

Internal Audit Charter

2026/27

Purpose

The purpose of the internal audit function is to strengthen Bury 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.

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:

- internal auditing is performed by competent professionals in conformance with the Institute of Internal Auditors' Global Internal Audit Standards, which are set in the public interest
- the internal audit function is independently positioned with direct accountability to the Audit Committee
- internal auditors are free from undue influence and committed to making objective assessments

Commitment to Adhering to the Global Internal Audit Standards

The council's internal audit function will adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements. The Head of Fraud, Audit, Insurance and Risk will report annually to the Audit 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.

Mandate

Statutory

Internal audit is a statutory service in the context of the Accounts and Audit (England) Regulations 2015, which require authorities to ensure that they have a sound system of internal control that:

- 1) facilitates the effective exercise of its functions and the achievement of its aims and objectives
- 2) ensures that the financial and operational management of the authority is effective
- 3) includes effective arrangements for the management of risk

The Accounts and Audit Regulations 2015 also state that:

- 1) a 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
- 2) any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit:
 - (a) make available such documents and records; and
 - (b) supply such information and explanations as are considered necessary by those conducting the internal audit
- 3) a relevant authority must, each financial year:
 - (a) conduct a review of the effectiveness of its system of internal control (the findings of the review must be considered, as part of the consideration of the system of internal control by the Audit Committee); and
 - (b) prepare an annual governance statement

Authority

The internal audit function's authority is created by its direct reporting relationship to the Audit Committee. Such authority allows for the Head of Fraud, Audit, Insurance and Risk to have direct access to the Chief Executive; all levels of management; the Chair of the Audit Committee; and elected members.

The Audit Committee authorises the internal audit function, pertinent to carrying out internal audit responsibilities and without necessarily giving prior notice to:

- have full and unrestricted access to all functions, data, records, information, cash, stores, physical property, and personnel (including anything designated confidential)
- access at all reasonable times to any of the council's land, premises, officer, or elected member
- 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 officers of the council and other specialised services from within or outside the council to complete internal audit services
- explanations concerning any matter under investigation

Internal auditors are responsible for maintaining confidentiality, safeguarding records and information provided to them, and compliance with any relevant laws and regulations.

Independence, Organisational Position, and Reporting Relationships

The Head of Fraud, Audit, Insurance and Risk must be positioned at a level in the council that enables internal audit services and responsibilities to be performed without interference from management, thereby establishing the independence of the internal audit function. (See “Mandate” section)

The Head of Fraud, Audit, Insurance and Risk reports functionally to the Audit Committee and administratively (for example, day-to-day operations) to the Director of Finance, who is a member of the Executive Leadership Team. This positioning provides the organisational authority and status to bring matters directly to senior management and escalate matters to the Audit Committee, when necessary, without interference and supports the internal auditors’ ability to maintain objectivity.

The Head of Fraud, Audit, Insurance and Risk will confirm to the Audit Committee, at least annually, the organisational independence of the internal audit function.

In the event that the governance structure ceases to support organisational independence, the Head of Fraud, Audit, Insurance and Risk will document and report to the Audit Committee the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence.

The Head of Fraud, Audit, Insurance and Risk will disclose to the Audit Committee 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 fulfil its mandate.

The Head of Fraud, Audit, Insurance and Risk has line management responsibility for the council’s insurance, risk management and counter fraud functions. As required by the Standards, these functions will be subject to independent review. Arrangements will be made for periodic reviews, adopting a similar approach to the internal audit function’s peer review.

