

REPORT TITLE: Internal Audit Update Report

To:

Civic Affairs Committee [11/09/2024]

Report by:

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Wards affected:

All

1. Recommendations

1.1 It is recommended that Civic Affairs Committee review the supporting information, in the appendices, to:

1. approve the draft Internal Audit Plan and Strategy; and
2. approve the supporting Charter and the Code of Ethics.

2. Purpose and reason for the report

2.1 This report introduces the proposed Internal Audit Plan and Strategy, for the next six months of the 2024 / 2025 financial year, for consideration by the Civic Affairs Committee.

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.

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).

2.2 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.”

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”.

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. Alternative options considered

- 3.1 Our Internal Audit plan is agile, and risk based. Alternative options include increasing or decreasing the volume of internal audit work, or prioritising existing resources to different reviews. The current plan is considered sufficient to enable an audit opinion for the Annual Governance Statement.

4. Background and key issues

4.1 Internal Audit Plan

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.

Our Audit Plan enables us to give an audit opinion on the Council’s system of internal control, risk management and corporate governance arrangements.

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.

We present 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.

4.2 Assurance update

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.

4.3 Charter and Code of Ethics

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, and changes to [terminology introduced in the revised Global Internal Audit Standards](#). 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.

4.4 Strategic and professional changes

New Global Internal Audit Standards have been issued in 2024, and form the basis for revised Public Sector Internal Audit Standards which are expected to be published shortly. The Internal Audit team was externally assessed as compliant to the current standards. We have started to review and update our policies and procedures to adopt the new standards and will be externally assessed to those in future.

The Internal Audit team, while independent, is part of the [proposed Corporate Hub](#) which is currently being reviewed as part of the wider Our Cambridge programme.

Updates from these activities may require further updates to our Internal Audit Charter and Plan. Any materially significant changes will be reported back to the Civic Affairs Committee.

5. Corporate plan

- 5.1 Internal Audit work contributes to all priorities of the [Corporate Plan](#). Whilst our work is predominantly risk-based, we also map our work program to Corporate Priorities for assurance that we contribute to a breadth of Corporate Plan areas.

6. Consultation, engagement and communication

- 6.1 The Internal Audit Plan is agile and based on continuous engagement with colleagues. Requests for work are considered alongside our own risk appraisal. Members of the Civic Affairs Committee can also contribute to the plan by identifying areas where they would welcome assurance.

7. Anticipated outcomes, benefits or impact

- 7.1 Delivery of the Internal Audit Plan will enable me to provide an opinion on the overall adequacy and effectiveness of the organisation's internal control environment, governance, and the risk management framework. This will form part of the Annual Governance Statement.

8. Implications

8.1 Relevant risks

Approving the Internal Audit Plan enables the Council to review the effectiveness of our risk management. If the plan is not approved there is an increased likelihood that hazards and risks may crystallise.

Financial Implications

- 8.2 None, budget already approved.

Legal Implications

8.3 None

Equalities and socio-economic Implications

8.4 None

Net Zero Carbon, Climate Change and Environmental implications

8.5 None, the team leverages digital technology to minimise the need for travel.

Procurement Implications

8.6 None, identified.

Community Safety Implications

8.7 None.

9. Background documents

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985

- 9.1
- Public Sector Internal Audit Standards
 - CIPFA Local Government Application Note
 - Corporate Plan

10. Appendices

- 10.1
- a) Internal Audit Plan and Strategy
 - b) Progress Update
 - c) Internal Audit Charter

- d) Internal Audit Code of Ethics
- e) Glossary of Terms

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.