


Agenda Item No:	<b>9</b>	
Committee:	<b>Audit and Risk Management Committee</b>	
Date:	<b>11 May 2026</b>	
Report Title:	<b>Risk Based Internal Audit Plan 2026/27 &amp; Internal Audit Charter</b>	

## 1 Purpose / Summary

In accordance with the *Global Internal Audit Standards in the UK Public Sector (GIAS (UKPS))*, the Head of Internal Audit has prepared the attached Internal Audit Plan. It considers the areas for audit review and the availability of Internal Audit resources.

The document is presented alongside the Internal Audit Charter, which sets out the purpose, authority and responsibilities of the Internal Audit function.

The proposed plan has been developed to provide sufficient audit coverage during 2026/27 to enable the Head of Internal Audit to provide an annual opinion on the adequacy and effectiveness of the Council's governance, risk management and control framework.

## 2 Key Issues

- The work of the Internal Audit function plays an important role in supporting the organisation's governance, risk management and internal control arrangements. Internal audit reviews provide assurance on the effectiveness of controls and processes and identify opportunities for improvement where appropriate.
- The Internal Audit Plan is an estimate of the work that can be performed over the financial year 2026/27. Potential areas of the Council for audit are prioritised based on a risk assessment, enabling the use of Internal Audit resources to be targeted at areas of emerging corporate importance and risk.
- The last External Quality Assessment was carried out in December 2022 and it is acknowledged that additional work needs to be resourced for transition and conformance to the new Standards.
- Productive audit days for 2026/27 is budgeted to operational audit work and used to calculate the risk-based audit plan. This work contributes to the annual audit opinion on the effectiveness of governance, risk management and internal control, which is reported to the Audit & Risk Management Committee. A budget is allocated for other productive assurance work. This includes proactive anti-fraud and error work such as the National Fraud Initiative, a contingency for responsive work and regular following up of previous audit actions.

- This year's Plan needs to have a resource allocation to support the work of Local Government Reorganisation, although quantifying this is speculative at present.
- The number of days allocated per audit is designed to ensure that Audit assurance work is thorough, and it is appropriate that the minimum number of days per audit start at 12-15 days depending on the complexity of the audit. Follow up reviews of limited assurance-rated audits will be planned at 5 days and further allowance is allowed for follow up work which will be on a selected agreed actions basis (including red/high risk actions).
- The risk-based Plan is based on the team of 2.1 FTEs comprising:
  - 1.0 FTE Head of Internal Audit \*
  - 0.5 FTE Part time/ Term time Auditor
  - 0.6 FTE Part time Auditor

\* The HoIA's time is not usually spent on operational audit engagements work except reviews and supervisory support.

A loss of any resource for any time during the year would significantly reduce the resources and deliverables as the level of capacity to deliver the Plan is critically dependent on the current resource levels. This resourcing level is insufficient to provide continuous internal audit coverage of all key control systems over a 3 to 5-year cycle and focus is therefore required on areas of risk and importance to ensure that audit resources are of value.

- This Plan will continue to be flexible to support ongoing and emerging risks that may arise throughout the year and, following Local Government Reorganisation discussions, Audit is likely to be used to assist with LGR workstream work and assurance testing. An allowance of an initial days is included in the Plan for this but may need to be adjusted as we move through the year and more LGR work develops.
- It is recognised that the scope, complexity and duration of individual audits vary, and therefore the final number may be adjusted to ensure that the plan remains deliverable within available resources and maintains the required level of audit quality.
- The draft Audit Plan for 2026/27 is attached at Appendix A and details the key fundamental audits and risk-based operational audit engagements.
- The Council's key financial systems or 'fundamentals', due to their significance and materiality, are subject to audit reviews over the next 5 years. Appendix B shows that the auditing arrangements with ARP, Enforcement, Council Tax, Business Rates and Housing Benefits are reviewed annually. The remaining Finance systems will be audited over a three-year cycle. Additionally, Payroll is added as a fundamental annual audit area.
- The Assurance rating classification is included at Appendix C.
- Once our LGR partners are known, work will commence to consider our plans together so that areas for review are better aligned and assist with smoother transition in 2028 without duplication or gaps in areas.
- The revised Audit Charter is attached at Appendix D.

### 3 Recommendations

The Committee is asked to acknowledge the Internal Audit resources and to consider and approve the attached draft Internal Audit Plan for 2026/27 and the revised Internal Audit Charter.

