



INTERNAL AUDIT CHARTER

North West Leicestershire District Council

Version Control

Author	Date	Action
Lisa Marron Audit Manager	May 2020	Aligned Charter for all authorities.
Lisa Marron Audit Manager	September 2021	Reference to Seven Principles of Public Life added. Section 13 changed from Consulting and Advisory work to Nature of Services, assurance definition added (13.1) and the purpose of our work explained (13.2). 9.4 added to confirm approach to work for organisations outside of the shared service.
Kerry Beavis Audit Manager	September 2022	No changes required.
Kerry Beavis Audit Manager	September 2023	Minor - name changes.
Kerry Beavis Audit Manager	March 2025	Full review of Charter to align with the new Global Internal Audit Standards.

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1. Introduction

- 1.1 The Accounts and Audit Regulations 2015 place a statutory duty on the Council to undertake an internal audit of the effectiveness of its risk management, control and governance processes. The Accounts and Audit Regulations 2015 also require that the audit takes into account Global Internal Audit Standards in the UK Public Sector or guidance.
- 1.2 The Global Internal Audit Standards in the UK Public Sector (GIAS) requires the Chief Audit Executive to develop and maintain an Internal Audit Charter. The Internal Audit Charter must set out the internal audit function's:
- Purpose;
 - Commitment to adhere to the Global Internal Audit Standards;
 - Mandate (including the scope and types of services to be provided, and the organisation's responsibilities and expectations regarding management's support of the internal audit function); and
 - Organisational position and reporting relationships.

The Chief Audit Executive is required to periodically review the Charter and present it to senior management and the 'board' for approval. Final approval of the Charter resides with the 'board'.

- 1.3 The Charter establishes the internal audit function's position within the Council, including; the nature of the Chief Audit Executive's functional reporting relationship with the board; authorising access to records, personnel and physical properties relevant to the performance of engagements; and defining the scope of internal audit activities.

2. Definitions

- 2.1 In line with the GIAS:

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

- 2.2 For the purpose of this charter the following definitions shall apply:

The Board – Highest-level body charged with governance, such as:

- A board of directors.
- An audit committee.
- A board of governors or trustees.
- A group of elected officials or political appointees.

- Another body that has authority over the relevant governance functions.

At this Council this shall mean the Audit and Governance Committee.

Senior Management – The highest level of executive management of an organisation that is ultimately accountable to the board for executing the organisation's strategic decisions, typically a group of persons that includes the chief executive officer or head of the organisation.

At this Council this shall mean the Corporate Leadership Team.

Chief Audit Executive – The leadership role responsible for effectively managing all aspects of the internal audit function and ensuring the quality performance of internal audit services in accordance with Global Internal Audit Standards in the UK Public Sector.

At this Council the Chief Audit Executive is the (Shared Service) Audit Manager.

3. Purpose of Internal Audit

- 3.1 The purpose of the internal audit function is to strengthen North West Leicestershire District Council's ability to create, protect, and sustain value by providing the Audit and Governance Committee and Senior Management with independent, risk-based, and objective assurance, advice, insight, and foresight, that meets rigorous professional standards.

The internal audit function enhances North West Leicestershire District Council's:

- Successful achievement of objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with 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 Global Internal Audit Standards in the UK Public Sector which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the Board.
- Internal auditors are free from undue influence and committed to making objective assessments.

4. Commitment to Adherence to the Global Internal Audit Standards in the UK Public Sector

- 4.1 The internal audit function will adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements (specialised, mandatory provisions within the Global Internal Audit Standards that focus on critical risk areas).
- 4.2 The Chief Audit Executive will report annually to the Board and Senior Management regarding the internal audit function's conformance with the Global Internal Audit Standards in the UK Public Sector, which will be assessed through a quality assurance and improvement programme.

5. Mandate

- 5.1 The Internal Audit function derives its authority from the Accounts and Audit Regulations 2015, this Charter and the Council's Constitution.
- 5.2 The Accounts and Audit Regulations 2015 Section 5 (1) place a statutory duty on the Council to undertake an internal audit of the effectiveness of its risk management, control and governance processes. The Accounts and Audit Regulations 2015 also require that the audit takes into account Public Sector Internal Auditing Standards or guidance.
- 5.3 The Internal Audit staff have the authority to:
- enter any Council owned or occupied premises or land at all reasonable times (subject to any legal restrictions outside the Council's control);
 - have access at all times to the Council's records, documents and correspondence;
 - require and receive such explanations from any employee or member of the Council as he or she deems necessary concerning any matter under examination; and
 - require any employee or member of the Council to produce cash, stores or any other Council owned property under their control.
- 5.4 The Chief Audit Executive shall have access to, and the freedom to report in his/her name to all boards, members or officers, as he/she deems necessary.
- 5.5 All employees and members are requested to assist the Internal Audit activity in fulfilling its roles and responsibilities.

