



## Appendix B

# Internal Audit Charter

## Purpose

The purpose of the internal audit function is to strengthen Uttlesford District Council's ability to create, protect, and sustain value by providing Council, Audit and Standards Committee, and Corporate Management Team with independent, risk-based, and objective assurance and advice, insight, and foresight.

The internal audit function enhances Uttlesford District 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.

Internal audit is most effective when:

- Internal auditing is performed by competent professionals in conformance with The IIA's Global Internal Audit Standards and UK application note, which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the Corporate Management Team and 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***

Uttlesford District Council's 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. This will take into account:

- a) the CIPFA Application Note, which provides a framework for the practice of internal audit in the UK public sector when taken together with the Global Internal Audit Standards; and
- b) the CIPFA Code of Practice for the Governance of Internal Audit in UK Local Government, which complements the Global Internal Audit Standards from the perspective of the Head of Internal Audit.

Overall, this means that the Internal Audit Service will adhere to the "Global Internal Audit Standards in the UK Public Sector".

The Audit Manager will report annually to the Audit and Standards Committee and Corporate Management Team regarding the internal audit function's conformance with the Standards, which will be assessed through a quality assurance and improvement program.

## Internal Audit Authority and Mandate

Uttlesford District Council has a statutory duty to maintain an adequate and effective Internal Audit function in accordance with proper Internal Audit practices (Regulation 6 (Part 2) of the Accounts and Audit Regulations 2015).

Section 151 of the Local Government Act 1972 also states that “every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs”.

The CIPFA Statement of the Role of Chief Financial Officer in Local Government also states that the Chief Financial Officer must:

- Ensure an effective Internal Audit function is resourced and maintained
- Ensure that the authority has put in place effective arrangements for Internal Audit of the control environment and systems of internal control as required by professional standards and in line with CIPFA’s Code of Practice on Local Authority Accounting in the United Kingdom.

The internal audit function’s authority is created by its direct reporting relationship to the Audit and Standards Committee and the Corporate Management Team. Such authority allows for unrestricted access.

The Audit and Standards Committee and Corporate Management Team authorises 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 Uttlesford District Council and other specialized services from within or outside Uttlesford District Council to complete internal audit services.

## *Independence, Organisational Position, and Reporting Relationships*

The Audit Manager 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. (See “Mandate” section.) The Audit Manager will report functionally to the Audit and Standards Committee and administratively to the Director of Business, Performance and People, who is a member of the Corporate Management Team. The Audit Manager has unrestricted access to the:

- Chief Executive who carries the responsibility for the proper management of the Council and for ensuring that the principles of good governance are reflected in sound management arrangements;
- Strategic Director of Finance, Commercialisation and Corporate Services who has responsibility for maintaining an adequate and effective system of Internal Audit within Uttlesford District Council, as the authority’s Chief Finance Officer (S151 Officer);

- Head of Legal who has responsibility for the operation of the Council's constitution and reporting on matters believed to be illegal or amount to maladministration, as the authority's Monitoring Officer;
- Other members of the Corporate Management Team;
- Elected Members of the Council (particularly those who serve on committees charged with governance such as the Audit and Standards Committee) where it is considered necessary to the proper discharge of Internal Audit function.

This positioning provides the organisational authority and status 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 Audit Manager 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 organisational independence, the Audit Manager will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence. The Audit Manager 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 fulfill its mandate.

### ***Changes to the Mandate and Charter***

Circumstances may justify a follow-up discussion between the Audit Manager, Audit and Standards Committee, and the Corporate Management Team on the internal audit mandate or other aspects of the internal audit charter. Such circumstances may include but are not limited to:

- A notable change in the Global Internal Audit Standards.
- A significant reorganisation within Uttlesford District Council.
- Significant changes in the Audit Manager, Audit and Standards Committee, and/or senior management membership or roles and responsibilities.
- Significant changes to the Council's strategies, objectives, risk profile, or the environment in which the Council operates.
- New laws or regulations that may affect the nature and/or scope of internal audit services.

## **Audit and Standards Committee Oversight**

The Audit and Standards Committee's terms of reference require it to oversee Internal Audit work as part of its advisory role to full Council in matters of Governance.

To establish, maintain, and ensure that Uttlesford District Council's internal audit function has sufficient authority to fulfill its duties, the Audit and Standards Committee will:

- Discuss with the Audit Manager and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the internal audit function.

- Ensure the Audit Manager has unrestricted access to and communicates and interacts directly with the Audit and Standards Committee, including in meetings without senior management present.
- Discuss with the Audit Manager and senior management other topics that should be included in the internal audit charter.
- Participate in discussions with the Audit Manager 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. [As described in Domain III of the Global Internal Audit Standards].
- 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 periodically with the Audit Manager to consider changes affecting the organisation, such as the employment of a new Audit Manager or changes in the type, severity, and interdependencies of risks to the organisation; and approve the internal audit charter annually.
- Approve the risk-based internal audit planning process.
- Receive communications from the Audit Manager about the internal audit function including its performance relative to its plan.
- Provide input to the Director of Business, Performance and People on the Audit Manager’s performance.
- Ensure a quality assurance and improvement program has been established and review the results annually.
- Make appropriate inquiries of senior management and the Audit Manager to determine whether scope or resource limitations are inappropriate.
- Advocate to senior management (who submit budget requests to full Council) to ensure the internal audit function’s human resources administration and budgets are sufficient to fulfil its mandate.
- Provide input to senior management on competencies and qualifications required of the the Audit Manager, to ensure conformance with the Global Internal Audit Standards.

