

Teignbridge District Council
Audit Scrutiny
18 June 2025
Part 1

INTERNAL AUDIT PLAN and CHARTER 2025-2026

Purpose of Report

To present the proposed plan of internal audit work for 2025-2026, and the Internal Audit Charter including Mandate, for Members' approval.

Recommendation(s)

The Audit Scrutiny Committee APPROVES the Audit Plan and Charter.

Financial Implications

None. The service will be delivered within the approved budget.

Legal Implications

The Council is meeting its statutory requirement to provide an internal audit function.

Risk Assessment

Not applicable.

Environmental/ Climate Change Implications

Not applicable.

Report Author

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Executive Member

Councillor John Parrott – Executive Member for Finance and Corporate

1. BACKGROUND

- 1.1 The Accounts and Audit Regulations (2015) require the Council to maintain an internal audit service which evaluates the effectiveness of the Council's risk management, control and governance processes. The Audit Manager is required to provide an annual opinion on the framework for this which supports the Council's Annual Governance Statement.
- 1.2 From 1 April 2025, new Global Internal Audit Standards ("the Standards") came into effect, replacing the previous Public Sector Internal Audit Standards which had been applicable since 2013. The Standards are supplemented with an Application Note to provide the required interpretations to make them suitable for the UK public sector, and a Code of Practice for the Governance of Internal Audit in UK Local Government.
- 1.3 The Internal Audit Manager must prepare a risk based plan to determine the audits to be undertaken, which will inform an annual opinion.
- 1.4 An internal audit charter is also required, which sets out the purpose, and the mandate for internal audit. In local government, the mandate is derived from the Accounts and Audit Regulations (2015).

2. AUDIT PLAN 2025-2026

2.1 What do the Standards say about creating a plan?

Global Internal Audit Standards:

"The chief audit executive (Audit Manager), must create an internal audit plan that supports the achievement of the organisation's objectives. The chief audit executive must base the internal audit plan on a documented assessment of the organisation's strategies, objectives and risks. This assessment must be informed by input from the board (Audit Committee) and senior management as well as the chief audit executive's understanding of the organisation's governance, risk management and control processes".

"The Internal Audit Plan must:

- Consider the Internal Audit Mandate and the full range of agreed-to internal audit services.

- Specify internal audit services that support the evaluation and improvement of the organisation's governance, risk management, and control processes.
- Consider coverage of information technology governance, fraud risk, the effectiveness of the organisation's compliance and ethics programme, and other high-risk areas.
- Identify the necessary human, financial, and technological resources necessary to complete the plan.
- Be dynamic and updated timely in response to changes in the organisation's business, risk operations, programmes, systems, controls and organisational culture."

"The chief audit executive must discuss the internal audit plan, including significant interim changes with the board (Audit Committee) and senior management. The plan and significant changes to the plan must be approved by the board (Audit Committee)."

- 2.2 This year's Plan was established with a high degree of senior management input. The identification of risk areas for audit reviews was built into a new business planning exercise undertaken by heads of service within the Council's recently formed Strategic Management Team (SMT). The Strategic Leadership Team (SLT) were also consulted for their views on audit and risk areas to be included in the plan.
- 2.3 The Standards require an organisational risk assessment to be completed at least annually, to inform the plan, and an understanding of the Council's priorities. Reliance has been placed on the Council's risk information as recorded in the strategic and corporate risk register in this respect, and the Council Strategy, which was approved in February 2025. Audits in the plan are linked to a corporate priority and/or corporate risk, where relevant.
- 2.4 In order to understand fraud risk inherent to the Council's activities, a fraud risk analysis is maintained. This maps fraud risks across all services and functions, along with controls to mitigated them, and is periodically updated with the Senior Management Team.

2.5 Audit and Risk Universe

Corporate Priorities				
Community	Economy	Environment	Homes	Infrastructure
Listening and responding to communities on local issues	Working with business and partners to support our local economy	Protection our environment, supporting communities and landscapes, responding to the challenge of climate change	Tackle the housing crisis and strive to give everyone the chance to live in a warm home.	Providing with partners, the services, facilities and travel networks that our residents and businesses need.

