

Cambridgeshire County Council Internal Audit Charter

The Internal Audit Charter defines the purpose, authority and responsibility of Cambridgeshire County Council's Internal Audit service. It establishes the scope of the Internal Audit service and outlines how the service complies with statutory requirements and professional standards.

The key principles of Cambridgeshire County Council's Internal Audit service are as follows:

- Internal Audit will provide an Annual Internal Audit Opinion based on an objective and comprehensive assessment of the Council's framework of governance, risk management and control.
- Internal Audit will also provide advice and consultancy services with the aim of adding value and improving organisational governance, risk management and control.
- All the Council's activities fall within the scope of Internal Audit, and the Internal Audit service has a complete right of access to all records and property held by Cambridgeshire County Council and to all officers of the Council.
- Internal Audit operates in compliance with Public Sector Internal Audit Standards (PSIAS) and the Chartered Institute of Internal Auditors' Code of Ethics.
- Internal Audit is independent and may report directly to the Chief Executive and the Chair of the Audit & Accounts Committee. Regular reporting on audit activity is provided to the Section 151 Officer, JMT and the Audit & Accounts Committee.
- Internal Audit staff are qualified and part-qualified professionals in assurance and accounting. The service is committed to professional development and continuous quality assurance and improvement.
- Internal Audit staff have a professional duty to operate in ethical way; be honest; and demonstrate integrity at all times, working in line with the Council's Code of Conduct.

The Internal Audit Charter is regularly reviewed and approved by Cambridgeshire County Council's Audit & Accounts Committee and senior management.

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1. INTERNAL AUDIT SERVICE OVERVIEW

1.1 What is Internal Auditing?

- 1.1.1 Internal auditing is an independent, objective assurance and consulting activity 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 risk management, control and governance processes.

1.2 What is the Internal Audit service here for?

- 1.2.1 Internal Audit's mission is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. At Cambridgeshire County Council that means:
- Developing a forward plan of audit work (the Audit Plan) which identifies and assesses key risk areas for the Council, in order to allocate Internal Audit resource to provide independent and objective assurance over the most high-risk areas.
 - Updating the Audit Plan on a regular basis as the risk environment changes, taking into account the views of senior management, Councillors and the Audit & Accounts Committee.
 - Supporting senior management in identifying opportunities for improving value for money and effective governance and control. Agreeing recommended actions to be taken after each audit. Looking beyond financial issues to consider wider issues such as the organisation's operations, reputation, growth, its impact on the environment and the way it treats its employees.
 - Reporting on the outcomes of individual pieces of Internal Audit work, and the implementation of recommended action, to senior management and the Audit & Accounts Committee.
 - Drawing on the results of audit work undertaken throughout the year to provide a comprehensive, independent Annual Opinion on the adequacy and

effectiveness of the Council's framework of governance, control environment and risk management.

- 1.2.2 Internal Audit will govern itself by adherence to the mandatory elements of the Chartered Institute of Internal Auditor's (IIA) International Professional Practices Framework (IPPF) including its Standards, Core Principles for the Professional Practice of Internal Auditing, Definition of Internal Auditing, and Code of Ethics. Through this, Internal Audit will provide a robust, high-quality audit service that delivers honest, evidenced assurance.

1.3 Internal Audit and Risk Management

- 1.3.1 The Head of Internal Audit at Cambridgeshire County Council a role encompassing Internal Audit and Risk Management support. Responsibility for implementing risk management activity is retained by the relevant officers at Cambridgeshire County Council, and the role of Internal Audit is to provide advice, support and facilitation for this process rather than to undertake risk management activity directly. Internal Audit reviews of risk management focus on actual risk management activity undertaken by management, not the facilitation work of the Internal Audit team, thus avoiding potential conflicts of interest.
- 1.3.2 This ensures that there is no impairment to Internal Audit's independence and objectivity, as well as ensuring that Internal Auditors have a high degree of familiarity with the principles of risk management within the organisation to inform their assurance work.

1.4 Internal Audit, Counter Fraud & Whistleblowing

- 1.4.1 The Internal Audit service has responsibility for the following corporate policies relating to counter-fraud and whistleblowing:
- Whistleblowing Policy
 - Anti-Fraud & Corruption Policy
 - Anti-Money Laundering Policy

- 1.4.2 These policies are regularly reviewed and updated by the Internal Audit service, with final drafts of the policies presented to JMT and the Audit & Accounts Committee for approval.
- 1.4.3 Internal Audit lead on investigating all whistleblowing referrals relating to fraud and corruption, and financial impropriety. Internal Audit also manage the corporate whistleblowing@cambridgeshire.gov.uk email address and ensure that referrals made to this address are forwarded for consideration via the appropriate process.
- 1.4.4 The Internal Audit team will also lead on the National Fraud Initiative for Cambridgeshire County Council.

1.5 Third Party Services

- 1.5.1 Internal Audit will on occasion be requested to complete work for third parties, and the principles outlined in this Charter will apply to any such work completed.

2 CULTURE AND WORKING PRACTICES

2.1 Our Team Culture

- 2.1.1. The Internal Audit service will create a culture of support for all its employees. We will be supportive to all team members, and management will be approachable and open. We will:

- Be professional and provide a safe and enjoyable environment to work and develop.
- Invest in professional qualifications, workplace training and professional development.
- Recognise areas for personal and service development, and learn from our mistakes.
- Celebrate success and where things have gone well, recognising hard work and improvement.
- Demonstrate integrity, act lawfully at all times, and comply with Council policies and procedures and the Code of Ethics.

