



Northumberland
County Council

Internal Audit Service

Internal Audit Charter

March 2025

1 Introduction and Purpose of the Internal Audit Charter

- 1.1 The Accounts and Audit Regulations 2015 require every local authority to “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.”
- 1.2 The Global Internal Audit Standards and associated Global Internal Audit Standards in the UK Public Sector Application Note are the mandatory standards with which every Internal Audit provider delivering such services in local government is required to comply. The Global Internal Audit Standards (GIAS) require that each local authority has an internal audit charter that specifies Internal Audit’s purpose, commitment to adhering to the GIAS, mandate, and organisational position and reporting relationships.
- 1.3 In accordance with the definitions within the GIAS, at Northumberland County Council, the Audit Committee fulfils the role of the “board” of the organisation and the Executive Management Team fulfils the role of “senior management”.

2 Purpose

- 2.1 The purpose of the Internal Audit service is to strengthen Northumberland County Council’s ability to create, protect and sustain value by providing the Audit Committee and management with independent, risk-based, and objective assurance, advice, insight, and foresight.
- 2.2 The Internal Audit service aims to enhance Northumberland County 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.
- 2.3 Northumberland County Council’s Internal Audit service is most effective when:
 - It is performed by competent professionals in conformance with the Global Internal Audit Standards, which are set in the public interest
 - The service is independently positioned with direct accountability to the Audit Committee
 - Internal auditors are free from undue influence and committed to making objective assessments.

3 Commitment to Adhering to the Global Internal Audit Standards

- 3.1 Northumberland County Council’s Internal Audit service will adhere to the requirements of the Global Internal Audit Standards, in conjunction with the Chartered Institute of Public Finance and Accountancy (CIPFA) Application Note: Global Internal Audit Standards in the UK Public Sector.
- 3.2 The Head of Internal Audit and Risk Management (referred to as Chief Audit Executive in the Standards) will report at least annually to Audit Committee and the Executive Management Team regarding the Internal Audit service’s conformance with the Standards and accompanying Application Note.

Mandate

4 Authority

- 4.1 The Accounts and Audit Regulations 2015 require every local authority to “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.”
- 4.2 The Accounts and Audit Regulations 2015 make it a legal requirement that any officer or elected member of a relevant local authority must, if required to do so for the purposes of internal audit:
- a) make available such documents and records (including those in an electronic form); and
 - b) supply such information and explanations as are considered necessary by those conducting the internal audit. This Internal Audit Charter and Mandate affirms these statutory rights of access for Internal Audit.
- 4.3 These rights of access are also reiterated within the County Council’s Finance and Contract Rules (Rule 5-C3). These include the provision that Internal Audit has the authority to:
- enter at a reasonable time any Council premises or land.
 - access all records, documents and correspondence relating to any transaction of the Council.
 - review any activity of the Council.
 - require and receive from any employee or Member such explanations as are necessary concerning any matter under examination; and
 - directly access
 - the Head of Paid Service
 - the Chief Finance Officer
 - the Monitoring Officer
 - Cabinet
 - Audit Committee
 - external auditors
 - any other employee and/or Services necessary to fulfil their duties.
- 4.4 In turn, the Finance and Contract Rules (Rule 4-FC4) place a responsibility on all Executive Directors to:
- provide open and unfettered access to internal and external auditors; and
 - implement agreed Internal Audit recommendations within agreed timescales.

5 Reporting Lines and Independence

- 5.1 Internal Audit must be, and must be seen to be, independent. To ensure this, a number of arrangements are in place to ensure that Internal Audit operates within a framework which allows:
- unrestricted access to the board and senior management.
 - impartial and unbiased opinions.
 - reporting in its own name; and
 - segregation from line operations.
- 5.2 The Head of Internal Audit and Risk Management is required to report ‘directly to the board, and be positioned at a level within the organisation that enables the internal

audit function to discharge its services and responsibilities without interference’.

