

## Internal Audit Charter

### 1. Purpose

- 1.1 This purpose of this charter is to **set out the Terms of Reference for the provision of Internal Audit Service within Brighton & Hove City Council. The Charter is reviewed and approved on an annual basis to ensure that current needs are met.**

### 2. Role and Function

- 2.1 Internal audit is an assurance function that primarily provides an independent and objective opinion **and adds value** to the City Council on the control environment by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources. **The service is delivered by the Audit & Business Risk Division within the Finance & Resources Directorate.**
- 2.2 The control environment comprises the systems of governance, risk management and internal control.

### 3. Reporting Lines & Relationships

- 3.1 Audit & **Business Risk** provide the City Council's internal audit function and are part of the Finance & Resources Directorate. The Head of Audit & **Business Risk** reports functionally to the Chief Executive, Director of Finance & Resources (Section 151 Officer), other Directors and members of the Audit Committee. Administratively the Head of Audit & **Business Risk** also reports to the Director of Finance & Resources.
- 3.1 The Audit Committee is responsible for **approving** the Internal Audit Strategy and Annual Audit Plan. The Head of Audit & **Business Risk** reports regularly to the Audit Committee on progress against the Annual Audit Plan and key issues arising.

### 4. Independence and Accountability

- 4.1 **Internal Audit will remain sufficiently independent of the activities that it audits to enable auditors to perform their duties in a manner,**

**which facilitates impartial and effective professional judgements and recommendations. Internal auditors have not operational responsibility.**

**4.2 Internal Audit is involved in the determination of its priorities in consultation with those charged with governance. Internal Audit has unrestricted access to officers, members, council records and to report in its own name.**

4.3 The existence of an internal audit function within the City Council 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.

### **5. Statutory Role**

5.1 Internal auditing is provided as a statutory service in the context of the Accounts & Audit Regulations 2003 (as amended 2006), which states that a relevant body shall maintain an adequate and effective system of internal audit of its accounting systems and its system of internal control in accordance with the proper Internal audit practices.

5.2 The statutory role is recognised and endorsed within the City Council's Financial Regulations, which provides the authority for unlimited access to officers, Members, documents and records and to require information and explanation necessary.

### **6. Consultancy and Advisory Role**

6.1 Audit & **Business Risk** also perform a consultancy or advisory role on an ad hoc basis or as part of the Annual Internal audit Plan, as requested by management. Reports from this type of work contain findings and recommendations particularly to add value to the City Council's services in achieving value for money in its use of resources. **Any consultancy and advisory work carried out shall not jeopardise the Internal Audit independence.**

### **7. Internal Audit Standards**

7.1 There is a statutory requirement for Audit & **Business Risk** to work in accordance with the 'proper audit practices'. These are effectively the

CIPFA Code of Practice for Internal Audit in Local Government that accompanies the Accounts & Audit Regulations 2003 (as amended 2006).

### 8. Internal audit Scope

- 8.1 The scope for Audit & **Business Risk** is 'the control environment comprising risk management, control and governance'. This means that the scope of Audit & **Business Risk** includes all of the City Council's operations, resources, services and responsibilities in relation to associated partner organisations. The priorities for Audit & **Business Risk** will be determined by a process of risk assessment.

### 9 Internal audit Resources

- 9.1 Audit & **Business Risk** will ensure as far as possible that it appropriately staffed in terms of numbers, skills and experience. The Head of Audit & **Business Risk** is responsible for appointing of staff and will ensure these are made in order to achieve the appropriate mix of qualifications, experience and skills.
- 9.2 The Head of Audit & **Business Risk** is responsible for ensuring that the resources of Audit & Business Risk are sufficient to meet its responsibilities and achieve its objectives. If a situation arose whereby he concluded that resources were insufficient, he must formally report this to the Director of Finance & Resources (Section 151 Officer) and the Audit Committee.
- 9.3 Where necessary to provide an adequate, effective and professional service the Head of Audit & **Business Risk** will outsource internal audit work to supplement internal resources **but will ensure quality is not compromised.**
- 9.4 If Internal auditors are appointed from operational roles elsewhere within the City Council, they do not undertake an audit in that area directly within one year unless by prior agreement.

### 10. Fraud and Corruption

- 10.1 Managing the risk of fraud and corruption is the responsibility of management. Internal audit reviews alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected. Audit & **Business Risk** will, however be alert in all their work to risks and exposures that could allow fraud or corruption.
- 10.2 The Head of Audit & **Business Risk** has lead responsibility for corporate counter fraud activities including proactive initiatives, maintaining and developing an effective framework, and advising management.

### 11. Reporting Accountabilities

- 11.1 A written internal audit report will be prepared for every audit carried out and issued to the appropriate manager responsible for the area under review. Internal audit reports will include an 'opinion' on the risk and adequacy of controls, which together will contribute to the annual audit opinion on the City Council's control environment.
- 11.2 Audit & Business Risk will make practical recommendations based on the findings of the audit work and discuss these with management to establish appropriate action plans.
- 11.3 Management are expected to implement all agreed recommendations within a reasonable timeframe. Each internal audit will be followed up normally within six months of issue, in order to ascertain whether agreed actions have been implemented effectively.
- 11.4 The Head of Audit & **Business Risk** reports regularly to the Audit Committee on progress made against the Annual Audit Plan and the summarised outcomes of individual audits.
- 11.5 The Head of Audit & **Business Risk** provides an Annual Internal Audit Report to the Audit Committee that includes an opinion on the adequacy and effectiveness of the control environment.

### 12. Responsibilities

- 12.1 In meeting its responsibilities, the activities of Audit & Business Risk will be conducted in accordance with the City Council's objectives, established policies and procedures. In addition, internal auditors

comply with the Code of Practice for Internal Audit in Local Government (CIPFA).

- 12.2 Audit & Business Risk will co-ordinate effectively with the Audit Commission (as the City Council's appointed external auditors) for optimal audit coverage and to ensure that appropriate reliance can be placed on internal audit work.
- 12.3 Audit & Business Risk will work the internal audit functions of the City Council's partner organisations to ensure the robustness of controls and risk management arrangements, to protect the City Council's interests.