APPENDIX A – Internal Audit Plan

APPENDIX B – Assurance Ratings

APPENDIX C – Fundamentals Plan

APPENDIX D – Internal Audit Charter

<b>Wards Affected</b>	All
<b>Forward Plan Reference</b>	N/A
<b>Portfolio Holder(s)</b>	Cllr Chris Boden Leader and Finance Portfolio holder
<b>Report Originator(s)</b>	Deborah Moss – Head of Internal Audit
<b>Contact Officer(s)</b>	Peter Catchpole – Corporate Director & Chief Finance Officer Deborah Moss – Head of Internal Audit
<b>Background Paper(s)</b>	Accounts and Audit Regulations 2015 Global Internal Audit Standards (& UK Public Sector) Fenland District Council Business Plan FDC's Risk Register FDC's Internal Audit Charter



**Internal Audit Plan  
2026/27**

## **4 Introduction**

- 4.1 This document sets out the annual Internal Audit risk-based plan (“the Plan”). It is intended to demonstrate how Internal Audit will support the overall aims and objectives of the Council by:
- providing the Chief Executive, Section 151 Officer and Audit and Risk Management Committee with an overall opinion each year on the Council’s control environment to support the Annual Governance Statement (AGS) requirements.
  - preparing Audit plans that give suitable priority to the Council’s priorities and key risks and concentrate resources on areas that have been identified as being the most vulnerable.
  - providing suggested actions to line management at the conclusion of each piece of audit work that will assist in continuous service improvement and reduce the risks identified.
  - identifying the Internal Audit resources required to deliver an Audit service that meets required professional standards; and
  - complying with professional standards.
- 4.2 The Plan is risk-based and covers the Council’s existing operations, while adding value by responding to emerging risks and promoting good governance.
- 4.3 The strategic aims for Internal Audit in 2026/27 are to:
- prepare, maintain and deliver the risk-based Internal Audit Plan.
  - proactively promote understanding of risk and control.
  - recommend and agree actions that help systems meet at least ‘reasonable’ levels of control.
  - monitor and report on the implementation of those actions to senior management and audit committee.
  - facilitate provision of assurance for the Annual Governance Statement.
- 4.4 The Plan is supported by the team’s Service Plan, which is aligned to the Council’s Corporate Priorities, and is agreed with the team and Corporate Director/S.151 Officer.

## **5 Role of Internal Audit**

- 5.1 All local authorities must make proper provision for Internal Audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2015. The latter states that authorities 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.
- 5.2 Fenland District Council has given responsibility for ensuring that statutory internal audit arrangements are in place to the Corporate Director & Chief Finance Officer. These arrangements form a key element of the District Council’s framework for corporate governance.
- 5.3 The Head of Internal Audit will oversee Internal Audit provision to the District Council on behalf of the Corporate Director & Chief Finance Officer.
- 5.4 The objectives, scope and mandate of Internal Audit are detailed in the Internal Audit Charter, which has been reviewed and updated.

## 6 Risk Assessment

6.1 The Council's Internal Audit Plan is based on a risk assessment of the Council's major systems and other auditable areas. This allows us to prioritise those areas and systems to be included within the plan. Key risk assessment factors include:

Factor	Description
Materiality – Value	The value of annual income/expenditure associated with the system/activities.
Materiality – Volume	An estimate of the number of transactions processed by the systems/activities.
Significance/Profile	The significance of the system to the objectives and activities of the Council.
Risk Management	Prevalence of risks in the area as per the risk register (corporate and service), including inherent risk score and analysis of mitigating controls in place.
Complexity	Complexity of the systems/activities in terms of their operation and auditability.
Change	Recent changes to the system or the likelihood of change to the systems in the audit period planned including reference to Transformation.
Regulatory/ Contractual	Extent to which the system / activity is subject to regulation or contractual obligation
External Monitoring	The extent to which a service / activity is monitored or audited by an external body
Prior Audits	Overall rating of last audit and result of follow up.
Susceptibility to fraud and corruption	Opportunity within the system / activity for fraud and corruption to occur.
Staff Turnover	The turnover of staff, especially with key skills.
Known concerns or red flags	Internal Audit awareness of issues that might impact the operations of an area.

6.2 The risk assessment and update of the annual Plan is informed by consultation with key stakeholders, including the Corporate Management Team (including the three statutory officers), Heads of Service/Management Team, external auditors and the Audit & Risk Management Committee. Consultation helps ensure that stakeholder's views and risks are reasonably identified and reflected within the Plan. Other external providers of assurance will be referred to help formulate the annual audit opinion. This helps ensure that resources are used to the best effect, and duplication avoided.

