

A woman with short blonde hair, wearing a red collared shirt, is shown from the chest up. She is holding a pair of glasses in her right hand, with her index finger resting on her chin. She has a thoughtful expression, looking upwards and to the left. The background is dark grey. A diagonal white line runs from the bottom left towards the center. A red triangle is in the bottom right corner.

Rushcliffe Borough Council

Annual Plan and Charter for 2026-27

February 2026

BDO

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Introduction and executive summary

Introduction

- ▶ 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.
- ▶ Our approach is to help Rushcliffe Borough Council (the Council) accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. Our approach complies with best professional practice, in particular, the principles set out in the Institute of Internal Auditor's (IIA's) International Professional Practices Framework (IPPF) which includes the new Global Internal Audit Standards that become effective from January 2025.
- ▶ The purpose of this paper is to set out, and seek agreement from, the Council's Governance Scrutiny Group on the Internal Audit Annual Plan for 2026/27.

Internal Audit at Rushcliffe Borough Council.

We have been appointed as internal auditors to the Council to provide the Governance Scrutiny Group and the Executive Management Team with assurance on the adequacy of risk management, governance and internal control arrangements.

Responsibility for these arrangements remains fully with management who should recognise that Internal Audit can only provide 'reasonable assurance' and cannot give any guarantee against material errors, loss or fraud. Our role is aimed at helping management to improve its risk management, governance and internal control mechanisms, so reducing the effects of any significant risks facing the company.

In establishing the internal audit plan for 2026/27 we have sought to further clarify our initial understanding of the Council's business and risk profile in the context of:

- ▶ Corporate risks
- ▶ Management's priorities and objectives for the coming year
- ▶ The key challenges facing client name, by reviewing the corporate risk register
- ▶ The internal audit work carried out in prior years
- ▶ Cyclical coverage based on the audit universe
- ▶ Structural and governance changes across the sector with local government reorganisation expected to reduce the number of local authorities across England and Wales.

Summary

- ▶ The Internal Audit Plan for 2026/27 is set out on pages 9-14 and comprises 9 audits, totalling 150 days.
- ▶ The rolling three-year Internal Audit Plan is set out on page 18 onwards and will be subject to review each year.
- ▶ The Internal Audit Plan for 2026/27 provides coverage across key strategic and operational service areas.

Internal audit approach

Background

- ▶ Our risk-based approach to internal audit uses the Council's own risk management processes and risk registers as a starting point for audit planning, as this represents the authority's own assessment of the risks to it achieving its strategic objectives.
- ▶ The extent to which we can rely on management's own perception of risk largely depends on the maturity and effectiveness of the Council's own arrangements for managing risk. In estimating the amount of audit resource required to address the most significant risks, we have also sought to confirm that senior management's own assessment of risk accurately reflects the Council's current risk profile.

Planned Approach to Internal Audit for 2026/27

The suggested Internal Audit Plan for 2026/27 is set out on pages 9 to 14. We will keep the plan under review throughout the year and we will highlight for consideration any significant areas of risk identified during that period that may need to be included as part of the internal audit plan.

- ▶ Where auditable areas correspond to corporate risks, we will take into account the mitigation strategies in place when performing our reviews. This is to ensure that the mitigating controls, as well as the actions that have been identified by management, are in operation and are effective.

As High risk areas not included

There are high risk areas in the Council's Corporate Risk Register or based on our general understanding of local authorities. These are:

- ▶ The non approval of the Gamston supplementary planning document because this is a specific project which the Council is managing through regular contract management meetings with the developer and have developed a planning performance agreement to manage the risk.
- ▶ Centralised policy changes resulting in increased demand and leading to capacity challenges have been considered through certain review (Local Government Reorganisation, Waste and Recycling) however, there is other legislative changes that have not been specifically included in our plan.
- ▶ Central Government funding uncertainty due to one-year settlements and delays to reforms are not included because this is outside of the Council's control. Other impacted controls such as budget management and control are included in our plan.

Contingency audits

Audits from page 15 (audits considered but not included) would be considered if any of our planned reviews are removed from the Internal Audit Plan.



Internal audit approach



Variations to the Plan

We acknowledge that variations to the plan may arise from our reviews, changes to the Council's risk profile or due to management requests. Approval will be sought from the Governance Scrutiny Group before any changes to the plan are made.

