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# Chelmsford City Council Audit and Risk Committee

**26 February 2025**

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## Internal Audit Plan 2025 and Charter

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Report by:

Audit Services Manager

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Officer Contact:

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### Purpose

This report presents the Internal Audit Plan for 2025 and Internal Audit Charter to Committee.

### Recommendations

Committee are requested to approve the Internal Audit Plan for 2025 and Internal Audit Charter.

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### 1. Introduction

- 1.1. The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. The purpose of Chelmsford City Council's Internal Audit section is to provide independent, objective assurance and consulting services to the Council (via the Audit & Risk Committee, Chief Executive, S151 Officer, External Audit and senior managers), relating to these arrangements, which are designed to add value and improve the Council's operations.
- 1.2. The Audit Services Manager is also responsible for the delivery of an annual audit opinion that can be used by the Council to inform its governance statement. The annual opinion will also conclude on the overall adequacy and

effectiveness of the organisation's framework of governance, risk management and control.

- 1.3. In order to achieve this, Internal Audit have developed the attached internal audit plan for 2025 which is based on a prioritisation of the audit universe using a risk-based methodology, including input from the Council's 'Our Chelmsford Our Plan', Principal Risk Register, Fraud Risk Register, AGS Action Plan as well as discussions with Council staff, senior management, plus consideration of local and national issues and risks.
- 1.4. As with last year, we have produced a 6-month plan for work from April to September, with suggested areas for October to March that we can be flexible over delivering nearer the time, but equally be in a good place to respond to any higher risks that might emerge in the meantime.

## 2. Internal Audit Budget and Resources

- 2.1. The plan has been drawn up to address the key risks for the Council, taking into account available resources.
- 2.2. In order to ensure Internal Audit have an appropriate range of knowledge, skills, qualifications and experience that is required to deliver the audit plan, the Audit Services Manager will consider the external support required to deliver areas where specialist input would be beneficial, and to provide contingency in the event of any gaps in in-house staffing, alongside in-house delivery (1.5 FTE Senior Auditor).
- 2.3. Changes to the plan may be necessary during the year to reflect changing priorities and risk environment. A contingency has therefore been set aside to cover requests from management for ad hoc, advisory type work on risk identification and subsequent control design (as well as urgent, unplanned reviews arising during the year).

## 3. Assurance Levels/Basis of Opinion

- 3.1. Management Team and the Audit & Risk Committee will continue to receive details of critical/high priority issues raised in audit reviews which result in 'limited' or 'no' assurance statements, as part of the bi-annual reporting process.
- 3.2. Internal Audit may also undertake work which does not contribute explicitly to the overall audit opinion and/or deliver an assurance statement. These may include certification of grant claims or consulting activities where Internal Audit provide independent and objective advice and guidance to management on risk and control issues within individual systems to improve those systems and processes where necessary.
- 3.3. Where such work is undertaken, this will be set out as part of Internal Audit's annual report. In order to protect Internal Audit's independence and minimise the impact on the delivery of the overall plan, the Audit Services Manager will give due consideration to the appropriateness of undertaking such work.

## 4. Key Financial Systems (KFS)

- 4.1. The audit plan includes resource allocated to Key Financial Systems (KFS) work. This includes risk-based monitoring of key controls within finance systems to assess whether they are operating effectively.

## 5. Follow Up Audits

- 5.1. Follow-up procedures provide management with updated information about whether key risks have been properly mitigated through remedial actions.
- 5.2. All planned audit work undertaken is subject to a formal follow up to ensure that all agreed actions have been implemented. A budget for follow ups has been accounted for in the plan.

## 6. Alignment with Counter Fraud and Risk Management

- 6.1. In accordance with the audit plan, auditors will plan and evaluate their work so as to have a reasonable expectation of detecting fraud and identifying any significant weaknesses in internal controls and emerging risks. Any suspicion of fraud will be handled by the team in line with Council's fraud response plan.
- 6.2. Internal Audit will also discuss and exchange risk information and any emerging issues which may impact on the Council's wider risk management framework.

