



INTERNAL AUDIT CHARTER

The Council is required, in accordance with the Accounts and Audit Regulations 2003 to secure the provision of an effective internal audit service. This charter sets out the role, authority and principal responsibilities of Internal Audit.

The Role of Internal Audit

Internal Audit was established by the Council to undertake a wide range of independent reviews of its systems and operations. The aim of these reviews is to help to ensure that the Council achieves its objectives and to provide assurance that it manages its risks efficiently and effectively.

Internal Audit critically evaluates the Council's internal control framework to add value by improving opportunities to achieve organisational objectives and, where necessary, makes recommendations for improvement and the introduction of best practice throughout the Council.

In undertaking this role Internal Audit will comply with the CIPFA Code of Practice for Internal Audit in Local Government and other relevant best practice guidance.

Independence, Ethics and Due Care

Auditors will perform duties with diligence and competence, using audit skills, knowledge and judgement based on appropriate experience, training, ability, integrity and objectivity to operate at a high level of professionalism.

Due professional care will be appropriate to the objectives, complexity, nature and materiality of the audit being performed. Internal Audit will provide reasonable assurance regarding the outcome of its work, but not an absolute assurance.

Internal Audit will remain sufficiently independent of the activities that it audits to enable auditors to perform their duties in a manner which facilitates impartial and effective professional judgements and recommendations.

Individual auditors should follow the ethical statements issued by the professional bodies of which they are members. However, Internal Audit subscribes in particular to the ethical standards provided by CIPFA and auditors will be judged on the basis of those standards. Where there is a conflict of standards the CIPFA standard has been accepted by this charter to prevail.

Internal Auditors must treat as confidential the information they receive in carrying out their duties. There must not be any unauthorised disclosure of information unless there is a legal or professional requirement to do so.

Confidential information gained in the course of the audit will not be used to effect personal gain.

Each of the Internal Auditors will provide an annual declaration of any actual or potential conflicts of interest that might compromise their objectivity in the conduct of particular audits. There is also a requirement to make a declaration if such a conflict of interest is identified in the course of any piece of audit or consultancy work.

Internal Audit Objectives and Scope

Internal Audit is an independent appraisal function established within the Council to examine and evaluate activities with a view to achieving the following main objectives:

- a) assist officers and members of the Council in the effective discharge of their responsibilities;
- b) examine, evaluate and report on the adequacy of internal controls as a contribution to the efficient, effective and economic use of resources;
- c) ensure that the Council's assets and interests are accounted for and safeguarded from losses; and
- d) maintain a level of independence and integrity to permit the proper performance of Internal Audit.

Using a risk based internal audit methodology Internal Audit will examine, assess and report on:

- a) the adequacy and effectiveness of the systems of financial, operational and management control and their operation in practice in relation to the business risks to be addressed;
- b) the extent of compliance with, relevance of, and financial effect of, policies, standards, plans and procedures established by the Board or Members and the extent of compliance with external laws and regulations, including reporting requirements of regulatory bodies;
- c) the extent to which the assets and interests are acquired economically, used efficiently, accounted for and safeguarded from losses of all kinds arising from waste, extravagance, inefficient administration, poor value for money, fraud or other cause and that adequate business continuity plans exist;
- d) the suitability, accuracy, reliability and integrity of financial and other management information and the means used to identify, measure, classify and report such information;
- e) the integrity of processes and systems, including those under development, to ensure that controls offer adequate protection against error, fraud and loss of all kinds; and that the process aligns with the Council's strategic goals;
- f) the follow-up action taken to remedy weaknesses identified by Internal Audit, ensuring that good practice is identified and communicated widely; and

- g) the operation of the Council's corporate governance and risk management arrangements.

Relationships

Internal Audit relationships include, Elected Members, Senior Management and all other Council staff, External Audit, review agencies including the Benefit Fraud Inspectorate, the Police, members of the public and external clients. In all these relationships, Internal Audit staff will treat the person(s) concerned with respect, courtesy and professionalism. The Chief Internal Auditor has the opportunity to meet with the Elected Members privately.

Internal Audit is positioned within the Finance section. The Chief Internal Auditor reports directly and meets periodically with the Head of Finance and the Strategic Director of Resources (Section 151 Officer), and has unrestricted access to the Chief Executive, Senior Management Board and Chair of the Audit Committee.

A close working relationship is maintained between Internal Audit and External Audit with a view of maximising the effectiveness of the overall audit resources and to avoid duplication of effort. Regular (at least quarterly) meetings will be held between the Chief Internal Auditor and the External Auditors to ensure effective liaison.

Internal Audit Reporting

The annual audit plan and the resourcing requirement assessment are submitted to the Audit Committee for approval at the start of the financial year. The purpose is to advise members of the programme of audit work for the forthcoming financial year. The plan is compiled in consultation with the Heads of Service and the S151 Officer, and is approved by the Senior Management Board.

Quarterly Internal Audit reports detailing progress against the plan are presented to the Audit Committee by the Chief Internal Auditor. An annual report detailing the Head of Internal Audit Opinion on the overall adequacy and effectiveness of the Council's internal control environment is presented to the Audit Committee and Board. It is this opinion which is used to inform the Annual Governance Statement, published within the annual accounts.

Right of Access and Authority to Obtain Information

To discharge its responsibilities, Internal Audit requires the authority to:

- a) enter at all reasonable times any Council controlled premises or land;
- b) access, examine and retain for such period as may be necessary all records, documents and correspondence relating to all financial and other transactions of the Council;
- c) require and receive explanations as are necessary concerning any matter under examination;

- d) require any employee or member of the Council to present cash, stores or any other Council property under their control; and
- e) access all IT systems.

The above access should be granted on demand and not subject to prior notice, and it extends to partner bodies or external contractors working on behalf of the Council.

Fraud and Corruption

Managing the risk of fraud and corruption is the responsibility of management. Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected. Internal Audit does not have responsibility for the prevention and detection of fraud and corruption. Internal Auditors will, however be alert in all their works to the risks and exposures that could allow fraud or corruption. Internal Audit may be requested by management to assist with fraud related work.

Consultancy Services

Internal Audit will conduct consultancy services as part of its routine activities and in response to requests by management. The categories of consultancy services include:

- a) Formal consulting engagements – planned and subject to written agreement.
- b) Informal consulting engagements – routine activities, such as, participation on limited-life projects, ad-hoc meetings and information exchange.
- c) Special consulting engagements – for example, participation on a project team to replace an IT system.
- d) Emergency consulting engagements – participation on a team established for recovery or maintenance of operations after a disaster or extraordinary business event or a team assembled to supply temporary help to meet a special request or unusual deadline.

Before undertaking any Consultancy work, the Chief Internal Auditor will assess whether Internal Audit have the appropriate skills or resources to undertake it.

Any future audit assurance work, within two years, in an area where Internal Audit has undertaken significant consulting work will be assigned to a different auditor.