



East Suffolk Council

INTERNAL AUDIT CHARTER

November 2020

1. INTRODUCTION

- 1.1 This Internal Audit Charter defines the purpose, authority and responsibility of the Internal Audit Service across East Suffolk Council.
- 1.2 The Internal Audit function is a requirement of Regulation 5 of the Accounts and Audit (England) Regulations 2015, which requires local authorities to undertake “effective internal audit to evaluate the effectiveness of its risk management, control and governance processes”. This supplements Section 151 of the Local Government Act 1972, which requires that authorities make arrangements for the proper administration of their financial affairs.
- 1.3 The Audit and Governance Committee has overall responsibility for providing independent assurance as to the adequacy of the risk management framework and the Council’s internal controls. All auditing activity within the Council is accountable to the Audit and Governance Committee.
- 1.4 The Head of Internal Audit will periodically review this Charter and present it to the Audit and Governance Committee and senior management at least every two years.

2. THE MISSION OF INTERNAL AUDIT

- 2.1 The Mission of Internal Audit articulates what internal audit aspires to accomplish within the Council. All audit activity is designed to support and achieve the Mission:

To enhance and protect organisational value by providing risk-based independent and objective assurance, advice and insight.

- 2.2 To deliver the Mission, Internal Audit is further defined as providing:

“... 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.”

3. GOVERNANCE OF INTERNAL AUDIT

3.1 Internal Audit within the public sector has a statutory duty to take into account public sector internal auditing standards or guidance. These are CIPFA's Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN).

3.2 A public sector requirement of the PSIAS is for this Charter to define the terms 'board' and 'senior management' for the purpose of internal activity.

3.2.1 The Board

In accordance with CIPFA guidance, the Council's Audit and Governance Committee will perform the function of the Board. The Audit and Governance Committee's role and responsibilities, including those for overseeing Internal Audit activity, are set out in the Council's Constitution.

3.2.2 Senior Management

At East Suffolk Council, the Corporate Management Team (CMT) will perform the function of senior management.

3.3 In addition, there are a number of key roles within the Internal Audit function:

3.3.1 Head of Internal Audit

The Head of Internal Audit (HOIA) is responsible for establishing and effectively managing the provision of Internal Audit. Details of the HOIA's responsibilities and authority are set out in the Council's Constitution and this Audit Charter.

3.3.2 Internal Auditor Officers

The Internal Audit team is responsible for delivering internal audit services under the direction of the HOIA.

3.4 Where there is a conflict of standards, the PSIAS set out above within this Charter will take precedent.

4. SCOPE OF INTERNAL AUDIT

4.1 Internal Audit is a valuable asset, contributing to the Council's achievement of corporate objectives by promoting the identification and management of risk, strengthening the control environment, and fostering good governance practices.

4.2 In line with the Council's Constitution, Internal Audit has unrestricted scope in order to fulfil its Mission. Internal Audit's remit includes the whole of the organisation's control environment and activities. This includes access to delegated or contracted out services where the Council remains accountable.

4.3 Internal Audit may rely on assurance from other providers, where professional standards allow and the assurance is relevant to the activities of the Council.

- 4.4 Internal Audit supports the Council's counter fraud activities by providing resources where required. The Corporate Fraud Team retains responsibility for directing fraud-related activities, such as investigation of irregularities or pro-active exercises.
- 4.5 Internal Audit provides assurance in accordance with the Annual Plan approved by the Audit and Governance Committee. It may also provide consultancy services, giving advice and guidance to management, subject to there being no impact on the core assurance work and the availability of skills and resources.
- 4.6 Internal Audit services may also be provided to organisations beyond this Council, where agreed in writing and subject to there being no impact on the core assurance work.

5. RESPONSIBILITIES AND OBJECTIVES OF INTERNAL AUDIT

5.1 To meet its mission, responsibilities and objectives Internal Audit will:

- Review and assess the soundness, adequacy and reliability of financial and non-financial management and performance systems, and quality of data that support the controls (including those for risk management, corporate governance and ethical framework) established for the proper administration of the Council's activities.
- Review and assess the effectiveness of internal controls and agree actions to improve where appropriate.
- Review and assess procedures to check the Council's assets and interests are properly accounted for, adequately protected and risks are identified and effectively managed.
- Check for the extent of compliance with legislation, council policies, plans and procedures to ensure that good standards of management are maintained and that decisions taken by the Council, its committees and management are correctly applied.
- Examine, review, appraise and report upon the application of proper authorisation within the delegated authorities given by the various levels of management.
- Promote and assist the Council in the economic, efficient and effective use of resources to in the achievement of the Council's corporate objectives. This includes the provision of any consultancy (advice, facilitation, training etc) work as well as assurance services.
- Undertake independent investigations into allegations of fraud and irregularity in accordance with the Council's policies and procedures and relevant legislation.
- Maintain effective relationships with the managers. Regular meetings will be held with key stakeholders and management will be consulted during the audit planning process. Timing of audit work will be in conjunction with management.

