



# INTERNAL AUDIT CHARTER



LISBURN AND CASTLREAGH CITY COUNCIL

## **Internal Audit Charter**

### **Introduction**

This Charter defines the purpose, authority, responsibility and scope of activity of Lisburn & Castlereagh City Council's Internal Audit Unit. It establishes the Unit's position within the Council, including the nature of the Audit & Risk Manager's reporting relationship with the Chief Executive and the Governance & Audit Committee. The Public Sector Internal Auditing Standards require the Charter to be periodically reviewed by the "Chief Audit Executive" (ie the Council's Audit & Risk Manager) and presented to "senior management" (ie the Corporate Management Team" and the "board" (the Governance & Audit Committee" for approval.

### **Definition of Internal Audit**

'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.' – Chartered Institute of Internal Auditors

### **Role & Responsibility of Internal Audit within LCCC**

Internal Audit is an independent section, positioned within the Chief Executive's Department. The section provides a service to management by undertaking the full range of recognised Internal Audit activities. It must maintain its independence in order to provide objective evaluation on the economy, efficiency and effectiveness of the governance framework within the organisation. If Internal Audit staff undertake any non-audit work, any conflicts of interest must be considered should the same staff be potentially involved in audit work within that area of Council activity. As a general rule, Internal Audit staff should not be involved in audit work in any Council activity in which they have been directly or even indirectly involved during the previous 12 months.

### **Reporting Lines**

- *Administratively* - The Audit & Risk Manager (Head of Audit) will report to the Chief Executive,
- *Functionally* –
  - To officers - Each relevant Audit Assignment will be concluded by the issue of an Audit Report to the Director of the relevant Department to which the audit assignment relates,
  - To Committee – Periodic progress reports (normally on a quarterly basis) will be submitted to the G&A Committee. Reports on specific matters may be submitted on an ad-hoc basis as and when the need arises,
- The Audit and Risk Manager will also have a right of access to the Chair of the Audit Committee in circumstances where such right is warranted.

## **Accountability**

The Audit and Risk Manager will be responsible for:

- Providing annually an independent and objective opinion to the Chief Financial Officer (ie the Chief Executive) and to the Governance & Audit Committee on risk management, governance and control by measuring and evaluating their effectiveness in achieving the organization's agreed objectives,
- Reporting significant Governance, Risk and Compliance issues relating to the processes which operate and control the activities of the Council and its partners, including potential improvements to those processes,
- Periodically providing information on the status and progress of the annual Audit Plan and the sufficiency of IA resources.
- Liaising and co-ordinating with other assurance and monitoring functions including Risk Management, Health & Safety, External Audit etc),

The Audit unit carries out reviews through its annual audit plans which include an examination of the Governance, Risk and Compliance systems in the organisation in order to ascertain their effectiveness in safeguarding the interests of the organisation, including fraud prevention, assets management and also to ensure the organisation is delivering value for money.

## **Standards aspired to by Internal Audit**

Internal Audit will have regard for the standards and practices emanating from the following:

- Public Sector Internal Audit Standards (Internal Audit Standards Advisory Board – revised on the 1<sup>st</sup> April 2017)
- IIA Code of Ethics and International Standards, and
- CIPFA Code of Practice for Internal Audit in Local Government (2006).

## **Scope of Internal Audit Work**

All of the Council's activities, which include the Governance, Risk Management and Compliance processes of the Council, fall within the remit of Internal Audit.

Internal Audit will:

- Consider the processes deemed necessary to secure propriety, economy, efficiency and effectiveness in all areas of the Council,
- Review the adequacy of existing processes to achieve these objectives, and seek confirmation that management have taken the necessary steps to ensure achievement,
- Advise upon the introduction of new processes for recommendation to Management to achieve such objectives, where existing processes are absent or lacking in some respect.

Internal Audit may also conduct any special reviews requested by:

- Members (channelled through the appropriate lines of Senior Management),
- the Chief Executive,

- other Directors (channelled through the Chief Executive),

provided such reviews do not compromise the objectivity and independence of Internal Audit, nor unnecessarily hinder achievement of the approved audit plan.

In undertaking its work Internal Audit will have right of access to all records, assets, personnel and premises, including those of partner organisations, and its authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities – the only limiting factor being any appropriate limitation necessitated by the observance of the provisions of the Data Protection legislation.