2.1.2 We also be understanding of the pressures and challenges faced by services and colleagues who are subject to Internal Audit review, and will take this into account when undertaking audit work wherever possible. We will treat everyone with respect and without prejudice. If we identify any concerns about the wellbeing of colleagues during the course of a review, we will discuss these concerns with HR and the relevant line manager.

2.1.3 Details of the Internal Audit Team Working Practices are provided at Appendix B.

2.2 Compliance with Public Sector Internal Audit Standards (PSIAS)

2.2.2 The Internal Audit team operates in compliance with Public Sector Internal Audit Standards (PSIAS). An internal review of compliance with PSIAS is conducted annually by the team, with an external review at least once every five years.

Objectivity, Independence and Declarations of Interest

2.2.3 Internal Auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. All new staff, including trainees, are required to sign a PSIAS Declaration form, which includes declaring any circumstances that could impact on professional objectivity. PSIAS Declaration forms are also completed annually by all staff. These are subject to management approval and taken into consideration when allocating work, to ensure professional objectivity is maintained.

2.2.4 As a rule, any staff transferring in to the Internal Audit team from elsewhere in the organisation do not audit activities for which they were previously responsible for at least 18 months. A copy of the PSIAS Declaration form is supplied at Appendix C.

2.2.5 Independence is also essential to the effectiveness of the Internal Audit service; so it will remain free from interference in all regards. This shall include, but not be limited to, matters of audit selection, scope, procedure, frequency, timing or report content.

Code of Ethics

2.2.6 Internal Auditors must comply with the IIA Code of Ethics and any ethical code set by their own professional body. A copy of the IIA Code of Ethics is included on the PSIAS

Declaration forms (see Appendix C), and in signing the form, auditors acknowledge that they have read and will abide by the Code of Ethics.

Professional Competency

- 2.2.7 Internal Audit team members are professionally qualified or are working towards a professional qualification. The Internal Audit service is committed to investment in continuing professional development and maintains a graduate trainee Apprenticeship scheme in conjunction with the Council's Finance service.
- 2.2.8 Further training and development needs are identified through ongoing day-to-day supervision; through the Performance Appraisal and Development Programme (PADP) process; and through post-audit assessments. Continuing professional development is a standing appraisal objective for all Internal Audit staff.
- 2.2.9 The Internal Audit Charter and extensive supporting team policies and procedures are stored in the team's record management solution. Internal Auditors are expected to familiarise themselves with its content and follow team policies and procedures at all times, to ensure assignments are delivered with due professional care and proficiency. All work is subject to appropriate supervision, review and approval to continually monitor and control the quality of internal audit work.

Confidentiality

- 2.2.10 All new staff are required to sign a confidentiality agreement. Internal Auditors do not disclose information without appropriate authority unless there is a legal or professional obligation to do so. Internal Auditors comply with data protection legislation at all times, and with the service's Records Retention Policy.

3. ROLES AND RESPONSIBILITIES

3.1 The Head of Internal Audit

- 3.1.1 The Head of Internal Audit has responsibility for the operation and delivery of the Internal Audit function, including the production and execution of the audit plan and subsequent audit activities, and issuing an annual audit opinion on the effectiveness of the organisation's control environment. The Head of Internal Audit has direct and

unfettered access to those charged with governance, including the Audit & Accounts Committee and its Chair, the Chief Executive, S151 Officer and Joint Management Board.

- 3.1.2 The Head of Internal Audit assesses team resources on an ongoing basis and formally within the Annual Audit Report. Where there is a shortfall in resources, amendments to the forward plan will be considered on the basis of risk and presented to the Audit & Accounts Committee for approval. Additional resource may be procured if and when necessary, such as for technical IT audits or if significant resource is diverted through unplanned high-priority work.
- 3.1.3 The Head of Internal Audit maintains the Quality Assurance Framework and monitors the performance of the internal audit service on an ongoing basis and maintains a suite of internal performance indicators. Performance is reported regularly to the S151 Officer, JMT and the Audit & Accounts Committee.

3.2 Internal Audit Staff

- 3.2.1 Internal Audit staff will operate in accordance with this Charter; all supporting Internal Audit policies and procedures; the requirements of their professional body; Cambridgeshire County Council's policies and procedures; and the law, at all times.
- 3.2.2 Internal Audit staff will be professional, polite and approachable, aiming to maintain good communication with auditees throughout the course of reviews and to build positive working relationships. Auditors will always seek to add value and ensure recommendations are pragmatic and proportionate to risk.

3.3 The Organisation

- 3.3.1 Internal Audit's authority is documented and defined within the Council's Constitution and Financial Regulations. Internal Audit has a right of unrestricted access to all Council and partner records and information, officers, cash, stores and other property it considers necessary to fulfil its responsibilities. Internal Audit has unrestricted access to enter Council property at all locations and officers without prior notice if necessary.
- 3.3.2 All employees are required to assist Internal Audit in fulfilling its roles and responsibilities, and to provide requested information in a timely fashion. If Internal Audit do not receive timely responses to audit requests, this will be escalated to

officers' line managers and/or Directors, depending on the nature and urgency of the request.

3.3.3 All Council contracts and partnerships shall contain similar provision for Internal Audit to access records pertaining to the Council's business held by contractors or partners.

3.3.4 Internal Audit is not responsible for the control systems it audits. Responsibility for effective internal control rests with the management of the Council. Directors and Heads of Service are responsible for ensuring that internal control arrangements are sufficient to address the risks facing their services and achieve their objectives.

