

Agenda Item No:	7	
Committee:	Audit and Risk Management	
Date:	12/05/25	
Report Title:	Risk Based Internal Audit Plan 2025/26	

1 Purpose / Summary

In accordance with the *Global Internal Audit Standards in the Uk Public Sector* (GIAS (UKPS) (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.

2 Key Issues

- The Council's Internal Audit Plan is produced on an annual basis. It is an estimate of the work that can be performed over the financial year 2025/26. 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 format of the Plan reflects the Global Internal Audit Standards which this year replaced the Public Sector Internal Audit Standards. It also incorporates the governance and strategic management arrangements of Internal Audit resources.
- Following the External Assessment in December 2022, further work is being implemented and requires resource dedication. Additional work also needs to be resourced for transition and conformance to the new Standards.
- The total number of budgeted productive days for 2025/26 cannot be confirmed or used at present as our full-time auditor has very recently resigned to leave at the end of May and options for replacement are being explored. It is suggested that this Plan is treated as a draft and a further update is provided at a later meeting and advised to the Chair in between times.
- In 2024/25 298 days were allocated the Audit Plan to operational audit work and used to calculate the risk-based audit plan. This work contributes to the annual opinion on the effectiveness of the system of internal control, which is reported to the Audit & Risk Management Committee. 30 days are usually 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 recommendations.
- 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.

- The risk-based Plan assumed that the team comprises 1.6 FTE and 1.0 for the Head of Internal Audit, although much of the Head's time will not be spent on operational audit work. A loss of one auditor will significantly reduce the resources and deliverables as the level of capacity to deliver the Plan is dependent on the current resource levels. This resourcing level is likely to be insufficient to provide continued 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 may be useful to assist with LGR workstream work.
- The draft Audit Plan for 2025/26 is attached at Appendix A. Due to uncertainty of resources the Plan details the key fundamental audits and operational audits, which are risk-assessed and in priority order.
- The Assurance rating classification is included at Appendix B.
- The Council's key financial systems or 'fundamental systems', due to their significance and materiality, are subject to audit reviews over the next 5 years. Appendix C 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.

3 Recommendations

The Committee is asked to acknowledge the Internal Audit resources and to consider and note the attached draft Internal Audit Plan for 2025/26.

Wards Affected	All
Forward Plan Reference	N/A
Portfolio Holder(s)	Cllr Chris Boden Leader and Finance Portfolio holder
Report Originator(s)	Deborah Moss – Head of Internal Audit
Contact Officer(s)	Peter Catchpole – Corporate Director & Chief Finance Officer Deborah Moss – Head of Internal Audit
Background Paper(s)	Accounts and Audit Regulations 2015 Public Sector Internal Audit Standards 2016 Global Internal Audit Standards 2025 Fenland District Council Corporate Plan FDC's Internal Audit Charter

Risk based Internal Audit plan
2025/2026



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 2025/26 are to:
- prepare, maintain and deliver the risk-based Internal Audit Plan.
 - proactively promote understanding of risk and control.
 - recommend actions that help systems meet at least 'reasonable' levels of control.
 - facilitate provision of assurance for the AGS.
- 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 Internal Audit team.

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 definitions of Internal Audit are detailed in the Internal Audit Charter.

6 Risk Assessment

- 6.1 The Council's Internal Audit Plan is based on a risk assessment of all 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 direct income / expenditure associated with the system / activities
Materiality – Volume	An estimate of the number of transactions processed by the systems / activities per annum
Significance / Profile	The significance of the system to the activities of the Council.
Complexity	The complexity of the systems / activities in terms of their operation and audibility
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.