Any restriction to Internal Audit's access to records, assets etc judged to be incorrect or improper will be reported to the Corporate Management Team and the Governance & Audit Committee. Any impairment of Internal Audit's independence or objectivity will be likewise reported.

### **Responsibilities/Duties of Internal Audit**

- To give an annual opinion to the Chief Executive (in the role of Council Chief Financial Officer) and the Governance & Audit Committee on the adequacy and effectiveness of the Council's Governance Framework entailing its governance, risk management and compliance processes.
- To provide assurance to senior management regarding the operation of the system of controls, practices and procedures to ensure completeness and accuracy of all Council income, expenditure and assets, and to ensure that the practices and procedures are in accordance with currently accepted Accountancy principles and Government and E.U. regulations.
- To act as a catalyst in the process of system development and decision making.
- To consider the Value for Money (VFM) aspects of various Council schemes and initiatives, by undertaking VFM studies.
- To assist the Chief Executive and Management Team on specific assignments aimed at measuring and improving managerial performance and effectiveness.
- To provide advice to Council Staff on audit related matters.

### **Assurance provided by Internal Audit**

Assurance will be provided in the most effective and efficient way – normally, but not necessarily always, in the form of a written report (as brief as is practicable) to the relevant Director, who is expected to respond within the agreed timescales to the conclusions and recommendations made.

It is important to remember that the end product of any audit is not the report but the message conveyed by the report in terms of assurance or otherwise, and the implementation of any recommendations to remedy or improve any shortcomings in control.

Assurance provided to any parties, not directly controlled by the Council but in which the Council would have direct involvement or have a financial interest, will be clearly defined as part of any audit engagement carried out.

**Consultancy provided by Internal Audit**

Consultancy is defined by the Institute of Internal Auditors as being “advisory” in nature and which are intended to “add value and improve an organisation’s performance.” It may be formal or informal, and may be linked to Assurance Services. Internal Audit staff may be requested to provide such services in which case the nature, purpose and scope of such services should be clearly defined.

**Role of Internal Audit in relation to Fraud**

Internal Audit does not have responsibility for the prevention or detection of fraud and corruption which is the responsibility of Management.

However, as the Public Sector Internal Audit Standards state “The internal audit activity must evaluate the potential for the occurrence of fraud and how the organisation manages fraud risk”.

Therefore, the Audit and Risk Manager will draw up a Fraud Risk Assessment taking into account the controls in place to prevent or detect fraud. Nevertheless, Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud and corruption will be detected. Internal Audit may also be involved in a fraud investigation as part of a team set up to investigate suspected incidences of fraud.

**Internal Audit – Arrangements for resourcing**

Arrangements for audit resourcing emanate from the Audit Needs Analysis drawn up by the Audit and Risk Manager to implement the Audit Strategy and Audit Plans. Resourcing will be agreed by the Corporate Management Team and Committee.

**Principle of Good Relationships**

Internal audit is involved in a wide range of internal and external relationships. The quality of these relationships impacts on the effective delivery of the audit function, its reputation and independence. An important part of that task is to ensure that Internal Audit’s plans and activities are co-ordinated with those of other parties to achieve the most effective audit coverage and to minimise duplication of work.

*Internal relationships* - Internal Audit will therefore liaise with other officers within Council who undertake review work – ie the Equality Officer, the Health & Safety Advisor and the Performance Improvement Officer in an effort to, where possible, place reliance on review work undertaken by these officers.

*External relationships* - Internal Audit will take account of audit work undertaken by external auditors, primarily that of the NIAO. The work of other auditors, for example those from Grant awarding bodies, will also be kept in view.

**Quality assurance and Performance Improvement**

The form, content and frequency of communicating the results of the quality assurance and improvement programme will be established through discussions with the Corporate Management Team and the Governance & Audit Committee.

To demonstrate conformance with the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*, the results of external and periodic internal assessments will be communicated upon completion of such assessments and the results of ongoing monitoring are communicated at least annually.

**Amendment to Internal Audit Charter**

The Audit and Risk Manager will provide advice on the content of the Charter and the need for amendment. Final approval of the Charter or any amendment resides with the Governance & Audit Committee.

  
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Dr. Theresa Donaldson Chief Executive \_\_\_\_\_

  
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Councillor Grehan Chair- Governance & Audit Committee 10/10/17

  
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Sean McGurnaghan Audit & Risk Manager 10<sup>th</sup> October 2017