

INTERNAL AUDIT CHARTER

1 Definition and Purpose of Internal Audit

- 1.1 The Institute of Internal Auditors provides the following definition of Internal Audit.

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 Conformance with the Global Internal Audit Standards (GIAS) in the UK Public Sector is mandatory for Internal Audit in local government from 1st April 2025. Internal Audit within a local authority is a statutory function as outlined in the Accounts and Audit Regulations 2015, which require each local authority to maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper practices.
- 1.3 The GIAS sets out the mission of Internal Audit as being to 'Strengthen the organization'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'.

2 Scope of Internal Audit Work

- 2.1 The scope of Internal Audit activities encompasses, but is not limited to, objective examination of evidence for the purpose of providing independent assessments to the Governance Committee and management, on the adequacy and effectiveness of governance, risk management and control processes for the Council. Internal Audit assessments cover the following: -
- Risks relating to the achievement of the Council's strategic objectives are appropriately identified and managed.
 - The level of compliance with procedures, policies, regulations and legislation.
 - The results of operations and programmes are consistent with established goals and objectives.
 - Operations and programmes have been established to enable compliance with policies, procedures, laws and regulations.
 - A review of the value for money processes, systems and units within the Authority.
 - Information and the means used to identify, measure, analyse and classify and report such information are reliable and have integrity.

- Resources and assets are acquired economically, used efficiently, and appropriately protected.
- 2.2 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.
- 2.3 The existence of an Internal Audit function does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted efficiently, effectively and securely within the Council.

3 Other Types of Audit Work

- 3.1 Internal Audit is responsible for developing and promoting the requirements of an Anti-Fraud and Corruption Strategy, and as such have ownership of the Council's Anti-Fraud and Corruption Policy. The Internal Audit team provide training to both members and officers to promote awareness of fraud and the Council's Anti-Fraud Policy.
- 3.2 As required under the Council's Anti-Fraud and Corruption Policy, Whistleblowing Policy, Financial Rules and HR Disciplinary Procedures, Internal Audit should be notified of any suspected cases of fraud/corruption. Internal Audit will be responsible for carrying out any investigations into such cases as deemed appropriate after consultation with the Council's S151 Officer (Service Director – Finance, Property and Procurement) and Monitoring Officer (Interim Executive Director - Resources/Service Director – Strategy and Governance).
- 3.3 Internal Audit may carry out work of an advisory nature (consultancy work), where their expertise in control and risk mitigation has been requested by a service/client. The nature and scope of such work is intended to add value and improve an organisation's governance, risk management and control processes without the internal auditor assuming management responsibility for the overall design and implementation. Examples include counsel, advice, facilitation and training.

4 Core Principles and Professional Practices of Internal Auditing

- 4.1 The Core Principles, taken as a whole, articulate internal audit effectiveness. For an internal audit function to be considered effective, all Principles should be present and operating effectively: -
- Demonstrates integrity.
 - Demonstrates competence and due professional care.
 - Is objective and free from undue influence (independent).

- Aligns with the strategies, objectives, and risks of the organisation.
 - Is appropriately positioned and adequately resourced.
 - Demonstrates quality and continuous improvement.
 - Communicates effectively.
 - Provides risk-based assurance.
 - Is insightful, proactive, and future-focused.
 - Promotes organisational improvement.
- 4.2 Internal Audit must conform to the Code of Ethics set out in the GIAS. If individual internal auditors have membership of another professional body, then they must also comply with the relevant requirements of that organisation.
- 4.3 Internal auditors who work in the public sector must also have regard to the Committee on Standards of Public Life's *Seven Principles of Public Life*.
- 4.4 The Internal Audit team will govern itself by ensuring adherence to the requirements of the GIAS in the UK Public Sector. The Audit team will regularly confirm compliance with the standards in reports to senior management and the Governance Committee, and include a statement to this effect in each audit engagement report issued.

5 Authority

- 5.1 Internal Audit reports to the Interim Executive Director - Resources/ Service Director, Strategy and Governance. However, Internal Audit is also accountable to the Governance Committee (the "Board" in GIAS terms), in their role as having responsibility for governance within the Council.
- 5.2 The Audit Manager is the designated Chief Audit Executive (the term used in the GIAS). The Audit Manager reports functionally to the Governance Committee and has a direct reporting line to the Executive Director – Resources/Service Director, Strategy and Governance, who is the Council's Monitoring Officer and is a full member of the Council's senior management team, Corporate Board.
- 5.3 To establish, maintain, and assure that the Council's Internal Audit Team has sufficient authority and resource to fulfil its duties, the Governance Committee will: -
- a) Approve the Internal Audit Charter.
 - b) Review the Internal Audit Strategy.
 - c) Approve the risk-based internal audit plan and level of resources.
 - d) Approve any significant changes made in-year to the audit plan (significant defined as where there is an unplanned activity e.g.

investigation which will result in a large proportion of the audit plan not being undertaken, and/or requests being made for a large proportion of audits to be postponed.

