

Internal Audit Charter – 2022/23

1. Introduction

1.1. The Public Sector Internal Audit Standards ('the Standards') provide a consolidated approach to audit standards across the whole of the public sector providing continuity, sound corporate governance and transparency.

1.2. The Standards form part of the wider mandatory elements of the International Professional Practices Framework ('IPPF') which also includes:

- the mission
- core principles
- definition of internal audit
- Code of Ethics.



1.3. The Standards require all internal audit activities to implement and retain an 'Internal Audit Charter'.

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1.5. The purpose of the Internal Audit Charter is to formally define the internal audit activity's purpose, authority and responsibility that is consistent with the mandatory requirements of the Public Sector Internal Audit Standards ('PSIAS') and Local Authority Guidance Note (LGAN') produced by the Chartered Institute of Public Finance and Accountancy ('CIPFA') and the Chartered Institute of Internal Auditors ('IIA').

2. Mission and Core Principles

2.1. The IPPF 'Mission' aims *'to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.'*

2.2. The 'Core Principles'¹ underpin delivery of the IPPF mission:

- 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 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

¹ [Public Sector Internal Audit Standards](#)

3. Authority

- 3.1. The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which specifically require that a relevant body must:

‘undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control’.

- 3.2. The standards for ‘proper practices’ in relation to internal audit are laid down in the Public Sector Internal Audit Standards (updated 2017).

4. Purpose

- 4.1. The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively. The Council’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation’s objectives.

- 4.2. This is achieved through internal audit providing a combination of assurance and consulting activities. Assurance work involves assessing how well the systems and processes are designed and working, with consulting activities available to help to improve those systems and processes where necessary.

- 4.3. The role of internal audit is best summarised through its definition within the Standards, as an:

‘independent, objective assurance and consulting activity designed to add value and improve an organisations 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’.

5. Responsibility

- 5.1. The responsibility for maintaining an adequate and effective system of internal audit within the Council lies with the Chief Finance Officer (‘S151 Officer’). For the Council, internal audit is provided by the Southern Internal Audit Partnership.

- 5.2. The Chief Internal Auditor (Head of Southern Internal Audit Partnership) is responsible for effectively managing the internal audit activity in accordance with the ‘Mission’, ‘Core Principles’, ‘Definition of Internal Auditing’, the ‘Code of Ethics’ and ‘the Standards’.

6. Organisational Relationships

- 6.1. The Chief Internal Auditor reports functionally to the Audit & Scrutiny Committee, and organisationally to the Chief Finance Officer who has statutory responsibility as proper officer under Section 151 of the Local Government Act 1972, for ensuring an effective system of internal financial control and proper financial administration of the Council's affairs.
- 6.2. The Chief Internal Auditor has direct access to the Chief Executive who carries the responsibility for the proper management of the Council and for ensuring that the principles of good governance are reflected in sound management arrangements.
- 6.3. The Chief Internal Auditor has direct access to the Council's Monitoring Officer where matters arise relating to Monitoring Officer responsibility, legality, and standards.
- 6.4. Where it is considered necessary to the proper discharge of the internal audit function, the Chief Internal Auditor has direct access to elected Members of the Council and in particular those who serve on committees charged with governance (i.e., the Audit and Scrutiny Committee).
- 6.5. The Chief Internal Auditor will promote a co-operative and professional working relationship with the Council's external auditors.

7. Internal audit resources

- 7.1. The Chief Internal Auditor will be professionally qualified (CMIIA, CCAB or equivalent) and have wide internal audit and management experience, reflecting the responsibilities that arise from the need to liaise internally and externally with Members, Management Team, and other professionals.
- 7.2. The Chief Finance Officer will provide the Chief Internal Auditor with the resources necessary to fulfil the Council's requirements and expectations as to the robustness and scope of the internal audit opinion.
- 7.3. The Chief Internal Auditor will ensure that the internal audit service has access to an appropriate range of knowledge, skills, qualifications, and experience required to deliver the audit plan.
- 7.4. The Internal Audit plan will identify the audit days required to complete the work, thereby highlighting sufficiency of available resources.
- 7.5. The Management Team and Audit & Scrutiny Committee will be advised where, for whatever reason, internal audit is unable to provide assurance on any significant risks within the timescale envisaged by the risk assessment process.

7.6. The Internal Audit plan will be submitted to the Management Team and Audit & Scrutiny Committee, for approval. The Chief Internal Auditor will be responsible for delivery of the plan. The plan will be kept under review to ensure it remains responsive to the changing priorities and risks of the Council.