Changes to the Mandate and Charter

Circumstances may justify a follow-up discussion between the Head of Fraud, Audit, Insurance and Risk, Audit Committee, 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 Global Internal Audit Standards
- a significant reorganisation within the council

- significant changes in the Head of Fraud, Audit, Insurance and Risk, Audit Committee, and/or senior management
- significant changes to the council's strategies, objectives, risk profile, or the environment in which the council operates
- new laws or regulations that may affect the nature and/or scope of internal audit services

Audit Committee Oversight

To establish, maintain, and ensure that the council's internal audit function has sufficient authority to fulfil its duties, the Audit Committee will:

- discuss with the Head of Fraud, Audit, Insurance and Risk and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the internal audit function
- ensure the Head of Fraud, Audit, Insurance and Risk has unrestricted access to and communicates and interacts directly with the Audit Committee, including in private meetings without senior management present
- discuss with the Head of Fraud, Audit, Insurance and Risk and senior management if there are other topics that should be included in this Charter
- participate in discussions with the Head of Fraud, Audit, Insurance and Risk and senior management about the "essential conditions," described in the Global Internal Audit Standards, 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 the internal audit charter annually with the Head of Fraud, Audit, Insurance and Risk to consider changes affecting the council, such as the employment of a new Head of Fraud, Audit, Insurance and Risk or changes in the type, severity, and interdependencies of risks to the council; and approve the internal audit Charter
- approve the risk-based internal audit plan and consider the internal audit function's capacity and capability to deliver the Plan and provide sufficient assurance to meet the Audit Committee's needs
- provide input to the Director of Finance on the appointment and removal of the Head of Fraud, Audit, Insurance and Risk, ensuring adequate competencies and qualifications and conformance with the Global Internal Audit Standards
- provide periodic input to the Director of Finance on the Head of Fraud, Audit, Insurance and Risk's performance.
- receive communications from the Head of Fraud, Audit, Insurance and 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 the results annually

- Make appropriate inquiries of senior management and the Head of Fraud, Audit, Insurance and Risk to determine whether scope or resource limitations are appropriate

Head of Fraud, Audit, Insurance and Risk Roles and Responsibilities

Role

The role fulfilled by the Head of Fraud, Audit, Insurance and Risk must conform to the Chartered Institute of Public Finance and Accountancy's publication defining the [Role of the Head of Internal Audit](#) in public service organisations.

The Head of Fraud, Audit, Insurance and Risk will be appointed by the council and will have sufficient skills, experience, and competencies to work with the leadership team and the Audit Committee and influence the risk management, governance, and internal control arrangements of the council.

The Head of Fraud, Audit, Insurance and Risk must hold a professional qualification ([CCAB](#), CMIIA or equivalent), active membership of that professional body, and be suitably experienced.

The Head of Fraud, Audit, Insurance and Risk is responsible for appointing the staff within the internal audit function and will ensure that appointments are made to achieve the appropriate mix of qualifications, experience, and audit skills and meet the requirements the Standards and the assurance needs of the council.

Ethics and Professionalism

The Head of Fraud, Audit, Insurance and Risk will ensure that internal auditors:

- conform with the Global Internal Audit Standards, 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 council and be able to recognise conduct that is contrary to those expectations.
- encourage and promote an ethics-based culture in the council and demonstrate the corporate values of the LETS strategy.
- have regard to the Committee on Standards of Public Life's [Seven Principles of Public Life](#)
- report organisational behaviour that is inconsistent with the council's ethical expectations, as described in applicable policies and procedures.

Objectivity

The Head of Fraud, Audit, Insurance and 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 Fraud, Audit, Insurance and 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 the council or its affiliates
- initiating or approving transactions external to the internal audit function
- directing the activities of any the council officer that is not employed by the internal audit function, except to the extent that such officers 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, such as the Head of Fraud, Audit, Insurance and Risk, Audit Committee, management, or others
- 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 Fraud, Audit, Insurance and Risk has the responsibility to:

- at least annually, update the rolling, risk-based, Internal Audit Plan that considers the input of the Audit Committee and senior management.
- discuss the Plan with the Audit Committee and senior management and submit the Plan to the Audit Committee for review and approval
- communicate the impact of resource limitations on the Plan to the Audit Committee and senior management
- review and adjust the Plan, as necessary, in response to changes in the council's business, risks, operations, programs, systems, and controls
- communicate with the Audit Committee and senior management if there are significant interim changes to the Plan
- develop and implement a Strategy for the internal audit function that supports the strategic objectives and success of the council

- ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards and laws and/or regulations
- follow up on engagement findings, confirm the implementation of recommendations or action plans, and communicate the results to the Audit Committee and senior management
- ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards and fulfil the internal audit mandate
- identify and consider trends and emerging issues that could impact the council and communicate to the Audit Committee 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 the council's relevant policies and procedures unless such policies and procedures conflict with the internal audit charter or the Global Internal Audit Standards
 - any such conflicts will be resolved or documented and communicated to the Audit Committee 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 Fraud, Audit, Insurance and Risk cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and if necessary escalated to the Audit Committee

Communication with the Audit Committee and Senior Management

The Head of Fraud, Audit, Insurance and Risk will report annually to the Audit Committee and senior management regarding:

- the internal audit function's mandate
- the Internal Audit Plan and performance relative to it
- the internal audit function's resources (capacity and capabilities), ability to deliver the Plan, and highlight any concerns in this area
- significant revisions to the Plan
- 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 Standards 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 Audit Committee that could interfere with the achievement of the council's strategic objectives
- 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 risk appetite

Quality Assurance and Improvement Program

The Head of Fraud, Audit, Insurance and Risk will develop, implement, and maintain a Quality Assurance and Improvement Program (QAIP) that covers all aspects of the internal audit function.

The QAIP will include external and internal assessments of the internal audit function's conformance with the 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 assessment will include plans to address the internal audit function's deficiencies and opportunities for improvement.

Annually, the Head of Fraud, Audit, Insurance and Risk will communicate with the Audit Committee and senior management about the internal audit function's QAIP, 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 Institute of Internal Auditors Certified Internal Auditor and/or Chartered Internal Auditor credential.

Responsibilities of the Council

The council is responsible for ensuring that internal audit is provided with all necessary assistance and support to ensure that it meets the required Standards and able to assurance needs of the Audit Committee.

The Director of Finance (Section 151 Officer) will make appropriate arrangements for the provision of an internal audit function.

The council will ensure it has taken all necessary steps to provide internal audit with information on its objectives, risks, and controls to allow the proper execution of the audit strategy and adherence to the Standards. This will include notifying internal audit of any significant changes in corporate strategies and objectives, governance processes, key control systems.

The council, through the Chief Executive; Director of Law and Governance (Monitoring Officer); Director of Finance (Section 151 Officer); and other relevant managers will respond promptly to requests for information, audit planning, reports, and recommendations.

Responsibility for monitoring and ensuring the implementation of reported recommendations and actions rests with the council's Chief Officers and relevant managers.

Scope and Types of Internal Audit Services

The scope of internal audit services covers the entire breadth of the council, including all its 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 Audit Committee and management on the adequacy and effectiveness of governance, risk management, and control processes for the council.

Assurance Engagements

Internal audit assurance 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 or other relevant parties 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, efficiently, ethically, and equitably
- established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the council
- the reliability and integrity of information and the means used to identify, measure, analyse, classify, and report such information is reliable
- resources and assets are acquired economically, used efficiently and sustainably, and safeguarded adequately

Advisory Services

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.

Generally, the types of advisory services undertaken are:

- ongoing engagement with the risk management processes, including periodic reviews of risk management arrangements
- Governance and Assurance Board (attended either by the Head of Fraud, Audit, Insurance and Risk and / or Senior Auditors)
- Head of Fraud, Audit, Insurance and Risk role in the facilitation of Annual Governance Statement and Code of Corporate Governance
- Internal audit involvement in promoting effective risk management and the council's Risk Management Strategy
- Head of Fraud, Audit, Insurance and Risk and Senior Auditors involvement in facilitating, promoting, and developing the corporate assurance mapping

- Internal audit support to project teams, including transformation and change, providing advice on control process design and project assurance
- Specialist technical / IT audit support to significant IT change projects
- Specialist technical / IT audit support to maintaining the council's cyber security related accreditations

Where an auditor has provided consultancy support, to safeguard independence other team members will be used on any assurance work within the respective area. Planned advisory services will be included within the rolling internal audit plan. Any reactive / emergent work will be added into the plan and brought to the attention of the Audit Committee during its next meeting.