Individual Audits

In determining the timing of our individual audits, we will seek to agree a date most convenient to the Council which ensures the availability of key stakeholders. Once this plan is agreed we will discuss priorities and workloads with management and re-issue the plan including the proposed phasing of our internal audit work.

For each we have set out whether they are an assurance or advisory engagement. For each assurance review, we will identify the key objectives of the area subject to audit and the risks of those objectives not being met. We will assess the 'unmitigated' risk (i.e. before the operation of the controls in place) and, having identified and tested those controls, make an assessment of the 'mitigated' risk. This will enable us to confirm that the control infrastructure does reduce risk to a level the Council is comfortable with. Each of our audit reports will include two opinions:

- ▶ Firstly, on the design of controls that are in place
- ▶ Secondly, on the operational effectiveness of those controls in practice.

Internal audit resources and outputs



Resourcing

The plan has been drafted giving consideration to the Council's budget and how coverage can be best obtained. Resource will be adequate to ensure the delivery of agreed reports to time, except where this is outside of our control. BDO has a core group of professionally qualified staff, including Chartered Accountants and The Institute of Internal Auditors qualified staff, as well as other specialists and experienced auditors. Our team is fully attuned with modern internal audit practice and recognised risk and governance standards.

Subject to approval of the budget, we can confirm that we have sufficient human, financial and technological resources to deliver the Internal Audit Plan.

Core internal audit team

The core team that will be managing the internal audit programme is:

Name	Grade	Qualification	Email
Gurpreet Dulay	Partner	CPFA	Gurpreet.Dulay@bdo.co.uk
Max Armstrong	Manager	ACA	Max.Armstrong@bdo.co.uk
Nathan Hall	Assistant Manager	ACA	Nathaniel.Hall@bdo.co.uk

This team will be supported by members of our Risk Advisory Services (RAS) team and wider firm, as and when required.

Reporting to the Governance Scrutiny Group

Each year we will submit the Internal Audit Plan for discussion and approval by the Governance Scrutiny Group. We will liaise with the Executive Director of Finance and Corporate Resources, the Assistant Director of Finance and other senior officers, as appropriate, to ensure that internal audit reports, summarising the results of our visits, are presented to the appropriate Governance Scrutiny Group meeting.

