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Leicestershire County Council

Internal Audit Charter

November 2025

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Introduction

The Institute of Internal Auditors' Global Internal Audit Standards (the GIAS) guide the worldwide professional practice of internal auditing and serve as a basis for evaluating and elevating the quality of the internal audit function. The GIAS were implemented in the UK public sector from 1 April 2025. A CIPFA Application Note (introduced at the same time) provides a framework for the practice of internal audit in the UK public sector when taken together with the GIAS.

The GIAS mandate that the Chief Audit Executive (for Leicestershire County Council this is the Head of Internal Audit Service (HoIAS)) must develop and maintain an internal audit charter that specifies, as a minimum, the internal audit function's 'Purpose of Internal Auditing'.

This charter defines for the internal audit activity of Leicestershire County Council (the Council), its purpose, authority and responsibilities consistent with the requirements of the GIAS in the UK Public Sector. It also aims to confirm relationships with key stakeholders and is subject to annual approval by the Corporate Governance Committee (the Committee).

The Internal Audit Service has limited resources. Its workforce is deployed having regard to relative risks and levels of assurance required, translated into an agreed annual Internal Audit Plan of assignments. This is agreed by the Committee each year.

Purpose

Leicestershire County Council Internal Audit Service (LCCIAS) has adopted the GIAS definition: - The purpose of the internal audit function is to strengthen the Council's ability to create, protect, and sustain value by providing the Committee and Senior Management with independent, risk-based, and objective assurance, advice, insight, and foresight. The internal audit function enhances the 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.

The Council's internal audit function is most effective when it is performed by competent professionals in conformance with the GIAS, the Application Note and the Code of Practice for the Governance of Internal Audit in UK Local Government (all effective from 1 April 2025.

The internal audit function is independently positioned with direct accountability to the Committee. Internal auditors are free from undue influence and committed to making objective assessments.

Commitment to Adhering to the GIAS

LCCIAS will adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework through conformance with the GIAS in the UK Public Sector and any Topical Requirements. The exception to this is the organisational positioning of the HoIAS for which mitigations are in place as detailed elsewhere in this Charter. The HoIAS will report annually to the 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.

Internal Audit Mandate

Authority

The authority for the internal audit function is derived both from legislation and the Council.

The requirement for an internal audit function for local authorities is implied by Section 151 of the Local Government Act 1972, which requires that authorities "make arrangements for the proper administration of their financial affairs and shall ensure that one of their officers has responsibility for the administration of those affairs". The Council's Constitution (Financial Procedure Rule 15(a)) determines that 'responsibility for arranging a continuous internal audit of the County Council's financial management arrangements will be delegated by members of the County Council to the Chief Finance Officer' (CFO) which is the Director of Corporate Resources.

The Accounts and Audit (England) Regulations 2015, specifically require that a relevant body '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' (the GIAS in the UK Public Sector). These requirements are mandatory; instances of non-conformance must be reported to the Committee as part of the HoIAS' annual report.

The internal audit function's authority is enhanced by its direct reporting relationship and access to Senior Management which are the Council's Chief Officers (which form the Corporate Management Team (CMT)) and the Committee. The HoIAS has the right of access to the Chair of the Committee at any time and can meet with the Committee in private.

The GIAS in the UK Public Sector require that the internal audit function has an unrestricted scope and access to all areas of the organisation and information. Financial Procedure Rule 15(b) states that the CFO or an authorised representative (interpreted to be any Council internal auditors) has authority to: -

- enter any Council building or land at all reasonable times.
- have access to all records, documents and correspondence relating to any transactions of the Council.

- receive such explanations as he or she considers necessary on any matter under examination.
- require any employee of the Council to produce cash, stores or any other Council property under his/her her control.

Whilst not explicit, Rule 15(b) is a conduit to seeking agreement to access partner organisations' records.

Internal auditors are accountable for confidentiality and safeguarding of records and information.

The HoIAS has authority to: -

- 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 the Council and other specialised services from within or outside the Council to complete internal audit services.