7.7. Matters that jeopardise the delivery of the plan or require significant change will be identified, addressed, and reported to the Management Team and Audit & Scrutiny Committee for approval. 'Significant' shall mean changes that in the Chief Internal Auditors opinion will inhibit their ability to deliver an annual opinion.

7.8. If the Chief Internal Auditor, Audit & Scrutiny Committee or Management Team consider that the scope or coverage of internal audit is limited in any way, or the ability of internal audit to deliver a service consistent with the Standards is prejudiced, they will advise the Chief Financial Officer accordingly.

8. Independence and objectivity

8.1. Internal auditors must be sufficiently independent of the activities they audit to enable them to provide impartial, unbiased, and effective professional judgements and advice.

8.2. Internal auditors must maintain an unbiased attitude that allows them to perform their engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgement on audit matters to others.

8.3. To achieve the degree of independence and objectivity necessary to effectively discharge its responsibilities, arrangements are in place to ensure the internal audit activity:

- retains no executive or operational responsibilities
- operates in a framework that allows unrestricted access to the Management Team and the Audit & Scrutiny Committee
- reports functionally to the Audit & Scrutiny Committee
- reports in their own name
- rotates responsibilities for audit assignments within the internal audit team
- completes individual declarations confirming compliance with rules on independence, conflicts of interest and acceptance of inducements

8.4. If independence or objectivity is impaired in fact or appearance, the details of the impairment will be disclosed to the Management Team and the Audit & Scrutiny Committee. The nature of the disclosure will depend upon the impairment.

9. Due professional care

- 9.1. Internal auditors will perform work with due professional care, competence, and diligence. Internal auditors cannot be expected to identify every control weakness or irregularity, but their work should be designed to enable them to provide reasonable assurance regarding the controls examined within the scope of their review.
- 9.2. Internal auditors will have a continuing duty to develop and maintain their professional skills, knowledge and judgement based on appropriate training, ability, integrity, objectivity, and respect.
- 9.3. Internal auditors will apprise themselves of the *'Mission', Core Principles', Definition of Internal Auditing'*, the *'Code of Ethics'* and the *'Standards'* and will work in accordance with them in the conduct of their duties.
- 9.4. Internal auditors will be alert to the possibility of intentional wrongdoing, errors and omissions, poor value for money, failure to comply with management policy and conflicts of interest. They will ensure that any suspicions of fraud, corruption or improper conduct are promptly reported in accordance with the Council's Anti-fraud and Corruption Policy.
- 9.5. Internal auditors will treat the information they receive in carrying out their duties as confidential. There will be no unauthorised disclosure of information unless there is a legal or professional requirement to do so. On such occasion the Chief Internal Auditor will liaise with the S151 and/or the Monitoring Officer as appropriate to inform them of the request and intended disclosure. Confidential information gained in the course of internal audit work will not be used to effect personal gain.

10. Access to relevant personnel and records

- 10.1. In carrying out their duties, internal audit (on production of identification) shall have unrestricted right of access to all records, assets, personnel, and premises, belonging to the Council or its key delivery partner organisations.
- 10.2. Internal audit has authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities. Such access shall be granted on demand and not subject to prior notice.

11. Scope of Internal Audit activities

- 11.1. The Chief Internal Auditor is responsible for the delivery of an annual audit opinion and report that can be used by the Council to inform its governance statement. The annual opinion will conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

- 11.2. The Council assume a Key Stakeholder role within the Southern Internal Audit Partnership (SIAP). The SIAP currently provides internal audit services to a wide portfolio of public sector clients (Annex 1) through a variety of partnership and sold service delivery models.
- 11.3. A range of internal audit services are provided (Annex 2) to form the annual opinion for each member / client of the SIAP. The approach is determined by the Chief Internal Auditor and will depend on the level of assurance required, the significance of the objectives under review to the organisation's success, the risks inherent in the achievement of objectives and the level of confidence required that controls are well designed and operating as intended.
- 11.4. In accordance with the annual audit plan, auditors will plan and evaluate their work so as to have a reasonable expectation of detecting fraud and identifying any significant weaknesses in internal controls.
- 11.5. Any audit with a no assurance opinion will be subject to re-performance within a year from the date the final report was issued. A contingency allowance will be factored into annual plans to undertake follow up reviews in areas where a limited assurance opinion has been provided in the prior year. The progress in the implementation of agreed management actions is also reported to the Audit and Scrutiny Committee as part of its regular activity reports. Repeated failure to implement the agreed management actions will be reported to the Audit and Scrutiny Committee, who may call the appropriate Officer to account for the failure to correct the control environment.
- 11.6. Managing the risk of fraud is the responsibility of line management and strategic responsibility for reactive and proactive fraud work sits with the S151 Officer who would ensure any suspected or detected fraud or corruption was investigated.
- 11.7. The Council participates in the National Fraud Initiative (NFI) in which data from the Council's main systems are matched with data supplied from other local authorities and external agencies to detect potentially fraudulent activity.
- 11.8. The S151 Officer will notify SIAP of any suspected or detected fraud to inform their opinion. They will instruct either SIAP or an external provider to undertake any investigations or reviews as required. SIAP will review the governance arrangement to prevent, detect and investigate fraud and irregularities on a cyclical basis.

