

# WEST LANCASHIRE BOROUGH COUNCIL INTERNAL AUDIT CHARTER

## Introduction

1. This charter sets out the purpose and responsibilities of the Internal Audit Service for West Lancashire Borough Council and has been prepared in accordance with Public Sector Internal Audit Standards and approved by Audit and Governance Committee.
2. The requirement for the internal audit function is set out in legislation under the Statutory Instruments; The Accounts and Audit Regulations 2015 5.—(1) 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.
3. Institute of Internal Auditors (IIA) Standards define Internal Audit as follows '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'.
4. Internal Audit work will be performed in accordance with the Public Sector Internal Audit Standards 2017 (PSIAS) and the Accounts and Audit Regulations 2015.
5. Our mission is;  
  
"To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight."
6. The Chief Executive is West Lancashire Council's most senior manager and has overall responsibility for the risk management, control and governance processes of the Council. The Chief Executive is ultimately responsible for the performance of the Council.
7. Directors and Heads of Service are responsible for ensuring that their Services' internal control arrangements are sufficient to address risks and prevent fraud in relation to the operations they are responsible for.
8. The Borough Treasurer (S151 officer) has a statutory duty under S151 of the Local Government Act (LGA) 1972 to ensure that there is a clear framework for the proper administration of the local authority' affairs. The S151 officer is required to provide assurance for systems of internal control, the risk management and governance processes, and financial management, placing reliance on internal audit work to help perform that duty.

9. The Monitoring Officer is responsible for ensuring that the Council acts and operates within the law. They have a duty to report to the whole Council if the Council has broken or may have broken the law. They have a responsibility to undertake regular reviews of the Council's Constitution. Support the Council's Audit and Governance Committee by helping to promote and maintain high standards of conduct by Council members, officers, partners and contractors. Ensuring that a register of interests for elected and co-opted members is maintained and updated.
10. The Audit and Governance Committee (which is the body defined as 'the board' in accordance with the Standards) assists chief officers in fulfilling its oversight responsibilities for the financial reporting process, ensuring that there are adequate systems of internal control, and monitor compliance with the constitution and financial regulations, and promoting effective governance and risk management. To achieve this, reliance is placed on the work of internal and external audit.
11. The Council's senior Management Team consists of the Chief Executive, Directors, Borough Solicitor and Borough Treasurer and it is this body that fulfils the role of 'Senior Management' in accordance with the Standards.
12. This charter is reviewed periodically by the Audit Manager and approved by Audit and Governance Committee.

### **Purpose**

13. Internal Audit is an independent review function that is led by the Audit Manager. Through its risk based and objective assurance the function provides confidence to officers, service heads, directors and councillors that the authorities operations are properly controlled and have effective risk management processes and procedures in place which add value to the Councils operations.
14. Where areas of weakness are identified Internal Audit will raise the findings with the service and ensure that risks are understood so that appropriate action can be taken to enhance processes, procedures and controls.
15. Internal Audit is not responsible for the control systems it audits, responsibility for effective internal control lies with the Section 151 Officer under LGA, and in accordance with the Council Constitution, Directors and Heads of Service.

### **Assurance and Consultancy**

16. Internal audits main objective is to provide assurance to Senior Management and the Audit and Governance Committee on the areas set out in paragraph 19 below. However, where appropriate the team may be asked to undertake consultancy assignments which assists management in achieving the goals of

the Council, the nature and scope of which are agreed with the client, are intended to add value and improve the Council's governance, risk management and control processes.

17. The scope of the consultancy work may include:

- Advisory;
- Assistance on assessing the risk and developing the control;
- Training.

Internal audit can give advice and assistance, however they are not responsible for implementing controls and procedures.

### **Scope and Responsibility of Internal Audit**

18. The primary role of Internal Audit is to assess the Council's key risks and evaluate the adequacy and effectiveness of the risk management, governance and internal control frameworks.

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

- (a) the adequacy and effectiveness of financial, operational and management system controls and their practical application in relation to the business risks to be addressed;
- (b) the extent of compliance with Policies, standards, plans and procedures established by the Council and within law and regulation, including reporting requirements to 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 causes 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, 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 processes align with the organisation's strategic goals;
- (f) the suitability of the authorities departments for carrying out their functions, and to ensure that services are provided in a way which is economical, efficient and effective;

(g) to confirm that action has been undertaken to remedy weaknesses identified by Internal Audit, ensuring that good practice is communicated widely;

(h) the operation of the authorities corporate governance arrangements;

20. Internal audit also investigate fraud and irregularities in accordance with Council procedures, although responsibility for preventing and detecting fraud lies with the Council's Senior Management Team and Heads of Service.