Internal Audit Charter

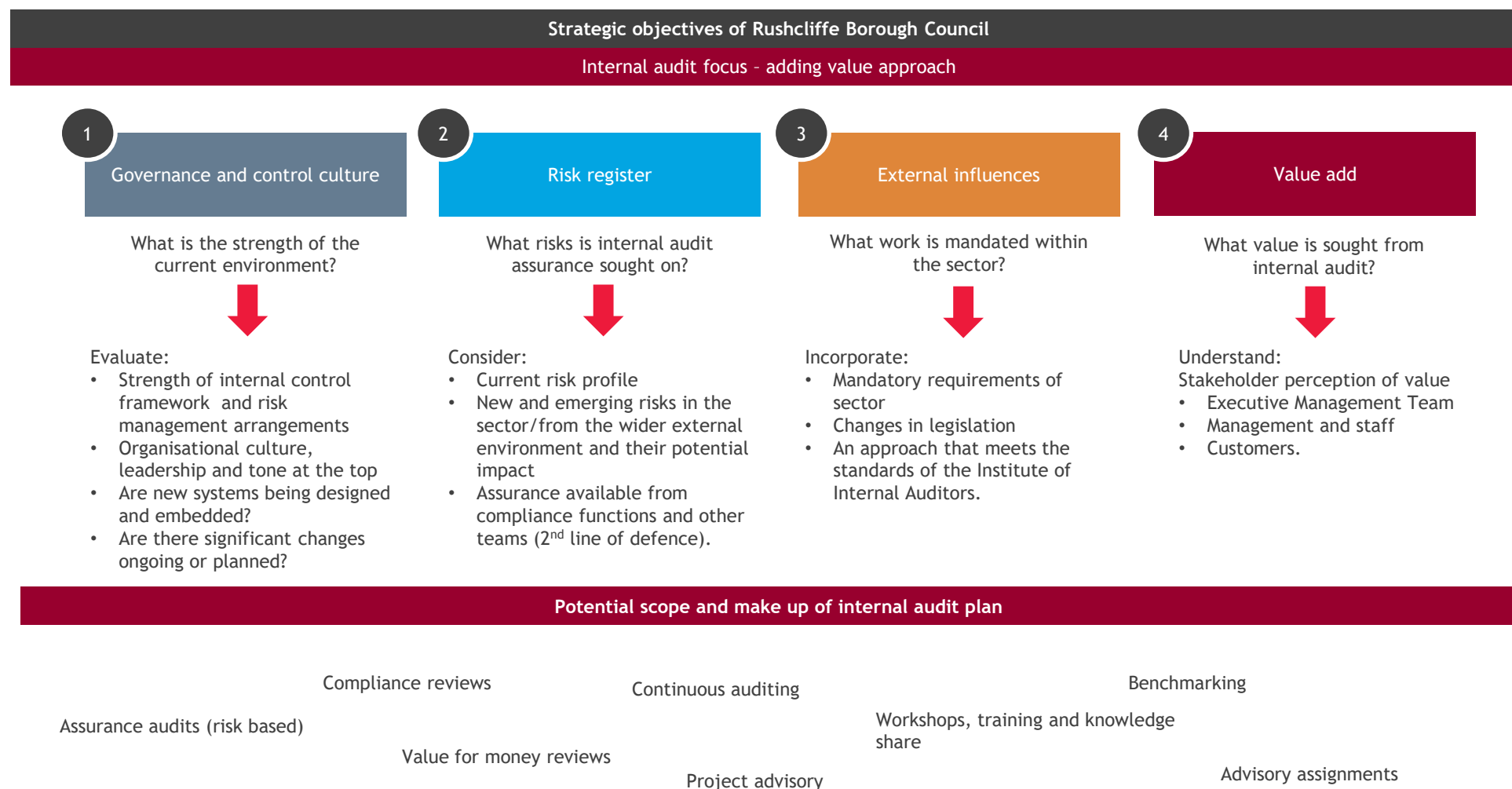
We have formally defined Internal Audit's purpose, authority and responsibility in an Internal Audit Charter, which can be found in Appendix I. The Charter establishes Internal Audit's position within the Council and defines the scope of its activities.

Definitions

We define in Appendix II our approach for grading individual audit findings and overall audit reports. These definitions have been designed to make the ratings clear to both the Internal Audit team and audit stakeholders.

Our approach to planning

Planning approach



Our approach to planning

Planning approach

1

Governance and control culture

The governance and control culture is a fundamental consideration when developing the internal audit approach. We believe that governance is not only affected by procedures, rules and regulations (hard controls); another equally important component is the established culture and behaviour of employees within the Council, as these determine the effectiveness of governance.

We have developed an understanding of these areas through a combination of our discussions with you about your corporate strategy and through review of documents such as your Annual Governance Statement, Statement of Accounts, Going Concern Assessment Report, the Greater Nottinghamshire Local Government Reorganisation Proposal, your Corporate Risk Register and previous internal audit reports, as well as the work we conducted between FY24 and FY26.

Assessment of culture and behaviour will be a key theme throughout the delivery of our work and we will look to provide insight into whether these cultural factors support ethical behaviour on an ongoing basis.

In deriving the plan for 2026/27 and onwards we will focus on any planned and ongoing changes to core systems and processes to respond to the changes in the wider environment.

3

External influences

Our programme of work is designed to comply with the Global Internal Audit Standards which form part of the International Professional Practice Framework set out by The Institute of Internal Auditors.

For local government internal audit, internal audit is also required to comply with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for the Governance of Internal Audit in UK Local Government, effective from 1 April 2025.

We will also consider in our work any externally imposed regulation relating to governance, risk and control.

2

Current risk register

On an ongoing basis, our audit plan will be based upon a detailed assessment of those risks that affect the achievement of the Council's strategic objectives. Our audit programme will be designed to ensure that controls are in place such that key risks are appropriately managed and controlled. To understand the Council's objectives and key risks, we considered your following information:

- ▶ Strategy and objectives
- ▶ Risk Management Strategy and risk registers
- ▶ Financial forecasts and performance
- ▶ Reports from other assurance providers
- ▶ The content of your most recent internal audit reports

The internal audit plan and corporate risk register will be periodically reviewed during 2026/27. Should the plan need to change we will seek approval from the Governance Scrutiny Group.

