



ST HELENS
BOROUGH COUNCIL

Internal Audit Charter

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1. Introduction

1.1 There is a statutory duty on the Council to undertake an internal audit of the effectiveness of its risk management, control, and governance processes. The Accounts and Audit Regulations 2015 state:

‘A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, considering public sector internal auditing standards or guidance.’

1.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) sets the standards for proper practice for local government internal audit in England. CIPFA adopted the revised Public Sector Internal Audit Standards (PSIAS) on 1 April 2017 which are compliant with the Chartered Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF). This Charter describes how Internal Audit will be provided in accordance with proper practice at St Helens Borough Council.

1.3 The Standards comprise a mission and definition of Internal Auditing, a Code of Ethics for Internal Auditors working in the Public Sector and the Standards themselves. The Standards are mandatory for all internal auditors working in the UK public sector.

2. Mission of Internal Audit

2.1 The PSIAS define the Mission of Internal Audit as follows:

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

3. Definition

3.1 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.

3.2 In undertaking this role Internal Audit satisfies the statutory duties of the Council’s Section 151 Officer (Local Government Act 1972) and the Accounts and Audit Regulations 2015.

3.3 The Head of Audit and Risk fulfils the Chief Audit Executive role as defined by the PSIAS.

3.4 Within the PSIAS there is also a requirement to define the following terms in respect of the Audit function:

The Board

For the purposes of internal audit, the ‘Board’ refers to the Audit and Governance Committee. The Board provides an independent review of the audit, assurance and reporting arrangements that underpin good governance and financial standards.

Senior Management

The Council’s Executive Leadership Team consists of the Chief Executive and the Executive Directors.

Statutory Officers

The Council's statutory officers include:

- Head of Paid Service – Chief Executive
- Section 151 Officer – Director of Finance
- Monitoring Officer – Director of Legal and Governance

4. Core Principles for the Professional Practice of Internal Auditing

4.1 To achieve its mission, Internal Audit will perform according to the 10 core principles, as outlined by the PSIAS, for the provision of an effective internal audit:

- Demonstrates integrity.
- Demonstrates competence and due professional care.
- It is objective and free from undue influence (independent).
- Aligns with the strategies, objectives and risks of the organisation.
- It is appropriately positioned and adequately resourced.
- Demonstrates quality and continuous improvement.
- Communicates effectively.
- Provides risk-based assurance.
- It is insightful, proactive and future-focused.
- Promotes organisational improvement.

5. Responsibilities

5.1 Internal Audit is responsible for establishing procedures and applying the required resources to ensure that the Service conforms with the Definition of Internal Audit and the PSIAS. All members of the Internal Audit Team must demonstrate conformance with the Code of Ethics contained within the PSIAS and the Code of Ethics of their professional bodies, where appropriate.

5.2 The Head of Audit and Risk is required to provide an annual report to the Audit and Governance Committee. This report can be used by the Council to inform its Annual Governance Statement (AGS). The report will include:

- The Head of Audit and Risk's opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control processes. This is the 'assurance role' for internal audit.
- Any qualifications to that opinion and the reasons for the qualification.
- Any control weaknesses identified during the course of internal audit and assurance work that are judged to be significant.

- A summary of the work on which the opinion is based together with reliance placed on the work of other assurance bodies.
- An overall summary of Internal Audit's performance during the year and the results of its quality assurance and improvement programme.
- A statement of conformance with the PSIAS and the results of the quality assurance and improvement programme.

- 5.3 Internal Audit may also provide an independent and objective consultancy service, which is advisory in nature and generally undertaken at the specific request of senior management. The aim of the consultancy service is to help management improve the Council's risk management, governance, and internal control.
- 5.4 The Section 151 Officer is required to ensure that appropriate arrangements are in place for the provision of an internal audit service. This includes the formal adoption of this Charter by the Board.
- 5.5 The Council will ensure that it has taken all necessary steps to provide Internal Audit with information on its objectives, risks, and controls to allow the proper execution of the audit strategy and adherence to internal audit standards. This will include notifying Internal Audit of any significant changes in key control systems which may affect the Audit Plan.
- 5.6 Management has a responsibility to respond promptly to audit plans, reports, and recommendations.
- 5.7 Responsibility for the implementation of agreed audit recommendations rests with management and is monitored by Internal Audit and reported quarterly to the Audit and Governance Committee.
- 5.8 It is the responsibility of all senior managers to immediately inform the Director of Finance if they become aware of, or suspect, any matter that may indicate fraud, corruption, or impropriety.
- 5.9 Internal Audit will co-operate with and assist External Audit, which will make optimum use of the available audit resources.

