

## REPORT TITLE: Internal Audit Update

**To:**

Civic Affairs and Audit Committee [09/03/2026]

**Report by:**

Jonathan Tully, Chief Audit Executive

Tel: 01223 458180 Email: jonathan.tully@cambridge.gov.uk

**Wards affected:**

All

<b>1.</b>	<b>Recommendations</b>
1.1	The Civic Affairs and Audit Committee is requested to note the report.
<b>2.</b>	<b>Purpose and reason for the report</b>
2.1	<p>This report provides the Committee with an update on internal audit activity, assurance outcomes, and strategic developments. It reflects our evolving approach to meet new professional standards and maintain effective governance.</p> <p>The information supports the Committee's understanding of governance, risk, and control within the organisation (see Appendix for full details). It includes outputs from assurance and advisory work, as well as foresight on emerging and topical issues. This provides:</p> <ul style="list-style-type: none"><li>• Reasonable assurance on the internal control environment, governance and risk management arrangements.</li><li>• Updates on how we are responding to the latest Internal Audit Standards</li></ul>
2.2	This is not a key decision, as the report is presented in accordance with the Committee's terms of reference.
<b>3.</b>	<b>Alternative options considered</b>
3.1	This report is to note and does not have alternative options, although we welcome feedback from the Committee on format and presentation to inform future reports.
<b>4.</b>	<b>Background and key issues</b>

4.1	<p><b>Strategic and Professional Changes</b></p> <p>The <b>Accounts and Audit Regulations 2015</b> require that the Council “<i>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.</i>”</p> <p>In 2024, the <b>Institute of Internal Auditors (IIA)</b> issued new <b>Global Internal Audit Standards</b>. Within the UK Local Government public sector, these standards are adopted under the authority of the Relevant Internal Audit Standard Setters (RIASS).</p> <p>The <b>Chartered Institute of Public Finance and Accountancy (CIPFA)</b> is the RIASS responsible for determining the standards and requirements applicable to internal auditing across local government in the UK.</p> <p>The new standards take effect from the 2025/2026 financial year. While full compliance is not immediately required, we conducted an internal assessment to identify areas where our processes need to evolve to meet the new requirements. Our report includes progress updates on implementing the new standards.</p>
4.2	<p><b>Internal Audit Plan Opinion on Control Environment</b></p> <p>The <b>Global Internal Audit Standards in the UK Public Sector</b> require that the Chief Audit Executive “<i>must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals.</i>”</p> <p>Our Plan and supporting documents are developed in line with guidance set out by CIPFA and the IIA. It is developed using a range of inputs, including the Council’s Risk Registers, Corporate Plan, stakeholder consultation, committee reports, other assurance processes, and horizon scanning to identify emerging risks and opportunities.</p> <p>It is considered good practice to operate an agile Audit Plan that adapts continuously to changes in the governance, risk, and control environment. Our plan is structured around a long-term framework of reviews, typically spanning a three-year cycle. Individual audits are prioritised using a range of risk-based criteria.</p> <p>Maintaining relevance, speed, and flexibility in our planning approach is essential to ensure that resources are used effectively. This enables us to provide a robust audit opinion and proactively communicate topical risks and assurance to the Committee.</p> <p>Members of the Committee are encouraged to propose areas where they would welcome assurance, for potential inclusion in the audit plan. This helps ensure the plan remains responsive to organisational priorities and emerging risks.</p>

	<p>The current plan is considered sufficient to support the provision of an audit opinion for the Annual Governance Statement.</p> <p>Our report includes the output of our work in the recent quarter to provide insight on governance, risk, and control environment. We also include information and signpost to news articles to help provide foresight on topical matters and help develop the knowledge and skills of the Committee.</p>
<b>5.</b>	<b>Corporate plan</b>
5.1	Internal Audit work contributes to all priorities of the <a href="#">Corporate Plan</a> . 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.
<b>6.</b>	<b>Consultation, engagement and communication</b>
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 and Audit Committee can also contribute to the plan by identifying areas where they would welcome assurance.
<b>7.</b>	<b>Anticipated outcomes, benefits or impact</b>
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. The attached report outlines the outcomes of recent audit work. This will form part of the Annual Governance Statement.
<b>8.</b>	<b>Implications</b>
8.1	<b>Relevant risks</b>
	<p>In the writing of this report, there are no significant implications or risks to the Council.</p> <p>The Internal Audit Plan enables the Council to review the effectiveness of our risk management framework.</p>
	<b>Financial Implications</b>