3.4 The Audit & Accounts Committee

3.4.1 The Council's Audit & Accounts Committee functions as the 'Board' as defined by PSIAS, and is the governance group charged with independent assurance of the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting.

3.4.2 As directed by Public Sector Internal Audit Standards, the Audit Committee will:

- Approve, but not direct, Internal Audit's annual plan of work and changes to that plan (including any significant consulting activity); monitor unscheduled work that could potentially divert audit resources away from the plan, and monitor performance against those plans, ensuring that there are no inappropriate scope or resource limitations
- Consider the Annual Internal Audit Report and the opinion of the Head of Internal Audit on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.
- Be informed of results from the quality assurance and improvement programme and the annual review of effectiveness of the system of internal audit.
- Be informed of any instances of non-conformance with the Public Sector Internal Audit Standards, or any restriction placed on the operation of the Internal Audit service which conflicts with this charter or the PSIAS.

- 3.4.3 The Audit & Accounts Committee maintains a Terms of Reference setting out its full range of responsibilities in respect of Cambridgeshire County Council. A copy of this Terms of Reference may be found at Appendix G, below.

4. INTERNAL AUDIT PROCEDURES

4.1 Internal Audit Planning

- 4.1.1 Details of the Internal Audit Planning process in use at Cambridgeshire can be found at Appendix D.
- 4.1.2 A report on the Internal Audit Plan and the planning process is presented annually to Audit & Accounts Committee for approval prior to each financial year, and gives more detail on how the draft Plan is aligned to 'assurance blocks' that each provides an opinion over key risk areas of the control environment, to ensure that a cross-cutting assurance across the whole Council can be provided on an annual basis by the Head of Internal Audit.

4.2 Internal Audit Engagements

- 4.2.1 All Internal Audit work is undertaken to assist management fulfil their objectives of delivering services and contributing to the overall objectives of the Council. Outputs from audit work range from informal advice to grant certifications, to formal written reports. Details of the Internal Audit workflow process are set out at Appendix E, including the process of management supervision and approval which ensures quality assurance of all Internal Audit-issued documents and reports.
- 4.2.2 Internal Audit reports include a formal assurance opinion for each review undertaken, covering the control environment and/or compliance with controls, and the organisational impact of audit findings. Details of the assurance opinions awarded are set out at Appendix F.
- 4.2.3 A core principle of the Internal Audit reporting process is that auditee management has the opportunity to review reports at draft stage, to agree the factual accuracy of report content and to discuss and agree any recommended actions. This is normally facilitated through a clearance meeting with key officers engaged in the audit. Draft reports must therefore not be shared beyond the distribution list agreed by the Head

of Internal Audit, as the contents of reports are subject to change until they are finalised. Once this process is complete, a final report is issued to management.

4.3 Releasing Audit Reports and Findings

- 4.3.1 The assurance outcomes of audits are reported in the next Audit Progress Report to JMT and Audit & Accounts Committee. Where assurance is 'limited' or less, reporting includes a summary of the key issues identified and agreed recommendations. The full text of every report is not sent to Audit & Accounts Committee, due to the volume of reporting this would produce; however copies of the full text can be requested by Committee if desired and will then be provided to the next meeting. Where there is any query regarding whether an audit report can be shared publicly, the Monitoring Officer will be consulted to decide how this should be managed.
- 4.3.2 Internal Audit reports, once final, are owned by the service to which they are released. Senior officers within the service are therefore responsible for any further dissemination of the report, although it is recommended that prior to releasing copies of the report or its results more widely, officers should:
- Assess the potential risk to the organisation;
 - Consult with senior management and / or legal counsel as appropriate; and
 - Control dissemination by restricting the use of the results.

4.4 Implementation of Audit Recommendations

- 4.4.1 Where recommended actions are agreed as part of an Internal Audit report, the Internal Audit service will follow-up on the implementation of actions in line with agreed timescales, for all recommendations with a risk rating of 'Medium' or higher. See Appendix F for details of the risk ratings for recommendations.
- 4.4.2 Recommendations due are followed up on a quarterly basis and the results of this follow up process, are reported to JMT and Audit & Accounts Committee in the Internal Audit Progress reports. This includes detailing any recommendations overdue for implementation; advising whether recommendations are still relevant or should be closed, and information on any areas where senior management has accepted the risk of not taking action.

5. REVIEW OF THE AUDIT CHARTER

- 5.1 Internal Audit continually review this Charter to ensure it remains in line with standards and practices. The charter will be presented for review by the Audit Committee on a regular basis.

Internal Audit Charter Definitions

To provide greater clarification over compliance with Public Sector Internal Audit Standards (PSIAS), the following definitions are noted to apply throughout this Internal Audit Charter:

Audit & Accounts Committee – acts as the PSIAS ‘Board’.

Head of Internal Audit – acts as the PSIAS Chief Audit Executive.

Joint Management Team (JMT) – is the PSIAS ‘senior management’ team.

Internal Audit – is an independent, objective assurance and consulting activity 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 risk management, control and governance processes.

Assurance Services – an objective examination of evidence for the purpose of providing an independent assessment on governance, risk management and control processes for the Council. Examples include financial and compliance assurance.

Consulting Services – Advisory and related client activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisations governance, risk management and control processes without the internal auditor assuming management responsibility. Examples include informal advice, delivery of training, or Internal Audit attendance on management boards.