12. Reporting

Chief Internal Auditor's Annual Report and Opinion

- 12.1. The Chief Internal Auditor shall deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.
- 12.2. The annual internal audit report and opinion will conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. The annual report will incorporate as a minimum:
- The opinion
 - A summary of the work that supports the opinion
 - A statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

Management Team

- 12.3. As those responsible for the leadership and direction of the Council it is imperative that the Management Team are engaged in:
- approving the internal audit charter (minimum annually)
 - approving the risk based internal audit plan
 - receiving communications from the Chief Internal Auditor on the internal audit activity's performance relative to its plan and other matters
 - making appropriate enquiries of management and the Chief Internal Auditor to determine whether there are inappropriate scope and resource limitations
 - receiving the results of internal and external assessments of the quality assurance and improvement programme, including areas of non-conformance.

The Audit & Scrutiny Committee

- 12.4. Organisational independence is effectively achieved when the Chief Internal Auditor reports functionally to the Audit & Scrutiny Committee. Such reporting will include:
- approving the internal audit charter
 - approving the risk based internal audit plan and any significant variations
 - receiving communications from the Chief Internal Auditor on the internal audit activity's performance relative to its plan and other matters, including the annual report and opinion
 - making appropriate enquiries of management and the Chief Internal Auditor to determine whether there are inappropriate scope or resource limitations
 - receiving the results of internal and external assessments of the quality assurance and improvement programme, including areas of non-conformance
 - approval of significant consulting services not already included in the audit plan, prior to acceptance of the engagement.

13. Review of the internal audit charter

- 13.1. This charter will be reviewed annually (minimum) by the Chief Internal Auditor and presented to the Management Team and the Audit & Scrutiny Committee for approval.

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Southern Internal Audit Partnership – Client Portfolio

Strategic Partners:	Hampshire County Council
Key Stakeholder Partners:	West Sussex County Council Havant Borough Council East Hampshire District Council Winchester City Council New Forest District Council Mole Valley District Council Epsom & Ewell Borough Council Reigate & Banstead Borough Council Tandridge District Council Crawley Borough Council Hampshire Fire & Rescue Authority Office of the Hampshire Police & Crime Commissioner / Hampshire Constabulary Office of the Sussex Police & Crime Commissioner / Sussex Police Force Office of the Surrey Police & Crime Commissioner / Surrey Police Force
External clients:	Waverley Borough Council Hampshire Pension Fund West Sussex Pension Fund New Forest National Park Authority Ringwood Town Council Lymington & Pennington Town Council Langstone Harbour Authority Chichester Harbour Authority Isle of Wight College

Assurance Services

- **Risk based audit:** in which risks and controls associated with the achievement of defined business objectives are identified and both the design and operation of the controls in place to mitigate key risks are assessed and tested, to ascertain the residual risk to the achievement of managements' objectives. Any audit work intended to provide an audit opinion will be undertaken using this approach.
- **Developing systems audit:** in which:
 - the plans and designs of systems under development are assessed to identify the potential weaknesses in internal control and risk management; and
 - programme / project management controls are assessed to ascertain whether the system is likely to be delivered efficiently, effectively and economically.
- **Compliance audit:** in which a limited review, covering only the operation of controls in place to fulfil statutory, good practice or policy compliance obligations are assessed.
- **Quality assurance review:** in which the approach and competency of other reviewers / assurance providers are assessed in order to form an opinion on the reliance that can be placed on the findings and conclusions arising from their work.
- **Fraud and irregularity investigations:** Internal audit may also provide specialist skills and knowledge to assist in or lead fraud or irregularity investigations, or to ascertain the effectiveness of fraud prevention controls and detection processes. Internal audit's role in this respect is outlined in the Council's Anti Fraud and Anti Corruption Strategy.
- **Advisory / Consultancy services:** in which advice can be provided, either through formal review and reporting or more informally through discussion or briefing, on the framework of internal control, risk management and governance. It should be noted that it would not be appropriate for an auditor to become involved in establishing or implementing controls or to assume any operational responsibilities and that any advisory work undertaken must not prejudice the scope, objectivity and quality of future audit work.