

2025/2026 Internal Audit Charter

Internal Audit Charter

2025/2026

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Audit Charter

1. Introduction

The Council has a permanent, independent, and objective internal audit service to operate across the Council. This charter defines the purpose, objectives, and authority of the service. The internal audit service in public sector is required by the Accounts and Audit (England) Regulations 2015. Internal Audit is a customer focused, modern, innovative, service aligned to assisting the delivery of the corporate strategic needs using agile auditing methods.

2. Purpose and Mission

The purpose of Worcestershire County Council, Internal Audit Service is to provide independent, objective assurance and consulting services designed to add value and improve Worcestershire County Council and Worcestershire Pension Service 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 Worcestershire County Council and Worcestershire Pension Service accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes. The Internal Audit Service will continuously seek to develop staff competencies, the service as a whole and maintain conformance with the Global Internal Audit Standards 2025,

once assessed, to provide assurance to those in governance that as a Service it is operating within the industry standards.

3. Standards for Professional Practice

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

4. Mandate

The public sector internal audit service is required in accordance with the 1972 Local Government Act (Section 151) and Accounts and Audit (England) Regulations 2015. The regulations stipulate that councils must make provision for Internal Audit 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”.

Internal Audit's authority is derived from the Council's Constitution and its independence is safeguarded by having unrestricted access to the Audit and Governance Committee Chairman, the Section 151 Officer, the Monitoring Officer and the Chief Executive.

5. Authority

The Chief Internal Auditor will report functionally to the Audit and Governance Committee and administratively (i.e., day-to-day operations) to the Chief Finance Officer. To establish, maintain, and assure that Worcestershire County Council's internal audit has sufficient authority to fulfill its duties, the Audit and Governance Committee will:

- Approve the internal audit Service's charter.
- Approve the risk-based internal audit plan and resource allocation.
- 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 Strategic Leadership Team, Chief Officer Group, Leader of the Council and the Audit and Governance Committee, including in private meetings without management present.

The Audit and Governance 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.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
- Obtain assistance from the necessary personnel of Worcestershire County Council, as well as other specialised services from within or outside Worcestershire County Council, to complete the engagement.

6. 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 judgment 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 Worcestershire County Council or its affiliates.
- Initiating or approving transactions external to the internal audit Service.
- Directing the activities of any Worcestershire County Council employee not employed by the internal audit Service, except to the extent that such employees have been appropriately assigned to auditing teams 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 Governance Committee, at least annually, the organisational independence of the internal audit Service.

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

7. Scope of Internal Audit Activity

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 Governance Committee, management, and outside parties on the adequacy

and effectiveness of governance, risk management, and control processes for Worcestershire County Council. Internal audit assessments include evaluating whether:

- Risks relating to the achievement of Worcestershire County Council's strategic objectives are appropriately identified and managed.
- The actions of Worcestershire County Council's officers, directors, employees, and contractors are in compliance with Worcestershire County 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 Worcestershire County 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 Chief Internal Auditor will report periodically to senior management and the Audit and Governance 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 IIA's Code of Ethics and 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 Governance Committee.
- Results of audit engagements or other activities.
- Resource requirements.
- Any response to risk by management that may be unacceptable to Worcestershire County 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. Audit Reporting

Internal Audit produce an annual plan in consultation with senior managers and considering the Council's aims, strategies, key objectives, and associated risks. The strategic plan gives an annual overview of activity and enables forward planning for identified changes. It includes an advisory allocation to allow us to respond to changing conditions and requests from managers. The plan is approved annually by the Audit and Governance Committee. The plan is reviewed regularly, and any changes discussed with the Chief Financial Officer.

These changes are reported to the Audit and Governance Committee as part of our reporting schedule. The Chief Internal Auditor reports progress on the audit plan and action implementation to the Audit and Governance Committee. An annual report is provided giving an opinion on the Council's system of internal control. This opinion forms part of the Annual Governance Statement.

Delivery of Internal Audit activity is governed by the:

- Planning and terms of reference being agreed in advance for each audit to ensure that all parties agree what the audit will and will not cover. Reasonable notice is given about the start and process of each audit, and we will work to minimise disruption to operational teams. We reserve the right to make unannounced visits if significant control risks are identified, and,
- Audit reports which include an opinion on the adequacy of controls in the area reviewed. Detailed actions for improvement and agreement of the allocation of management responsibility and timeline for delivery with the relevant manager are also included. Reports are agreed with the manager, usually following a presentation of findings to assistant director or operational manager and copied to the Strategic Director. Reports with financial implications are sent to the Chief Financial Officer. Audits resulting in an 'unsatisfactory' assurance opinion are reported to the Strategic Leadership Team and are followed up within 6 months.

