

INTERNAL AUDIT CHARTER

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1. Introduction

- 1.1 This Charter sets out the purpose, authority and responsibility of the Council's Internal Audit function, in accordance with the UK Public Sector Internal Audit Standards (PSIAS). The Charter will be reviewed on a regular basis and presented to the Corporate Committee for review and approval.

2. Purpose

- 2.1 Internal Audit is defined by the Institute of Internal Auditors' International Professional Practices Framework as 'an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.' All the Council's activities, funded from whatever source, fall within the remit of the internal audit service.
- 2.2 In a local authority, internal audit provides independent and objective assurance to the organisation, its Members, the Director's Group and to the Chief Financial Officer to help them discharge their responsibilities under s151 of the Local Government Act 1972, relating to the proper administration of the Council's financial affairs.
- 2.3 In addition, the Accounts and Audit Regulations (2011) specifically require the provision of an internal audit service. In line with regulations, Internal Audit provides independent assurance on the adequacy of the Council's governance, risk management and internal control systems.

3. Authority

- 3.1 Internal Audit has unrestricted access to all Council records and information, both manual and computerised, cash, stores and other Council property or assets it considers necessary to fulfil its responsibilities. This right of access is included in the **Council's Constitution (Part Four, Section I, paragraph 5.56)**. Audit may enter Council property and has unrestricted access to all locations and officers where necessary, on demand, and without prior notice.
- 3.2 Where key services are to be provided to the Council by other contractors or through a partnership, in order for internal audit to form an opinion on the controls operating, a right of access to relevant information and documents should be included in contracts or agreements concerned.
- 3.3 It is not within the remit of Internal Audit to question the appropriateness of policy decisions. However, Internal Audit is required to examine the arrangements by which such decisions are made, monitored and reviewed.
- 3.4 Internal Audit may also conduct any special reviews requested by the Council, Corporate Committee or the s151 Officer, provided such reviews do not compromise its objectivity, independence or achievement of the approved annual internal audit plan

3.5 Internal Audit will consider all requests from the Council's external auditors for access to any information, files or working papers obtained or prepared during audit work that has been finalised, which external audit would need to discharge their responsibilities.

4. Responsibility

4.1 The Council's Head of Audit and Risk Management is required to provide an annual opinion to the Council and to the Chief Financial Officer, via the Corporate Committee, on the adequacy and the effectiveness of the internal control system for the whole Council. In order to achieve this, the internal audit function has the following objectives:

- To provide a quality, independent and objective audit service that effectively meets the Council's needs, adds value, improves operations and helps protect public resources;
- To provide assurance to management that the Council's operations are being conducted in accordance with external regulations, legislation, internal policies and procedures;
- To provide a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes;
- To provide assurance that significant risks to the Council's objectives are being managed;
- To provide advice and support to management to enable an effective control environment to be maintained;
- To promote an anti-fraud, anti-bribery and anti-corruption culture within the Council to aid the prevention and detection of fraud; and
- To investigate allegations of fraud, bribery and corruption.

4.2 Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas identified by the organisation as being of greatest risk and significance and rely on management to provide full access to accounting records and transactions for the purposes of internal audit work and to ensure the authenticity of these documents.

4.3 Where appropriate, Internal Audit will undertake audit or advisory work for the benefit of the Council in organisations wholly owned by the Council. Internal Audit may also provide assurance to the Council on third party operations (such as contractors and partners) where this has been provided for as part of the contract.

5. Reporting

5.1 The UK PSIAS require the Head of Audit and Risk Management to report at the top of the organisation and this is done in the following ways:

- The Internal Audit Strategy and Charter and any amendments to them are reported to the Corporate Committee for review and approval;

- The annual Internal Audit Plan is compiled by the Head Audit and Risk Management, taking account of the Council's risk framework and after input from the Director's Group. It is then presented to the Corporate Committee for formal approval;
- The internal audit budget is reported to Cabinet and Full Council for approval annually as part of the overall Council budget;
- The adequacy, or otherwise, of the level of internal audit resources (as determined by the Head of Audit and Risk Management) and the independence of internal audit is reported annually to the Corporate Committee. The approach to providing resource is set out in the Internal Audit Strategy;
- Performance against the Internal Audit Plan and any significant risk exposures and control issues arising from audit work are reported to the Corporate Committee on a quarterly basis;
- Any significant consulting or advisory activity not already included in the audit plan and which might affect the level of assurance work undertaken will be reported to the Corporate Committee;
- Results from internal audit's performance management processes and performance indicators will be reported to the Corporate Committee; and
- Any instances of non-conformance with the Public Sector Internal Audit Standards must be reported to the Corporate Committee and will be included in the annual Head of Internal Audit report. If there is significant non-conformance this may be included in the Council's Annual Governance Statement.

6. Independence

6.1 The Head of Audit and Risk Management has free and unfettered access to:

- Chief Financial Officer;
- Chief Executive;
- Chair of the Corporate Committee;
- Monitoring Officer; and
- Any other member of the Director's Group.

6.2 The independence of the Head of Audit and Risk Management is further safeguarded by ensuring that their annual appraisal is not inappropriately influenced by those subject to audit. This is achieved by ensuring that both the Chief Executive and the Chair of the Corporate Committee contribute to, and/or review the appraisal of the Head of Audit and Risk Management.

6.3 All Council and relevant contractor staff in Audit and Risk Management are required to make an annual declaration of interest to ensure that auditors' objectivity is not impaired and that any potential conflicts of interest are appropriately managed.

6.4 Internal Audit may also provide consultancy services, such as providing advice on implementing new systems and controls. However, any significant consulting activity not already included in the audit plan and which might

affect the level of assurance work undertaken will be reported to the Corporate Committee. To maintain independence, any audit staff involved in significant consulting activity will not be involved in the audit of that area for at least 12 months.

6.5 The Head of Audit and Risk Management is responsible for the management of the 'non-audit' activities for insurance and risk management functions of the Council. In order to fulfil the requirements of the UK PSIAS and avoid potential conflicts of interest and loss of objectivity, these functions are independently audited on a regular basis by Deloitte and Touche and the Council's external auditors, with the results reported to the Corporate Committee.

7. Due Professional Care

7.1 The Internal Audit function is bound by the following standards:

- Institute of Internal Auditor's International Code of Ethics;
- Seven Principles of Public Life (Nolan Principles);
- UK Public Sector Internal Audit Standards (PSIAS);
- All Council Policies and Procedures; and
- All relevant legislation.

7.2 Internal Audit is subject to a quality assurance and improvement programme that covers all aspects of internal audit activity. This consists of an annual self-assessment of the service and its compliance with the UK Public Sector Internal Audit Standards, ongoing performance monitoring and an external assessment at least once every five years by a suitably qualified, independent assessor.

7.3 A programme of Continuous Professional Development (CPD) is maintained for all staff working on audit engagements to ensure that auditors maintain and enhance their knowledge, skills and audit competencies. The Head of Audit and Risk Management is required to hold a professional qualification (CCAB or CMIIA) and be suitably experienced.

