

London Borough of Bromley

Internal Audit Charter

Purpose

Internal auditing is an independent and objective assurance and consulting activity that is designed to add value to improve the London Borough of Bromley's operations. It assists the Council in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organisation's risk management, control, and governance processes.

Internal Audit is a statutory requirement. The Accounts and Audit Regulations 2015 require the Council as a "relevant body" to maintain an "adequate and effective system of internal audit of their accounting records and control systems".

The Public Sector Internal Audit Standards (PSIAS) sets down the scope, powers and responsibilities of internal audit functions and internal auditors. Internal Audit supports the Director of Finance in undertaking statutory responsibilities for the proper administration of the Council's financial affairs and for reporting unlawful actions under the Local Government Act 1972 Section 151. The Accounts and Audit Regulations (2015) specifically require the provision of an internal audit service.

Authority

Internal Audit, with strict accountability for confidentiality and the safeguarding of records and information, is authorised full unrestricted access to any and all of the organisation's records, physical properties, assets and personnel pertinent to carrying out any engagement. All employees are requested to assist Internal Audit activity in fulfilling its roles and responsibilities. The Head of Internal Audit will also have unrestricted access to the Chairman of the Audit Sub-Committee.

To enable the external auditors to discharge their responsibilities, Internal Audit will consider all requests from the external auditors for access to any information, files or working papers obtained or prepared during audit work that has been finalised.

Responsibility

The Head of Internal Audit provides an annual opinion in the Annual Governance Statement to the Council and to the Section 151 Officer, through the Audit Sub-Committee, on the adequacy and the effectiveness of the

internal control system for the whole Council. To achieve this, Internal Audit has the following objectives:

- Provision of an independent and objective audit service that effectively meets the Council's needs, adds value, improves controls and helps protect public resources,
- Assure management that the Council's business is being conducted in accordance with statutory requirement, internal regulations and procedures,
- To impact on the effectiveness of governance, risk management and internal control of the organisation,
- Provision of advice and support to management to enable an effective control environment to be maintained,
- To promote, in conjunction with the Royal Borough of Greenwich, an anti-fraud, anti-bribery and anti-corruption culture within the Council to aid the prevention and detection of fraud,
- To investigate, in conjunction with the Royal Borough of Greenwich, allegations of fraud, bribery and corruption,
- Monitoring Bromley's Benefit Anti-Fraud service which is run in partnership with the Royal Borough of Greenwich; liaising with the National Fraud Authority, London Boroughs Fraud Investigation Group, London Fraud Forum, Police Public Sector Fraud Squad and local police as required,
- Co-ordinating the National Fraud Initiative (NFI) exercises for the Council,
- Liaising with and advising the Royal Borough of Greenwich about other proactive exercises to identify fraud,
- Advising on and carrying out, as required, the investigation of suspected irregularities and advising on the appropriate action to be taken,
- Provision of on-line training in Financial Regulations, fraud awareness, audit controls on key findings, risk management and, in conjunction with Procurement, Contract Procedure Rules.

Sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas identified by the organisation as being of greatest risk and significance.

Due Professional Care

In carrying out our Internal Audit work we are bound by the requirements of:

- All Council policies and procedures,
- Bromley's Code of Corporate Governance,
- All relevant legislation,
- UK Public Sector Internal Audit Standards,
- Seven Principles of Public Life (Nolan Principles),
- Bromley's Code of Corporate Governance,
- Institute of Internal Audit's Code of Ethics and
- Bromley's Financial Regulations and Contract Procedure Rules.

Internal Audit is subject to a Quality Assurance and Improvement Programme that covers all aspects of internal audit activity. This consists of an annual self-assessment of the service and its compliance with the UK Public Sector Internal Audit Standards, ongoing performance monitoring and an external assessment at least once every five years by a suitably qualified, independent assessor.

A programme of Continuous Professional Development (CPD) is maintained for all staff working on audit engagements to ensure that auditors maintain and enhance their knowledge, skills and audit competencies.

Independence

The Head of Internal Audit has free and unfettered access to the following:

- Chief Executive,
- Director of Finance,
- Monitoring Officer (who is the Director of Corporate Services),
- Chairman of the Audit Sub-Committee and
- Chief Officers

Internal Audit staff are required to make an annual declaration of interest to ensure that auditors' objectivity is not compromised in the event of any potential conflicts of interest.

Reporting

The UK Public Sector Internal Audit Standards require the Head of Internal Audit to report at the top of the organisation and this is done in the following ways:

- The Internal Audit Charter and any amendments to it are reported to the Audit Sub-Committee for formal approval annually.

- The annual Internal Audit Plan is compiled by the Head of Internal Audit taking account of the Council's risk framework and after input from Senior Management. It is then presented to the Audit Sub-Committee for formal approval. The Internal Audit Plan includes timing as well as budget resource requirements for the financial year.
- The internal audit budget is reported to Members and Full Council for approval annually as part of the overall Council budget.
- The adequacy, or otherwise, of the level of internal audit resources (as determined by the Head of Internal Audit) and the independence of internal audit will be reported annually to the Audit Sub-Committee.
- Performance against the Internal Audit Plan and any significant risk and control issues arising from audit work are reported to the Audit Sub-Committee periodically. Any significant deviation from the approved Internal Audit Plan will be communicated through this reporting process.
- Any significant unplanned activity not included in the audit plan and which might affect the level of assurance work undertaken will be reported to the Audit Sub-Committee.
- Any significant findings from Internal Audit's Quality Assurance and Improvement Programme will be reported to the Audit Sub-Committee.

Management will receive a timely written report at the conclusion of each internal audit engagement which:

- will have a short management summary,
- will detail any matters of significance that have arisen with priority one issues highlighted,
- will provide an opinion of the adequacy of controls reviewed with one of four assurance opinions given i.e. full, substantial, limited or nil assurance,
- will recommend practical ways in which system weaknesses can be addressed,

The distribution of reports will be set out within the terms of reference prior to an audit. In the event of major findings, these are reported to Chief Officers, the Chief Executive and Audit Sub-Committee.

The annual Internal Audit Plan as agreed by the Audit Sub Committee and any investigation work will be carried out by a team of 5.5 FTE suitably experienced and qualified Principal Auditors including the Head of Internal Audit. Where a shortfall in delivering the plan is identified this will be augmented by commissioning of outside services such as Mazars under a

framework contract agreed with the London Borough of Croydon. Investigative work on fraud related matters will be assigned to the Royal Borough of Greenwich under the partnership agreement that operates with that Borough. Non fraud related investigations such as breach of Financial Regulations and the Contract Procedure Rules will be undertaken by Internal Audit.

External Auditors

Internal Audit will closely liaise with the external auditors to ensure maximum coverage, non duplication of audit coverage, sharing of information and the placement of reliance on Internal Audit work.