Counter Fraud

Managing the risk of fraud is the responsibility of line management. The Director of Finance (Section 151 Officer) has specific responsibilities in relation to the detection and investigation of fraud. The internal audit and counter fraud functions will assist with the investigation of suspected fraud or corruption.

The internal audit and counter fraud functions will provide support for the council's Anti-Fraud & Anti-Corruption Strategy and will investigate significant matters that are reported to them. The Head of Fraud, Audit, Insurance and Risk will ensure awareness of all serious suspected or detected fraud so that the adequacy of the relevant controls for the opinion on the internal control environment can be considered.

Whilst it is not a primary role of internal audit to detect fraud, it does have a role in providing an independent assurance on the effectiveness of the processes put in place by management to manage the risk of fraud. The internal audit function can do additional work, although it cannot be prejudicial to this primary role. Typical activities may include:

- investigating the cause of fraud
- responding to whistleblowers
- considering fraud in every audit
- making recommendations to improve processes
- review fraud prevention controls and detection processes put in place by management

The Head of Fraud, Audit, Insurance and Risk has line management responsibility for the counter fraud team and will ensure that the team informs internal audit function of any governance, risk, and control issues arising from referrals and investigations.

Services to Other Organisations

The internal audit function may provide services to the council's partner organisations and other public sector organisations on a cost recovery basis.

Any significant impact on the internal audit functions, resources and ability to deliver the Council's Internal Audit Plan will be brought to the attention of the Audit Committee at the earliest opportunity. Operationally, the internal audit function is resourced at a level that enables it to provide these regular, planned services, ensuring there is no negative impact to the council's Internal Audit Plan. Any new clients or expansion of

existing arrangements will be agreed in consultation with the council's Director of Finance, to ensure that sufficient resources are available.

Where the internal audit function works with other organisations, the role of internal audit will be defined on an individual basis in conjunction with that organisation's board or audit committee and their directors or senior managers.

Roles

The Standards require that the Charter defines the terms 'Board', 'Chief Audit Executive' and 'senior management' in relation to the work of internal audit. For the purposes of internal audit work the roles are defined as follows:

Board: The internal audit function is established and defined by the Board, for the council this is the Audit Committee. The Audit Committee has its own Terms of Reference, which is included within the council's Constitution and reviewed/updated annually by the Committee.

Chief Audit Executive: The role of the 'Chief Audit Executive' is undertaken by the Head of Fraud, Audit, Insurance and Risk.

Head of Paid Service: The head of paid service is the Chief Executive. The Chief Executive receives quarterly progress reports on the work of internal audit and copies of audit engagement final reports and follow up reports.

Senior management: Senior management is defined as the Chief Executive, Executive Directors, and Directors.

Section 151 Officer: The Director of Finance is the council's Section 151 officer is required to ensure that appropriate arrangements are made for the provision of an internal audit service in accordance with the requirements of the Accounts and Audit (England) Regulations 2015. The internal audit function supports the council's Section 151 officer, to discharge responsibilities for maintaining proper administration of financial affairs and an adequate and effective system of internal control as required under section 151 of the Local Government Act 1972 and by the Accounts and Audit (England) Regulations 2015.

Monitoring Officer: The Director of Law and Governance is the Monitoring Officer; functions include maintenance of the Constitution, supporting the Standards Committee and ensuring lawfulness of decision making. Internal audit activity supports the Monitoring Officer in discharging their responsibilities for maintaining high standards of governance, conduct and ethical behaviour. The Monitoring Officer leads work on, and prepares the Annual Governance Statement, in collaboration with senior management.