



Coventry City Council

Public report

Report to

Audit and Procurement Committee

22nd June 2026

Name of Cabinet Member:

Cabinet Member for Policy and Leadership – Councillor G Duggins

Director approving submission of the report:

Director of Finance and Resources

Ward(s) affected:

City Wide

Title:

Internal Audit Annual Report 2025-26

Is this a key decision?

No

Executive summary:

The purpose of this report is to present to the Audit & Procurement Committee the Internal Audit Annual Report for 2025-26, which includes a summary of the performance of Internal Audit and the Chief Internal Auditor's conclusion on the overall adequacy and effectiveness of Coventry City Council's risk management, internal control, and governance arrangements for the financial year 2025-26.

Recommendations:

Audit and Procurement Committee is recommended to:

1. Note the Internal Audit Annual Report 2025-26 (attached at appendix one.)
2. Note the summary findings of key audit reviews (attached at appendix two) that have not already been reported to Audit and Procurement Committee during municipal year 2025-26 and which are relevant to the Internal Audit conclusion.
3. Approve the performance objectives for the Internal Audit Service for 2026-27.
4. Approve the Internal Audit Charter as included in the Annual report.

List of Appendices included:

Appendix One – Internal Audit Annual Report

Appendix Two - Summary findings from key audit reports

Background papers:

None

Other useful documents:

Internal Audit Plan 2025-26 – Quarter Three Progress Report

[Agenda for Audit and Procurement Committee on Monday, 16th March, 2026, 2.30 pm - Coventry City Council](#)

Has it or will it be considered by scrutiny?

No other scrutiny consideration other than the Audit and Procurement Committee.

Has it, or will it be considered by any other council committee, advisory panel or other body?

No

Will this report go to Council?

No

Report title:

Internal Audit Annual Report 2025-26

1. Context (or background)

- 1.1 The Audit and Procurement Committee approved the Council's Internal Audit Plan for 2025-26 at its meeting on 23rd June 2025. During the last financial year, the Committee received progress reports summarising completed audit activity in February 2026 and March 2026.
- 1.2 This report details the performance of the Internal Audit Service against the Plan for 2025-26, which is presented in order for the Audit and Procurement Committee to discharge its responsibility, as reflected in its term of reference - "To consider the Head of Internal Audit's Annual Report and Opinion, and a summary of internal audit activities (actual and proposed) and the level of assurance given within the Annual Governance Statement incorporated in the Annual Accounts".
- 1.3 The work of the Internal Audit Service is governed by the Global Internal Audit Standards in the UK Public Sector which sets the standards for the professional practice of Internal Audit and serve as a basis for evaluating and elevating the quality of the internal audit function. The standards came into effect on the 1st April 2025 and replaced the Public Sector Internal Audit Standards which previously applied.

2. Options considered and recommended proposal**2.1 Annual Internal Audit Report**

The Internal Audit Annual Report 2025-26 is attached at Appendix One to this report. The report fulfils the requirements to:

- Report annually on the Internal Audit Service's conformance with the Standards, the results of the Quality Assurance and Improvement Programme and the extent to which the internal audit function's performance objectives are being met.
- Provide an overall conclusion on the overall adequacy and effectiveness of the Council's risk management, internal control and governance arrangements for consideration within the development of the Annual Governance Statement.
- Maintain an Internal Audit Charter which is approved by the Audit and Procurement Committee. The Charter sets out the purpose, mandate and position of Internal Audit within the local authority.

2.2 Internal Audit performance objectives 2026-27

The Audit and Procurement Committee must satisfy itself on the effectiveness of the Internal Audit Service. Receiving reports on the performance of the Service against defined performance objectives is a key way in which the Audit and

Procurement Committee meets this responsibility and is included in the Terms of Reference for the Committee. Under the new Standards, there is a requirement that the Audit and Procurement Committee approve the performance objectives for the Internal Audit Service on an annual basis.

There is an expectation within the Standards that the performance objectives should be those which are most impactful to advance the outcomes stated within the Standards, the Internal Audit Charter and the Internal Audit Strategy. In recognition of this, a revised set of performance objectives and measures were put in place for 2025-26, which are detailed below. It is the Chief Internal Auditor's view that these measures are appropriate to retain for 2026-27.

Internal Audit Performance Objectives and Measures 2026-27

Performance Objective	Measure	Target	Frequency
The Internal Audit Service delivers its mandate and charter through completion of a risk-based programme of work which supports delivery of the annual conclusion on the Council's effectiveness of its risk management, control and governance processes.	% of the Annual Internal Audit Plan (as adjusted and approved) completed.	90%	Quarterly
The Internal Audit Service advances its vision, mission and objectives outlined in the Internal Audit Strategy.	Average customer feedback score.	4.8 out of 5	Quarterly
	Audit initiatives as outlined in the Internal Audit Strategy 2025-2028 are delivered as planned.	All initiatives delivered by March 2028	Annual review of progress
	% of agreed audit recommendations implemented as planned. (This measure is not exclusively a reflection of Internal Audit performance as management are responsible for completing agreed actions.)	70%	Quarterly
Internal Audit is performed by competent professionals in conformance with the Global	All internal auditors are supported in undertaking CPD.	No target set (qualitative)	Annual review

Internal Audit Standards in the UK Public Sector.			
	Improvement actions identified from the Quality Assurance and Improvement Program are delivered as planned.	All actions delivered as planned	Annual review of progress

2.3 **Audit Activity**

A summary of the findings of a key audit that has not already been reported to the Committee during municipal year 2025-26 is included at Appendix Two. Where recommendations have been made, the relevant managers have agreed to address the issues raised in line with the timescales stated. The review will be followed up in due course and the outcome reported to the Audit and Procurement Committee.