- Take account of the results and reports from any inspections when planning and undertaking Internal Audit work. Where appropriate the Head of Internal Audit will establish a dialogue with representatives of the appropriate inspection agencies.
- Maintain an established working relationship with the External Auditor where internal and external audit can rely on each other's work, subject to the limits determined by their responsibilities, enabling them to evaluate, review and only re-perform where necessary. Regular meetings will be held and plans and reports shared.

5.2 The Head of Internal Audit will

- establish a working relationship with members, in particular with members of the Audit and Governance Committee. The Head of Internal Audit has the right to meet privately with the Chairman of the Audit and Governance Committee, if desired.
- maintain an effective working relationship with the Chief Financial Officer who leads and directs financial strategy and operations.

6. INDEPENDENCE AND OBJECTIVITY

6.1 Internal Audit must be independent of the organisation, so that it can provide objective, impartial and effective professional judgements at the individual auditor, engagement, functional and organisational levels.

6.2 At the functional and organisational levels:

- The Audit and Governance Committee receives reports directly from the HOIA, as set out in the Council's Constitution
- Internal Audit will have no direct operational responsibility or authority over any audited operational process where appropriate safeguards do not exist. Internal Audit will not develop, install systems and procedures, prepare records or engage in any other process that could be considered an auditable activity, without appropriate safeguards in place.
- The HOIA has a direct reporting line to the Audit and Governance Committee, with free and unfettered access to the Council's Chief Executive and Chair of Audit and Governance Committee.
- Line management and performance appraisal of the HOIA by the Chief Executive includes feedback from the Chair of the Audit and Governance Committee.
- Where Internal Audit is responsible for an activity that could be considered auditable (such as the administration of Data Protection tasks, Senior Information Risk Owner duties or Counter Fraud), safeguards to limit impairments of independence and objectivity will be put in place. These may include:
 - Obtaining Audit and Governance Committee approval of additional activities, where they are of significant importance or impact

- Informing the Audit and Governance Committee and/or senior management of additional activities, where they are of minor significance
 - Clearly avoiding reference to independence or assurance in reports relating to additional activity, so that the additional activity is not confused with audit work
 - Periodic review to confirm the arrangement continues to be appropriate, to be considered by the Audit and Governance Committee
 - Requesting third parties to undertake independent assurance reviews of the additional activity on the Council's behalf.
- Internal Audit's Annual Plan is determined and approved by the Audit and Governance Committee, although input from senior management will be sought during the development of proposals.

6.3 At the individual auditor and engagement levels:

- Internal Audit officers must comply with the professional standards set out in Section 7
- Internal Audit officers must maintain an impartial and unbiased attitude, avoiding any conflict of interest. Internal Auditors will notify the HOIA immediately if they become aware of any conflict of interest or appearance of a conflict of interest.
- Where assurance is to be provided, any Internal Audit officer with a potential conflict of interest will not have responsibility for any part of the audit. Where Internal Audit is providing consultancy, the potential conflict of interest will be disclosed to senior management before work is commenced.
- Work shall not be allocated to Internal Audit officers who have had operational responsibility for the audited area within the last 12 months.
- Peer review of all assurance work will be undertaken before it is reported to management.
- Internal Audit officers will declare any offers any gifts, hospitality, inducements or other benefits from employees, clients, suppliers or other third parties, which may be accepted only on the express authorisation of the HOIA, having taken into account Council policies, conflicts of interest, and the appearance of bias.

7. PROFESSIONAL STANDARDS

7.1 All members of the Internal Audit team will comply with the professional standards as set out in the PSIAS:

- Definition of Internal Auditing
- Code of Ethics, including the four principles of:
 - integrity
 - objectivity
 - confidentiality
 - competency
- The Seven Principles of Public Life and

- The Public Sector Internal Audit Standards themselves

7.2 Internal Audit will safeguard information received in carrying out its duties. Any information gained during the course of the audit work will remain confidential, without limiting or preventing Internal Audit from reporting within the Council as appropriate. There will be no unauthorised disclosure of information unless there is a legal or professional requirement to do so. Confidential information will not be used for personal benefit.

8. INTERNAL AUDIT RESOURCES

8.1 Internal Audit must have appropriate, sufficient and effectively deployed resources in order to achieve the approved plan.

8.2 If the HOIA concludes that resources are insufficient, for example due to lack of staff or funding, this will be reported to the Chief Executive. If the position is not resolved and the level of resources will adversely impact on the provision of the annual audit opinion, the HOIA must report this to the Audit and Governance Committee, who have ultimate power to report this to Full Council.

