



# Internal Audit Charter

## March 202~~4~~3

Approved By	Date
Chief Officer Executive (COE)	<del>7<sup>th</sup> February 2024</del> 5 <sup>th</sup> March 202 <del>4</del> <u>3</u>
Audit and Risk Management Committee	

# Internal Audit Charter

## 3.1 Purpose

Internal auditing is defined by the Public Sector Internal Audit Standards as:

*“an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”*

The Accounts and Audit Regulations 2015 require the London Borough of Bromley to maintain an “effective system of internal audit to evaluate its risk management, control and governance processes, taking into account public sector internal auditing standards and guidance”.

The Council fulfills this requirement through a dedicated in-house Internal Audit service, supported by co-sourcing arrangements with external agencies to fill resource or skills gaps.

Fundamentally, the service aims to achieve the mission of Internal Audit as set out in the Public Sector Internal Audit Standards to: “enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.”

To achieve this mission, Internal Audit is committed to complying with the Public Sector Internal Standards and will, through the provision of objective and timely assurance and advice:

- Facilitate the Council’s achievement of its core purpose and its objectives as set out in ‘Making Bromley Even Better’ and other supporting strategies
- Enhance the effectiveness of governance, risk management and control throughout the Council
- Make an effective contribution towards the ethical governance and culture of the Council, including the counter fraud culture and framework

## 3.2 Authority

Deriving authority from the Accounts and Audit Regulations and the approval of this Charter by COE and the Audit and Risk Management Committee, Internal Audit:

- Is free to plan and undertake any audit work that the Head of Audit and Assurance deems necessary, without limitation on scope
- Has a right of direct access to the Chair of the Audit and Risk Management Committee, the Chief Executive and other statutory officers including the Monitoring Officer and the s151 Officer
- Has full unrestricted access to all records, physical properties, assets and personnel pertinent to carrying out any engagement.

As set out in the Accounts and Audit Regulations, any officer or Member must provide documents, records, information and explanations that are required for the purposes of the internal audit.

Internal Audit will appropriately safeguard all records and information that it receives, in line with the Internal Audit Code of Ethics and London Borough of Bromley’s suite of information governance policies and procedures.

### 3.3 Responsibility

Responsibility for maintaining an effective system of internal audit within the London Borough of Bromley lies with the Director of Finance (the s151 Officer).

The Head of Audit and Assurance is responsible for fulfilling the role of the Chief Audit Executive in accordance with the Public Sector Internal Audit Standards and CIPFA's Statement on the Role of the Head of Internal Audit. This includes:

- ensuring that the internal audit service is managed and delivered in accordance with the mandatory elements of the International Professional Practices Framework and the Public Sector Internal Audit Standards
- developing a resource plan appropriate to the nature and level of risks facing the Council to deliver appropriate assurance. This will include co-sourcing where necessary.
- providing an annual opinion in the Annual Governance Statement to the Council and to the Section 151 Officer, through the Audit and Risk Management Committee, on the adequacy and the effectiveness of risk management, governance and control for the whole Council
- Developing a Quality Assurance and Improvement Programme for the Service
- Identifying, and liaising with, other assurance providers to minimise duplication or gaps in coverage.

The International Professional Practices Framework makes reference throughout to 'Senior Management' and 'the Board' and it is incumbent on the Head of Audit and Assurance to consult with, report to and seek approval from these two bodies at various stages as set out in professional standards. Within the London Borough of Bromley, the Chief Officer Executive (COE) fulfills the role of Senior Management and the Audit and Risk Management Committee fulfills the role of the Board.

The responsibilities of the Audit and Risk Management Committee are set out in detail in the Terms of Reference and include:

- ensuring and safeguarding the organisational independence of the internal audit function
- reviewing and approving internal audit's charter and risk-based plans and ensure that there are adequate resources to deliver robust assurance
- ensuring the quality of internal audit through oversight of the Quality Assurance and Improvement Programme
- considering key findings and actions and areas where management has accepted a level of risk that may be unacceptable to the Council or there are concerns about progress with the implementation of agreed actions.

### 3.4 Scope

Internal Audit's remit covers all of the Council's risks, activities, systems and services including satellite sites such as schools and other centres. As the Council is a Commissioning Authority, Internal Audit's scope also includes services provided in partnership with others or by third parties.

Internal Audit assessments include evaluating whether:

- Risks relating to the achievement of the London Borough of Bromley's strategic objectives are appropriately identified and managed
- Controls are adequate, effective and efficient, including those designed for compliance with laws, regulations, policies and procedures and those designed to safeguard the Council's assets
- Governance, including ethical governance, is robust and effective.

As per the Definition, Internal Audit work may include both assurance and consultancy reviews.

#### Consultancy Work

Internal Audit resource is sometimes better focused on providing advice and consultancy reviews rather than assurance. Typically, these types of review will be undertaken when changes are being designed or implemented or during project work. In order to maintain organisational independence, Internal Audit will not assume management responsibility for the design or implementation of systems or controls.

The nature and scope of any consultancy work will be agreed with the client. Significant pieces of consultancy work (defined as those requiring five or more days of resource) will require approval from the Audit and Risk Management Committee, either as part of the periodic Plan or as an amendment to the Plan. A summary of outcomes from significant pieces of consultancy work will be reported to the Audit and Risk Management Committee as part of the standard progress reporting.

### Internal Audit Plan

As Internal Audit's remit is Authority-wide, the Head of Audit and Assurance will determine priorities for review by undertaking a periodic risk-based planning process. This will take into account the requirements of key stakeholders, the Council's strategies and objectives and risks to achieving those objectives. Internal Audit will consult with senior management when developing the plan; final approval of the Plan rests with the Audit and Risk Management Committee.

