

INTERNAL AUDIT CHARTER

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INTRODUCTION

The work of Internal Audit at Bury Council is governed by the UK Public Sector Internal Audit Standards (PSIAS) from 1st April 2013. The Standards comprise a revised definition of Internal Auditing, a Code of Ethics for Internal Auditors working in the Public Sector and the Standards themselves. The Standards are mandatory for all internal auditors working in the UK public sector.

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.

The Public Sector Internal Audit Standards require that the internal audit charter defines the terms 'board' and 'senior management' in relation to the work of internal audit. For the purposes of internal audit work, the 'board' refers to the Council's Audit Committee which has delegated responsibility for overseeing the work of internal audit. The term senior management will be defined on an individual basis according to individual context.

PURPOSE

Internal Audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment, comprising risk management, control and governance, by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

OBJECTIVES

The Head of Internal Audit will be required to manage the provision of a complete audit service to the Authority which will include systems, regularity, computer and contract audit. In discharging this duty the Head of Internal Audit will prepare a rolling strategic plan and an annual plan.

The primary task of Internal Audit is to review the systems of internal control operating throughout the Authority, and will predominantly operate a systems-based approach to audit, incorporating the various recognised elements of audit work, including:-

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- **Systems Audit**
Examining and recording the Council's main systems, both financial and non-financial, and comparing the various controls with those which would normally be expected.
- **Regularity Audit**
Testing transactions, to ensure that statutory regulations and any rules or decisions of the Council have been complied with. In doing so, auditors are required to respond to any signs of fraud or irregularity.
- **Consultancy/Value for Money**
Aiming to utilise the wide experience acquired by auditors in examining all of the Council's systems and in visiting all of its Establishments. In carrying out this work auditors will expect to work with you and your staff and be responsive to your needs as our clients. The overriding consideration will be to ensure that the Council secures Economy, Efficiency and Effectiveness, in the employment of its resources.
- **Special Investigations**
To be conducted when any kind of irregularity is discovered, suspected, or reported.
- **Establishment Audits**
Visiting all your Establishments, using a combination of the auditing techniques described.
- **Specialist Audits**
Contracts and computer audits.
- **Control Self Assessment –**
Line managers and staff in reviewing existing controls for adequacy.

Internal Audit may undertake consultancy work in addition to its primary assurance role. The scope of any consultancy work will be agreed with management and will only be undertaken where resources permit without impacting upon the annual assurance process. In line with PSIAS, approval will be sought from the Audit Committee before any significant unplanned consultancy work is accepted.

RESPONSIBILITIES

The main areas of Internal Audit responsibility within the Authority are to:-

- Review, appraise and report on:-
 - the soundness, adequacy and application of internal controls;
 - the suitability and reliability of financial and other management data, including aspects of performance measurement;
 - the extent to which the assets and interests are accounted for and safeguarded from loss.
- Support and encourage improvements in the efficiency, economy and effectiveness of services.

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- Assessing matters of potential fraud or irregularity in line with the requirement of the Council's Anti-Fraud & Corruption Strategy.
- Advise on internal control and risk implications of enhancements to existing or new systems.

The Head of Internal Audit is responsible for:

- Developing an annual audit plan based on an understanding of the significant risks to which the organisation is exposed.
- The management of the provision of a complete professional internal audit service to the Authority that is compliant with the Public Sector Internal Audit Standards.
- The monitoring and reporting of the performance of the Internal Audit service in accordance with the documented Internal Audit Performance Management Framework.
- The production and reporting of an annual audit opinion based on the outcomes of internal audit work conducted throughout the year.
- Providing advice and guidance on risks and the application and development of internal controls.
- The fostering of good working relationships with External Audit with an aim to achieving mutual recognition and respect, leading to a joint improvement in performance and the avoidance of unnecessary overlapping of work.

INDEPENDENCE

Internal Audit is independent of all of the activities of the Council to ensure it is able to appraise the Authority's governance, risks and internal control systems in the impartial and unbiased manner essential to the proper conduct of audits.