6. Independence

- 6.1 Internal Audit operates independently of all the activities within the Council to ensure that it can appraise the Authority's governance, risk management and internal control systems in an impartial and unbiased manner. It is the responsibility of Executive Directors, Directors, and Service Managers to maintain effective systems of governance and control.
- 6.2 To ensure this independence, Internal Audit operates within a framework that allows access to all Council Officers, Senior Managers and elected Members. As such, all Internal Audit staff have the right to all documentation held by the Council and to seek explanations from all officers and Elected Members of the Council, as they see necessary to effectively discharge their duties.
- 6.3 In addition to managing the Internal Audit Team, the Head of Audit and Risk has line management responsibility for Safety and Risk Management. Arrangements have been established to mitigate any potential impairment to independence and objectivity in relation to the audit of these areas. These arrangements will involve the Audit Manager reporting the findings from these audits directly to the Executive Director of Corporate Services, without any influence by the Head of Audit and Risk.

- 6.4 All staff are required to complete and sign a Code of Ethics and Declaration of Interest Statement on an annual basis. Where internal audit staff have a perceived conflict of interest in undertaking a piece of work, this will be managed through the internal audit management and supervision process.
- 6.5 The Head of Audit and Risk will implement safeguards to ensure that individual internal auditors remain independent of areas they are auditing by ensuring staff are not involved in auditing areas where they have had recent operational involvement or where they have provided consultancy and advice. Auditors will be rotated so that they do not perform the same audit more than three years continuously.

7. Chief Audit Executive

- 7.1 The Head of Audit and Risk, as designated Chief Audit Executive, must have sufficient skill, experience and competencies to work with senior management and the Board, to influence and inform the risk management, governance and internal control arrangements of the Council.
- 7.2 The Head of Audit and Risk is responsible for ensuring that members of the Internal Audit Team possess the appropriate knowledge, skills, qualifications and experience to deliver the audit plan and meet the requirements of the PSIAS. The Head of Audit and Risk will hold a full, professional qualification, defined as CCAB, CMIIA or equivalent professional membership and adhere to the professional values and Code of Ethics.
- 7.3 The Head of Audit and Risk reports directly to the Director of Legal and Governance but can also raise issues directly with the Executive Director of Corporate Services and/or the Section 151 Officer. The Head of Audit and Risk, or an appropriate representative of the Internal Audit Team, shall attend meetings of the Audit and Governance Committee, unless exceptionally, the Audit and Governance Committee decides that they should be excluded from the whole meeting or for agenda items.
- 7.4 The Head of Audit and Risk shall have an independent right of access to the Chair of the Audit and Governance Committee, Chief Executive (Head of Paid Service) and the Director of Legal & Governance (Monitoring Officer).

8. Scope of Internal Audit Work

- 8.1 To support the annual opinion, the Head of Audit and Risk will ensure that an appropriate programme of audit work is undertaken and will compile a risk-based audit plan each year that is based on consultation with senior management and the Audit and Governance Committee. The risk-based planning process is designed to proactively identify audits to address any emerging and developing risks on an ongoing and future focused basis. The Plan will be agile in nature and adapted throughout the year were required to reflect emerging risks and priorities.
- 8.2 The compilation of the Plan considers other assurances provided to the Council, for example from external inspections, such as OFSTED.
- 8.3 The scope of Internal Audit encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the Council's governance, risk management and internal processes and the quality of performance in carrying out assigned responsibilities to achieve its goals and objectives.

