

# INTERNAL AUDIT CHARTER

# Internal Audit Charter

## Purpose

1. The purpose of the Internal Audit Function is to strengthen Suffolk County Council's ability to create, protect, and sustain value by providing the Full Council, Audit Committee, Corporate Leadership Team, and management with independent, risk-based, and objective assurance, advice, insight, and foresight.
2. The role of the Internal Audit Function includes:
  - Supporting the delivery of the Council's strategic objectives by providing risk-based and objective assurance on the adequacy and effectiveness of governance, risk management and internal controls.
  - Championing good practice in governance through assurance, advice and contributing to the Council's annual governance review.
  - Advising on governance, risk management and internal control arrangements for major projects, programmes and system changes.
  - Governance oversight of the Council's collaborative and arm's-length arrangements.
3. Suffolk County Council's Internal Audit Function is provided by an in-house team which is part of the Corporate Services Directorate.
4. The Internal Audit Function enhances Suffolk County Council's:
  - Successful achievement of its objectives.
  - Governance, risk management, and control processes.
  - Decision-making and oversight.
  - Reputation and credibility with its stakeholders.
  - Ability to serve the public interest.
5. Suffolk County Council's Internal Audit Function is most effective when:
  - a) Internal auditing is performed by competent professionals in conformance with Internal Audit Standards, which are set in the public interest.
  - b) The Internal Audit Function is independently positioned with direct accountability to the Corporate Leadership Team and Audit Committee.
  - c) Internal auditors are free from undue influence and committed to making objective assessments.

## **Commitment to Adhering to the Global Internal Audit Standards in the UK Public Sector**

6. Suffolk County Council's Internal Audit Function will adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards. This will take into account:
  - a) the CIPFA Application Note, which provides a framework for the practice of internal audit in the UK public sector when taken together with the Global Internal Audit Standards; and
  - b) the CIPFA Code of Practice for the Governance of Internal Audit in UK Local Government, which complements the Global Internal Audit Standards from the perspective of the Head of Internal Audit.

Overall, this means that the Internal Audit Function will adhere to the "Global Internal Audit Standards in the UK Public Sector."

7. The Head of Internal Audit & Counter Fraud (HoA) will report periodically to the Corporate Leadership Team and the Audit Committee regarding the Internal Audit Function's conformance with the Standards, Application Note, and CIPFA Code, which will be assessed through a quality assurance and improvement programme.

## **Authority (Internal Audit Mandate)**

8. Suffolk County Council's Internal Audit Function mandate is found in the **Accounts and Audit Regulations 2015 (Part 2: Internal Control, Section 5: Internal Audit)** which requires that:

*a relevant authority must undertake an 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.*

*Any officer or member of a relevant body must, if required to do so for the purposes of internal audit –*

- a) make available such documents and records; and*
- b) supply such information and explanations*

*as are considered necessary by those conducting the internal audit.*

*In this regulation "documents and records" includes information recorded in an electronic form.*

9. The Internal Audit Function's authority is created by its direct reporting relationship to the Corporate Leadership Team and Audit Committee. Such authority allows for unrestricted access.

10. The Corporate Leadership Team and Audit Committee authorise the Internal Audit Function to:
  - a) Have full and unrestricted access to all functions, data, records, information, physical property, and personnel that it considers necessary to fulfil its responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information.
  - b) Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives.
  - c) Obtain assistance from specialised services from within or outside Suffolk County Council to complete internal audit services.
11. Internal Audit will be appropriately staffed in terms of numbers, qualification levels, and experience. The HoA will report on the adequacy of resources to the Chief Financial (s151) Officer, the Chief Executive, and to the Audit Committee.

## **Independence, Organisational Position, and Reporting Relationships**

12. The HoA will be positioned at a level in the County Council that enables internal audit services and responsibilities to be performed without interference from management, thereby establishing the independence of the Internal Audit Function. The HoA will report functionally to the Corporate Leadership Team and Audit Committee and administratively (for example, day-to-day operations) to the Chief Financial (S151) Officer. This positioning provides the organisational authority and status to bring matters directly to senior management and escalate matters to the Corporate Leadership Team and Audit Committee, when necessary, without interference, and supports the internal auditors' ability to maintain objectivity.
13. The HoA will confirm to the Corporate Leadership Team and Audit Committee, at least annually, the organisational independence of the Internal Audit Function. If the governance structure does not support organisational independence, the HoA will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence. The HoA will disclose to the Corporate Leadership Team and Audit Committee any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the Internal Audit Function's effectiveness and ability to fulfill its mandate.

