

Committee:	Audit and Standards Committee	Date: 26 March 2026
Title:	Internal Audit Strategy 2026-28, Plan 2026-27 and Internal Audit Charter	
Report Author:	Philip Honeybone, Internal Audit Manager	
Portfolio Holder:	Cllr Petrina Lees, Leader	

Summary

1. This report presents the Audit and Standards Committee with the Internal Audit Strategy 2026-28, the Internal Audit Plan 2026-27, and the Internal Audit Charter.

Recommendations

2. Audit and Standards Committee are requested to:
 - a. Approve the updated Internal Audit Charter (see Appendix A)
 - b. Approve the Internal Audit Plan 2026-27 (see Appendix B)
 - c. Note the Internal Quality Assessment of the Internal Audit service against GIAS (see Appendix C) and the resulting action plan (see Appendix D).

Financial Implications

3. None

Background Papers

4. The following papers were referred to by the author in the preparation of this report and are available for inspection from the author of the report. [Internal Audit Strategy 2025-28, Plan 2025-26 and Internal Audit Charter](#)

Impact

- 5.

Communication/Consultation	This report was sent to CMT on 4 March 2026
Community Safety	None
Equalities	None

Health and Safety	None
Human Rights/Legal Implications	None
Sustainability	None
Ward-specific impacts	None
Workforce/Workplace	None

Situation

6. The Council has a duty to maintain an effective Internal Audit service that is compliant with Global Internal Audit Standards (GIAS) and UK application note which are the relevant internal audit standards for the UK public sector. This enables the Audit Manager to provide an annual report and opinion on the adequacy and effectiveness of the organisation's corporate governance, risk management and internal control. This can be used by the organisation to inform its annual governance statement.
7. The Internal Audit Charter (see Appendix A) is a critical document that underpins an effective internal audit service and defines the purpose, authority and responsibilities of Internal Audit. This adapted the IIA's model charter to take account of the legal framework for Internal Audit in UK local government and UDC's specific arrangements. It meets the requirements of GIAS.
8. The Internal Audit Strategy 2026-28 aims to provide UDC with the assurance it requires over its corporate governance, risk management and internal control processes in 2026/27 and as the Council prepares for the transition caused by Local Government Reorganisation.
9. The Internal Audit Strategy outlines the services' approach to providing the assurance UDC needs and ensuring the service has the skills and experience required. This has been used to develop the Internal Audit Annual Plan for 2026/27.

Risk Analysis

10.

Risk	Likelihood	Impact	Mitigating actions
Inadequate audit coverage may lead to failure to provide an annual opinion of the Council's governance, risk and control arrangements; reputational damage and failure to comply with GIAS	2	2	Monitoring of plan delivery and reporting to CMT and Audit and Standards Committee, contingency built into plan for additional days if required; Quality Assurance and Improvement Programme including an External Quality Assessment of the Internal Audit Service.

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.



**INTERNAL AUDIT STRATEGY
2026-2028
AND
INTERNAL AUDIT PLAN
2026-2027**

1. INTRODUCTION

UDC's Internal Audit service are guided by the Global Internal Audit Standards (GIAS)¹, and UK application note which states:

Internal auditing strengthens the organization's ability to create, protect, and sustain value by providing the board and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

Internal auditing enhances the organization'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.*

Internal Audit's purpose, authority and responsibilities are set out in our Charter (see Appendix A).

This document provides a framework for providing independent assurance on UDC's governance, risk management and internal control processes over the period from April 2026 to March 2028. It recognises that assurance will need to be provided over preparations for the dissolution of UDC and creation of a new Unitary authority in April 2028 as well as assurance over UDC's risk management and control processes in the intervening period.

UDC's Internal Audit uses the "Three Lines of Defence²" in its assurance provision.



