Swindon Internal Audit Services

Internal Audit Charter

November 2016

Internal Audit Charter

Purpose

This Charter formally defines the purpose, authority and responsibility of Internal Audit within Swindon Borough Council and outlines the scope of Internal Audit's work.

The Audit Charter complies with the mandatory requirements of the Public Sector Internal Audit Standards.

Definitions

The Public Sector Internal Audit Standards sets out the requirements of a 'Board' and of 'senior management'. For the purposes of the internal audit activity within Swindon Borough Council the role of the Board within the Standards is taken by the Council's Audit Committee and senior management is the Council's Corporate Board.

Role

Internal Audit is a statutory service in the context of The Accounts and Audit Regulations 2015, which state:

5.—(1) A relevant authority must undertake an adequate and 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.

Also, The Local Government Act 1972, Section 151, requires every local authority to designate an officer to be responsible for the proper administration of its financial affairs. In Swindon Borough Council, the Director of Resources is the 'Section 151 Officer'. One of the ways in which this duty is discharged is by maintaining an adequate and effective internal audit service'.

Internal Audit is defined by the Public Sector Internal Audit Standards 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.'

Professionalism

Internal Audit will govern itself by adherence to the Institute of Internal Auditors' (IIA's) mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the Public Sector Internal Audit Standards. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing within the public sector and for evaluating the effectiveness of Internal Audit's performance.

The IIA's Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable to guide operations.

In addition, Internal Audit will adhere to Swindon Borough Council's relevant policies and procedures and the internal audit manual.

Authority

Internal Audit, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access to any and all of the organisation's records, physical properties, and personnel pertinent to carrying out any engagement.

All employees are required to assist Internal Audit in fulfilling its roles and responsibilities. This is enforced in the Accounts and Audit Regulations 2015 section 5(2) that state that:

'Any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit:

(a) make available such documents and records; and

(b) supply such information and explanations;

As are considered necessary by those conducting the internal audit.

Accountability

Internal Audit is located within the Chief Executive's Unit. The Head of Internal Audit's line manager is the Chief Executive, who will monitor the performance of the Head of Internal Audit and the audit function.

The Head of Internal Audit reports functionally to the Audit Committee on items such as:

- Approving the internal audit charter
- Approving the risk based Internal Audit plan
- Receiving reports from the Head of Internal Audit on the section's performance against the plan and other matters
- Approving the Head of Internal Audit's annual report
- Considering full internal audit reports

The Head of Internal Audit has direct access to the Chair of Audit Committee and has the opportunity to meet with the Audit Committee in private.

Responsibility of Statutory Officers in relation to Internal Audit

The Head of Paid Service (Chief Executive) will line manage the Head of Internal Audit and is therefore responsible for monitoring performance, agreeing remuneration etc. and ensuring the Head of Internal Audit's independence.

The Head of Internal Audit will provide assurance to the Section 151 Officer (Board Director: Resources) regarding the adequacy and effectiveness of the Council's financial framework, helping him meet his obligations under the Local Government Act 1972 Section 151.

The Head of Internal Audit will provide assurance to the Monitoring Officer in relation to the adequacy and effectiveness of the systems of governance within the Council helping him meet his obligations under the Local Government and Housing Act 1989 and the Council's Constitution. He will also work with the Monitoring Officer to ensure the effective implementation of the Council's Whistleblowing Policy.

Independence and objectivity

Internal Audit is independent of the activities that it audits to ensure the unbiased judgements essential to its proper conduct and impartial advice to management. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair the internal auditor's judgment.

To ensure this, Internal Audit operates within a framework that allows unrestricted access to Members and senior management, particularly the Leader of the Council (who is also Cabinet Member for Internal Audit), the Chair of the Audit Committee, the Chief Executive, the Section 151 Officer and the Monitoring Officer. Additionally the Head of Internal Audit reports in his own name. The Head of Internal Audit will confirm to the Audit Committee, at least annually, the organisational independence of the internal audit activity.