8.2	None, budget already approved.
	<b>Legal Implications</b>
8.3	None
	<b>Equalities and socio-economic Implications</b>
8.4	None
	<b>Net Zero Carbon, Climate Change and Environmental implications</b>
8.5	None, the team leverages digital technology to minimise the need for travel.
	<b>Procurement Implications</b>
8.6	None, identified.
	<b>Community Safety Implications</b>
8.7	None.
9.	<b>Background documents</b> Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985
9.1	<ul style="list-style-type: none"> <li>• <a href="#">Global Internal Audit Standards</a></li> <li>• <a href="#">Application Note: Global Internal Audit Standards in the UK Public Sector</a></li> <li>• <a href="#">Code of Practice for the Governance of Internal Audit in UK Local Government</a></li> <li>• <a href="#">Council Corporate Plan</a></li> <li>• <a href="#">Civic Affairs and Audit Committee Terms of Reference</a></li> <li>• <a href="#">Internal Audit Charter</a></li> </ul>
<b>10.</b>	<b>Appendices</b>
10.1	a) Governance Risk and Control update report
	To inspect the background papers or if you have a query on the report please contact Jonathan Tully, Chief Audit Executive, email: <a href="mailto:jonathan.tully@cambridge.gov.uk">jonathan.tully@cambridge.gov.uk</a> .



## Committee update - March 2026

### Introduction

#### Overview and background

The purpose of this document is to provide an update to the Committee on key audit and governance themes.

This document provides summary updates for the Committee. Statistics are included to help provide an overview of work in progress and these are taken from the last financial quarter.

#### Committee information

[Calendar of meetings](#)

[Committee Membership and Functions](#)

#### Internal Audit Information

[Internal Audit Charter](#)

#### Governance information

[Annual Governance Statement](#)

# Governance, Risk and Control

## Internal Audit updates

Internal Audit reviews provide assurance on the Governance Risk and Control environment, and this contributes to the [Annual Governance Statement](#).

Below are a summary of reviews completed in the last quarter:

Review	Assurance and actions		Summary of report
<p>HRA – Tenant Satisfaction Measures - Data Quality</p> 	<p><b>Assurance:</b></p> <p>Current: Reasonable</p> <p>Previous: Reasonable</p> <p><b>Actions:</b></p> <p>Critical 0</p> <p>High 0</p> <p>Medium 0</p> <p>Low 1</p>		<p>The Council has a portfolio of properties managed under the Housing Revenue Account. Local Authority Registered Providers (LARPs) are accountable to the Regulator of Social Housing (RSH).</p> <p>From 1 April 2023 all LARP with relevant social housing stock must calculate annual TSMs (Tenant Satisfaction Measures) in accordance with the TSM Standard.</p> <p>The TSMs include data on anti-social behaviour, building safety, complaints, tenant perceptions, and repairs. The first data returns were submitted in June 2024. This is our second review.</p> <p>We reviewed a selection of the data and checked:</p> <ul style="list-style-type: none"> <li>information for reasonableness (does it make sense / is it comparable with peer Councils)</li> <li>source information for data (can it be backed up / evidenced)</li> </ul> <p>One section of the TSM data includes surveys conducted by an independent external provider for the Council. Weighting is applied in line with central government guidelines. The weighting calculations were not available and we agreed a low-level action for these to be made available for our next review to improve assurance.</p> <p>We can provide Reasonable assurance that TSM data provided to the regulator was accurate and well sourced.</p>

## Current updates and new reviews

Testing has completed on: “Grant assurance - HUG2”; “Risk Management Strategy”; and we are finalising working papers to conclude the reviews. These areas are providing positive assurance.

We are adding “Information Governance – Transparency” to our plan. In 2025 MHCLG updated the transparency code to add guidance for reconciling the publication requirements of the procurement act 2023 and the local government transparency code 2015. We will provide an independent health-check review that we continue to be compliant with the code.