Link to PSIAS Code of Ethics and Standards: [PSIAS and Code of Ethics](#)

Internal Audit Working Practices

This appendix details the core working practices of Cambridgeshire County Council's Internal Audit Team and serves as the 'Team Charter' setting out how, where and when we work to maximise our team performance.

1. How We Work

The Systems We Use

- 1.1 Internal Audit's primary document storage system is our SharePoint site. All audit documents and evidence must be saved to SharePoint at the point of receipt, filed appropriately and cross-referenced. The most up-to-date versions of all working papers, Terms of References, and drafts and final reports must be kept on SharePoint and officers should not save 'local' versions of these documents to their desktops. This is to ensure that audit evidence is always available to other team members when required.
- 1.2 The Internal Audit team communicate and share information via email, SharePoint and Microsoft Teams in addition to face-to-face meetings. The use of cameras on Teams meetings is a personal choice, but it is recommended and preferable for one-to-one or mentoring meetings.
- 1.3 The Internal Audit team has a shared Outlook mailbox and calendar. This is used to keep track of team members' leave arrangements and working locations.

The Processes We Follow

- 1.4 The Internal Audit Process Flow Chart gives details of the process by which audit work is conducted, supervised and approved. Team members must follow this process for all audit work. A separate flow chart is in place for whistleblowing investigations.
- 1.5 Internal Auditors who are supervising other staff on audit work should ensure they conduct a 1:1 meeting either face to face or via Microsoft Teams at least once a week during the course of the audit, to ensure an appropriate level of supervision, training and development.

- 1.6 Progress with work must be updated on the Internal Audit Plan Monitoring Spreadsheet on at least a weekly basis, including the current progress status of each job; estimated time to finish each job; explanations for any significant overspends; and the projected date to Audit & Accounts Committee. This spreadsheet will be regularly reviewed by the management team and used in team and corporate performance reporting.
- 1.7 Internal Audit maintains a team Records Retention Policy, which must be followed in the storage of electronic and paper documents.
- 1.8 Internal Auditors must always be mindful of data security and ensure that information is shared and stored securely.
- 1.9 A number of further guidance documents and audit resources are available on the team SharePoint site, in the Key Documents folder. Internal Auditors should ensure they are familiar with team policies and processes, and that they are adhered to. Where there are queries about the application of any policy, or suggestions for changes, this should be raised with a member of the Internal Audit management team.

How We Manage Workloads

- 1.10 Work is allocated to individual supervisors and auditors from the Internal Audit Plan on an ongoing basis, through discussion and agreement of the Internal Audit management team. Auditors are expected to provide a summary of their workload at the start of each week to their supervisor, to allow management oversight and to ensure an even spread of available work.
- 1.11 Internal Auditors should deliver allocated work within the time budget allotted.

2. Where We Work

- 2.1 Internal Auditors work flexibly to ensure the best service delivery to our clients. Internal Auditors can work from home; from our office base at Alconbury, or from other area offices in order to co-locate with teams we are reviewing.
- 2.2 The proportion of time worked from home each week will be determined by the Head of Internal Audit on an ongoing basis. This will take into consideration limited office

capacity, operational priorities, and staff wellbeing. Officers may be required to visit specific locations in the course of their duties, or to co-locate with other staff in order to complete specific pieces of work or deliver training and supervision.

- 2.3 The Internal Audit team will aim to hold regular team meetings at our office base to discuss work, service development and changes in the wider Council. In determining plans for office attendance, Audit team will work within the broader arrangements agreed for the Resources Directorate.
- 2.4 Internal Auditors should seek to manage their working time efficiently to minimise the time spent travelling from one location to another.

3. When We Work

- 3.1 Internal Auditors are required to record all working time on the Internal Audit time management system (Clockify). Time spent on audits and projects should be recorded on the Clockify system. We will also log our overall working hours using the time recording spreadsheet which we will store on our SharePoint site. Both of these time recording practices should be done on at least a weekly basis.
- 3.2 Internal Auditors should follow the team Working Time Recording guidance on SharePoint, which gives more detail on use of Clockify and sets out requirements for the authorisation of leave; non-audit working time; and working from home. In general, the service will aim to ensure at least one member of the Management Team normally available. As such, arrangements for Christmas and any other peak periods will be agreed by the management team.
- 3.3 Attendance at weekly virtual team catch-up meetings is strongly encouraged to enable the team to foster good working relationships.

APPENDIX C

Internal Audit PSIAS Declaration Form

As at [DATE]

(This form must be completed by new team members on joining and by all team members annually)

Name	
Position	
Date Appointed	

Internal Audit is required to comply with Public Sector Internal Audit Standards (PSIAS). This form is completed annually to ensure compliance with the key standards listed below, and to ensure that all Internal Audit staff members are aware of their responsibilities under the Code of Ethics.

1120 Individual Objectivity

Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest

1130 Impairment to Independence or Objectivity

If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment.

1130.A1

Internal auditors must refrain from assessing specific operations for which they were previously responsible. Objectivity is presumed to be impaired if an internal auditor provides assurance services for an activity for which the internal auditor had responsibility within the previous year.

Public sector requirement

Internal auditors in UK public sector organisations (as set out in the Applicability section) must conform to the Code of Ethics as set out below. If individual internal auditors have membership of another professional body then he or she must also comply with the relevant requirements of that organisation.