Within Northumberland County Council, these requirements are achieved by:

- the Head of Internal Audit and Risk Management reporting functionally to the Audit Committee. The Head of Internal Audit and Risk Management reports functionally to Audit Committee in his own name and has the right of free and unfettered access to the Audit Committee and Chair of Audit Committee.
- the Head of Internal Audit and Risk Management reporting operationally to a member of the organisation’s Executive Management Team. The Head of Internal Audit and Risk Management is line managed by the Executive Director of Transformation and Resources.

- 5.3 In line with the requirements of the GIAS, the Chief Executive and the Chair of Audit Committee will be invited to provide input / feedback to the annual performance review of the Head of Internal Audit and Risk Management. The Head of Internal Audit and Risk Management will also confirm the organisational independence of Internal Audit to Audit Committee at least annually.
- 5.4 In addition, the Head of Internal Audit and Risk Management has free and unfettered access to the Chief Executive, Executive Director of Transformation and Resources (s151 Officer), and Monitoring Officer.
- 5.5 Internal Audit shall have no responsibilities over the operations which it audits other than the furnishing of recommendations to relevant management, and advice to management on risks and controls. Where the span of management control of the Head of Internal Audit and Risk Management dictates, separation of duties is enforced within the team to ensure sufficient independence. Any Internal Audit work undertaken on any area for which the Head of Internal Audit and Risk Management is responsible (for example risk management) is led by, issued by and in the name of a Group Assurance Manager who has no responsibility for delivery of that service.

6 Role and Responsibilities of Audit Committee

- 6.1 In respect of Internal Audit, the GIAS includes a number of essential conditions relating to Audit Committee, within three specific principles. These principles are:
- Principle 6 – ‘Authorised by the Board’.
The Audit Committee establishes, approves, and supports the mandate of the internal audit function.
 - Principle 7 – ‘Positioned Independently’.
The Audit Committee establishes and protects the internal audit function’s independence and qualifications.
 - Principle 8 – ‘Overseen by the Board’.
Audit Committee oversees the internal audit function to ensure the function’s effectiveness.
- 6.2 In addition, the Audit Committee’s terms of reference reflect fully the terms of reference suggested by the Chartered Institute of Public Finance and Accountancy (CIPFA). In respect of Internal Audit, the Audit Committee’s terms of reference state responsibility to:

- i) approve the internal audit charter
- ii) review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
- iii) approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- iv) approve significant interim changes to the risk-based internal audit plan and resource requirements.
- v) make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
- vi) consider any impairments to the independence or objectivity of the head of internal audit arising from additional roles or responsibilities outside of internal auditing and to approve and periodically review safeguards to limit such impairments.
- vii) consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:
 - updates on the work of internal audit, including key findings, issues of concern and action in hand as a result of internal audit work
 - regular reports on the results of the Quality Assurance and Improvement Programme
 - reports on instances where the internal audit function does not conform to Internal Audit Standards and Local Government Application Note, considering whether the nonconformance is significant enough that it must be included in the Annual Governance Statement.
- viii) consider the head of internal audit's annual report, including:
 - the statement of the level of conformance with Internal Audit Standards and Local Government Application Note and the results of the Quality Assurance and Improvement Programme that support the statement (these will indicate the reliability of the conclusions of internal audit)
 - the opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control, together with the summary of the work supporting the opinion (these will assist the committee in reviewing the Annual Governance Statement).
- viii) consider summaries of specific internal audit reports as requested.
- ix) receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
- x) contribute to the Quality Assurance and Improvement Programme and in particular to the external quality assessment of internal audit that takes place at least once every five years.
- xi) consider a report on the effectiveness of internal audit to support the Annual Governance Statement where required to do so by the Accounts and Audit Regulations.
- xii) provide free and unfettered access to the Audit Committee chair for the head of internal audit, including the opportunity for a private meeting with the committee.

