
Isle of Wight Council

Internal Audit Charter

1st April 2014

Distribution List

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Audit Committee Chair

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The Audit Committee

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Stuart Fraser, Head of Finance & Section 151
Officer

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Dave Burbage, Managing Director

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Emma Butler, Co-sourced Internal Audit Provider

Context

This Charter is the framework for the Internal Audit Service, approved by the Managing Director, Corporate Management Team and Audit Committee. The Internal Audit Charter sets out the purpose, scope, authority and responsibilities of Internal Audit.

Purpose

The Council's Internal Audit Service exists to provide independent, objective assurance and consulting, focussed both on ensuring that functions reviewed are well managed and by identifying opportunities for enhancement where effectiveness or efficiency could be improved. Cumulatively the work of Internal Audit supports the Council in achieving its objectives, through assuring the effectiveness of risk management, control and governance across the Council.

Scope

All activities of the Council, including where outsourced, fall within the remit of Internal Audit. Annually Internal Audit will carry out a risk based programme of work, decided in consultation with the Council's senior management and approved by the Council's Audit Committee. Not all areas of the Council will necessarily be reviewed each year, however as part of the planning cycle all areas will be risk assessed, the output of the annual planning process identifying where internal audit work will focus for the next 12 months and provisionally identifying which areas will be reviewed in future years. Internal Audit's annual programme of work is coordinated with other assurance providers, for example the Council's external auditors, to help ensure adequate coverage and minimise any duplication of effort.

Our annual, planned programme of work can, as necessary, be supplemented by additional reviews and consulting engagements as the request of the Audit Committee and senior Council officers.

All of the work carried out by Internal Audit is mindful of the potential for fraud, specifically where control weakness either increase the likelihood of this happening or make detection at the earliest opportunity less likely. However the Council's Internal Audit Service does not carry out any specific fraud related work.

Authority

The Council's Internal Audit Service reports to and derives its authority from the Corporate Management Team through the Audit Committee. The Committee empowers the Head of Internal Audit (Chief Audit Executive) and the Internal Audit Service to have whatever access is necessary to inform its work to the Council's premises, staff and documentation. As necessary the Head of Internal Audit (Chief Audit Executive) will engage additional experts to review specialist areas, with outputs being communicated to relevant management. The Internal Audit Service will ensure that all information provided by the Council to inform its work is appropriately secured.

Responsibilities

The Council's Head of Internal Audit (Chief Audit Executive) is responsible for:

- Consulting the Council's management and Audit Committee, to inform the annual programme of Internal Audit work.
- Drafting and submitting the annual programme of work for approval by the Audit Committee.
- Ensuring that the programme of work is completed.
- Monitoring and quality assuring the provision of internal audit services by our co-sourced Internal Audit provider.
- Issuing regular performance reports regarding the work carried out by Internal Audit for consideration by the Audit Committee.
- Ensuring that Internal Audit is appropriately resourced, appropriate to the risk profile of the Council.

The Audit Committee must assure itself that the Internal Audit Service is correctly resourced through inquiry of the Head of Internal Audit (Chief Audit Executive), specifically that there are no inappropriate scope or resource limitations.

Management are responsible for:

- Identifying, understanding and managing risks effectively.
- Responding appropriately to Internal Audit findings, ensuring that effective and timely remedial actions are taken.
- Maintaining a sound system of internal control and improvement of the same. The existence of Internal Audit function does not in any way relieve management of this responsibility.
- Fraud prevention and detection; however, Internal Audit will be observant for any indications of fraud and control weaknesses which could permit fraud or would impede its timely detection.

Independence

Staff engaged in Internal Audit activity will remain independent of business functions, specifically they will not undertake any delivery of business functions (including implementation of actions) to prevent any risk or future risk of self-review; this includes developing systems, procedures or any other activity which they could be required to review. Internal Audit staff will inform the Head of Internal Audit (Chief Audit Executive), Corporate Management Team and Audit Committee immediately of any real or perceived conflict of interest so that any safeguards necessary can be put in place.

Functionally Internal Audit staff will report to the Head of Internal Audit (Chief Audit Executive), who will report functionally to the Audit Committee and administratively to the Head of Finance & Section 151 Officer.

Professional competence and due care

The Internal Audit function will perform its duties with professional competence and due care. Internal Audit will adhere to the Definition of Internal Auditing, Code of Ethics and the Standards for the Professional Practice of Internal Auditing that are published by the Institute of Internal Auditors.

Internal Audit will also adhere to the requirements of the Public Sector Internal Audit Standards (PSIAS).

Reporting and monitoring

At the conclusion of each audit written reports will be prepared by the Internal Audit staff responsible for each review. Following review and approval by the Head of Internal Audit (Chief Audit Executive) draft deliverables will be agreed with review sponsors, with final deliverables being issued by the Head of Internal Audit (Chief Audit Executive) as appropriate.

Findings and agreed actions will be entered in the Internal Audit electronic follow-up system, with staff within the Business Improvement Team responsible for following up actions and reporting their status to the Head of Internal Audit (Chief Audit Executive). All actions will remain open until cleared by the Head of Internal Audit (Chief Audit Executive), Corporate Management Team or Audit Committee.

Regular reports will be prepared by the Head of Internal Audit (Chief Audit Executive) for the Council's Audit Committee, covering overall performance, summary findings and the status of follow-up actions stemming from the work of Internal Audit.

In addition to formal reporting to Audit Committee the Head of Internal Audit (Chief Audit Executive) will meet regularly and privately with the Audit Committee Chair to discuss internal audit matters.

To ensure the adequacy of the Council's Internal Audit Service the Head of Internal Audit (Chief Audit Executive) will monitor the Service through the implementation of a Quality Assurance and Improvement Programme; the results of this Programme will be reported periodically to the Audit Committee and the Council's Senior Management.

Definitions

Corporate Management Team /Senior Management	The senior officer at the Council is the Managing Director. The Corporate Management Team (comprising of heads of individual service areas) in the equivalent body at the Council to the Board ¹ ; collectively the Managing Director and Corporate Management Team are responsible for directing the activities and management of the Council.
Audit Committee	The governance group charged with independent assurance of the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting.
Chief Audit Executive	Chief Audit Executive describes a person in a senior position responsible for effectively managing the internal audit activity. The specific job title of the Chief Audit Executive may vary across organisations. Throughout this document, the term 'Chief Audit Executive' refers to the Head of Internal Audit (Business Improvement Manager).

¹ The Public Sector Internal Audit Standards (PSIAS) require the Internal Audit Charter to define the terms 'Board' and 'Senior Management' for the purposes of internal audit activity. The "Board" is the highest level of governing body charged with the responsibility to direct and/or oversee the activities and management of the organisation. Typically, this includes an independent group of directors (e.g. a board of directors, a supervisory board or a board of governors or trustees). If such a group does not exist, the 'board' may refer to the head of the organisation. In this context 'board' refers to the Council's Corporate Management Team.