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Internal Audit Charter



Introduction

Organisations in the UK public sector have historically been governed by an array of differing internal audit standards. In 2024 The Institute of Internal Auditors (IIA) published updated Global Internal Audit Standards (GIAS). The Chartered Institute of Internal Auditors (CIPFA) is the Relevant Internal Audit Standards Setters (RIASS) with authority for setting standards in the UK public sector. The UK public sector Internal Audit Standards Advisory Board (IASAB) develop material to support UK public sector internal audit, consult and advise the RIASS on the standards to be used. The RIASS have determined that the GIAS are a suitable basis for the practice of internal auditing in the UK public sector, subject to interpretations and requirements set out in a supplementary document known as the “Application Note: *Global Internal Audit Standards in the UK Public Sector*” (GIASUKPS).

Standards provide a consolidated approach to promoting improvement in the professionalism, quality, consistency, transparency and effectiveness of Internal Audit across the whole of the public sector.

The standards require that all aspects of Internal Audit operations are acknowledged within an Audit Charter that defines the purpose, authority and responsibilities of the service provision. The Charter therefore establishes the position of the service within the Council; its authority to access records, personnel and physical properties relevant to the performance of engagements; in addition to defining the scope of Internal Audit activities. There is also an obligation under the standards for the Charter to be periodically reviewed and presented to the relevant audit committee. This Charter will therefore be revisited annually to confirm its ongoing validity and completeness and circulated in accordance with the requirements specified above.

Greater Cambridge Shared Audit provides internal audit services to both Cambridge City Council, South Cambridgeshire District Council and their trading companies. For simplicity this Charter applies to both, and we highlight if there are specific differences in application.

Purpose

The purpose of the internal audit function is to strengthen the Council's ability to create, protect, and sustain value by providing the relevant audit committee and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

The internal audit function enhances the Council's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

The internal audit function is most effective when:

- Internal auditing is performed by competent professionals in conformance with The IIA's Global Internal Audit Standards™, and UK Public Sector Application note which are set in the public interest.
- The internal audit function is independently positioned with accountability to the relevant audit committee.
- Internal auditors are free from undue influence and committed to making objective assessments.

The role of internal audit in local government includes:

- supporting the delivery of the authority's strategic objectives by providing risk-based and objective assurance on the adequacy and effectiveness of governance, risk management and internal controls
- championing good practice in governance through assurance, advice and contributing to the authority's annual governance review
- advising on governance, risk management and internal control arrangements for major projects, programmes and system changes
- access to the authority's interests in collaborative and arm's-length arrangements

However, it should also be appreciated that the existence of Internal Audit does not diminish the responsibility of senior management to establish appropriate and adequate systems of internal control and risk management. Internal Audit is not a substitute for the functions of senior management, who should ensure that Council activities are conducted in a secure, efficient and well-ordered manner with arrangements sufficient to address the risks which might adversely impact on the delivery of corporate priorities and objectives.

Commitment to Adhering to the Global Internal Audit Standards

We will adhere to the Application Note Global Internal Audit Standards in the UK Public Sector (GIASUKPS) which is based on the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, and Global Internal Audit Standards and Topical Requirements.

The chief audit executive will report periodically to the relevant audit committee and senior management regarding the internal audit function's conformance with the Standards, which will be assessed through a quality assurance and improvement program.

Mandate

Authority

The requirement for an Internal Audit Service is outlined within the Accounts and Audit Regulations 2015, which state that:

"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."

Additional requirements may be placed upon the Chief Audit Executive by CIPFA as the relevant standard setter including the GIASUKPS and the Code of Practice for the Governance of Internal Audit in UK Local Government (the Code).

The internal audit function's authority is created by its direct reporting relationship to *those charged with governance* and delegated to the relevant Audit Committee for approval of this Charter. Such authority allows for unrestricted access to the Council.

This authorises the internal audit function to:

- Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out internal audit responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives.
- Obtain assistance from the necessary personnel of the Council and other specialised services from within or outside the Council to complete internal audit work.

Access shall be granted upon request and will not require prior notice. However, where possible and appropriate, advance notice will be provided—unless circumstances necessitate immediate access.

Organisation and relationships

Common terms and relationships

The terms 'Chief Audit Executive,' 'Board' and 'Senior Management' are used to describe key elements of the organisation's governance, and the ways in which they interact with Internal Audit.

The table below provides common terms and interpretations of the current relationships between Internal Audit and other key bodies at the Council.

