

Item

## INTERNAL AUDIT UPDATE



**To:**

Civic Affairs Committee [5<sup>th</sup> July 2023]

**Report by:**

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**Wards affected:**

All

### 1. Introduction / Executive Summary

- 1.1 This report introduces the proposed Internal Audit Plan and Strategy, for the next six months of the 2023 / 2024 financial year, for consideration by the Civic Affairs Committee.
- 1.2 The report also includes a progress update from the past six months work, plus our current opinion on the internal control environment, governance and risk management arrangements.
- 1.3 Internal Audit Plans, and associated documents, have been created in line with best practice laid down in the Public Sector Internal Audit Standards (PSIAS) and the accompanying Local Government Application Note (LGAN).

### 2. Recommendations

- 2.1 Civic Affairs Committee is requested to consider the supporting information, in the appendices, to:
  - i) approve the draft Audit Plan and Strategy; and
  - ii) approve the supporting Charter and the Code of Ethics.

### **3. Background**

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- 3.1 The Accounts and Audit Regulations 2015 require that the Council “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.”
- 3.2 The Public Sector Internal Audit Standards (PSIAS) require that the Head of Audit “must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals”.
- 3.3 The PSIAS also requires the Head of Audit to provide a written report to those charged with governance to support the Annual Governance Statement (AGS), which accompanies the Statement of Accounts. This includes an opinion on the overall adequacy and effectiveness of the organisation’s internal control environment, governance, and the risk management framework.
- 3.4 Appendix A is our risk-based Audit Plan which is continually updated. It has been based upon the Risk Registers, the Corporate Plan, ongoing consultation with stakeholders, committee reports, information from other assurance processes, plus horizon scanning to consider emerging risks and opportunities.
- 3.5 Our Audit Plan enables us to give an audit opinion on the Council’s system of internal control, risk management and corporate governance arrangements.
- 3.6 It is good practice to operate an agile plan that continuously adapts in response to the governance risk and control environment. Our Audit Plan is based around a long-term framework of reviews, which typically covers a three-year period. Audits are prioritised according to several risk-based determinants.
- 3.7 We are presenting a 6-month plan, focussing on the key areas of assurance, and we will bring back a further report to the Committee later in the year. It is important that the Audit Plan continues to prioritise relevance, speed and flexibility in addressing risks as they develop. This will enable us to utilise our resources as effectively as possible to provide an effective audit opinion for the Council, and to proactively communicate topical risks and assurance to the Committee.

- 3.8 Appendix B provides a progress update from the past six months, plus the current opinion on the overall adequacy and effectiveness of the organisation's internal control environment, governance, and the risk management framework
- 3.9 The Internal Audit Charter (Appendix C) and the Code of Ethics (Appendix D) are also appended for information. They are regularly reviewed as part of an ongoing Quality Assurance and Improvement Programme (QAIP) considering both the PSIAS and the LGAN. The documents are substantially the same as last year. Minor name and procedural changes have been made to reflect the current organisational structures. However, it is good practice to present these documents annually as they define internal audit's purpose, authority, responsibility and position within an organization, supporting the delivery of the risk-based audit plan.

#### **4. Implications**

##### **(a) Financial Implications**

None.

##### **(b) Staffing Implications**

None.

##### **(c) Equality and Poverty Implications**

None.

##### **(d) Environmental Implications**

None.

##### **(e) Procurement Implications**

None.

##### **(f) Community Safety Implications**

None.

#### **5. Consultation and communication considerations**

Not applicable.

## **6. Background papers**

Background papers used in the preparation of this report:

- Risk-Based Internal Auditing – Working Standards and Procedures
- Public Sector Internal Audit Standards
- CIPFA Local Government Application Note
- Cambridge City Council Risk Registers
- Corporate Plan

## **7. Appendices**

- a) Internal Audit Plan and Strategy
- b) Progress Update
- c) Internal Audit Charter
- d) Internal Audit Code of Ethics
- e) Glossary of Terms

## **8. Inspection of papers**

To inspect the background papers or if you have a query on the report please contact Jonathan Tully, Head of Shared Internal Audit Service, tel: 01223 - 458180, email: [jonathan.tully@cambridge.gov.uk](mailto:jonathan.tully@cambridge.gov.uk).