

REPORT TITLE: Internal Audit Update

To:

Civic Affairs and Audit Committee [30/06/2025]

Report by:

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Wards affected:

All

1. Recommendations

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

1. *note the progress update and approve the forward plan of Internal Audit work;*
and
2. *approve the supporting Charter and the Code of Ethics.*

2. Purpose and reason for the report

- 2.1 The report provides a progress update from the past six months work, plus our current opinion on the internal control environment, governance and risk management arrangements.

This report also contains the proposed risk based Internal Audit Plan and Strategy, for the next six months of the 2025 / 2026 financial year, for consideration by the Civic Affairs and Audit Committee.

Introduction of new Global Internal Audit Standards in the UK Public Sector requires the Internal Audit team to update our policies and procedures. The report provides updates on the latest professional standards, how we are adapting to them, plus a revised Internal Audit Charter for the Committee to approve.

Internal Audit Plans, and associated documents, have been created in line with best practice laid down in the Chartered Institute of Public Finance and Accountancy (CIPFA).

- 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) apply to work undertaken in the 2024/2025 financial year, and the Global Internal Audit Standards in the UK Public Sector apply from the 2025/2026 financial year. The standards 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 Progress report and risk-based Audit Plan which is continually updated.

The Progress Report includes the outcomes of recent audit work and enables me to form a current audit opinion on the overall adequacy and effectiveness of the organisation's internal control environment, governance, and the risk management framework.

The Audit Plan is 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.

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.

Appendix B is our Glossary of Terms for ease of reference.

4.2 Strategic and professional changes

Implementation of the New Global Internal Audit Standards in the UK Public Sector

In 2024, the Institute of Internal Auditors (IIA) issued new Global Internal Audit Standards. Within the UK public sector, these standards are adopted under the authority of the Relevant Internal Audit Standard Setters (RIASS), which include HM Treasury, the Scottish Government, the Department of Finance Northern Ireland, the Welsh Government, the Department of Health and Social Care, and the Chartered Institute of Public Finance and Accountancy (CIPFA).

RIASS is responsible for determining the standards and requirements applicable to internal auditing across central government, local government, and the health sector in

the UK.

Guidance

To support the implementation of the new standards, CIPFA has recently published the [Application Note: Global Internal Audit Standards in the UK Public Sector](#), which outlines the specific requirements we must follow. Additionally, CIPFA has introduced a new [Code of Practice for the Governance of Internal Audit in UK Local Government](#), designed to help authorities establish and maintain effective internal audit arrangements in line with statutory regulations.

The new standards will take effect from the 2025/2026 financial year. While full compliance is not immediately required, we have conducted an internal assessment to identify areas where our processes need to evolve to meet the new requirements. Our Internal Audit team was previously assessed as compliant with the former Public Sector Internal Audit Standards, providing a good foundation for adapting to the new standards. Once we have gathered sufficient evidence to demonstrate compliance with the new standards, we will undergo an external assessment to validate our adherence. We also remain actively engaged in professional networks and will continue to review and adopt emerging best practices to enhance our local procedures.

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. Both have been updated to reflect the latest standards.

Our Charter is defined by the IIA 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*”. It was previously approved by the Committee at the [September 2024 meeting](#).

The Institute of Internal Audit have provided model charter on for the public sector based on the new Global Internal Audit Standards. The content is broadly the same, but the presentational style is different to our existing Charter.

The requirement for a Charter is mandatory, but the format can be flexible to “reflect the

operating environment of each internal audit function and the organisation it serves”.

- 4.4 We have used the template as a starting point, with reference to our existing Charter and professional CIPFA guidance to supplement it. As we have started from a new template we have not used tracked changes. The key changes from our previous version are:

Area	Notes
Professional Guidance	The Statutory requirement for Internal Audit in Local Government continues to be set in the Accounts and Audit regulations. The Charter is updated to reflect the new professional requirements set by CIPFA (see 4.3 above) to deliver that requirement.
Mandate	There is a new requirement to document our “mandate”, which is set out in the Accounts and Audit Regulations 2015. We included relevant text in our previous Charter and have just highlighted this text under the new relevant section to demonstrate compliance.
Common Terms and relationships	This section sets out the different key roles involved in the governance of Internal Audit and the terminology has been updated to reflect the latest CIPFA guidance.
Additional roles and responsibilities and safeguards	This section details where Internal Audit takes on additional roles in the Council, and the safeguards in place to manage any potential risks to independence. This has been developed for clarity in the new Charter.
Example reports	Our previous charter contained examples of the types of reports issued. The new guidance from IIA does not include this. On reflection this content is more suited to our intranet page for internal customers and transferring it from the Charter will streamline it.

- 4.5 CIPFA guidance states the role of the Committee in approving the Charter:
“The chief audit executive has a responsibility to prepare a charter that conforms with GIAS in the UK public sector.

When reviewing the charter, the audit committee should be satisfied that it covers the governance arrangements for internal audit. It must include the mandate derived from the regulations, plus any additional agreed mandate, and include internal audit's reporting line to the audit committee.

The charter should include the administrative reporting arrangements for internal audit and the chief audit executive.

The audit committee must approve the charter or recommend its approval. Where there are significant changes to the governance of the authority, its risks or the internal audit function, the charter must be reviewed to ensure it is still fit for purpose and new formal approval given. A regular review is recommended to confirm the charter or update as required.”

The Committee is asked to approve the new Charter. It will continue to be reviewed as part of our ongoing Quality Assurance and Improvement Programme (QAIP).

The committee has previously reviewed the Charter annually, as it defines internal audit's purpose, authority, responsibilities, and position within the organisation—supporting delivery of the risk-based audit plan. Given this is a period of embedding new standards, more frequent updates may be required as we learn from the implementation of new legislation. Any significant changes will be brought back to the Committee for approval using tracked changes, while minor updates will be summarised in periodic reports.

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 and Local Government Application Note
 - [Global Internal Audit Standards](#)
 - [Application Note: Global Internal Audit Standards in the UK Public Sector](#)
 - [Code of Practice for the Governance of Internal Audit in UK Local Government](#)
 - [Council Corporate Plan](#)
 - [Civic Affairs and Audit Committee Terms of Reference](#)

10. Appendices

- 10.1
- a) Progress update and Internal Audit Plan
 - b) Glossary of Terms
 - c) Internal Audit Charter
 - d) Internal Audit Code of Ethics

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.