Strategic and Corporate Risks (highest ranking)				
Fail to comply with H&S legislation	Statutory Requirements not met	Cyber attack / failure of ICT security measures	Finance	Fraud and Corruption
Management capacity & capability	Recruitment & retention issues	Poor public relations	Economic uncertainty	Business continuity ineffective
Emergency planning ineffective	Local plan – planned development/ infrastructure delivery delay	ICT – failure to meet business needs	Flood risk management and resilience	Council Strategy non delivery

Service Areas			
Strategy and Partnerships	HR and Organisational Development	Legal and Democratic Services	Development Management
Building Control	Environmental Services	Neighbourhoods	Customer and Digital
Assets	Finance and Audit	Housing	Leisure

2.6 Other considerations in selecting auditable activities include:

- the complexity of systems or functions and financial materiality
- time since last audited and results of any other reviews
- knowledge gained through previous audits and from other corporate work
- changes to systems either planned or known to have occurred
- local, national and legislative issues

2.7 Resources

What do the Standards say about resources?

Global Internal Audit Standards:

"The chief audit executive (Audit Manager) manages resources to implement the internal audit function's strategy and achieve its plan and mandate.

Managing resources requires obtaining and deploying financial, human, and technological resources effectively. The chief audit executive needs to obtain the resources required to perform internal audit responsibilities and deploy the resources according to the methodologies established for the internal audit function."

- 2.8 The number of days estimated for audit work in total is estimated at 355 days. As in previous years, audits will continue to be delivered by a mixture of in-house audit staff (Teignbridge 1FTE Auditor and Audit Manager supplemented by external resource from the Devon Assurance Partnership. Given the range and complexity of areas to be reviewed, this provides a suitably qualified skills mix.
- 2.9 The Audit Manager manages the 1FTE Teignbridge Auditor, and the Service Level Agreement for the external provider. The Audit Manager reports functionally to the Head of Finance and Audit, who is a member of the Strategic Management Team.
- 2.4 The Audit Plan is included at **Appendix A**. It will be kept under review and may change if more urgent areas for audit review arise.

3. AUDIT CHARTER and MANDATE

- 3.1 The internal audit charter setting out scope, authority, and responsibilities, has been reported to the Audit Scrutiny Committee annually for a number of years. It has been updated this year to reflect the requirements of the new Standards, particularly the need to clearly set out the mandate for internal audit, which in our case is specified in the Accounts and Audit Regulations (2015)
- 3.2 The Charter including the Mandate are included at **Appendix B** below for members' approval.

INTERNAL AUDIT CHARTER 2025-2026

APPENDIX B

INTRODUCTION

This document describes the purpose, authority, and principal responsibilities of the Council's Internal Audit service.

DEFINITION, FUNCTION and MISSION OF INTERNAL AUDIT

Internal auditing is an independent, objective, assurance providing activity designed to add value and improve the Council's operations. It helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.

Internal Audit will advise management where internal control systems can be improved, and seek to promote compliance with corporate policies and procedures, laws and regulation, safeguarding of assets, and accomplishment of corporate priorities, through its systematic review of the Council's activities. It aims to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

MANDATE, INDEPENDENCE, and OBJECTIVITY

Internal Audit's statutory authority (mandate) is derived from Section 151 of the Local Government Act 1972 and the Accounts and Audit Regulations (2015) which state:

"a relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control..."

*"Any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit -
a) make available such documents and records, and
b) supply such information and explanations
as are considered necessary for the audit."*

To be effective, Internal Audit must remain sufficiently independent of the activities it audits to enable auditors to perform their duties in a manner which facilitates impartial and professional judgements and recommendations. Internal Auditors should ideally have no operational responsibilities. Where this is unavoidable, consideration will be given to seeking assurance from a third party outside the internal audit activity where appropriate.

Internal Audit forms part of the Council's Corporate Services. The Audit Manager reports organisationally to the Head of Finance and Audit, and functionally to the Audit Scrutiny Committee (*who act as "the Board" for the purposes of the Global*

Internal Audit Standards) on audit matters. Close liaison with the Section 151 Officer (responsible for financial affairs) is maintained to ensure the Section 151 duties are fulfilled, and the Audit Manager has direct access to the Managing Director if and when required. These arrangements enable matters to be escalated directly to senior management and the Audit Scrutiny Committee as and when necessary, and without interference, which supports internal audit objectivity.

