



Hinckley and Bosworth Borough Council Audit Committee – 5 March 2025

Internal Audit Strategy Update – Operational Plan 2025/26 and Charter – Draft

Date Prepared: February 2025

Strictly private and confidential

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Disclaimer

This report (“Report”) was prepared by Forvis Mazars LLP at the request of Hinckley and Bosworth Borough Council and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

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Section 01

Introduction

Introduction

The Internal Audit Strategy (the Strategy) is used to direct Internal Audit resources to those aspects of the organisation that are assessed as generating the greatest risk to the achievement of its objectives. This is subject to review and update on at least an annual basis to ensure it meets the needs of Hinckley and Bosworth Borough Council (Hinckley), including taking account of any areas of new and emerging risk within the Risk Register. The purpose of this document is to provide the Audit Committee with a further update of the Strategy and the proposed 2025/26 Internal Audit Plan (the Plan) for consideration and approval.

In considering the document, the Audit Committee is asked to consider:

- whether the balance is right in terms of coverage and focus;
- whether key areas have been captured that would be expected; and
- whether there are any significant gaps.

The scope and purpose of internal audit is set out on the right hand side, and how the 2025/26 Plan was prepared is set out in **Section 02**. The updated Internal Audit Strategy for 2025/26 to 2027/28 is set out in **Section 03**.

In addition, we are also seeking approval from the Audit Committee for the Internal Audit Charter in **Section 04**, which we request on an annual basis.

Scope and Purpose of Internal Audit



IA's Role

The purpose of internal audit is to provide the Council, through the Audit Committee, and management, with an independent and objective opinion on risk management, control and governance and their effectiveness in achieving Hinckley's agreed objectives.



IA Plan

Completion of the internal audits proposed in the 2025/26 Plan should be used to help inform Hinckley's statement on the effectiveness of internal control within its annual report and accounts



Objective

Internal auditing is an independent, objective assurance and consulting activity 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 risk management, control and governance processes. Internal Audit also has an independent and objective consultancy role to help line managers improve risk management, governance and control



Charter

We have included our Internal Audit Charter in Section 04. The Charter sets out terms of reference and serves as a basis for the governance of Hinckley's IA function, establishing our purpose, authority, responsibility, independence and scope, in accordance with the Chartered Institute of Internal Auditor's (IIA) standards.

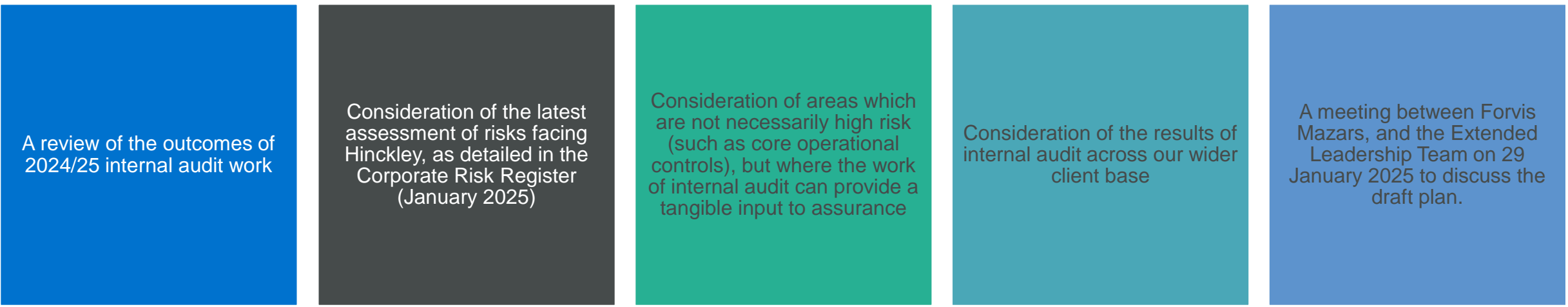
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Section 02

Internal Audit Operational Plan 2025/26

Preparing the Strategy Update and Operational Plan for 2025/26

As part of our approach, it is important we consider Hinckley’s strategic priorities, as well as the key strategic risks identified, as we seek to align our risk-based approach accordingly. In preparing the Strategy update, the following activities have been undertaken:



This section includes the proposed 2025/26 Plan.

The Plan will be reassessed on a continual basis in light of emerging risks (including issues identified by Internal Audit). Should this result in a need for significant revisions, the plan will be revised and presented for re-approval to the Audit Committee.

Our professional judgement has been applied in assessing the level of resource required to carry out the audits identified in the strategic cycle. This includes consideration of the complexity of the system, volume and frequency of transactions, sources of assurance and the audit approach to the area under review.

Recommendations made as part of our work will be subject to on-going review as part of our Follow up Audit approach.

Internal Audit Operation Plan 2025/26

An overview of the Internal Audit Operational Plan 2025/26 is set out below.