## Audit Manager Roles and Responsibilities

### *Ethics and Professionalism*

The Audit Manager 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, confidentiality and professional courage [As described in Domain III of the Global Internal Audit Standards].
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the organisation and be able to recognize conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the organisation.
- Report organisational behavior that is inconsistent with the organisation’s ethical expectations, as described in applicable policies and procedures.

## **Objectivity**

The Audit Manager 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 Audit Manager 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 Uttlesford District Council except for the Audit Manager's oversight of the Counter-fraud strategy and action plan.
- Initiating or approving transactions external to the internal audit function.
- Directing the activities of any Uttlesford 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, to assist internal auditors or as part of the Council's counter-fraud response.

Internal auditors will:

- Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties and at least annually, such as the Audit Manager, Audit and Standards Committee, management, or others.
- Exhibit 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 Audit Manager is required to be hold a Chartered Member of the Institute of Internal Auditors (CMIIA) or a Consultative Committees of Accountancy Bodies (CCAB) qualification and have suitable experience in Internal Audit work.

The Audit Manager 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 Corporate Management Team 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 Corporate Management Team.
- Review and adjust the internal audit plan, as necessary, in response to changes in Uttlesford District Council's business, risks, operations, programs, systems, and controls.
- Communicate with the Audit and Governance Committee and Corporate Management Team 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, the UK application note and other relevant UK laws and regulations.
- Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services to the Audit and Standards Committee in and Corporate Management Team three times a year 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 fulfill the internal audit mandate.
- Identify and consider trends and emerging issues that could impact Uttlesford District 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 Uttlesford 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 Audit and Standards Committee and the Corporate Management Team .
- Co-ordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the Audit Manager cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and if necessary escalated to the Audit and Standards Committee.

Except for the counter-fraud strategy and action plan, the Audit Manager has no direct operational responsibility or authority over any of the activities that the Internal Audit Service reviews. For counter-fraud, to safeguard independence, the scope of any Internal Audit work required on this area will be agreed with the Statutory Officers Group (Chief Executive, s151 Officer and the Monitoring Officer). External Audit will provide assurance that there are no material misstatements in the accounts due to fraud or error.

### ***Communication with the Audit and Standards Committee and Senior Management***

The Audit Manager will report periodically to the Audit and Standards Committee and Corporate Management Team (as detailed below) regarding:

- The internal audit strategy and plan, including the planning process and resource allocation (**annual paper to the Audit and Standards Committee**).

- The internal audit function's mandate (**included within the charter, an appendix within annual strategy and plan**).
- An **internal audit update** twice per year, including results of finalised audits, status of audits scheduled in the financial year, any significant revisions to the plan and resources.
- An **annual report and opinion** summarising the work completed in the previous financial year and .
- Potential impairments to independence, including relevant disclosures as applicable (**by exception, in relevant papers**)
- 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 (**within the annual strategy and plan, with updates in other audit papers**).
- Significant risk exposures and control issues that could interfere with the achievement of Uttlesford District Council's strategic objectives. (**Internal audit updates and annual report**).
- Results of assurance and advisory services (**within relevant update reports**).
- Progress on implementation of audit recommendations (**within update reports and the annual report and opinion**).
- Management's responses to risk that the internal audit function determines may be unacceptable or acceptance of a risk that is beyond Uttlesford District Council's risk appetite.

### **Quality Assurance and Improvement Program**

The Audit Manager 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 Audit Manager will communicate with the Uttlesford District Council's and the Corporate Management Team 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 Uttlesford District Council; qualifications must include at least one assessor holding the qualifications and experience required for the Audit Manager.

### **Scope and Types of Internal Audit Services**

The scope of internal audit services covers the entire breadth of Uttlesford District Council including all Council's activities, assets, and personnel as captured in the audit universe. 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 Uttlesford 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. Root cause analysis will be used when appropriate. These opportunities will be communicated to the appropriate level of management.

Internal audit engagements may include evaluating whether:

- Risks relating to the achievement of Uttlesford District Council's strategic objectives are appropriately identified and managed.
- The actions of Uttlesford District Council's members, officers, directors, management, employees, and contractors or other relevant parties comply with Uttlesford District 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 the Council.
- The integrity of information and the means used to identify, measure, analyze, classify, and report such information is reliable.
- Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

**To be approved by the Audit and Standards Committee at its meeting on 25 March 2025.**

### **Acknowledgments/Signatures**

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Audit Manager

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Date

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Audit and Standards Committee Body Chair

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Date

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Chief Executive

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Date