

## Internal Audit Charter

### Purpose

This Charter formally defines the purpose, authority and responsibility of the Welland Internal Audit Consortium (the Consortium) within Rutland County Council and outlines the scope of the Consortium's internal audit work.

The Audit Charter complies with the mandatory requirements of the Public Sector Internal Audit Standards (The Standards).

### Definitions

The Standards set out the requirements of a 'Board' and of 'senior management'. For the purposes of the internal audit activity within Rutland County Council, the role of the Board within the Standards is taken by the Council's Audit & Risk Committee and senior management is the Council's Senior Management Team.

### Role

Internal Audit is a statutory service in the context of The Accounts and Audit (England) Regulations 2011, which state:

*6.—(1) A relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.*

Also, The Local Government Act 1972, Section 151, requires every local authority to designate an officer to be responsible for the proper administration of its financial affairs. In Rutland County Council, the Assistant Director - Finance is the 'Section 151 Officer'. One of the ways in which this duty is discharged is by maintaining an 'adequate and effective internal audit service'.

Internal Audit is defined by the Public Sector Internal Audit Standards as:

*'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.'*

### Professionalism

The Consortium will govern itself by adherence to the mandatory guidance published by Chartered Institute of Public Finance Accountants (CIPFA) and the Chartered Institute of Internal Auditors' (IIA) including the Definition of Internal Auditing, the Code of Ethics, and the Public Sector Internal Audit Standards. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing within the public sector and for evaluating the effectiveness of the Consortium's performance.

The IIA's Practice Advisories, Practice Guides, and Position Papers and any corresponding publications from CIPFA will also be adhered to as applicable to guide operations.

In addition, the Consortium will adhere to Rutland County Council's relevant policies and procedures and the Internal Audit Manual.

## **Authority**

The Consortium's Auditors, with strict accountability for confidentiality and safeguarding records and information, are authorised full, free, and unrestricted access to any and all of the Council's records, physical properties, and personnel pertinent to carrying out any assignment.

All employees are requested and required to assist the Consortium in fulfilling its roles and responsibilities. This is enforced in the Accounts and Audit (England) Regulations 2011 section 6(2) which state that:

- 'Any officer or member of a relevant body must, if the body requires:*
- (a) make available such documents and records as appear to that body to be necessary for the purposes of the audit; and*
  - (b) supply the body with such information and explanation as that body considers necessary for that purpose'.*

For the purposes of internal audit activity, the Consortium's Audit Managers will also have free and unrestricted access to the Council's Strategic Management Team and Audit & Risk Committee.

## **Organisation**

The Head of Consortium reports functionally to the Audit & Risk Committee on items such as:

- Approving the Internal Audit Charter;
- Approving the risk-based Internal Audit Annual Plan;
- The Consortium's performance against the Plan and other matters;
- Approving the Head of Consortium's Annual Report;
- Approving the review of the effectiveness of the system of Internal Audit.

The Head of Consortium has direct access to the Chair of Audit & Risk Committee and has the opportunity to meet with the Audit & Risk Committee in private.

The Council's Section 151 Officer will be Client Officer for the Consortium with responsibility for monitoring performance; ensuring adequacy of Internal Audit resources; and ensuring the Head of Consortium's independence. Responsibility for line management of the Head of Consortium is vested in the Section 151 Officer of the Consortium's employing organisation – Rutland County Council.

The Welland Internal Audit Board – comprising the clients' Section 151 Officers - is responsible for oversight of the Consortium's performance in delivering the agreed level and quality of service commissioned by individual clients.

## **Independence and objectivity**

In respect of its internal audit activities, the Consortium will remain free from interference by any element in the Council, including matters of audit selection, scope, procedures, frequency, timing, or report content, to permit maintenance of a necessary independent and objective mental attitude.

Auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair an Auditor's judgment.

Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments. To achieve that outcome, the Head of Consortium will ensure that, where an Auditor is recruited from a client local authority, they will not audit the area that they moved from for at least a period of one year. Auditors will also be required to state any possible conflicts of interest at the start of each audit assignment to their manager to ensure a completely independent and unbiased audit is carried out.

The Head of Consortium will confirm to the Audit & Risk Committee, at least annually, the organisational independence of the Consortium in respect of all internal audit activity.

## **Responsibility**

The scope of internal audit encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the Council's governance, risk management, and internal control processes in relation to the Council's defined goals and objectives.

The Consortium is responsible for evaluating all processes (not just financial) of the Council including governance and risk management processes. It also assists the Audit & Risk Committee in evaluating the quality of performance of external auditors and ensures that there is a proper degree of co-ordination between the Consortium and the Council's External Auditors.

The Consortium may perform consulting and advisory services related to governance, risk management and control as appropriate for the Council. Approval must be sought from the Audit & Risk Committee for any significant additional consulting services not already included in the Annual Internal Audit Plan. The Consortium may also evaluate specific operations at the request of the Audit & Risk Committee or management, as appropriate: where requests from management have the potential to impact on the delivery of planned work, approval of the Audit & Risk will be required.

Based on its activity, the Consortium is responsible for reporting significant risk exposures and control issues identified to the Audit & Risk Committee and to senior management, including fraud risks, governance issues, and other matters requested by the Audit & Risk Committee.

## **Internal audit plan and resources**

The Head of Consortium will submit to the Audit & Risk Committee, annually, a risk-based Internal Audit Annual Plan for review and approval. The report to Committee will include budget and resource requirements for the next financial year necessary for the delivery of the Plan. The Head of Consortium will communicate the impact of resource limitations and of significant interim changes to senior management and the Audit & Risk Committee.

The Internal Audit Annual Plan will be developed using a risk-based process that has been approved by the Audit & Risk Committee. The process will include input of senior

management and the Audit & Risk Committee. Any significant deviation from the approved Internal Audit Annual Plan will be communicated through the periodic activity reporting process.

The Head of Consortium will carry out a continuous review of the development and training needs of all of the Consortium's personnel as part of the Consortium's Quality Assurance and Improvement Programme, and will arrange appropriate training.

### **Reporting and monitoring**

A written report will be prepared and issued by the Head of Consortium or designee following the conclusion of each audit assignment and will be distributed in line with the Council's reporting processes. The outcome of each assignment will also be communicated to the Audit & Risk Committee in the manner determined by the Committee.

The Internal Audit reports will include management's response and a record of corrective action taken or to be taken in regard to the specific findings and recommendations. Management's response will include a timetable for anticipated completion of agreed action to be taken and an explanation for decision not to take action to address a control weakness identified in the report.

The Consortium will be responsible for monitoring the timely implementation of agreed audit recommendations and will report to the Council's Senior Management Team and the Audit & Risk Committee on progress achieved.

The Head of Consortium will produce an annual Internal Audit Opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control. The Head of Consortium Opinion will contribute to the Council's review of the effectiveness of its control environment as required under the Accounts and Audit (England) Regulations 2011.

### **Periodic assessment**

The Head of Consortium is responsible also for providing a periodic self-assessment on the Internal Audit activity as regards its consistency with the Audit Charter (purpose, authority, responsibility) and performance relative to its Plan.

In addition, the Head of Consortium will communicate to senior management and the Audit & Risk Committee on the Consortium's Quality Assurance and Improvement Program, including results of on-going internal assessments and external assessments conducted at least every five years as required by the Standards.

### **Approval**

The Head of Consortium will be responsible for the annual review of the Charter for subsequent approval by the Council's Audit & Risk Committee.