- 6.2 The risk assessment, and update of the annual Plan, is informed by consultation with key stakeholders, including:
- the Corporate Director & Chief Finance Officer.
 - the Corporate Director & Monitoring Officer.
 - the Corporate Management Team.
 - the Council's Assistant Directors and Heads of Service.
 - the Council's external auditors.
 - the Audit and Risk Management Committee.
- 6.3 Consultation helps ensure that stakeholder's views and risks are reasonably identified and reflected within the Plan. Where possible External Audit will place reliance on the work of Internal Audit, and 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.
- 6.4 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 as:

- The Business Plan.
- The Medium-Term Financial Strategy (MTFS); and
- The Council's Corporate Risk Register and local 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 their assurance contribution to the overall audit opinion on internal control.
Improving information governance	As part of the planned audits 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 & Corruption Policy & Internal Audit Strategy reflects best practice and will 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 Corporate 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 assessed as below reasonable assurance, during the previous financial year, which are not subject to a planned audit will be considered for a follow-up review to assess the effective implementation by management of agreed audit recommendations/actions. Due to limited audit resources, follow-up work is likely to focus on red priority actions and actions deemed necessary to 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 1.6 full time equivalent auditors and a Head of Internal Audit. The uncertainty of this resource level is now an issue.
- 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, programs, systems, and controls, as well as the impact of Transformation work. Where work in progress occurs, it will be carried forward for completion within resources available in the next year.
- 8.7 It is suggested that this Plan is treated as a draft and a further updated Plan provided to Committee once resources are more settled.

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 9 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. A continuous auditing approach is adopted that spreads the testing throughout the year.
- 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 will participate in corporate projects that add value by improving governance and controls throughout the Council, as well as being part of the Corporate Risk Group that reviews the key risks facing the Council and also being part of the newly formed Corporate Governance Group.
- 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 Outturn report which is a key source of assurance for the AGS.

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 assignment is reviewed and monitored by the HoIA, and customer feedback sought.
- 10.4 There is ongoing performance appraisal and supervision for Internal Audit staff during the year to support them in achieving their personal targets.
- 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.

Appendix A: Internal Audit Plan 2025/26

Audit Title	Assessment Risk Rating	Last Audit & Opinion	Corporate Risk	Rationale for Audit / Scope	2025/26 days
Completion of in-progress audits from 2024/25 and 2024/25 brought forward					30
Closure of in-progress audits 2024/25					10
Workforce Planning	High	2018/19 Substantial	RR22 Resourcing (Service provision affected by organisational change / insufficient staff)	In light of LGR this review will compliment a corporate look at FDC workforce planning for the next year and three years to focus on the corporate risk of staff retention.	20
Key Financial Systems /Fundamentals					33
ARP Enforcement	Medium	2024/25 Substantial	Key Financial	As a fundamental audit, this area is reviewed annually.	15
Council Tax (Fundamental) *	Medium	2024/25 Reasonable	Key Financial	As a fundamental audit, this area is reviewed annually.	1*
Housing Benefits (Fundamental)*	Medium	2024/25 Reasonable	Key Financial	As a fundamental audit, this area is reviewed annually.	1*
Business Rates (Fundamental)*	Medium	2024/25 Reasonable	Key Financial	As a fundamental audit, this area is reviewed annually.	1*
Corporate Finance – Management Accounting System (MAS)	Medium	2021/22 Substantial	Key Financial	Key controls within the main accounting system to be reviewed.	12-15
Budgetary Control	Medium		Key Financial	Key controls.	12-15
Payroll	Medium	2024/25 In Progress		Key controls within Payroll system, or a cyclical area in full to be reviewed.	12-15

Risk-based audits					250
Disabled Facilities Grant Return for 24.25	Medium	2024/25 No opinion	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.	2
Overtime	High	No previous audit record	RR22 Resourcing (Service provision affected by organisational change / insufficient staff) RR26 Financial Management. Failure to achieve savings targets.	This will support the council's priority to minimise overtime and provide assurance that it is claimed in line with our Policy. It will follow up the changes introduced by Transformation.	15
'Fenland Inspire Projects' Governance	High	NEW	RR15 Project Management Over-run of major Council projects in time or cost.	To review the internal controls and governance surrounding the 15 Inspire projects which carry a £40m+ budget.	15
IT - Cyber Security	High	2023/24 Adequate/ Reasonable	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. Additionally, this will consider the new IIA Topical Requirement objectives.	15
Port Management	High		Risk: Failure to comply with the Council's policies and procedures.	An operational area within the Port service to be selected to ensure policies and procedures are being followed.	15
LATCo	Medium	NEW	RR20 Commercial & Investment Strategy (Failure of the Council's commercialisation and investment strategy) Risk: Commercial uncertainties associated with decisions taken as part of the Council's	To review that Fenland Futures has appropriate internal control and governance in place.	15

