

## Internal Audit Charter – 1<sup>st</sup> April 2017 – 31<sup>st</sup> March 2018

### 1. Introduction

- 1.1 This charter defines for the Council and the community internal audit activity's purpose, authority and responsibilities consistent with the requirements of the Public Sector Internal Audit Standards (PSIAS)<sup>1</sup> and the Council.
- 1.2 This charter will be approved by the Audit Committee, after consultation with senior management<sup>2</sup> and will be reviewed annually.

### 2. Internal Audit Purpose and Responsibilities

#### 2.1 Internal Audit Purpose

- 2.1.1 The Internal Audit, Information Governance (IG), Insurance & Investigations Services Team is led by the Internal Audit, IG, Insurance & Investigations Service Delivery Manager. The team supports the Co-operative Council in the delivery of services to the community to help improve their quality of life and the promotion of Telford & Wrekin as a place of partnership, enterprise and innovation. The team supports the whole Council to deliver economic, efficient and effective services<sup>3</sup> and achieve the Council's vision, priorities, "Being the Change" and values.

#### 2.2 Internal Audit Objectives

- 2.2.1 To review the effectiveness of the governance, risk management and control processes of the Council to aid improvement, provide a level of assurance and an opinion on them to the Council.
- 2.2.2 To provide a respected, cost effective, objective and quality internal audit service including the provision of advice and guidance to assist our customers to meet their objectives and improve their services, including the rationalisation of controls, where appropriate.
- 2.2.3 To deliver value adding internal audit activity whilst meeting the requirements of the Public Sector Internal Audit Standards (PSIAS) including the Code of Ethics (especially objectivity and integrity) and the Core Principles for the Professional Practice of Internal Auditing (see ANNEX I).
- 2.2.4 To work with the external auditor and other assurance bodies to provide the most effective internal audit service.
- 2.2.5 To value and continuously develop the team.

#### 2.3 Internal Audit Responsibilities

- 2.3.1 To undertake the statutory Section 151 audit for the Chief Financial Officer (CFO), in line with the Accounts and Audit Regulations 2015.
- 2.3.2 To deliver the Council's risk based annual audit plan taking into account the Accounts and Audit Regulations 2015, the management of risk, senior management consultations, internal and external intelligence, comments from the Audit Committee and any requirements of the External Auditor. The plan is reviewed and amended, if required. Any significant changes are reported to senior management and the Audit Committee.
- 2.3.3 To ensure that there are sufficient resources to deliver the statutory requirements and plan above and to report any potential concerns to the CFO, MO and Audit Committee.
- 2.3.4 To operate as an independent, objective assurance function designed to add value and improve the effectiveness of the governance, risk management and control processes of the Council. The independent assurance work may include financial, performance, compliance, system security and information governance assignments.
- 2.3.5 Internal Audit does not undertake any individual consultancy assignments.

<sup>1</sup> PSIAS apply the IIA International Standards to the UK Public Sector and have been endorsed as proper practice by CIPFA the Internal Audit standard setters for Local Government.

<sup>2</sup> Senior management is the Senior Management Team comprising the following officers - Managing Director, Directors and Assistant Directors.

<sup>3</sup> By providing advice and guidance on the management of risks, controls and governance processes in service delivery and by supporting service reviews, restructures and reducing bureaucracy

- 2.3.6 To ensure audit assignments are delivered to measure the effectiveness of risk management at a local level.
- 2.3.7 To appropriately manage any potential conflicts of interest in the delivery of internal audit activities and non-audit activities and to periodically rotate the annual audit work between staff.
- 2.3.8 To provide clear, objective and concise internal audit reports to support management in implementing recommendations to improve services and risk management, control and governance processes.
- 2.3.9 To provide responsive, challenging and informative advice and support on risk management, controls and governance to management.
- 2.3.10 To report to the Audit Committee<sup>4</sup> as defined in their terms of reference.
- 2.3.11 To develop and maintain a quality assurance and improvement programme covering all aspects of the internal audit activity.
- 2.3.12 To arrange at least once every 5 years an external assessment of internal audit by an appropriate person<sup>5</sup> from outside the Council. The timing, form of the assessment and the results will be agreed with and reported to the Audit Committee.
- 2.3.13 To investigate cases of suspected financial irregularity, fraud or corruption, except council tax support fraud investigations, in accordance with agreed procedures.
- 2.1.14 To provide appropriate assurance to relevant parties external to the Council.

## **2.4 Internal Audit Authority**

- 2.4.1 The Internal Audit, IG, Insurance & Investigations Service Delivery Manager is the Council's Chief Audit Executive as defined in the PSIAS.
- 2.4.2 The Internal Audit, IG, Insurance & Investigations Service Delivery Manager is line managed by the Council's Monitoring Officer but has unfettered access to the Managing Director, the CFO and all senior managers within the Council.
- 2.4.3 The Internal Audit, IG, Insurance & Investigations Service Delivery Manager has responsibility for non-audit services including Information Governance, Insurance Services and the Corporate Investigations Team. The Internal Audit, IG, Insurance & Investigations Service Delivery Manager will communicate any further changes to their scope of responsibility in terms of non-audit functions to the Audit Committee prior to commencement of any such functions. In order to avoid/manage any potential conflicts in respect to the audit of the Information Governance and Insurance functions (and any other future additional functions) the external contractor personnel are used to undertake this work and in addition to standard quality review the results and responses are overseen by the CFO in addition to the Monitoring Officer.
- 2.4.4 The Internal Audit, IG, Insurance & Investigations Service Delivery Manager reports to the Audit Committee but also has unfettered access to the Chair of the Audit Committee, the Leader as Cabinet lead for Governance, other Cabinet Executives and the External Auditor.
- 2.4.5 In order for Internal Audit officers to be independent and objective whilst undertaking Internal Audit activity they have the authority to:
  - enter at all reasonable times any Council premises or land;
  - have access to all Council and partner records<sup>6</sup>, documentation and correspondence relating to any financial and/or other transactions or other business of the Council, its employees or members, as considered necessary by the CFO, Monitoring Officer or Internal Audit, IG, Insurance & Investigations Services Delivery Manager;
  - have access to records belonging to third parties such as contractors or partners when required;
  - require and receive such explanations as are regarded necessary concerning any matter under examination from any employee, member, partner or third party; and
  - require any employee or member of the Council or any partner/third party to account for cash, stores or any other Council property which is under his/her control or possession on behalf of the Council.