Previous Places of Employment (Including within CCC)	
For the last 2 years – please include job title and a brief summary of your role	

Internal Audit Charter

Appendix C



Cambridgeshire
County Council

(It is not necessary to complete this if you have not worked outside of CCC Internal Audit in the last 2 years)	

Potential Areas of Conflict of Interest	
Financial Interests: Do you have any personal financial interests which could have the potential to create a potential conflict of interest for your work in Internal Audit, such as a financial interest in a local company or one which the Council does business.	
Non-Financial Interests (External): Do you have any external non-financial interests which could have the potential to create a conflict of interest for your work in Internal Audit? For instance, are you or a close relative, partner or friend: <ul style="list-style-type: none"> • A school governor? • A local charity trustee? • Undertaking any other governance role on a public sector body? 	
Non-Financial Interests (Internal): Do you have any internal non-financial interests which could have the potential to create a conflict of interest for your work in Internal Audit? For instance: <ul style="list-style-type: none"> • Have you previously worked in another department? • Do you or a close relative have a close relationship with another employee? • Do you or a close relative have a close relationship with an elected Councillor (past or present)? 	

Internal Audit Charter

Appendix C



Any other areas: Please look at the audit plan for the upcoming financial year and determine whether you feel there could be any other conflicts of interest not otherwise disclosed.	

I have read, understood and will comply with the Internal Audit Code of Ethics (attached).

I understand the need for independence when auditing activities, therefore if my circumstances change, or I am asked to complete a piece of work that I am not independent from, I will immediately complete a new declaration of interest form and inform my line manager.

The information given on this document is a true reflection of my current situation, to the best of my knowledge at this point in time.

Signature	
Date	
Line Manager's Signature	
Date	

Line Manager: Any further information / comments regarding audits not to be involved with	
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Internal Audit Code of Ethics

Introduction

Internal Audit Charter

Appendix C



The purpose of the Code of Ethics is to set out the ethical standards in that the Cambridgeshire Internal Audit team will follow in the conduct of its activity.

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control, and governance processes.

A Code of Ethics is necessary and appropriate for the conduct of internal audit, founded as it is on the trust placed in the objective assurance provided by risk management, control, and governance. This Cambridgeshire County Council Code of Ethics includes two essential components:

1. Principles that are relevant to the profession and practice of internal auditing;
2. Rules of Conduct that describe the behaviour norms expected of internal auditors. These rules are an aid to interpreting the practical application of the Principles.

This Code supplements the corporate Code of Conduct and any professional ethical codes by which individuals may be bound.

Applicability and Enforcement

This Code of Ethics applies to both individuals and Internal Audit at CCC as an entity, and aims to ensure high standards of behaviour that do not discredit the team. The Head of Audit, Scrutiny and Information Governance will consider breaches of the Code on a case-by-case basis and take any action deemed necessary. All members of the Internal Audit team are required to sign a declaration of interest that they have read, understood and will comply with this Code of Ethics. The fact that a particular type of conduct is not mentioned in this Code or the corporate Code of Conduct does not prevent it from being unacceptable or discreditable. Any disclosures should be made to the Head of Internal Audit.

Principles

Internal auditors are expected to apply and uphold the following principles from the CIPFA Code of Practice 2006 for Internal Audit in Local Government in the United Kingdom 2006:

Integrity

The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement.

Objectivity

Internal Auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal Auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements.

Confidentiality

Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

Competency

Internal auditors apply the knowledge, skills, and experience needed in the performance of internal auditing services.

Rules of Conduct

1. Integrity

Internal Auditors:

- Shall perform their work with honesty, diligence, and responsibility.
- Shall observe the law and make disclosures expected by the law and the profession, in all areas of activity, including areas of fraud, corruption or improper conduct.
- Shall not knowingly be party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organisation.
- Shall respect and contribute to the legitimate and ethical objectives of the organisation.
- Shall be alert to the possibility of intentional wrongdoing, errors or omissions, poor value for money, failure to comply with management policy or conflict of interest.
- Shall disclose any non-compliance with the Code of Practice 2006 for Internal Audit within the team.

2. Objectivity

Internal auditors:

- Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This includes participation in those activities or relationships that may be in conflict with the interests of the organisation. The Head of Internal Audit will judge whether an appropriate length of time has passed before an auditor undertakes an audit in an area where they have had a previously operational role.
- Shall not accept anything that may impair or be presumed to impair their professional judgement. The Council's Code of Conduct shall be followed in respect to receiving or giving gifts and hospitality and internal auditors shall inform their line manager immediately if they give or receive any gifts or hospitality to or from other employees.

- Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.
- Shall adopt an impartial attitude in their work and reports, drawing audit conclusions on the basis of sufficient, relevant and reliable evidence and discussion with customers.

3. Confidentiality

Internal auditors:

- Shall be prudent in the use and protection of information acquired in the course of their duties.
- Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation.

