

REPORT TITLE: Internal Audit Update

To:

Civic Affairs and Audit Committee [22/06/2026]

Report by:

Jonathan Tully, Chief Audit Executive

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Wards affected:

All

1.	Recommendations
1.1	<p>The Civic Affairs and Audit Committee is requested to:</p> <ul style="list-style-type: none">• note the quarterly update on Governance Risk and Internal Control;• note the annual progress update and approve the forward plan of work in Appendix A;• approve the Internal Audit Charter in Appendix B;• note the Code of Ethics in Appendix C;
2.	Purpose and reason for the report
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. 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">• Reasonable assurance on the internal control environment, governance and risk management arrangements.• Updates on how we are responding to the latest Internal Audit Standards
2.2	<p>This is not a key decision, as the report is presented in accordance with the Committee's terms of reference.</p>
3.	Alternative options considered
3.1	<p>The reports are to note and do not have alternative options, although we welcome feedback from the Committee on format and presentation to inform future versions.</p>

	<p>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. Members are invited to propose areas where they would welcome assurance, and this can also be done via our regular Governance Risk and Control updates at other Committee meetings during the year. The current plan is considered sufficient to enable an audit opinion for the Annual Governance Statement.</p>
<p>4.</p>	<p>Background and key issues</p>
<p>4.1</p>	<p>Strategic and Professional Requirements</p> <p>The Accounts and Audit Regulations 2015 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 Institute of Internal Auditors (IIA) issued new Global Internal Audit Standards. 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 Chartered Institute of Public Finance and Accountancy (CIPFA) 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>
<p>4.2</p>	<p>Internal Audit Plan Opinion on Control Environment</p> <p>The Global Internal Audit Standards in the UK Public Sector require that the Chief Audit Executive “must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals.”</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</p>

	<p>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>
	<p>Appendix A – Progress report</p> <p>In 2025 we agreed with the Committee to start reporting more regularly (typically quarterly) through Governance Risk and Control reports. This has been a positive change as it enables us to provide more topical reporting. It also aligns our reporting approach with colleagues at South Cambridgeshire District Council driving consistency for our shared service.</p> <p>It is still good practice to consolidate and summarise information through an annual progress report, which is included in Appendix A. This document summarises the work completed by the team for the Annual Governance Statement. It also provides background information about the team, how we comply with the standards, and how we prioritise our forward programme of work. Interim updates will continue to be provided to the Committee through the regular Governance Risk and Control reports.</p>
	<p>Appendix B and Appendix C</p> <p>The Internal Audit Charter (Appendix B) and the supplementary Code of Ethics (Appendix C) are also appended for information.</p> <p>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”.</p> <p>CIPFA guidance states the role of the Committee in approving the Charter:</p> <p><i>“The chief audit executive has a responsibility to prepare a charter that conforms with GIAS in the UK public sector.</i></p>

	<p><i>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.</i></p> <p><i>The charter should include the administrative reporting arrangements for internal audit and the chief audit executive.</i></p> <p><i>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."</i></p> <p>Both documents were updated to reflect the latest standards in 2025 and approved by the Committee at the June 2025 meeting. Both documents continue to be up to date and there are no changes since the last approval. We bring them back to the Committee annually as best practice to help promote the role of Internal Audit.</p>
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 and Audit 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. The attached report outlines the outcomes of recent audit work. This will form part of the Annual Governance Statement.

8.	Implications
8.1	Relevant risks
	In the writing of this report, there are no significant implications or risks to the Council. The Internal Audit Plan enables the Council to review the effectiveness of our risk management framework.
	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	<ul style="list-style-type: none"> • 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 • Internal Audit Charter

10.	Appendices
10.1	In addition to the quarterly Governance Risk and Control report: a) Internal Audit Annual Progress report b) Internal Audit Charter c) Internal Audit Code of Ethics
	To inspect the background papers or if you have a query on the report please contact Jonathan Tully, Chief Audit Executive, email: jonathan.tully@cambridge.gov.uk .



Committee update - June 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](#)


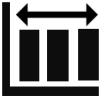
Governance, Risk and Control

Internal Audit outcomes

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
Bank Reconciliation - Recurring Payments 	Assurance: Current: Reasonable Previous: New Review Actions: Critical 0 High 0 Medium 3 Low 0		<p>We reviewed the controls for monitoring recurring payments (Direct Debits / Card Payments) as intelligence highlighted this as a topical fraud and error risk.</p> <p>Controls operate effectively, but procedures are not fully documented, and there is opportunity to strengthen consistency with records management. No fraud has occurred in this area, but any inconsistent invoice checking by services and fragmented governance over Continuous Payment Authorisations (CPAs) can increase the risk of overpayment and unmanaged contractual commitments.</p> <p>Actions have been agreed with Finance to improve officer guidance and migrate existing recurring payments to the Accounts Payable system. This will reduce the residual risk likelihood.</p> <p>As part of our review a new fraud risk relating to the use and controls of recurring payments has been identified and added to the corporate risk register. This will also help our commitment to prevention of fraud as best practice under the new Economic Crime and Transparency Act.</p>