2. STRATEGIC OBJECTIVES

Internal Audit has three core strategic objectives to enable achievement of our mission and vision:

2.1 Aligned Priorities

- Internal Audit programmes are developed in consultation with key clients in order to ensure they are aligned with UDC's core objectives and that key risks have been mitigated effectively. Internal Audit's approach will evolve as UDC's risk management continues to mature.
- Internal Audit will seek to provide timely assurance over the Local Government Reorganisation process in order to ensure the risks arising from the creation of a new Unitary Council are mitigated effectively.
- Internal Audit plans will provide risk-based coverage over existing services to ensure business as usual to UDC's current stakeholders are not impacted by the transition and internal controls are operating effectively at the point of transition.
- We will consider the work of other assurance providers (e.g. external audit) in order to minimise duplication of work and maximise coverage.
- Cyber-security is recognised as a key risk facing all organisations, including UDC. Auditing in much of this area requires specialist skills which are not cost-effective to small audit teams. We will work with management to ensure that the Council receives appropriate assurance over this critical area.
- The strategy will be reviewed as and when local priorities change, or national initiatives have an impact locally.
- We will take a balanced and pragmatic approach to our work and our reports will emphasise positive findings alongside areas for improvement.
- Our performance measurement and monitoring arrangements will be focused on the aspects of the service most valued by senior management and the Audit and Standards Committee.

2.2 Effective Staff

- The Audit Manager and both Internal Auditors hold relevant professional qualifications and maintain their annual continual professional development requirements. The Audit Manager considers the team to be of appropriate size for the current organisation.
- We will work with the internal audit teams in the other Councils we are merging with to ensure the new Unitary authority has the internal audit resource and skills it needs.
- We will ensure that staff have or develop the skills necessary to provide assurance over the key risks facing UDC and the new Unitary authority.
- Staff will be supported through the Local Government Review process.
- Our Quality Assurance and Improvement Program (QAIP) will demonstrate conformity with GIAS and will aid continuous development of the service.
- The Audit Manager will perform an annual internal quality assessment of the service against GIAS. This was carried out in January 2026 and an action plan created.
- An external quality assessment (EQA) was completed in November 2024.

2.3 Positive Impact

- We will build strong, positive, professional relationships with key clients and engage with them in the development of our strategies and work plans.
- We will seek to be involved in key projects and working groups to provide assistance on governance, risk and control and also to promote our work and the services we can provide to a wider audience.
- Through our follow-up process, we will seek to ensure that risks have been mitigated effectively.

3. INTERNAL AUDIT CHARTER

The Internal Audit Charter is a key document that defines purpose, authority and responsibilities of the Internal Audit service. It must meet the requirements of GIAS. The Audit Manager conducted a full review of the Internal Audit charter in 2025 using the IIA model charter to ensure it was up to date meets both GIAS and UDC's requirements.

Since Audit and Standards Committee approved the Charter in March 2025 there have been no changes to the GIAS and the only change to UDC's management structure that needs to be reflected is the new position of Chief Operating Officer. This has been added as a bullet point under the "**Independence, Organisational Position, and Reporting Relationships**" section.

The charter includes extended sections on the Audit and Standards Committee role in oversight of Internal Audit work and the Audit Manager's roles and responsibilities. To a large extent, it codifies existing arrangements. The Internal Audit Charter also establishes Internal Audit's position within UDC, including the Audit Manager's reporting lines, authorisation to access to records, staff and physical properties relevant to the performance of engagements, and also defines the scope of Internal Audit activities.

It is also a reference point for measuring the effectiveness of Internal Audit.

It includes:

- The Purpose of Internal Audit
- The Internal Audit Authority and Mandate
- Audit and Standards Committee Oversight
- Audit Manager Roles and Responsibilities
- Scope and Types of Internal Audit Services

The Internal Audit Charter is attached in Appendix A for Audit and Standards Committee to approve.

4. INTERNAL AUDIT PLAN 2026-27

The Internal Audit plan aims to provide independent assurance on UDC's Risk Management, Control and Governance processes and provide the evidence base for the 2026/27 Internal Audit Opinion. This plan has been developed by a review of the corporate risk register, discussions with senior management and through Internal Audit's risk assessment.

In October 2024, Cabinet approved a revised risk management policy and noted the corporate risks that were recorded in an updated corporate risk register. This risk register is updated periodically and captures those risks and opportunities that are, in CMT's judgement, requiring monitoring at the organisational level. It does not capture inherent risks where CMT considers residual risk to be mitigated sufficiently by current internal control processes. Service level risks are captured by the relevant services.