The Standards require that the Plan must be based on an annual assessment of the organisation's strategies, objectives and risks. This assessment must be informed by input from the board and senior management as well as the chief audit executive's understanding of the organisation's governance, risk and control processes. The Plan is therefore informed by key corporate documents such the Business Plan, the Corporate Risk Register and Service Risk Registers.

## 7 Key Themes

The key themes, which have driven our assessment of risk and strategic aims are:

Area	Comment
Financial excellence	There is a continued need to ensure value for money is achieved, including financial resilience and the ability to prioritise resources within increasing financial constraints and a changing control environment.
Corporate Governance arrangements	The Head of Internal Audit will independently review and give an opinion on the Council's arrangements for both corporate governance and risk management, to support the production of an annual governance statement to accompany the statement of accounts. The team will maintain an awareness of emerging risks to help provide advice on effective internal controls.
Assurance mapping	Where other well-developed assurance processes exist (eg documented Control Risk Self-Assessment reviews, quality management audits, the work of other review or inspection teams) the internal audit team will use these assurance contributions to the overall audit opinion on internal control.
Improving information governance	As part of the planned audit engagements the team will help to promote good information and data management practice throughout the organisation.
Risk management	Internal Audit will continue to assist teams identify business risks as part of audits. This will engage our customers in the management and maintenance of their risks and controls at an operational level and help identify and escalate concerns to the corporate risk register.
Minimising fraud and error	<p>The Internal Audit team will ensure that the Anti-Fraud &amp; Corruption Policy &amp; Internal Audit Strategy reflects best practice and will identify and appraise fraud risks during audits.</p> <p>Internal controls will continue to be tested for effectiveness and the team will participate in data matching exercises, as provided by the National Fraud Initiative, to proactively identify fraud and error.</p>
Corporate priorities	The Business Plan and the Council priorities inform the Internal Audit Strategy. The Plan is based on the risk profile of activities supporting the Corporate Plan and will continuously be revised to reflect any emerging changes to corporate risk.

## 8 Audit Needs and Resources

- 8.1 The risk assessment process identifies auditable systems and helps to prioritise the Audit Plan in consultation with key stakeholders.
- 8.2 Systems given a below reasonable assurance during the previous financial year will be considered for a follow-up review to assess the effective implementation of agreed audit actions by management. Due to limited audit resources, follow-up work is likely to focus on red priority actions and actions deemed necessary for review eg those from an audit area given a limited assurance opinion.
- 8.3 Where common areas of risk are identified across several teams or Services, then the use of corporate themed reviews is considered to ensure an approach which is both consistent and makes effective use of resources.

- 8.4 Both the resources and capacity of the Internal Audit Team is considered annually whilst setting the annual plan. The Internal Audit Team currently has 1.1 full time equivalent auditors and a 1.0 FTE Head of Internal Audit.
- 8.5 Unproductive days, such as training and annual leave, are deducted from the total resource to calculate the total number of planned productive days.
- 8.6 This Internal Audit Plan is produced and provides details for a 12-month period. The Head of Internal Audit will review and adjust the Plan, as necessary, in response to changes in the organisation's business, risks, operations, systems, and controls, as well as the impact of LGR work as it develops.
- 8.7 As mentioned, the amount of resource needed to support LGR is currently unknown and the Plan will need to be flexed to accommodate as necessary, provided that priority is still given to completing sufficient audit engagements needed to give an annual audit opinion.

## **9 Audit Delivery**

- 9.1 The approach of Internal Audit is to use risk-based reviews, supplemented in some areas using system-based audits and themed reviews. All audits have regard to management's arrangements for:
- securing the proper, economic, efficient and effective use of resources.
  - achieving key performance indicators, where appropriate.
  - preventing fraud and irregularity.
- 9.2 The internal control system contains key systems known as 'Fundamental' audits. A compliance approach is applied, as there is pre-existing confidence that controls are well designed, but the effective operation of the controls is a material concern. Testing for the effective operation of these controls is completed over a planned three-year cycle, although can be audited more frequently if assurance is required. The ARP auditing arrangements have allowed us to gain assurances on an annual basis for Council Tax, Business rates and Housing Benefits.
- 9.3 The remainder of the systems are prioritised by their risk-based assessment. The approach to each audit is agreed, with the auditee, during the planning stage of the audit.
- 9.4 In addition to these planned audits the team will complete other assurance work which adds value to the organisation. Examples include proactive anti-fraud and error work such as fraud risk education and data matching, project-based assurance, contingency for responsive work, and following up previous audit recommendations/actions.
- 9.5 The GIAS (UKPS) states that the Head of Internal Audit should consider accepting consulting engagements based on the potential to improve management of risks, add value and improve the organisation's operations. The team may participate in corporate projects that add value by improving governance and controls throughout the Council. The Head of Internal Audit is part of the Corporate Risk Group that reviews the key risks facing the Council and also the Corporate Governance Group created to discuss governance issues.
- 9.6 Requests for unplanned work will be considered against capacity to ensure Internal Audit's independence, and the resource required to provide the Annual Audit Opinion, is not compromised. Any significant additional consulting activities, which impact delivery of the Plan, will be communicated to the Committee.
- 9.7 The output of audits completed during the year will inform the Annual Audit Opinion, which will conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. This will be reported through the Annual Internal Audit Report which is a key source of assurance for the Annual