Independence, Organisational Position, and Reporting Relationships

Independence can be defined as, *'The freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner. To achieve the degree of independence necessary to effectively carry out the responsibilities of the internal audit activity requires the head of the activity to have direct and unrestricted access to senior management and the board. This can be achieved through a dual-reporting relationship. Threats to independence must be managed at the individual auditor, engagement, functional and organisational levels'.*

The HoIAS reports directly to the Assistant Director, Finance, Transformation & Commissioning. 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 HoIAS is not lower than a member of the senior management team".

To safeguard the independence and to support the profile of the role, a number of mitigating measures are in place. These include:

- The Assistant Director is the Deputy Section 151 matters are reported in all instances via the Assistant Director to the Director of Corporate Resources who reports to Corporate Management Team & full Council for all Section 151 matters
- Direct access to the Director of Corporate Resources, Monitoring Officer, Chief Executive and other Senior Management, as required.
- The CIPFA Code of Practice for the Governance of Internal Audit in UK Local Government requires that the HoIAS must have the right of access to the chair of the Committee at any time.

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

The HoIAS will confirm to the Committee, at least annually, the organisational independence of LCCIAS. If the governance structure does not support organisational independence, the HoIAS will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence. The HoIAS will disclose to the Committee any interference LCCIAS 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 LCCIAS' effectiveness and ability to fulfil its mandate.

Potential impairments to independence, including relevant disclosures as applicable.

The role of internal audit in corporate risk management

The HoIAS is responsible for the administration and development of, and reporting on, the Council's corporate risk management framework. Whilst the HoIAS doesn't identify, evaluate and manage the risks, since that is a management function, it is considered prudent that any internal audit engagement covering the risk management framework, especially for the formation of the annual opinion on the effectiveness of the control environment, would be overseen by a party outside of the internal audit activity. This potential impairment is disclosed in the Annual Governance Statement.

The role of internal audit in compiling the annual governance statement

The planning and undertaking of assurance and advisory engagements, knowledge of, and co-ordination with, other assurance providers and specific requirements under the GIAS in the UK Public Sector, leaves the HoIAS well placed to compile the annual governance statement (AGS). The process of preparing the AGS adds value to the corporate governance and internal control framework. CIPFA is of the opinion that the head of internal audit should not draft the AGS. At the Council, the AGS remains a corporately owned document overseen by a Senior Officer Group which alleviates the risk of impairment.

The role of internal audit in fraud and corruption

CMT is responsible for developing and maintaining a control environment that mitigates the risk of fraud and corruption.

The HoIAS is responsible for developing and maintaining advice and guidance on the Council's approach to managing the risks of fraud, bribery and corruption. This includes:

- Ensuring that strategies, policies and procedures are kept up to date and align with relevant codes of conduct.
- Ensuring adherence to the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption.
- Developing training and guidance on fraud awareness.
- Compiling a fraud risk assessment that is the basis for planning anti-fraud audits.

- Coordination of the Council's involvement in national anti-fraud projects.
- Informing Committee of initiatives, progress and outcomes.

LCCIAS does not have specific responsibility for the detection or prevention of fraud and corruption, but it considers those risks when undertaking its activities. The independence of the internal audit activity leaves it well placed to undertake (or guide) any investigations that are required. The HoIAS will determine the level and scope of LCCIAS' involvement including delegating the investigation of specific allegations to the service itself following an assessment of risk and financial impact.

Changes to the Mandate and Charter

Circumstances may justify a follow-up discussion between the HoIAS, Senior Management and the Committee, 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 GIAS.
- A significant reorganisation within the organisation.
- Significant changes in the HoIAS, the Committee, and/or Senior Management.
- Significant changes to the organisation's strategies, objectives, risk profile, or the environment in which the organisation operates.
- New laws or regulations that may affect the nature and/or scope of internal audit services.

Committee Oversight

The CIPFA Code of Practice for the Governance of Internal Audit in UK Local Government requires that all local government audit committees should follow the CIPFA established recommended practice for audit committees in local government and police, the Position Statement: audit committees in local authorities and police 2022 and its supporting guidance publication, Audit committees: practical guidance for local authorities and police (2022).