## 7. Internal Audit Charter

- 7.1. The Global Internal Audit Standards require the use of an internal audit charter, defined as "a formal document that includes the internal audit function's mandate, organisational position, reporting relationships, scope of work, types of services, and other specifications".

## 8. Conclusion

- 8.1. The Internal Audit Plan 2025 and Internal Audit Charter 2025 is attached for Audit & Risk Committee to approve.

List of appendices: Internal Audit Plan 2025 and Internal Audit Charter 2025

Background papers: None

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## Corporate Implications

Legal/Constitutional: The Council has a duty to maintain an effective internal provision to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance (Regulation 5 (Part 1) of the Accounts and Audit Regulations 2015).

Financial: None

Potential impact on climate change and the environment: None

Contribution toward achieving a net zero carbon position by 2030: None

Personnel: None

Risk Management: The scope of Internal Audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit & Risk Committee, management and outside parties (e.g. External Audit) on the adequacy and effectiveness of governance, risk management, and control process for Chelmsford City Council.

Equality and Diversity: None

Health and Safety: None

Digital: None

Other: None

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**Consultees:** Agreed by Management Team February 2025

**Relevant Policies and Strategies:** None

## Internal Audit Draft Plan 2025 (April to September)

Area	Audit Title	Link to Corporate Plan	Link to Principal Risk	Fraud Risk Assessment <i>(also links to PRR 005 – Fraud)</i>	Indicative Scope <i>(at the start of each audit, an initial discussion will be held to agree the specific objective and scope of the review)</i>
XC	Impact of Climate Change	A Safer and Greener Place	PRR 025 - Impact of Climate Change		<i>Review of the Council's measures for responding to the impact of Climate Change and its framework for reporting progress. To include a review of the process for Carbon Footprint monitoring.</i>
XC	Third Sector Partnership Working	Fairer and Inclusive Chelmsford		FRC5 - Decision-making	<i>Review of the Council's arrangements for managing third sector partnership risks to ensure that outcomes are being achieved and effective governance and oversight arrangements are in place.</i>
XC	Fleet Management/Vehicle Maintenance	A Safer and Greener Place		FRC8 Theft	<i>Review of the arrangements in place for the management and maintenance of Council fleet, including Freighter House, Parks/Ground Maintenance as well as SEPP and Car Parks fleet.</i>
CE	Insurance			FRC19 - Insurance claims	<i>Review of the Council's arrangements for demonstrating its compliance with insurance policy requirements.</i>
CE	Budgetary Control		PRR 032 - Budget and Financial Position		<i>Review of the Council's governance arrangements for budgetary control and service financial planning.</i>
CC	Information Governance		PRR 016 - Information Governance	FRC1 - Data theft and other cyber crime	<i>Review of the Council's control environment in relation to information governance.</i>
CC	Cultural Strategy	A more connected Chelmsford			<i>Review of the Council's shared Cultural Vision, Strategy and Action Plan and its framework for reporting progress</i>
PP	Community Sports & Wellbeing (incl Playschemes)	A more connected Chelmsford	PRR 015 - Safeguarding	FRC11 - Income Collection	<i>Review of operational and financial arrangements.</i>
PP	Markets			FRC12 - Income Collection	<i>Review of operational and financial arrangements.</i>
SC	Temporary Accommodation	Fairer and Inclusive Chelmsford	PRR 006 - Homelessness; PRR 028 - Impact of Cost of Living Crisis	FRC3 Social Housing and Tenancy; FRC12 No Recourse to Public Funds; FRC5 - Decision-making	<i>Review of the Council's arrangements for Temporary Accommodation, including procurement and monitoring of providers</i>
SC	Garden Communities (Local Plan)	Fairer and Inclusive Chelmsford	PRR 012 - Chelmer Waterside Dev; PRR 036 - A12 Widening		<i>Scope TBC</i>

