

Kirklees Council
Internal Audit Charter
(and mandate)

April 2025

Internal Audit Charter for Kirklees Council

1. Purpose

The purpose of the internal audit function is to strengthen the Council's ability to create, protect, and sustain value by providing the Council, its Corporate Governance & Audit Committee (CGAC) and 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 stakeholders.
- Ability to serve the public interest.

An internal audit function is most effective when:

- Internal auditing is performed by competent professionals in conformance with accredited standards.
- The internal audit function is independently positioned with direct accountability to Board (in this case Corporate Governance & Audit Committee, and the Executive Leadership Team)
- Internal auditors are free from undue influence and committed to making objective assessments.

Commitment to Adhering to the IIA Global Internal Audit Standards

Kirklees Council's internal audit function will adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework. The Head of Audit & Risk will report annually to the CGAC and senior management regarding the internal audit function's conformance with the Standards, which will be assessed through a quality assurance and improvement program.

2. Mandate

The Accounts & Audit Regulations 2015 require that at (5(1)

“Every relevant authority 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.”

Kirklees Internal Audit role is established in Financial Procedure Rule 5 (appendix 1)

Authority

Kirklees Council has given the internal audit function the mandate to provide the Corporate Governance & Audit Committee and senior management with objective assurance, advice, insight, and foresight.

The Council authorises the internal audit function to:

- Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to fulfilling internal audit responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information.

The Corporate Governance & Audit Committee will:

- Allocate resources+, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish Internal Audit objectives.
(+ allocation of resources is a council responsibility)
- Obtain assistance and other specialised services from within or outside the Council to complete internal audit services.

Independence, Organisational Position, and Reporting Relationships

The Head of Audit & Risk is positioned at a level in the organisation that enables internal audit services and responsibilities to be performed without intervention from senior management, enabling independence of the internal audit function. The Head of Audit & Risk will report functionally to the Corporate Governance & Audit Committee (CGAC) and administratively (for example, day-to-day operations) to the Director of Legal Governance & Commissioning. This positioning provides the organisational authority and status to bring matters directly to senior management and escalate matters to the CGAC, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.

The Head of Audit & Risk will confirm to CGAC, at least annually, the organisational independence of the internal audit function. If the governance structure does not support organisational independence, the Head of Audit & Risk will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence. The Head of Audit & Risk will disclose to CGAC any interference internal auditors 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 the internal audit function's effectiveness and ability to fulfill its mandate.

Changes to the Mandate and Charter

Circumstances may justify a follow-up discussion between the Head of Audit & Risk, CGAC, and senior management 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 IIA Global Internal Audit Standards.
- Significant changes in roles and responsibilities of the CGAC, and/or senior management.

- Significant changes to the organisation's strategies, objectives, reorganisations, 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.
- Change in the role (or tenure) of the Head of Audit & Risk.

3. Corporate Governance & Audit Committee (CGAC) Oversight

To establish, maintain, and ensure that Kirklees Council's internal audit function has sufficient authority to fulfil its duties, the CGAC will:

- Discuss with the Head of Audit & Risk and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the internal audit function. (+ is a shared council responsibility)
- Ensure the Head of Audit & Risk has unrestricted access to, communicates, and interacts directly with them, including in private meetings without senior management present.
- Discuss with the Head of Audit & Risk and senior management any other topics that should be included in the internal audit charter.
- Participate in discussions with the Head of Audit & Risk and senior management about the essential conditions, which establish the foundation that enables an effective internal audit function.
- Approve the internal audit function's charter, which includes the internal audit mandate and the scope and types of internal audit services.
- Review and approve the internal audit charter annually with the Head of Audit & Risk to consider any changes affecting the organisation, or changes in the type, severity, and interdependencies of risks to the organisation.
- Approve the risk-based internal audit plan.
- Collaborate with senior management to determine the qualifications and competencies the organisation expects in a Head of Audit & Risk,
- Review the Head of Audit & Risk's performance.
- Receive communications from the Head of Audit & Risk about the internal audit function including its performance relative to its plan.
- Ensure a quality assurance and improvement program has been established and review of the results of the quality assurance and improvement program annually.
- Make appropriate inquiries of management and the Head of Audit & Risk to determine whether scope or resource limitations are inappropriate.

4. Head of Audit & Risk Roles and Responsibilities

Ethics and Professionalism

The Head of Audit & Risk will ensure that internal auditors:

- Conform with the IIA Global Internal Audit Standards and any other UK public sector obligations, 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

The Head of Audit & Risk 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 Head of Audit & Risk 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. Accordingly, 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 Kirklees Council.
- Initiating or approving transactions external to the internal audit function.
- Directing the activities of any Kirklees 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.

<p>Disclosure: The Head of Audit and Risk has a wider range of responsibilities than management and leadership of the internal audit function. This is set out in detail in Appendix 2, alongside the mitigation that apply. One member of internal audit staff routinely carries out accounting tasks as a part of professional development. The Senior Risk Officer also carries out some internal audit related tasks appropriate to her role.</p>
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Internal auditors will:

- Disclose general impairments of independence or objectivity, in fact or appearance, at least annually, and as arising, to the Head of Audit & Risk.
- 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.

