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HARINGEY COUNCIL

INTERNAL AUDIT CHARTER

Policy History					
Version	Summary of Change	Contact	Implementation Date	Review Date	EqIA Date
1.1	Definition of The Board and senior management	Head of Audit & Risk Management	March 2015	March 2016	March 2015

Links and Dependencies
Employee Code of Conduct Disciplinary Procedures Council Constitution Whistleblowing Policy Anti-money Laundering Policy Anti-bribery Policy

Related Forms
Declaration of Interests Form Declaration of Receipt of Gift or Hospitality

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1. Introduction

- 1.1 Organisations in the UK public sector have previously been governed by various internal audit standards. The UK Public Sector Internal Audit Standards (PSIAS), which took effect from 1 April 2013, provide a consolidated approach across the whole of the public sector providing continuity, sound corporate governance and transparency.
- 1.2 The PSIAS require Haringey Council to implement and retain an 'Internal Audit Charter'. The purpose of the Internal Audit Charter is to formally define the internal audit activity's purpose, authority and responsibility. This Charter will be reviewed on a regular basis and presented to the Corporate Committee for review and approval.

2. Authority

- 2.1 The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2012, which states that a relevant body must: *'undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control'*. The standards for 'proper practices' in relation to internal audit are laid down in the 2013 UK PSIAS.
- 2.2 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. Audit may enter Council property and has unrestricted access to all locations and officers where necessary, on demand, and without prior notice. This right of access is included in the Council's Constitution (Part Four, Section I, paragraph 5.45).

3. Purpose

- 3.1 The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in providing assurance to the Council that these arrangements are in place and operating effectively. The Council's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation's objectives. All the Council's activities, funded from whatever source, fall within the remit of the internal audit service.
- 3.2 The role of internal audit is best summarised through its definition within the UK PSIAS as an: *'independent, objective assurance and consulting activity designed to add value and improve an organisations 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'*.

4. Responsibility



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- 4.1 The responsibility for maintaining an adequate and effective system of internal audit within Haringey Council lies with the Assistant Director of Corporate Finance, as the authority's Chief Finance Officer (S151 Officer).
- 4.2 Haringey Council's internal audit function is provided by Mazars Public Sector Internal Audit Ltd (Mazars), via a framework agreement managed by Croydon Council. The Head of Audit and Risk Management is responsible for managing the internal audit activity in accordance with the 'Definition of Internal Auditing', the 'Code of Ethics' and the PSIAS.
- 4.3 The Head of Audit and Risk Management is also required to provide an annual opinion to the Council and to the Chief Finance Officer, via the Corporate Committee, on the adequacy and the effectiveness of the internal control system for the whole Council. 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 Council 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.
- 4.4 It is not the responsibility or 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.
- 4.5 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. 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.

5. Definitions

- 5.1 For the purposes of this charter, the following definitions shall apply:
- The Board** – the governance group charged with independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting. At Haringey Council, this means the Corporate Committee.
- Senior Management** – those responsible for the leadership and direction of the Council. At Haringey Council, this means the Senior Leadership Team and Statutory Officers' Group.

6. Position in the organisation

- 6.1 The Head of Audit and Risk Management reports functionally to the Board, and organisationally to the Assistant Director of Corporate Governance, who is also the Council's Monitoring Officer. The Head of Audit and Risk Management attends the management team meetings of the Assistant Director of Finance in order to fulfil their



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statutory responsibility under Section 151 of the Local Government Act 1972, for ensuring an effective system of internal financial control and proper financial administration of the Council's affairs. The Head of Audit and Risk Management has direct access to the Chief Executive who carries the responsibility for the proper management of the Council and for ensuring that the principles of good governance are reflected in sound management arrangements.

6.2 Where it is considered necessary to the proper discharge of internal audit function, the Head of Audit and Risk Management has direct access to elected Members of the Council and in particular those who serve on committees charged with governance (i.e. the Corporate Committee).

7. Reporting

7.1 The 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 Statutory Officers' Group and 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 Senior Leadership Team and Statutory Officers' Group. It is then presented to the Corporate Committee for formal approval;
- 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 Statutory Officers' Group and 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:

- Chair of the Corporate Committee;
- Chief Executive;
- Chief Finance Officer;
- Monitoring Officer; and
- Any other member of the Senior Leadership Team and Statutory Officers' Group.

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- 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 the Chief Executive and/or 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 PSIAS and avoid potential conflicts of interest and loss of objectivity, these functions are independently audited on a regular basis by Mazars 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 PSIAS, ongoing performance monitoring and an external assessment (peer review) 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.