- e) Receive regular communications from the Audit Manager on the Internal Audit team's performance compared to the plan and any other related matters.
- f) Make appropriate inquiries of management and the Audit Manager to determine whether there is inappropriate scope or resource limitations relating to audit work.
- g) At a minimum arrange to have one formal meeting with the Audit Manager each year (without management present).

5.4 The Audit Manager will have direct access to the Governance Committee Chairman and the Chief Executive.

5.5 The GIAS requires the Audit Manager to coordinate with internal and external providers of assurance services and consider relying upon their work. The other main sources of assurance providers for the Council are the external auditors and sector specific regulators e.g. Ofsted. There is limited scope to co-ordinate review timings or scoping of work for these regulators, we do review plans and findings for the external auditors and consider these in our work plans and scope of reviews.

5.6 The Governance Committee authorises the Internal Audit team to: -

- a) Have full, free and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any audit, subject to accountability for confidentiality and safeguarding of records and information.
- b) Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
- c) Have the flexibility to prioritise the use of audit resource during the year, re-assess new risks/requests for work in year compared with approved plan of work, but report/request approval for any significant changes to planned work (set out in 5.3d).
- d) Obtain assistance from the necessary personnel of the Council, as well as other specialised services from within or outside of the Council in order to complete the audit engagement.

6 Independence and Objectivity

6.1 Internal Audit as a function will remain independent of the Authority's operational activities, and its auditors will undertake no operational duties. Accordingly internal auditors will not implement internal controls, develop procedures, initiate or approve transactions external

to Internal Audit, or engage in any other activity that may impair their judgement. This will allow auditors to perform duties in a manner which facilitates impartial and effective professional judgements and avoids conflict of interest.

- 6.2 The scope of Internal Audit allows for unrestricted coverage of the Authority's activities and access to all staff, records and assets deemed necessary in the course of the audit.
- 6.3 Accountability for the response to advice and recommendations made by Internal Audit lies with the management of the Authority. Management can accept and implement advice and recommendations provided or formally reject them. Internal Audit is not responsible for the implementation of recommendations or advice provided.
- 6.4 The Audit Manager will ensure that the Internal Audit team remains free from all conditions that threaten the ability of the internal auditors to carry out their responsibilities in an unbiased manner. The Audit Manager will confirm to the Governance Committee at least annually the organisational independence of the Internal Audit team.
- 6.5 The Audit Manager will disclose to the Governance Committee any interference and related implications in determining the scope of internal audit work, carrying out the audit or reporting the results.

7 Reporting

- 7.1 All audit assignments will be the subject of a formal report written by the appropriate auditor. The majority of reports will include an 'opinion' on the adequacy of controls in the area that has been audited (exceptions being Compliance Checks and Advisory Reviews).
- 7.2 A follow-up review will be undertaken where the overall opinion of a report is 'No Assurance' or 'Limited Assurance'. Where a 'Reasonable Assurance' opinion is given then a follow up may be carried out if felt necessary, by either management or Internal Audit. The follow up will ascertain whether actions stated by management in response to the audit report have been implemented in order to provide assurance that the control framework is now effective, or flag up concerns where it is considered this is not the case.
- 7.3 Internal Audit will prepare quarterly reports for senior management and the Governance Committee regarding: -
 - a) The Internal Audit team's purpose, authority and responsibility.
 - b) The Internal Audit team's plan and performance relative to the plan.
 - c) The Internal Audit team's conformance with the GIAS.
 - d) Significant risk exposures and control issues, including fraud risks, governance issues and other issues requiring attention.
 - e) Results of audit work.

- f) Resource requirements.
- g) Any response from management which is considered unacceptable compared with the associated risk.

8 Quality Assurance and Improvement of the Internal Audit Service

- 8.1 The Internal Audit team will maintain a quality assurance and improvement plan that covers all aspects of Internal Audit work. The programme will include an evaluation of the Internal Audit Team's conformance with the GIAS in the UK Public Sector. The programme will also assess the efficiency and effectiveness of the Internal Audit Team and identify opportunities for improvement.
- 8.2 The Audit Manager will communicate to senior management and the Governance Committee on the quality assurance and improvement programme. This will include the results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent Assessor from outside the Council.

9 Resourcing of the Internal Audit Team

- 9.1 The Audit Manager is responsible for ensuring that the Audit Team is adequately resourced in order to be able to provide an informed annual opinion on the Council's Internal Control framework.
- 9.2 Where the Audit Manager has concerns over the level of audit resource, this will be formally flagged up with senior officers and members as part of submission of the draft Audit Plan for approval and progress monitoring reports.

(Reviewed and updated February 2025)