7 Role and Responsibilities of the Head of Internal Audit and Risk Management (Chief Internal Auditor)

- 7.1 The Head of Internal Audit and Risk Management is required to provide the Council with an independent and objective opinion on the overall framework of governance, risk management and control on an annual basis.
- 7.2 In order to deliver an annual opinion, Internal Audit prepares a Strategic Audit Plan, setting out the scope of work to be undertaken within the organisation each year. This detailed plan is prepared in consultation with the Chief Executive, s151 Officer, all Executive Directors, Service Directors, Heads of Service, Audit Committee Members, Cabinet Portfolio holder and the external auditor, and is approved by the Audit Committee.
- 7.3 Internal Audit's plan of work must be based on an assessment of risk and Internal Audit must have an unrestricted range of coverage of the Council's operations. The Head of Internal Audit and Risk Management will have the freedom to determine the priorities of Internal Audit, following consultation with the senior management of the organisation.
- 7.4 The Strategic Audit Plan will provide a broad objective for each audit assignment, together with the respective priorities and resources required. The Plan will be kept under review to identify any amendment needed to reflect changing priorities and emerging risks. It will be flexible, containing an element of contingency to accommodate assignments, fraud investigations and staff vacancies which could not be reasonably foreseen.
- 7.5 The scope of Internal Audit's work will cover all aspects of the County Council's activities and encompass both financial and non-financial aspects of the control environment. This includes activities undertaken in partnership with other organisations where assurance may be sought in accordance with agreed protocols and access rights.
- 7.6 Internal Audit's services will be conducted and provided in accordance with legislation (including the Accounts and Audit Regulations 2015), and related professional regulations including the Global Internal Audit Standards.
- 7.7 At the end of every Internal Audit assignment, a draft audit report will be issued to the relevant senior officer(s) as audit client, as identified in the project brief prepared at commencement of the assignment and agreed with the audit client. The project brief will set out clearly the circulation of the report.
- 7.8 Should the Head of Internal Audit and Risk Management consider that a matter of governance or control is so serious as to warrant communication to other officers of the organisation, or to an external agency such as the Police, the Head of Internal Audit and Risk Management has the authority to do so. Accordingly, the Head of Internal Audit and Risk Management will have direct access to, and freedom to report to, all senior management and elected members, and any external agency which, in his professional judgement, he considers appropriate.
- 7.9 The organisation's management is expected to implement all accepted recommendations within a reasonable timescale, determined by management and agreed with Internal Audit at the end of the audit assignment. Each audit will be

followed up to assess the extent to which this has happened. Summary information on Internal Audit's work and the implementation of recommendations will be reported to the Executive Management Team and Audit Committee on a periodic basis.

7.10 The Head of Internal Audit and Risk Management will ensure that:

- a) internal auditors complete an annual declaration confirming compliance with rules on independence, conflicts of interest and the offer and / or acceptance of gifts and hospitality. In compiling the Strategic Audit Plan it will be ensured that this recognises and addresses potential conflicts of interest, in particular, by ensuring that staff do not undertake an audit assignment for at least one year in an area where they have had previous operational roles.
- b) internal auditors will undertake their work in accordance with the requirements of the GIAS, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality. This will be included within the annual performance appraisal for each internal auditor.
- c) When performing their work, internal auditors will be alert to the possibility of intentional wrongdoing, errors and omissions, poor value for money, failure to comply with management policy and conflicts of interest. They will ensure that any suspicions of fraud, corruption or improper conduct are promptly reported to the Head of Internal Audit and Risk Management.
- d) there will be no unauthorised disclosure of information unless there is a legal or professional requirement to do so.

7.11 The Head of Internal Audit and Risk Management will ensure that a quality assurance and improvement programme (QAIP), covering all aspects of the internal audit function is developed, implemented and maintained. The programme will include both internal assessments and external assessments as required by Internal Audit Standards. The Head of Internal Audit and Risk Management will communicate, at least annually, the results of the internal quality assessment to Audit Committee and Executive Management Team. The results of external quality assessments will also be reported to Audit Committee and Executive Management Team when completed.

8 Resources

8.1 The Head of Internal Audit and Risk Management will hold a relevant professional qualification and have suitable experience of audit and management. The Head of Internal Audit and Risk Management will also ensure that the Internal Audit Service is appropriately resourced in terms of number, grades, qualifications and experience.