Assurance audits will give an assurance level assessment providing an indication of the relative impact of the service on the Council's overall governance and effectiveness. Audit assurance levels are:

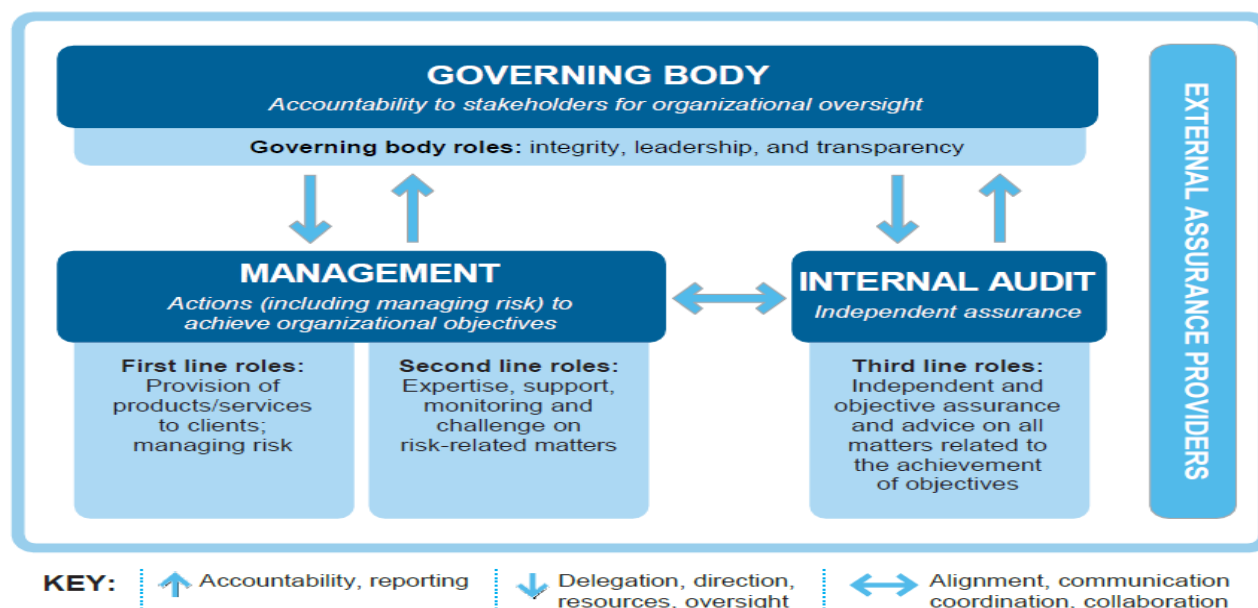
Substantial	A sound system of governance, risk, management, and control exists, with internal controls operating effectively and being consistently applied to support the achievement of the objectives in the area audited.
Satisfactory	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of the objectives in the area audited.
Needs Improvement	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
Unsatisfactory	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.
Non – Assurance Work	Grant certification and other work undertaken by Internal Audit where no assurance is given

Risk status will also be indicated. Where a risk falls into the 'critical' status, there is an expectation that this will be reported at Strategic Leadership Team level and may require entry onto the Corporate Risk Register.

Critical	Fundamental weakness, which presents unacceptable risk that needs to be brought to the attention of senior management for urgent attention. (Immediately or within 6 months)
High	Significant weakness that should be addressed by management in their areas of responsibility within a reason timeframe. (Within 6 to 12 months)
Medium	Exposure to some risk but the likelihood of the risk occurring is low. The issue merits attention by management (Within 12 to 18 months)
Low	No risk but best practice or where some improvements could be made to aid effectiveness and efficiency.

9. Organisational Status

The assurance levels are considered in conjunction with the Three Lines of Defence Model.



The Three Lines of Defence model explains the relationship between the functions involved in assurance:

- 1st line of defence are the functions that own and manage risks.
- 2nd line are the functions that oversee or specialise in the compliance or management of risk.
- 3rd line are the functions that provide independent assurance.

10. Responsibility

The Chief Internal Auditor has the responsibility to:

- Submit, at least annually, to senior management and the Audit and Governance Committee a risk-based internal audit plan for review and approval.
- Communicate to senior management and the Audit and Governance Committee the impact of resource limitations on the internal audit plan.
- Review and adjust the internal audit plan, as necessary, in response to changes in Worcestershire County Council's business, risks, operations, programmes, systems, and controls.
- Communicate to senior management and the Audit and Governance 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 [board/audit committee/supervisory 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 Worcestershire County Council are considered and communicated to senior management and the Audit and Governance Committee as appropriate.
- Ensure emerging trends and successful practices in internal auditing are considered.
- Establish and ensure adherence to policies and procedures designed to guide the internal audit Service.
- Ensure adherence to Worcestershire County 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 senior management and the Audit and Governance Committee.
- Ensure conformance of the internal audit Service with the Standards, with the following qualifications:
 - (i) 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.
 - (ii) If the Standards are used in conjunction with requirements issued by third party assurance suppliers, 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 third-party suppliers.

11. Quality Assurance and Improvement

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 senior management and the Audit and Governance 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 Worcestershire County Council.

12. Performance Measures

Performance is subject to regular monitoring against the following measures.

Performance Indicator	Measure	Frequency
Worcestershire County Council Annual Internal Audit Plan and any revisions thereto, leading to a well-informed Annual Audit Opinion.	Plan Progress Reporting to Audit and Governance Committee and Annual Opinion.	Progress - Quarterly reporting Opinion – Annually
Compliance with the Global Internal Audit Standards 2025	Self-Assessment and Independent Quality Assessment with quality assessment improvement plan.	Annually and 5 yearly with quarterly reporting on quality assessment improvement plan
Customer feedback questionnaires reporting 'good' or above satisfaction with the service delivery	80% - good or above.	Exception reporting where it falls below 80%. Quarterly progress reports and annual report.
Audits within Milestone Dates	100% Internal Audit. Greater than 90% Corporate responses.	Quarterly progress reports and annual report.

1. **Signature**

Chief Internal Auditor: Andy Bromage | 7th March 2025

Audit and Governance Committee Chair: Cllr Nathan Desmond | 7th March 2025

Chief Financial Officer: Phil Rook | 7th March 2025

Content reviewed: 1st February 2025