## **10 Quality and Performance**

- 10.1 Internal Audit maintains a manual, which sets out the standards to which all audit assignments are completed. It is planned to be reviewed and updated to reflect the best practice and professional standards.
- 10.2 The performance of Internal Audit is measured against targets and objectives set out in the Team Service Plan.
- 10.3 At a detailed level each audit engagement is reviewed at key stages and monitored by the HoIA. Customer feedback is planned to be sought for forthcoming audits.
- 10.4 Ongoing performance appraisal and supervision for Internal Audit staff is carried out during the year to support them in achieving targets and to develop audit skills.
- 10.5 The Corporate Director & Chief Finance Officer shall in accordance with the Accounts and Audit regulations 2015 arrange for an assessment of quality independently of the Internal Audit service. Additionally, an external review of the Internal Audit Service is completed by external assessors every 5 years. This was last assessed in December 2022, where the highest rating of 'Generally Conforms' was received in all areas.
- 10.6 Internal Audit will continue to liaise closely with other internal audit services through the Cambridgeshire Audit Group, the Institute of Internal Auditors, the Chartered Institute of Public Finance Accountants, and the ARP shared audit partnership to share knowledge of best practice.

## Internal Audit Plan 2026/27 - Audit Engagements

Audit Title	Assessment Risk Rating	Last Audit & Opinion	Corporate Risk	Rationale for Audit / Scope
Closure of in-progress audits 2025/26				
<b>Key Financial Systems /Fundamentals</b>				
ARP Enforcement	Medium	2025/26 Substantial	Key Financial	As a fundamental audit, this area is reviewed annually.
Council Tax (Fundamental) *	Medium	2025/26 Reasonable	Key Financial	As a fundamental audit, this area is reviewed annually.
Housing Benefits (Fundamental)*	Medium	2025/26 Reasonable	Key Financial	As a fundamental audit, this area is reviewed annually.
NNDR (Fundamental)*	Medium	2025/26 Reasonable	Key Financial	As a fundamental audit, this area is reviewed annually.
Debtors <u>Or</u>	Medium	2023/24 Limited	Key Financial	Key controls, reviewed cyclically. Negative assurance opinion at last audit.
<u>Or</u> Payroll	Medium	2025/26	Key Financial	Key controls within Payroll system, or a cyclical area to be reviewed.
<b>Risk-based audits</b>				
Disabled Facilities Grant Return for 25.26	Medium	2024/25 Reasonable	Financial, Reputational.	An annual return to County is a regulatory requirement. To provide confirmation that the DFGs have been awarded in accordance with grant conditions.
Overtime (b/f from 25.26)	High	No previous audit record	RR22 Resourcing (Service provision affected by organisational change / insufficient staff)	This will support the council's priority to minimise overtime and provide assurance that it is claimed in line with Policy. To include follow up of

			RR26 Financial Management. Failure to achieve savings targets.	changes introduced by Transformation.
Physical Site Security (The Base)	Medium	One-off	Financial Loss Reputation Interruption to operations	To provide assurance around physical site security around our operations Base.
S.106 Agreements	Medium	2017.18 Limited Follow-up Adequate	RR26 Financial Management. Financial, Reputational.	To provide assurance that S.106 monies are being managed appropriately and spent in accordance with agreement. Preparedness for LGR.
Supplier Amendments Follow-up	Medium/High		RR11 Fraud	Fraud is on the increase nationally and causes huge financial loss. To provide assurance as to the successful implementation of agreed actions from a previously negative assurance review.
Contract Audit: Either Grounds Maintenance Or Freedom contract - agency model	Medium	2022/23 Substantial  2024/25 Limited	RR 3 Procurement & Contract Mgt: Failure of contractors/suppliers working on the Council's behalf.	Requested for review due to extra costs implications.  CMT request: With the move to an agency model, there may be assurance required around the arrangements.
IT - Cyber Security	High	2025/26 Reasonable/ Limited	RR6 Cyber Resilience (Loss of ICT provision):  Breach of ICT security, ICT failure, or cyber-attack, causing loss of service.	At the request of Committee, this audit will be repeated this year. It will consider the IIA Topical Requirement objectives.  This may be limited to a follow up, depending on resources and other external assurance).