## Overall assurance

The internal audit work and assurance mapping enables me to form an opinion on the internal control environment, governance and risk management arrangements.

There is currently a **Reasonable level of assurance** overall, which is similar level to the previous period.

This assurance directly informs the Annual Governance Statement (AGS), which accompanies the Statement of Accounts and is published on our [website](#).



## Continuous improvement

We maintain a quality assurance and improvement programme that covers all aspects of the Internal Audit activity.

*Development activities are included in this report to help the committee satisfy itself on the effectiveness of internal audit, including conformance with auditing standards. The committee can use this information for their annual report to those charged with governance.*



## Standards update

We are implementing the new Global Internal Audit Standards and the supporting UK Public Sector Application Note (GIASUKPS), effective from 1 April 2025.

Following a readiness assessment, we are updating our documents and processes to reflect UK local government requirements.

Our revised Internal Audit Charter and Code of Ethics were presented to the [June Committee](#).



Our team holds quarterly sessions dedicated to reviewing our professional standards and identify opportunities for continuous improvement. This process informs our annual internal quality assurance and improvement programme. We are working towards full compliance within the first year of implementation. Once we have conducted substantial reviews under the new standards and gathered sufficient supporting evidence, we will proceed with an external assessment to validate our compliance.

Our regular internal reviews, combined with assessment tools provided by our professional bodies, enable us to develop and maintain a robust action plan for continuous improvement.

We have identified 32 actions to support our compliance with the new professional standards. Of these, 15 have already been completed, and 17 are currently in progress. We have implemented 11 actions since our last report to the Committee.



We prioritise our actions. All “urgent” actions have been implemented, and we remain on track to implement the remaining “important” actions by the end of the financial year. We identified some new “low” level actions in the last quarter which will help continue to improve our service delivery and will implement these during 2026/2027.

CIPFA have produced further supporting tools and guidance on compliance with the new standards, and we will incorporate this into our ongoing review process.

Developments in the last quarter worth highlighting to the Committee include:

Task Name	Description	Progress	Priority
<b>Develop Root Cause Analysis resources</b>	<p>We have developed tools and resources to embed Root Cause Analysis into our audit programme.</p> <p>We have also developed our back-office systems to hold data in a structured way for longer term insight.</p> <p>We still anticipate further professional guidance on this approach which we will adopt as it is published.</p>	Completed	Important
<b>Review our Methodologies</b>	<p>Our policies and procedures have been updated to reflect the new standards.</p> <p>We have reviewed our Internal Audit Manual and also modernised it into SharePoint pages to improve accessibility, improve version control, and support onboarding.</p>	Completed	Important

### Team resources update

Following the recent transformation review, the Internal Audit team has been restructured to include two new apprenticeship posts. The **Institute of Internal Auditors’ apprenticeship scheme** was delayed due to changes in the national apprenticeship framework. As a result, we currently have vacancies which we are filling through short-term arrangements such as secondments or agency workers.

The scheme is now expected to launch from April 2026, and we have begun engaging with training providers in preparation, and recruitment will commence once the scheme is finalised. This approach supports in-house talent development and helps address ongoing recruitment challenges within the audit profession.

## **Governance updates**

The Civic Affairs & Audit Committee has been in operation since Annual Council in May 2025. We are working with the Committee to develop a new “Annual Report of the committee to those charged with Governance”, as set out in the new Terms of Reference.

## **Risk update**

We have continued to strengthen our Risk Management system and Framework, with planned integration into the broader Performance Management Framework.

A key highlight this quarter is that 100% of all risk records were reviewed during the period. This is the second consecutive quarter with a full review and a significant achievement given the volume of records and competing priorities. Achieving a high percentage of risk reviews provides assurance that risk management is effectively embedded across the organisation. It also reflects the sustained effort invested over the past few years to improve our approach and promote the value of risk management.

As part of our continuous improvement, we have also reviewed the current Risk Management Framework and Strategy. The revised documents are included on the agenda.

## Training, development and risk insight

Below are topical updates that the Committee may find useful.

