

Bath & North East Somerset Council		
MEETING:	Audit Committee	
MEETING DATE:	11 th February 2026	AGENDA ITEM NUMBER
TITLE:	Consultation on the Development of the Internal Audit Plan 2026/27	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
None		

1. THE ISSUE

1.1. This report:

- 1) informs the Audit Committee on the methodology to be used to compile and maintain the Internal Audit Plan 2026/27.
- 2) asks for Committee Member input on Council activities, areas or themes they would like to be considered for inclusion in the Internal Audit Plan 2026/27.

2. RECOMMENDATION

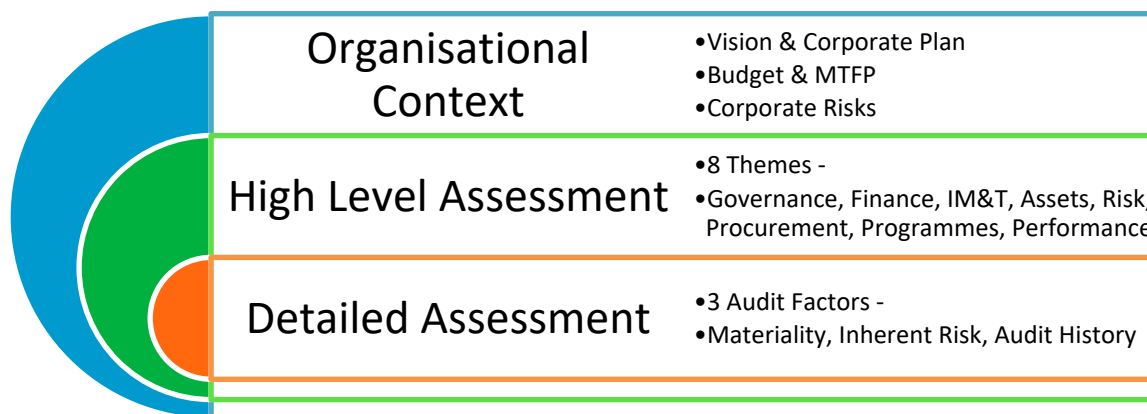
- 2.1. The Audit Committee is asked to comment on any areas or themes that they would like to be considered for inclusion in the Internal Audit Plan for 2026/27.
- 2.2. Note the intention to keep the plan under regular review, including a six-month progress assessment, in order to prioritise resources as required.

3. THE REPORT

3.1. Internal Audit Planning Methodology - Reasonable Assurance Model

- 3.1.1. The planning process is based on the fundamental requirement that the audit plan proposed will deliver sufficient work to enable the Head of Internal Audit to independently assess the internal control framework and give a reasonable assurance opinion at the end of each year.
- 3.1.2. The model used to develop the audit plan – the Reasonable Assurance Model - has regularly been described to the Committee in detail. It was created and adopted in conjunction with a number of other councils in the South West and its approach won a Public Finance award.

- 3.1.3. The outline of the model is as follows with the key elements in the middle section which introduce a high-level assessment of themes based on good governance.



- 3.1.4. A key part of the planning process is therefore extensive stakeholder consultation. Conversations in this regard usually take place between January to March and discussions will therefore take place with the following officers/ groups up until the end of March:
- Section 151 Officer
 - Senior Finance Managers
 - Service Directors
 - Statutory Officers inc. Chief Executive and Monitoring Officer
 - Executive Leadersip Team
 - Audit Committee

3.2. **Rolling Plan Review**

- 3.2.1. Members will be aware that some changes to planned work has been required in previous years in order to redirect audit resources to unforeseen issues arising in-year, such as where investigations or urgent audit support is required.
- 3.2.2. Whilst only relatively minor adjustments have been required to audit plans in recent years, the Internal Audit Service have continued to ensure a fluid approach is maintained to planned audit work. Therefore, whilst the usual consultation process will follow and a full-year audit plan will initially be produced to cover the period 1st April 2026 – 31st March 2027, the plan will be kept under continual review and adjusted to cover any further unforeseen requirements. A formal review of the annual plan will then take place at the six-month stage, if necessary, in order to adequately prioritise and resource the second half of the financial year. Any proposed changes will be notified to the Audit Committee.