The Council's Corporate Governance Committee performs the role of the 'Committee' for the purposes of the GIAS in the UK Public Sector. The Committee is a key component of the Council's governance framework. Its role is to operate as 'those charged with governance' and provide independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes.

To establish, maintain, and ensure that the Council's internal audit function has sufficient authority to fulfil its duties, the Committee should, as a minimum:

- approve the internal audit charter. This includes participating in discussions with the HoIAS and Senior Management about the "essential conditions," described in the GIAS, which establish the foundation that enables an effective internal audit function
- consider and approve the risk based internal audit strategy and plans. This includes making appropriate inquiries of senior management and the HoIAS to determine whether scope or resource limitations are inappropriate.
- monitor progress against internal audit work plans through the receipt of periodic progress reports. This includes considering major Internal Audit Service findings and monitoring the response to, and the implementation of High Importance recommendations.

- consider the HoIAS' annual report including: -
    - the overall conclusion on the adequacy and effectiveness of the Council's control environment (its frameworks of governance, risk management and control)
    - outcomes against key performance indicators
    - the level of conformance to the GIAS in the UK Public Sector. This includes ensuring that a quality assurance and improvement program has been established and the results are reviewed annually.

Notwithstanding the above, audit reports will be made available to members of the Committee (either individually or collectively) upon request.

The Committee should ensure the HoIAS has unrestricted access to and communicates and interacts directly with the Committee, including in private meetings without senior management present.

In addition, the Committee should: -

- Receive training to ensure it is conforming to the CIPFA Code of Practice for the Governance of Internal Audit in UK Local Government and following established recommended practice for audit committees in local government

- Contribute to, support, and receive the results of the GIAS requirement at least once every 5 years for an external quality assessment of the internal audit function (last completed in March 2024).

- Receive the annual Counter Fraud report including results of anti-fraud and corruption work & any investigations;
- Receive the Annual Governance Statement (AGS) prior to approval to consider whether it: -
    - properly reflects the risk environment and supporting assurances, considering the HoIAS overall conclusion on the adequacy and effectiveness of the Council's control environment
    - explains how the Council has complied with the Code of Practice for the Governance of Internal Audit in UK Local Government.
- Receive other relevant internal audit function reports e.g on the provision of internal audit for EMSS and a report on the Council's Assurance Framework.

In addition, the performance evaluation of the HoIAS will include feedback from the Chair of the Committee and the Director of Corporate Resources.

The Committee will publish an annual report to full Council on its work including performance in relation to the terms of reference and effectiveness in meeting its purpose.

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HoIAS Roles and Responsibilities

Ethics and Professionalism

The HoIAS will ensure that internal auditors:

- Conform with the GIAS in the UK Public Sector, 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 organisation and be able to recognise conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the organisation.
- Report organisational behaviour that is inconsistent with the organisation's ethical expectations, as described in applicable policies and procedures.

Objectivity

Objectivity can be defined as, *'An unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgment on audit matters to others. Threats to objectivity must be managed at the individual auditor, engagement, functional and organisational levels'.*

The HoIAS 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 HoIAS 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. Whilst LCCIAS staff are not responsible for the detailed development or implementation of new systems, they may provide advice during the system development process on the control measures to be incorporated in any new or amended systems. To maintain independence in these situations, the Auditor who was involved in the 'advisory style exercise' will not take any further part in the audit process. Any significant 'advisory' activity not already included in the annual Audit Plan which may impact on the ability to provide the required assurance opinion will be reported to the Committee for approval. The nature and scope of this type of work include facilitation, process and/or control design, training, advisory services and risk assessment support.

Furthermore, 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 the Council or its affiliates.
- Initiating or approving transactions external to the Internal Audit function.
- Directing the activities of any 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 HoIAS.
- 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.

To facilitate the above, as a Condition of Service, all employees are expected to maintain conduct of the highest standard such that public confidence in their integrity is maintained. This includes declarations of interest, as appropriate (organisational level).