Managing the Internal Audit Function

The Head of Audit & Risk will:

- At least annually, submit a risk-based internal audit plan to the CGAC and senior management for review and approval.
- Communicate the impact of resource limitations on the internal audit plan to the CGAC and senior management.
- 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 the CGAC and senior management if there are significant interim changes to the internal audit plan.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with the IIA Global Internal Audit Standards.
- Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services to the CGAC and senior management quarterly for each engagement as appropriate.
- Ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the IIA Global Internal Audit Standards and fulfil the internal audit mandate.
- Identify and consider trends and emerging issues that could impact on the Council and communicate to the CGAC and senior management 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 Council's relevant policies and procedures unless such policies and procedures conflict with the internal audit charter or the IIA Global Internal Audit Standards. Any such conflicts will be resolved or documented and communicated to the CGAC and senior management.

- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the Head of Audit & Risk cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and if necessary escalated to the CGAC.

Communication with the Board and Senior Management

The Head of Audit & Risk will report annually to the CGAC and senior management regarding:

- The internal audit function's mandate.
- Results from the quality assurance and improvement program, which include the internal audit function's conformance with The IIA's Global Internal Audit Standards and action plans to address the internal audit function's deficiencies and opportunities for improvement.
- Resource availability
- The internal audit plan
- The internal audit performance relative to its plan.

And produce an Annual Report of Internal Audit setting out an assessment of the activities and outcomes from internal audit work, any issues around resourcing, performance, independence, trends and issues of wider significance identified in internal audit work, thus generating an assurance statement about the Council's arrangements for governance, risk, control, regularity and compliance, value, efficiency and effectiveness in the achievement of objectives.

The Head of Audit & Risk will report quarterly to the CGAC and senior management regarding:

- The (in quarter) internal audit plan and performance relative to its plan.
- Significant revisions to the internal audit plan
- Potential impairments to independence, including relevant disclosures as applicable.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the board.
- Results of assurance and advisory services.
- 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 normal risk appetite.

Quality Assurance and Improvement Program

The Head of Audit & Risk 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 IIA Global Internal Audit Standards, as well as performance measurement 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 Head of Audit & Risk will communicate with the board and senior management 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.

5. Scope and Types of Internal Audit Services

The scope of internal audit services covers the entire breadth of the organisation, including all of Council's activities, assets, and personnel. The scope of internal audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the CGAC and management on the adequacy and effectiveness of governance, risk management, and control processes for the Council.

The nature and scope of advisory services may be agreed with the party requesting the service, provided the internal audit function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

Internal audit engagements may include evaluating whether:

- Risks relating to the achievement of the Council's strategic objectives are appropriately identified and managed.
- The actions of the Council's officers, directors, management, employees, and contractors comply with the Council's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations and programs are consistent with established goals and objectives.
- Operations and programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations.
- The integrity of information and the means used to identify, measure, analyse, classify, and report such information is dependable.

- Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

NOTE

The IIA Global Internal Audit Standards requirements came into force from January 2025.

However, UK public sector bodies adopt the standard from 1st April 2025.

Reference in this document to IIA Global Internal Audit Standards includes also any requirements established by the UK Public Sector Internal Audit Standards, and the additional obligations identified by CIPFA for UK local authority bodies.

Approval/Signatures

Head of Audit & Risk

Date

CGAC Chair

Date

Chief Executive Officer

Date

APPENDIX 1 (extract of Financial Procedure Rules)

5. **INTERNAL AUDIT**

Responsibility & Authority

5.1 The Chief Executive, (in consultation with the Chief Finance Officer and Monitoring Officer) must arrange a continuous internal audit, which is an independent review of the accounting, financial and other operations of the Council.

5.2 The Head of Audit & Risk will report directly to the Chief Executive, the Chair of the Corporate Governance & Audit Committee, or the External Auditor in any circumstance where the functions and responsibilities of the Chief Finance Officer are being reviewed. (Other than routine reporting of work carried out)

5.3 The Head of Audit & Risk has authority to

Enter at all times any Council premises or land or location from which Council services are provided. Have access to all property, records, documents, and correspondence relating to all activities of the Council.

Require and receive explanations concerning any matter; and

Require any employee of the Council, without prior notice, to produce cash, stores, or any other property for which they are responsible.

Require any Director to ensure that within 5 working days' notice (or such other time as might be agreed by the Head of Audit & Risk)

(i) to ensure sufficient resource by way of time or otherwise, that an adequate response by employees of the service to any request for information,

and, or

(ii) any employee attends a meeting at any location (within the Kirklees area,) chosen by the Head of Audit & Risk

and or

(iii) the provision of any information, data, records, currently held in any media format be provided that that format, or in any other reasonable format chosen by the Head of Audit & Risk, and as appropriate delivered to a location chosen by the Head of Audit & Risk

and

(iv) to be accountable to the Corporate Governance & Audit Committee should they fail to act

The Chief Finance Officer has the same authority for any accounting or associated purpose.