3.3. **Audit Committee Consultation and Input**

- 3.3.1. The Audit Committee is a key stakeholder and have responsibility for approving the Internal Audit Plan. Therefore, the purpose of this report is to obtain views and feedback on areas which the planning process can consider and take account of before it is finalised in early March.

3.3.2. Each year, the Chartered Institute of Internal Auditors surveys organisations and publishes a report which tracks the perceived risks as highlighted by those surveyed. This report is then considered when preparing the audit plan and the top five risk areas identified this year which are particularly relevant to the public sector are detailed below. This list may assist the committee as a point of reference to help understand where they feel audit coverage may be beneficial at Bath & North East Somerset Council.

i) Cybersecurity and data security

Cybersecurity and data security remain the top organisational risk. 82% of Chief Audit Executives (CAEs) rated it their most important threat. CAEs described it as a constantly “emerging risk” with increased sophistication in attacks.

ii) Human Capital, diversity, talent management and retention

Human Capital remained the second largest threat to organisations in 2026. This area includes diversity, talent management, and employee retention. Whilst risk ratings for Human Capital dropped in the survey this year, this is likely as a result of other risks being perceived as more urgent, as opposed to this being a decreasing risk.

iii) Digital Disruption, new technology and AI

58% of CAEs expect it to be a top-five focus area for internal audit within three years, second only to cybersecurity. In the public sector, digital disruption can also be used to describe the move from manual processes to digital processes. CAEs said that they were focusing on governance to ensure strategically sound and safe implementation of AI.

iv) Regulatory Change

Regulatory change, as well as geopolitical uncertainty risks, have risen and appear to be linked. It is noted that the timing of the survey (May/ June 2025) coincided with the United States announcing tariff and policy changes – the impacts of which remain ongoing

v) Business Resilience

Business Resilience includes areas such as Business Continuity, Disaster Response, and Crisis Management, and has risen to be one of the highest risks (likely linked to the Information Technology items in i) and iii)).

3.3.3. It should be noted that in addition to compiling a list of ‘core audit reviews’, Internal Audit will continue to:

- Provide support to the corporate governance framework within the Council including completing the Annual Governance review work required to publish the Council’s Annual Governance Statement.
- Carry out the Co-ordination and Investigation roles to complete the work required through the Cabinet Office Data Matching ‘National Fraud Initiative’.

- Provide advice on systems of internal control including Council policies and procedures. This is particularly important when systems and processes are being developed or changed.
- Provide 'independent' examination of financial records to provide assurance to external funding bodies, e.g. West of England Combined Authority, that grants are being used in compliance with Terms and Conditions.
- Provide support to Services on carrying out investigations in relation to financial irregularities. This may require Audit staff to take on the Investigating Officer role in compliance with the Council's disciplinary procedures.

4. STATUTORY CONSIDERATIONS

- 4.1. There are no specific statutory considerations related to this report. Accounts & Audit Regulations set out the expectations of provision of an Internal Audit service. This is supported by S151 of the Local Government Act and CIPFA Codes of Practice and the global professional standards for delivery of an adequate Internal Audit Service.

5. RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

- 5.1. There are no direct resource implications relevant to this report.

6. RISK MANAGEMENT

- 6.1. Significant risks to the council arising from an ineffective Internal Audit Service include lack of internal control, failures of governance and weak risk management. Specific risks include supplementary External Audit Fees, undetected fraud and inadequate coverage. Internal Audit assists the council in identifying risks, improvement areas and recommending good practice. Directorate and Strategic Risk Registers are also reviewed when developing the internal audit plan

7. EQUALITIES

- 7.1. Embedded within the audit process is consideration of compliance with statutory guidance and regulations which includes those relating to equality and diversity.

8. CLIMATE CHANGE

- 8.1. This plan process will consider key risks (& opportunities) which will directly or indirectly include focus on Climate Change and report back on whether assurances can be given on the delivery of the organisations plan to mitigate the risk in this area.

9. OTHER OPTIONS CONSIDERED

9.1. No other options to consider related to this report.

10. CONSULTATION

10.1. In developing and delivering the Annual Audit Assurance Plan, the Internal Audit Service is consulting widely with officers and members. Ongoing consultation will continue with the Audit Committee throughout the year after the plan has been approved..

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Background papers	<i>Internal Annual Audit Plan 2025/26 – Audit Committee April 2025</i>
Please contact the report author if you need to access this report in an alternative format	