Review	Assurance and actions		Summary of report
<p>Grant assurance - Home Upgrade Grant: HUG2</p> 	<p>Assurance:</p> <p>Current:</p> <p>Previous:</p> <p>Actions:</p> <p>Critical</p> <p>High</p> <p>Medium</p> <p>Low</p>	<p>Full</p> <p>New Review</p> <p>0</p> <p>0</p> <p>0</p> <p>0</p>	<p>We completed a Grant Certification review of the Home Upgrade Grant (HUG2). The Council received £7.891m in this tranche between 2023/2024 and 2024/2025, confirming that expenditure recorded by the service matches the Council’s financial records and aligns with grant conditions.</p> <p>A sample of 16 dwellings, along with total capital and revenue figures, was reconciled without exception.</p> <p>Our review concludes that controls operated effectively, records were clear and complete, and no actions are required.</p> <p>A ‘Full’ assurance rating has been issued, with only a small return of unspent funds to central government noted.</p>
<p>Risk Management Strategy</p> 	<p>Assurance:</p> <p>Current:</p> <p>Previous:</p> <p>Actions:</p> <p>Critical</p> <p>High</p> <p>Medium</p> <p>Low</p>	<p>Reasonable</p> <p>Reasonable</p> <p>0</p> <p>0</p> <p>0</p> <p>0</p>	<p>The Council has continued to make positive steps at effectively embedding Risk Management and has continued to launch additional elements of the new risk management system. There has been positive progress at increasing the level of engagement, which is evident by reviewing risk data over a 12-month period.</p> <p>Consequently, we can give reasonable assurance that the risk management framework is effectively embedded.</p>

Current updates and new reviews

This quarter we are including an annual progress report (Appendix A) which summarises the activities from the past financial year. It also includes a forward-looking plan of activities. Management have requested two reviews this quarter which we have added to our forward plan.

Overall assurance

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

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

New Global Internal Audit Standards and the supporting UK Public Sector Application Note (GIASUKPS) became effective from 1 April 2025.

Following a readiness assessment, we developed an action plan for compliance. 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.

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

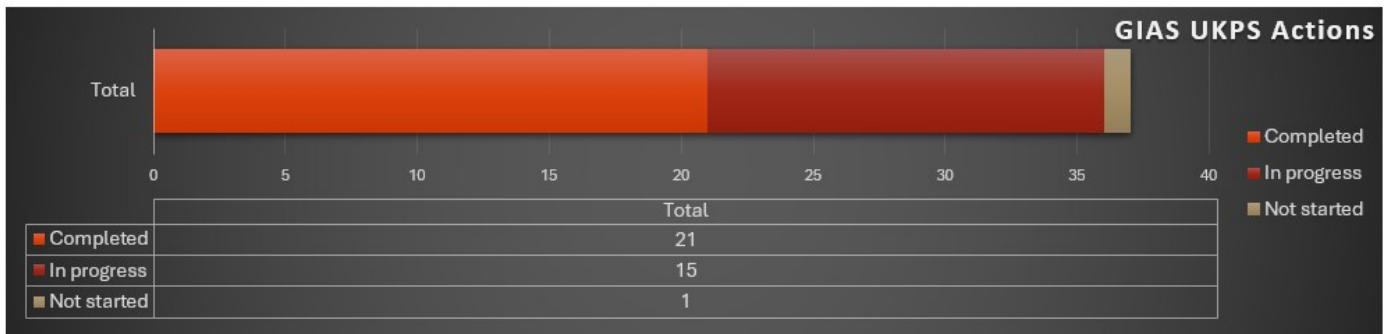
Our team holds quarterly sessions dedicated to reviewing our professional standards and identify opportunities for continuous improvement. This process informs our annual internal quality assurance and improvement programme.

Actions progress

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 37 actions to support our compliance with the new professional standards. Of these, 21 have already been completed, and 15 are currently in progress. We have implemented 6 actions since our last report to the Committee.



We prioritise our actions. All “urgent” and “important actions” have been implemented, and all other actions are on track for implementation. We identified five new 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
Topical Requirements	<p>Global IIA are setting new Topical Requirements which are guidance on completing audits. They are mandatory for assurance engagements, and recommended guidance for advisory.</p> <p>The existence of a Topical Requirement does not mean that it is mandatory to provide assurance on this risk. The decision to audit the risk is still based on risk assessment for the organisation.</p> <p>They are applicable when the topic is one of the following:</p> <ul style="list-style-type: none"> • The subject of an engagement in the internal audit plan • Identified while performing an engagement • The subject of an engagement request not on the original internal audit plan <p>Locally the IASAB and CIPFA review the Topical Requirement and advise how and if they apply to the Local Government Sector.</p> <p>We have prepared for Topical Requirements through training and updating our Strategic Audit Planning database.</p>	Completed	Medium

	The Standards require we include commentary in our audit plan development process, and we have included this in our attached Progress report.		
Engagement Communication – Interim Report	<p>Standards emphasize the ongoing and collaborative nature of communication between the audit function and management when planning and conducting engagements.</p> <p>Engagement communications may include initial, ongoing, closing, and final communications with the management of the activity under review. The extent of ongoing communication depends upon the nature and length of the engagement.</p> <p>Our preference is to deliver prompt agile reviews, but there may be occasions where a longer time review is required, or the review is paused for operational reasons. We have developed a template to standardise our communication to stakeholders in this situation, to help improve awareness of progress and significant issues in a timely manner.</p>	Completed	Medium

Resources and team 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 has now gone live and we hope to recruit in the autumn. This approach supports in-house talent development and helps address ongoing recruitment challenges within the audit profession.