### Examples and options for risk mitigation by councils

The Ministry of Housing, Communities and Local Government (MHCLG), the Local Government Association (LGA), and sector advisors from across local government have developed an aide-memoire to support the identification of risks that could affect the successful transition to a reorganised unitary authority. It does not address long-term operational risks that may arise after the new unitary authority becomes fully operational.



By sharing examples, they aim to:

- encourage proactive risk identification and mitigation
- promote consistency in planning and assurance across councils
- alert government to potential systemic issues that could affect the successful delivery of reorganisation.

Further details can be found here: [LGR Transitional risks](#)

### Sector Risk Profile 2025

The Regulator of Social Housing publishes an annual [Sector risk profile](#).



The Sector risk profile is intended to help develop a better understanding of the risks organisations face, in an increasingly complex and diverse sector.

## Useful Links

Link	Details
<a href="#">Public Sector Audit Appointments</a>	PSAA is responsible for appointing an auditor and setting scales of fees for relevant principal authorities that have chosen to opt into its national scheme.
<a href="#">EY</a>	EY is our externally appointed auditor.
<a href="#">Cabinet Office NFI (National Fraud Initiative)</a>	The National Fraud Initiative is a data matching exercise which helps public sector organisations to prevent and detect cases of fraud and error.

## Note

This document will have links to external websites where it provides more information. We are not responsible for the content of external websites.

# Glossary of terms

## Assurance ratings

Internal Audit provides management and Members with a statement of assurance on each area audited. This is also used by the Chief Audit Executive to form an overall opinion on the control environment operating across the Council, including risk management, control and governance, and this informs the Annual Governance Statement (AGS).

Term	Description
<b>Full Assurance</b>	Controls are in place to ensure the achievement of service objectives and good corporate governance, and to protect the Authority against significant foreseeable risks.
<b>Reasonable Assurance</b>	Controls exist to enable the achievement of service objectives and good corporate governance, and mitigate against significant foreseeable risks. However, occasional instances of failure to comply with control process were identified and/or opportunities still exist to mitigate further against potential risks.
<b>Limited Assurance</b>	Controls are in place and to varying degrees are complied with, however, there are gaps in the process which leave the service exposed to risks. Therefore, there is a need to introduce additional controls and/or improve compliance with existing ones, to reduce the risk exposure.
<b>No Assurance</b>	Controls are considered to be insufficient, with the absence of at least one critical control mechanism. There is also a need to improve compliance with existing controls, and errors and omissions have been detected. Failure to improve controls leaves the Authority exposed to significant risk, which could lead to major financial loss, embarrassment, or failure to achieve key service objectives.

## Action ratings

Opportunities for improvement are developed into actions with Management to improve the effectiveness of the governance, risk management arrangements, and the internal control environment.

Management are responsible for implementing their actions and providing assurance when they are completed. Timescales for implementing actions should be proportionate and achievable to the available resources. To help prioritise the actions we have produced guidance below:

Priority	Description	Timescale for action	Monitoring
Critical	Extreme control weakness that jeopardises the complete operation of the service.	To be implemented immediately.	Within 1 month
High	Fundamental control weakness which significantly increases the risk / scope for error, fraud, or loss of efficiency.	To be implemented as a matter of priority.	Within 6 months
Medium	Significant control weakness which reduces the effectiveness of procedures designed to protect assets and revenue of the Authority.	To be implemented at the first opportunity.	Within 12 months
Low	Control weakness, which, if corrected, will enhance control procedures that are already relatively robust.	To be implemented as soon as reasonably practical.	Within 24 months

The Council has an Action tracking system, which is used for monitoring progress. This will be updated upon distribution of the report and we will follow up the actions where appropriate.

## Assurance – Direction of Travel

The symbols below indicate the direction of travel when we have concluded a review:

Control Status	Improvement	Consistent	Decrease	New
Symbol				
Details and factors	<ul style="list-style-type: none"> <li>Actions have been implemented</li> <li>New controls established</li> <li>Risk factors have reduced</li> </ul>	<ul style="list-style-type: none"> <li>Controls continue to operate at the same level</li> <li>The risk environment has stayed consistent</li> </ul>	<ul style="list-style-type: none"> <li>Controls have reduced, or not been complied with</li> <li>Risks factors have increased, or new risks have emerged</li> </ul>	This is a new review and we do not have a comparable benchmark.