- 2.4 Options considered – in the event that no action is taken to implement the Global Internal Audit Standards in the UK Public Sector, the Council will not meet its statutory obligations to provide an effective internal audit function.

3. **Results of consultation undertaken**

- 3.1 None

4. **Timetable for implementing this decision**

- 4.1 There is no implementation timetable associated with this report, although the opinion of the Chief Internal Auditor on the adequacy of the Council's risk management, internal control and governance arrangements is a key source in the preparation of the Annual Governance Statement.

5. **Comments from the Director of Finance and Resources and the Director of Law, Governance & Safer Communities**

5.1 Financial Implications

There are no specific financial implications associated with this report. Internal audit work has clear and direct effects, through the recommendations made, to help improve value for money obtained, the probity and propriety of financial administration, and / or the management of operational risks.

5.2 Legal implications

The City Council is required by the Accounts and Audit Regulations 2015 to approve, and subsequently publish, the Annual Governance Statement alongside the Statement of Accounts. The conclusion of the Chief Internal Auditor on the

adequacy of the Council's risk management, internal control and governance arrangements as included in the Annual Report is a key source in the preparation of the Annual Governance Statement. Reporting on progress regarding the delivery of the Annual Audit Plan ensures that the Council meets its statutory obligations in respect of maintaining an internal audit function and represents good governance.

6. Other implications

6.1 How will this contribute to achievement of the One Coventry Plan? <https://www.coventry.gov.uk/strategies-plans-policies/one-coventry-plan>)

Internal Auditing is defined in the Global Internal Audit Standards as “an independent, objective assurance and advisory service designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes”. As such the work of Internal Audit is directly linked to the Council's key objectives / priorities with specific focus agreed on an annual basis and reflected in the annual Internal Audit Plan.

6.2 How is risk being managed?

In terms of risk management, there are two focuses:

- Internal Audit perspective – The main risks facing the Service are that the planned programme of audits is not completed, and that the quality of audit reviews fails to meet customer expectations. Both these risks are managed through defined processes (i.e., planning and quality assurance) within the Service, with the outcomes included in reports to the Audit and Procurement Committee. Delays in the delivery of individual audits could occur at the request of the customer, which could impact on the delivery of the plan. This risk is managed through on-going communication with customers to agree timing and identify issues at an early stage to allow for remedial action to be taken.
- Wider Council perspective - The key risk is that actions agreed in audit reports to improve the control environment and assist the Council in achieving its objectives are not implemented. To mitigate this risk, a defined process exists within the Service to gain assurance that all actions agreed have been implemented on a timely basis. Such assurance is reflected in reports to the Audit and Procurement Committee. Where progress has not been made, further action is agreed and overseen by the Audit and Procurement Committee to ensure action is taken.

6.3 What is the impact on the organisation?

None

6.4 Equalities / EIA

None

6.5 Implications for (or impact on) climate change and the environment

No impact

6.6 Implications for partner organisations?

None

Report author:

Name and job title:

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Service Area:

Finance

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Enquiries should be directed to the above person.

Contributor/approver name	Title	Service Area	Date doc sent out	Date response received or approved
Contributors:				
Lara Knight	Governance Services Co-ordinator	Law, Governance & Safer Communities	5/6/2026	5/6/2026
Tina Pinks	Finance Manager Corporate Finance	Finance	5/6/2026	11/6/2026
Oluremi Aremu	Head of Legal and Procurement Services	Law, Governance & Safer Communities	5/6/2026	11/6/2026
Names of approvers: (officers and members)				
Barry Hastie	Director of Finance and Resources	-	5/6/2026	11/6/2026
Councillor G Duggins	Cabinet Member for Policy and Leadership	-	5/6/2026	5/6/2026