<sup>4</sup> The Audit Committee is the Board as defined in the Public Sector Internal Audit Standards

<sup>5</sup> Qualified, independent assessor or assessment team

<sup>6</sup> Records include business e-mail and internet records

## **2.5 How the Internal Audit, IG, Insurance & Investigations Service Delivery Manager will form and evidence her opinion on the control environment to support the Annual Governance Statement.**

2.5.1 The Internal Audit, IG, Insurance & Investigations Service Delivery Manager prepares an annual audit plan. Internal Audit planning is informed and influenced by the Council's vision, priorities, "Being the Change" and values, the strategic risk register, the requirements of the External Auditor, previous Internal Audit work, external networking intelligence, discussions with the CFO and consultations with the Council's service area management teams and senior management.

2.5.2 The audit plan outlines the work assignments to be carried out, the resources allocated and the Council priority/ priorities and "Being the Change" aims they contributes to. The plan is flexible in order to reflect the changing needs and priorities of the organisation. Work is carried out by the audit team in accordance with the Standards using a risk based audit methodology and each Internal Audit report provides an opinion on the area reviewed.

## **2.6 How Internal Audits work will identify and address significant local and national issues and risks**

2.6.1 The Internal Audit, IG, Insurance & Investigations Manager has quarterly meetings with the Managing Director and CFO. Senior audit staff meet with Assistant Directors and their management teams as required to identify any local and national issues and risks, changes in the service area, and any new areas that require input from Internal Audit.

2.6.2 Employees within Internal Audit have access to the CIPFA Audit Panel, West Midlands Internal Audit Groups (including Fraud, Contract and Education sub-groups) and other CPD/networking events through Chartered Institute of Public Finance Accountants and the Chartered Institute of Internal Auditors. These support continued professional development and help to identify any issues that may affect the delivery of internal audit services.

## **2.7 Internal Audit Resources**

2.7.1 For 2017/18 the Internal Audit team has a resource of 3.98 full time equivalent (fte) employed staff plus at least 50% of the Internal Audit, IG, Insurance & Investigations Service Delivery Manager. In addition there is an external contract<sup>7</sup> which will deliver around 50 days of specialist IT or general audit work.

2.7.2 The budget for Internal Audit<sup>8</sup> is approved by the Council as part of the annual service and financial planning strategy following consideration by senior management, Scrutiny and the Cabinet.

## **2.8 Internal Audit and the Audit Committee**

2.8.1 Internal Audit will report to the Audit Committee on the following:

- a) Approval of the Internal Audit Charter;
- b) Approval of the risk based Internal Audit Plan;
- c) Quarterly update reports on Internal Audit activity and performance against the plan;
- d) An annual report containing an opinion to inform the Annual Governance Statement; and
- e) Any concerns in respect to Internal Audit resources and the level of assurance that can be provided.

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<sup>7</sup> This has been procured through a framework agreement with Staffordshire County Council, Shropshire Council and Worcestershire County Council for the provision of general and specialist IT audit work.

<sup>8</sup> Including the remuneration of the Audit & IG Manager.

## Public Sector Internal Audit Standards

**MISSION OF INTERNAL AUDITING:** To enhance and protect organisational value by providing value added, risk-based and objective assurance, advice and insight.

### The definition of Internal Auditing within the Standards is:

*Internal Auditing is 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.*

### Code of Ethics - Summary

Internal auditors in UK public sector organisations must conform to the Code of Ethics within the Standards. If individual internal auditors have membership of another professional body then he or she must also comply with the relevant requirements of that organisation.

There are 4 principles in the code of ethics:

- 1) Integrity – The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement.
- 2) Objectivity – Internal auditors 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.
- 3) Confidentiality – Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.
- 4) Competency – Internal auditors apply the knowledge, skills and experience needed in the performance of internal audit services.

All public sector officials including internal auditors must also have regard to the Committee on Standards of Public Life's *Seven Principles of Public Life*.<sup>9</sup>

## Internal Auditing Professional Practices Framework

### Core Principles for the Professional Practice of Internal Auditing

1. Demonstrates integrity.
2. Demonstrates competence and due professional care.
3. Is objective and free from undue influence (independent).
4. Aligns with the strategies, objectives, and risks of the organization.
5. Is appropriately positioned and adequately resourced.
6. Demonstrates quality and continuous improvement.
7. Communicates effectively.
8. Provides risk-based assurance.
9. Is insightful, proactive, and future-focused.
10. Promotes organisational improvement

**Council's values:** – Ownership – Openness & Honesty – Involvement – Fairness & Respect

<sup>9</sup> Information can be found at [www.public-standards.gov.uk](http://www.public-standards.gov.uk)