## Proposed Audit Areas (October to March 2026)

Area	Audit Title	Link to Corporate Plan	Link to Principal Risk	Fraud Risk Assessment
XC	Performance Management	ALL		FRC10 - Manipulation of Data
XC	Driving Policy		PRR 014 - Health and Safety	
CE	Key Financial Systems (specific areas TBC)		PRR 032 - Budget and Financial Position	FRC11 - Income Collection; FRC8 Theft; FRC6 Mandate Fraud
CC	Cyber Security (specific areas TBC)		PRR001 – Cyber Security; PRR 016 - Information Governance	FRC1 - Data theft and other cyber crime
PP	Housing Standards & Housing Grants and Loans	Fairer and Inclusive Chelmsford		FRC18 - Grants Received and Payable
PP	Leisure Centres	A more connected Chelmsford	PRR 015 - Safeguarding	FRC11 - Income Collection; FRC8 Theft; FRC7 - Payroll and expenses
SC	Landlord Rent Deposit Scheme		PRR 006 - Homelessness; PRR 028 - Impact of Cost of Living Crisis	FRC3 Social Housing and Tenancy; FRC12 No Recourse to Public Funds
SC	Car Park Strategy	Fairer and Inclusive Chelmsford		FRC12 - Income Collection; FRC7 - Payroll and expenses
SC	Affordable Accommodation (Local Plan)	Fairer and Inclusive Chelmsford	PRR 012 - Chelmer Waterside Development; PRR 036 - A12 Widening	
XC	Performance Management	ALL		FRC10 - Manipulation of Data
SC	Housing Rents		PRR 006 - Homelessness	FRC 23_03 - Social housing & tenancy

# Internal Audit Charter for Chelmsford City Council

## Purpose

The purpose of the internal audit function is to strengthen Chelmsford City Council's ability to create, protect, and sustain value by providing the Audit and Risk Committee and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

The internal audit function enhances Chelmsford City Council'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.

Chelmsford City Council's internal audit function is most effective when:

- Internal auditing is performed by competent professionals in conformance with The IIA's Global Internal Audit Standards, which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the Audit and Risk Committee.
- Internal auditors are free from undue influence and committed to making objective assessments.

## ***Commitment to Adhering to the Global Internal Audit Standards***

Chelmsford City Council's internal audit function will adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements. The Audit Services Manager will report annually to Audit and Risk Committee and senior management regarding the internal audit function's conformance with the Standards, which will be assessed through a quality assurance and improvement program.

## Mandate

### ***Authority***

Chelmsford City Council's internal audit function mandate is found in: the Accounts and Audit Regulations 2015 which states: *Internal Audit: 5.(1) A relevant authority 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. (2) 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 by those conducting the internal audit. (3) In this regulation "documents and records" includes information recorded in an electronic form.*

Also in the Local Government Measure 2011 as amended by the Local Government and Elections (Wales) Act 2021 (extract)) which states: *81. Local authorities to appoint governance and audit committees: (1) A local authority must appoint a committee (a "governance and audit committee") to— ... (e) oversee the authority's internal and external audit arrangements.*

The internal audit function's authority is created by its direct reporting relationship to the Audit and Risk Committee. Such authority allows for unrestricted access to the Audit and Risk Committee.

The Audit and Risk Committee authorises the internal audit function to:

- Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out internal audit responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives.
- Obtain assistance from the necessary personnel of Chelmsford City Council and other specialised services from within or outside Chelmsford City Council to complete internal audit services.

### ***Independence, Organisational Position, and Reporting Relationships***

The Audit Services Manager will be positioned at a level in the organisation that enables internal audit services and responsibilities to be performed without interference from management, thereby establishing the independence of the internal audit function. (See "Mandate" section.) The Audit Services Manager will report functionally to the Audit and Risk Committee and administratively (for example, day-to-day operations) to the Chief Executive. This positioning provides the organisational authority and status to bring matters directly to senior management and escalate matters to the Audit and Risk Committee, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.