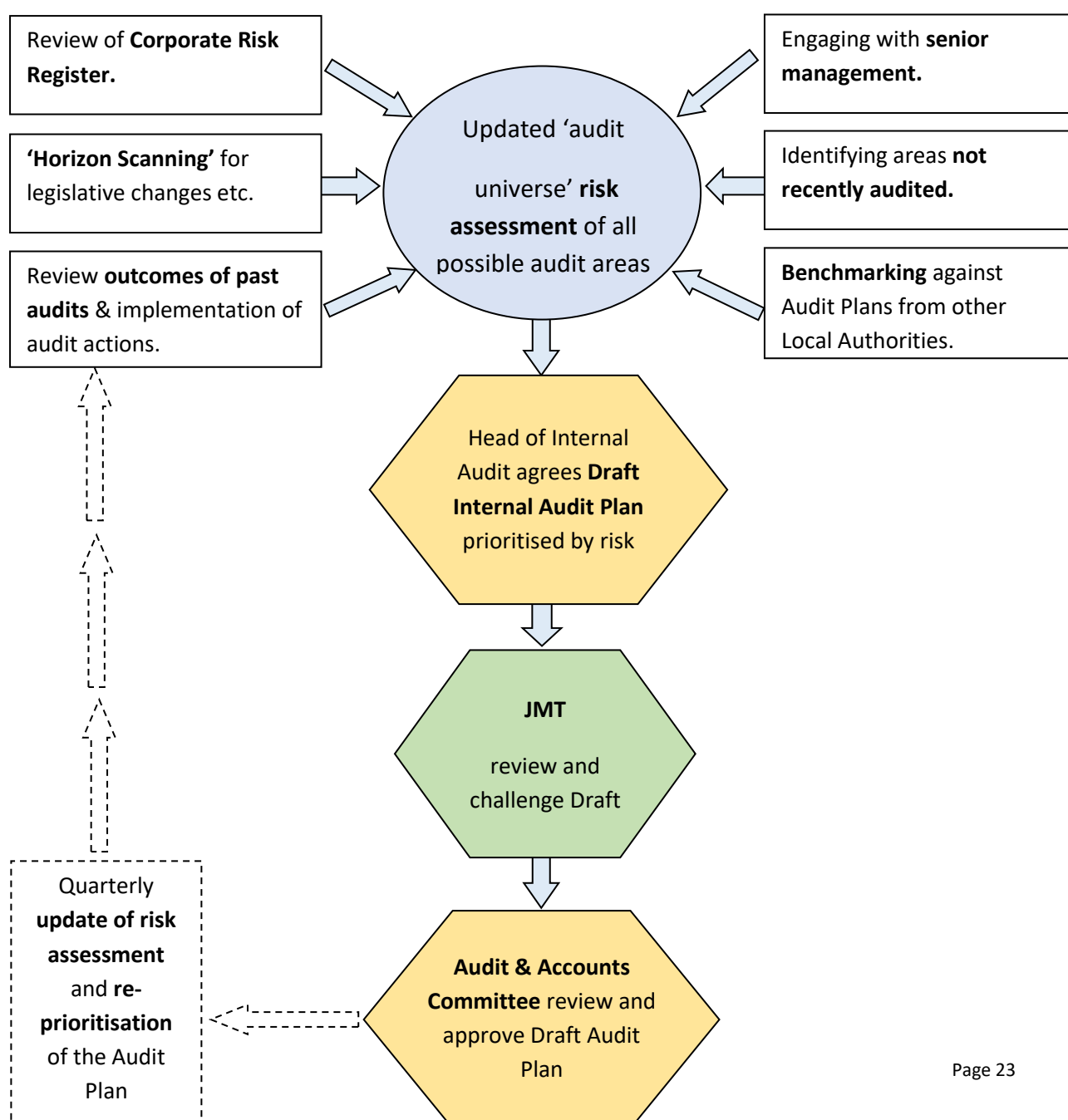
4. Competency

Internal auditors:

- Shall engage only in those services for which they have the necessary knowledge, skills, and experience and should seek appropriate training and supervision in performing audits in new areas.
- Shall perform internal auditing services in accordance with the Code of Practice 2006 for Internal Audit.
- Shall continually improve their proficiency and the effectiveness and quality of their services.