Furthermore, all directly employed staff are required to make an annual declaration to ensure that Auditors objectivity is not impaired and that any potential conflicts of interest are appropriately managed in line with the requirements of Domain II – Ethics & Professionalism within the GIAS in the UK Public Sector and the Nolan Committee's Standards on the Seven Principles of Public Life (individual auditor level). In addition, all staff complete an audit declaration as part of each review which requires any conflicts of interest or impairments to be disclosed (individual engagement level).

All Internal Audit agency staff are also required to declare any potential conflicts of interest at the start of any assignment to the HoIAS.

Managing the Internal Audit Function

The HoIAS must be a suitably professionally qualified individual who has the appropriate skills, knowledge, experience and resources to effectively perform in the role in accordance with the GIAS in the UK Public Sector. They should also ensure that they take part in continuing professional development activities to remain up to date with developments within Internal Audit.

The HoIAS must establish an environment of trust, confidence and integrity in the work of the Internal Audit Section within the Council.

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The HoIAS has the responsibility to:

- At least annually, submit a risk-based internal audit plan to Senior Management for review and endorsement and then to the Committee for consideration and approval.
- Communicate the impact of resource limitations on the Internal Audit Plan to Senior Management and the Committee.
- Review and adjust the Internal Audit Plan, as necessary, in response to changes in the Council's business, risks, operations, programs, systems, and controls.
- Communicate with Senior Management and the Committee if there are significant interim changes to the Internal Audit Plan.
- Ensure Internal Audit engagements are performed, documented, and communicated in accordance with the GIAS 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 Senior Management and the Committee.
- Ensure the Internal Audit function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the GIAS in the UK Public Sector and fulfil the Internal Audit mandate.
- Identify and consider trends and emerging issues that could impact the Council and communicate to Senior Management and the Committee 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 the Council's relevant policies and procedures unless such policies and procedures conflict with the Internal Audit Charter or the GIAS in the Uk Public Sector. Any such conflicts will be resolved or documented and communicated to Senior Management and the Committee.
- Maintain awareness of the work of other internal and external providers of assurance and advisory services and consider relying upon these where appropriate. If the HoIAS cannot achieve an appropriate level of coordination, the issue must be communicated to Senior Management and if necessary escalated to the Committee

In addition, the HoIAS should be consulted on all proposed major projects, programmes and policy initiatives, as appropriate.

The HoIAS should be consulted on proposed changes to the following key policy documents for example: -

- Whistleblowing Policy
- Officers' Code of Conduct
- Counter Fraud policies
- Risk Management Policy

Where partnership/ joint venture/ outsourced and shared service arrangements exist that require joint working with other organisations and their respective auditors, the HoIAS will produce a protocol outlining the respective roles and responsibilities of each partner,

access to working papers, confidentiality and sharing of audit reports including reporting to the Committee (where appropriate).

In instances, where services are provided by third parties, the HoIAS must ensure that suitable clauses are included within contract documentation to ensure that internal audit retains the right of access to documents/ personnel and systems as and when required.

Quality Assurance and Improvement Program

The HoIAS 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 GIAS in the UK Public Sector, as well as performance measurements 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 HoIAS will communicate with Senior Management and the Committee 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 the Council; qualifications must include at least one assessor holding an active Certified Internal Auditor® credential.

Communication with Senior Management and the Committee

The HoIAS will:

Take part in briefing the Committee Chairman regarding the content of Committee agenda papers, including agreeing future agenda items and potential areas for training.

Contribute to the review of the Committee's effectiveness, advising the Chair of any suggested improvement.

Be responsible for the overall development of the Internal Audit Strategy and annual Internal Audit Plan, which demonstrates value for money to the organisation.