Term	Description
Chief Audit Executive	<p>The Chief Audit Executive (CAE) is the Internal Audit Service lead for Greater Cambridge Shared Audit, a shared service arrangement between Cambridge City Council (CCC) and South Cambridgeshire District Council (SCDC).</p> <p>The CAE is a CCC employee and administratively reports to the Chief Operating Officer, plus functional reporting to the S151 at SCDC. The CAE also has regular access to statutory Officers such as the Chief Executive, S151 Officer and Monitoring Officer and meets regularly.</p>
Board / Relevant Audit Committee	<p>The 'Board' is a term used for those that oversees the work of Internal Audit. It will be <i>the relevant audit committee</i> of the Council, known as Civic Affairs and Audit Committee (CCC) and the Audit and Corporate Governance Committee (SCDC), which has been established as part of its corporate governance arrangements.</p> <p>The Committee responsibilities will be set out in their terms of reference and will recognise CIPFA guidance.</p> <p>Internal Audit will work closely with the committee to facilitate and support its activities.</p> <p>To safeguard internal audit's independence the CAE must have the right of access to the chair of the committee at any time and can meet the committee without senior management present at least once per year. The CAE will report in their own right to the committee on the work of internal audit.</p>
Senior management	<p>In the context of ensuring effective liaison between Internal Audit and senior officers, Internal Audit has regular access to the Leadership Team at both Councils, and regularly attends the Corporate Management Team of both Councils.</p>
External Audit	<p>Internal Audit aims to minimise any potential duplication of work and determine the assurance that can be placed on the respective work of the two parties. Our audit plans and reports are shared with the appointed external auditor, EY (CCC) and KPMG (SCDC).</p>

Other Internal Audit Service Providers	Internal Audit will also engage with the Internal Audit service providers of other Councils where shared service arrangements are in place. In such cases, a dialogue will be initiated with each Council's designated Chief Audit Executive to agree on a coordinated approach.
Other External Review and Inspection Bodies	Internal Audit will co-operate with all external review and inspection bodies that are authorised to assess and evaluate the activities of the Council, to determine compliance with regulations, standards or targets. Internal Audit will, wherever possible, utilise third party assurances arising from this work. If we cannot effectively co-ordinate we will explain the barriers to the board.

Independence, Organisational Position, and Reporting Relationships

The chief audit executive will be positioned at a level in the organisation that enables internal audit services and responsibilities to be performed without interference from management, thereby establishing the independence of the internal audit function. (See "Mandate" section above.)

The chief audit executive will report functionally to the relevant audit committees and administratively (for example, day-to-day operations) to the Council. This positioning provides the organisational authority and status to bring matters directly to senior management and escalate matters to the relevant audit committees, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.

The chief audit executive will confirm to the relevant audit committees, at least annually, the organisational independence of the internal audit function. If the governance structure does not support organisational independence, the chief audit executive will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence.

The chief audit executive will disclose to the relevant audit committee any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function's effectiveness and ability to fulfil its mandate.

Changes to the Mandate and Charter

Circumstances may justify a follow-up discussion between the chief audit executive, relevant audit committee, and senior management on the internal audit mandate or other aspects of the internal audit charter. Such circumstances may include but are not limited to:

- A significant change in the Global Internal Audit Standards and CIPFA supporting standards.
- A significant reorganisation within the organisation.
- Significant changes in the chief audit executive, relevant audit committee, and/or senior management.
- Significant changes to the organisation's strategies, objectives, risk profile, or the environment in which the organisation operates.
- New laws or regulations that may affect the nature and/or scope of internal audit services.

Governing Body Oversight

To establish, maintain, and ensure that the Council's internal audit function has sufficient authority to fulfil its duties, the relevant audit committee will also have responsibilities. These are set out in the Committees Terms of Reference, which are part of the Councils constitution and incorporate best practice established by CIPFA.

Chief Audit Executive Roles and Responsibilities

Ethics and Professionalism

The chief audit executive will ensure that internal auditors:

- Conform with the Application Note: Global Internal Audit Standards in the UK Public Sector, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the organisation and be able to recognise conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the organisation.
- Report organisational behaviour that is inconsistent with the organisation's ethical expectations, as described in applicable policies and procedures.
- Apply the Seven Principles of Public Life (also known as the 'Nolan Principles')

Independence and Objectivity

The chief audit executive will ensure that the internal audit function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the chief audit executive determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

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

- Assessing specific operations for which they had responsibility within the previous year.
- Performing operational duties for the Council or its affiliates.
- Initiating or approving transactions external to the internal audit function.
- Directing the activities of any Council employee that is not employed by the internal audit function, except to the extent that such employees have been appropriately assigned to internal audit teams or to assist internal auditors.

Internal auditors will:

- Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties and at least annually, such as the chief audit executive.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

Additional roles and responsibilities and safeguards

While maintaining independence the Internal Audit function will undertake activities which add value to the organisation. It is important that appropriate safeguards are considered for additional roles and responsibilities.

