

# Internal Audit Strategy and Plan 2025/26



**Report to:** Audit and Standards Committee

**Date:** 26 February 2025

**Lead Officer:** Sarah Marsh, Head of Internal Audit (01279) 446884

## Executive Summary

**A** To approve the Internal Audit Strategy and Plan for 2025/26 and note the indicative work programme for the subsequent year (2026/27).

## Recommended that:

- A** The effectiveness and contribution of the Internal Audit Strategy and Plan within the Council's assurance framework be considered; and
- B** The Committee approves the Internal Audit Strategy and Plan for 2025/26

## Reason for decision

- A** Under the Global Internal Audit Standards the Head of Internal Audit must have a strategy and associated plan which is championed by the Audit and Standards Committee

## Other Options

- A** The alternative option to those recommended would be that the service does not have an audit plan, increasing the risk that Internal Audit work is not focused, does not meet the needs of the Executive Management Team or the Audit and Standards Committee and the Head of Internal Audit is unable to give their annual opinion which will impact on the Council's Annual Governance Statement.

## Background

1. The Internal Audit function provides independent, objective assurance and advisory services designed to add value and improve an organisation's operations. It helps an

organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

2. Internal Audit's vision is to be an established trusted advisor and strategic partner to senior management, providing independent and objective assurance, insight and challenge that contributes to informed decision-making, improved governance and enhanced organisational performance.
3. The Internal Audit strategy summarises the key principles for the Internal Audit service for the period 2025/26, with some longer term aims. The strategy supports the Audit Plan which sets out the work of the service for the year.
4. Through delivering on this strategy, Internal Audit will help to enhance the Council's governance, risk management and control framework, which will ultimately contribute to the achievement of the Council's corporate priorities and objectives. These have been taken into account in developing the Internal Audit Strategy and where applicable are referenced into the Plan.
5. Council Priorities:
  - a) Transform Harlow's Housing
  - b) Renew our Neighbourhoods
  - c) Rebuild our Town
  - d) Secure Investment for Harlow's Future
  - e) Protect our Communities
  - f) Deliver High-Performing Council Services

### **Purpose of the Internal Audit Strategy and Plan**

6. The Internal Audit Strategy and Plan is supported by these four objectives of Internal Audit's approach:
  - a) Providing independent and objective assurance on the effectiveness of the Council's internal control framework.
  - b) Ensuring the recognition of the key risks the Council faces in meeting its objectives when determining and allocating the use of internal audit resources.
  - c) Adding value and support to ensure effective internal control, governance and risk management, whilst identifying opportunities for improving value for money. Offering and providing high-quality insight, foresight and advice.
  - d) Delivering an Internal Audit Service that is compliant with the requirements of the Global Internal Audit Standards as applicable to the UK Public Sector, which come into effect on 01 April 2025

## **The Internal Audit Approach**

7. While Internal Audit provides assurance through completing a programme of planned work the service is also flexible and responsive to changing and emerging issues.
8. Some audit work is delivered on an advisory basis, contributing advice on governance, risk and controls, for example attendance at project meetings or undertaking a specific investigation of a newly identified issue.
9. The purpose, authority and responsibility of Internal Audit is formally defined in the Internal Audit Charter, which was agreed at the November 2024 Audit and Standards Committee.

## **Key Deliverables**

10. The key deliverables for the Internal Audit service during 2025/26 are:
  - a) *Delivery of the Audit Plan* - the Head of Internal Audit will ensure there is sufficient audit coverage in order to provide an annual internal audit conclusion and report, which feeds into the Council's Annual Governance Statement.
  - b) *Integrated approach to assurance* – Providing ongoing assurance to management on the integrity, effectiveness and operation of the Council's internal control, governance and risk management processes. Working with other assurance providers to prevent duplication of work.
  - c) *Management commitment* - Ensure agreed audit recommendations are implemented thereby improving the overall control framework.
  - d) *Continually develop the service* – To develop, improve and deliver a quality assurance and improvement programme for the service.
  - e) *Business insight* - establish greater relevance to what matters most to the Council by considering current and future key risks and challenges.

## **Protocol for Audit Reviews**

11. Internal Audit conducts each review in line with the standard audit methodology which is aligned to the Global Internal Audit Standards as applicable to the UK Public Sector.
12. For each audit a service lead will be identified who will be involved in scoping the audit to ensure it is appropriately focused on key risks areas, providing assurance and maximising added value. Terms of reference will be produced for each audit to ensure the scope, objectives and approach are agreed with the appropriate Head of Service, Service and Strategic Director.