This report is published on the council's website: www.coventry.gov.uk/meetings

Coventry City Council Internal Audit Service

Internal Audit Annual Report

2025-26

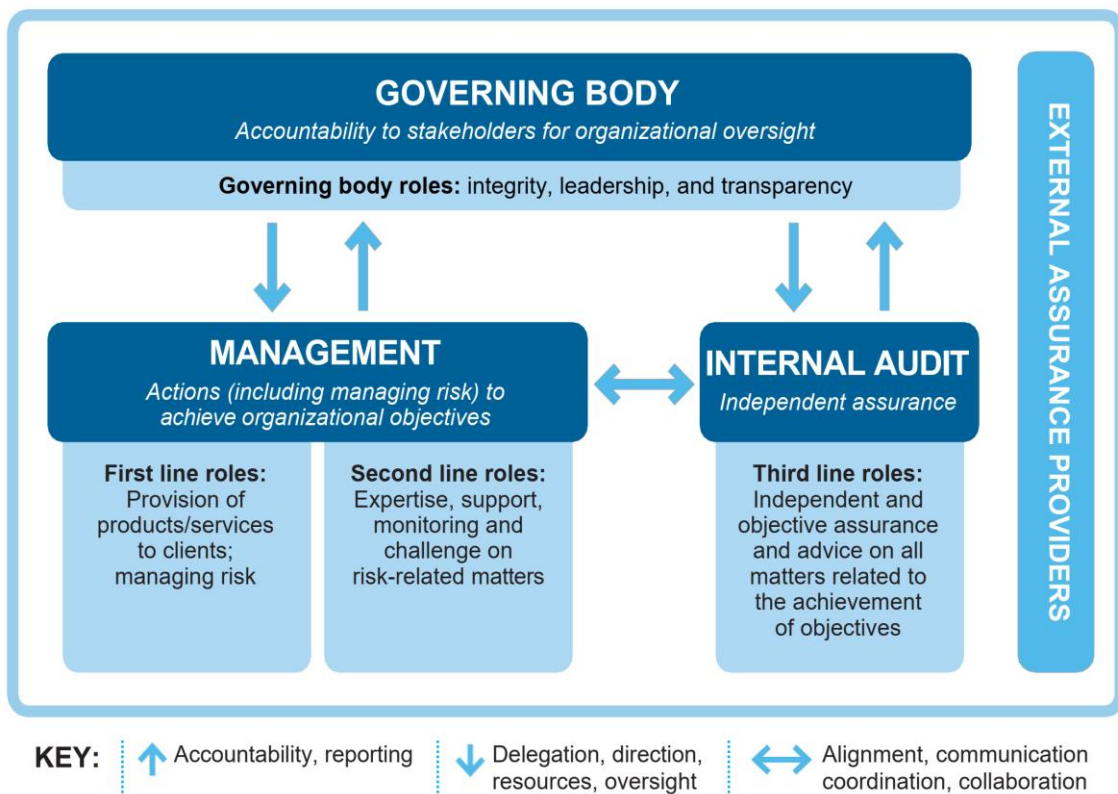


1. Introduction

1.1 Internal auditing is defined in the Global Internal Audit Standards in the UK Public Sector as:

“An independent, objective assurance and advisory service designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.”

Internal audit is part of the Council’s governance framework, which follows the principles of the Three Lines Model, illustrated below:



The purpose of internal audit is defined in the Global Internal Audit Standards in the UK Public Sector as:

“Internal auditing strengthens the organisation’s ability to create, protect and sustain value by providing the board and management with independent, risk-based and objective assurance, advice, insight and foresight. It enhances the organisation’s:

- Successful achievement of its objectives.

- Governance, risk management, and control processes.
- decision making and oversight.
- Reputation and credibility with stakeholders.
- Ability to serve the public interest.

Internal auditing is most effective when:

- It is performed by competent professionals in conformance with the Global Internal Audit Standards, which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the board.
- Internal auditors are free from undue influence and committed to making objective assessments.”

1.2 The primary mandate for internal audit in UK local government is the Accounts and Audit Regulations 2015 which requires “a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.” The Regulations also include internal audit’s rights of access to information and explanations necessary to achieve their intended purpose. The mandate is also reflected in the Internal Audit Charter, included in this report.

1.3 In April 2025, new professional standards for internal audit came into effect. The “Global Internal Audit Standards in the UK Public Sector” consist of the Global Internal Audit Standards of the Institute of Internal Auditors and the Application Note: Global Internal Audit Standards in the UK public sector issued by CIPFA. In addition, CIPFA have issued a “Code of Practice for the Governance of Internal Audit in UK Local Government” which is designed to work alongside the new internal audit standards.

The Global Internal Audit Standards in the UK Public Sector are split into five domains, each with a number of principles and standards which underpin them:

- Domain I – Purpose of Internal Auditing
- Domain II – Ethics and Professionalism
- Domain III – Governing the Internal Audit Function
- Domain IIIIV – Managing the Internal Audit Function
- Domain V – Performing Internal Audit Services

Internal Audit teams are not expected to demonstrate full compliance with the standards from the 1st April 2025. Instead, they will build up conformance over time.

