

WEST SUFFOLK COUNCIL

INTERNAL AUDIT CHARTER

Introduction

Organisations in the UK public sector have historically been governed by an array of differing internal audit standards. The Public Sector Internal Audit Standards (PSIAS), which took effect from the 1st April 2013, provide a consolidated approach across the whole of the public sector enabling continuity, sound corporate governance and transparency.

The PSIAS require all internal audit activities to implement and retain an 'Internal Audit Charter'. The purpose of this Charter is to formally define internal audit's statutory role, responsibility, status and authority within West Suffolk Council.

Purpose

West Suffolk Council (management) is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the council that these arrangements are in place and operating effectively.

It is important to think of the internal auditor as the council's critical friend,

someone who can challenge current practice, champion best practice and support management in improvement, so that the council as a whole achieves its strategic outcomes, priorities and objectives.

This is achieved through internal audit providing a combination of assurance and consulting activities. The role of internal audit is best summarised through its mandatory definition within the PSIAS, 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'.

The Standards also define internal audit's 'Mission', i.e. what it aspires to accomplish within an organisation, as being: 'To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.'

Authority

Internal audit's statutory authority is derived from Section 151 of the Local Government Act 1972 and the Accounts and Audit Regulations 2015.

The 2015 regulations specifically require that 'A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, and taking into account public sector internal auditing standards or guidance'.

Internal audit's role applies to all functions and services for which the council is responsible. This allows them full, free and unrestricted access to such records, assets, personnel and premises, as necessary for the proper fulfilment of their responsibilities. For those council services provided under contracts and partnership arrangements, rights of access shall be incorporated within all relevant contract or service agreement documents involving council services as appropriate.

Internal audit's rights of access are stipulated within the council's Constitution.

All employees should co-operate with internal audit in fulfilling its roles and responsibilities.

Accountability / Responsibility

The accountability for maintaining an adequate and effective system of internal audit within West Suffolk Council lies with the Assistant Director (Resources and Performance), as the authority's Chief Financial Officer (Section 151 Officer).

The Service Manager (Internal Audit) is responsible for effectively managing the internal audit activity in accordance with the PSIAS which encompass the following mandatory elements of the Institute of Internal Auditors International Professional Practices Framework: Definition of Internal Auditing, Core Principles for the Professional Practice of Internal Auditing, Code of Ethics and the International Standards, for the Professional Practice of Internal Auditing.

The PSIAS specify that the Charter must define the terms 'Board' and 'Senior Management' for the purpose of the internal audit activity. For West Suffolk Council the 'Board' is defined as the Performance and Audit Scrutiny Committee while 'Senior Management' is the Leadership Team.

In order for internal audit to maintain its independence and thereby provide an independent and objective opinion, there are a number of areas in which internal audit should not, and does not, have responsibility, including:

- ❖ operational responsibilities
- ❖ decision making within the organisation, including authorising transactions
- ❖ implementing internal audit recommendations or ensuring that these are implemented

Scope of Internal Audit Activities

Area	Specific Responsibilities
Assurance	<p>The profession of internal audit is fundamentally concerned with evaluating an organisation's management of risk. The key to an organisation's success is to manage those risks effectively, as stakeholders demand.</p> <p>The primary role of the internal auditor is to provide independent, objective assurance to members and management that key risks are being managed effectively. To do this, the internal auditor will evaluate the quality of risk management processes, systems of internal control and corporate governance processes, across all parts of the council, taking into consideration other relevant internal and external assurance providers, and provide an annual opinion on the effectiveness of these arrangements. This opinion supports the council's Annual Governance Statement.</p>
Consultancy	<p>The internal audit team also undertakes consultancy style work at the request of management, ranging from general financial advice, providing advice on implementing new systems and controls, to involvement in major council initiatives and projects.</p> <p>Due to internal audit's knowledge of the council's systems and processes they are well placed to provide risk and control advice and support to managers on potential implications of changes to policy, process and / or systems. The provision of such advice does not prejudice internal audit's right to evaluate the established systems and controls at a later date.</p> <p>The Service Manager (Internal Audit) will ensure that before any consultancy work is agreed, internal audit staff have the appropriate skills and resources to undertake that work. Every effort will be made to ensure appropriate safeguards are in place so as not to prejudice the scope, objectivity and quality in areas subject to future assurance activity. This may include assigning this work, as far as possible and for a reasonable period of time, to a different internal auditor to that carrying out the initial consultancy work, as appropriate.</p>