8.3 The Head of Internal Audit is responsible for appointing the staff for the Internal Audit Service and will ensure that appointments are made in order to achieve the appropriate mix of knowledge, qualifications, experience, audit skills and other competencies.

8.4 The HOIA will ensure that Internal Audit officers complete Continuing Professional Development to develop and maintain the required mix of knowledge, skills and competencies. Internal Auditors training and personal development needs are established through an appraisal process.

9. INTERNAL AUDIT ACTIVITY AND DELIVERY

9.1 The HOIA will undertake and document an annual risk assessment, taking into account:

- The need to provide an annual audit opinion
- The Council's risk management framework
- Input and feedback from senior management
- The Council's strategies, key objectives, and risks

9.2 The HOIA will use the risk assessment, taking account of available resources and opportunities to add value, to develop an annual risk-based internal audit plan for the Audit and Governance Committee to review and approve prior to the commencement of each financial year.

9.3 The approved annual risk-based internal audit plan shall be kept under review during the year, and the HOIA may make adjustments to the plan in response the changes within the Council's business, risks, operations, programmes, systems or control environment. Significant adjustments to the approved annual risk-based internal audit plan will be agreed with the Audit and Governance Committee.

- 9.4 Formal audit reports will be issued at the completion of each individual audit assignment included in the approved annual risk-based internal audit plan. The report provides management with an assurance opinion on the adequacy of the reviewed internal control system to manage risks effectively, and details significant audit findings, conclusions and agreed management actions. Senior management and relevant Portfolio Holders receive copies of all audit reports.
- 9.5 Formal audit reports issued to management will also be provided to the Audit and Governance Committee as they are completed throughout the year.
- 9.6 Where a need to make improvements is identified in a formal audit report, the relevant Head of Service are responsible for ensuring actions are considered and agreed promptly.
- 9.7 The relevant Head of Service is responsible for ensuring that any agreed actions address and correct the identified weakness, and are completed promptly. Internal Audit monitors management's progress in completing action plans. Reports of progress against agreed actions will be provided to the Audit and Governance Committee throughout the year.
- 9.8 The HOIA will provide an annual summary of activity and an overall audit opinion to the Audit and Governance Committee. The report includes:
- The HOIA's annual audit opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control
 - information on the performance of the Internal Audit Service
 - significant issues related to the processes for controlling the activities of the Council.

The issue of this report is timed to support the annual review of the Council's Corporate Governance and production of the Council's Annual Governance Statement.

- 9.9 The HOIA, where appropriate and resources allow, may provide audit services for organisations other than East Suffolk Council. All work for external organisations shall be agreed in writing prior to commencement, and the authority for Internal Audit to operate within the external organisation agreed.

10. AUTHORITY OF INTERNAL AUDIT

- 10.1 The Audit and Governance Committee, via approval of this Audit Charter and in line with the expectations of the Council's Constitution, endorses the authority of Internal Audit officers acting in proper pursuit of their duties.
- 10.2 The Head of Internal Audit has rights of:
- an unrestricted ability to plan and undertake audit assignments
 - direct access to the Chair of the Audit and Governance Committee
 - reporting directly and direct access to the Chief Executive
 - direct access to all Councillors
 - direct access to the Chief Finance Officer
 - direct access to the Monitoring Officer

10.3 The Head of Internal Audit and Internal Audit officers are authorised to have:

- Unrestricted access to all functions, records, property, and personnel
- The necessary assistance of any officer within the Council to provide information or explanations as required
- The assistance of partner organisations and third party suppliers where contract terms include internal audit access rights.

11. QUALITY OF INTERNAL AUDIT

11.1 The Internal Audit team operates a Quality Assurance and Improvement Programme, with periodic assessments to confirm the service operates effectively. Results of internal and external assessments are shared with the Chair of the Audit and Governance Committee.

12. FRAUD AND CORRUPTION

12.1 The HOIA is also responsible for counter fraud activities, which are delivered by through a separate counter-fraud specialist team.

12.2 Responsibility for the prevention and detection of fraud and corruption is a matter for all employees. The Anti-Fraud and Corruption Strategy and other supporting counter fraud policies set out the Council's approach.

12.3 This Charter supports the approaches for reporting suspected or detected fraud, corruption, maladministration, irregularity, misappropriation or impropriety to the HOIA set out in the Anti-Fraud and Corruption Strategy and Whistleblowing Policy. Where there is a conflict in approach, the Anti-Fraud and Corruption Strategy and Whistleblowing Policy will take precedent.

12.4 The HOIA will decide, based on the specific circumstances of an allegation or case, whether reports of fraud or irregularity are to be investigated by either Internal Audit, Corporate Fraud, jointly, or with the support of external agencies such as the Police.

12.5 Where the routine work of Internal Audit highlights a risk of fraud, this shall be included in the resulting audit report and an appropriate action agreed with management.