

# Cotswold District Council

## Internal Audit Charter 2021/22

# The Internal Audit Charter

## Purpose

The purpose of this Charter is to set out the nature, role, responsibility, status and authority of internal auditing within Cotswold District Council (CDC), and to outline the scope of internal audit work.

## Provision of Internal Audit Services

Internal Audit is provided by SWAP Internal Audit Services (SWAP). This Charter forms part of the legal agreement between SWAP partners and should be read in conjunction with the Service Agreement and other key documents including the Data Sharing Protocol.

The budget for the provision of the internal audit service is determined by CDC, in conjunction with the SWAP Members Meeting. General financial provisions are laid down in the legal agreement, including the level of financial contribution, and may only be amended by unanimous agreement of the Members Meeting. The budget is based on an audit needs assessment which is reviewed each year by the S151 Officer in consultation with the Chief Executive of SWAP.

## Role of Internal Audit

The Accounts and Audit (England) Regulations, state that: *“A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account the public sector internal auditing standards or guidance.”*

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the Organisation’s operations. It helps CDC accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

## Responsibilities of Management, the Audit Committee and of Internal Audit

### **Management<sup>1</sup>**

Management is responsible for ensuring SWAP has:

- the support of management and the Council; and
- direct access and freedom to report to senior management, including the Council’s Chief Executive and the Audit Committee.

Management is responsible for establishing (including the tracking and implementation of Internal Audit recommendations) and maintaining internal controls, including proper accounting records and other management information and is also responsible for the appropriate and effective management of risk.

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<sup>1</sup> In this instance Management refers to the Senior Management Team

### ***Audit Committee<sup>2</sup>***

The Audit Committee is responsible for approving the scope of internal audit work, receiving communications from the SWAP Assistant Director (as Chief Audit Executive<sup>3</sup>) on the progress and outcomes of work undertaken, reviewing the independence, objectivity, performance, professionalism and effectiveness of the Internal Audit function, and obtaining reassurance from the SWAP Assistant Director as to whether there are any limitations on scope or resources.

### ***Internal Audit***

The SWAP Assistant Director is responsible for determining the scope, except where specified by statute, of internal audit work and for recommending action to be taken on the outcome of, or findings from, their work designed to provide assurance and add value.

Internal audit is responsible for operating under policies established by management in line with good practice. A range of SWAP policies exist to underpin staff and service development, including to seek out and implement new innovative audit techniques and increase technological solutions to ensure provision of an efficient and effective service and consolidate the role of Trusted Advisor.

Internal audit is responsible for conducting its work in accordance with the mandatory elements of the Code of Ethics and Standards for the Professional Practice of Internal Auditing as set by the Institute of Internal Auditors and further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note. SWAP has been independently assessed and found to conform with the Standards.

Internal Audit is not responsible for any of the activities which it audits. SWAP staff will not assume responsibility for the design, installation, operation or control of any procedures. Members of SWAP who have transferred in to the department from other areas in Cotswold District Council and / or Publica Group (Support) Ltd will not be asked to review any aspects of their previous department's work until one year has passed since they left that area.

### **Relationship with the External Auditors/Other Regulatory Bodies**

Internal Audit will co-ordinate its work with others wherever this is beneficial to the organisation.

### **Status of Internal Audit in the Organisation**

\*The Chief Executive of SWAP is responsible to the SWAP Board of Directors and the Members Meeting. Appointment or removal of the Chief Executive of SWAP is the sole responsibility of the Members Meeting.

The Chief Executive for SWAP and Assistant Director also report to the Section 151 Officer, and to the Audit Committee as set out below.

The Assistant Director is the first and primary contact point for the organisation on matters relating to the Audit Committee, including the provision of periodic reports, as per company policy. The Assistant Director is also responsible for design, development and delivery of audit plans, subject to agreement of CDC.

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<sup>2</sup> In this instance Audit Committee relates to "The Board" referred to in the PSIAS.

<sup>3</sup> PSIAS refers to the 'chief audit executive'.

### **Scope and authority of Internal Audit work**

There are no restrictions placed upon the scope of internal audit's work. SWAP staff engaged on internal audit work are entitled to receive and have access to whatever information or explanations they consider necessary to fulfil their responsibilities to senior management. In this regard, internal audit may have access to any records, personnel or physical property of the organisation.

Internal audit work will normally include, but is not restricted to:

- reviewing the reliability and integrity of financial and operating information used for operational and strategic decision making, and the means used to identify, measure, classify and report such information;
- evaluating and appraising the risks associated with areas under review and make proposals for improving the management and communication of risks;
- appraise the effectiveness and reliability of the enterprise risk management framework and recommend improvements where necessary;
- assist management and Members to identify risks and controls regarding the objectives of the organisation and its services;
- reviewing 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 organisation complies;
- reviewing, as appropriate, the means of safeguarding and verifying assets;
- appraising the economy, efficiency and effectiveness with which resources are employed;
- reviewing operations or programmes to ascertain whether results are consistent with established objectives and goals and whether they are being carried out as planned, with performance and accountabilities established;
- reviewing the operations of the organisation in support of their anti-fraud and corruption policy (and investigating where necessary), ethical expectations and corporate, social and environmental values and responsibilities; and
- at the request of management, internal audit may provide consultancy services (e.g. data analytics, benchmarking, strategic/project reviews/investigations etc) provided that:
  - independence is not compromised;
  - necessary skills exist to conduct the assignment, or which can be obtained without undue cost or delay;
  - the assignment scope is clearly defined and management can resource the work; and
  - there is clarity that the activity being undertaken is not internal audit work although the outcomes may contribute to the annual opinion.

### **Planning and Reporting**

SWAP will submit an internal audit plan to Management and the Audit Committee for approval, setting out the recommended scope of work and which will be developed with reference to current and emerging risks. The plan will be reviewed quarterly to ensure it remains relevant and adequately resourced.

SWAP will carry out the work as agreed, report the outcomes and findings both during and on completion of reviews, and make recommendations on action to be taken to the appropriate officers and copied to the S151 Officer. SWAP will present a regular summary of their work to Management and the Audit Committee, including assessing the organisation's implementation of previous recommendations along with any significant, persistent and outstanding issues.

Internal audit reporting will normally comprise a brief presentation to relevant officers and accompanied by an appropriately detailed written report, with the format tailored as necessary to the nature of the work.

The Assistant Director will submit an annual report to Management and the Audit Committee providing an overall opinion of the status of risk and internal control within CDC based upon, and limited to, internal audit activity conducted during the year.

In addition to the reporting lines outlined above, the Chief Executive of SWAP and Assistant Director (Chief Audit Executive) have the unreserved right to report directly to the Leader of the Council, the Chair of the Audit Committee, the Chief Executive Officer and the External Audit Manager.

***Revised, March 2021***