4

Value add

We understand that 'value' is perceived differently by each client and therefore we do not seek to have a standard approach to this element of the audit programme.

Our methodology considers the additional value the Governance Scrutiny Group and management are seeking from internal audit, beyond the assurance our work provides.

We therefore consider this alongside our understanding of the risks. Added value may take a range of forms, from benchmarking and other peer comparisons, to involvement with advising on new systems implementation, advisory assignments and providing training and seminars.

We will clearly set out in the plan which elements of adding value activity we will deliver.

Internal audit plan for 2026/27

Audit area	No. of days	Reason for selection	High level scope	Priority	Risk	Link to strategic objective				Proposed timing	Topical requirement
						Environ- ment	Quality of Life	Sustaina- ble Growth	Efficient Services		
Assurance reviews											
Section 106 and Community Infrastructure Levy	15	S106/CIL funding contributes to investment in local infrastructure by property developers to alleviate the impact of large developments on resources and infrastructure. The Council hold c£40m in S106/CIL funding to invest into local projects.	The purpose of this review is to provide assurance over the Council’s strategy and planning for the allocation of S106/CIL funding prior to local government reorganisation. We will also assess the arrangements for monitoring when trigger points are met by developers to ensure S106/CIL income is collected promptly.	Medium	OR_DEG07	✓	✓	✓		Q3	
Income Receipts (Car Parks and Green Waste)	9	Cash and income collection are naturally a higher risk area due to the potential for theft, fraud or misappropriation of the Council’s assets. The areas of focus in this audit have been considered higher risk areas as collection processes are outsourced to third parties.	<u>Car Parking</u> Income is collected and banked by NSL with reconciliation, so we will test the completeness and adequacy of these processes. <u>Green Waste</u> Receipts are collected by the Council so this review will assess the reconciliation and collection processes.	Medium	CRS_FCS03 OR_FCS06				✓	Q2	
Income Receipts (Bingham Market)	5	Cash and income collection is a higher risk to the Council as the operation of the market is outsourced to third parties.	This will be a focused review on income collection at Bingham Market, including site inspections to ensure these align with reconciliation reports.	Medium	CRS_FCS03 OR_FCS06				✓	Q1	

Internal audit plan for 2026/27

Audit area	No. of days	Reason for selection	High level scope	Priority	Risk	Link to strategic objective				Proposed timing	Topical requirement
						Environ- ment	Quality of Life	Sustaina- ble Growth	Efficient Services		
Assurance reviews											
Licensing	14	<p>Local authorities have a statutory duty to administer various types of licences. Other licenses can be applied on a discretionary basis.</p> <p>A concern around licensing was raised at a Governance Scrutiny Group meeting in 2025/26, therefore, we consider this to be an area of coverage in 2026/27 to provide the Group with assurances over controls and processes.</p>	<p>We will assess the adequacy of controls and procedures for administering and documenting evidence for a range of licenses, including checking whether statutory and mandatory checks of applicants are performed and evidence is retained.</p> <p>We will also benchmark the Council’s licences to other authorities to assess the consistency of licence fees and types of services that it licences to identify potential gaps.</p>	Medium	<div>CRR_CED02</div> <div>CRR_FCS11</div>			✓	✓	Q2	
Waste and Recycling	15	<p>The Simpler Recycling legislation was introduced for households in March 2026, requiring separate collections for dry recyclables. Food and residual waste collections must be implemented by March 2027. Local authorities are responsible for implementing these changes.</p> <p>The Council started the kerbside glass recycling collections on 1 December 2025. As this is new legislation placing new requirements on local authorities, this is a heightened area of risk.</p>	<p>This review will assess the adequacy of the Council’s arrangements to maintain compliance with the new Simpler Recycling legislation for glass and dry recycling kerbside collections, including procedures for allocating new bins to residents, planning collection routes and ensuring recycling is separated.</p> <p>We will also assess the effectiveness of processes for monitoring and investigating reports of non-compliance with the rules by businesses and escalating these to the Environment Agency.</p>	High	OPP_FCS02	✓	✓		✓	Q3	