Port Management	High		<p>Risk: Failure to comply with the Council's policies and procedures.</p> <p>RR22 Resourcing</p> <p>Service risks, including resourcing.</p>	<p>An operational area within the Port service to be selected.</p> <p>To provide assurance that either policies and procedures are being complied with (including procurement) or to review a particular service risk identified.</p>
LATCo	Medium	NEW	<p>RR20 Commercial &amp; Investment Strategy (Failure of the Council's commercialisation and investment strategy)</p> <p>Risk: Commercial uncertainties associated with decisions taken.</p>	<p>To provide assurance that Fenland Futures Ltd has the appropriate internal control and governance in place to ensure objectives are met.</p>
Temporary Accommodation (b/f from 25.26)	Medium/High		<p>RR25 Financial Impact due to External Factors (– additional pressures on the Council's overall finances.)</p>	<p>At the request of CMT.</p> <p>Limited scope/focus: to provide assurance on whether the throughput from temporary accommodation is sufficiently smooth and efficient. This area is statutory and amounts to significant costs.</p>
Procurement – Use of Purchase Orders	Medium	NEW	<p>Risk: Failure to comply with the Council's policies and procedures.</p> <p>RR26 Financial Management. Failure to achieve savings targets.</p>	<p>To work with Finance to provide assurance as to whether the 'No Purchase Order, No Pay' condition is being complied with and is working as expected.</p>
Property & Assets - land ownership and legal documentation			RR1 LGR	Preparedness for Local Government Reorganisation:

				To provide assurance as to comprehensiveness of our records of land ownership, and evidence of legal documentation for ownership and leasing.
Fuel Cards & Fuel Usage	Medium	NEW	Risk: Failure to comply with the Council's policies and procedures. RR11 Fraud RR26 Financial Management Financial Inefficiencies.	To provide assurance on the management of fuel usage by fleet vehicles and the use of fuel cards.
'Fenland Inspire Projects' Governance <i>(ongoing by involvement not an audit?)</i>	High			To review the internal controls and governance surrounding the 15 Inspire projects which carry a £40m+ budget.
General Follow Up of agreed actions				
<b>Reserves</b>				
Local Government Reorganisation controls	Medium High	NEW	RR15 Project Management Over-run of major Council projects in time or cost.	Once legislation is in place regarding LGR controls, a review might need to be undertaken to look at the governance arrangements in place. This may be carried out in either 2026.27 or 2027.28 depending on resource and LGR position.
Facilities Management	Medium			Proposed by HoS: scope to be confirmed based on risks at the time.
<b>Total Risk Based Audits</b>				
<b>Non-Assurance Work</b>				
Fraud Work – Investigations and NFI				
Contingency				

Economic Crime & Corporate Transparency ('Failure to Prevent Fraud Offence') advice				
Ad hoc advice				
Corporate Gov Group and Risk Mgt Group				
Monitoring of agreed audit actions				
Reporting to ARMC				
<b>Subtotal Other Work</b>				
<b>Grand Total</b>				

\* These audits are conducted by our ARP partner authorities and will be reviewed by the Head of Internal Audit of FDC before final reports are issued.

## Appendix B: Audit Plan for ‘Fundamentals’ (Key Financial Systems)

This is the proposed plan for internal audit reviews of controls considered fundamental to the Council:

System Name 2015/16 2016/17 2017/18 2018/19 Current overall assurance	2023/24	2024/25	2025/26	2026/27	2027/28	Current Overall assurance rating
Housing Benefits *	✓	✓	✓	✓	✓	Reasonable (2025/26)
Council Tax *	✓	✓	✓	✓	✓	Reasonable (2025/26)
Business Rates *	✓	✓	✓	✓	✓	Reasonable (2025/26)
Enforcement	✓	✓	✓	✓	✓	Reasonable (2025/26)
Capital Finance Planning & Asset Register	✓					Substantial (2023/24)
Debtors & Collection Agency	✓			✓		Limited (Follow Up in 2024/25)
Creditors		✓				Reasonable (2024/25)
Corporate Finance - Budgetary Control			✓			Substantial (2022/23)
Cash & Treasury Management	✓					Substantial
Corporate Finance - Management Accounting System			✓			Reasonable (2025/26)
Bank Reconciliation						Assurance is now taken from the work of external audit covering bank reconciliation.
Payroll				✓		Reasonable (2025/26)

\* ARP Auditing arrangements in place allow for an audit to be undertaken every year on these services by our ARP Partner authorities.

