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| Report to: | Audit Committee | Date: 08 December 2025 |
| Subject: | Internal Audit Development Plan 2025-26 Update | |
| Report of: | Section 151 Officer | |

Summary

1. This report outlines the work undertaken to implement the improvement actions identified from the Public Sector Internal Audit Standards (PSIAS) review which was presented to the Audit Committee on 8 April 2025. The improvements are contained within a development plan which outlines the action and the timescales for implementation.
2. The report and Appendix A enables Members to see the progress with implementation and to raise any questions on outstanding actions.
3. Action 11 within the Development Plan requires the production of Audit Committee Terms of Reference which is attached for Members consideration.

Recommendation(s)

- Members to note this report.
- Members to seek clarification or challenge any parts of the Internal Audit Development Plan 2025/26 (Appendix A).
- Members to approve the Audit Committee Terms of Reference (Appendix B).

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1.0 Background

- 1.1 To provide Audit Committee members with an update on the Internal Audit Development Plan 2025/26 following the PSIAS review. The review was undertaken during October / November 2024, and the final report and development plan was presented to Audit Committee 8 April 2025.

2.0 Update on Internal Audit Development Plan 2025/26

2.1 The development plan for 2025/26 identified 20 development actions for the Internal Audit Service to implement.

2.2 Out of the 20 development actions:

- 13 actions have been fully implemented.
- The timescale for 1 action has not yet been reached (action 9).
- The timescales for 5 actions have been updated due to the long-term absence of the Head of Fraud, Audit, Insurance & Risk (FAIR) (actions 5, 6, 7, 12 and 20).
- The timescale for 1 action is overdue, however the Head of FAIR's position is currently vacant (action 3).

The 5 actions with updated timescales are still planned to be fully implemented before the end of March 2026.

2.3 Part of action 11 relates to a review of the Audit Committee Terms of Reference which is detailed in section 3 below.

3.0 Audit Committee Terms of Reference

3.1 The PSIAS review identified that there was no formal standalone document outlining the Audit Committee's Terms of Reference. However, references to the Audit Committee functions are included within the Councils constitution.

3.2 The Terms of Reference for the Audit Committee that have been created encompasses the reference to the challenge of Internal Audit resources available which was identified within the PSIAS review.

3.3 The Terms of Reference reflects its corporate governance arrangements against the Local Code of Governance and CIPFA principles.

3.4 The Terms of Reference will be presented to the Audit Committee annually for approval following review.

Links with the Corporate Priorities:

- Internal Audit undertakes assurance work to all Departmental Directors and Statutory Officers regarding the systems in place, making recommendations for improvements to control and protect the assets and resources of the Council. The control and mitigation of the loss of funds gives the assurance that public money is used in an appropriate manner to deliver the Corporate Priorities.
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Equality Impact and Considerations:

Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to -

- (a) eliminate discrimination, harassment, victimisation, and any other conduct that is prohibited by or under this Act.
- (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it.
- (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services.

Internal Audit provide assurance to Committee Members and the public that the organisation is delivering services in line with agreed policies and procedures which have considered the requirements of the Equality Act 2010.

Environmental Impact and Considerations:

- N/a – no decision required.

Assessment and Mitigation of Risk:

| Risk / opportunity | Mitigation |
|---|--|
| Risks are highlighted in Audit Plans and in the terms of reference for each Audit review. | Internal Controls are reviewed in each audit to mitigate identified risks. Actions are reported to managers and progress is monitored and reported on a regular basis. |

The work of Internal Audit forms a key element of the council's overall system of internal control. An effective Internal Audit service also helps to promote and implement best practice and process improvements in the management of risks. A key requirement to ensure that the Internal Audit service is operating in line with best practice was a peer review against the PSIAS and gaps identified from the review formulated a development plan with actions to be implemented.

A key requirement for the Audit Committee is to periodically assess the adequacy of the Internal Audit service as required by its Terms of Reference.

Legal Implications:

Section 151 of the Local Government Act 1972 requires every local authority to make arrangements for the proper administration of their financial affairs and to secure that one of their officers has responsibility for the administration of those affairs.

The Accounts and Audit Regulations 2015 also require authorities to ensure that they have a sound system of internal control which:

- a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
- b) ensures that the financial and operational management of the authority is effective; and
- c) includes effective arrangements for the management of risk.

Financial Implications:

- There are no financial implications arising from this report. The work of the Internal Audit Service however supports the governance framework.

Background papers:

- Appendix A – Update – Internal Audit Development Plan 2025-26
- Appendix B – Audit Committee Terms of Reference

Please include a glossary of terms, abbreviations and acronyms used in this report.

| Term | Meaning |
|-------|--|
| PSIAS | Public Sector Internal Audit Standards |
| FAIR | Fraud, Audit, Insurance & Risk |