Proposed Summary Operational Plan					
Audit Area	Estimated Days	Overarching Corporate Risk	High level scope	Target Start Date	Target Audit Committee
Partnership Governance	10	ICT Partnership	To access the adequacy and effectiveness of controls in place to maintain effective partnership relationships and outcomes.	Q1	June 2025
Corporate Governance	10	No specific Corporate Risk	To evaluate the adequacy and effectiveness of the core governance arrangements across the Council, including the arrangements for delegated decision making.	Q2	TBC
Revenue and Benefits (TBC)	10	Dissolution of Business Rates Pool	To be agreed with the Leicestershire Revenues & Benefits Partnership.	Q2	TBC
Service Level Budget Monitoring	10	Balanced MTFS	To cover the strategic approach to co-ordinating budgetary control at service level, including monitoring and reporting.	Q2	TBC
Licencing	10	No specific Corporate Risk	To assess the effectiveness of licensing processes, ensuring adherence to regulations.	Q3	TBC
IT Audit	12	Cyber Security	To be agreed with the Leicestershire ICT Partnership.	Q3	TBC
Workforce Capacity	10	Workforce capacity	To access the arrangements in place for the Council to meet current and future staffing needs, for ensuring optimal resource allocation and for identifying gaps or inefficiencies.	Q3	TBC
Business Continuity	10	Insufficient business continuity management arrangements	To access the adequacy and effectiveness of the Council's Business Continuity plans and processes, ensuring preparedness for disruptions and identifying areas for improvement.	Q4	TBC
Enforcement Action	10	No specific Corporate Risk	To evaluate the effectiveness and compliance of enforcement activities, ensuring adherence to regulation.	Q4	TBC
Management and Reporting Activities					
Follow Up	5			Q4	TBC
Management and Control	15			Ongoing	N/A
Total	112				

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Section 03

Updated Internal Audit Strategy 2025/26 – 2027/28

Updated Internal Audit Strategy 2025/26 – 2027/28

Corporate Risks	Auditable Area	Previous Audits			Strategy		
		2022/23	2023/24	2024/25	2025/26	Indicative 2026/27	Indicative 2027/28
Devolution and Local Government Reorganisation							
Damage to Reputation/adverse publicity	Communication strategy					✓	
	Complaints management						✓
Insufficient Business Continuity Management Arrangements	Business continuity				10		
Failure to adhere to Health and Safety Legislation/ Regulations	Health and safety		Moderate				
Workforce capacity	Recruitment and onboarding					✓	
	Retention						
	Employee wellbeing						
	Workforce capacity				10		
	Sickness management			Substantial			
	Agency staff						✓
	Succession planning					✓	
Council does not prevent or detect fraudulent activities	Fraud management						✓
Depot insufficient space to accommodate introduction of food waste collections	Project assurance						
Climate Emergency	Carbon neutral action plan						
	Recording of electric and gas usage		Moderate				

Updated Internal Audit Strategy 2025/26 – 2027/28

Corporate Risks	Auditable Area	Previous Audits			Strategy		
		2022/23	2023/24	2024/25	2025/26	Indicative 2026/27	Indicative 2027/28
Crematorium delivery	Crematorium						✓
Cyber Security	Cyber Security						
	Disaster recovery						
	IT asset management		Limited				
	Vulnerability Management						
	Information governance						
	ICT Audit (TBC)			TBC	12	✓	✓
	Balanced MTFS	Accounts payable					
Accounts receivable		Moderate					
Payroll and pensions						✓	
Procurement		Moderate					
Main accounting			Substantial				
Treasury management				Moderate			
Capital Programme				TBC			
Contract management							✓
Service Level Budget Monitoring					10		
Dissolution of Business Rates Pool	Council Tax & Business Rates						
	Housing Benefit and Local Council Tax Support		Moderate				
	Adequacy and effectiveness of key controls relating to Council Tax and NNDR processes.			Moderate			
	Revenue and benefits (TBC)				10	✓	✓

Updated Internal Audit Strategy 2025/26 – 2027/28 (continued)

Corporate Risks	Auditable Area	Previous Audits			Strategy		
		2022/23	2023/24	2024/25	2025/26	Indicative 2026/27	Indicative 2027/28
ICT Partnership	Partnership governance				10		
Increased homelessness presentations and temporary Accommodation Requirements	Homelessness			TBC			
Loss of external funding and impact on capacity	Budget control		Substantial				
Delivery of the Local Plan	Development of Local Plan						
Social Housing Regulation	Housing Rents						
	Responsive repairs						
	Statutory property compliance	Moderate					
	Consumer standards					✓	
Planning Designation	S106 Planning	Moderate					
	Planning					✓	
Emergency Planning arrangements	Emergency planning						✓
No specific Corporate risk	Risk management		Limited				
	Commercial asset management	Moderate					
	Leisure centre			TBC			
	Waste management			TBC			
	Fire safety			TBC			
	Licencing				10		
	Enforcement action				10		
	Corporate governance				10		
Follow Up					5	✓	✓
Management and Control					15	✓	✓
Total					112	✓	✓

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Section 04

Internal Audit Charter

Internal Audit Charter

The Internal Audit Charter sets out the terms of reference and serves as a basis for the governance of Hinckley's Internal Audit function. It sets out the purpose, authority and responsibility of the function in accordance with the Global Internal Audit Standards (GIAS) of the IIA and the Application Note: Global Internal Audit Standards in the UK Public Sector, produced by CIPFA. The Charter will be reviewed and updated annually by the Head of Internal Audit.