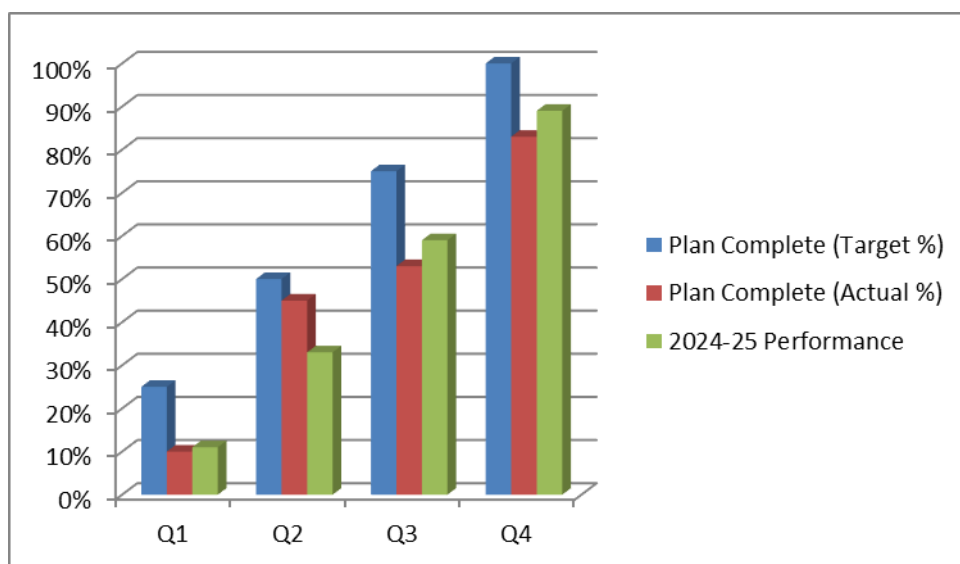
1.4 The standards include:

- The requirement for the Audit and Procurement Committee to assess the effectiveness and efficiency of the internal audit function, including its conformance with the standards, the results of the Quality Assurance and Improvement Programme and the extent to which the internal audit function’s performance objectives are being met.
- The requirement for the Chief Internal Auditor to provide on an annual basis an overall conclusion on the overall adequacy and effectiveness of Coventry City Council’s risk management, internal control, and governance arrangements
- The requirement for the Audit and Procurement Committee to approve the Internal Audit Charter.

This annual report is presented to the Audit and Procurement Committee to fulfill these requirements.

2 Performance of the Internal Audit Service

2.1 The key target for the Internal Audit Service is to complete 90% of its agreed work plan by 31st March 2026. Whilst the plan was originally developed on the basis of an estimate of 650 available audit days, this was subsequently amended to 550 days as a result of unplanned absence within the Service and the time taken to implement the agreed service redesign. This change was reported to the Audit and Procurement Committee in February 2026. Consequently, the performance of the Service has been assessed against the revised audit plan of 550 days. As illustrated by the chart below, the Service delivered 84% of this plan.



Whilst it is recognised that performance is below target, it is not viewed that this materially impacts on the ability to provide an annual audit conclusion. Of the nine audits which formed part of the 2025-26 audit plan, and which were not completed by the end of March 2026, one has now been finalised, one is at draft report stage and the remaining seven are ongoing / have been rescheduled.

2.2 At its meeting in November 2025, the Audit and Procurement Committee approved the performance indicators for the Internal Audit Service for 2025-26. The table below shows a summary of the performance for 2025-26 against these indicators.

Performance Measure	Target	Performance 2025-26
Average customer feedback score	4.8 out of 5	5
Audit initiatives as outlined in the Internal Audit Strategy 2025-28 delivered as planned	All initiatives delivered by March 2028	1 out of 3 planned initiatives delivered
% of agreed audit recommendations implemented as planned	70%	57%
All internal auditors are supported in undertaking CPD	No target set (qualitative)	1 auditor supported to undertake the level 7 apprenticeship
Improvement actions identified from the Quality Assurance and Improvement Program (QAIP) are delivered as planned	All actions delivered as planned	Actions still in progress

These are further expanded upon below:

Customer feedback – In addition to the high customer feedback scores, comments made by customers included:

- “The support provided from the initial meeting through to the final report stage was superb. As a large service, coordinating face-to-face meetings and compiling evidence throughout the investigation was no small task, yet it was managed seamlessly. We were kept well-informed at every stage of the process. The

- resulting action plan is thorough and will be invaluable in enhancing our processes, procedures, and practices for future enrolments.”
- “X's approachable and collaborative style created a positive environment that encouraged open and transparent discussions across all levels of the team. Her pragmatic and sensible attitude helped ensure the audit was not only thorough but also constructive. Rather than focusing solely on issues, she worked with us to identify practical improvements which has led to changes within the service. It has genuinely felt a valuable exercise.”
 - “Both X and X were professional, approachable, and supportive throughout, offering clear advice and guidance whenever needed.”
 - “X provided an excellent, fair, and reasonable assessment. She listened carefully and asked thoughtful questions about the processes.”
 - “We were given fair opportunity for comment and discussion and felt listened to.”

Internal Audit Strategy – During 2025-26, a revised structure put in place which included the establishment of an Internal Audit Delivery Manager post. Whilst recruitment to the post was delayed due to HR processes, the recruitment exercise has recently been completed. Further recruitment (due to a post becoming vacant) will take place in the near future. Whilst the other planned actions have been delayed due to resource challenges, some work has been done to progress them and they will be reprogrammed into 2026-27.

