



Internal Audit Charter

Internal Audit Charter for Warwickshire County Council

The Internal Audit function is provided by an internal team, which also provides internal audit services to other public sector bodies. Within this Charter the function is described as the Warwickshire County Council Internal Audit function and the Internal Audit Manager undertakes the role designated in the Global Internal Audit Standards in the UK Public Sector as Chief Audit Executive.

Purpose

The purpose of the Internal Audit function is to strengthen Warwickshire County Council's ability to create, protect, and sustain value by providing the Audit and Standards Committee and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

The Internal Audit function enhances Warwickshire County 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.

Warwickshire County Council's Internal Audit function is most effective when:

- Internal auditing is performed by competent professionals in conformance with The IIA's Global Internal Audit Standards™, which are set in the public interest.
- The Internal Audit function is independently positioned with direct accountability to the Audit and Standards Committee.
- Internal auditors are free from undue influence and committed to making objective assessments.

Commitment to Adhering to the Global Internal Audit Standards

The Warwickshire County Council's Internal Audit function will adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework through conformance with Global Internal Audit Standards in the UK Public Sector. The exception to this is the organisational positioning of the Chief Audit Executive, for which mitigations are in place as detailed elsewhere in this Charter. The Chief Audit Executive will report annually to the Audit and Standards 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 Warwickshire County Council's Internal Audit function mandate is found in Accounts and Audit Regulations 2015, which state:

Internal Audit

5.(1) 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.

(2) Any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit—

(a) make available such documents and records; and

(b) supply such information and explanations as are considered necessary by those conducting the internal audit.

(3) In this regulation "documents and records" includes information recorded in an electronic form.

The CIPFA statement on the Role of the Chief Financial Officer in Local Government states that:

Internal audit is an important independent internal scrutiny activity. Internal audits remit does not necessarily end within the organisation boundary but can extend to a partnership and alternative delivery model. The CFO must support the authority's internal audit arrangements and ensure that the audit committee receives the necessary advice and information, so that both functions can operate effectively.

The Internal Audit function's authority is created by its direct reporting relationship to the Audit and Standards Committee and Corporate Board. Such authority allows for unrestricted access to the Audit and Standards Committee.

The Council authorizes 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 Warwickshire County Council and other specialized services from within or outside Warwickshire County Council to complete Internal Audit services.

Independence, Organizational Position, and Reporting Relationships

The Internal Audit Manager, who performs the role of Chief Audit Executive is a 4th Tier Manager who reports to the Head of Investments, Audit and Risk. It is recognised that this arrangement does not meet the expectation of the CIPFA Code of Practice for the Governance of Internal Audit in UK Local Government, which expects that “the direct reporting line of the Chief Audit Executive is not lower than a member of the senior management team” and that they should be a “senior manager, providing them with the necessary profile to fulfil the function’s mandate”. In order to safeguard the independence and support the profile of the role a number of mitigating measures are in place. These include:

- Monthly meetings with the Finance Director;
- Quarterly meetings with the Executive Director for Resources;
- Meetings with Corporate Board; and
- Unfettered access to the members and Chair of the Audit and Standards Committee

These arrangements provide the organisational authority to bring matters directly to senior management and escalate matters to the Audit and Standards Committee, when necessary, without interference and supports the Internal Auditors’ ability to maintain objectivity.

The Chief Audit Executive will confirm to the Audit and Standards Committee, at least annually, the organisational independence of the Internal Audit function. If the governance structure does not support organizational 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 Audit and Standards 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, Audit and Standards 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.
- A significant reorganization within the organization.
- Significant changes in the Chief Audit Executive, Audit and Standards Committee, and/or senior management.
- Significant changes to the organization’s strategies, objectives, risk profile, or the environment in which the organization operates.
- New laws or regulations that may affect the nature and/or scope of Internal Audit services.

Audit and Standards Committee Oversight

To establish, maintain, and ensure that Warwickshire County Council's Internal Audit function has sufficient authority to fulfil its duties, the Audit and Standards Committee 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 Audit and Standards Committee, 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, 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.
- Review the Internal Audit Charter annually with the Chief Audit Executive to consider changes affecting the organization, such as the employment of a new Chief Audit Executive or changes in the type, severity, and interdependencies of risks to the organization; and approve the Internal Audit Charter annually.
- 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 program 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.

Chief Audit Executive Roles and Responsibilities

Ethics and Professionalism

The Chief Audit Executive will ensure that Internal Auditors:

- Conform with the Global Internal Audit Standards, 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 organization and be able to recognize conduct that is contrary to those expectations.

- Encourage and promote an ethics-based culture in the organization.
- Report organizational behaviour that is inconsistent with the organization's ethical expectations, as described in applicable policies and procedures.

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 Warwickshire County Council or its affiliates.
- Initiating or approving transactions external to the Internal Audit function.
- Directing the activities of any Warwickshire County 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 to 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.

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 Audit and Standards Committee and senior management. Discuss the plan with the Audit and Standards Committee and senior management and submit the plan to the Audit and Standards Committee for review and approval.

- Communicate the impact of resource limitations on the Internal Audit Plan to the Audit and Standards Committee and senior management.
- Review and adjust the Internal Audit Plan, as necessary, in response to changes in Warwickshire County Council's business, risks, operations, programs, systems, and controls.
- Communicate with the Audit and Standards 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 periodically communicate the results of Internal Audit services to the Audit and Standards Committee and senior management.
- 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 Warwickshire County Council and communicate to the Audit and Standards 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 Warwickshire County 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 Audit and Standards Committee and senior management.
- Maintain awareness of the work of other internal and external providers of assurance and advisory services and consider relying upon these where appropriate.

Communication with the Audit and Standards Committee and Senior Management

The Chief Audit Executive will report at least annually to the Audit and Standards Committee and senior management regarding:

- The Internal Audit function's mandate.
- The Internal Audit Plan and performance relative to its plan.
- Internal audit budget.
- 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 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 Audit and Standards Committee that could interfere with the achievement of Warwickshire County 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 Warwickshire County 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, 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 Audit and Standards 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 from outside Warwickshire County Council; qualifications must include at least one assessor having the characteristics outlined for Chief Audit Executive qualification.

Scope and Types of Internal Audit Services

The scope of Internal Audit services covers the entire breadth of the organization, including all of Warwickshire County 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 Audit and Standards Committee and management on the adequacy and effectiveness of governance, risk management, and control processes for Warwickshire County 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 Warwickshire County Council's strategic objectives are appropriately identified and managed.
- The actions of Warwickshire County Council's officers, directors, management, employees, and contractors or other relevant parties comply with Warwickshire County Council's 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 Warwickshire County 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.

Approved by the Audit and Standards Committee at its meeting on

Acknowledgments/Signatures

Internal Audit Manager (Chief Audit Executive)

Date

Audit and Standards Committee Chair

Date

Chief Executive

Date