

<b>AUDIT COMMITTEE</b>	<b>AGENDA ITEM No. 6</b>
<b>25 NOVEMBER 2024</b>	<b>PUBLIC REPORT</b>

Report of:	Cecilie Booth – Executive Director of Corporate Services	
Cabinet Member(s) responsible:	Councillor Mohammed Jamil, Deputy Leader and Cabinet Member for Finance and Corporate Governance	
Contact Officer(s):	Steve Crabtree, Chief Internal Auditor	07920 160111

## **INTERNAL AUDIT: MID YEAR PROGRESS REPORT 2024 / 2025**

<b>RECOMMENDATIONS</b>	
<b>FROM:</b> Steve Crabtree, Chief Internal Auditor	<b>Deadline date:</b> N/A
<p>It is recommended that Audit Committee:</p> <ol style="list-style-type: none"> <li>1. Notes the progress of the Internal Audit plan for 2024 / 2025 (see Appendices A, B and C).</li> <li>2. Notes the forthcoming changes to Global Internal Audit Standards (see Appendices D and E and section 5 in Appendix A).</li> <li>3. Provides comment, if desired, on the Draft Code of Practice for the Governance of Internal Audit in UK Local Government as part of the current consultation process (see Appendix E).</li> </ol>	

### **1. ORIGIN OF REPORT**

1.1 This report is submitted to the Audit Committee as a routine planned report within the 2024 / 2025 work programme of the Committee.

### **2. PURPOSE AND REASON FOR REPORT**

2.1 The purpose of this report is to provide an update to the Committee on internal audit coverage of the Annual Audit Plan 2024 / 2025 as of 30 September 2024.

2.2 It also outlines forthcoming changes to the standards with which Internal Audit in the public sector must comply. The new Global Internal Audit Standards, alongside a public sector Application Note and a Code of Practice for the Governance of Internal Audit in UK Local Government, come into effect on 1 April 2025. The latter document is currently out for consultation and this report gives the Audit Committee an opportunity to comment on the contents of the document for feedback.

2.3 The Terms of Reference for the Audit Committee (agreed at Full Council) set out the key roles of the Committee including the following 3.7, to consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include updates on the work of internal audit, including key findings, issues of concern and action in hand as a result of internal audit work

### 3. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	<b>NO</b>	If yes, date for Cabinet meeting	N/A
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#### 4.1 INTRODUCTION

4.1.1 The details of the progress of the 2024 / 2025 plan are documented in Appendix A and B. The information included in the progress report will feed into and inform our overall opinion in the Annual Audit Opinion report issued at the year end. This opinion will in turn be used to inform the Annual Governance Statement included in the Statement of Accounts.

4.1.2 Internal Audit utilise an assessment tool which allows us to continually assess risks and prioritise our work accordingly. As such, as well as listing the audits completed, this report details the audits we plan to conduct, or which are underway, based on our current assessment of risk. Audits which are new, or have been removed from the plan, are highlighted. We will continue to appraise risk and refine our audit plans, therefore those audits that have yet to be started could be replaced if risk levels change.

#### 4.2 RESOURCES

4.2.1 The 2024 / 2025 plan was compiled based on an in-house team with an establishment of 6.1 full time equivalent staff (FTE). This is reduced to 5.7 FTE when accounting for the additional responsibilities of the Chief Internal Auditor (CIA) as a manager of Investigations and Insurance teams and as a Director of Peterborough Limited. A call-off contract is in place to provide additional support to cover vacancies and bring specific areas of expertise.

4.2.2 While during the summer the service was fully staffed, it has now returned to having one vacancy (down from two when the plan was formulated). This brings our establishment for the year to 4.4 FTE. Current budget constraints will impact on how the resultant gap is covered, whether via recruitment or the call off contract, and options will be reviewed on an ongoing basis.

It should be noted that there is an overarching requirement for savings across the Council, which will include Internal Audit and the external arrangements will be regularly reviewed, especially in light of spending moratoriums and a current freeze on recruitment.

4.2.3 The plan continues to highlight those audits that are not achievable within the currently available resource levels, but it remains highly flexible to respond to risks as they arise. Committee should be aware that several audits have dropped below the line as they are no longer achievable based on the resourced number of days available.

#### 4.3 PERFORMANCE AND OUTPUT

4.3.1 One of four levels of assurance is allocated to each audit review. These assurance levels are: SUBSTANTIAL; REASONABLE; LIMITED; and NO ASSURANCE. Where concerns have been identified resulting in limited or no assurance, the Executive Summaries for these reviews are included within Appendix C once the review has been agreed and finalised. There is one report that fall into this category currently – Car Leasing Scheme.

4.3.2 Of the 59 audits planned for the year, 19 have been completed, 28 are in progress. 7 are yet to be started and 11 have been removed.

4.3.3 Agreed actions are followed up by Internal Audit. The results of follow-ups to date show that 5 actions have not yet been implemented (4 rated as high priority) and 20 are in progress (9 rated as high priority).

4.3.4 Due to the nature of the work typically undertaken in the first part of the year including a high proportion of grant activities it is too early in the audit year to provide an overall opinion on the internal controls operating across the Council that have been subject to audit from the 2024 / 2025 audit plans. However, should any areas of significant concern occur the Committee will be advised at the earliest opportunity.

