



# Internal Audit Charter

## **The Internal Audit Charter**

This Charter establishes the purpose, authority and responsibilities for the internal audit service for Allerdale Borough Council, in accordance with the UK Public Sector Internal Audit Standards. The Internal Audit Strategy sets out how the Council's internal audit service will be developed and delivered in accordance with the Internal Audit Charter.

The Charter will be reviewed annually and presented to Allerdale Borough Council's senior management and the Audit Committee to note.

### **Definition**

Internal Audit is defined by the Public Sector Internal Audit Standards (PSIAS) 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.”

For the purposes of the PSIAS and this Audit charter:

- The Assurance, Risk and Audit Manager is designated as the “Chief Audit Executive”;
- The Audit Committee are designated as the “Board”;
- The Senior Management Team is designated as “Senior Management”.

### **Purpose**

Internal audit provides independent and objective assurance to Allerdale Borough Council through its Members, the Senior Management Team, Chief Officer of Place and Governance and Monitoring Officer and in particular the Chief Officer of Assets and Section 151 Officer, to help discharge responsibilities under S151 of the Local Government Act 1972, relating to the proper administration of the Council's financial affairs.

In addition, the Accounts and Audit Regulations (2015) specifically require the provision of an internal audit service. In line with regulations, Internal Audit provides independent assurance on the adequacy of the Council's governance, risk management and internal control systems.

### **Authority and Access to Records**

In undertaking their duties and responsibilities, Internal Audit (which includes in house staff and contractors) shall be entitled to have full access to all of the Council's data, records, cash, stores, property, assets, personnel and information whether manual or computerised, it considers necessary to fulfil its responsibilities. Audit and Investigation staff may enter Council property and have unrestricted access to all locations and officers where necessary, on demand, and without prior notice. Council staff are expected to provide every possible assistance to facilitate the progress of audits and investigations.

All records, documentation and information accessed in the course of undertaking audit reviews and investigations shall be used solely for that purpose. All audit and investigation staff are responsible for maintaining the confidentiality of information received in the course of their work.

## **The Audit Committee**

The Chief Audit Executive is required to provide the Council with an annual opinion, reported through the Audit Committee, on the adequacy and the effectiveness of the internal control system for the whole Council. To achieve this, the internal audit function has the following objectives:

- To provide a quality, independent and objective audit service that effectively meets the Council's needs, adds value, improves operations and helps protect public resources;
- To provide assurance that the Council's operations are being undertaken in accordance with relevant internal and external regulations, legislation, internal policies and procedures;
- To provide assurance that significant risks to the Council's objectives are being identified and managed;
- To provide independent assurance over the corporate governance arrangements in place across the Council;
- To provide advice and support to management to enable an effective control environment to be maintained;
- To promote an anti-fraud, anti-bribery and anti-corruption culture with the Council to aid the prevention and detection of fraud;
- To evaluate specific operations or issues at the request of the Audit Committee, as appropriate;
- To undertake investigations where there is suspected fraud, bribery or corruption including the misuse of Council resources;  
and
- To provide a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes.

There are inherent limitations in any system of internal control and thus error or irregularities may occur and may not be detected by internal audit's work. When undertaking audit reviews, internal audit will provide management with comments and report on failures or weaknesses in internal control systems together with recommendations for remedial action. It remains a management responsibility to maintain an effective system of internal control and to have adequate systems in place to prevent and detect fraud.

Where appropriate, Internal Audit may undertake consulting work for the benefit of the Council. Internal Audit may also provide assurance to the Council on third party operations (such as contractors and partners) where this has been provided for as part of any associated contract.