Implementation of agreed audit recommendations - It should be noted that the indicator relating to the percentage of audit recommendations implemented as planned is not exclusively a reflection of Internal Audit performance as management are responsible for completing agreed actions. However, notwithstanding this, during 2025-26 the Internal Audit Service put in place additional measures to support the gradual improvement of implementation rates. This included further development of the directorate trackers, specific discussions at the draft report stage on the importance of the timely implementation of agreed actions, and enhancements to the follow up process to make officers more accountable for lack of progress.

Continuing Professional Development – Whilst one auditor has successfully commenced on the Internal Audit Professional Apprenticeship level 7, it is acknowledged that more work needs to be done in this area to put a structured approach in place across the Service. Notwithstanding this, all professionally qualified internal auditors have a responsibility to undertake CPD on an annual basis.

QAIP action plan – In addition to the three actions which are linked to the Internal Audit Strategy, the QAIP action plan includes two further actions (1) to update the Internal Audit Manual and (2) to undertake a housekeeping exercise on the retention of records. Whilst work has commenced on both these actions, they have not been fully completed at the current time.

3 Quality Assurance and Improvement Programme

3.1 The Global Internal Audit Standards in the UK Public Sector require that the Internal Audit Service develops and maintains a quality assurance and improvement programme that covers all aspects of internal audit activity. In 2025-26 the programme included the following:

- On-going supervision and review of audit work. This includes day-to-day supervision of audits, weekly performance management meetings and formal reviews of all completed work. All draft audit reports are subject to review by the Chief Internal Auditor.
- Staff performance appraisals and regular one to ones.
- Feedback from customers.
- Action taken to improve methodologies and working papers for school audits.

3.2 Actions to work towards conformance with the new Standards have progressed, for example development of an Internal Audit Strategy and discussions with the Audit and Procurement Committee on the essential conditions for Internal Audit. However, there has not been an opportunity to undertake a full baseline assessment against the new Standards in 2025-26. As such, it is the Chief Internal Auditor's conclusion that the Internal Audit Service partially conforms with Global Internal Audit Standards in the UK Public Sector. It is not viewed that any non-conformance affects the overall scope or operation of internal audit activity (and it should be noted the Service did conform with the previous standards which were in force, which was confirmed through external quality assessment.)

3.3 The table below details the improvement plan for the Internal Audit for 2026-27. This also reflects the actions required this year to deliver the Internal Audit Strategy. Progress against these actions will be included in the next annual report to the Audit and Procurement Committee.

	Improvement Action	Responsible Officer	Timetable
1	Full assessment and development of action plan to ensure compliance with the new professional standards.	Chief Internal Auditor	December 2026
2	Competency framework established for Internal Audit team members.	Chief Internal Auditor	December 2026
3	Review and update of the Internal Audit Manual.	Chief Internal Auditor in-conjunction with the Internal Audit Service	March 2027

4	Undertake a housekeeping exercise on the retention of engagement records.	Chief Internal Auditor in-conjunction with the Internal Audit Service	March 2027
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4 Conclusion on the overall adequacy and effectiveness of Coventry City Council’s risk management, internal controls, and governance arrangements

4.1 The Global Internal Audit Standards in the UK Public Sector highlights that a key responsibility of Internal Audit is to provide an annual internal audit conclusion and report that can be used to inform the Annual Governance Statement. The conclusion must cover the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and internal control.

In providing the conclusion, the Chief Internal Auditor confirms that the Internal Audit Service is organisationally independent. The Service reports functionally to the Audit and Procurement Committee and has an approved Internal Audit Charter which sets out the purpose, authority, responsibility and position of the Internal Audit Service within the Council.

4.2 Audit Activity – the table below details the audit reviews that have been carried out in the financial year 2025-26 along with the level of assurance provided.

Audit Area	Audit Title	Assurance	Previous Assurance level (if applicable)
2024-25 B/Fwd	Corporate Income	Significant	Significant
	CareDirector	Reasonable	Reasonable
	Building Control	Reasonable	n/a
	Property Disposals	Reasonable	Reasonable
	Corporate Risk	New working arrangements in Waste Services	Reasonable
	Return of ICT equipment	Significant	n/a
	Coventry Municipal Holdings – conflicts of interest	Reasonable	n/a
	Allowances and Overtime	Reasonable	Reasonable
	Ransomware threat	Reasonable	n/a
	Security Certificates	Reasonable	n/a
	Governance over AI	Reasonable	n/a
Council / audit priorities	CWRT healthcheck	Verification	n/a