#### **4.4 GLOBAL INTERNAL AUDIT STANDARDS**

4.4.1 In January 2024, the Institute of Internal Auditors (IIA) released new Global Internal Audit Standards ([GIAS](#)), which have replaced the former standards under its International Professional Practice Framework. These standards, alongside an Application Note for the UK public sector (Appendix D) and a Code of Practice for the Governance of Internal Audit in UK Local Government (Appendix E), will become effective from 1 April 2025 and form the regulatory regime under which Internal Audit will operate.

4.4.2 The Internal Audit team are currently reviewing the new standards. We are planning the work that will be needed to bring our service into line with them, and it is expected that there will be a number of updates to our processes and documentation to achieve this. Key areas of review are:

- Our Charter, Mandate and Strategy documents
- Our Code of Ethics
- Audit methodologies and planning processes

4.4.3 The Code of Practice for the Governance of Internal Audit in UK Local Government (the Code) is currently in draft, and the consultation period ends on the 28th of November 2025. This Code, and the Application note, has been produced by the Chartered Institute of Public Sector Finance and Accountancy (CIPFA), who have the authority for setting standards for internal Audit in local government.

4.4.4 The purpose of the Code is to provide the route to satisfying the 'essential conditions' for governance of Internal Audit contained within the GIAS. It aims to provide clarity to audit committees and senior management and to provide the basis for a consistent approach throughout the sector. Whilst it contains many of the provisions contained in other guidance from CIPFA and represents best practice that is largely in place in this authority, this report provides the opportunity to comment as part of the consultation process.

4.4.5 The standards require that Internal Audit teams are externally reviewed every 5 years. Ours is due and we intend to utilise a reciprocal arrangement with Cambridgeshire County Council to achieve this at no cost.

#### **5. CORPORATE PRIORITIES**

5.1 The annual audit plan is developed to consider and include the corporate priorities of the organisation to ensure that it adds value and assists in the business achieving positive outcomes. Audit activities undertaken will link to one or more of the priorities below depending on the individual scope and the associated risk profile.

1. The Economy & Inclusive Growth
  - Environment
  - Homes and Workplaces
  - Jobs and Money
2. Our Places & Communities
  - Places and Safety (including any rural implications)
  - Lives and Work
  - Health and Wellbeing
3. Prevention, Independence & Resilience
  - Educations and Skills for All
  - Adults
  - Children
4. Sustainable Future City Council

- How we Work
- How we Serve
- How we Enable

## **6. CONSULTATION**

6.1 This report and accompanying appendices have been issued to the Executive Director of Corporate Services and Section 151 Officer, and the Director of Legal and Governance and Monitoring Officer.

## **7. ANTICIPATED OUTCOMES OR IMPACT**

7.1 That the Audit Committee is informed of Internal Audit's progress against the Annual Audit Plan and of any key issues highlighted by our work. Additionally, the Audit committee is made aware of forthcoming changes to the standards governing the practice of Internal Audit in the public sector.

## **8. REASON FOR THE RECOMMENDATION**

8.1 The Council is subject to the Accounts and Audit Regulations and as such must make provision for Internal Audit in accordance with the CIPFA Code of Practice and the Public Sector Internal Audit Standards. It must also produce an Annual Governance Statement to be published with the Council's financial accounts. This report and associated papers demonstrate how the audit service is progressing against the audit plan how it will contribute to the Statement.

## **9. ALTERNATIVE OPTIONS CONSIDERED**

9.1 The alternative of not providing an Internal Audit service is not an option.

## **10. IMPLICATIONS**

### **Financial Implications**

10.1 During the year, Internal Audit reports will generate a series of recommendations. While implementing these may have resource implications for the various areas under review, Internal Audit discuss and agree recommendations with the auditee prior to the issue of the final audit report. Therefore, it is assumed that their implementation can and will be undertaken either with existing resources or with additional resources that they can readily call upon.

### **Legal Implications**

10.2 The Internal Audit service is undertaken in accordance with the requirements of section 151 of the Local Government Act 1972 and the requirements of the Accounts and Audit Regulations 2015. There would be a legal implication if an Internal Audit service was not provided for, and if mechanisms were not in place to carry out a review of internal control, governance and risk management as a basis for the Annual Governance Statement.

### **Equalities Implications**

10.3 Not applicable.

## **11. BACKGROUND DOCUMENTS**

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

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- Internal Audit Annual Plan 2024 / 2025
- Internal Audit written output (reports, memos, grant certifications)

- Global Internal Audit Standards, Draft UK Public Sector Application Note, Draft Code of Practice for the Governance of Internal Audit in UK Local Government

## **12. APPENDICES**

- 12.1 Appendix A: Internal Audit Mid-Year Progress Report 2024 / 2025 (to 30 September 2024)  
Appendix B: Progress against agreed Audit Plan  
Appendix C: Reports with a Limited or No Assurance Opinion  
Appendix D: Draft UK Public Sector Application Note  
Appendix E: Draft Code of Practice for the Governance of Internal Audit in UK Local Government

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