Internal audit plan for 2026/27

Audit area	No. of days	Reason for selection	High level scope	Priority	Risk	Link to strategic objective				Proposed timing	Topical requirement
						Environ- ment	Quality of Life	Sustaina- ble Growth	Efficient Services		
Assurance reviews											
Homeless- ness and Temporary Accommoda- tion	15	The Council cooperate with Broxtowe Borough Council and Gedling Borough Council on the South Nottinghamshire Homelessness and Rough Sleeping Strategy. The Council has a statutory obligation to provide main duty and relief duty to those presenting as homeless.	<p>This review will cover the Council’s management of homelessness and temporary accommodation, including the design and effectiveness of controls to comply with the Homelessness Reduction Act 2017.</p> <p>We will select a sample of homelessness cases and temporary accommodation placements to assess whether processes have been followed appropriately to ensure the Council have sufficient demonstrated its exercising of the main and relief duty.</p>	Medium	ORR_NS31		✓		✓	Q4	
GDPR	14	<p>The General Data Protection Regulations (GDPR) were implemented into the Data Protection Act 2023, to establish standards for securely managing and protecting personal and sensitive data.</p> <p>This is a higher area of risk due to the penalties that can be imposed for non-compliance and increased threats of lost data due to cyber security risks.</p>	<p>We will use IT specialists to undertake a review of the Council’s arrangements to comply with GDPR requirements.</p> <p>This will include training and awareness for staff on their responsibilities under the legislation and monitoring and reporting on data held in systems in accordance with ICO guidance.</p>	Medium	CRR_FCS25 CRR_FCS27				✓	Q2	

Internal audit plan for 2026/27

Audit area	No. of days	Reason for selection	High level scope	Priority	Risk	Link to strategic objective				Proposed timing	Topical requirement
						Environ- ment	Quality of Life	Sustaina- ble Growth	Efficient Services		
Advisory reviews											
Main Financial Systems	15	The new finance system is expected to be rolled out by 1 April 2026. Effective financial controls in built into the finance system is critical to ensure that the Council has effective financial management and administration. This is a core area of control that supports our annual opinion.	These audit days will be used during the year in conjunction with discussion with management to provide advice on the transition to the new finance system. The days may be allocated to areas such as: ▶ Reviewing the opening balances on the new system ▶ Reviewing core controls on the new finance system including separation of duties and workflows ▶ Access controls to the new finance system.	Medium	CRR_FCS24 OR_FCS11					✓	Q1
Fraud Report	10	CIFAS reported in 2019 of the rise of local authority fraud and lack of identification across the sector, therefore it is a significant risk across the sector. There was estimated to be £33bn lost to fraud in the public sector in 2020/21, including from local authorities. Fraud is becoming more sophisticated and a higher threat to local authorities.	Provide an annual report on the activities of the Council and areas of potential fraud such as council tax and benefits as well as compliance with functional standards and ensuring up-to-date policies and procedures are in place.	Medium	CRR_FCS03 OR_FCS06					✓	Q1

Internal audit plan for 2026/27

Audit area	No. of days	Reason for selection	High level scope	Priority	Risk	Link to strategic objective				Proposed timing	Topical requirement
						Environ ment	Quality of Life	Sustaina ble Growth	Efficient Services		
Advisory reviews											
Local Government Reorganisati on	15	Local government is the most significant to most local authorities, causing uncertainty around the future of councils and the services provided. It is expected that the preparations for local government reorganisation could lead to capacity and resource challenges to local authorities, as staff manage the transition to the new authority while continuing to deliver services to residents. There are several high risks on the Council’s Corporate Risk Register relating to the impact of local government reorganisation.	We will hold a number of days in our audit plan to provide advisory support to the Council in preparation for local government reorganisation. The use of these days will be allocated during the year based on the progress made and the changing risk dynamics relating to local government reorganisation.	High	CRR_CED08 CRR_FCS34 CRR_FCS35	✓	✓	✓	✓	Q4	

Internal audit plan for 2026/27

Audit area	No. of days	Reason for selection	High level scope	Priority	Risk	Link to strategic objective				Proposed timing	Topical requirement
						Environ ment	Quality of Life	Sustaina ble Growth	Efficient Services		
Management and recommendation follow up											
Contingency	3	Flexible audit days are built into our plan to manage and support on emerging risks that develop throughout the year.	We have built contingency days into our Audit Plan to be allocated to flexible work or to expand scope of existing audits.	N/A	N/A	✓	✓	✓	✓	Q1-4	
Follow up	7	To ensure high and medium significance audit recommendations are implemented to improve controls.	We will follow up on all high and medium recommendations and report to management on the implementation of these.	N/A	N/A	✓	✓	✓	✓	Q1-4	
Management	13	To provide effective management and reporting on our audit work, days are allocated for ongoing contract management and attending Governance Scrutiny Group meetings.	This is time assigned to attend Governance Scrutiny Group, planning and reporting.	N/A	N/A	✓	✓	✓	✓	Q1-4	
Total	150										

The priority rating assigned to each review has been determined through the internal audit risk assessment which considers the Council's governance, strategy, strategic and corporate risks, risk appetite and reliance on control.