## Appendix C: Assurance Ratings

An assurance rating is applied, when a system or process is reviewed, which reflects the effectiveness of the control environment.

Assurance Opinion	Definition
<b>Substantial Assurance</b>	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
<b>Reasonable Assurance</b>	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
<b>Limited Assurance</b>	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.
<b>No Assurance</b>	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.

In applying the most appropriate level of opinion, the internal auditor will use their professional judgement, based on the results of the audit, consideration of risk and consequences of areas of weakness for the organisation.

## APPENDIX D



# Internal Audit Charter

v. April 2026

Responsible Officer	Head of Internal Audit
Approved by	Audit & Risk Management Committee On 11 <sup>th</sup> May 2026
This Version	April 2026 v.1
Frequency of review	Annually
Next review	April 2027

## **Introduction**

Internal Audit in the UK Public Sector is 'governed' by the Global Internal Audit Standards and Application Note for the UK Public Sector.

These professional standards require that all aspects of Internal Audit operations are acknowledged within an Audit Charter that defines the purpose, authority and responsibilities of the service provision. The Charter therefore establishes the position of the service within the Council; its authority to access records, personnel and physical properties relevant to the performance of engagements; in addition to defining the scope of Internal Audit activities. There is also an obligation under the standards for the Charter to be periodically reviewed and presented to the relevant audit committee. This Charter will therefore be revisited annually to confirm its ongoing validity and completeness and circulated in accordance with the requirements specified above.

## **Purpose**

The purpose of the internal audit function is to strengthen Fenland District Council's (FDC) ability to create, protect, and sustain value by providing the audit committee and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

The role of the Internal Audit Service includes:

- Supporting the delivery of the Council's strategic objectives by providing risk-based and objective assurance on the adequacy and effectiveness of governance, risk management and internal controls
- Championing good practice in governance through assurance, advice and contributing to the Council's annual governance review
- Advising on governance, risk management and internal control arrangements for major projects, programmes and system changes.

Fenland District Council's Internal Audit Service is provided by an in-house team which is part of the Corporate Services Directorate.

The internal audit function enhances FDC's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.

- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

The internal audit function is most effective when:

- Internal auditing is performed by competent professionals in conformance with The IIA's Global Internal Audit Standards and, where applicable, the Internal Audit Code of Practice effective January 2025, which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the Corporate Management Team and audit committee.
- Internal auditors are free from undue influence and committed to making objective assessments.

### ***Commitment to Adhering to the Global Internal Audit Standards***

FDC's Internal Audit Service will adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements. This will take into account:

a) the CIPFA Application Note, which provides a framework for the practice of internal audit in the UK public sector when taken together with the Global Internal Audit Standards; and

b) the CIPFA Code of Practice for the Governance of Internal Audit in UK Local Government, which complements the Global Internal Audit Standards from the perspective of the Head of Internal Audit.

Overall, this means that the Internal Audit Service will adhere to the "Global Internal Audit Standards in the UK Public Sector".

The chief audit executive, who is the Head of Internal Audit, will report periodically to the Audit & Risk Management Committee and senior management regarding the internal audit function's conformance with the Standards, which will be assessed through a quality assurance and improvement programme.

## **Internal Audit Mandate**

### ***Authority***

The Accounts and Audit Regulations 2015 require that: *“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.”*

Additional requirements may be placed upon the Chief Audit Executive by CIPFA as the relevant standard setter including the GIASUKPS and the Code of Practice for the Governance of Internal Audit in UK Local Government (the Code).

The audit committee grants the internal audit function the mandate to provide the audit committee, board and senior management with objective assurance, advice, insight, and foresight.

The internal audit function’s authority is created by its direct reporting relationship to the audit committee. Such authority allows for unrestricted access to the board.