8.2 The Strategic Audit plan, once set, will be compared to resource availability and where there is any imbalance between the two, the Audit Committee will be informed of this and proposed solutions. Any significant matters that jeopardise delivery of the plan, or require changes to the plan, will be identified, addressed and reported to the Audit Committee.

8.3 In determining the resourcing of Internal Audit, the staffing of the Internal Audit Service will be kept under annual review. As a minimum, resourcing will ensure that the Service is able to comply with the requirements of the GIAS. Resourcing required

will be identified by the Head of Internal Audit and Risk Management, ensuring that as a minimum, resources are sufficient to provide a level of coverage necessary to give an annual evidence-based opinion on the adequacy and effectiveness of the organisation's framework of governance, risk management and control.

9 Scope of Internal Audit Services

9.1 The work of Internal Audit embraces the organisation's whole framework of governance, risk management and control, including all of its activities, funded from any source. Internal Audit's remit includes:

- assessing if operations are being carried out as planned, and if objectives / goals are being achieved.
- assessing the adequacy of systems established to ensure compliance with policies, plans, procedures, laws and regulations, i.e. rules established by either the management of the organisation or externally.
- assessing the completeness, reliability and integrity of information, both financial and operational.
- assessing the extent to which the organisation's assets, data and interests are properly accounted for and safeguarded from losses of all kinds, including fraud, corruption, waste, extravagance, abuse, ineffective management and poor value for money; and
- assessing the economy, efficiency and effectiveness with which resources are deployed.

9.2 In addition to Northumberland County Council, the Internal Audit Service also provides services to Advance Northumberland Group of Companies and to Northumberland Inshore Fisheries and Conservation Authority.

10 Fraud and Corruption

10.1 Internal Audit performs investigations into suspected fraud or irregularity. It is important that the organisation can call upon Internal Audit resource to respond quickly to assess the extent of potential problems and to secure evidence if required. Internal Audit will also review weaknesses in control to establish the reasons for the fraud / irregularity occurring and recommend improvements in the control environment to minimise the risk of reoccurrence. Internal Audit or counter fraud officers will co-ordinate the investigation of alleged financial irregularity in accordance with the organisation's counter fraud policy, including liaison with the Police.

10.2 The County Council's Anti-Fraud, Bribery and Corruption Policy requires that Internal Audit is informed in the event that fraudulent activity or financial irregularity is suspected or confirmed, in accordance with the Council's Finance and Contract Rules. This is to ensure that the Head of Internal Audit and Risk Management can consider the adequacy of relevant controls as part of the annual opinion on the overall adequacy of the effectiveness of the framework of governance, risk management and control.

11 Limitations of Internal Audit Responsibilities

11.1 In the discharge of the responsibilities of Internal Audit, as detailed above, it should be noted that the Internal Audit Service is not responsible for:

- Implementing controls / controlling risks of the Council.
- Establishing / maintaining systems of internal control.
- Determining operational policies or procedures.
- Identifying all instances of fraud / poor governance.

12 Consulting Activity

- 12.1 The GIAS define 'consulting services', or 'advisory services' as:
"Services through which internal auditors provide advice to an organisation's stakeholders without providing assurance or taking on management responsibilities. The nature and scope of advisory service are subject to agreement with relevant stakeholders. Examples 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."
- 12.2 The Internal Audit Plan, agreed by the Audit Committee in March each year, will identify any assignments which fall within the above definition. In addition, in terms of the requirements of the GIAS, any additional consulting services identified during the course of the year will be approved by the Head of Internal Audit & Risk Management (Chief Internal Auditor), where resources permit without impacting on the ability to provide the planned annual opinion.
- 12.3 Should significant unplanned consultancy work be identified, approval will be sought from Audit Committee. Within Northumberland County Council, it is considered appropriate to define "significant" as any single assignment which is estimated to require a resource of 15 days or more.
- 12.4 Where internal audit work is proposed in an area / Service which has previously received consulting services, resourcing is carefully managed, in order to ensure that independence and objectivity is not impaired.