13. Following fieldwork a draft Internal Audit report will be issued for discussion with the service area as set out in the terms of reference.
14. Final reports will be issued after the approval of draft reports which contain completed management action plans identifying those responsible for their implementation and appropriate timescales.
15. With the introduction of the Global Internal Audit Standards, there is a requirement to give audit reports an audit conclusion. The audit conclusion will summarise the internal auditor's professional judgement about the overall significance of the aggregated audit findings. It will include the internal auditor's judgement regarding the effectiveness of the governance, risk management and/or control processes of the area being audited, including an acknowledgement of when processes are effective. This will be introduced for audits undertaken as part of the 2025/26 Plan and onwards. It is envisaged that audit opinions will remain with reports being given one of these four assurance ratings – substantial, reasonable, limited or none.
16. Agreed actions or recommendations will be followed up through the tracker process. All high priority recommendations and any recommendation which has passed its original implementation date are reported to the Audit and Standards Committee.

### **Quality Assurance and Performance Management**

17. The Internal Audit Quality Assurance and Improvement Programme ensures the work of the Internal Audit function conforms to the Global Internal Audit Standards as applicable to the UK Public Sector, and that it operates in an efficient and effective manner and is adding value and continually improving Internal Audit activity and performance. This is achieved through internal and external assessment, monitoring, and reporting on performance.
18. In March 2023 the Internal Audit function underwent an External Quality Assessment (EQA), which, in line with the Standards at that time, must be conducted every five years by a qualified, independent assessor from outside the Council. The EQA, which covered the four councils in the shared service, confirmed the Internal Audit service conforms to the Standards and the results communicated to the November 2023 Audit and Standards Committee. An independent EQA at least every five years is still a requirement of the new Global Internal Audit Standards.
19. To achieve planned coverage, deliver a high standard of customer care and demonstrate effectiveness of the service, performance targets have been established based on best professional practice.
20. The following service performance targets will be reported on in 2025/26 and are the same as used in 2024/25:

Aspect of Service	Performance Indicator	Target
Audit Plan	<ul style="list-style-type: none"> <li>• Achievement of the annual Plan</li> </ul>	<ul style="list-style-type: none"> <li>• Sufficient internal audit work in order that the Head of Internal Audit can give her annual opinion</li> </ul>
Internal Audit processes	<ul style="list-style-type: none"> <li>• Issue of draft report after closing meeting</li> <li>• Issue of final report after draft is agreed</li> </ul>	<ul style="list-style-type: none"> <li>• Within 10 working days</li> <li>• Within 5 working days</li> </ul>
Effective management engagement	<ul style="list-style-type: none"> <li>• Management responses within 10 working days of draft report</li> <li>• Implementation of agreed audit recommendations</li> </ul>	<ul style="list-style-type: none"> <li>• 10 working days</li> <li>• Within agreed timescales</li> </ul>
Continuous Professional Development (CPD)	<ul style="list-style-type: none"> <li>• Auditors maintain and improve their knowledge, skills and other competencies through directed and self-directed activities</li> </ul>	<ul style="list-style-type: none"> <li>• 40 hours of CPD activity per auditor</li> </ul>

### Developing the Internal Audit Plan

21. The methodology for developing the Internal Audit Plan is focused on the quantification of the risks associated with the Council's objectives. This process takes into account:
  - a) Knowledge and experience accumulated by Internal Audit, including the results of previous reviews.
  - b) A review of audit themes against the strategic risk registers and Council priorities.
  - c) The work of other assurance providers both internally and externally.
  - d) The external environment including economic climate, and government initiatives such as changes in funding and local government reform.
  - e) Harmonisation of themes with Harlow District Council, Epping Forest District Council and St Albans City & District Council to enable benchmarking and sharing of good practice.
22. It is imperative there is good alignment between the Internal Audit plan and the risks facing the Council. Internal Audit's work will help inform the Council's risk management framework, enabling greater recognition of key mitigating controls and other sources of assurances available. Where possible, the risks identified in the Audit Plan (Appendix A) have been taken directly from the Council's risk register.

23. In addition, an assurance map has been produced (Appendix B) that provides a structured way to identify the main sources and types of risk assurances in the Council. This demonstrates sufficient Internal Audit work has either been undertaken or has been planned for the Council's key risks.
24. The Internal Audit Plan is indicative and changes may need to be made as the risk profile and priorities of the Council change. This will be achieved by ongoing review and amendment in consultation with relevant officers and any significant changes brought to the Audit and Standards Committee for approval.
25. It is important for Internal Audit to plan ahead and allocate resources over the medium term but still maintain a flexible approach. This is achieved by documenting known risks over a two to three year period so that the two year plan includes an indication of proposed audit work for years two and three, based on current known risks if circumstances remain unchanged. However, if new risks emerge, audit resources, over the medium term, will be focused accordingly.
26. The sections of the Internal Audit Plan include:
  - a) Corporate Framework – key risk areas including those defined in the Council's strategic risk register.
  - b) Strategic themes – including cross cutting issues some of which will be incorporated within operational audits or will be undertaken through consultative work.
  - c) Service areas – operational audits determined on a risk assessment or business priorities basis.