## **Audit Committee**

14. The role of the Audit Committee in relation to Internal Audit is:
  - a) to oversee its independence, objectivity, performance, and professionalism.
  - b) to support the effectiveness of the Internal Audit process.
  - c) to promote the effective use of Internal Audit within the assurance framework.

15. The Audit Committee's terms of reference, with regards to Internal Audit, state:

- a) ensuring Internal Audit complies with the Global Internal Audit Standards in the UK Public Sector.
- b) approving the Internal Audit Mandate & Charter.
- c) championing and supporting the Internal Audit Function to enable it to fulfil the purpose of internal auditing, including its independence, and pursue its strategy and objectives.
- d) approving the risk-based Internal Audit planning process, including Internal Audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- e) considering reports on the effectiveness of internal controls and monitoring the implementation of agreed actions.
- f) considering the annual report and update reports from the Head of Internal Audit on Internal Audit's work and performance during the year.
- g) to receive the results on the quality and performance of the Internal Audit Service, including any recommendations, and monitor any resulting actions.
- h) communicating both formally and informally with the Head of Internal Audit, including on assurance, risks, and concerns.

16. To establish, maintain, and ensure that Suffolk County Council's Internal Audit Function has sufficient authority to fulfill its duties, the Audit Committee will:

- a) Discuss with the HoA and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and / or advisory) of the Internal Audit Function.
- b) Ensure the HoA has unrestricted access to, communicates, and interacts directly with the Audit Committee, including in private meetings without senior management present.
- c) Discuss with the HoA and senior management other topics that should be included in the Internal Audit Charter.
- d) Participate in discussions with the HoA and senior management about the "essential conditions" (1), described in the Global Internal Audit Standards, which establish the foundation that enables an effective internal audit function.

(1) "essential conditions" relate to activities of senior management and the Audit Committee, under Domain 3 of the Global Internal Audit Standards, which are essential to the Internal Audit Function's ability to fulfill its Purpose

- e) Approve the Internal Audit Function's Charter, which includes the Internal Audit Mandate and the scope and types of internal audit services.
- f) Review the Internal Audit Charter periodically with the HoA to consider changes affecting the County Council, such as the employment of a new HoA or changes in the type, severity, and interdependencies of risks to the County Council; and approve the Internal Audit Charter on an annual basis.
- g) Approve the risk-based internal audit planning process.
- h) Receive communications from the HoA about the Internal Audit Function including its performance relative to its plan.

- i) Ensure a quality assurance and improvement programme has been established and review the results annually.
- j) Make appropriate inquiries of senior management and the HoA to determine whether scope limitations are inappropriate.
- k) Ensure, by making appropriate enquiries of senior management and the HoA that the Internal Audit Function's human resources remain sufficient to provide the required service and carry out enough internal audit work to be able to provide a year-end opinion on the Council's corporate governance, risk management, and control environment.
- l) Provide input to senior management on the appointment and removal of the HoA, ensuring adequate competencies and qualifications and conformance with the Global Internal Audit Standards in the UK Public Sector.
- m) Review and provide input to senior management on the HoA's performance.

17. The Audit Committee cannot direct the work of Internal Audit.

## **Roles and Responsibilities of the Head of Internal Audit**

### **Ethics and Professionalism**

18. The HoA will ensure that internal auditors:

- a) Conform with the Global Internal Audit Standards in the UK Public Sector, including the principles of ethics and professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- b) Understand, respect, meet, and contribute to the legitimate and ethical expectations of the County Council and be able to recognise conduct that is contrary to those expectations.
- c) Encourage and promote an ethics-based culture in the County Council.
- d) Report on organisational behaviour that is inconsistent with the County Council's ethical expectations, as described in applicable policies and procedures.

### **Objectivity**

19. The HoA will ensure that the Internal Audit Section remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the HoA determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

20. Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise

quality, and do not subordinate their judgement on audit matters to others, either in fact or appearance.