Risk Management is the responsibility of Officers and Members. Internal Audit contributes to the Risk Management Framework at both Councils; providing advice on the development of proportionate mitigation and actions. At CCC Internal Audit is also the Strategic Lead for Risk Management and facilitates the Risk Management Strategy and Framework. At SCDC we work proactively with Policy and Performance team to review and consequently develop Risk Management. Management are still responsible for identifying, managing and mitigating risks within their services. This approach is consistent with guidance set out by the IIA.

The Council is required to prepare an Annual Governance Statement. The final document is co-ordinated and presented to the relevant audit committee by Internal Audit as this process is linked to our assurance mapping process. The Leadership Team, and other sources of assurance, contribute to the production and contents of the statement.

Where Internal Audit undertakes additional roles the impact and safeguards are discussed with Senior Management.

Resources

The CAE will be professionally qualified (CCAB, CMIIA or equivalent) and have broad internal audit management experience, to enable them to deliver the responsibilities of the role.

The CAE will ensure that the Internal Audit Service has access to staff that have an appropriate range of knowledge, skills, qualifications and experience to deliver requisite audit assignments.

The type of reviews that will be provided in year include systems reviews, consultancy input to new / modified systems, and special investigations. In the event of special investigations being required, there is limited contingency in the Audit Plan to absorb this work. However, additional resources may need to be made available to the Internal Audit Service when such input is necessary.

Managing the Internal Audit Function

The chief audit executive has the responsibility to:

- At least annually, develop a risk-based internal audit plan that considers the input of the committee and senior management and submit the plan to the committee for review and approval.
- Communicate the impact of resource limitations on the internal audit plan to the committee and senior management.
- Review and adjust the internal audit plan, as necessary, in response to changes in Council's corporate plan, risks, operations, programs, systems, and controls.
- Communicate with the committee and senior management if there are significant interim changes to the internal audit plan.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards in the UK Public Sector.
- Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services to the committee and senior management periodically and for each engagement as appropriate.
- Ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards in the UK Public Sector and fulfill the internal audit mandate.
- Identify and consider trends and emerging issues that could impact the Council and communicate to the committee and senior management as appropriate.
- Consider emerging trends and successful practices in internal auditing.

- Establish and ensure adherence to methodologies designed to guide the internal audit function.
- Ensure adherence to Council's relevant policies and procedures unless such policies and procedures conflict with the internal audit charter or the Global Internal Audit Standards in the UK Public Sector. Any such conflicts will be resolved or documented and communicated to the committee and senior management.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the chief audit executive cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and if necessary escalated to the committee.

Communication with the Committee and Senior Management

The chief audit executive will report periodically to the committee and senior management regarding:

- The internal audit function's mandate.
- The internal audit plan and performance relative to its plan.
- Significant revisions to the internal audit plan and budget.
- Potential impairments to independence, including relevant disclosures as applicable.
- Results from the quality assurance and improvement program, which include the internal audit function's conformance with The IIA's Global Internal Audit Standards in the UK Public Sector and action plans to address the internal audit function's deficiencies and opportunities for improvement.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the committee that could interfere with the achievement of the Council's strategic objectives.
- Results of assurance and advisory services.
- Resource requirements.
- Management's responses to risk that the internal audit function determines may be unacceptable or acceptance of a risk that is beyond the Council's risk appetite.

Quality Assurance and Improvement Program

The chief audit executive will develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program

will include external and internal assessments of the internal audit function's conformance with the Global Internal Audit Standards in the UK Public Sector, as well as performance measurement to assess the internal audit function's progress toward the achievement of its objectives and promotion of continuous improvement. The program also will assess, if applicable, compliance with laws and/or regulations relevant to internal auditing. Also, if applicable, the assessment will include plans to address the internal audit function's deficiencies and opportunities for improvement.

Annually, the chief audit executive will communicate with the committee and senior management about the internal audit function's quality assurance and improvement program, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments. External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team as set out in the CIPFA guidance.

Scope and Types of Internal Audit Services

The scope of internal audit services covers the entire breadth of the organisation, including all of the Council's activities, assets, and personnel. The scope of internal audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the committee and management on the adequacy and effectiveness of governance, risk management, and control processes for the Council.

The nature and scope of advisory services may be agreed with the party requesting the service, provided the internal audit function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

Internal audit engagements may include evaluating whether:

- Risks relating to the achievement of the Council's strategic objectives are appropriately identified and managed.
- The actions of Council's officers, directors, management, employees, and contractors or other relevant parties comply with policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations and programs are consistent with established goals and objectives.
- Operations and programs are being carried out effectively, efficiently, ethically, and equitably.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the Council.

- The integrity of information and the means used to identify, measure, analyse, classify, and report such information is reliable.
- Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.