## **Reporting**

The UK Public Sector Internal Audit Standards require the Chief Audit Executive to report directly to the top of the organisation and those charged with governance. This will be achieved through the following framework:

- The Internal Audit Strategy and Charter and any amendments to them will be reported to the Audit Committee;
- The Annual Internal Audit Plan will be compiled by the Chief Audit Executive, taking account of the Council's risk framework and following discussions with senior managers. The audit plan will be subject to review by the Council's Senior

Management Team and will then be reported to the Audit Committee for noting and comment;

- The Internal Audit budget is reported to Full Council for approval, as part of the overall Council budget;
- The adequacy, or otherwise of the level of internal audit resources, as determined by the Chief Audit Executive and the independence of internal audit will be reported to the Audit Committee. The approach to providing resources is set out in the Internal Audit Strategy;
- Internal audit outcomes and progress with the Internal Audit Plan will be reported regularly to the Council's Section 151 Officer and to the Council's Senior Managers.
- Performance against the Internal Audit Plan and any significant risk exposures and control issues arising from audit work will be reported regularly to the Audit Committee;
- Any significant consulting activity not already included in the audit plan and which might affect the level of assurance work undertaken will be reported to the Audit Committee;
- Any instances of non-conformance with the Public Sector Internal Audit Standards will be reported to the Audit Committee and will be included in the annual report of the Chief Audit Executive. If there is significant non-conformance this may be included in the Council's Annual Governance Statement.

## **Independence**

The Chief Audit Executive will have free and unfettered access to the following:

- The Chief Executive;
- The Chair of the Audit Committee;
- The Monitoring Officer;
- The Section 151 Officer
- All Members of the Senior Management Team.

The independence of the Chief Audit Executive is further safeguarded by ensuring that any appraisal of personal performance is not unduly influenced by those subject to audit. This is achieved by ensuring that both the Chief Executive and the Chair of the Audit Committee have the opportunity to contribute to, and/or review the appraisal of the Assurance Risk and Audit Manager.

All Council and contractor staff in the Internal Audit Service are required to make an annual declaration of any potential conflicts to ensure that auditors' objectivity is not impaired and that any requirements of the Council.

Internal Audit may provide consultancy services, such as providing advice on implementing new systems and controls. However, any significant consulting activity not already included in the audit plan and which might affect the level of assurance work undertaken will be reported to the Audit Committee. To maintain independence, any audit staff involved in significant consulting activity will not be involved in the audit of that area for at least 12 months.

The Chief Audit Executive and Internal Auditors in the service where possible will not assign a review of any area to the same internal auditor for more than three consecutive years and individuals observe this standard to maintain independence and objectivity.

Internal Audit must remain independent of the activities that it audits to enable auditors to make impartial and effective professional judgments and recommendations. Internal auditors have no operational responsibilities towards the systems and functions audited.

Internal Audit is involved in the determination of its priorities in consultation with those charged with governance. The Chief Audit Executive has the freedom to report without fear or favour to all officers and particularly to those charged with governance.

Accountability for the response to the advice and recommendations of internal audit lies with management. Managers must either accept and implement the advice and recommendations, or formally reject them accepting responsibility and accountability for doing so.

### **Counter Fraud, Corruption and Irregularity**

Managing the risk of fraud and corruption is the responsibility of management. Internal audit procedures alone cannot guarantee that fraud or corruption will be prevented or detected. Auditors will, however be alert in their work to risks and exposures that could allow fraud, corruption or other irregularity.

### **Due Professional Care**

The Internal Audit Function is bound by the following standards:

- Institute of Internal Auditors' (IIA) International Code of Ethics
- Seven Principles of Public Life (Nolan Principles);
- UK Public Sector Internal Audit Standards;
- All Council Policies and Procedures;
- All relevant legislation.

Internal Audit is subject to a Quality Assurance and Improvement Programme that covers all aspects of internal audit activity. This consists of an annual self-assessment of the service and its compliance with the UK Public Sector Internal Audit Standards, ongoing performance monitoring and an external assessment at least once every five years by a suitably qualified, independent assessor.

<b>Date</b>	<b>Charter Reviewed by</b>	<b>Position</b>	<b>Authorised By</b>	<b>Position</b>
January 2019	Paula McKenzie	Assurance Risk and Audit Officer	Emma Thompson	Assurance Risk and Audit Manager
June 2020	Paula McKenzie	Assurance Risk and Audit Officer	Emma Thompson	Assurance Risk and Audit Manager
March 2021	Paula McKenzie	Assurance Risk and Audit Officer	Sharon Sewell	Chief Officer of Place and Governance