21. Internal auditors will have no direct operational responsibility or authority over any of the activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgement, including:
  - a) Assessing specific operations for which they had responsibility within the previous year.
  - b) Performing operational duties for Suffolk County Council or its affiliates.
  - c) Initiating or approving transactions external to the Internal Audit Function.
  - d) Directing the activities of any County Council employee that is not employed by the Internal Audit Function, except to the extent that such employees have been appropriately assigned to internal audit teams or to assist internal auditors.
22. Internal auditors will:
  - a) Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties and at least annually, such as the HoA, the Audit Committee, management, or others.
  - b) Exhibit professional objectivity in gathering, evaluating, and communicating information.
  - c) Make balanced assessments of all available and relevant facts and circumstances.
  - d) Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

### **Managing the Internal Audit Function**

23. The HoA holds a professional qualification (Chartered Institute of Public Finance & Accountancy) and is suitably experienced in internal audit and counter fraud work.
24. The HoA has the responsibility to:
  - a) Develop a risk-based internal audit planning process that considers the input of senior management and the Audit Committee. The HoA will discuss the planning intentions with the Corporate Leadership Team and report these to the Audit Committee for review and approval.
  - b) Communicate the impact of resource limitations on the internal audit plan to the Corporate Leadership Team and Audit Committee.
  - c) Ensure the work carried out by the Internal Audit Function is relevant and responds to changes in the Council's risks, operations, programmes, systems, and controls.
  - d) Communicate with the Corporate Leadership Team and Audit Committee throughout the year on the internal audit work being undertaken and upcoming planning intentions.

- e) Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards in the UK Public Sector, and other relevant laws and / or regulations.
- f) Follow up on engagement findings, confirm the implementation of agreed actions, and communicate the results of internal audit work to the Corporate Leadership Team and Audit Committee for each engagement, as appropriate.
- g) Ensure the Internal Audit Function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards in the UK Public Sector and fulfill the Internal Audit Mandate.
- h) Identify and consider trends and emerging issues that could impact Suffolk County Council and communicate to the Corporate Leadership Team and Audit Committee, as appropriate.
- i) Consider emerging trends and successful practices in internal auditing.
- j) Establish and ensure adherence to methodologies designed to guide the Internal Audit Function.
- k) Ensure adherence to Suffolk County Council's relevant policies and procedures unless such policies and procedures conflict with the Internal Audit Charter or the Global Internal Audit Standards in the UK Public Sector. Any such conflicts will be resolved or documented and communicated to the Corporate Leadership Team and Audit Committee.
- l) Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the HoA cannot achieve an appropriate level of coordination, the issue must be communicated to the Corporate Leadership Team and, if necessary, escalated to the Audit Committee.

25. Except for the Counter-Fraud Function, the HOA has no direct operational responsibility or authority over any of the activities that the Internal Audit Function reviews. For Counter-Fraud, to safeguard independence, the scope of any Internal Audit work required on this area will be agreed with the Chief Financial (s151) Officer.

### **Communication with the Corporate Leadership Team and Audit Committee**

26. The HoA will report periodically to the Corporate Leadership Team and Audit Committee (as detailed below) regarding:

- a) The Internal Audit Function's Charter (incorporating the mandate) (**annual paper to the Audit Committee**).
- b) The internal audit planning process, including resources and budget (**annual planning process paper to the Audit Committee**).
- c) Internal Audit key performance indicators (**annual report of the Head of Internal Audit & Counter Fraud**).

- d) Current and potential audit work (**at each meeting of the Audit Committee via an information bulletin**).
- e) Significant revisions to internal audit resources and budget (**annual mid-year paper on resources to the Audit Committee**).
- f) Potential impairments to independence, including relevant disclosures as applicable (**by exception, progress papers to the Audit Committee, and annual report of the Head of Internal Audit & Counter Fraud**).
- g) Results from the quality assurance and improvement programme, which include the Internal Audit Function's conformance with the Global Internal Audit Standards in the UK Public Sector and action plans to address the Internal Audit Function's deficiencies and opportunities for improvement (**progress papers to the Audit Committee and annual report of the Head of Internal Audit & Counter Fraud**. **Also, results of the external quality assessment every five years**).
- h) Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the Audit Committee that could interfere with the achievement of the County Council's strategic objectives (**progress papers to the Audit Committee and annual report of the Head of Internal Audit & Counter Fraud**).
- i) Results of assurance and advisory services (**progress papers to the Audit Committee and annual report of the Head of Internal Audit & Counter Fraud**).
- j) Management's responses to a risk that the Internal Audit Function determines may be unacceptable, taking into account proportionality and the current climate (**progress papers to the Audit Committee and annual report of the Head of Internal Audit & Counter Fraud**).

### **Annual Governance Statement**

- 27. In addition to the provision of an annual conclusion on governance, risk management, and internal control, and additional assurance to the Corporate Leadership Team and the Audit Committee on the adequacy of the review of effectiveness of the Internal Audit Function, the Head of Internal Audit also provides a coordinating role in the production of the Annual Governance Statement.

### **Quality Assurance**

- 28. The Internal Audit Function will operate a quality assurance framework which covers all areas of internal audit activity.
- 29. Internal review of work standards will be undertaken through a system of managerial review involving the HoA and / or Audit Manager. This incorporates a review of all documentation and evidence, and the accuracy of the report.