Nature and Purpose

Hinckley is responsible for the development of a risk management framework, overseen by the Audit Committee, which includes:

- Identification of the significant risks in the operations and allocation of a risk owner to each;
- An assessment of how well the significant risks are being managed; and
- Regular reviews by the Senior/Executive Team and the Audit Committee of the significant risks, including reviews of key risk indicators, governance reports and action plans, and any changes to the risk profile.

A system of internal control is one of the primary means of managing risk and consequently the evaluation of its effectiveness is central to Internal Audit's responsibilities.

Hinckley's system of internal control comprises the policies, procedures and practices, as well as organisational culture that collectively support Hinckley's effective operation in the pursuit of its objectives. The risk management, control and governance processes enable Hinckley to respond to significant business risks, be these of an operational, financial, compliance or other nature, and are the direct responsibility of the Senior/Executive Team. Hinckley needs assurance over the significant business risks set out in the risk management framework. In addition, there are many other stakeholders, both internal and external, requiring assurance on the management of risk and other aspects of Hinckley's business. There are also many assurance providers. Hinckley should, therefore, develop and maintain an assurance framework which sets out the sources of assurance to meet the assurance needs of its stakeholders.

Internal Audit is defined by the Institute of Internal Auditors' International Professional Practices Framework (IPPF) as 'an independent, objective assurance and consulting activity 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 risk management, control and governance processes.'

Internal Audit carries out assurance and consulting activities across all aspects of Hinckley's business, based on a programme agreed with the Audit Committee, and coordinates these activities via the assurance framework. In doing so, Internal Audit works closely with risk owners, and the Senior/Executive Team.

In addition to providing independent assurance to various stakeholders, Internal Audit helps identify areas where Hinckley's existing processes and procedures can be developed to improve the extent with which risks in these areas are managed; and public money is safeguarded and used economically, efficiently and effectively. In carrying out its work, Internal Audit liaises closely with the Senior/Executive Team and management in relevant departments.

The independent assurance provided by Internal Audit also assists Hinckley to report annually on the effectiveness of the system of internal control included in the Annual Governance Statements.

Authority and Access to Records, Assets and Personnel

Internal Audit has unrestricted right of access to all Hinckley's records and information, both manual and computerised, and other property or assets it considers necessary to fulfil its responsibilities. Internal Audit may enter business property and has unrestricted access to all locations and officers where necessary on demand and without prior notice.

Any restriction (management or other) on the scope of Internal Audit's activities will be reported to the Audit Committee.

Internal Audit is accountable for the safekeeping and confidentiality of any information and assets acquired in the course of its duties and execution of its responsibilities.

Internal Audit will consider all requests from the external auditors for access to any information, files or working papers obtained or prepared during audit work that has been finalised, and which external audit would need to discharge their responsibilities.

Internal Audit Charter (continued)

Responsibility

The Head of Internal Audit is required to provide an annual opinion to Hinckley, through the Audit Committee, on the adequacy and the effectiveness of Hinckley's risk management, control and governance processes.

In order to achieve this, Internal Audit will:

- Coordinate assurance activities with other assurance providers as needed (such as the external auditors) such that the assurance needs of Hinckley, regulators and other stakeholders are met in the most effective way
- Evaluate and assess the implications of new or changing systems, products, services, operations and control processes.
- Carry out assurance and consulting activities across all aspects of Hinckley's business based on a risk-based plan agreed with the Audit Committee. Provide the Council with reasonable, but not absolute, assurance as to the adequacy and effectiveness of the key controls associated with the management of risk in the area being audited.
- Issue periodic reports to the Audit Committee and the Senior Leadership Team summarising results of assurance activities.

- Assist, when requested, in the investigation of allegations of fraud, bribery and corruption within Hinckley and notifying management and the Audit Committee of the results.
- Assess the adequacy of remedial action to address significant risk and control issues reported to the Audit Committee. Responsibility for remedial action in response to audit findings rests with line management.

There are inherent limitations in any system of internal control and thus errors or irregularities may occur and not be detected by Internal Audit's work.

When carrying out its work, Internal Audit will provide line management with comments and report breakdowns, failures or weaknesses of internal control systems together with recommendations for remedial action.

However, Internal Audit cannot absolve line management of responsibility for internal controls.

Internal Audit will support line managers in determining measures to remedy deficiencies in risk management, control and governance processes and compliance to Hinckley's policies and standards and will monitor whether such measures are implemented on a timely basis.

The Audit Committee is responsible for ensuring that Internal Audit is adequately resourced and afforded a sufficiently high standing within the organisation, necessary for its effectiveness.



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Statement of Responsibility

We take responsibility to Hinckley and Bosworth Borough Council for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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