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# Wokingham Borough Council

## INTERNAL AUDIT CHARTER

**The Terms of Reference for the provision of the Internal Audit Service within the Shared Audit and Investigation Service at Wokingham Borough Council.**

*(This document revises and updates the previous Audit Charter approved by Audit Committee Reviewed on a regular basis annually. Last approved by Audit Committee 28 September 25 July 2016)*

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## INTERNAL AUDIT CHARTER

### Introduction

1. The purpose of this Audit Charter is to set out the Terms of Reference for the provision of the Internal Audit Service within Wokingham Borough Council. The Charter is reviewed on an annual basis to ensure that current needs are met. The latest Charter was approved by Audit Committee on ~~28~~ 25 September July 2018~~6~~ and it demonstrates how the Internal Audit Service complies with the Public Sector Internal Audit Standards (PSIAS), which came into effect in April 2013 and revised in March 2017 April 2016.

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### Authority

2. The Local Government Accounts and Audit Regulations 2015 require every local authority to undertake effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.
3. Under S151 of the Local Government Finance Act 1972, the S151 Officer is responsible for ensuring that proper arrangements exist for the management of the Council's financial affairs. Reliance upon Internal Audit is fundamental to the fulfilment of that responsibility.

### Definition of Internal Auditing

4. In accordance with the PSIAS, Internal Audit 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.

### Mission Statement

5. The purpose of the Shared Audit and Investigation Service (SAIS) is to provide independent, objective assurance and consulting services designed to add value and improve WBC's operations. The mission of internal audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight. The Shared Audit and Investigation Service helps WBC accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes. The role of the Chief Audit Executive (CAE) is performed by the Assistant Director, Governance.

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### Role, Purpose and Function

5. ~~The Internal Audit Service is delivered by the Shared Audit and Investigation Service (SAIS), a Shared Service between Wokingham Borough Council (WBC) and the Royal Borough of Windsor and Maidenhead (RBWM), hosted by WBC. The role of the Head of Internal Audit (HoIA) is performed by the Service Manager, Shared Audit & Investigation Service.~~
6. The Internal Audit Service provides:-

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- Senior Management and the Board (the Audit Committee) with assurances on the adequacy of control within the Council's systems and activities.
  - the S151 Officer with the assurances required to discharge their statutory responsibilities.
  - a service to monitor the efficient and effective delivery of the Council's objectives.
  - evidence regarding compliance with the Council's Constitution, Corporate procedures and the Council's policies and objectives.
7. The existence of Internal Audit does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner.
8. For the purposes of clarification, Senior Management is defined as those posts that are within the organisation at Head of Service level and above.
9. The "Board" (this function at WBC is provided by the Audit Committee) Board is the highest level of governing body charged with the responsibility to direct and/or oversee the activities and management of the organisation.

### Independence

10. The main determinant of the effectiveness of Internal Audit is that it is seen to be independent. To ensure this, Internal Audit operates within a framework that allows:-
- unrestricted access to the Head of Paid Service and Senior Management.
  - unrestricted access to the Chair of the Audit Committee and other Council Members.
  - segregation from operations.
11. Every effort is made to preserve objectivity by ensuring that all audit members of staff are free from any conflicts of interest with regard to both audit and ~~non-audit~~ non-audit activities.

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12. Where there is a potential impairment to the CAE's independence and objectivity from directly managing a range of services that the SAIS may review, then the audit will be undertaken under the management of the Deputy Chief Executive and Director of Corporate Services.

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### Objectives of Internal Audit

13. As an independent appraisal function within the Council, the primary objective of Internal Audit is to review, appraise and report upon the adequacy of internal controls as a contribution to the proper, economic, efficient and effective use of resources. In addition, the other objectives of the function are to:
- Ensure compliance with the Accounts and Audit Regulations 2015.
  - Deliver an annual internal audit opinion on the strength of the Council's governance arrangements and control environment to support the Council's review of the effectiveness of internal control and the production of the Annual Governance Statement (AGS).
  - Support managers with the management of risk including: -
    - In the delivery of services
    - Protection of assets from loss
    - Maintaining the reputation of the Council

- Protecting the organisation from litigation
- Meeting statutory obligations
- Meeting corporate objectives
- Being aware of environmental implications
- Being alert to the risk of fraud or irregularity
- Contingency planning
- Provide managers with support and advice to encourage consultation and the adoption of best practice.