30. **Feedback** will be canvassed from managers responsible for activities under their control or within their responsibilities to obtain their satisfaction with the internal audit service provided. The results of the feedback will be reported in the annual report of the Head of Internal Audit & Counter Fraud.
31. A suite of **performance indicators and targets** will be developed annually to monitor the quality of the service provided, the results of which are reported in the annual report of the Head of Internal Audit & Counter Fraud.
32. The HoA will develop, implement, and maintain a **quality assurance and improvement programme** that covers all aspects of the Internal Audit Function. The programme will include external and internal assessments of the Internal Audit Function's conformance with the Global Internal Audit Standards in the UK Public Sector, as well as measuring performance to assess the Internal Audit Function's progress toward the achievement of its objectives and promotion of continuous improvement. The programme also will assess, if applicable, compliance with laws and / or regulations relevant to internal auditing. Also, if applicable, the assessment will include plans to address the Internal Audit Function's deficiencies and opportunities for improvement.
33. The HoA will communicate with the Corporate Leadership Team and the Audit Committee about the Internal Audit Function's quality assurance and improvement programme, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments. External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside Suffolk County Council. The independent assessor will be suitably qualified and will have both public sector and Global Internal Audit Standards competencies and knowledge.
34. The Council's External Auditor keeps the performance of Internal Audit under review to ensure reliance can be placed on its work, where required (External Audit cannot direct the work of Internal Audit).

## **Scope and Types of Internal Audit Services**

35. The scope of the Internal Audit Function encompasses all aspects of the County Council, including the entirety of Suffolk County Council's activities, assets, and personnel. The sole exception is that, aside from governance and oversight arrangements, the Internal Audit Function does not provide internal audit work directly for the Council's wholly owned or joint venture companies.
36. It is the role of the Internal Audit Function to review, appraise and report on the effectiveness and efficiency of financial and other management controls, including risk management, and corporate governance.
37. The scope of internal audit activities also encompasses, but is not limited to, objective examinations of evidence to provide independent assurance and advisory services to the Corporate Leadership Team and the Audit Committee on the adequacy and effectiveness of governance, risk management, and control processes for Suffolk County Council.

38. For advisory services (consulting engagements (2)), the nature and scope will be agreed with the party requesting the service, provided the Internal Audit Function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

(2) Consulting engagements are generally advisory in nature. They are generally performed at the specific request of management. Work may include providing advice on new systems & emerging risks, training, and representation on Boards and Groups.

39. Internal audit engagements may include evaluating whether:

- a) Risks relating to the achievement of the County Council's strategic objectives are appropriately identified and managed.
- b) The actions of Suffolk County Council's councillors, management, employees, and contractors or other relevant parties comply with the County Council's policies, procedures, and applicable laws, regulations, and governance standards.
- c) The results of operations and programmes are consistent with established goals and objectives.
- d) Operations and programmes are being carried out effectively, efficiently, ethically, and equitably.
- e) Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the County Council.
- f) The integrity of information and the means used to identify, measure, analyse, classify, and report such information is reliable.
- g) Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

40. Most audit engagements are the subject of formal reports. The primary purpose of the internal audit report is to provide management with an opinion on the adequacy of the internal control system, and to inform them of significant audit findings and conclusions. Agreed actions to be taken as a result of audit findings are also recorded and it is the relevant Assistant Director's responsibility to ensure these are implemented. All agreed actions are subject to a follow-up review by the Internal Audit Function and the outcomes reported to the Audit Committee. The relevant Director / Chief Officer will receive a copy of the audit report.

41. Copies of individual Internal Audit reports which have resulted in an overall opinion of 'limited' or 'no' assurance are, in addition to the relevant Director, sent to the Chief Executive, Chief Financial (s151) Officer, Chairman and Vice Chairman of the Audit Committee, and to the relevant Cabinet Member(s).

## **Changes to the Mandate and Charter**

42. Circumstances may justify a follow-up discussion between the HoA, Audit Committee, and Corporate Leadership Team on the internal audit mandate or other aspects of the internal audit charter. Such circumstances may include but are not limited to:

- a) A significant change in the Global Internal Audit Standards in the UK Public Sector.
- b) A significant reorganisation within the County Council.
- c) Significant changes in the HoA, Audit Committee, and / or senior management.
- d) Significant changes to the County Council's strategies, objectives, risk profile, or the environment in which the County Council operates.
- e) Legislative or regulatory developments that could influence the nature or scope of internal audit services.