



INTERNAL AUDIT CHARTER

Document Status: **FinalDraft**

Originator: A Struthers

Updated: A Struthers

Owner: A Struthers

Version: 01.01.0~~8~~7

Date: ~~07/06/18~~05/03/19

Document Location

This document is held by Tamworth Borough Council, and the document owner is Angela Struthers.

Printed documents may be obsolete. An electronic copy will be available on Tamworth Borough Councils Intranet. Please check for current version before using.

Revision History

Revision Date	Version Control	Summary of changes
25/01/13	1.01.01	1 st draft
05/03/14	1.01.02	Review
04/03/15	1.01.03	Annual review
20/11/15	1.01.04	Review
08/03/17	1.01.05	Review
13/03/18	1.01.06	Review
7/6/18	1.01.07	Roles & responsibilities following management restructure
<u>05/03/19</u>	<u>1.01.08</u>	<u>Annual review</u>

Approvals

Name	Title		Date
Audit & Governance Committee	Committee Approval		
Andrew Barratt	Chief Executive	Yes	
Angela Struthers	Head of Audit & Governance	Yes	

Document Review Plans

This document is subject to a scheduled annual review. Updates shall be made in accordance with business requirements and changes and will be with agreement with the document owner.

Distribution

The document will be available on the Intranet and the website.

This information can be produced on request in other formats and languages

CONTENTS PAGE

	Page	
1	Definition of Internal Auditing	4
2	Mission Statement of Internal Audit	4
3	Purpose and Statutory requirements	4
4	Objectives	5
5	Role and Scope of Work	6
6	Proficiency and Due Professional Care	7
7	Authority	8
8	Organisation	8
9	Independence and Objectivity	8
10	Internal Audit Plan	9
11	Report and Monitoring	10
12	Quality Assurance and Improvement Programme	10

1 Definition of Internal Auditing

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. (IIA – UK & Ireland)

The internal audit service will comply with the Public Sector Internal Auditing Standards (PSIAS) as adopted by the Chartered Institute of Public Finance and Accountancy (CIPFA). The PSIAS encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) as follows:

- Definition of Internal Auditing;
- Code of Ethics; and
- International Standards for the Professional Practice of Internal Auditing (including interpretations and glossary).

The mandatory core principles for the Professional Practice of Internal Auditing are:

- Demonstrate integrity
- Demonstrate 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

This Charter will be periodically reviewed in consultation with ~~Corporate Management Team~~ **the Chief Executive** and the Audit & Governance Committee. Changes to the International Professional Practice Framework will be incorporated as and when they occur.

The Head of Audit & Governance will report conformance to the PSIAS in the annual report to the Audit & Governance Committee.

2 Mission Statement of Internal Audit

To enhance and protect the authority's values by providing risk-based and objective assurance, advice and insight.

3 Purpose and Statutory Requirements

The internal audit activity will evaluate and contribute to the improvement of governance, risk management and control processes using a systematic and disciplined approach.

The internal audit activity must assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:

- Promoting appropriate ethics and values within the organisation;
- Ensuring effective organisational performance management and accountability;
- Communicating risk and control information to appropriate areas of the organisation; and
- Coordinating the activities of and communicating information amongst the Audit & Governance Committee, external and internal auditors and management.

In addition, the other objectives of the function are to:

- Support the Executive Director Finance to discharge their s151 duties of the Local Government Finance Act 1972 by maintaining an adequate and effective Internal Audit service;
- Contribute to and support the Authority's objectives of ensuring the provision of and promoting the need for, sound financial systems; and
- Investigate allegations of fraud or irregularity to help safeguard public funds.

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

“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.”

The work of Internal Audit forms part of the assurance framework, however, the existence of Internal Audit does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner.

4 Objectives

The Head of Audit & Governance's responsibility is to report to the Audit & Governance Committee on its assessment of the adequacy of the entire control environment.