Governance updates

The Cabinet Office published draft [data specifications for the 2026/2027 National Fraud Initiative](#) exercise. The [National Fraud Initiative \(NFI\)](#) is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. The data sets we are required to provide are the same as in previous exercises: Trade Creditors; Payroll; Licenses; Housing; Electoral Register; Council Tax. We will start preparing for the data collation, quality assurance and processing later in the year.

Risk update

We continue to have a high level of risk management engagement which is positive.

The updated Risk Management Strategy and Framework was approved by Cabinet on 24th March following the review at Civic Affairs and Audit Committee. This helps align with current practices/reporting arrangements following 'Our Cambridge' transformation. The revised documents also helped improve readability and simplify guidance on risk appetite, scoring and categorisation.

Latest system developments include updating system fields so that all operational risks now hold fraud risk analysis data, helping demonstrate compliance with requirements of the 'failure to prevent fraud' offence established in Economic Crime and Corporate Transparency Act 2023. Internal Audit work is helping to help test the quality of data in the system as part of the forward audit plan.

Training, development and risk insight

Below are topical updates that the Committee may find useful.

LGA guidance on deepfakes and synthetic media

To help support awareness of cyber risks the Local Government Association has provided short accessible video series introducing [what deepfakes and synthetic media are](#), why they matter for local government and what practical steps officers and councillors can take to reduce potential risks.



Fraud Strategy 2026 to 2029

The Government has made crime reduction and economic growth central to its Manifesto. Fraud against individuals and business is the largest crime type in the UK and costs our economy £14.4 billion in 2023–2024. Tackling fraud is essential to cutting crime and strengthening economic resilience. Recognising the increasing number of fraud incidents, high value of fraud losses and harm from fraud, the Government’s Manifesto set out a clear commitment to deliver a [new Fraud Strategy](#). The Government will invest over £250 million between 2026 and 2029 to deliver this Strategy, aimed at combatting fraud against individuals and businesses. This strategy introduces a new system-wide approach that recognises the agility of criminals and the need for wide-ranging intervention. Critical to this approach is close collaboration between Government, regulators, law enforcement, national security agencies, industry and nonprofit organisations



English Devolution and Community Empowerment Act 2026

The English Devolution and Community Empowerment Bill has [received Royal Assent](#).



It is worth noting that the [English Devolution and Community Empowerment Act 2026](#) updates the Local Audit and Accountability Act 2014. It states a relevant authority other than a health service body must have an audit committee and exercise the functions:

- a) reviewing and scrutinising the authority's financial affairs,
- b) reviewing and assessing the authority's risk management, internal control and governance arrangements,
- c) reviewing and assessing the economy, efficiency and effectiveness with which resources have been used in discharging the authority's functions, and
- d) making reports and recommendations to the authority in relation to reviews conducted under paragraphs (a), (b) and (c).

Our own Committee Terms of Reference, which were recently reviewed as part of the Governance review to CIPFA best practice standards, includes these functions.

International Framework: Good Governance in the Public Sector

The Chartered Institute of Public Finance and Accountancy (CIPFA) and The International Federation of Accountants (IFAC) released the [2026 Edition of the International Framework: Good Governance in the Public Sector](#).



The 2026 Edition updates the original 2014 Framework to reflect developments over the past decade and ensure its continued relevance in today's environment, including progress in sustainability reporting. The Framework remains principles-based and structured around seven high-level, interrelated principles for good governance, designed to apply to all entities in the public sector.



This document supports the approach to compiling our [Code of Governance](#) and the [Annual Governance Statement](#), and we will use this in 2026/2027 as part of our ongoing review.

Useful Links

Link	Details
Public Sector Audit Appointments	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.
EY	EY is our externally appointed auditor.
Cabinet Office NFI (National Fraud Initiative)	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
Full Assurance	Controls are in place to ensure the achievement of service objectives and good corporate governance, and to protect the Authority against significant foreseeable risks.
Reasonable Assurance	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.
Limited Assurance	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.
No Assurance	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"> Actions have been implemented New controls established Risk factors have reduced 	<ul style="list-style-type: none"> Controls continue to operate at the same level The risk environment has stayed consistent 	<ul style="list-style-type: none"> Controls have reduced, or not been complied with Risks factors have increased, or new risks have emerged 	<ul style="list-style-type: none"> This is a new review and we do not have a comparable benchmark.