

<b>Title of Report:</b>	<b>Internal Audit Charter 2021/22</b>
<b>Committee Report Submitted To:</b>	<b>Audit Committee</b>
<b>Date of Meeting:</b>	<b>16<sup>th</sup> September 2021</b>
<b>For Decision or For Information</b>	<b>For Information</b>

<b>Linkage to Council Strategy (2019-23)</b>	
Strategic Theme	Improvement and Innovation
Outcome	All – Providing effective, accessible and sustainable local public services
Lead Officer	Audit, Risk and Governance Manager

<b>Budgetary Considerations</b>	
Cost of Proposal	N/a In-house
Included in Current Year Estimates	<b>YES/NO</b>
Capital/Revenue	Revenue staff costs
Code	
Staffing Costs	n/a

<b>Screening Requirements</b>	Required for new or revised Policies, Plans, Strategies or Service Delivery Proposals. <b>N/A</b>		
Section 75 Screening	Screening Completed:	Yes/No	Date:
	EQIA Required and Completed:	Yes/No	Date:
Rural Needs Assessment (RNA)	Screening Completed	Yes/No	Date:
	RNA Required and Completed:	Yes/No	Date:
Data Protection Impact Assessment (DPIA)	Screening Completed:	Yes/No	Date:

## **1.1 Purpose of Report**

The purpose of this report is to seek Members comments and approval on the Internal Audit Charter – attached at Appendix 1.

## **1.2 Background**

The Public Sector Internal Audit Standards requires Internal Audit Sections to have an Internal Audit Charter approved by the board (Audit Committee) on an annual basis. The Internal Audit Charter describes the purpose, authority, and responsibilities of the Council's Internal Audit Section.

## **1.3 Key Issues**

There is one additional paragraph for Member's attention contained in paragraph 2 of the document. A paragraph in relation to the statutory requirement to have an effective system of Internal Audit has been detailed in the Internal Audit Charter detailed as follows:

The Local Government (Accounts and Audit) (Amendment) Regulations (Northern Ireland) 2006 direct that:

*'A local government body shall ensure that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of its functions and includes arrangements for the management of risk'*

Regulation 3A states that:

*'A local government body shall maintain an adequate and effective system of Internal Audit of its accounting records and of its system of internal control in accordance with proper practices in relation to internal control'.*

## **1.4 Recommendation**

It is recommended that the Audit Committee notes the additional paragraph and approves the revised Internal Audit Charter.

## Appendix 1



**Causeway  
Coast & Glens  
Borough Council**

# Internal Audit Charter

Policy Number	Internal Audit Charter
Version Number	1
Author	Audit Manager

Date of Screening of Policy	N/a
EQIA Recommended?	N/a
Date Adopted by Council	
Policy Review Date	September 2022

## Internal Audit Charter

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## 1. Introduction

The Internal Audit Charter has been drawn up in line with the Public Sector Internal Audit Standards (PSIAS) which came into force on 1 April 2013 and is further informed by the Chartered Institute of Public Finance and Accountancy (CIPFA) Local Government Application Note (April 2013) published to assist in the implementation of the PSIAS.

This Internal Audit Charter is subject to approval by the Audit Committee of Causeway Coast and Glens Borough Council on an annual basis.

## 2. Statutory Requirement

The Local Government (Accounts and Audit) (Amendment) Regulations (Northern Ireland) 2006 direct that:

*‘A local government body shall ensure that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of its functions and includes arrangements for the management of risk’.*

Regulation 3A states that:

*‘A local government body shall maintain an adequate and effective system of Internal Audit of its accounting records and of its system of internal control in accordance with proper practices in relation to internal control’.*

## 3. Definitions and Roles

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The board – Causeway Coast and Glens Borough Council has established an Audit Committee which is the board for the purposes of the key duties laid out in the PSIAS.

The key duties of the board are as follows:

- approve the internal audit charter
- approve the risk-based internal audit plan including the approval of the internal audit budget

- receive communications from the Chief Auditor on internal audit performance relative to its plan and other matters
- receive an annual confirmation from the Chief Auditor with regard to the organisational independence of the internal audit activity
- receive the results of the quality assurance and improvement programme from the Chief Auditor
- make appropriate enquiries of the management and the Chief Auditor to determine whether there are inappropriate scope or resource limitations.

Chief Audit Executive (Chief Auditor) – Internal Audit is established as a section of Chief Executives, reporting functionally to the Chief Audit Executive (Chief Auditor) Director of Corporate Services. Senior Management - The role of senior management includes the following key duties:

- input to the risk based internal audit plan
- receive periodic reports from the Chief Auditor on internal audit activity, including follow-up reports
- receive the results of the quality assurance and improvement programme from the Chief Auditor.

#### **4. Responsibilities and Objectives**

Internal Audit will provide assurance services to management, the Councillors and the Audit Committee in terms of reviewing the adequacy of the Council's systems of governance, risk management and internal control across the organisation (and not limited to financial controls only). Internal Audit will also provide a consulting role in helping promote and facilitate the development of effective systems of governance, risk management and internal control.

In addition, and subject to availability of resources, Internal Audit will seek to respond to management's requests for other reviews and investigations. Although internal audit may provide advice on various issues, addressing these remains the responsibility of management.