Areas considered but not included

The following areas have been considered for 2026/27 but have been de-prioritised. This will be considered in future years and should any areas of the Internal Audit Plan be removed during the year, we will consider whether any of these can be brought forward.

Audit area	Reason for de-selection	Priority	Risk	Link to strategic objective			
				Environment	Quality of Life	Sustainable Growth	Efficient Services
Leisure Services	The Council's contracts with existing operators is due for renewal in 2030, with the private finance initiative contracts due to end in July 2027. In consultation with the Executive Director of Neighbourhoods it was proposed the greater value would be added from an internal audit review in 2028/29.	Medium	CRR_FCS21		✓		
Local Development Plan	This review was considered as part of our three-year internal audit plan. The Local Development Plan has been submitted for examination which is expected to take place in quarter 1 of 2026/27 and so it is expected that the plan will be full adopted towards the end of 2027. This will be considered as part of the audit plan for 2028/29.	Medium	CRR_DEG07	✓		✓	
Cyber Security	Due to the high risk associated with cyber threats and attacks in the public sector, this is considered as part of our planning for all local authorities. We have deferred this review to 2027/28 as this area was last reviewed in 2024/25 with Substantial assurance provided for the design of controls and Moderate assurance for the effectiveness of controls. Other IT areas are included in our plan each year.	High	CRR_FCS23 CRR_FCS24 CRR_FCS25 CRR_FCS27				✓
Staff Recruitment and Retention	This risk has reduced on the CRR but remains a medium risk due to the potential impact of local government reorganisation on the Council's workforce. Resourcing and capacity will be a consideration in each audit assignment under our assessment of root cause of findings.	Medium	CRR_CED08	✓	✓	✓	✓

Link to risk register

We have linked the Council's risk register to the audits in our Internal Audit Plan (as of September 2025).

Ref	Risk Name	Current risk score	Previously audited			Audit in IA plan		
			FY24	FY25	FY26	FY27	FY28	FY29
CRR_CED01	Equal pay claim	6		✓				
CRR_CED02	Inadequate services	3	✓	✓	✓	✓	✓	✓
CRR_CED06	Health and safety	3			✓			
CRR_CED07	Elections	4						
CRR_CED08	Difficulty recruiting and retaining staff	6		✓			✓	✓
CRR_DEG01	Five-year housing supply	6						✓
CRR_DEG02	Council Assets	3			✓			
CRR_DEG03	Rushcliffe Oaks Crematorium not meeting the business model targets	6	✓		✓			
CRR_DEG07	Greater Nottingham Strategic Plan	4						
CRR_DEG11	UKSPF Compliance	4						
CRR_DEG12	Gamston SPD	9						
CRR_DEG13	Impact of changes to government planning policy and legislation	6				✓		
CRR_FCS01	Failure to deliver legislation	4		✓	✓	✓	✓	✓
CRR_FCS02	Reducing New Homes Bonus	6						
CRR_FCS03	Fraud identification	4	✓	✓	✓	✓	✓	✓
CRR_FCS05	Reduction in the Business Rates base	6			✓			
CRR_FCS07	Centralised policy changes	9				✓	✓	✓
CRR_FCS08	Capital resources	6						✓
CRR_FCS09	Local economic changes	8				✓	✓	
CRR_FCS11	Increased Service demand	6	✓	✓	✓	✓	✓	✓

Link to risk register

We have linked the Council's risk register to the audits in our Internal Audit Plan (as of September 2025).

