

WEST LANCASHIRE BOROUGH COUNCIL

INTERNAL AUDIT CHARTER

INTRODUCTION

Internal Audit is an independent review function set up within the Council as a service to the Council and all levels of management. The Head of Internal Audit is responsible for the review of all aspects of risk management and control throughout the Council's activities.

It is an independent, objective assurance function designed to add value and improve the Council's operations. It helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Internal audit are governed by the Public Sector Internal Audit Standards which encompass the mandatory elements of the Institute of Internal Auditors International Professional Practices Framework including the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing.

The existence of Internal Audit does not diminish the responsibility of management to establish adequate systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner in accordance with the Scheme of Delegation and Financial Regulations.

INDEPENDENCE AND OBJECTIVITY

Internal Audit is independent of the activities which it audits to enable it to provide the objective and unbiased judgements essential to the impartial advice and assurance it provides to management.

To ensure this, Internal Audit operates in a framework that allows:

- segregation from line operations
- unrestricted access to senior management
- reporting in its own name

The internal audit activity will remain free from interference in matters of audit selection, scope, procedures, frequency, timing or report content.

Internal auditors will have no direct operational responsibility or authority over any of the activities which they audit. Accordingly they will not implement internal controls, develop procedures, install systems, prepare records or engage in any other activity that may impair the auditor's judgement.

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 judgements.

~~Every effort will be made to preserve its objectivity by ensuring that all auditors are free from any conflicts of interest and do not undertake non-audit duties, with the exception of any exigencies of the service agreed by the Audit Manager.~~

ROLE AND SCOPE OF INTERNAL AUDIT

The role of Internal Audit is to assess the Council's key risks and evaluate the adequacy and effectiveness of the system of risk management and internal control.

The main functions of Internal Audit are to review, appraise and report on:

- (a) the adequacy and effectiveness of the systems of financial, operational and management control and their operation in practice in relation to the business risks to be addressed;
- (b) the extent of compliance with, relevance of and financial effect of policies, standards, plans and procedures established by the Council and the extent of compliance with external laws and regulations, including reporting requirements of regulatory bodies;
- (c) the extent to which the assets and interests are acquired economically, used efficiently, accounted for and safeguarded from losses of all kinds arising from waste, extravagance, inefficient administration, poor value for money, fraud or other cause and that adequate business continuity plans exist;
- (d) the suitability, accuracy, reliability and integrity of financial and other management information and the means used to identify, measure, ~~class~~ classify and report such information;
- (e) the integrity of processes and systems, including those under development, to ensure that controls offer adequate protection against error, fraud and loss of all kinds; and that the process aligns with the organisation's strategic goals;
- (f) the suitability of the organisation of the units audited for carrying out their functions, and to ensure that services are provided in a way which is economical, efficient and effective;
- (g) the follow-up action taken to remedy weaknesses identified by Internal Audit review, ensuring that good practice is identified and communicated widely;
- (h) the operation of the organisation's corporate governance arrangements;

~~(f)~~ Internal audit also ——— investigate fraud and irregularities in accordance with Council procedures.

Internal Audit, therefore, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free and ~~has~~ unrestricted access to any and all of the authority's ~~activities and unrestricted access to all~~ records, physical property and ~~assets and personnel relevant to any engagement~~ it requires.

Internal Audit, through the Audit Manager, where he deems necessary, will have unrestricted access to: The Managing Directors, Members, ~~h~~ individual Chief Officers and all Authority employees and contractors. All employees are requested to assist the internal audit activity in fulfilling its roles and responsibilities.

INTERNAL AUDIT RESPONSIBILITY

The Audit Manager will be required to manage the provision of a complete Audit Service to the Authority in addition to the investigation of fraud where required. In discharge of this duty, the Audit Manager will:

- prepare a rolling five-year strategic risk-based audit plan in consultation with Heads of Service. This strategic plan will be regarded as flexible rather than as an immutable expression of audit policy,
- translate the strategic plan into annual plans based on the significant risks to which the council is foreseeably exposed for presentation to the Audit and Governance Committee for agreement approval,
- ensure a system of close supervision of audit work, and maintain a review of audit files through the supervisory structure,
- carry out a continuous review of the development and training needs of all Audit Personnel and will arrange, where appropriate, training to maintain a professional audit staff,
- ~~• ensure that all work is carried out in accordance with the relevant professional standards.~~
- prepare, for agreement with the Managing Directors and Borough Treasurer, annual reports on audit activity for presentation to the Audit and Governance Committee.

Internal Audit will liaise with the Council's External Auditors in order to optimise audit coverage from available resources.

Internal Audit may also carry out exercises in conjunction with other bodies such as other Local Authorities, the Police and ~~the Inland Revenue~~ HM Revenue & Customs etc.

Internal audit may perform consulting and advisory services related to governance, risk management and control as appropriate at the request of management.

Based on its activity, Internal Audit is responsible for reporting significant risk exposures and control issues identified to senior management and in summary to Audit and Governance Committee, including fraud risks, governance issues and other matters considered relevant by the Audit Manager.

AUDIT REPORTING

Internal audit reports regularly to management on the results of audit work which provides them with regular assessments of the adequacy and effectiveness of their systems of risk management and internal control.

All Internal Audit Reports will normally be treated as confidential unless alternative arrangements have been expressly made with the management concerned except as follows: The Audit Manager reserves the right to copy reports to the Managing Directors, the Section 151 Officer, the Monitoring Officer, the Audit & Governance Committee, the Authority's External Auditors or other appropriate external agencies as he deems appropriate.

Internal audit regularly reports the results of its work to the Audit and Governance Committee which is a subcommittee of the Council in relation to:

regular assessments of the adequacy and effectiveness of the Council's systems of risk management and internal control based on the work of internal audit

progress against the annual Internal Audit Plan

the adequacy of its resources for maintaining adequate audit coverage in accordance with statute.

The internal audit report may include management's response and corrective action taken or to be taken in regard to specific findings and recommendations. The internal audit activity will be responsible for appropriate follow-up on engagement findings and recommendations. All significant findings will remain open until cleared.

QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME.

The internal audit activity will maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity. The programme will include an evaluation of the internal audit activity's conformance with the Definition of Internal Auditing and the International Standards and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

The Audit Manager is also responsible for providing a self-assessment on the internal audit activity periodically as regards its consistency with the Audit Charter and performance relative to its plan.

In addition the Audit Manager will communicate to senior management and Audit and Governance Committee on the internal audit activity's quality assurance and improvement programme, including results of ongoing internal assessments and external assessments (to be conducted at least every five years)

Signed by:

Audit Manager
Joint Managing Directors
Chairman of the Audit Committee

RELATED DOCUMENTS

This document is one of a series that, together, constitute the policies of the Authority in relation to anti-fraud, bribery and corruption. The other documents include:

Anti-Fraud, Bribery and Corruption Policy

Whistleblowing ~~Policy~~Code

Anti-Money Laundering Policy

Officers Code of Conduct

Disciplinary Procedures