from 1 April 2025.

- 11.4 The Standards (6.2) require all internal audit providers to implement and maintain an 'Internal Audit Charter'. The internal audit charter is defined as 'a formal document that includes the internal audit function's mandate, organisational position, reporting relationships, scope of work, types of service, and other specifications'.
- 11.5 Standard 11.3 (Communicating Results) references the possibility that a chief internal audit may be required to make a conclusion at the level of the organisation about the effectiveness of governance, risk management and/or control. Section 10B of the Application Note makes it a mandatory requirement in the UK public sector, for the chief internal auditor to prepare such an overall conclusion at least annually in support of wider governance reporting. This overall conclusion must encompass governance, risk management and control. The requirement for an overall conclusion must also inform planning carried out under GIAS Standard 9.4 (Internal Audit Plan).
- 11.6 In accordance with the Standards (9.4) there is a requirement that internal audit must create a risk-based internal audit plan that supports the achievement of the organisation's objectives. The internal audit plan provides the mechanism through which the Chief Internal Auditor can ensure most appropriate use of internal audit resources to fulfil the audit mandate and delivery of the internal audit strategy.
- 11.7 The aim of internal audit's work programme is to provide independent and objective assurance to management, in relation to the business activities; systems or processes under review that:
- The framework of internal control, risk management and governance is appropriate and operating effectively; and
  - Risks to the achievement of the Council's objectives are identified, assessed and managed to a defined acceptable level.
- 11.8 Global Internal Audit Standards in the UK Public Sector came into effect from 1 April 2025. In accordance with those Standards the Chief Internal Auditor is required to produce an Internal Audit Plan 2025/26 (Standards 9.4) and Internal Audit Charter 2025/26 (Standards 6.2) for agreement by the Executive Leadership Board and approval by the Audit & Governance Committee.

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

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

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

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

## **12 OTHER OPTIONS CONSIDERED AND REJECTED**

- 12.1 None.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

AG127 Internal Audit Plan 2024-25

AG128 Internal Audit Charter 2024-25

AG151 Implementation of the Global Internal Audit Standards

AG159 Approval of the Internal Audit Plan and Internal Audit Charter 2025-26

Other Background Documents:-

None.

APPENDICES:

Internal Audit Charter 2025-26 (Appendix A)

Internal Audit Risk Based Plan 2025-26 (Appendix B).