Birmingham City Council

Report to Audit Committee

25th June 2025

Title:	**INTERNAL AUDIT ANNUAL REPORT AND OPINION 2024/25**
Lead Member:	Councillor Rob Pocock, Cabinet Member for Transformation, Governance and HR
Relevant Overview and Scrutiny Committee:	Not Applicable
Has this report been shared with the relevant Overview and Scrutiny Committee Chair?	Not Applicable
Report Author:	Craig Price, Principal Group Auditor craig.price@birmingham.gov.uk
Authorised by:	Carol Culley, Executive Director of Finance and S151 Officer carol.culley@birmingham.gov.uk
Is this a Key Decision?	No Forward Plan Reference: Not Applicable
Reason(s) why not included on the Forward Plan and confirm who has authorised it to be considered:	Not Applicable
Is this a Late Report?	No
Reason(s) why Late and confirm who has authorised it to be considered:	Not Applicable
Is this decision eligible for 'call in?'	Not Applicable
If 'call-in' has been dis-applied, please provide reason(s) and confirm who has authorised:	Not Applicable

Wards: Not Applicable

Does this report contain exempt or confidential information? No

1 EXECUTIVE SUMMARY

1.1 The attached report provides the Chief Audit Executive's annual opinion for the financial year April 2024 to March 2025. It summarises the Internal Audit work completed, and the sources of assurance drawn upon. It provides Members with information on the inputs, outputs, and performance measures in relation to the provision of the Internal Audit service.

1.2 The annual opinion is retrospective and looks back over the financial year. The approach adopted to formulate this end of year opinion considers assurances from both internal audit work and other sources. These assurances highlight that robust internal controls and compliance with procedures were not consistently in place or followed during the period. As a result, I can provide limited assurance that the system of governance, risk and control framework were sound and operating on a consistent basis during the year.

1.3 An Improvement and Recovery Plan (IRP) has been in place and work is ongoing to strengthen and improve business processes. Work has also been undertaken to refresh this IRP and integrate it within the Council's Corporate Plan for 2025-28. The development of a combined plan and IRP is an important shift towards embedding sustainable improvements.

1.4 Audit Committee agreed the Internal Audit plan for 2025/26 in April. This plan continues to focus on the improvement activities aimed at addressing the serious financial and governance issues faced by the Council.

2 COMMISSIONERS' REVIEW

2.1 The Audit Committee would be right to be very concerned about the content of this Annual report. It is one of the signals of the corporate health of the organisation, albeit a lagging one, but this report does not help members consider whether things are improving or deteriorating. Of particular concern is that only 8% of the fraud investigations into members of staff found no fraud, which is a signal of the cultural health and integrity of the organisation. One useful addition to future reports would be statistics on the compliance with IA recommendations by year and class so that the committee could see how quickly the organisation responds to weaknesses identified.

3 RECOMMENDATIONS

That the Committee:

3.1 Note the report as set out and the annual Internal Audit opinion for 2024/25.

4 KEY INFORMATION

Context

4.1 In accordance with Internal Audit Standards “the chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control”. The annual opinion form part of the Annual Governance Statement.

4.2 As set out in the Internal Audit Charter the Principal Group Auditor is the current nominated Chief Audit Executive for the Council.

5 RISK MANAGEMENT

5.1 Risk Management is an important part of the internal control framework.

5.2 The ongoing programme of work that is rebuilding risk management is key and will lead to greater visibility and a more in depth understanding of risks and internal controls. These risks and key controls will feed and support the targeting of Internal Audit activity and the ongoing maintenance of the Internal Audit plan.

6 MEMBER ENGAGEMENT

Ward Councillor(s)

6.1 Not Applicable

Overview and Scrutiny

6.2 Not Applicable

Other

6.3 Not Applicable

7 IMPACT AND IMPLICATIONS

Finance and Best Value

7.1 There are no direct financial implications arising from the recommendation in this report. Any financial implications arising from the significant financial, governance and cultural weaknesses highlighted in the reviews and judgements will be identified in those reviews or the responses to the reviews. The Council’s External Auditor has raised concerns over the arrangements in place for securing value for money.

Legal

7.2 Under the Accounts and Audit Regulations 2015 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 Council must also produce an Annual Governance Statement that considers the annual opinion of the Chief Audit Executive.

Equalities

7.3 There are no equality implications from the subject of this report.

Procurement

7.4 There are no direct procurement implications arising from this report.

People Services

7.5 There are no direct staffing implications arising from the recommendations in this report.

Climate Change, Nature and Net Zero

7.6 There are no climate change, nature and net zero carbon implications arising from the recommendations in this report.

Corporate Parenting

7.7 There are no implications or opportunities in relation to the Corporate Parenting responsibility arising from the recommendations in this report.

Other

7.8 There are no other implications arising from the recommendations in this report.

8 APPENDICES

8.1 Appendix A – Internal Audit Annual Report and Opinion 2024/25.

9 BACKGROUND PAPERS

9.1 Global Internal Audit Standards (GIAS).

9.2 CIPFA Application Note: Global Internal Audit Standards in the UK Public Sector.

9.3 Internal Audit Charter.

9.4 Accounts and Audit Regulations 2015.