- 8.4 Internal Audit will promote and contribute to continuous ongoing improvements in systems across the Council by identifying and recommending best practice actions following audit work undertaken.
- 8.5 The Head of Audit and Risk provides the Executive Director of Corporate Services with an objective evaluation of the effectiveness of the Council's risk management, governance, and internal control arrangements.
- 8.6 The Head of Audit and Risk's opinions are a key element of the framework of assurance the Chief Executive and the Leader of the Council need to inform the completion of the AGS.
- 8.7 Managing the risk of fraud is the responsibility of all directors and managers, however, the Director of Finance (Section 151 Officer) retains specific responsibility in relation to the detection and investigation of suspected incidences of fraud.
- 8.8 The Head of Audit and Risk will maintain a review of the Council's fraud prevention and detection measures and identify areas for improvement in control. Instances of reported fraud and corruption should be reported in accordance with the Council's Whistleblowing Policy. The Internal Audit Plan includes provision for fraud awareness raising and preventative work as well as undertaking investigations into suspected fraud and irregularity as they arise.
- 8.9 Where Internal Audit undertake work on behalf of other organisations this will be determined in conjunction with the organisation's Statutory Officers and Board, and reporting requirements and provision of an Audit Opinion will be specified within a Service Level Agreement.
- 8.10 The Internal Audit plan provides for consultancy work to be undertaken as part of the approved plan, in addition to an allocated contingency for any additional unplanned reviews. Consultancy work is usually at the request of management and may include, for example, an evaluation of policies, procedures, systems, and operations put in place by management.
- 8.11 Where required, the Head of Audit and Risk will provide assurance on the governance and control frameworks relating to the organisation's partners including collaboration, outsourced and shared services.

9. Reporting

- 9.1 The Head of Audit and Risk will agree reporting arrangements with senior management which will include procedures for the:
- Distribution and timing of draft audit reports.
 - Managers' responsibilities in respect of responding to draft audit reports.
 - Distribution of finalised audit reports.
 - Follow up by Internal Audit of agreed recommendations.
- 9.2 The Audit and Governance Committee oversees the provision of independent assurance on the effectiveness of the Council's governance, control, and risk management arrangements. It recommends the adoption of the Council's AGS and reviews and approves the Financial Statements

- 9.3 Internal Audit reports their findings to the Executive Director, Director and Assistant Director, Head of Service and Portfolio Holder responsible for the area under review. A copy of each audit report will be issued to the Chief Executive and Director of Finance (S151 Officer).
- 9.4 The Audit & Governance Committee is the method by which a summary of internal audit and assurance outcomes are considered by Members.
- 9.5 The Head of Audit and Risk will present an annual formal report to the Chief Executive, Section 151 Officer and the Audit and Governance Committee, giving an opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and internal control. The report will conform to the PSIAS and will provide a summary of the work to support the opinion and progress against planned audit work. It will be timed to support the production of the AGS.

10. Internal Audit Resources

- 10.1 The Head of Audit and Risk will monitor the resources available to internal audit work to ensure they are sufficient to meet the requirements to provide an opinion on the Council's control environment.
- 10.2 If the Head of Audit and Risk or the Audit and Governance Committee consider that the level of audit resources or the terms of reference in any way limit the scope of Internal Audit or prejudice the ability of Internal Audit to deliver a service consistent with the definition of internal auditing and the PSIAS, they should advise the Chief Executive and the Section 151 Officer accordingly.

11. Quality Assurance & Improvement Programme

- 11.1 The PSIAS requires a Quality Assurance & Improvement Programme (QAIP) to be developed and maintained that covers all aspects of Internal Audit activity.
- 11.2 The QAIP is designed to provide reasonable assurance to key stakeholders that Internal Audit:
- Performs its work in accordance with the Charter.
 - Operates in an effective and efficient manner.
 - Is adding value and continually improving the service that it provides.
- 11.3 The QAIP conforms to the requirements of the PSIAS and provides for both internal and external assessments. Internal assessments are both ongoing and periodical, and external assessments must be undertaken at least once every five years.

12. Review

- 12.1 This Charter will be reviewed periodically by the Head of Audit and Risk and presented to the Audit and Governance Committee for approval.