- 5.6 The Internal Audit activity will govern itself by adherence to the Global Internal Audit Standards in the UK Public Sector. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.
- 5.7 The Internal Audit function, and individual staff, will be governed by the code of ethics of the relevant professional bodies of which they are a member in addition to the Core Principles for the Professional Practice of Internal Auditing and the Code of Ethics from the International Professional Practices Framework. The Core Principles are:
1. Demonstrates integrity.
 2. Demonstrates competence and due professional care.
 3. Is objective and free from undue influence (independent).
 4. Aligns with the strategies, objectives and risks of the organisation.
 5. Is appropriately positioned and adequately resourced.
 6. Demonstrates quality and continuous improvement.
 7. Communicates effectively.
 8. Provides risk-based assurance.
 9. Is insightful, proactive, and future-focused.
 10. Promotes organisational improvement.
- 5.8 Internal Auditors who work in the public sector must also have regard to the Committee on Standards in Public Life's Seven Principles of Public Life, information on which can be found at www.public-standards.gov.uk.

6. Independence, Organisational Position, and Reporting Relationships

- 6.1 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 Senior Management, thereby establishing the independence of the internal audit function. (See "Mandate" section above.) The Chief Audit Executive will report functionally to the Board and administratively (for example, day-to-day operations) to the Strategic Director of Resources (s151 Officer). This positioning provides the organisational authority and status to bring matters directly to Senior Management and escalate matters to the Board, when necessary, without interference, and supports the internal auditors' ability to maintain objectivity.
- 6.2 The Chief Audit Executive has free and unfettered access to the Chief Executive, Section 151 Officer, Monitoring Officer and Chair of the Board. The Chief Audit

Executive will communicate and interact directly with the Board, including in and between Board meetings, as appropriate.

- 6.3 The Chief Audit Executive will confirm to the Board, 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 Board 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.

7. Changes to the Mandate and Charter

Circumstances may justify a follow-up discussion between the Chief Audit Executive, Board and Senior Management on the internal audit mandate or other aspects of this Charter. Such circumstances may include but are not limited to:

- A significant change in the Global Internal Audit Standards.
- A significant acquisition or reorganisation within the organisation.
- Significant changes in the Chief Audit Executive, Board, 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.

8. Board Oversight

To establish, maintain and ensure that North West Leicestershire's internal audit function has sufficient authority to fulfil its duties, the Board will:

- Discuss with the Chief Audit Executive and Senior Management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the internal audit function.
- Ensure the Chief Audit Executive has unrestricted access to and communicates and interacts directly with the Board, including in private meetings without Senior Management present, if necessary.
- Discuss with the Chief Audit Executive and Senior Management other topics that should be included in this Charter.
- Participate in discussions with the Chief Audit Executive and Senior Management about the "essential conditions," described in the Global Internal Audit Standards, which establish the foundation that enables an effective internal audit function.

- Approve the internal audit function's charter, which includes the internal audit mandate and the scope and types of internal audit services.
- Annually review this Charter with the Chief Audit Executive to consider changes affecting the organisation, such as the employment of a new Chief Audit Executive or changes in the type, severity, and interdependencies of risks to the organisation; and approve the Charter
- Approve the risk-based internal audit plan.
- Receive communications from the Chief Audit Executive about the internal audit function including its performance relative to its plan.
- Ensure a quality assurance and improvement programme has been established and review the results annually.
- Make appropriate inquiries of Senior Management and the Chief Audit Executive to determine whether scope or resource limitations are inappropriate.

While the intent of the Global Internal Audit Standards is for the Board (i.e., The Audit Committee) to have budgetary, expenditure, and hiring authority over the Internal Audit Service, this is not the reality in the public sector. The following points aim to partially address the requirements of the Global Internal Audit Standards.

- Provide input to the Internal Audit function's human resources administration and budgets.
- Review the Internal Audit function's expenditure.
- Provide input to Senior Management on the appointment and removal of the Chief Audit Executive, ensuring adequate competencies and qualifications and conformance with the Global Internal Audit Standards.
- Review and provide input to Senior Management on the Chief Audit Executive's performance.