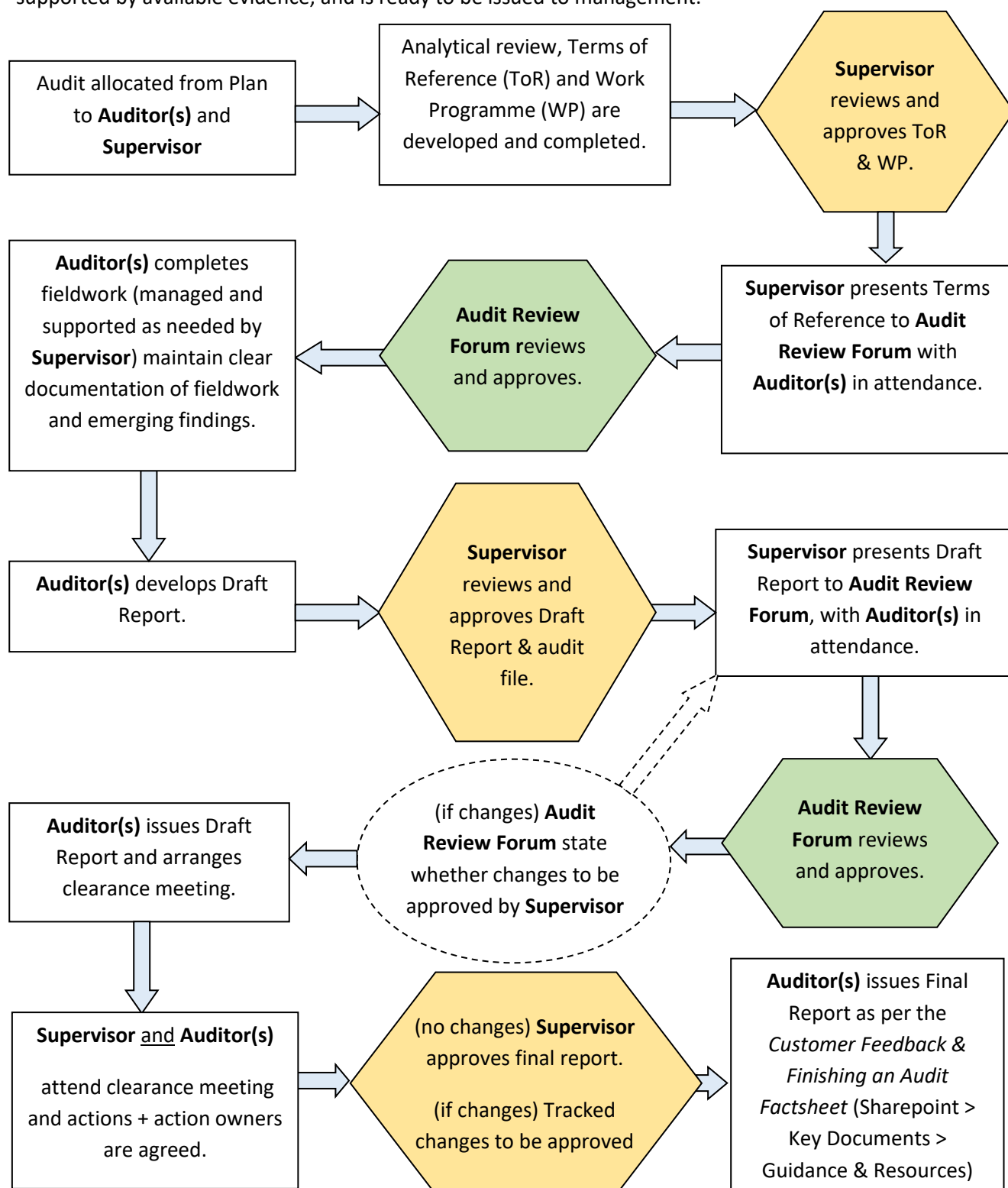
Audit Planning Flow Chart

Internal Audit at Cambridgeshire maintains a dynamic Audit Plan, to allow regular re-prioritisation of resources towards the areas of highest risk. The Plan is split into two parts: the 'core' which remains largely unchanged from year-to-year, comprising key areas of assurance such as Key Financial Systems and core governance reviews; and the 'flexible' plan which varies significantly from one year to the next, comprising audits of areas which are identified as being high-risk through the Internal Audit risk assessment process. The 'core' plan is set on an annual basis, while JMT and the Audit & Accounts Committee are asked each quarter to approve the next quarter's 'flexible' plan, and are provided with a current draft of the audits that are likely to be included in the following four quarters after that i.e. a full-year forecast of upcoming audits based on the current risk assessment, for review and challenge.



Internal Audit Cambridgeshire Team Process

For the purposes of this diagram, the **Supervisor** is the accountable officer for ensuring that the audit file and report is accurate and up-to-date. In practice, one or more **Auditors** will support the supervisor in delivering the audit. Ordinarily the Supervisor will be a Principal Manager or above. All queries should be directed through the Supervisor. Every Terms of Reference and Draft Report must come to **Audit Review Forum**, at a point when the Supervisor is satisfied that the document is supported by available evidence, and is ready to be issued to management.



Internal Audit Risk & Assurance Ratings

1 Internal Audit Risk Ratings

- 1.1 As part of every piece of audit work, Internal Audit seeks to identify actions that can be taken to mitigate risk, improve efficiency and maximise value. These recommended actions are discussed and agreed with management to develop a formal 'management action plan', incorporated into every Internal Audit report.
- 1.2 Every agreed action is given a risk rating in the management action plan, to make it clear how important it is for the action to be implemented. The risk ratings in use are:
- **Essential** – Action is imperative to avoid exposure to a significant organisational risk. Maximum 2 months to implement remedial action.
 - **High** – Action is imperative to avoid exposure to a significant risk to the service area. 3 months to implement remedial action.
 - **Medium** – Action is required to avoid exposure to a risk to the service area. 6 months to implement remedial action.
 - **Advisory** – This captures consultancy recommendations which are intended to improve operational efficiency or enhance value. Implementation is not followed up by Internal Audit.
- 1.3 The standard implementation timescales ordinarily apply to all actions at the relevant risk rating, although services can request an adjustment in exceptional circumstances (for instance, if a major procurement was required to remediate a high risk and it would not be possible to complete this within three months).

2. Internal Audit Assurance Ratings

- 2.1 Every Internal Audit review has three key elements:
- Firstly, the control environment is reviewed by identifying the objectives of the system and then assessing the controls in place mitigating the risk of those objectives not being achieved. Completion of this work enables Internal Audit to give an assurance on the control environment.

- However, controls are not always complied with, which will in itself increase risk, so the second part of an audit is to ascertain the extent to which the controls are being complied with in practice. This enables Internal Audit to give an opinion on the extent to which the control environment, designed to mitigate risk, is being complied with.
- Finally, where there are significant control environment weaknesses or where key controls are not being complied with, further substantive testing is undertaken to ascertain the impact these control weaknesses are likely to have on the organisation's control environment as a whole.

2.2 Three assurance ratings are therefore given at the conclusion of each audit: control environment assurance, compliance assurance, and organisational impact.

2.3 Currently the following definitions of audit assurance ratings are used for reporting control environment and compliance assurance opinions:

	Compliance Assurance	Control Environment Assurance
Substantial Assurance	The control environment has substantially operated as intended although some minor errors may have been detected.	There are minimal control weaknesses that present very low risk to the control environment
Good Assurance	The control environment has largely operated as intended although some errors have been detected.	There are minor control weaknesses that present low risk to the control environment.
Moderate Assurance	The control environment has mainly operated as intended although errors have been detected.	There are control weaknesses that present a medium risk to the control environment.
Limited Assurance	The control environment has not operated as intended. Significant errors have been detected.	There are significant control weaknesses that present a high risk to the control environment.
No Assurance	The control environment has fundamentally broken down and is open to significant error or abuse.	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment OR it has not been possible for Internal Audit to provide assurance.