Internal Audit staff have unrestricted access at any time to such data, records, assets, personnel and premises, including those of partner organisations, as necessary for the proper fulfilment of their responsibilities. Any officer, or member of the Council shall, if required, make available such data, documents or information required for audit purposes and shall supply the auditor with such information and explanation as is considered necessary for that purpose.

This statutory role and rights of access are also recognised and endorsed within the Council's Financial Instructions (Constitution).

STANDARDS & PROFESSIONALISM

Internal Audit must work in accordance with 'proper audit practices'. Proper practice is defined by the Global Internal Audit Standards and any Topical Requirements approved as applicable to the UK public sector. Team members are also governed by the Code of Ethics of their professional body as well as the Council's internal Code of Conduct.

For an internal audit function to be effective, the following core principles must be present:

- Integrity, honesty and respectfulness, especially when expressing professional scepticism
- Competence and due professional care
- Is objective and free from undue influence (independent)
- Aligns with strategies, objectives and risks of the organisation
- Demonstrates quality and continuous improvement
- Effective communication
- Promotes organisational improvement
- Is proactive and future focussed

SCOPE AND RESPONSIBILITIES

Heads of Service and Service Managers are responsible for ensuring that internal control arrangements are sufficient to address the risks facing their services.

The scope of Internal Audit allows for unrestricted coverage of the control environment comprising risk management and corporate governance. This means that all of the Council's operations, resources, services and responsibilities are included. Where the scope of Internal Audit's work extends to services provided through partnership, an assessment will be made as to whether Internal Audit staff conduct assurance work themselves, or rely on assurance provided by others.

Internal Audit activity can include:

- reviewing, appraising and reporting on the soundness and adequacy of systems of internal control, whether operations are being carried out as planned, and corporate priorities being met
- reviewing, appraising and reporting on the reliability and integrity of financial and management information, including data quality and performance measurement
- assessing and reporting on the extent to which assets and interests are accounted for and safeguarded from loss
- supporting and encouraging improvements in the efficiency, economy and effectiveness of services
- provision of advice on all risk and control, including interpretation of the Council's Financial Instructions and Contract Procedure Rules
- advising on control and risk implications of enhancements to existing/new systems
- promoting best practice in the Council's risk management and governance processes
- working in partnership with other bodies to secure robust internal control that protects the Council's interests
- co-ordinating with the work of external auditors where possible and other review functions
- investigating frauds and irregularities where appropriate

INTERNAL AUDIT MANAGEMENT

The Audit and Information Governance Manager is responsible for:

- managing the Internal Audit service, determining the scope and methods of audit activity
- ensuring that Internal Audit staff conform to the Global Internal Audit Standards, including the principles of Ethics and Professionalism
- ensuring that Internal Audit staff are impartial, unbiased, avoid conflicts of interest, and exercise professional scepticism in their work
- developing operational Audit Plans based on an assessment of risk and in consultation with senior management; reporting Audit Plans to the Audit Scrutiny Committee for approval; and implementation thereafter
- taking account of the adequacy and outcomes of risk management, performance management and other assurance processes when compiling Audit Plans
- maintaining a suitably resourced, professional audit staff with sufficient knowledge, skills and experience to carry out planned audits
- liaison with the Council's external auditors to achieve co-ordination of work where possible
- reporting to the Strategic Leadership Team (*i.e. "senior management"*) and the Audit Scrutiny Committee (*i.e. "the Board"*) on the results of audit

activities, and the effectiveness of the actions taken by management to implement agreed recommendations

- reviewing the Council's risk management and governance arrangement
- providing the Strategic Leadership Team and the Audit Scrutiny Committee with an annual assurance report on the adequacy of the Council's internal control systems

FRAUD AND CORRUPTION

Managing the risk of fraud and corruption is the responsibility of management. Internal Audit procedures alone cannot guarantee that fraud and corruption will be detected. Internal Audit does not have responsibility for the prevention or detection of fraud and corruption. Internal Auditors will, however, be alert in all their work to the risks and exposures that could provide opportunity for fraud or corruption. They may investigate suspected frauds and irregularities where appropriate, and will act upon reports received via the Council's Whistleblowing Policy and Anti Fraud, Theft and Corruption Strategy.

