



INTERNAL AUDIT CHARTER AND MANDATE

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	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 Public Sector or guidance.
- 1.2 The Global Internal Audit Standards in the 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 activity's position within the Council, including the nature of the Chief Audit Executive's functional reporting relationship with the board; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.
- 1.4 For the UK public sector, conformance with the Global Internal Audit Standards is to be read together with the Application Note: Global Internal Audit Standards in the UK Public Sector issued by the Relevant Internal Audit Standard Setters (RIASS) and, for local government, the CIPFA Code of Practice for the Governance of Internal Audit in UK Local Government (the CIPFA Code). This Charter has been updated to reflect GIAS (UK Public Sector) and the CIPFA Code, effective 1 April 2025.

2 Definitions

- 2.1 In line with the GIAS:

"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.”

- 2.2 The GIAS refer to the “board” and senior management. CIPFA advises that these terms should be interpreted in the context of each council’s own governance arrangements.

Under GIAS, the “*board*” is defined as the highest level of body charged with governance.

For the purposes of this Internal Audit Charter and Mandate, the “board” is defined as the Audit and Governance Committee of North West Leicestershire District Council.

The Audit and Governance Committee is responsible for providing independent assurance to those charged with governance on the adequacy and effectiveness of the Council’s risk management framework, governance arrangements, and internal control environment.

Senior Management – The highest level of executive management of an organisation, accountable to those charged with governance for the delivery of the organisation’s objectives, strategies and operational management.

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 Public Sector. The specific job title and/or responsibilities may vary across organisations.

At this Council the Chief Audit Executive role is fulfilled by 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 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 Public Sector which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the audit committee.
- 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 Public Sector

- 4.1 The internal audit function will adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, namely the Global Internal Audit Standards and any Topical Requirements mandated for the UK public sector, read together with the Application Note: Global Internal Audit Standards in the UK Public Sector. The Chief Audit Executive will report annually to the Audit and Governance Committee and senior management regarding the internal audit function's conformance with GIAS (UK Public Sector), which will be assessed through a quality assurance and improvement programme (QAIP).

5. Mandate

- 5.1 Internal Audit 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 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 Auditing Standards or guidance.
- 5.3 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 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 service, 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.
- 5.9 Internal Audit Mandate and Board Approval.
The Internal Audit Mandate, setting out the authority, role, responsibilities, scope and types of services, and organisational independence, will be approved by the Audit and Governance Committee. The Mandate and this Charter will be reviewed at least annually and following any material change.
- 5.10 Essential Conditions.
The Council will ensure that the essential conditions necessary for an effective internal audit function, as described in GIAS and interpreted by the CIPFA Code for local government, are established and maintained, including: organisational independence;
- unrestricted access;

- sufficient resources;
- Board oversight; and
- arrangements that support objectivity and quality.

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 management, thereby establishing the independence of the internal audit function. 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 Audit Committee. 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, and disclose any actual or perceived impairments to independence, or objectivity, together with safeguards. Any interference encounter related to the scope, performance, timing or communication of internal audit work will be reported to the Board with an explanation of implications for effectiveness.

7. Changes to the Mandate and Charter

- 7.1 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 the internal audit 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

- 8.1 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.
 - Discuss with the Chief Audit Executive and senior management other topics that should be included in the internal audit charter.
 - Participate in discussions with the Chief Audit Executive and senior management about the "essential conditions," described in the Global Internal Audit Standards and the CIPFA Code, which establish the foundation that enables an effective internal audit function.
 - Approve the internal audit function's charter and mandate, which includes the scope and types of internal audit services.
 - Annually review the internal audit charter with the Chief Audit Executive to consider changes affecting the organisation, and approve the internal audit charter
 - Approve the risk-based internal audit plan.
 - Discuss the internal audit function's resource plan and staffing model,
 - Consider the CAE's annual statement on resource sufficiency.
 - Receive and review the internal audit strategy.
 - Collaborate with senior management to determine the qualifications and competencies the organisation expects in a Chief Audit Executive, as described in the Global Internal Audit Standards.
 - 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 program has been established and review the results annually, including receiving the full external assessment report at least every five years and approving any resulting action plans.
 - Make appropriate inquiries of senior management and the Chief Audit Executive to determine whether scope or resource limitations are inappropriate.

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 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

- 9.2.1 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.
- 9.2.2 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.
- 9.2.3 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.
- 9.2.4 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, board, 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**

9.3.1 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.

9.3.2 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.
- Develop, maintain and implement an Internal Audit Strategy that supports the Council's strategic objectives and success, and aligns with the expectations of the Board, senior management and key stakeholders.
- Communicate the impact of resource limitations on the internal audit plan to the board and senior management and provide an annual statement on resource sufficiency together with options to mitigate any limitations.
- Review and adjust the internal audit plan, as necessary, in response to changes in North West Leicestershire District Council's business, risks, operations, programs, 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 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, including periodic evaluation of technology used by the internal audit function and reporting any limitations that affect effectiveness or efficiency.
- 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 the internal audit 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.
- Maintain an assurance map and escalate to senior management and, if necessary, the Board where appropriate coordination cannot be achieved.

9.4 Communication with the Board and Senior Management

9.4.1 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 program, which include the internal audit function's conformance with The IIA's Global Internal Audit Standards in the 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, and the annual statement on resource sufficiency.
- 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 Program

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

- 9.5.2 The program will include external and internal assessments of the internal audit function's conformance with the Global Internal Audit Standards in the 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.
- 9.5.3 The program also will assess, if applicable, compliance with laws and/or regulations relevant to internal auditing.
- 9.5.4 Also, if applicable, the assessment will include plans to address the internal audit function's deficiencies and opportunities for improvement.
- 9.5.5 Annually, the Chief Audit Executive will communicate with the board 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).
- 9.5.6 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. The Board will receive the full external assessment report and approve any resulting action plans.

10. Scope and Types of Internal Audit Services

- 10.1 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.
- 10.2 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 management on the adequacy and effectiveness of governance, risk management, and control processes for North West Leicestershire District Council.
- 10.3 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.
- 10.4 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.
- 10.5 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 and considering value for money;
- 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; and coordinating assurance activities with other internal and external providers, and reporting any barriers to coordination to senior management and, if necessary, the Board.

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 The 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.