Audit Area	Audit Title	Assurance	Previous Assurance level (if applicable)
	Domestic abuse refuge cases	Reasonable	n/a
Financial Systems	Payroll	Significant	Significant
Regularity	Proactive invoice checks	Verification	n/a
	Turnaround Programme grant	Verification	n/a
	HUG 2 grant	Verification	n/a
	SHDF wave 2 grant	Verification	n/a
	Network North highways grant	Verification	n/a
	Homelessness grants	Verification	n/a
	Bus Subsidy grant	Verification	n/a
	Disabled Facility grant	Verification	n/a
	Annual Governance Statement	Reasonable	Reasonable
	Teachers Pension Statements	Verification	n/a
	Youth Justice grant	Verification	n/a
	Innovate UK grant	Verification	n/a
	Aldermoor Farm Primary School	Significant	Significant
	Cannon Park Primary School	Significant	Significant
	Eastern Green Primary School	Reasonable	Significant
	Gosford Park Primary School	Reasonable	Significant
	Grangehurst Primary School	Significant	Significant
	Holbrook Primary School	Reasonable	Significant
	Joseph Cash Primary School	Reasonable	Significant
	Manor Park Primary School	Reasonable	Significant
	Spon Gate Primary School	Reasonable	Significant
	Our Lady of Assumption Catholic Primary School	Reasonable	Reasonable
Directorate issues	Adult Education Enrolment	Limited	n/a
	SEND Home to School Taxi Provision	Significant	Limited
	Occupational Therapy Equipment	Reasonable	n/a
	Repairs & Maintenance Training Records	Reasonable	n/a
	Timesheets	Fact finding	n/a
	Noise Team rotas	Fact finding	n/a
	Purchasing cards (Children's & Education)	Reasonable	n/a
Follow ups	Management of Plant and Equipment	Limited	Limited
	Transparency Code	Reasonable	Limited
	IR35 in Schools	Reasonable	Limited

Audit Area	Audit Title	Assurance	Previous Assurance level (if applicable)
	Broad Heath Primary School	Significant	Limited
	EDT pay arrangements	Significant	Limited

In the Chief Internal Auditor’s view, sufficient assurance has been obtained to form a reasonable conclusion on the adequacy and effectiveness of Coventry City Council’s risk management, internal control, and governance arrangements. This takes into account the internal audit work performed during 2025-26 and other sources of assurance, specifically:

- The work of the Corporate Governance Steering Board of which the Chief Internal Auditor is a member of.
- Quarterly discussions with the Chief Executive, Monitoring Officer, S151 Officer and Director of HR.
- The Corporate Risk Register.
- Audits which were not finalised by the end of March 2026, but which were substantially complete.

4.3 Conclusion - It is the Chief Internal Auditor’s conclusion that **reasonable assurance** can be provided that there is generally an effective and adequate framework of governance, risk management and internal control in place designed to meet the Council's objectives. This means that there is generally an appropriate level of control for managing the majority of the significant inherent risks to the Council’s objectives to a reasonable level. Through Internal Audit work, actions are agreed to improve the governance, risk management and the internal control environment and assist the Council in achieving its objectives. A defined process exists within the Service to gain assurance that all actions agreed have been implemented on a timely basis.

In reaching this conclusion, assurance can never be absolute. It cannot eliminate all risk and cannot provide absolute assurance of effectiveness.

4.4 Issues relevant to the preparation of the Annual Governance Statement – In undertaking the assessment of the Council's arrangements, the Chief Internal Auditor has reviewed whether, in her opinion, there are any areas that need to be considered when the Council produces its Annual Governance Statement for 2025-26.

From a general point of view, whilst any audit where ‘limited’ or ‘no’ assurance was provided requires attention, an assessment is also made as to whether the review

has a significant corporate impact and consequently needs to be considered in producing the Annual Governance Statement, or whether the review is limited to specific working practices in service areas which do not have a wider bearing on the Council's control environment.

For 2025-26, one issue has been identified for consideration in preparation of the Annual Governance Statement:

- Ensuring that the Council continues to develop appropriate governance and management arrangements in relation to AI. – Whilst reasonable assurance was provided that effective controls are in place, this issue has been identified due to the rapid nature of changes in AI and the need to ensure the Council keeps pace with the dynamic nature of managing risk in this area.

5 Internal Audit Charter

The Global Internal Audit Standards in the UK Public Sector require that the purpose, mandate and position of Internal Audit is defined in an Internal Audit Charter which is approved by the Audit and Procurement Committee. The Charter was last approved by the Committee in July 2022. However, it is now intended that Internal Audit will seek approval for the Charter on an annual basis as part of its annual report. Some minor amendments have been made to the Charter for 2026-27 in light of the new Standards, and it is likely that further amendments will be made in the forthcoming year.

INTERNAL AUDIT CHARTER COVENTRY CITY COUNCIL INTERNAL AUDIT SERVICE

1. INTRODUCTION

This document defines the purpose, authority, responsibility, and position of the Internal Audit Service within Coventry City Council. The charter is based on the Institute of Internal Auditor's Professional Practices Framework model charter but adapted where appropriate to reflect the Global Internal Audit Standards in the UK Public Sector and the operation of internal audit within Coventry City Council.

The primary mandate for internal audit in UK local government is the Accounts and Audit Regulations 2015 which requires "a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance." The Regulations also include internal audit's rights of access to information and explanations necessary to achieve their intended purpose.

The Standards require the following terms to be defined within the Charter for the purposes of internal audit activity:

- **Senior Management** – This refers to members of the Leadership Board and the Senior Leadership Team (collectively and individually.)
- **Board** – This refers to the Audit and Procurement Committee who have responsibility for overseeing the work of Internal Audit.