Ref	Risk Name	Current risk score	Previously audited			Audit in IA plan		
			FY24	FY25	FY26	FY27	FY28	FY29
CRR_FCS13	Insufficient staff resources or external factors such as customer spending or increased costs leading to a failure to deliver transformation and efficiency projects	8						✓
CRR_FCS21	Potential inflationary pressures	9	✓	✓	✓	✓	✓	✓
CRR_FCS22	Central Government funding	9						
CRR_FCS23	Loss of ICT supplier	6		✓			✓	
CRR_FCS24	Failure of ICT systems	8	✓	✓			✓	
CRR_FCS25	Sensitive data lost or compromised	6	✓	✓		✓	✓	✓
CRR_FCS27	Cyber-attack	8	✓	✓			✓	
CRR_FCS32	Business Continuity	3			✓			
CRR_FCS33	Failure of partnerships	6	✓					
CRR_FCS34	Break in service delivery	16			✓	✓	✓	✓
CRR_FCS35	Risk to the Medium-Term Financial Strategy (MTFS)	16		✓		✓	✓	✓
CRR_NS11	Emergency planning	3			✓			
CRR_NS19	Safeguarding children and vulnerable adults	3						
CRR_NS22	Asylum Relocation schemes	4						
CRR_NS23	Carbon Management Plan	6		✓				✓
CRR_NS35	CCTV Cameras	9					✓	

Internal audit three-year plan 2026-29

The table below outlines our proposed three-year plan for the Council's mapped to each of its core service areas for 2026-29. Audits included in Year 2 and Year 3 are indicative of what might be included based on our initial discussions with management, the current risk register and out audit needs assessment but will be subject to a formal review towards the end of Year 1.

Audit area	FY27	FY28	FY29
Chief Executive's Department		<ul style="list-style-type: none"> ▶ Staff Recruitment and Retention 	<ul style="list-style-type: none"> ▶ Sickness and Absence Management ▶ FOIs and DSARs
Finance and Corporate Services	<ul style="list-style-type: none"> ▶ GDPR ▶ Main Financial Systems ▶ Fraud Report 	<ul style="list-style-type: none"> ▶ Main Financial Systems ▶ Payroll ▶ Fraud Report ▶ Cyber Security ▶ Employment Rights Act 2025 	<ul style="list-style-type: none"> ▶ Main Financial Systems ▶ Fraud Report ▶ Budget Management and Medium-Term Financial Strategy ▶ IT Disaster Recovery Planning
Economic Growth and Development	<ul style="list-style-type: none"> ▶ Section 106 and Community Infrastructure Levy ▶ Local Government Reorganisation 	<ul style="list-style-type: none"> ▶ Economic Growth (East Midlands Freeport) ▶ Local Government Reorganisation 	<ul style="list-style-type: none"> ▶ Capital Projects
Neighbourhoods, Community and Place	<ul style="list-style-type: none"> ▶ Income Receipts (Car Parks and Green Waste) ▶ Income Receipts (Bingham Market) ▶ Licensing ▶ Waste and Recycling ▶ Homelessness and Temporary Accommodation 	<ul style="list-style-type: none"> ▶ CCTV Management ▶ Renters' Rights Act 2025 	<ul style="list-style-type: none"> ▶ Environment and Air Quality Management ▶ Strategic Housing ▶ Leisure Contracts

Appendix I: Internal audit charter

Internal Audit's Purpose and Mandate

Purpose

The purpose of the internal audit function is to strengthen Rushcliffe Borough Council's (the Council'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.

The internal audit function enhances the 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

The Council's internal audit function is most effective when:

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

Mandate

Authority

The board grants the internal audit function the mandate to provide the board and senior management with objective assurance, advice, insight, and foresight.

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

The board 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 organisation's personnel in relevant engagements, as well as other specialised services from within or outside the organisation to complete internal audit services.

Independence, position, and reporting relationships

The Head of Internal Audit (HoIA) HoIA 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.

The HoIA will report functionally to the board and administratively to the Executive Director for Finance and Corporate Services.

This positioning provides the organisational authority and status to bring matters directly to senior management and escalate matters to the board, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.

The HoIA will confirm to the board, at least annually, the organisational independence of the internal audit function.

The HoIA will disclose to the board 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 fulfil its mandate.