The Audit Services Manager will confirm to the Audit and Risk Committee, at least annually, the organisational independence of the internal audit function. If the governance structure does not support organisational independence, the Audit Services Manager will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence.

The Audit Services Manager will disclose to the Audit and Risk Committee any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function's effectiveness and ability to fulfill its mandate.

### ***Changes to the Mandate and Charter***

Circumstances may justify a follow-up discussion between the Audit Services Manager, Audit and Risk Committee, and senior management on the internal audit mandate or other aspects of the internal audit charter. Such circumstances may include but are not limited to:

- A significant change in the Global Internal Audit Standards.
- A significant reorganisation within the organisation.
- Significant changes in the Audit Services Manager, Audit and Risk Committee, and/or senior management.
- Significant changes to the organisation's strategies, objectives, risk profile, or the environment in which the organisation operates.
- New laws or regulations that may affect the nature and/or scope of internal audit services.



## Audit and Risk Committee Oversight

To establish, maintain, and ensure that Chelmsford City Council's internal audit function has sufficient authority to fulfill its duties, the Audit and Risk Committee will:

- Discuss with the Audit Services Manager and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the internal audit function.
- Ensure the Audit Services Manager has unrestricted access to, and communicates and interacts directly with, the Audit and Risk Committee, including in private meetings without senior management present.
- Discuss with the Audit Services Manager and senior management other topics that should be included in the internal audit charter.
- Participate in discussions with the Audit Services Manager and senior management about the "essential conditions," described in the Global Internal Audit Standards, which establish the foundation that enables an effective internal audit function.
- Approve the internal audit function's charter, which includes the internal audit mandate and the scope and types of internal audit services.
- Review the internal audit charter annually with the Audit Services Manager to consider changes affecting the organisation, such as the employment of a new Audit Services Manager or changes in the type, severity, and interdependencies of risks to the organisation; and approve the internal audit charter annually.
- Approve the risk-based internal audit plan.
- Advocate to senior management, which submits budgetary requests to Full Council, for sufficient budget and resources allowing the internal audit function to fulfill its mandate and accomplish its audit plan.
- Provide input to senior management on the appointment and removal of the Audit Services Manager, ensuring adequate competencies and qualifications and conformance with the Global Internal Audit Standards.
- Receive communications from the Audit Services Manager about the internal audit function including its performance relative to its plan.
- Ensure a quality assurance and improvement program has been established and review the results annually.
- Make appropriate inquiries of senior management and the Audit Services Manager to determine whether scope or resource limitations are inappropriate.

## Audit Services Manager Roles and Responsibilities

### *Ethics and Professionalism*

The Audit Services Manager will ensure that internal auditors:

- Conform with the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the organisation and be able to recognise conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the organisation.
- Report organisational behavior that is inconsistent with the organisation's ethical expectations, as described in applicable policies and procedures.

### *Objectivity*

The Audit Services Manager will ensure that the internal audit function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the Audit Services Manager determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

Internal auditors will have no direct operational responsibility or authority over any of the activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing operational duties for Chelmsford City Council or its affiliates.
- Initiating or approving transactions external to the internal audit function.
- Directing the activities of any Chelmsford City Council employee that is not employed by the internal audit function, except to the extent that such employees have been appropriately assigned to internal audit teams or to assist internal auditors.

Internal auditors will:

- Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties and at least annually, such as the Audit Services Manager, Audit and Risk Committee, management, or others.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

### ***Audit Services Manager – Other Areas of Responsibility***

The Audit Services Manager has strategic responsibility for Counter Fraud and Risk Management and since this role may involve establishing and maintaining the control environment, the appropriate measures and safeguards will be put in place to preserve independence and objectivity, such as:

- The work being managed and led by a Senior Auditor, independently from the Audit Services Manager
- Utilising Internal Audit's external co-sourced provider
- Conclusions being reported directly to the Council's Chief Executive

### ***Managing the Internal Audit Function***

The Audit Services Manager has the responsibility to:

- At least annually, develop a risk-based internal audit plan that considers the input of the Audit and Risk Committee and senior management. Discuss the plan with the Audit and Risk Committee and senior management and submit the plan to the Audit and Risk Committee for review and approval.
- Communicate the impact of resource limitations on the internal audit plan to the Audit and Risk Committee and senior management.
- Review and adjust the internal audit plan, as necessary, in response to changes in Chelmsford City Council's business, risks, operations, programs, systems, and controls.
- Communicate with the Audit and Risk Committee and senior management if there are significant interim changes to the internal audit plan.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards and laws and/or regulations.
- Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services to the Audit and Risk Committee and senior management and for each engagement as appropriate.
- Ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards and fulfill the internal audit mandate.
- Identify and consider trends and emerging issues and communicate to the Audit and Risk Committee and senior management as appropriate.
- Consider emerging trends and successful practices in internal auditing.
- Establish and ensure adherence to methodologies designed to guide the audit function.
- Ensure adherence to Chelmsford City Council's relevant policies and procedures unless such policies and procedures conflict with the internal audit charter or the Global Internal Audit Standards. Any such conflicts will be resolved or documented and communicated to the Audit and Risk Committee and senior management.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the Audit Services Manager cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and if necessary escalated to the Audit and Risk Committee.

### ***Communication with the Audit and Risk Committee and Senior Management***

The Audit Services Manager will report at least annually to the Audit and Risk Committee and senior management regarding:

- The internal audit function's mandate.
- The internal audit plan and performance relative to its plan.
- Significant revisions to the internal audit plan.
- Potential impairments to independence, including relevant disclosures as applicable.
- Results from the quality assurance and improvement program, which include the internal audit function's conformance with The IIA's Global Internal Audit Standards and action plans to address the internal audit function's deficiencies and opportunities for improvement.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the Audit and Risk Committee that could interfere with the achievement of Chelmsford City Council's strategic objectives.
- Results of assurance and advisory services.
- Resource requirements.
- Management's responses to risk that the internal audit function determines may be unacceptable or acceptance of a risk that is beyond Chelmsford City Council's risk appetite.

### ***Quality Assurance and Improvement Program***

The Audit Services Manager will develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program will include external and internal assessments of the internal audit function's conformance with the Global Internal Audit Standards, as well as performance measurement to assess the internal audit function's progress toward the achievement of its objectives and promotion of continuous improvement. The program also will assess, if applicable, compliance with laws and/or regulations relevant to internal auditing. Also, if applicable, the assessment will include plans to address the internal audit function's deficiencies and opportunities for improvement.

Annually, the Audit Services Manager will communicate with the Audit and Risk Committee and senior management about the internal audit function's quality assurance and improvement program, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments. External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside Chelmsford City Council.

### ***Scope and Types of Internal Audit Services***

The scope of internal audit services covers the entire breadth of the organisation, including all of Chelmsford City Council's activities, assets, and personnel. The scope of internal audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the Audit and Risk Committee and management on the adequacy and effectiveness of governance, risk management, and control processes for Chelmsford City Council.

The nature and scope of advisory services may be agreed with the party requesting the service, provided the internal audit function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

Internal audit engagements may include evaluating whether:

- Risks relating to the achievement of Chelmsford City Council’s strategic objectives are appropriately identified and managed.
- The actions of Chelmsford City Council’s officers, directors, management, employees, and contractors or other relevant parties comply with Chelmsford City Council’s policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations and programmes are consistent with established goals and objectives.
- Operations and programmes are being carried out effectively, efficiently and ethically.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact Chelmsford City Council.
- The integrity of information and the means used to identify, measure, analyse, classify, and report such information is reliable.
- Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

**Approved by the Audit and Risk Committee at its meeting on [date].**

**Acknowledgments/Signatures:**

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Audit Services Manager

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Date

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Audit and Risk Committee Chair

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Date

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Nick Eveleigh, Chief Executive

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Date