



St. Helens Council

# Internal Audit Charter

Version Control: 1.4  
Status: **Current**  
Date: May 2019  
Approved: 30<sup>th</sup> May 2019  
Review Date: May 2020



## St. Helens Council

### **1.0 Introduction**

- 1.1 Internal Audit is a statutory function as defined by the Accounts and Audit Regulations 2015 which state:
- “A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”*
- 1.2 The Public Sector Internal Audit Standards (PSIAS) (Revised March 2017), combine best practice as defined by CIPFA and the Chartered Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF).
- 1.3 The Standards comprise a mission and 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.

### **2.0 Mission of Internal Audit**

- 2.1 The Public Sector Internal Audit Standards define the Mission of Internal Audit as follows:
- ‘To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.’*

### **3.0 Definition**

- 3.1 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.
- 3.2 In undertaking this role Internal Audit satisfies the statutory duties of the Council’s Section 151 Officer (Local Government Act 1972) and the Accounts and Audit Regulations 2015.
- 3.3 The Deputy Director (Finance and Human Resources) fulfils the Chief Internal Auditor role as defined by the PSIAS.
- 3.4 Within the PSIAS there is also a requirement to define the following terms in respect of the Audit function:
- The Board*
- For the purposes of internal audit, the ‘Board’ refers to the Audit and Governance Committee. The Board provides an independent review of the audit, assurance and reporting arrangements that underpin good governance and financial standards.

### *Senior Management*

The Council's Senior Management Team consists of the Chief Executive (Head of Paid Service) and the Strategic Directors.

### *Statutory Officers*

The Council's statutory officers include the Head of Paid Service, the Section 151 Officer (Strategic Director Corporate Services) and the Monitoring Officer (Deputy Director – Legal and Governance)

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

- 4.1 The PSIAS outline 10 core principles for the provision of an effective internal audit: -
- 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
  - Promotes organisational improvement

## **5.0 Responsibilities**

- 5.1 Internal Audit is responsible for establishing procedures and applying the required resources to ensure that the Service conforms with the Definition of Internal Audit and the PSIAS. All members of the Internal Audit Team must demonstrate conformance with the Code of Ethics contained within the PSIAS and the Code of Ethics of their professional bodies, where appropriate.
- 5.2 The Chief Internal Auditor must deliver an annual internal audit opinion and report that can be used by the Council to inform its Annual Governance Statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control processes. This is the 'assurance role' for internal audit.
- 5.3 Internal Audit may also provide an independent and objective consultancy service, which is advisory in nature and generally undertaken at the specific request of senior management. The aim of the consultancy service is to help line management improve the Council's risk management, governance and internal control.
- 5.4 The Section 151 Officer (Strategic Director of Corporate Services) is required to ensure that appropriate arrangements are in place for the provision of an internal audit service. This includes the formal adoption of this Charter by the Board.
- 5.5 The Council will ensure that it has taken all necessary steps to provide Internal Audit with information on its objectives, risks and controls to allow the proper execution of the audit

strategy and adherence to internal audit standards. This will include notifying Internal Audit of any significant changes in key control systems which may affect the Audit Plan.

- 5.6 Management have a responsibility to respond promptly to audit plans, reports and recommendations.
- 5.7 Responsibility for the implementation of agreed audit recommendations rests with management and is monitored by Internal Audit and reported bi-annually to the Audit and Financial Monitoring Overview and Scrutiny Panel.
- 5.8 It is the responsibility of senior management to immediately inform the Strategic Director of Corporate Services if they become aware of, or suspect, any matter that may indicate fraud, corruption or impropriety.
- 5.9 The Primary Assurance Group (PAG) is responsible for evaluating the Council's internal control and governance framework, identifying any significant control issues that have implications for the Annual Governance Statement, considering new and emerging developments/legislation and monitoring actions for improvement.
- 5.10 Internal Audit will co-operate with and assist External Audit, which will make optimum use of the available audit resources.

## **6.0 Independence**

- 6.1 Internal Audit operates independently of all the activities within the Council to ensure that it is able to appraise the Authority's governance, risk management and internal control systems in an impartial and unbiased manner.
- 6.2 To ensure this independence, Internal Audit operates within a framework that allows 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.
- 6.3 In addition to managing the Internal Audit Team, the Deputy Director has responsibility for the management of the Finance Division of the Corporate Services Department. This includes line management responsibility for Safety and Risk Management, Scrutiny, Corporate Procurement, Information Technology, Human Resources and Communications. Arrangements have been established to mitigate any potential impairment to independence and objectivity in relation to the audit of these areas. These arrangements will involve the Audit Managers reporting the findings from these audits directly to the Strategic Director of Corporate Services without any influence by the Deputy Director.
- 6.4 All staff are required to complete and sign a Code of Ethics and Declaration of Interest Statement on an annual basis. Where internal audit staff have a perceived conflict of interest in undertaking a piece of work, this will be managed through the internal audit management and supervision process.

## **7.0 Chief Internal Auditor**

- 7.1 The Chief Internal Auditor must have sufficient skill, experience and competencies to work with senior management and the Board, to influence and inform the risk management, governance and internal control arrangements of the Council.