	<p>Any significant consulting style work not already included in the audit plan and which might affect the level of assurance work undertaken will be reported to the Performance and Audit Scrutiny Committee.</p>
<p>Fraud, Corruption and Bribery</p>	<p>Managing the risk of fraud, corruption and bribery is the responsibility of management. Internal audit will assist management in the effective discharge of this responsibility, including investigating suspected frauds and irregularities where appropriate.</p> <p>Audit procedures alone, even when performed with due professional care cannot guarantee that fraud, corruption and bribery will be detected. Internal audit does not have responsibility for the prevention or detection of fraud, corruption or bribery. Internal auditors will, however, be alert in all their work to risks and exposures that could allow fraud, corruption or bribery.</p> <p>The Service Manager (Internal Audit) must be informed of all suspected or detected fraud, corruption or improprieties so they may be considered in terms of the adequacy of the relevant internal controls, and evaluated for the annual opinion on the control environment. All cases will be dealt with in accordance with the council's Constitution, the Anti-Fraud and Anti-Corruption Policy, and the Whistleblowing Policy.</p> <p>The National Fraud Initiative is a data matching exercise that is designed to help participating bodies to detect fraudulent and erroneous payments from the public purse. Internal audit co-ordinates the council's involvement in this initiative.</p>
<p>Other Activities</p>	<p>Internal audit may also undertake:</p> <ul style="list-style-type: none"> ✓ financial due diligence work, including assessments of organisations' financial suitability to undertake specified contracts for the council; and ✓ work for new customers by extending its services to third parties including other local authorities and other organisations. If assurances are to be provided to parties outside the organisation this will be agreed between the relevant parties, and may include providing an audit opinion on the area under review.

Relationships

To ensure internal audit resources are focused on areas where they can add maximum value, it is essential that internal audit understands the council's needs, which means developing relationships with key stakeholders, in order to gather ongoing intelligence and gain a crucial insight into the operational and strategic change agendas across the council.

Internal audit is involved in a wide range of relationships and the quality of these relationships will impact on the quality of the internal audit function and the effective delivery of that function.

Internal audit will maintain effective relationships with management. Regular meetings will be held with the Assistant Director (Resources and Performance) as the council's Section 151 Officer, and senior management (Leadership Team) will be consulted in the annual audit planning process. Timing of audit work will be agreed in conjunction with management.

The Service Manager (Internal Audit) will also maintain an effective working relationship with members, in particular members of the audit committee (the 'Board'). The annual Internal Audit Plan will be formulated in consultation with the audit committee, and be approved by them around the start of the financial

year. The Service Manager (Internal Audit) will have the opportunity to meet with the Chair of the audit committee if desired.

Internal audit and external audit will establish a relationship where they may seek to rely on, or take into account, each other's work, subject to the limits determined by their responsibilities - whereas internal audit's aim is to assist management, the external auditors provide an independent opinion on the annual financial statements. The Service Manager (Internal Audit) will consult with the external auditors when drawing up the annual audit plan.

Internal audit will also take account of the results and reports from any external inspections when planning and undertaking internal audit work.

Where it is necessary for internal audit to work with internal auditors of another local authority, the roles and responsibilities of each will be agreed with the necessary safeguards put in place to ensure they are clearly defined and understood.