Appendix I: Internal audit charter

Board Oversight

To establish, maintain, and ensure that the Council's internal audit function has sufficient authority to fulfil its duties, the board will:

- ▶ Discuss with the HoIA and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the internal audit function.
- ▶ Ensure the HoIA has unrestricted access to and communicates and interacts directly with the board, including in private meetings without senior management present.
- ▶ Discuss with the HoIA and senior management other topics that should be included in the internal audit charter.
- ▶ Participate in discussions with the HoIA 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.
- ▶ Review and approve the internal audit function's charter annually, which includes the internal audit mandate and the scope and types of internal audit services.
- ▶ Approve the risk-based internal audit plan.
- ▶ Approve the internal audit function's human resources administration and budgets.

- ▶ Collaborate with senior management to determine the qualifications and competencies the organisation expects in a chief audit executive.
- ▶ Authorise the appointment and removal of the chief audit executive and out-sourced internal audit provider.
- ▶ Approve the fees paid to the out-sourced internal audit provider.
- ▶ Review the chief audit executive's and internal audit function's performance.
- ▶ Receive communications from the HoIA 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 HoIA to determine whether scope or resource limitations are inappropriate.

Changes to the Mandate and Charter

Circumstances may justify a follow-up discussion between the chief audit executive, board, 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 acquisition or reorganisation within the organisation.
- ▶ Significant changes in the chief audit executive, board, 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.



Appendix I: Internal audit charter

HolA Roles and Responsibilities



Ethics and Professionalism

The HolA 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 behaviour that is inconsistent with the organisation's ethical expectations, as described in applicable policies and procedures.

Objectivity

The HolA 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 HolA 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.

Internal auditors will have no direct operational responsibility or authority over any 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

Internal auditors will:

- ▶ Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties and at least annually, such as the chief audit executive, board, 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.

Appendix I: Internal audit charter

HolA Roles and Responsibilities



Managing the Internal Audit Function

The HolA has the responsibility to:

- ▶ At least annually, develop a risk-based internal audit plan that considers the input of the board and senior management. Discuss the plan with the board and senior management and submit the plan to the board for review and approval.
 - ▶ Communicate the impact of resource limitations on the internal audit plan to the board and senior management.
 - ▶ Review and adjust the internal audit plan, as necessary, in response to changes in the organisation's business, risks, operations, programs, systems, and controls.
 - ▶ Communicate with the board 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.
 - ▶ Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services to the board and senior management periodically 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 fulfil the internal audit mandate
 - ▶ Identify and consider trends and emerging issues that could impact the Council and communicate to the board and senior management as appropriate
- ▶ Consider emerging trends and successful practices in internal auditing
 - ▶ Establish and ensure adherence to methodologies designed to guide the internal audit function
 - ▶ Ensure adherence to 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 board and senior management
 - ▶ Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the HolA cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and if necessary escalated to the board.

Appendix I: Internal audit charter

HolA Roles and Responsibilities

Communication with the Board and Senior Management

The HolA will report quarterly to the board and senior management regarding:

- ▶ The internal audit function's mandate
- ▶ The internal audit plan and performance relative to its plan
- ▶ Internal audit budget
- ▶ Significant revisions to the internal audit plan and budget
- ▶ 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 board
- ▶ 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 the organisation's risk appetite.



Quality Assurance Improvement Programme (QAIP)

The HolA 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 plan will assess the efficiency and effectiveness of internal audit and identify opportunities for improvement.

Annually, the HolA will communicate with the board 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 BDO; qualifications must include at least one assessor holding an active Certified Internal Auditor credential.

Appendix I: Internal audit charter

Scope and Types of Internal Audit Services

Scope and Types of Internal Audit Services

- ▶ The scope of internal audit services covers the entire breadth of the organisation, including all the 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 board and management on the adequacy and effectiveness of governance, risk management, and control processes for the organisation.
- ▶ 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 the organisation's strategic objectives are appropriately identified and managed.
- ▶ The actions of the Council's officers, directors, management, employees, and contractors or other relevant parties comply with organisational policies, procedures, and applicable laws, regulations, and governance standards.
- ▶ The results of operations and programs are consistent with established goals and objectives.
- ▶ Operations and programs are being carried out effectively and efficiently.
- ▶ Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the organisation.
- ▶ 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.



Appendix II: Definitions

Level of Assurance	DESIGN of internal control framework		OPERATIONAL EFFECTIVENESS of internal controls	
	Findings from review	Design opinion	Findings from review	Effectiveness opinion
Substantial	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
Limited	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.
Recommendation Significance				
High	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.			
Medium	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.			
Low	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.			

FOR MORE INFORMATION:

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