- 7.2 The Chief Internal Auditor is responsible for ensuring that members of the Internal Audit Team possess the appropriate knowledge, skills, qualifications and experience to deliver the audit plan and meet the requirements of the PSIAS. The Chief Internal Auditor will hold a full, professional qualification, defined as CCAB, CMIIA or equivalent professional membership and adhere to the professional values and Code of Ethics.
- 7.3 The Chief Internal Auditor reports directly to the Strategic Director of Corporate Services (Section 151 Officer). The Chief Internal Auditor, or an appropriate representative of the Internal Audit Team, shall attend meetings of the Board, unless exceptionally, the Board decides that they should be excluded from the whole meeting or for agenda items.
- 7.4 The Chief Internal Auditor shall have an independent right of access to the Chair of the Board, Head of Paid Service and Monitoring Officer.

## **8.0 Scope of Internal Audit Work**

- 8.1 The annual internal audit plan is derived from a strategic risk assessment and is prepared in consultation with Strategic Directors and presented to the Board for approval. The risk-based planning process is designed to pro-actively identify audits to address any emerging and developing risks on an ongoing and future focussed basis.
- The strategic risk assessment takes into account other assurances provided to the Council, for example from external inspections, such as OFSTED.
- 8.2 The scope of Internal Audit encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the Council's governance, risk management and internal processes and the quality of performance in carrying out assigned responsibilities to achieve its goals and objectives.
- 8.3 Internal Audit will promote and contribute to continuous ongoing improvements in systems across the Council by identifying and recommending best practice actions following audit work undertaken.
- 8.4 The Chief Internal Auditor provides the Strategic Director of Corporate Services with an objective evaluation of the effectiveness of the Council's risk management, governance and internal control arrangements.
- 8.5 The Chief Internal Auditor's opinions are a key element of the framework of assurance the Chief Executive and the Leader of the Council need to inform the completion of the Annual Governance Statement (AGS).
- 8.6 Managing the risk of fraud is the responsibility of management, however, the Section 151 Officer retains specific responsibility in relation to the detection and investigation of fraud. The Chief Internal Auditor will ensure that appropriate governance and operational arrangements are in place to counter fraud and corruption, in accordance with the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption (2014). To facilitate this, the Internal Audit Plan includes provision for fraud awareness raising and preventative work as well as undertaking investigations into suspected fraud and irregularity as they arise.
- 8.7 Where Internal Audit undertake work on behalf of other organisations this will be determined in conjunction with the organisation's Statutory Officers and Board, and reporting requirements and provision of an Audit Opinion will be specified within a Service Level Agreement.
- 8.8 The Internal Audit plan provides for consultancy work to be undertaken as part of the approved plan, in addition to an allocated contingency for any additional unplanned reviews. Consultancy work is usually at the request of management and may include for example, an

evaluation of policies, procedures, systems and operations put in place by management.

Approval would be sought from the Audit and Governance Committee for any significant consultancy work over and above the planned days, if it is deemed that undertaking this work could compromise the delivery of the agreed Audit Plan.

## **9.0 Reporting**

- 9.1 The Chief Internal Auditor will agree reporting arrangements with senior management which will include procedures for the:
- Distribution and timing of draft audit reports;
  - Managers' responsibilities in respect of responding to draft audit reports;
  - Distribution of finalised audit reports, and
  - Follow up by Internal Audit of agreed recommendations
- 9.2 The Board and the Audit & Financial Monitoring Overview & Scrutiny Panel act as a forum for the discussion of issues raised by Internal and External Audits and as a key aspect of good corporate governance by helping to raise the profile of internal control, risk management and financial reporting.
- 9.3 Internal Audit reports their findings to the Strategic Director, Senior and Assistant Director, Service Manager and Portfolio Holder responsible for the area under review.
- 9.4 The Audit & Financial Monitoring Overview & Scrutiny Panel is the method by which Internal Audit Reports are considered by Members and at which officers can be questioned as to progress in relation to agreed actions arising from Internal Audit reviews.
- 9.5 The Chief Internal Auditor will present an annual formal report to the Chief Executive, Section 151 Officer and the Board, giving an opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and internal control. The report will conform to the PSIAS and will provide a summary of the work to support the opinion and progress against planned audit work. It will be timed to support the production of the Annual Governance Statement.

## **10.0 Internal Audit Resources**

- 10.1 If the Chief Internal Auditor or the Board consider that the level of audit resources or the terms of reference in any way limit the scope of Internal Audit, or prejudice the ability of Internal Audit to deliver a service consistent with the definition of internal auditing and the PSIAS, they should advise the Chief Executive and the Section 151 Officer accordingly.

## **11.0 Quality Assurance & Improvement Programme**

- 11.1 The PSIAS require a Quality Assurance & Improvement Programme (QAIP) to be developed and maintained that covers all aspects of Internal Audit activity
- 11.2 The QAIP is designed to provide reasonable assurance to key stakeholders that Internal Audit:
- Performs its work in accordance with the Charter;
  - Operates in an effective and efficient manner;

- Is adding value and continually improving the service that is provides.

- 11.3 The QAIP conforms to the requirements of the PSIAS and provides for both internal and external assessments. Internal assessments are both ongoing and periodical, and external assessments must be undertaken at least once every five years.
- 11.4 The results will be communicated to the Board as part of the annual audit report on the Internal Audit Service.