The audit committee authorises the internal audit function to:

- Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out internal audit responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function’s objectives.
- Obtain assistance from the necessary personnel of the Council and other specialised services from within or outside the Council to complete internal audit services.

### **Organisation and relationships Common terms and relationships**

The terms ‘Chief Audit Executive,’ ‘Board’ and ‘Senior Management’ are used to describe key elements of the organisation’s governance, and the ways in which they interact with Internal Audit.

The table below provides common terms and interpretations of the current relationships between Internal Audit and other key bodies at the Council and provides the relevant post/body at Fenland District Council.

Term	Description
Chief Audit Executive ( <i>Head of Internal Audit</i> )	The Chief Audit Executive (CAE) is the Head of Internal Audit for Fenland District Council. The CAE is an FDC employee and reports administratively to the Corporate Director. The CAE also has regular access to statutory officers such as the Chief Executive, S151 Officer and Monitoring Officer.
Board / Audit Committee ( <i>Audit &amp; Risk Management Committee</i> )	The 'Board' is a term used for those that oversees the work of Internal Audit. It is the audit committee of the Council, known as the Audit and Risk Management Committee, which has been established as part of its corporate governance arrangements. The Committee responsibilities will be set out in their terms of reference and will recognise CIPFA guidance. Internal Audit will work closely with the committee to facilitate and support its activities. To safeguard internal audit's independence the CAE must have the right of access to the Chair of the committee at any time and can meet the committee without senior management present at least once per year. The CAE will report in their own right to the committee on the work of internal audit.
Senior management ( <i>Corporate Management Team</i> )	In the context of ensuring effective liaison between Internal Audit and senior officers, Internal Audit has regular access to the Leadership Team at the Council and regularly attends the Management Team of the Council.
External Audit	Internal Audit aims to minimise any potential duplication of work and determine the assurance that can be placed on respective work. Our audit plans and reports are shared with the appointed external auditor, Ernst Young.
Other Internal Audit Service Providers	Internal Audit will also engage with the Internal Audit service providers of other Councils where shared service arrangements are in place. In such cases, a dialogue will be initiated with each Council's designated Chief Audit Executive to agree on a coordinated approach.
Other External Review and Inspection Bodies	Internal Audit will co-operate with all external review and inspection bodies that are authorised to assess and evaluate the activities of the Council, to determine compliance with regulations, standards or targets. Internal Audit will, wherever possible, utilise third party assurances arising from this work. If we cannot effectively coordinate, we will explain the barriers to the board.

### ***Independence, Organisational Position, and Reporting Relationships***

The chief audit executive will be positioned at a level in the organisation that enables internal audit services and responsibilities to be performed without interference from management, thereby establishing the independence of the internal audit function. (See “Mandate” section above.)

Internal Audit will have unrestricted access to all areas of the organisation and information. The chief audit executive will report functionally to the Audit & Risk Management Committee and administratively (for example, day-to-day operations) to the Corporate Director and S.151 Officer. This positioning provides the organisational authority and status to bring matters directly to senior management and escalate matters to the audit committee, when necessary, without interference and supports the internal auditors’ ability to maintain objectivity.

The chief audit executive will confirm to the audit committee, at least annually, the organisational independence of the internal audit function. If the governance structure does not support organisational independence, the chief audit executive will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence.

The chief audit executive will disclose to the audit committee any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function’s effectiveness and ability to fulfill its mandate.

### ***Changes to the Mandate and Charter***

Circumstances may justify a follow-up discussion between the chief audit executive, audit committee, and senior management on the internal audit mandate or other aspects of the internal audit charter. Such circumstances may include but are not limited to:

- A significant change in the Global Internal Audit Standards.
- A significant reorganisation within the organisation.
- Significant changes in the chief audit executive, audit committee, and/or senior management.
- Significant changes to the organisation’s strategies, objectives, risk profile, or the environment in which the organisation operates.
- New laws or regulations that may affect the nature and/or scope of internal audit services.
- Significant changes to regulatory or best practice expectations specifically for internal audit.

## **Audit Committee Oversight**

To establish, maintain, and ensure that the Council's internal audit function has sufficient authority to fulfill its duties, the audit committee will have responsibilities. These are set out in the Committee's Terms of Reference, which are part of the Council's Constitution and align with best practice established by CIPFA.

## **Chief Audit Executive Roles and Responsibilities**

### ***Ethics and Professionalism***

The chief audit executive will ensure that internal auditors:

- Conform with the Global Internal Audit Standards & Application Note for UK Public Sector, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the organisation and be able to recognise conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the organisation.
- Report organisational behavior that is inconsistent with the organisation's ethical expectations, as described in applicable policies and procedures.