2. PURPOSE AND MISSION

The purpose of Coventry City Council's Internal Audit Service is to provide independent, objective assurance and advisory services designed to add value and improve Coventry City Council's operations. The mission of internal audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight. The Internal Audit Service helps Coventry City Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.

3. STANDARDS FOR THE PROFESSIONAL PRACTICE OF INTERNAL AUDITING

The Internal Audit Service will govern itself by adherence to the Global Internal Audit Standards in the UK Public Sector, which encompasses the Global Internal Audit Standards of the Institute of Internal Auditors and the Application Note: Global Internal Audit Standards in the UK Public Sector issued by CIPFA. In addition, CIPFA have issued a "Code of Practice for the Governance of Internal Audit in UK Local Government" which is designed to work alongside the new internal audit standards. The Chief Internal Auditor will report periodically to senior management and the Audit and Procurement Committee regarding the Internal Audit Service's conformance to the Standards.

4. AUTHORITY

The Chief Internal Auditor will report functionally to the Audit and Procurement Committee and administratively to the Council's Director of Finance & Resources (Section 151 Officer.) who is a member of Leadership Board and as such is sufficiently senior to allow Internal Audit to fulfil its mandate. The Director of Finance & Resources also has responsibility for ensuring that the Internal Audit service is appropriately resourced, in consultation with the Chief Internal Auditor. The Chief Internal Auditor has unfettered access to other senior managers as required, including the Chief Executive.

To establish, maintain and assure that Coventry City Council's Internal Audit Service has sufficient authority to fulfil its duties, the Audit and Procurement Committee will:

- Approve the Internal Audit Service's Charter
- Approve the risk-based internal audit plan
- Receive communications from the Chief Internal Auditor on the Internal Audit Service's performance relative to its plan and other matters
- Make appropriate inquiries of management and the Chief Internal Auditor to determine whether there is inappropriate scope or resource limitations.

The Chief Internal Auditor will have unrestricted access to and communicate and interact directly with the Audit and Procurement Committee, including in private meetings without management present if required.

The Audit and Procurement Committee authorises the Internal Audit Service to:

- Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information. (There is also provision for this within the Account and Audit Regulations 2015.)
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives and issue reports.
- Obtain assistance from other specialised services from within or outside of Coventry City Council in order to complete the engagement.

5. INDEPENDENCE AND OBJECTIVITY

The Chief Internal Auditor will ensure that the Internal Audit Service remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the Chief Internal Auditor determines that independence or objectivity may be impaired in fact or appearance the details of impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgement on audit matters to others.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties for Coventry City Council or its subsidiaries.

- Initiating or approving transactions external to the Internal Audit Service.
- Directing the activities of any Coventry City Council employee not employed by the Internal Audit Service, except to the extent that such employees have been appropriately assigned to the Internal Audit Service or to otherwise assist internal auditors.

Where the Chief Internal Auditor has or is expected to have roles and / or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.

Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

The Chief Internal Auditor will confirm to the Audit and Procurement Committee, at least annually, the organisational independence of the Internal Audit Service.

The Chief Internal Auditor will disclose to the Audit and Procurement Committee any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

6. ROLE OF INTERNAL AUDIT IN FRAUD-RELATED WORK

Managing the risk of fraud and corruption is the responsibility of senior management, but the Chief Internal Auditor, through development of Coventry City Council's Fraud and Corruption Strategy ensures that the Internal Audit Service is notified of all suspected or detected fraud, in order to co-ordinate the Council's approach to such activity. This includes, on occasions, undertaking independent investigations into suspected or detected fraud. In addition, the Internal Audit Service undertakes proactive reviews and co-ordinates the Council's response to the National Fraud Initiative. Whilst such activity comes under the remit of the Internal Audit Service, it is reported separately to internal audit activity. A clear separation of work is maintained within the Internal Audit Service when fraud-related work is carried out to ensure there are no conflicts of interest and objectivity is maintained.

Other than stated, the Internal Audit Service has no direct operational responsibility or authority over any other activities.

7. SCOPE OF INTERNAL AUDIT ACTIVITIES

The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit and Procurement Committee, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for Coventry City Council. Internal audit assessments include evaluating whether:

- Risks relating to the achievement of Coventry City Council's strategic objectives are appropriately identified and managed.
- The actions of Coventry City Council's officers, directors, employees, and contractors are in compliance with Coventry City Council's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations or programs are consistent with established goals and objectives.
- Operations or programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact Coventry City Council.
- Information and the means used to identify, measure, analyse, classify, and report such information are reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and protected adequately.

The Chief Internal Auditor will report periodically to senior management and the Audit and Procurement Committee regarding:

- The Internal Audit Service's purpose, authority, and responsibility.
- The Internal Audit Service's plan and performance relative to its plan.
- The Internal Audit Service's conformance with the Global Internal Audit Standards in the UK Public Sector and action plans to address any significant conformance issues.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Audit and Procurement Committee.
- Results of audit engagements or other activities.
- Any response to risk by management that may be unacceptable to Coventry City Council.

The Chief Internal Auditor also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed. The Internal Audit Service may perform

advisory and related client service activities, the nature and scope of which will be agreed with the client, provided the Internal Audit Service does not assume management responsibility.

Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

8. RESPONSIBILITY

The Chief Internal Auditor has the responsibility to:

- Submit, at least annually, to the Audit and Procurement Committee a risk based internal audit plan for review and approval.
- Communicate to senior management and the Audit and Procurement Committee the impact of any resource limitations on the internal audit plan.
- Review and adjust the internal audit plan, as necessary, in response to changes in Coventry City Council's business, risks, operations, programmes, systems, and controls.
- Communicate to the Audit and Procurement Committee any significant interim changes to the internal audit plan.
- Ensure each engagement of the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.
- Follow up on engagement findings and corrective actions, and report periodically to senior management and the Audit and Procurement Committee any corrective actions not effectively implemented.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure the Internal Audit Service collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the internal audit charter.
- Ensure trends and emerging issues that could impact Coventry City Council are considered and communicated to the Audit and Procurement Committee as appropriate.
- Establish and ensure adherence to policies and procedures designed to guide the Internal Audit Service.
- Ensure adherence to Coventry City Council's relevant policies and procedures unless such policies and procedures conflict with the internal audit charter. Any such conflicts will be resolved or otherwise communicated to the Audit and Procurement Committee.

- Ensure conformance of the Internal Audit Service with the Standards, with the following qualifications:
 - If the Internal Audit Service is prohibited by law or regulation from conformance with certain parts of the Standards, the Chief Internal Auditor will ensure appropriate disclosures and will ensure conformance with all other parts of the Standards.
 - If the Standards are used in conjunction with requirements issued by other authoritative bodies, the Chief Internal Auditor will ensure that the Internal Audit Service conforms with the Standards, even if the Internal Audit Service also conforms with the more restrictive requirements of other authoritative bodies.

9. QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

The Internal Audit Service will maintain a quality assurance and improvement programme that covers all aspects of the Internal Audit Service. The program will include an evaluation of the Internal Audit Service's conformance with the *Standards* and an evaluation of whether internal auditors apply The IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of the Internal Audit Service and identify opportunities for improvement.

The Chief Internal Auditor will communicate to the Audit and Procurement Committee on the Internal Audit Service's quality assurance and improvement programme, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside Coventry City Council.

Appendix Two – Summary Findings from Key Audit Reports

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
<p>Governance and Management of AI</p> <p>December 2026</p> <p>Director of Digital Services, Strategic Lead for Digital Technology, Information Governance Manager</p>	<p>Overall Objective: To provide assurance that effective controls are in place for Artificial Intelligence governance and management.</p> <p>Key controls assessed:</p> <ul style="list-style-type: none"> - To ensure that the organisation's AI strategy and vision is aligned with its business goals. - To ensure that there are appropriate governance arrangements in place, including assignment of roles and responsibilities, policies and procedures, ethical principles, risk management and legal and regulatory compliance. - To ensure that there are appropriate management arrangements in place for the oversight of any AI projects and initiatives. - To ensure that an early adopters/pilot scheme has been in place prior to organisational roll out. - To ensure that data quality has been reviewed and that there are appropriate data management arrangements in place. e.g. sensitivity labels have been applied, and data management roles have been assigned. - To ensure that there are procedures in place for routinely monitoring access rights, e.g. through access reviews. - To ensure that routine sample searches are conducted to verify that users are only able to access authorised data. - To ensure that licence management arrangements are in place. - To ensure that a training programme/centre of excellence has been established. - To ensure that an evaluation process is in place for the use of AI. <p>Opinion: Reasonable Assurance</p> <p>Agreed Actions – risk level high (H) or medium (M):</p> <ul style="list-style-type: none"> - An AI Board or Sub-Group should be considered. The introduction of AI Solution Highlight Reports should also be considered to ensure the Board is routinely updated on progress and key issues. (M)

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
	<ul style="list-style-type: none"> - The AI policy should be updated to include auditing/logging and training requirements. In addition, given the rapid nature of changes in AI, the policy should be reviewed at least every six months or after major changes in technology or regulations. (M) - Alongside the DPIA process the Council should develop an AI risk management framework, possibly based around the OWASP top ten AI risks. (M) - The Council should consider the completion of annual compliance checks for AI solution providers, including a review of the SOC2/ compliance reports, given the range of risks in AI solutions. (M) - The Council should develop a strategy to introduce DSPM without placing excessive demands on staff. For example, by initially identifying overshared files/folders and SharePoint sites. Alongside this, process data labels and DLP policies should be developed to prevent inappropriate sharing or exposure of sensitive data. (M) - Data retention policies/procedures should be determined for each Palantir AI solution development. In addition, privacy notice(s) should be updated to ensure that the processing of data using AI is transparent. (M) - A structured strategy to increase license take up should be considered. This may include monitoring user activity, identifying departments with low utilisation, and delivering targeted awareness and engagement campaigns to improve adoption. (M) - Each Palantir solution under development places a different level of demand on the training and support resources available. To identify and manage this demand effectively, each solution should be assessed for its likely training and support resource requirements. (M)