



INTERNAL AUDIT CHARTER



Internal Audit is an independent appraisal function established for the review of the internal control system as a service to the City Council. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources and the management of risk.

The Council has determined that the Chief Finance Officer shall be the officer nominated under Section 151 of the Local Government Act 1972 to have responsibility for the proper administration of its (the Council's) financial affairs.

Provision of an adequate and effective system of Internal Audit is the responsibility of the Council under Regulation 6 of the Accounts and Audit Regulations 2003. This function has been delegated to the Chief Finance Officer, who shall provide an Internal Audit service to the City Council in accordance with statutory requirements and professional standards. This latter requirement is met by virtue of compliance with the *Code of Practice for Internal Audit in Local Government in the United Kingdom*, issued by CIPFA in 2003.

Definition of Internal Audit

Leicester City Council has adopted the definition of Internal Audit as given in the CIPFA *Code of Practice*:

Internal Audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

Responsibilities of Internal Audit

Internal Audit's responsibility is to report to the Council on its assessment of the adequacy of the control environment, through the Cabinet and Scrutiny Committees.

It does this by:

- Providing assurance to the Council and its management on the quality of the Council's operations, whether delivered internally or externally, with particular emphasis on systems of risk management, resource control, governance and the prevention and detection of fraud.
- Providing consultancy and advice on the setting up and monitoring of internal controls throughout the City Council and external organisations providing services on behalf of the City Council with the aim of improving economy, efficiency and effectiveness, managing risk and reducing the potential for fraud.
- Providing advice to the Council on those of its activities where there is felt to be exposure to significant financial, strategic, reputational and operational risk to the achievement of its (the Council's) objectives.
- Providing advice and support in the investigation of suspected fraud and irregularity.

Internal Audit will do this in accordance with:

- Relevant codes of ethics, standards and guidelines issued by the professional institutes and the Auditing Practices Board
- The City Council's Constitution and other relevant corporate standards and policies
- Its own Audit Manual and other internal standards, which will be adhered to by all its staff, partners and agents.

In particular, Internal Audit adheres to the *Code of Practice for Internal Audit in Local Government in the United Kingdom* issued by the Chartered Institute of Public Finance and Accountancy in 2003.

Internal Audit will consult with the Council's external auditor and with other relevant inspectorates and review bodies in order to coordinate effort and avoid duplication.

In addition, Internal Audit procedures are designed to ensure that all statutory and professional standards governing confidentiality of information are observed at all times.

Objectives of Internal Audit

As part of the City Council's system of corporate governance, Internal Audit's purpose is to support the Council in its activities designed to meet its declared objectives and to do so with full regard to:

- Contributing to the Council's corporate management of risk
- Contributing to the development and implementation of the Council's policies and procedures
- Complying with the Council's values
- Helping to ensure that the Council and its managers are operating within the law and prevailing relevant regulations
- Contributing towards ensuring that financial statements and other published information are accurate and reliable
- Supporting the Council in its management of human, financial and other resources in an efficient and effective manner
- Supporting the Council in meeting its social, environmental and community priorities
- Contributing towards establishing and maintaining a culture of honesty, integrity, openness and transparency throughout the Council in its activities and transactions.

Position of Internal Audit within the organisation

Internal Audit reports in its own name directly to the Chief Finance Officer. However, the Head of Audit & Governance has the right to report directly to the Chief Executive or the Council (through the Cabinet and its Scrutiny Committees) if, in his opinion, there are matters of concern that could place the Council in a position where the risks it faces are unacceptable.

Internal Audit is an independent review activity. It is not an extension of or a substitute for the functions of line management and must remain free from any undue influence or other pressure affecting its actions and reporting.

At all times, management's responsibilities include:

- Maintaining proper internal controls in all processes for which they have responsibility.
- The prevention, detection and resolution of fraud and irregularities.
- Considering and acting upon Internal Audit findings and recommendations or accepting responsibility for any resultant risk from not doing so.

In addition, Internal Audit:

- Has no executive responsibility, thus protecting its independence of reporting and action.
- Reserves to itself the right to determine its own work plans and priorities, and will do so in full compliance with recognised professional standards. Internal Audit will respond to requests for specially commissioned assistance, subject to its existing commitments and the respective levels of identified risk.
- Will prepare annually, for the endorsement of the Resources & Equal Opportunities Scrutiny Committee, a plan of the areas that are to be covered by its work. This in turn will be based on a strategic audit plan, founded on a systematic assessment and prioritisation of key business, operational, management and financial risks.

Scope of Internal Audit activity

Internal Audit shall review, appraise and report upon:

- The effectiveness of controls and other arrangements put in place to manage risk
- The completeness, reliability and integrity of information, both financial and operational
- The systems established to ensure compliance with policies, plans, procedures, laws and regulations whether established by the Council or externally
- The effectiveness of arrangements for safeguarding the Council's assets and interests
- The economy, efficiency and effectiveness with which resources are employed
- The extent to which operations are being carried out as planned and objectives and goals are being met.

Internal Audit's work covers:

- All City Council activities, systems, processes, policies, and protocols
- All City Council departments, cost centres and other business units and establishments
- All services and other activities for which the City Council is responsible or accountable, whether delivered directly or through contracts, partnerships or other arrangements involving third-parties.

Rights of Access

For the purposes of carrying out Internal Audit's responsibilities, internal auditors are authorised to:

- Have access at all times to any City Council premises and property
- Have access to all data, records, documents and correspondence relating to any financial or any other activity of the City Council
- Have access to any assets of the City Council
- Require from any member, employee, agent, partner, contractor or other person engaged on the City Council's business any information and explanation considered necessary to fulfil its responsibilities.

These rights of access include access to relevant records (whether electronic or otherwise) held by service providers. They apply to Council services provided under contracts and partnership arrangements of all kinds including joint and pooled arrangements. This right of access shall be incorporated within all relevant contract or service agreement documents involving City Council services provided other than internally.

Internal Audit will safeguard all information obtained in the carrying out of its duties. All information held will only be used for the purposes of an audit. Internal Audit will make no unauthorised disclosure of any information held unless there is a legal or professional requirement to do so.

Reporting

Internal Audit:

- Reports on its work and makes recommendations addressed to the relevant Corporate Director and such other levels of management as need to know and are capable of ensuring that appropriate action is taken.
- Will report as required on the results of its work (including progress made in implementing the agreed Audit Plan) to the Chief Finance Officer and the Resources & Equal Opportunities Scrutiny Committee.
- Accepts that its responsibility does not cease at the point where a report is issued and will take reasonable action to ensure that recommendations are implemented, having due regard to the Chief Finance Officer's duty to ensure the Council has efficient arrangements for managing its financial systems.
- Will agree suitable performance measures from time to time with the Chief Finance Officer to evaluate its performance and will maintain and publish information accordingly.

Work Prioritisation

The annual audit plan as agreed by the Resources & Equal Opportunities Sub-Committee shall be the main determinant of the relative priority to be placed on the work of Internal Audit. The plan will have within it provision of resources to address unplanned work. This contingency shall be directed towards unplanned work and covering other unforeseen variations in the level of resources available to Internal Audit, such as staff vacancies. The Head of Audit & Governance shall determine the actual deployment of available resources and shall do so within the framework of risk prioritisation used to draw up the strategic audit risk assessment.

Approval

This charter was reported to and supported by the Resources & Equal Opportunities Scrutiny Committee at its meeting on 6th April 2006 and approved by the Cabinet on 12th June 2006.