It does this by:

- Providing assurance, which is risk based and objective and relevant (Internal Audit's primary role) to the Council and its management on the quality of the Council's operations, whether delivered internally or externally, with particular emphasis on systems of risk management, control and governance. Assurance to third parties will be provided where specific internal audit resources are allocated to the area under review (e.g. pension contributions).
- Providing consultancy services to internal and external delivered services. Consultancy services are advisory and insightful in nature and will be performed at the specific request of the organisation with the aim to improve governance, risk management and control.

5 Role and Scope of Work

The scope on internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organisation's risk management, control and governance processes as well as the quality of performance in carrying out assigned responsibilities to achieve the organisation's stated goals and objectives. This includes:

- Evaluating the reliability and integrity of management and financial information processes and the means used to identify, measure, classify, and report such information;
- Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the organisation;
- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets;
- Evaluating the effectiveness and efficiency with which resources are employed;
- Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned;
- Evaluating the potential occurrence for fraud as part of the audit engagements;
- Monitoring and evaluating governance processes;
- Monitoring and evaluating the effectiveness of the organisation's risk management processes;
- Monitoring the degree of coordination of internal audit and external audit;
- Performing consulting and advisory services related to governance, risk management and control as appropriate for the organisation;
- Reporting periodically on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan;
- Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters to the Board;

- Evaluating specific operations at the request of management, as appropriate;
- Support management upon the design of controls at appropriate points in the development of major change programmes.

6 Proficiency and Due Professional Care

The internal audit activity will govern itself by adherence to The Institute of Internal Auditors mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the Core Principles of the Internal Standards for the Professional Practice of Internal Auditing. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.

The Institute of Internal Auditors' Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable to guide operations. In addition, the internal audit activity will adhere to Tamworth Borough Council's relevant policies and procedures and the internal audit activity's standard operating procedures manual.

Job descriptions and person specifications for each post within Internal Audit Services define the appropriate knowledge, skills and experience and are reviewed periodically.

Personal Development Reviews will be completed in accordance with the Council's policy. Staff will be supported to fulfil training and development needs identified in order to support their continuous professional development programme.

Internal Auditors will exercise due professional care by considering the:

- Extent of work needed to achieve the engagement's objectives with detailed Terms of Reference (including consultancy engagements);
- Relative complexity, materiality or significance of matters to which assurance procedures are applied;
- Adequacy and effectiveness of governance, risk management and control processes;
- Probability of significant errors, fraud, or non-compliance; and
- Cost of assurance in relation to potential benefits.

Where gaps exist in knowledge and skills in the formation-delivery of internal audit plans, the CAE-Head of Audit & Governance can engage specialist providers of Internal Audit Services.

Internal Audit staff will be suitably supervised and work will be reviewed by a senior member of staff.

This information can be produced on request in other formats and languages

7 Authority

The Internal Audit service, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access to any and all of Tamworth Borough Council's records, physical properties, and personnel pertinent to carrying out any engagement. All employees are requested to assist the internal audit service in fulfilling its roles and responsibilities.

8 Organisation

The Head of Audit & Governance will report functionally to the Audit & Governance Committee and administratively (i.e. day to day operations) to the Chief Executive.

The ~~Board~~ Audit & Governance Committee will receive performance reports on the internal audit function on a quarterly basis.

9 Independence and Objectivity

The service is managed by the Head of Audit & Governance who is professionally qualified as required by the PSIAS. The Head of Audit & Governance has a direct reporting line to the Chief Executive and also provides regular reports to the Audit & Governance Committee which has responsibility for overseeing audit arrangements.

The Head of Audit & Governance is also the Authority's Monitoring Officer and Deputy Returning Officer. She also manages the Elections and Counter Fraud functions. For any audits of these functions, the pre audit brief and the draft report will be issued to the Chief Executive at the same time as the Head of Audit & Governance to ensure independence and objectivity is maintained.

The internal audit service will remain free from interference by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing, or reporting 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 judgements.

Regular review of the placement/location of IA team members will be completed to ensure independence, taking into account the consultancy work individual internal auditors have performed when completing assurance engagements. Internal auditors will not provide assurance in areas where they have been involved in advising management.

The internal audit service will also have free and unrestricted access to the Chief Executive and the Audit & Governance Committee.