The Audit Manager must be informed of all suspected or detected fraud, corruption or improprieties so they may be considered in terms of the adequacy of the relevant internal controls, and be evaluated for the annual opinion on the control environment.

AUDIT REPORTING

Audit assignments will be the subject of formal reports in order to communicate the findings of the audit and encourage management to take prompt mitigating action if risks have been identified.

Reports will be issued in draft form to the managers responsible for the area under review for agreement of the factual accuracy of findings. On receipt of management comments, including acceptance or rejection of recommendations, reports will be finalised with agreed action dates where applicable. Each report will include an opinion on the adequacy of the control environment governing the activity that has been audited. Reports with low assurance ratings will be brought to the attention of the Strategic Leadership Team.

Audit reports will be provided to members of the Audit Scrutiny Committee and a summary of audit work given at Audit Scrutiny meetings. If the failure to implement an audit recommendation is deemed to present the Council with an unacceptable risk, the matter will be reported to the Audit Scrutiny Committee and the manager concerned may be required to give an explanation.

At the end of each audit year, the Audit Manager will give an annual report and assurance opinion and which can be used to inform the Council's Annual Governance Statement. The annual opinion will conclude on the overall adequacy of the framework of governance, risk and control, and will summarise the work and other assurance sources that support the opinion.

LOCAL AND NATIONAL ISSUES AND RISKS

The annual audit planning process ensures that new or emerging risks are considered. The Audit Manager consults the Strategic Management and Leadership Teams on the issues and risks inherent to their service areas to help identify any potential areas of concern for audit review. Risk registers are examined to ensure high scoring risks are taken into account. The audit 'universe' (auditable activities) and resulting plan are further informed by the review of Council minutes; corporate knowledge, and issues arising from past audits, and service reviews.

The Audit Plan is approved by the Audit Scrutiny Committee, however, it is recognised that this is flexible and can be revised should unforeseen issues arise, or priorities change throughout the year.

Individual audit projects within the plan focus on the control systems for key risks within each area. Mitigating actions from the operational risk register may also be tested to assess how well risks are being managed.

Awareness of national issues is maintained through membership of and subscription to professional bodies such as the Chartered Institute of Public Finance Accountants; advisory services; Better Governance Forum; liaison with external audit; and with other local authorities.

PROVISION OF THE SERVICE

The service is provided by an in-house Audit Manager and Auditor, supplemented with external resource as needed. This "mixed provision" service provides for a good skills base and detailed local knowledge of the Council.

Service delivery is monitored through quality assurance and improvement measures which include key performance indicators such as achievement of the Audit Plan, customer feedback, assessment against the Global Internal Audit Standards, and a value for money indicator which can be included to benchmark the cost of the service if required.

RESOURCES AND SKILLS

A budget is in place for 2025-2026 which supports the resources (outlined above) to deliver the audit plan.

The Council recognises both CIPFA and the Chartered Institute of Internal Auditors (CIIA) qualification for internal auditing. The Audit Manager is a full member of the Chartered Institute of Internal Auditors.

Training needs are assessed on an ongoing basis and are discussed during staff Performance Development Review meetings. The aim is to ensure auditors

are operating at a level which fulfils the Council's requirements and meets professional standards.

If the necessary skills for a particular assignment were not available in house, the external budget provides flexibility to source these externally, as required.

AUDIT SCRUTINY COMMITTEE OVERSIGHT

The Audit Scrutiny Committee terms of reference are within the Council's [Constitution](#). It provides an independent and high level oversight of the adequacy of governance, risk and control arrangements. Its duties also include monitoring of both internal and external audit activity, helping ensure there are arrangements in place for internal challenge and public accountability. The Audit Manager communicates directly with the Audit Scrutiny Committee.

The Committee is currently undergoing a review against the Chartered Institute of Public Finance Accountants best practice guidance, following which its terms of reference will be updated and it will be renamed Audit and Governance. This Charter will be revised accordingly once the necessary Constitutional arrangements are made.

The Audit Scrutiny Committee approves the Audit Plan, Charter (including Mandate), and monitors the outcomes of audits and internal audit performance.