

INTERNAL AUDIT CHARTER

COVENTRY CITY COUNCIL INTERNAL AUDIT SERVICE

1. INTRODUCTION

This document defines the purpose, authority, responsibility, and position of the Internal Audit Service within Coventry City Council. The charter is based on the Institute of Internal Auditor's model charter but adapted where appropriate to reflect the Public Sector Internal Audit Standards and the operation of internal audit within Coventry City Council

The Public Sector Internal Audit Standards require the following terms to be defined within the Charter for the purposes of internal audit activity:

- **Senior Management** – This refers to members of the One Coventry Leadership Team and the Senior Leadership Team.
- **Board** – This refers to the Audit and Procurement Committee who have responsibility for overseeing the work of Internal Audit.

2. PURPOSE AND MISSION

The purpose of Coventry City Council's Internal Audit Service is to provide independent, objective assurance and consulting services designed to add value and improve Coventry City Council's operations. The mission of internal audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight. The Internal Audit Service helps Coventry City Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.

3. STANDARDS FOR THE PROFESSIONAL PRACTICE OF INTERNAL AUDITING

The Internal Audit Service will govern itself by adherence to the Public Sector Internal Audit Standards which encompass the mandatory elements of the Institute of Internal Auditors' International Professional Practices Framework, including the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing. The Chief Internal Auditor will report periodically to senior management and the Audit and Procurement Committee regarding the Internal Audit Service's conformance to the Standards.

4. AUTHORITY

The Chief Internal Auditor will report functionally to the Audit and Procurement Committee and administratively to the Council's Director of Finance and Resources (Section 151 Officer.) The Director of Finance and Resources also has responsibility for ensuring that the Internal Audit service is appropriately

resourced, in consultation with the Chief Internal Auditor. The Chief Internal Auditor has unfettered access to other senior managers as required, including the Chief Executive.

To establish, maintain and assure that Coventry City Council's Internal Audit Service has sufficient authority to fulfil its duties, the Audit and Procurement Committee will:

- Approve the Internal Audit Service's Charter
- Approve the risk-based internal audit plan
- Receive communications from the Chief Internal Auditor on the Internal Audit Service's performance relative to its plan and other matters
- Make appropriate inquiries of management and the Chief Internal Auditor to determine whether there is inappropriate scope or resource limitations.

The Chief Internal Auditor will have unrestricted access to and communicate and interact directly with the Audit and Procurement Committee, including in private meetings without management present if required.

The Audit and Procurement Committee authorises the Internal Audit Service to:

- Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information. (There is also provision for this within the Account and Audit Regulations 2015.)
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives and issue reports.
- Obtain assistance from other specialised services from within or outside of Coventry City Council in order to complete the engagement.

5. INDEPENDENCE AND OBJECTIVITY

The Chief Internal Auditor will ensure that the Internal Audit Service remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the Chief Internal Auditor determines that independence or objectivity may be impaired in fact or appearance the details of impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgement on audit matters to others.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement

internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties for Coventry City Council or its subsidiaries.
- Initiating or approving transactions external to the Internal Audit Service.
- Directing the activities of any Coventry City Council employee not employed by the Internal Audit Service, except to the extent that such employees have been appropriately assigned to the Internal Audit Service or to otherwise assist internal auditors.

Where the Chief Internal Auditor has or is expected to have roles and / or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.

Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

The Chief Internal Auditor will confirm to the Audit and Procurement Committee, at least annually, the organisational independence of the Internal Audit Service.

The Chief Internal Auditor will disclose to the Audit and Procurement Committee any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

6. ROLE OF INTERNAL AUDIT IN FRAUD-RELATED WORK

Managing the risk of fraud and corruption is the responsibility of senior management, but the Chief Internal Auditor, through development of Coventry City Council's Fraud and Corruption Strategy ensures that the Internal Audit Service is notified of all suspected or detected fraud, in order to co-ordinate the Council's approach to such activity. This includes, on occasions, undertaking independent investigations into suspected or detected fraud. In addition, the Internal Audit Service undertakes proactive reviews and co-ordinates the Council's response to the National Fraud Initiative. Whilst such activity comes under the remit of the Internal Audit Service, it is reported separately to internal audit activity. A clear separation of work is maintained within the Internal Audit

Service when fraud-related work is carried out to ensure there are no conflicts of interest and objectivity is maintained.