- Perform testing of key systems to inform the work of the External Auditors.
- Undertake projects to meet the current concerns of the Audit Committee, Head of Paid Service, Directors, Heads of Service, the Section 151 Officer and Monitoring Officer.
- Undertake an annual review of the effectiveness of the Council's system of internal audit, required under the PSIAS. The ~~Assistant Director, Governance Service Manager, Shared Audit and Investigation Service~~ arranges this work and the outcomes are presented to the Audit Committee.
- Assist management with the provision of consultancy work where appropriate, e.g. in the preparation for inspections, to implement best practice.

~~143.~~ The assurance set out above is provided for the internal use of Wokingham Borough Council. Where the Audit Sponsor (Chief Executive/Director) decides it is prudent and increases efficiency these assurances can be used by 3<sup>rd</sup> parties. Examples include, but are not limited to, other local authorities, local authority trading companies, grant awarding bodies, regulatory and inspection bodies. Where this assurance is provided to external bodies these are limited to the primary purpose of providing reasonable assurance to Wokingham Borough Council, except where this is agreed within the scope of the applicable internal audit Terms of Reference.

#### Scope of Internal Audit

~~154.~~ The scope of Internal Audit allows for unrestricted coverage of the Council's activities and unrestricted access to all records (~~both electronic or either electronic or~~ otherwise), assets, personnel and premises and for obtaining such information and explanations it considers necessary to fulfil its responsibilities. These rights of access also apply to the Council's partner organisations and contractors. This unrestricted access also extends to any person carrying out an investigation on behalf of the ~~Chief Audit Executive~~ ~~HoA~~.

~~165.~~ In addition, Internal Audit, has unrestricted access to Members, the Head of Paid Service, Directors, Heads of Service, all other council employees, External Audit, suppliers and contractors.

~~176.~~ Internal Audit work covers all systems and activities in all directorates and locations throughout the Council.

#### **Professional Standards and Ethics**

~~187.~~ The ~~Assistant Director, Governance Service Manager, Shared Audit and Investigation Service~~ has adopted the mandatory PSIAS which applies the IIA International Standards to the UK Public Sector. The objectives of these Standards are to;

- Define the nature of internal auditing within the UK public sector.
- Set basic principles for carrying out internal audit in the UK public sector.
- Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations, and

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- Establish the basis for the evaluation of internal audit performance and to drive improvement planning.
- Ensure that the core principles for the Professional Practice of Internal Auditing are present and operating effectively.

198. All Internal Auditors will endeavour to conform with the IIA's Code of Ethics and rules of conduct and the requirements of any other professional bodies for which they are a member. Internal Auditors also have regard to the Committee on Standards of Public Life's *Seven Principles of Public Life* ("Nolan Principles").

2049. Instances of non-conformance to the PSIAS will be reported to the ~~Board~~ (Audit Committee). More significant deviations will be considered for inclusion in the AGS.

210. Any offers of gifts or hospitality will be reported to the Assistant Director, Governance Service Manager, Shared Audit and Investigation Service and an appropriate record made in accordance with the Council's gift and hospitality policy. Auditors must avoid the perception of any impairment to their objectivity and independence.

### Responsibility

224. Internal Audit has no executive responsibility for the Council's systems of internal control other than an appraisal of their effectiveness with regard to Council objectives.

232. Internal Audit is not an extension of, or a substitute for, the functions of management. Responsibility for internal control rests fully with managers, who should ensure that arrangements are appropriate and adequate. It is for management to address Internal Audit concerns or to accept the risk resulting from not taking action. However, it is the Shared Audit and Investigation Service's responsibility to consider taking matters to higher levels of management or to Council Members if it is felt that the risk should not (or need not) be borne.

243. The internal auditor should have regard to the possibility of such malpractice and should seek to identify serious defects in internal control, which might permit the occurrence of such an event.

254. An internal auditor who discovers evidence of, or suspects, malpractice should report, through the Assistant Director, Governance Service Manager, Shared Audit and Investigation Service, firm evidence, or reasonable suspicions, to the appropriate level of management. It is a management responsibility to determine what further action to take.

265. The Assistant Director, Governance Service Manager, Shared Audit and Investigation Service will use information from fraud activities to inform the annual audit opinion and the risk-based plan.