The HoIAS will report at least annually to Senior Management and the Committee regarding:

- The Internal Audit Service Mandate and Charter – where there are significant changes to the governance of the authority, its risks or the internal audit function,
- The Internal Audit Plan and performance relative to its plan.
- 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 GIAS in the UK Public Sector 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 Committee that could interfere with the achievement of the 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 the Council's risk appetite.
- Whether the Committee's annual report to full Council summarises the purpose and mandate of Internal Audit, the function's main activities, and a conclusion on internal audit's impact and effectiveness.

Role of the Director of Corporate Resources (Section 151 Officer)

The Director of Corporate Resources has overall delegated responsibility from the Council for the Internal Audit function.

On behalf of the Director of Corporate Resources, the Assistant Director (Finance, Transformation & Commissioning) will ensure that they are periodically briefed by the HoIAS on the following:

- Overall progress against the annual Internal Audit Plan;
- Those audit areas where a lower assurance opinion has been given;
- Progress on the implementation of all "high importance" audit recommendations; and
- Progress on all fraud and irregularity investigations carried out by the Internal Audit Section.

Following on from the above, the HoIAS will routinely provide update reports to Senior Management and the Committee, including an annual outturn report.

Role of Senior Management

For the purposes of the GIAS in the UK Public sector, individually the Council's Chief Officers and collectively as the Corporate Management Team (CMT) perform the role of the 'Senior Management'.

Relevant reports referred to above will receive prior consideration by Corporate Management Team (CMT). This includes any fraud and corruption related exercises. To assist the discharge of their responsibilities CMT members may appoint a senior officer to act as the first point of contact between the Internal Audit Service and their area of responsibility.

The HoIAS will present the annual Internal Audit Strategy and Plan to CMT for their consideration and endorsement. The annual outturn report, together with the annual overall conclusion on the adequacy and effectiveness of the Council's control environment (its framework of governance, risk management and control) will also be circulated to CMT.

CMT Members are also responsible for ensuring that staff within their areas participate fully in the audit planning process and actively enforce the implementation of agreed audit recommendations by the required date. The quality of these relationships impacts on the effective delivery of the internal audit service, its reputation and independence. Co-operative relationships with management can enhance Internal Audit's ability to achieve its objectives.

Scope & Type of Internal Audit Services

The HoIAS is required to provide an annual report to the Committee including a conclusion on the overall adequacy and effectiveness of the risk management, governance and control environment for the Council and the extent it can be relied upon. This is a requirement of the Accounts and Audit (England) Regulations 2015.

To achieve this, the Internal Audit function has the following objectives:

- To provide a quality, independent and objective audit service that effectively meets the Council's needs, adds value, improves operations and helps protect public resources.
- To provide assurance to management that the Council's operations are being conducted in accordance with external regulations, legislation, internal policies and procedures.
- To provide a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes.
- To provide assurance that significant risks to the Council's objectives are being managed. This is achieved by annually assessing the adequacy and effectiveness of the risk management process.
- To provide advice and support to management to enable an effective control environment to be maintained.
- To promote an anti-fraud, anti-bribery and anti-corruption culture within the Council to aid the prevention and detection of fraud.
- To investigate, in conjunction with the appropriate agencies when relevant, allegations of fraud, bribery and corruption.
- To evaluate whether the information technology governance of the Council supports its strategies and objectives.

The Council's internal audit function is provided by an in-house team supported by occasional additional resources procured via agency contracts. The scope of the function includes the review of all activities (financial and operational) and encompasses but is not limited to objective examinations of evidence to provide independent **assurance** and **advisory** services.

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Assurance services are intended to provide confidence about risk management, governance, and control processes to stakeholders, especially the management of the activity under review, Senior Management and the Committee. Through assurance services, internal auditors provide objective assessments of the differences between the existing conditions of an activity under review and a set of evaluation criteria. Internal auditors evaluate the differences to determine whether there are reportable findings and to provide a conclusion about the engagement results, including reporting when processes are effective.