#### **5. Scope of Internal Audit Activities**

To enable Internal Audit to meet its objectives it will undertake work within a scope of activities, including:

- review of controls within existing systems and systems under development
- compliance with Council policy and procedures

- transactions testing to ensure accuracy of processing

In addition, subject to available resources, Internal Audit may also carry out work in the following areas:

- investigation of suspected fraud and irregularities
- value for money studies
- provision of advice to departments.

## **6. Resource Requirements**

The Annual Audit Plan sets out the planned audit resources for the year with the objective of giving an evidence-based opinion. The scope of audit activity will be scheduled over a multi-year cycle to ensure appropriate coverage and prioritisation of all key risks and activities across the Council.

In the event that risk assessment identifies a need for more audit work than there are resources available, the Chief Auditor will identify the shortfall and advise the Chief Executive, Corporate Directors and Audit Committee as required to assess the associated risks or to recommend that additional resources are provided.

Should circumstances arise during the year that resources fall or appear to be falling below the minimum level required to provide an annual evidence-based opinion, the Chief Auditor will advise the Chief Executive and the Audit Committee.

## **7. Responsibilities**

Management is responsible for maintaining an adequate system of internal control to manage risks to the Council. Furthermore, internal audit will have no responsibilities over the operations that it audits over and above the furnishing of recommendations to management. The results of consulting and ad hoc projects requested by management will be used to inform Internal Audit's position on providing assurances where appropriate.

The Council's Chief Executive, Corporate Directors and Audit Committee will ensure that adequate financial resources are made available to enable Internal Audit to carry out its assurance and consulting activities.

For operational purposes, the first point of contact for Internal Audit within the Council will be the Director of Corporate Services.

## **8. Audit Planning**

Internal Audit will produce a Strategic Audit Plan which will be presented to the Council

and Audit Committee, and perform the audits that are contained within this plan, to the appropriate standards.

Annual Audit Plans will be based on the risk assessments carried out by management and the Council and will take into account issues derived from the previous audit engagements. The risk-based Internal Audit Plan outlines the assignments to be carried out, and their respective priorities. The plan is drawn up taking into account the Corporate Risk Registers which assist in identifying high, medium, and low risk areas. High risk areas identify in broad terms the audit areas that should be audited with greatest urgency and on an annual basis whereas low risk areas will be audited on a rotational basis. The plan is sufficiently flexible to reflect the changing risks and priorities of the Council.

## **9. Internal Audit Reports**

All Internal Audit Reports will be agreed with the relevant Head of Service/ Manager before being issued to the relevant officers.

Once agreed, they will be copied to the relevant Director, appropriate officer (with responsibility for management of the service), Chief Finance Officer and Chief Executive.

External Audit will have access to all internal audit reports as appropriate.

Copies of all internal audit reports will be provided for the Audit Committee and the Chief Auditor will present a summary of each internal audit report to the Audit Committee.

Management is expected to implement all agreed audit recommendations within a reasonable timeframe and each audit will be followed up by with appropriate management responses. The Audit Committee will be given a summary of audits where agreed recommendations have not been implemented by management without reasonable explanation.

If agreed audit recommendations have not been implemented by management without reasonable explanation, the Chief Executive and if appropriate, the Audit Committee will be notified. The Chief Executive and if appropriate the Audit Committee, will also receive a summary of all audits where management has agreed not to implement an audit recommendation without reasonable explanation.

Whilst it is the Council's responsibility to ensure all agreed actions resulting from internal audit reports have been implemented by management, the Internal Auditors

will establish a follow-up process to monitor and ensure management actions have been effectively implemented through an annual review of prior year recommendations. Progress against the audit plan will be reported annually to the Audit Committee. The Chief Auditor will provide an annual report to the Council, summarising the results of internal audit work carried out and providing an assurance statement of the Council's system of internal controls.

The Chief Auditor is also responsible for providing, at least annually, a self-assessment on the internal audit activity regarding its consistency with the PSIAS, and at least every five years, an external assessment of the internal audit activity.

The Chief Auditor will communicate to senior management and the Audit Committee on internal audit's quality assurance and improvement programme.

## **10. Access**

Internal audit has access to all members, officers, buildings, information, explanations and documentation required to discharge the audit role. Any interference with this right of access will be investigated and, if found to be unreasonable, will be deemed a breach of organisational procedure and dealt with accordingly. The Chief Auditor has direct access to the Chair of the Audit Committee as and when the need arises.

## **11. Independence and Objectivity**

Internal audit is required to provide an independent and objective audit service in line with the PSIAS. The internal auditor will not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment.

Internal Audit staff must always avoid conflicts of interest. Any perceived conflicts of interest must be declared by Internal Audit staff.

## **12. Fraud and Corruption**

Managing the risk of fraud and corruption is the responsibility of management. Internal audit will assist management in effective discharge of this responsibility. Audit procedures alone cannot guarantee that fraud or corruption will be detected. Internal Audit does not have responsibility for the prevention or detection of fraud and corruption as this lies with management. Internal auditors will, however, be alert in all their work to risks and exposures that could allow fraud, corruption, or bribery.

The Council's Anti-Fraud, Corruption & Bribery Policy provides that the Chief Auditor will be notified of all suspected incidents of fraud within the Council to inform the annual audit opinion and the risk-based audit plan.