Each year, the IIA surveys heads of Internal Audit across all sectors in Europe to gauge their views on the highest risk areas impacting their organisations. The results are published in an annual report (Risk in Focus). This provides a framework for an internal audit risk assessment which, together with knowledge of the council's activities, provided a sense-check of the Corporate Risk Register. 16 broad risk areas were identified:

- Cybersecurity and Data Security
- People
- Digital disruption, new technology and AI (new ways of working)
- Regulatory Compliance
- Macroeconomic and geopolitical uncertainty
- Business Continuity and operational resilience

- Market changes, competition and changing consumer behaviour
- Supply chain, outsourcing and “nth” party risk
- Financial Risk
- Climate Change
- Governance and corporate reporting
- Organisational culture
- Fraud, bribery and corruption
- Reputation
- Communications, reputation, and stakeholder relations
- Health, Safety and wellbeing
- Local Government Review

The Internal Audit risk assessment mapped these risk areas to UDC’s services to determine the highest priorities for assurance.

Internal audit has allocated time for work to support transitions arising from the Local Government Reorganisation (weighted towards the second half of the financial year). It is anticipated that the needs will evolve throughout the year and an updated plan will be brought to September’s Audit and Standards Committee.

The proposed Internal Audit Plan for 2026/27 is shown in Appendix B. The first section of the plan shows the proposed audit work which will result in a formal opinion. Section 2 is a reserve plan which will be used if other audit work is delayed for operational reasons or if less time is required to support the transition to the new Authority.

Progress on all recommendations carried forward from previous years alongside those made in 2026/27 will be monitored until they are completed, superseded or risks are formally accepted. Significant issues will be escalated through line management where necessary, with periodic reporting on outstanding recommendations to CMT and Audit and Standards Committee.

Audit and Standards Committee is asked to approve the proposed audit plan.

5. INTERNAL AUDIT PLAN 2027-28

The Audit Manager anticipates that the Local Government Reorganisation will require increased audit resource as more assurance will be required as UDC prepares for the creation of the new unitary authority.

The remainder of the audit plans in 2027-28 will seek to ensure that internal controls are operating effectively in all services transitioning to the new authority.

6. CONSULTING, COUNTER FRAUD AND ADVISORY SERVICES

UDC’s Internal Audit Charter defines the scope and types of services the team may deliver. This includes advisory services which would be agreed with the party requesting the service, provided the internal audit function does not assume management responsibility. These may take the form of ad hoc answers to queries that are addressed through a short conversation or email. More substantive activities will be included in the audit plan.

The Internal Audit Annual Report and the Corporate Governance Audit provide an evidence base that supports the Council's Annual Governance Statement.

UDC’s Internal Audit Charter also states that the Audit Manager oversees Counter Fraud and Corruption Strategy and action plan.

7. QUALITY ASSURANCE IMPROVEMENT PROGRAMME (QAIP)

In complying with GAIAS, UDC's Internal Audit has established a QAIP. According to GIAS:

The chief audit executive must develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function.

There are five key elements of UDC's QAIP:

- Internal quality reviews of each audit assignment to ensure it meets the required standards. 1:1s incorporate an opportunity to reflect on each audit to identify successes and learn lessons for future audit work.
- Monitoring against KPIs. KPIs are in place to measure quality as well as quantity of audit work. These are key client questionnaires for each assignment and a senior stakeholder survey to measure the overall standing and impact of Internal Audit.
- UDC's annual appraisal process
- Annual Internal Quality Assessment (IQA) to demonstrate conformance with PSIAS. The most recent IQA was completed in January 2026. The results of the IQA are shown in Appendix C. Appendix D presents the actions identified as a result of the exercise and progress to date.
- An External Quality Assessment (EQA) every five years to provide independent verification that Internal Audit Standards have been complied with. The most recent EQA was completed in November 2024 and was presented to Audit and Standards Committee in February 2025. This showed UDC's Internal Audit service was generally compliant.