

## REPORT TITLE: Internal Audit Update

**To:**

Civic Affairs and Audit Committee [05/10/2026]

**Report by:**

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**Wards affected:**

All

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| 1.  | <b>Recommendations</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| 1.1 | The Civic Affairs and Audit Committee is requested to note the quarterly update on Governance Risk and Internal Control.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| 2.  | <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. 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.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| 3.  | <b>Alternative options considered</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| 3.1 | 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.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| 4.  | <b>Background and key issues</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |

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| 4.1 | <p><b>Strategic and Professional Requirements</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 “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 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                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|            | <b>Procurement Implications</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| 8.6        | None identified.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|            | <b>Community Safety Implications</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| 8.7        | None.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| 9.         | <b>Background documents</b><br>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 - October 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                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|-----------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|--------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Carbon Management – Data Quality<br> | <b>Assurance:</b><br>Current:<br>Previous:<br><b>Actions:</b><br>Critical<br>High<br>Medium<br>Low | Full<br>Full<br><br>0<br>0<br>0<br>0 | <p>The Council has published a comprehensive <a href="#">Climate Change</a> section on its website, which includes the Council’s updated Climate Change Strategy 2026-31. Statistical information is reported in the <a href="#">Greenhouse Gas (GHG) annual report</a>. This includes emissions from the estate and operations owned and controlled by the Council.</p> <p>The Council has been reporting annual GHG emissions accounts since 2015/2016, following the principles in the Environmental Reporting Guidelines issued by the Departments for Environment, Farming and Rural Affairs (DEFRA) and Energy, Security and Net Zero (DESNZ, formerly BEIS).</p> <p>We completed a data quality check for the reporting period 1st April 2025 – 31st March 2026. This included reviewing the accuracy of data input, and that all calculations and formulae were correct. Data was also verified back to available source data.</p> <p>We assessed the impact of any changes to data collation during the year, such as the move from 130 Cowley Road to the Operational Hub, as well as any smaller issues/changes to the methods used for collating usage data.</p> <p>Feedback was provided where we identified minor adjustments, and the revised data sets were subsequently rechecked. This provides assurance that the data was reliable.</p> <p>There were no actions arising.</p> |

| Review                                                                                             | Assurance and actions                                                                              |                                  | Summary of report                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|----------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|----------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| VAT Follow Up<br> | <b>Assurance:</b><br>Current:<br>Previous:<br><b>Actions:</b><br>Critical<br>High<br>Medium<br>Low | Full<br>Full<br>0<br>0<br>0<br>0 | <p>We reviewed the implementation of previously agreed actions following the May 2022 audit of Value Added Tax (VAT), which had originally received a 'Full' assurance rating.</p> <p>The follow-up confirmed that all three actions from the 2022 audit have either been implemented or formally reassessed resulting in a continued 'Full' assurance rating.</p> <p>In addition to evaluating the revised internal controls, we tested all transactions from the Finance System that were flagged by the National Fraud Initiative (NFI) exercise for possible VAT errors. All transactions, with the exception of one item, were reviewed satisfactorily, providing continued assurance over the control framework. The exception was an immaterial amount with a current supplier. We have advised the service to obtain clarification and/or credit note resolution from the supplier and have not raised this as a formal audit recommendation.</p> |

## Current updates and new reviews

There are no adjustments to the plan since our previous report.

We are currently concluding testing on Grant assurance – Disabled Facility Grant, and expect this to be concluded by the date of the Committee meeting.