### ***Independence and Objectivity***

The chief audit executive will ensure that the internal audit function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the chief audit executive determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

Internal auditors will have no direct operational responsibility or authority over any of the activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.

- Performing operational duties for the Council or its affiliates.
- Initiating or approving transactions external to the internal audit function.
- Directing the activities of any Council employee that is not employed by the internal audit function, except to the extent that such employees have been appropriately assigned to internal audit teams or to assist internal auditors.

Internal auditors will:

- Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties and at least annually, such as the chief audit executive, audit committee, management, or others.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

### ***Managing the Internal Audit Function***

The CAE will be professionally qualified (CCAB, CMIIA or equivalent) and be suitably experienced in internal audit.

The chief audit executive has the responsibility to:

- At least annually, develop a risk-based internal audit plan that considers the input of the audit committee and senior management. Discuss the plan with the audit committee and senior management and submit the plan to the audit committee for review and approval.
- Communicate the impact of resource limitations on the internal audit plan to the audit committee and senior management.
- Review and adjust the internal audit plan, as necessary, in response to changes in the Council's business, risks, operations, programs, systems, and controls.
- Communicate with the audit committee and senior management if there are significant interim changes to the internal audit plan.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards.
- Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services to the audit committee and senior management periodically and for each engagement as appropriate.

- Ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards and fulfill the internal audit mandate.
- Identify and consider trends and emerging issues that could impact the Council and communicate to the audit committee and senior management as appropriate.
- Consider emerging trends and successful practices in internal auditing.
- Establish and ensure adherence to methodologies designed to guide the internal audit function.
- Ensure adherence to the Council's relevant policies and procedures unless such policies and procedures conflict with the internal audit charter or the Global Internal Audit Standards. Any such conflicts will be resolved or documented and communicated to the audit committee and senior management.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the chief audit executive cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and if necessary escalated to the audit committee (Note Principle 12 of the Code of Practice).

### ***Communication with the Audit & Risk Management Committee and Senior Management***

The chief audit executive will report annually to the audit & risk management committee and senior management regarding:

- The internal audit function's mandate.
- The internal audit plan and performance relative to its plan.
- Significant revisions to the internal audit plan and budget.
- Potential impairments to independence, including relevant disclosures as applicable.
- Results from the quality assurance and improvement program, which include the internal audit function's conformance with The IIA's Global Internal Audit Standards and action plans to address the internal audit function's deficiencies and opportunities for improvement.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the audit committee.
- Results of assurance and advisory services.
- Resource requirements.

- Management's responses to risk that the internal audit function determines may be unacceptable or acceptance of a risk that is beyond the Council's risk appetite.
- An annual assurance opinion for use by the Audit Committee in their annual assurance and governance statement to the Board.

### ***Quality Assurance and Improvement Program***

The chief audit executive will develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program will include external and internal assessments of the internal audit function's conformance with the Global Internal Audit Standards and Code of Practice, as well as performance measurement to assess the internal audit function's progress toward the achievement of its objectives and promotion of continuous improvement. The program also will assess, if applicable, compliance with laws and/or regulations relevant to internal auditing. Also, if applicable, the assessment will include plans to address the internal audit function's deficiencies and opportunities for improvement.

Annually, the chief audit executive will communicate with the audit committee and senior management about the internal audit function's quality assurance and improvement program, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments. External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team.

### **Scope and Types of Internal Audit Services**

The scope of internal audit services covers the entire breadth of the organisation, including all the Council's activities, assets, and personnel. The scope of internal audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the audit committee and management on the adequacy and effectiveness of governance, risk management, and control processes for the Council.

The nature and scope of advisory services may be agreed with the party requesting the service, provided the internal audit function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

Internal audit engagements may include evaluating whether:

- Risks relating to the achievement of the Council's strategic objectives are appropriately identified and managed.
- The actions of the Council's officers, directors, management, employees, and contractors or other relevant parties comply with the Council's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations and programs are consistent with established goals and objectives.
- Operations and programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the Council.
- The integrity of information and the means used to identify, measure, analyse, classify, and report such information is reliable.
- Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

**Approved by the Audit & Risk Management Committee at its meeting on 11<sup>th</sup> May 2026.**

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Deborah Moss

Chief Audit Executive

Date 11 May 2026

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Cllr Kim French

Chair of Audit & Risk Management Committee

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Date 11 May 2026