Internal Audit Planning

The Service Manager (Internal Audit) will produce an annual risk based Internal Audit Plan to determine the priorities of the internal audit activity. The Audit Plan is submitted to senior management and the audit committee for consideration and approval. The plan will be kept under review to ensure it remains responsive to changing priorities and risks of the council, any significant deviation from the approved plan will be communicated to senior management and the audit committee.

The Service Manager (Internal Audit) will share information and coordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimise duplication of efforts.

Therefore, where services and other activities for which the council is responsible or accountable are delivered through partnership or contract, an assessment will be made as to whether internal audit staff will undertake assurance work themselves, or may rely on the assurance provided by other auditors where this is already in existence.

At the end of the financial year the Service Manager (Internal Audit) is required to give an annual opinion on the effectiveness of the whole of the council's internal control system, and the extent to which the council can rely on it.

The audit committee will consider the findings of the review and whether an effective internal control system has been established and is being maintained. Internal audit is one of the principal ways in which the audit committee can gain assurance on the effectiveness of the control environment, which comprises of risk management, controls and governance.

Reporting and Monitoring

Internal audit is part of the Resources and Performance Service. The Service Manager (Internal Audit) reports to the Assistant Director (Resources and Performance) as the council's Section 151 Officer but has free and unfettered access to the Chief Executive, Directors, and the Chair of the audit committee and reports in his own name.

The appointment, removal and remuneration of the Service Manager (Internal Audit) is the decision of officers. Such decisions will, however, be reported to Leadership Team and the Performance and Audit Scrutiny Committee, who may request a direct consultation with the Service Manager (Internal Audit) or the Assistant Director (Resources and Performance).

All audit activity is intended to assist management to fulfil their objectives of delivering services and contributing to the overall objectives of the council. Outputs from audit work can range from informal advice to formal written reports.

The Accounts and Audit (England) Regulations 2015 require that the council conduct an annual review of the effectiveness of their system of internal control and produce an Annual Governance Statement.

encourage management to take prompt action where control weaknesses have been identified (a responsible owner is detailed for each action as well as a target date for completion).

Management are encouraged to give responses to actions, in the unlikely event that an action cannot be agreed, this will be recorded in the action plan with the risk highlighted.

Recommendations made within audit reports will be 'tracked and followed up' in order to ascertain whether agreed actions have been implemented.

Progress reports of work undertaken, including a summary of key audit findings, will be provided regularly to the council's audit committee. The end of year report will provide a summary of the work of internal audit during the whole year, information on the performance of the section, and an opinion from the Service Manager (Internal Audit) on the standard of internal control and probity within the council. This is timed to support the annual review of corporate governance and the production of the Annual Governance Statement.

The Service Manager (Internal Audit) will also ensure that the Chief Executive and Chair of the audit committee is advised in circumstances where internal audit investigations, reviews, and reports reveal fundamental weaknesses within the organisation, or are relevant

Accountability for the response to the advice and recommendations made by internal audit lies with management, who

Formal reports will communicate the findings of each audit review and

in any way to the duties of the Chief Executive.

Independence, Objectivity and Accountability

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. Should staff managed by the Service Manager (Internal Audit), or the Service Manager (Internal Audit) himself, have operational responsibilities this, including any impacts on independence or objectivity, would be reported to Leadership Team and the audit committee.

The Service Manager (Internal Audit) has direct, unrestricted access and freedom to report in his own name and without fear or favour to senior management and members of the audit committee.

Internal audit must be free from interference in determining the scope of internal auditing, performing work and communicating results. There must be no compromise regarding the ability of Internal Audit to provide an independent assurance on the internal control framework.

The four principles are Integrity, Objectivity, Confidentiality and Competency.

either accepts and implements the advice or formally rejects it.