Other than stated, the Internal Audit Service has no direct operational responsibility or authority over any other activities.

7. SCOPE OF INTERNAL AUDIT ACTIVITIES

The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit and Procurement Committee, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for Coventry City Council. Internal audit assessments include evaluating whether:

- Risks relating to the achievement of Coventry City Council's strategic objectives are appropriately identified and managed.
- The actions of Coventry City Council's officers, directors, employees, and contractors are in compliance with Coventry City Council's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations or programs are consistent with established goals and objectives.
- Operations or programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact Coventry City Council.
- Information and the means used to identify, measure, analyse, classify, and report such information are reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and protected adequately.

The Accounts and Audit (England) Regulations 2015 require relevant authorities to conduct a review of the effectiveness of the system of internal control and prepare an Annual Governance Statement. The Internal Audit Service is a key contributor through co-ordinating activity and highlighting issues from Internal Audit work which should be considered by the Corporate Governance Steering Board in undertaking the review. The Service also prepares the draft Annual Governance Statement, based on the assessment by the Corporate Governance Steering Board for approval by Senior Management and the Audit and Procurement Committee.

The Chief Internal Auditor will report periodically to senior management and the Audit and Procurement Committee regarding:

- The Internal Audit Service's purpose, authority, and responsibility.
- The Internal Audit Service's plan and performance relative to its plan.

- The Internal Audit Service's conformance with the Public Sector Internal Audit Standards and action plans to address any significant conformance issues.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Audit and Procurement Committee.
- Results of audit engagements or other activities.
- Any response to risk by management that may be unacceptable to Coventry City Council.

The Chief Internal Auditor also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed. The Internal Audit Service may perform advisory and related client service activities, the nature and scope of which will be agreed with the client, provided the Internal Audit Service does not assume management responsibility.

Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

8. RESPONSIBILITY

The Chief Internal Auditor has the responsibility to:

- Submit, at least annually, to the Audit and Procurement Committee a risk based internal audit plan for review and approval.
- Communicate to senior management and the Audit and Procurement Committee the impact of any resource limitations on the internal audit plan.
- Review and adjust the internal audit plan, as necessary, in response to changes in Coventry City Council's business, risks, operations, programmes, systems, and controls.
- Communicate to the Audit and Procurement Committee any significant interim changes to the internal audit plan.
- Ensure each engagement of the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.
- Follow up on engagement findings and corrective actions, and report periodically to senior management and the Audit and Procurement Committee any corrective actions not effectively implemented.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure the Internal Audit Service collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the internal audit charter.

- Ensure trends and emerging issues that could impact Coventry City Council are considered and communicated to the Audit and Procurement Committee as appropriate.
- Establish and ensure adherence to policies and procedures designed to guide the Internal Audit Service.
- Ensure adherence to Coventry City Council's relevant policies and procedures, unless such policies and procedures conflict with the internal audit charter. Any such conflicts will be resolved or otherwise communicated to the Audit and Procurement Committee.
- Ensure conformance of the Internal Audit Service with the Standards, with the following qualifications:
 - If the Internal Audit Service is prohibited by law or regulation from conformance with certain parts of the Standards, the Chief Internal Auditor will ensure appropriate disclosures and will ensure conformance with all other parts of the Standards.
 - If the Standards are used in conjunction with requirements issued by other authoritative bodies, the Chief Internal Auditor will ensure that the Internal Audit Service conforms with the Standards, even if the Internal Audit Service also conforms with the more restrictive requirements of other authoritative bodies.

9. QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

The Internal Audit Service will maintain a quality assurance and improvement programme that covers all aspects of the Internal Audit Service. The program will include an evaluation of the Internal Audit Service's conformance with the *Standards* and an evaluation of whether internal auditors apply The IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of the Internal Audit Service and identify opportunities for improvement.

The Chief Internal Auditor will communicate to the Audit and Procurement Committee on the Internal Audit Service's quality assurance and improvement programme, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside Coventry City Council.