276. The Assistant Director, Governance Service Manager, Shared Audit and Investigation Service will manage any conflict of interest from non-audit activities and details of these will be provided to the Audit Committee. This includes any advisory and non-audit services that SAIS provides to management.

### Audit Style and Content

287. The primary task of Internal Audit is to review the systems of internal control operating throughout the Council and in doing this will adopt a predominantly risk-based approach to

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audit, aligned to the WBC Risk Register. Internal Audit will also provide advice and consultancy services to management on any issues related to governance, risk management and internal control matters where this does not negatively impact on their primary responsibility. This advice and consultancy work can be used to contribute to the annual internal audit opinion.

~~29.28.~~ The Assistant Director, Governance Service Manager, Shared Audit and Investigation Service will be required to manage the provision of a complete Internal Audit Service to the Council which will include risk based compliance, computer and contract audit and in discharging this duty, ~~the~~ the Assistant Director, Governance Service Manager, Shared Audit and Investigation Service will:

- prepare an annual risk-based audit plan in consultation with the Head of Paid Service, Section 151 Officer, Directors, Heads of Service, client managers and External Audit for formal endorsement by the Audit Committee. This Plan will be regarded as flexible rather than as an immutable expression of audit policy.
- ensure that current entries in the WBC Risk Register are reflected and included in the Audit Plan on a rolling basis and any significant changes to the Audit Plan to be brought to the attention of the Audit Committee~~Board~~.
- ensure a system of close supervision of audit work, and maintain a review of audit files through the supervisory structure and a standardisation of documentation, as there may occasionally be a requirement to provide working papers, where requested.

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**Audit Resources and Training**

~~30.29.~~ Internal Audit resource will be determined by the Audit Committee in consultation with the S151 Officer in order to enable him to discharge his statutory duties and will reflect the corporate needs of the Council. Resources will also reflect requirements needed to allow the S151 Officer to discharge his obligations. The Assistant Director, Governance Service Manager, Shared Audit and Investigation Service must ensure that the internal audit function has appropriate resources in order to meet its objectives and to comply with the PSIAS.

~~31.0.~~ The staffing structure of the Service will comprise of suitably qualified posts with a mix of professional specialisms and skills to reflect the varied functions of the Service and the need to evaluate the efficiency and effectiveness of the complex range of processes undertaken by WBC. The Assistant Director, Governance Service Manager, Shared Audit and Investigation Service will arrange, as and when necessary and/or if such specialisms cannot be provided in-house, for such expertise to be provided by external providers.

~~32.4.~~ The Assistant Director, Governance Service Manager, Shared Audit and Investigation Service will carry out a continuous review of the development and training needs of all audit personnel and will arrange appropriate in-service training. Internal Auditors have a personal responsibility to undertake a programme of continuing professional development (CPD) to maintain and develop their competence.

~~33.2.~~ All Internal Audit staff will receive an annual appraisal.

**Audit Reporting**

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34. The Assistant Director, Governance~~Service Manager, Shared Audit and Investigation Service~~ reports operationally directly to the Head of Governance and Improvement who is a member of the Council's Corporate Leadership Team (CLT). The Head of Paid Service reviews the performance appraisal of the Service Manager, Shared Audit and Investigation Service. Feedback is sought from the Chair of the Audit Committee on the performance of the Assistant Director, Governance~~Service Manager, Shared Audit and Investigation Service~~.

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354. Timely reporting is a key part of Internal Audit and reporting takes place: -

- a. To the responsible Director, Head of Service and Unit/Lead Specialist~~Service Manager~~/Head Teacher at the conclusion of each audit review setting out an overall opinion and the main concerns.
- b. To the Chief Executive and External Audit at the conclusion of each audit review (School's audits are issued to the Chair of Governors).
- c. To the Audit Committee on a quarterly and on an annual basis and to the CLT on a regular basis, reporting progress against the Audit Plan, summarising the outcome of audit reviews, to highlight where management have not responded to audit concerns, to identify the progress made by management in implementing the treatment of concerns and to emphasise any other key issues.
- d. The annual report to the Audit Committee will also include an overall opinion on the strength of the governance arrangements and control environment (which will also contribute towards the production of the AGS) and an assessment of the system of internal control, as required by the Accounts and Audit Regulations 2015.

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