Internal Audit will remain free from interference by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

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 must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

The Head of Internal Audit will ensure that, where a member of staff moves in to the section from within the Council, they will not audit the area that they moved from for at least a period of one year. Auditors are also required to state any possible conflicts of interest at the start of each audit assignment to their manager to ensure a completely independent and unbiased audit is carried out.

Responsibility

The scope of Internal Audit encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management, and internal control processes in relation to the organisation's defined goals and objectives.

Internal Audit is responsible for evaluating all processes (not just financial) of the entity including governance and risk management processes. It also assists the Audit Committee in evaluating the quality of performance of external auditors and ensures that there is a proper degree of coordination between Internal Audit and the Council's External Auditors.

Internal Audit may perform consulting and advisory services related to governance, risk management and control as appropriate for the organisation. Approval must be sought from the Audit Committee for any significant additional consulting services not already included in the annual audit plan. It may also evaluate specific operations at the request of the Audit Committee or management, as appropriate.

Based on its activity, Internal Audit is responsible for reporting significant risk exposures and control issues identified to the Audit Committee and to senior management, including fraud risks, governance issues, and other matters needed or requested by the Audit Committee.

Internal audit plan and resources

At least annually, the Head of Internal Audit will submit to the Audit Committee a risk-based internal audit plan for review and approval. The internal audit plan will include timings as well as budget and resource requirements for the next fiscal year. The Head of Internal Audit will communicate the impact of resource limitations and significant interim changes to senior management and the Audit Committee.

Internal Audit resources must be appropriately targeted by assessing the risk, materiality and dependency of the Council's systems and processes. This assessment will include input of senior management and the Audit Committee. Any significant deviation from the approved Internal Audit plan will be communicated through the periodic activity reporting process. Any significant work for third parties should be approved by the Chair of Audit Committee.

It is a requirement of the Council's Anti-Fraud and Bribery Strategy that the Head of Internal Audit be notified of all suspected or detected fraud, corruption or impropriety. By its very nature fraud-related work is unpredictable in terms of its timing and extent. All reported irregularities will be investigated in lines with established strategies and policies. Audit resource will be allocated within the audit plan for this demand-led and variable activity based on best estimates available from previous year's work including an appropriate level of resource for national initiatives such as the Cabinet Office's Commission's National Fraud Initiative. The audit plan will also include sufficient resource to carry out proactive anti-fraud work.

The staffing structure of the section will reflect the demand upon the section. Members of the Internal Audit section will be expected to contribute to the general management and conduct of business through membership of working groups and participation in ad-hoc exercises. The Head of Internal Audit will carry out a continuous review of the development and training needs of all audit personnel and will arrange appropriate training.

Reporting and monitoring

A written report will be prepared and issued by the Head of Internal Audit or designee following the conclusion of each Internal Audit engagement and will be distributed as appropriate. Internal Audit results will also be communicated to the Audit Committee.

The Internal Audit report will include management's response and corrective action taken, or to be taken, in regard to the specific findings and recommendations. Management's response should include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented. The Head of Internal Audit will report to the Audit Committee any acceptance by management of risks that may be unacceptable to the organisation.

Internal Audit will be responsible for appropriate follow-up on engagement findings and recommendations in conjunction with relevant senior management.

The Head of Internal Audit will produce an annual audit opinion concluding on the adequacy and effectiveness of the Council's framework of governance, risk management and control. The Head of Internal Audit's opinion will contribute to the Council's review of the effectiveness of its system of internal control and the authority's annual governance statement as required under the Accounts and Audit Regulations 2015.

Provision of assurance to external organisations

Internal Audit is able to provide an internal audit or consultancy service to a number of organisations. At the commencement of each assignment the Head of Internal Audit will agree with the Client the extent of the assurance service to be provided.

Periodic assessment

The Head of Internal Audit is responsible also for providing periodically a self-assessment on the internal audit activity as regards its consistency with the Audit Charter (purpose, authority, responsibility) and performance relative to its Plan.

In addition, the Head of Internal Audit will communicate to senior management and the Audit Committee on Internal Audit's quality assurance and improvement program, including results of on-going internal assessments and external assessments conducted at least every five years.

Review

The Head of Internal Audit will be responsible for the annual review of the Charter for subsequent approval by the Council's Audit Committee.