The Head of Audit & Governance will confirm to the Audit & Governance Committee, at least annually, the organisational independence of the internal audit activity.

10 Internal Audit Plan

At least annually, the Head of Audit & Governance will submit to ~~Corporate Management Team~~Executive Leadership Team and the Audit & Governance Committee an internal audit plan for review and approval.

The internal audit plan will be developed based on prioritisation of the audit universe using a risk-based methodology, which takes into account, results from previous audits, stakeholders expectations, feed back from Senior Managers, objectives in strategic plans and business plans, the risk maturity of the organisation (including managements response to risk), and legal & regulatory requirements. The use of other sources of assurance and the work required to place reliance on them will be highlighted in the audit plan.

Contingency time will be built in to the annual audit plan to allow for any unplanned work. This will be reported on in accordance with the internal reporting process to the Audit & Governance Committee.

Approval will be sought from the Audit & Governance Committee for any significant additional consulting services not already included in the audit plan, prior to accepting the engagement. The Audit Plan balances the following requirements:

- the need to ensure the Audit Plan is completed to a good practice level (currently at least 90% of planned audits required are deliverable in the year);
- the need to ensure core financial systems are adequately reviewed to provide assurance that management has in place proper arrangements for financial control;
- the need to appropriately review other strategic and operational arrangements, taking account of changes in the authority and its services and the risks requiring audit review;
- the need to have uncommitted time available to deal with unplanned issues which may need to be investigated eg allegations of financial or other relevant irregularities, or indeed specific consultancy. (NB there are separate guidelines over circumstances in which Internal Audit may and may not get involved in such investigations or consultancy, and further reference to this is made within the corporate Counter Fraud and Corruption Strategy and guidance);
- to enable positive timely input to assist corporate and service developments.

A joint working arrangement with External Audit will be sought such that Internal Audit resources are used as effectively as possible.

11 Reporting and Monitoring

A written report will be prepared and issued by the Head of Audit & Governance following the conclusion of each internal audit engagement and will be distributed as appropriate with executive briefing reports issued to the Chief Executive ~~and the~~, Chief Finance Officer, ~~and Executive Director Organisation (for her areas of responsibility)~~. A summary of the internal audit results will be communicated to the Audit & Governance Committee.

The final internal audit report will include management's response and corrective actions in regard to the specific findings and recommendations. It will also include a timetable for anticipated completion of action to be taken.

The Internal Audit service will be responsible for following up the recommendations made to ensure that management have implemented them in the agreed timescales. This will be completed within six months from the finalisation of the audit. An additional implementation review will be carried out where high priority recommendations remain outstanding or a significant number of recommendations remain outstanding. Internal Audit will not complete any additional implementation reviews on recommendations that remain outstanding at this stage. It is management's responsibility to ensure that the agreed actions are implemented. All outstanding recommendations will remain open on the Pentana system for management to complete.

Results of implementation reviews will be communicated as appropriate with copies to the Chief Executive ~~and the~~, Chief Finance Officer, ~~and Chief Executive~~. A summary of the results will be reported to the Audit & Governance Committee.

Where significant risk exposures and control issues, including fraud and governance issues, are identified, they will be reported to the Audit & Governance Committee.

12 Quality Assurance and Improvement Programme

The Internal Audit activity will maintain a quality assurance and improvement programme that covers all aspects on 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 Head of Audit & Governance will periodically report to the Audit & Governance Committee on the internal audit service purpose, authority, and responsibility, as well as performance relative to its plan. Reporting will also

include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by ~~Corporate Management Team~~Executive Leadership Team and the Audit & Governance Committee.

In addition, the Head of Audit & Governance will communicate to ~~Corporate Management~~Executive Leadership Team and the Audit & Governance Committee on the internal audit service's quality assurance and improvement programme, including results of ongoing internal assessments and improvement plans and external assessments. External assessments will be conducted at least every five years by a professionally qualified and experienced assessor.

The improvement plan resulting from the internal and external assessments will be reported to and monitored by the Audit & Governance Committee.

This page is intentionally left blank