### **Priority Areas for 2025/26**

27. Having regard for the current risk profile of the Council the following have been identified as priority areas for Internal Audit work for 2025/26. These may not be audits in themselves, but cross cutting themes that will be fundamental to the scope of Internal Audit work undertaken.
  - a) *Risk Management* – Internal Audit has a key role in promoting effective risk management and through its work continues to assist the Section 151 Officer in ensuring a robust risk management framework across the Council. The focus this year is assisting in strengthening the Council's approach to service/business planning and risk management.
  - b) *Information Governance and Management* - Internal Audit continues to work with the Council's Data Protection Officer and the officer Information Governance Group, helping to ensure and maintain compliance across the Council.

- c) *Fraud* – Internal Audit continues to support the Council’s anti-fraud and corruption strategy and is pivotal in ensuring a joined-up approach across the Council. Following the fraud risk assessments undertaken in 2024/25 Internal Audit will be delivering anti-corruption and bribery training across the Council during 2025/26.
- d) *Value for Money (VfM)* – A focus on VfM is reflected in Internal Audit’s work mainly as a cross cutting theme within operational audits, benchmarking where appropriate with Broxbourne, Epping Forest and St Albans. Audits will consider how the Council makes the best use of resources and assets, the balance of cost and performance and meeting the needs of our residents; and providing challenge on whether services could be provided in a different way.
- e) *Audit and Standards Committee Support* – Internal Audit continue to work with the Audit and Standards Committee in developing its role in relation to best practice and to contribute to effective corporate governance of the Council.

28. At the operational level the key priorities of Internal Audit work in 2025/26 include:

- a) *Regeneration and Economic Development Strategy* – audits in this area supports the Council’s priorities around *Rebuild Our Town and Secure Investment into Harlow*.
- b) *HTS* – Internal Audit continues to actively seek assurances on the adequacy of internal control, governance and the management of risks regarding HTS from the Council’s perspective being a key partnership.
- c) *Key Financial Systems* – the effectiveness of controls and management of risks with the core financial systems and processes remains a part of Internal Audit work. Audits have been scheduled on a cyclical basis so not all key financial systems will be undertaken each year.
- d) *Governance frameworks* – Internal Audit will continue to assist the Council in enhancing its governance framework especially around health and safety, information governance and project and programme governance.
- e) *Data analytics* – Internal Audit continues to use data analytics where possible to help inform its audits.

## Resources

- 29. Internal Audit is a formal shared service between Broxbourne, Epping Forest, Harlow, and St Albans Councils, with Broxbourne being the host authority and employer of the shared Internal Audit staff. A Shared Services Board meets quarterly to oversee the implementation and delivery of the Internal Audit function, monitor common issues or themes arising from audits, assess quality and performance and consider major changes

to the service. The Board comprises the Section 151 Officers from each authority as well as the Head of Internal Audit.

30. The Internal Audit function consists of the Head of Internal Audit (1.0 f.t.e), five Senior Auditors (4.65 f.t.e) and three Auditors (each 1.0 f.t.e). There are no vacancies, and two auditors have taken up permanent positions after completion of their apprenticeship. Two auditors are currently following an apprenticeship scheme. Everyone in the team works across all four authorities. In addition, the service has a call off contract with an external provider of Internal Audit to undertake more specialist audits when required.

### **Audit Plan 2025/26**

31. The Audit Plan as detailed in Appendix A requires 359 days (compared to 360 for 2024/25) is summarised in the table below:

<b>Thematic Area</b>	<b>Audit days 2025/26</b>
Assurance framework including governance, fraud, value for money and risk management	50
Cross cutting/themed audits	50
Operational audits	135
Follow Up work	24
Audit Committee Support including training	16
Advice, other engagement with the business and contingency	84
<b>TOTAL</b>	<b>359</b>

### **Issues/Proposals**

32. The Committee to feedback on the proposed Internal Audit strategy and plan

### **Implications**

#### **Equalities and Diversity**

There are no equality and diversity implications arising from this report. However, the public sector equality duty (specific duty) requires the Council to consider how to positively contribute to the advancement of equality and good relations and demonstrate 'due regard' in our decision making in the design of policies and in the delivery of services. The Council's public sector equality duty was considered when developing this strategy.

#### **Climate Change**

None Specific.



## **Finance**

Failure to achieve the audit plan may lead to a lack of assurance that internal controls are effective and risks properly managed.

Author: Jacqui Van Mellaerts, Assistant Director – Finance and Section 151 Officer

## **Governance**

The responsibilities, duties and obligations of Internal Audit are set out in the Accounts and Audit Regulations 2015 and the Global Internal Audit Standards as applicable to the UK Public Sector

Internal Audit provides a key element of assurance within the Council's overall governance. The Head of Internal Audit's annual opinion on the Council's internal control, risk management and governance frameworks feeds into the Council's Annual Governance Statement.

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## **Appendices**

Appendix A – Internal Audit two year plan for 2025/26 and 2026/27

Appendix B – Risk based assurance map

## **Background Papers**

Internal Audit Charter

Global Internal Audit Standards

## **Glossary of terms/abbreviations used**

EQA External Quality Assurance

CPD Continuous Professional Development

VfM Value for Money

f.t.e Full Time Equivalent