			Commercial and Investment Strategy.		
Corporate Finance – Supplier data amendment process (Anti-Fraud audit)	High	NEW	RR11 Fraud (Fraud and error committed against the Council) Risk: Fraud and error committed against the Council.	In line with anti-fraud measures this will review our process for handling supplier data amendment requests to ensure they are verified as authentic.	8
Contract Monitoring – Highways Streetlights	Medium	2017/18 Substantial	RR 3 Procurement & Contract Mgt: Failure of contractors/suppliers working on the Council's behalf.	Requested by Committee, this will cover a review of the new Streetlights contract.	15
Temporary Accommodation	Medium/High		RR25 Financial Impact due to External Factors (– additional pressures on the Council's overall finances.)	At the request of CMT. Limited scope/focus: the review seeks assurance on whether the throughput from TA is sufficiently smooth and efficient. This area is statutory and amounts to significant costs.	12
Cemeteries	Medium	2021.22 Adequate/ Reasonable	No identified corporate risk.	At the request of CMT. To review that the recommendations from the Transformation review have been introduced and benefits realised.	12
FACT	Medium	2018 Adequate	RR 3 Procurement & Contract Mgt: Failure of contractors/suppliers working on the Council's behalf. RR13 Partnership Working Failure of Governance in major partners, or in the Council, as a result of partnership working.	At the request of CMT. Validation of process.	12
Corporate H&S		2016/17	RR10 Health & Safety Major health and safety incident	Corporate H&S has not been reviewed in last 8 years. To consider either one area for	15

				review or to consider assurance over the controls identified in the risk register.	
Commercial Waste	Medium/High	2019/20 Adequate/ Reasonable	RR26 Financial Management. Failure to achieve savings targets. Risk: loss of income	Management request: To focus on the raising of invoices and debt recovery generally.	15
Carbon return/declaration	Medium	NEW	Accuracy of govt return and public information.	To review the validity and accuracy of the formula and calculation within the declaration.	6
Procurement – Use of Purchase Orders	Medium	NEW	Risk: Failure to comply with the Council's policies and procedures. RR26 Financial Management. Failure to achieve savings targets.	To work with Finance to assess whether the 'No PO, no pay' condition is operational.	12
Contract – Grounds Maintenance	Medium	2022/23 Substantial	RR 3 Procurement & Contract Mgt: Failure of contractors/suppliers working on the Council's behalf.	A new contract requested for review due to extra costs implications.	12
Green Waste	Medium	NEW		To assist with internal control review and advice over the new automation process of green waste.	12
Follow-up audits					
Leisure Contract Mgt – Follow Up		2024/25 Limited	RR 3 Procurement & Contract Mgt: Failure of contractors/suppliers working on the Council's behalf.	Follow up of a previously limited-opinion area to confirm that the agreed actions are implemented and working.	5
Public Health Funerals – Follow Up		2023/24 Limited		Follow up of a previously limited-opinion area to confirm that the agreed actions are implemented and working.	5
BCP – Follow up			RR23 Business Continuity / Disaster Recovery (Response to a localised operational issue)		

			Risks: • Lack of access to Council premises preventing service delivery. • Failure of ICT systems. • Resources become unavailable.		
General Follow Up of agreed actions					10
Total Risk Based Audits					
External Audits and Other Work					
Fraud Work – Investigations and NFI					
Contingency					
Food Waste - consultancy					
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					
Subtotal External and Other Work					
Grand Total					

* 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: 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
Substantial Assurance	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.
Reasonable Assurance	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
Limited Assurance	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.
No Assurance	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 C: Fundamental Audit Plan

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

System Name	2023/24	2024/25	2025/26	2026/27	2027/28	Current Overall assurance rating
Housing Benefits *	✓	✓	✓	✓	✓	Adequate / Reasonable (2024/25)
Council Tax *	✓	✓	✓	✓	✓	Adequate / Reasonable (2024/25)
Business Rates *	✓	✓	✓	✓	✓	Adequate / Reasonable (2024/25)
Enforcement	✓	✓	✓	✓	✓	Adequate / Reasonable (2024/25)
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 (MAS)			✓			Substantial (2021/22)

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