The Head of Audit and Assurance will assess the resources required to deliver the Plan (both sufficiency and skills) and will report to Chief Officer Executive and the Audit and Risk Management Committee if there are insufficient resources to deliver the required assurances.

## 3.5 Independence

Independence and objectivity underpin the effectiveness of Internal Audit. The Head of Audit and Assurance will consider independence and objectivity as part of each audit and will confirm independence and objectivity at least annually to the Audit and Risk Management Committee.

In order to achieve the degree of independence and objectivity necessary to effectively discharge its responsibilities, Internal Audit:

- will remain free from undue interference in determining the scope and nature of its work
- will not implement internal controls, develop procedures, install systems or prepare records other than for the internal audit activity
- is not authorised to perform executive or operational responsibilities, or to be responsible for any system of internal control other than those set out below (with safeguards in place)
- cannot initiate or approve accounting transactions (outside administration of the service)
- cannot direct the activities of any Council employee (outside administration of the service)
- has the freedom and authority to report in its own name
- recognises and addresses potential conflicts of interest through internal audit staff not undertaking an audit for at least one year in an area where they have had previous operational roles or undertaken consultancy work
- reports in its own name to the Chief Officer Executive and the Audit and Risk Management Committee
- will disclose any impairment to independence and objectivity to senior management and the Board
- will exhibit professional objectivity in gathering, evaluating and communicating information about the activity or process being examined.

The Director of Finance will:

- periodically, as part of the audit planning cycle, consider the need for assurance over areas listed below for which the Head of Audit and Assurance has responsibility

## Counter Fraud

Internal Audit is responsible for maintaining and developing the Counter-Fraud and Corruption Strategy and the role of Internal Audit in relation to Counter Fraud is set out in the Strategy. Internal Audit may assist or lead in the identification and investigation of suspected fraudulent activity in conjunction with its partnership with the Royal Borough of Greenwich Fraud Team. This may include referrals through the Council's Whistleblowing Policy (Raising Concerns), the National Fraud Initiative, or matters identified in the course of audit work. All cases of suspected or detected fraud must be reported to Internal Audit. The outcomes of counter fraud work are communicated to the Audit and Risk Management Committee and senior management where appropriate. As the Head of Audit and Assurance has responsibility for Counter Fraud, any review of Counter Fraud activities will be sourced externally and reported to the Director of Finance.

## Risk Management

Internal Audit is responsible for co-ordinating risk management work and developing the risk management approach with the Corporate Risk Management Group. These roles, together with authoring risk reports and providing advice, are legitimate roles for Internal Audit so long as safeguards are in place. The Chartered Institute of Internal Auditor's position paper on 'The role of internal audit in Enterprise-wide Risk Management' defines what is considered legitimate. These include:

- Ensuring that overall responsibility for risk management sits with the Corporate Leadership Team, Directors and the Audit and Risk Management Committee
- A resource to provide risk management services is made available and reported in the audit plan, agreed by the Audit and Risk Management Committee
- Internal Audit do not set the risk appetite for the Council, or take operational responsibility for risk actions or managing risks, other than those related to the Internal Audit Service.

Any review or internal audit of the effectiveness of the risk management process will be sourced externally and reported to the Director of Finance. This enables independent assurance to be provided to the Audit and Risk Management Committee.

## Insurance

The Head of Audit and Assurance has line management responsibility for the Insurance service. This is a separate service to the Internal Audit function. Any audit of Insurance will be sourced externally and reported to the Director of Finance.

## Annual Governance Statement

CIPFA's Statement on the Role of the Head of Internal Audit sets out that the Head of Internal Audit should not be responsible for the Annual Governance Statement (AGS). Within the London Borough of Bromley, the Head of Audit and Assurance facilitates the AGS process, ensuring that all relevant parties provide their individual assurances and acting as a point of critical challenge throughout the process.

In order to maintain the independence of Internal Audit, decisions on the content of the AGS, including the significant governance issues, the assurance statement and the review of the previous financial year, rest with Senior Management. Any review or internal audit of the AGS process will be sourced externally and reported to the Director of Finance.

### 3.6 Ethical conduct and due professional care

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

- The Mission and Definition of Internal Audit
- The Core Principles of Internal Audit
  - Demonstrates integrity
  - Demonstrates competence and due professional care
  - Is objective and free from undue influence
  - Aligns with the strategies, objectives and risks of the organisation
  - Is appropriately positioned and adequately resourced
  - Demonstrates quality and continuous improvement
  - Communicates effectively
  - Provides risk-based assurance
  - Is insightful, proactive and future-focused
  - Promotes organisational improvement
- UK Public Sector Internal Audit Standards
- Chartered Institute of Internal Audit's Code of Ethics (Competence, Confidentiality, Integrity and Objectivity)
- All Council policies and procedures
- The London Borough of Bromley's Code of Corporate Governance,
- All relevant legislation
- Seven Principles of Public Life (Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty, Leadership)
- The London Borough of 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.

### 3.7 Reporting

The Head of Audit and Assurance reports administratively to the Director of Finance (s151 Officer) and functionally to the Audit and Risk Management Committee. The reporting to Audit and Risk Management Committee takes place three times a year and includes:

- Approval of the Charter
- Approval of the Internal Audit Plan, including any significant changes to the Plan
- Regular progress reports, to include Internal Audit's progress and performance relative to its plan and the outcomes of Internal Audit work
- Outcomes of the Quality Assurance and Improvement Programme and Internal Audit's compliance with professional standards
- Management's responses to risk that may be unacceptable to the London Borough of Bromley