9. Chief Audit Executive Roles and Responsibilities

9.1 Ethics and Professionalism

The Chief Audit Executive will ensure that internal auditors:

- Conform with the 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.

9.2 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 North West Leicestershire District Council.
- Initiating or approving transactions external to the internal audit function.
- Directing the activities of any North West Leicestershire District 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, at least annually to appropriate parties, such as the Chief Audit Executive, the Board, Senior Management, or others.
- 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.

9.3 Managing the Internal Audit Function

The Chief Audit Executive will be professionally qualified (CIMA, CCAB or equivalent) and have wide internal audit and management experience, reflecting the responsibilities that arise from the need to liaise with Members, Senior Management and other professionals, both internally and externally.

The Chief Audit Executive has the responsibility to:

- At least annually, develop a risk-based internal audit plan that considers the input of the Board and Senior Management. Discuss the plan with the Board and Senior Management and submit the plan to the Board for review and approval.
- Communicate the impact of resource limitations on the internal audit plan to the Board and Senior Management.
- Review and adjust the internal audit plan, as necessary, in response to changes in North West Leicestershire District Council's business, risks, operations, programmes, systems, and controls.
- Communicate with the Board 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 Board 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 and fulfil the internal audit mandate.
- Identify and consider trends and emerging issues that could impact North West Leicestershire District Council and communicate to the Board 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 North West Leicestershire District Council's relevant policies and procedures unless such policies and procedures conflict with this Charter or the Global Internal Audit Standards. Any such conflicts will be resolved or documented and communicated to the Board 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 Board.

9.4 Communication with the Board and Senior Management

The Chief Audit Executive will report periodically to the Board 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 programme, 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 Board.
- Results of assurance and advisory services.
- Resource requirements.
- Senior Management's responses to risk that the internal audit function determines may be unacceptable or acceptance of a risk that is beyond North West Leicestershire District Council's risk appetite.

9.5 Quality Assurance and Improvement Programme

The Chief Audit Executive will develop, implement, and maintain a quality assurance and improvement programme that covers all aspects of the internal audit function.

The programme 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 programme 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 Board and Senior Management about the internal audit function's quality assurance and improvement programme, 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 from outside North West Leicestershire District Council; qualifications must include at least one assessor holding an active Certified Internal Auditor® credential.

10. Scope and Types of Internal Audit Services

The scope of internal audit services covers the entire breadth of the organisation, including all North West Leicestershire District 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 Board and Senior Management on the adequacy and effectiveness of governance, risk management, and control processes for North West Leicestershire District 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 work will usually include, but is not restricted to:

- reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
- evaluating and appraising the risk associated with areas under review and making proposals for improving the management of risks;
- appraising the effectiveness and reliability of the risk management framework and recommending improvements where necessary;
- assisting management and members to identify risks and controls with regard to the objectives of the Council and its services;
- reviewing the systems established by management to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports, and determining whether the Council is in compliance;

- reviewing the means of safeguarding assets and, as appropriate, verifying the existence of assets;
- appraising the economy, efficiency and effectiveness with which resources are employed;
- reviewing operations and programmes to ascertain whether results are consistent with established objectives and goals, and whether the operations or programmes are being carried out as planned; and
- reviewing the operations of the Council in support of the Council's Anti-Fraud and Corruption policy.

11. Role of Internal Audit in Fraud-Related Work

- 11.1 The primary responsibility for maintaining sound systems of internal control including arrangements to prevent and detect fraud and corruption lies with Senior Management. An annual programme of internal audits is designed to assist this process by highlighting areas where controls are inadequate or are not operating.
- 11.2 All fraud investigations will be conducted in accordance with the Council's Constitution, Anti-Fraud and Corruption Policy and the Confidential Reporting (Whistleblowing) Policy.
- 11.3 All cases of suspected fraud and/or irregularity should also be reported to the Chief Audit Executive, with the exception of benefit fraud which should be reported to the Department of Work and Pensions. This is to ensure that appropriate action is taken and to enable the Chief Audit Executive to fully answer External Audit queries relating to the International Standard on Auditing (ISA) 240 "The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements".

12. Records Retention

- 12.1 Audit engagement records will be retained for six years. This is in line with Local Government Association guidance.

13. Review

- 13.1 This Internal Audit Charter and Mandate will be reviewed annually by the Chief Audit Executive and presented to Senior Management and the Board for approval if any significant changes are identified.