## 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](#).

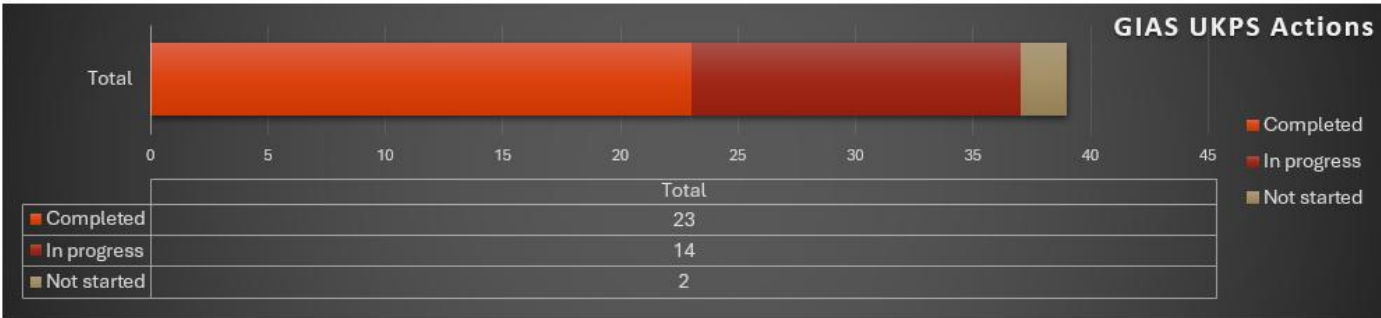
Our team holds quarterly sessions dedicated to reviewing our professional standards and identify opportunities for continuous improvement. This process informs our annual internal quality assurance and improvement programme.

## 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 39 actions to support our compliance with the new professional standards. Of these, 23 have already been completed, and 14 are currently in progress. We have implemented two 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 two new actions in the last quarter which will help continue to improve our service delivery and will implement these during 2026/2027.

Governance updates

National Fraud Initiative

The Cabinet Office confirmed the [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 have started preparing for the data collation. We have engaged with data owners and confirmed that there are adequate information governance arrangements in place. Data is planned for extract on the 30<sup>th</sup> September, and we will complete quality assurance and processing in October.

## Training, development and risk insight

Below are topical updates that the Committee may find useful.

### Risk in Focus 2026 / 2027

[Risk in Focus](#) is an annual thought leadership research project analysing the top risks faced by organisations across Europe. Now in its 11th year, it is an essential tool for internal auditors, audit committees and boards seeking to understand the evolving risk landscape and the priorities of Chief Audit Executives (CAEs) across Europe.



Risk in Focus 2026/ 27 examines a rapidly changing environment shaped by increasingly interconnected risks. Cybersecurity remains the dominant concern, while digital disruption, new technologies and AI, alongside macroeconomic and geopolitical uncertainty, form a closely grouped second tier of risks. The findings highlight how the speed of technological change, geopolitical instability and regulatory complexity are challenging traditional approaches to governance, risk management and internal audit planning.

The [Board Briefing](#) provides a concise summary of the report's findings for boards and senior executives.

Whilst the review considers input from European and Private Sector, it is still a useful document to help review the contents of our Risk Register and Audit Plan.

### Whole of Government Accounts 2024-25

In June 2026 HM Treasury has published the [Whole of Government Accounts for 2024-25](#).

The Whole of Government Accounts consolidates the accounts of over 10,000 public sector bodies, including central and local government and public corporations such as the Bank of England, to provide the most complete and accurate picture of the UK's public finances.

The Comptroller and Auditor General (C&AG) has disclaimed his opinion on the financial statements, providing no assurance to Parliament on the financial statements. This is due to continuing backlogs in English local authority accounts and audits.



National Audit Office

## 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                                                                                                                                                                                                                                                                                                                                                                                                   |
|----------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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       |
|-----------------|-------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------|------------------|
| <b>Critical</b> | Extreme control weakness that jeopardises the complete operation of the service.                                                    | To be implemented immediately.                     | Within 1 month   |
| <b>High</b>     | 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  |
| <b>Medium</b>   | 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 |
| <b>Low</b>      | 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 | <p>Actions have been implemented</p> <p>New controls established</p> <p>Risk factors have reduced</p> | <p>Controls continue to operate at the same level</p> <p>The risk environment has stayed consistent</p> | <p>Controls have reduced, or not been complied with</p> <p>Risks factors have increased, or new risks have emerged</p> | <p>This is a new review and we do not have a comparable benchmark.</p>                |