In accordance with the GIAS in the UK Public Sector, most assurance type audits are undertaken using the risk-based systems audit approach, the key elements of which are listed below: -

- Agree the objective and scope of the audit with management and issue terms of engagement
- Identify and record the risks, controls and tests;
- Where relevant, audit work programmes will be linked to the Council's strategic and operational risks;
- Evaluate the controls in principle to decide whether they are appropriate and can be reasonably relied upon;
- Identify any instance of over/under control;
- Determine an appropriate strategy to test the effectiveness of controls;
- Arrive at a conclusion and produce a report leading to management actions.

Where possible the Internal Audit Service will seek to identify and place reliance on assurance work completed elsewhere within the Council's areas of responsibility as part of the planning process. In addition, Internal Audit Service will as part of the audit plan contribute to the development of an assurance framework for the Council

Advisory services may be subject to agreement with the party requesting the services. Examples of advisory services include advising on the design and implementation of new policies, processes, systems, and products; providing forensic services; providing training; and facilitating discussions about risks and controls. When performing advisory services, internal auditors are expected to maintain objectivity by not taking on management responsibility. For example, internal auditors may perform advisory services as individual engagements, but if the HoIAS takes on responsibilities beyond internal auditing, then appropriate safeguards must be implemented to maintain the internal audit function's independence

In addition to its Council internal audit work programme, the Internal Audit Service: -

- may provide assurance to the Council on third party operations (such as contractors and partners) where this has been provided for as part of the contract documentation
- feeds into the Annual Governance Statement and Code of Corporate Governance, where appropriate

- currently undertakes internal audit services for outside bodies where statutory powers permit. The extent shall be limited to that defined within the Audit Strategy unless approved otherwise by the Director of Corporate Resources

Audit Reporting

All internal audit recommendations are assessed in terms of risk exposure using the Council's risk management framework. If audit testing revealed either an absence or poor application of a key control, judgement is applied as to where the risk would fall (in terms of impact and likelihood), if recommendations to either install or improve control were not implemented. If material risk exposure is identified, then a high importance (HI) recommendation is likely. It is important that management quickly addresses those recommendations denoted as HI and implements an agreed action plan without delay.

Where applicable an individual 'opinion' on each audit assignment is also reported i.e. based on the answers and evidence provided during the audit and the testing undertaken, what assurance can be given that the internal controls in place to reduce exposure to those risks currently material to the system's objectives are both adequate and are being managed effectively (see table overleaf).

There are usually four levels of assurance: full; substantial; partial; and little/no. An assurance type audit report containing at least one high importance (HI) recommendation would normally be classified as 'partial' assurance. Advisory type audits might also result in high importance recommendations.

The Committee is tasked with considering major internal audit findings and (HI) recommendations and monitoring the response to implementation of (those) recommendations. Progress against implementing HI recommendations will be reported to the Committee and the recommendations will remain in its domain until the HoIAS is satisfied, based on the results of specific re-testing, that the HI recommendation has been implemented.

OUTCOME OF THE AUDIT	**ASSURANCE RATING**
No recommendations or only a few minor recommendations	**Full assurance**
A number of recommendations made but none considered to have sufficient significance to be denoted as **HI** (high importance)	**Substantial assurance**

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Recommendations include at least one **HI** recommendation, denoting that (based upon a combination of probability and impact) in our opinion a significant weakness either exists or potentially could arise and therefore the system's objectives are seriously compromised.	**Partial assurance** A HI recommendation denotes that there is either an absence of control or evidence that a designated control is not being operated and as such the system is open to material risk exposure. It is important that management quickly addresses those recommendations denoted as **HI** and implements an agreed action plan without delay. Alternatively, whilst individually none of the recommendations scored a HI rating, collectively they indicate that the level of risk to is sufficient to emphasise that prompt management action is required.
The number and content of the **HI** recommendations made are sufficient to seriously undermine any confidence in the controls that are currently operating.	**Little or no assurance**

Note

The HoIAS cannot be expected to give total assurance that control weaknesses or irregularities do not exist. Managers are fully responsible for the quality of internal control and managing the risk of fraud, corruption and potential for bribery within their area of responsibility. They should ensure that appropriate and adequate control and risk management processes, accounting records, financial processes and governance arrangements exist without depending on internal audit activity to identify weaknesses.

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