21. Internal audit must comply with the Code of Ethics for Internal Auditors and have due regard to the Committee on Standards in Public Life's '*Seven Principles of Public Life*'. Internal Audit must also comply with the following Core Principles for Internal Auditors in all aspects of their role:-

- 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 positioned appropriately and resourced adequately
- Demonstrates quality and continuous improvement
- Communicates effectively
- Provides risk-based assurance
- Is insightful, proactive, and future-focused
- Promotes organisational improvement

By achieving these principles internal audit will promote improvement throughout the Council, it will add value, and provide assurance on the control and governance processes, highlighting any weaknesses that require attention.

### **Access and Confidentiality**

22. Internal Audit, through the Audit Manager, where he deems necessary, will have unrestricted access to: The Chief Executive, Members, the Chair of the Audit and Governance Committee, individual Directors and Heads of Service, and all Authority employees and contractors. All employees are required to assist the internal audit function in fulfilling its roles and responsibilities.

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

## **Independence and Objectivity**

24. Internal Audit is independent of the activities which it audits to enable it to provide the objective and unbiased judgement essential to the impartial advice and assurance it provides to management.
25. To ensure this independence Internal Audit operates in a framework that allows:
  - segregation from line operations
  - unrestricted access to senior management
  - reporting in its own name
26. The internal audit activity will remain free from interference in matters of audit selection, scope, procedures, frequency, timing or report content.
27. 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.
28. Individual Internal Auditors will not audit any area of previous responsibility for a period of at least 12 months after the responsibility ended.
29. 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.

## **Competencies and Standards**

30. The Council has a responsibility to ensure that the audit service is adequately resourced. Whilst the Audit Manager believes he has sufficient resources to deliver the Internal Audit plan, if it is felt that the resource is inadequate, the Audit Manager will report this to the S151 officer, who then has a responsibility to report this to Audit and Governance Committee.
31. Audits must be performed with proficiency and due professional care. The audit team will be appropriately staffed with the skills, knowledge, experience and competencies to fulfil their responsibilities and objectives. If the in-house team do not have the skills to undertake a piece of work, the Audit Manager will obtain appropriately skilled resources from an external provider.
32. Internal auditors are expected to:
  - exercise objectivity, integrity and confidentiality
  - ensure that sufficient evidence is obtained to support audit findings and conclusions

- act in a professional manor

### **Scope and Responsibility of the Audit Manager**

33. The Audit Manager will be required to manage the provision of a complete Internal Audit Service to the Council 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 foreseeable risks to which the council is exposed for presentation to the Audit and Governance Committee (this is to approve but not direct)
- if requested to undertake significant additional consultancy work by a service that is not in the plan, approval should be sought by the Audit Manager from Audit and Governance Committee
- ensure a system of close supervision of audit work, and maintain a review of audit files through the overview and review process
- carry out a continuous review of the development and training needs of all audit personnel and arrange, where appropriate, training to maintain a competent audit team
- prepare, for agreement with the Chief Executive and Borough Treasurer, annual reports on audit activity for presentation to the Audit and Governance Committee
- provide an overall audit opinion to Audit and Governance Committee on the effectiveness of the Council's internal control framework, risk management and governance arrangements

34. Internal Audit will liaise with the Council's External Auditors and other external review agencies in order to optimise audit coverage from available resources.

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

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

37. 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**

38. 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.
39. 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 Chief Executive, the Section 151 Officer, the Monitoring Officer, the Chairman of Audit & Governance Committee, the Authority's External Auditors or other appropriate external agencies as deemed appropriate.
40. 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
  - progress against the annual Internal Audit Plan
  - the adequacy of its resources for maintaining adequate audit coverage in accordance with statute
41. 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 function is responsible for appropriate follow-up on engagement findings and recommendations. All significant findings will remain open until cleared.

## **Quality Assurance and Improvement Programme**

42. 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 Standards. Along with 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.
43. The Audit Manager is also responsible for providing a self-assessment on the internal audit activity periodically as regards to its consistency with the Audit Charter and performance relative to its plan.
44. 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 program, including results of ongoing internal assessments and external assessments (to be conducted at least every five years).

Signed by:

Audit Manager

Chief Executive

Chairman of the Audit Committee