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- 2.4 The following definitions of assurance ratings are currently used for organisational impact assurance opinions:

Organisational Impact	
Level	Definitions
Major	The weaknesses identified during the review have left the Council open to significant risk. If the risk materialises it would have a major impact upon the organisation as a whole.
Moderate	The weaknesses identified during the review have left the Council open to medium risk. If the risk materialises it would have a moderate impact upon the organisation as a whole.
Minor	The weaknesses identified during the review have left the Council open to low risk. This could have a minor impact on the organisation as a whole.

7. Audit and Accounts Committee

Membership

Seven members of the Council.

The Audit and Accounts Committee shall be entitled to appoint up to three people at any one time as non-voting co-opted members of the Committee. The Committee shall determine whether the co-options shall be effective for a specified period, for specific meetings or for specific items. The Committee may not co-opt any person who is an active member of any political party, defined as any person who engages in political activities which would not be permissible if that person was an officer holding a politically-restricted post within the Council. Co-options may only be made if the person co-opted has particular knowledge or expertise in the functions for which the Committee is responsible.

The Committee will meet at least 4 times a year, and will maintain the technical capability to discharge the Audit and Accounts Committee responsibilities of the Council.

Summary of Functions:

- To provide independent assurance of the adequacy of the risk management framework and the associated control environment.
- To provide independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakness of the control environment.
- To oversee the financial reporting process.
- To review matters relating to Internal Audit, external audit, risk management, governance, assurance statements, anti-fraud and anti-corruption arrangements.
- To enhance and promote the profile, status and authority of the Internal Audit function and to demonstrate its independence.
- To contribute towards making the authority, its committees and departments more responsive to the audit function.
- To review compliance with the relevant standards, codes of practice and corporate governance policies.
- To consider the extent to which the authority's control environment is successful in achieving value for money.

Delegated Authority	Delegation/ Condition
<p>1 Audit Activity</p> <p>1.1 To approve the Internal Audit strategy and monitor its progress</p> <p>1.2 To approve, but not direct, Internal Audit's annual plan of work and monitor unscheduled work that could potentially divert audit resources away from a plan, and monitor performance against those plans, ensuring that there are no inappropriate scope or resource limitations</p> <p>1.3 To consider the Annual Report and opinion of the Head of Audit and a summary of Internal Audit activity and the level of assurance it can give over the Council's corporate governance arrangements</p> <p>1.4 To consider summary Internal Audit reports and the main issues arising, and seek assurance that action has been taken where necessary</p> <p>1.5 To consider reports dealing with the management and performance of the Internal Audit function</p> <p>1.6 To consider reports from Internal Audit on agreed recommendations not implemented within reasonable timescales</p> <p>1.7 To consider the Annual Audit Letter, relevant reports and the reports of those charged with governance</p> <p>1.8 To consider specific reports as agreed with the External Auditor to ensure agreed action is taken within reasonable timescales</p> <p>1.9 To comment on the scope and depth of the external audit work and to ensure it gives value for money</p> <p>1.10 To liaise with Public Sector Audit Appointments Limited over the appointment of the Council's External Auditor</p> <p>1.11 To consider the reports of inspection agencies relevant to the Council (such as Ofsted, the Information Commissioner's Office, etc.)</p> <p>1.12 To suggest work for Internal and External Audit</p> <p>1.13 To undertake an annual review of the effectiveness of the system of Internal Audit</p>	

<p>2 Regulatory Framework</p> <p>2.1 To maintain an overview of the Council’s Constitution in respect of contract procedure rules, financial regulations, codes of conduct etc.</p> <p>2.2 To review any issue referred to it by the Chief Executive or Executive Director or any committee of the Council</p> <p>2.3 To monitor the effective development and operation of risk management and corporate governance throughout the Council</p> <p>2.4 To monitor Council policies on “raising concerns at work” and anti-fraud and anti-corruption policies, including the Council’s complaints process, and to approve any changes regarding the Council’s Whistle-Blowing policy and arrangements</p> <p>2.5 To oversee the production of the Council’s Statement of Internal Control/Governance Statement and recommend its adoption</p> <p>2.6 To consider the arrangements for corporate governance and to agree necessary actions to ensure compliance with best practice</p> <p>2.7 To consider the Council’s compliance with its own and published standards and controls</p> <p>2.8 To report as appropriate to Full Council, relevant Policy and Service Committees and the Constitution and Ethics Committee on issues which require their attention or further action</p> <p>2.9 To bring to the attention of the Strategy and Resources Committee any issue which may warrant further consideration or review</p> <p>2.10 To receive and approve proposals regarding the Council’s exercise of powers covered by the Regulation of Investigatory Powers Act</p>	
<p>3 Accounts</p> <p>3.1 To review and approve the annual Statement of Accounts</p> <p>3.2 Specifically to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council</p> <p>3.3 To consider the External Auditor’s report to those charged with the governance issues arising from the audit of the accounts</p>	

4	Risk Management	
4.1	To consider the effectiveness of the Council's risk management arrangements	
4.2	To seek assurances that action is being taken on risk-related issues	
4.3	To be satisfied that the Council's assurance statements, including the Statement of Internal Control, properly reflect the risk environment and any actions required to improve it	