To ensure this independence, Internal Audit operates within a framework that allows unfettered access to all council officers, senior management and elected Members. As such, all Internal Audit staff have the right to all documentation held by the Council and to seek explanations as they see necessary to effectively discharge their duties, from all officers and Elected Members of the Council.

The Head of Internal Audit will report in his / her own name to officers and Elected Members, particularly those charged with governance. The work of Internal Audit will only be reported in accordance with the direction and agreement of the Head of Internal Audit.

Where internal audit staff have a perceived conflict of interest in undertaking a particular piece of work, this will be managed through the internal audit management and supervisory process. Staff are required to declare any potential conflict of interest when they are assigned a particular audit review and the work will then be reassigned to another auditor.

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SCOPE

The Internal Audit Section maintains an independent, objective approach to its work.

The scope of Internal Audit allows for unrestricted coverage of the Authority's activities, and unrestricted access to records and assets deemed necessary by auditors in the course of an audit. In addition, the Head of Internal Audit will have direct access to:-

- The Audit Committee;
- The Chief Executive;
- Members of the Council;
- Individual Chief Officers;
- Employees of the Council;
- The Council's External Auditors

STATUS

Internal Audit is situated within the Resource Division of the Chief Executive's Department. The Head of Internal Audit reports directly to the Assistant Director of Resources (Finance & Efficiency).

STANDARDS

Internal Audit work will be carried out in accordance with the Public Sector Internal Audit Standards, which has been adopted by the Council. Internal Audit will endeavour to comply with perceived "best practice" at all times.

PLANNING

Audit planning will be based upon a risk evaluation of all the Council's functions and services (the audit universe) to obtain a comprehensive record of its activities. A three year rolling plan will be produced, and will form the basis of an Annual Plan.

Plans will be produced after consultation with senior management, and will be presented to the Audit Committee.

Close working with the Council's external auditors is essential, and regular joint planning and consultation meetings will be held.

REPORTING

The Head of Internal Audit reports operationally to the Assistant Director of Resources (Finance & Efficiency) and Section 151 Officer; and functionally to the Executive Director of Resources. This ensures that the Head of Internal Audit is independent of any of the services, systems and processes that may be the subject of internal audit review.

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The work of Internal Audit is reported to the Chief Executive and the Audit Committee. The Head of Internal Audit also has direct access to the Chairperson of the Audit Committee if required.

On completion of an audit, discussions will take place with the appropriate officer and a draft report prepared. There will then be an opportunity for further discussion on the draft report. A final report will then be issued inviting a response, which will include an action plan to address the recommendations. A copy of the report, together with the response will be sent to :-

Chief Executive
Leader of the Council
Leader of the largest minority party
Chair of the relevant Scrutiny Committee
The relevant Executive or Cabinet Member
Members of the Audit Committee

The activities of Internal Audit, and the issue and progress of audit reports, will be reported quarterly to the Audit Committee.

ETHICS

The Public Sector Internal Audit Standards contain a Code of Ethics which is mandatory for all internal auditors in the public sector. In addition, individual staff are also required to adhere to the Codes of Ethics of their professional bodies where appropriate.

Internal Audit has adopted the PSIAS Code of Ethics to replace the previous internal Code. Staff will be reminded of the need to comply with the Code on an annual basis.

RESOURCES AND STAFFING

The Section must be appropriately staffed in terms of numbers, grades, qualification and experience, having regard to its objectives and standards.

Leadership will be provided by qualified accountants experienced in the field of audit, and support will be provided by qualified accounting technicians or trainees preparing to become accountants or technicians.

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

The Head of Internal Audit is responsible for appointing Internal Audit staff and will ensure that appointments are made to achieve the correct mix of qualifications, experience and audit skills.

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So far as is practicable, Audit staff will not participate in the day to day operation of any system of internal control. However, members of Internal Audit will be expected to contribute to the general management and conduct of business through membership of working groups.