For the purposes of FPR 5, the Head of Audit & Risk may delegate the rights of access to premises, information, explanation etc. to any employee or agent of the council (albeit this will normally be staff within the Internal Audit or Fraud team)

Planning & Reporting

5.4 The Head of Audit & Risk must plan and report (in accordance with the approved Audit Strategy and Charter, Public Sector Internal Audit Standards, and any instruction from the Councils Corporate Governance & Audit Committee) upon

The risks inherent in and associated with each system.

The soundness, adequacy and application of the financial and other management controls and systems within each Service

The extent of compliance with, and the financial effects of, established policies, plans and procedures.

The extent to which the organisation's assets and interests are accounted for and safeguarded from losses of all kinds arising from fraud, other offences, waste, extravagance and inefficient administration, poor value for money and other cause.

The suitability, accuracy, and reliability of financial and other management data within the organisation; and

Value for money aspects of service provision.

5.5 In respect of any audit report or communication issued, the Director must reply within 4 weeks indicating the action proposed or taken, by whom and including target dates. Where a draft report is issued for initial comments, a reply must be made within 2 weeks of issue.

5.6 The Head of Audit & Risk will provide a written summary of the activities of the Internal Audit function to the Corporate Governance & Audit Committee at least four times per year and an Annual Report produced for consideration by, Cabinet and Corporate Governance & Audit Committee, including an audit opinion on the adequacy and effectiveness of the Council's risk management systems and internal control environment.

The Head of Audit & Risk will review the system of internal audit on an annual basis (and arrange for an external assessment once every 5 years) and report the outcome to the Corporate Governance & Audit Committee.

Investigations and Suspected Fraud, Corruption or Bribery.

5.7 The Chief Executive and Directors must ensure that all Members and employees are.

Aware of the Council's Anti-Fraud, Anti-Corruption and Anti-Bribery Strategy

Aware of the Whistleblowing Strategy; and

Operating in a way that maximises internal check against inappropriate behaviour.

The Head of Audit & Risk is responsible for the development and maintenance of the Anti-Fraud, Anti-Corruption and Anti Bribery Strategy and Whistleblowing Strategy and for directing the Council's efforts in fraud investigation.

5.8 It is the duty of any officer who suspects or becomes aware of any matter which may involve loss or irregularity concerning cash, stores or other property of the Council or any suspected irregularity in the operations or exercise of the functions of the Council to immediately advise the Director. The Director concerned must immediately notify the Head of Audit & Risk who may take action by way of investigation and report.

5.9 Where, following investigation, the Head of Audit & Risk considers that there are reasonable grounds for suspecting that a loss has occurred as a result of misappropriation, irregular expenditure or fraud, consultations will be held with the Director on the relevant courses of action, including the possibility of police involvement and the invoking of any internal disciplinary procedure in accordance with the relevant conditions of service.

APPENDIX 2

Disclosure of Conflicts of Interest, and Arrangements to Ensure Objectivity

Section 4:

“The Head of Audit and Risk has a wide range of responsibilities than management and leadership of the internal audit function. This is set out in detail in Appendix 2, alongside the mitigation that apply. One member of internal audit staff routinely carries out accounting tasks as a part of professional development. The Senior Risk Officer also carries out some internal audit related tasks appropriate to her role.”

1. The Head of Audit and Risk has a wider range of responsibilities than acting solely as the head of internal audit, as the IIA Global Internal Audit Standard prefers as the default position. The Kirklees Head of Audit and Risk also:
 - (a) Act as the manager for the following:
 - i) The insurance function
 - ii) The corporate and children’s complaint’s function
 - iii) The risk management function
 - iv) Fraud prevention and investigation

The role in areas (i) and (ii) is that of leadership only; there is more active involvement in risk management, which is closely related to internal audit and assurance for the organisation.
 - (b) Provides advice for some complex projects (in relation to finance, risk etc.)
 - (c) Provides commercial advice for charities where the council is corporate trustee or otherwise involved.
2. These risks are mitigated by.
 - i. The councils’ insurers arrange independent auditing of the council’s insurance arrangements that impact on their exposure to risk (based on the council’s insurance having excesses, stop loss cover and delegated authority to process claims).
 - ii. Other aspects of auditing of insurance, corporate complaints, complex projects, or corporate risk management is reported directly by the audit manager through to the director of legal governance and commissioning.
3. Given the essential links between the risk management and audit functions, any auditing of operational and service risk management is conducted as routine audit activity. Any audit work conducted by the Senior Risk Officer is within this area of scope.
4. The audit employee who works routinely in the accounting function for professional development reasons does not carry out any audit work on areas where he has had active involvement.
5. The Internal Audit function also conducts routine work on processing Freedom of Information requests, and assessment of the financial status of potential contractors and other organisation. This work is not considered to conflict or require mitigation.