Core Principles

The Core Principles for the Professional Practice of Internal Auditing, as set out in the PSIAS, taken as a whole, are mandatory and articulate internal audit effectiveness. For an internal audit function to be considered effective all of these Principles should be present and operating effectively for both internal auditors and the audit service as a whole:

- Demonstrates integrity;
- Demonstrates competence and due professional care;
- Is objective and free from undue influence (independent);
- Aligns with the strategies, objectives and risks of the organisation;
- Is appropriately positioned and adequately resourced;
- Demonstrates quality and continuous improvement;
- Communicates effectively;
- Provides risk-based assurance;
- Is insightful, proactive; and future focused; and
- Promotes organisational improvement.

These attributes should be demonstrated by audit staff and the service at all times, through their work, reporting and culture.

Code of Ethics

Integrity

The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement.

Objectivity

Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements.

Confidentiality

Internal auditors must respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal obligation to do so.

Competency

Internal auditors must apply the knowledge, skills and experience needed in the performance of internal auditing services.

The council has adopted the mandatory PSIAS Code of Ethics. The PSIAS sets out a Code of Ethics around four principles which internal audit will adhere to.

Allocation of Resources and Skills Required

The Internal audit service is provided in-house by West Suffolk Council. It also works in partnership with other Suffolk councils, both county and districts, with the aim of reducing costs and maximising quality by for example sharing best practice and joint provision of training courses.

Internal audit must be appropriately staffed in terms of numbers, grades, qualification levels and experience, having regard to its objectives and professional standards. If a situation arises whereby the Service Manager (Internal Audit) concludes that resources are insufficient he must formally report this to the Section 151 Officer, Chief Executive, and, if the position is not resolved, to the audit committee as appropriate.

Internal auditors need to be properly trained to fulfil their responsibilities and should maintain their professional competence through an appropriate ongoing development programme.

The Service Manager (Internal Audit) is responsible for appointing the staff of the internal audit team and will ensure that appointments are made in order to achieve the appropriate mix of qualifications, experience and audit skills.

with the Definition of Internal Auditing and the Standards to be evaluated, including whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness

Where new colleagues join internal audit from a different part of the council, they would not complete audit work in their previous area of responsibility for a period of at least 1 year.

The training and personal development needs of internal audit staff are identified through a review process and it is the responsibility of the Service Manager (Internal Audit) to ensure that staff receive the appropriate professional, technical and personal development training.

Quality Assurance and Improvement Programme

Internal audit operates in accordance with standards of good practice applicable to internal audit to ensure that a continuously effective level of performance is maintained. The PSIAS require that internal audit is subject to a quality assurance and improvement programme that should include both internal and external assessments.

The Service Manager (Internal Audit) has developed and implemented a quality assurance and improvement programme that covers all aspects of the internal audit activity, and enables conformance

Conclusion

This Charter describes the purpose, mission, authority and principal

of the internal audit activity and identifies opportunities for improvement.

Internal review of work standards will be undertaken through a system of managerial review involving the Service Manager (Internal Audit). This will incorporate a review of audit working papers and reports prior to issue and agreement of such reports with relevant management.

Opinions will be canvassed from management responsible for activities under review to obtain their satisfaction with the internal audit service provided.

Performance indicators have been developed and agreed with senior management and the audit committee to monitor and evaluate the quality of the service provided.

External audit considers the work of the internal audit team annually to further inform its own view of the control environment.

The Service Manager (Internal Audit) will communicate to senior management and the audit committee at least annually on internal audit's quality assurance and improvement programme, including results of ongoing internal assessments and any external assessments conducted as applicable. Progress against any improvement plans agreed following external assessment, will be reported in the Internal Audit Annual Report.

responsibilities of the internal audit service for West Suffolk. It is important that it is publicised and that the role of internal audit is understood.

Internal audit needs to be able to react and adapt to the changes which are taking place locally and nationally. It is therefore important that the Charter is reviewed regularly to ensure that it is relevant to the demands and responsibilities of the service and to the strategic priorities of the council.

The Internal Audit Charter will be reviewed each year to confirm it remains accurate and up to date; any significant and necessary changes will be reported to senior management and the audit committee.

Key Contact

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