



# POWYS COUNTY COUNCIL

## Internal Audit Charter

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## 1. Background

The Public Sector Internal Audit Standards define the nature of, and set out basic principles for, internal auditing in the UK public sector. The Standards require the purpose, authority and responsibility of the internal audit activity to be formally defined in an internal audit charter.

The Internal Audit Charter is a formal document that defines the Internal Audit activity's purpose, authority and responsibility. The Internal Audit Charter establishes Internal Audit's position within the organisation, including the nature of the Internal Audit Manager's functional reporting relationship with the Audit Committee, Chief Executive and Section 151 Officer; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of Internal Audit activities.

Final approval of the Internal Audit Charter resides with the Audit Committee.

## 2. Mission

The Internal Audit Service is an independent internal team that provides assurance and advice to all levels of management and elected members on the quality of operations within the Council. It helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. This role is particularly important when the council is facing uncertain and challenging times.

## 3. Functional Reporting Relationships

Although reporting directly to the Head of Professional Services and Commissioning, the Internal Audit Manager also has access to the Strategic Director of Resources (Section 151 Officer), Chief Executive, Cabinet, Chairs of both the Audit Scrutiny Committees.

The extended reporting lines provide Internal Audit with sufficient independence of the activities that it reviews to enable auditors to perform their duties objectively, allowing them to make impartial and effective professional judgements and recommendations.

## 4. Scope of Internal Audit Work

The scope of work of Internal Audit is to determine whether the Council's network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure:

- Risks are appropriately identified and managed;
- Interaction with the various governance groups occurs as needed;
- Significant financial, managerial, and operating information is accurate, reliable, and timely;
- Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations;
- Resources are acquired economically, used efficiently, and adequately protected;
- Programs, plans, and objectives are achieved;
- Quality and continuous improvement are fostered in the Council's control process;
- Significant legislative or regulatory issues impacting the Council are recognised and addressed appropriately; and
- Opportunities for improving management control, profitability and the Council's image may be identified during audits. They will be communicated to the appropriate level of management.

## 5. Internal Audit Planning

At least annually, the Head of Internal Audit will submit to the Audit Committee an internal audit plan for endorsement. The plan will consist of a schedule of audits as well as resource requirements for the next financial year. The Internal Audit Manager will ensure that internal audit resources are appropriate, sufficient and effectively deployed to achieve the internal audit plan. Where the Internal Audit Manager believes that the level of agreed resources will impact adversely on the provision of the annual internal audit opinion, the consequences will be brought to the attention of the Audit Committee.

The internal audit plan is dynamic in nature and reviewed and realigned on a regular basis to take account of new, emerging and changing risks and priorities. It will be based on an assessment that considers financial materiality, service risk and corporate plan objectives, as well as any suspected or detected fraud, corruption or impropriety that has come to the attention of the Internal Audit Manager.

## 6. Authority of Internal Audit

Internal Audit derives its authority from the Council's Constitution, which allows them an unrestricted ability to undertake audit assignments without undue influence and interference.

The Council Financial Standing Order gives auditors the right to:

- Access to Council premises
- Access to assets, records, documents and officers (including third parties)
- Receive explanations where necessary.

## 7. Independence and Objectivity

Internal Audit must be independent and internal auditors must be objective in performing their work and have an impartial, unbiased attitude and avoid any conflict of interest. If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed in the first instance to Internal Audit Manager and reported to the Audit Committee and/or Section 151 officer as appropriate.

Impairment to organisational independence and individual objectivity may include, but is not limited to, personal conflict of interest, scope limitations, restrictions on access to records/personnel/ premises and resource limitations, such as funding.

In addition, internal auditors will:

- Not accept any gifts, hospitality, inducement or other benefit from employees, clients, suppliers or other third parties.

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- Not use information obtained during the course of duties for personal gain.
- Disclose all material facts known to them.
- Ensure compliance with the Bribery Act 2012
- Refrain from assessing specific operations for which they were previously responsible.

Internal Audit will have no executive responsibilities. It is not an extension of, or a substitute for, the function of management. Responsibility for internal control rests fully with managers, who should ensure that arrangements are appropriate and adequate. It is for management to accept and implement audit recommendations or to accept the risk resulting from not taking any action.

### 8. Standards of Audit Practice

Internal Audit recognises the mandatory Public Sector Internal Audit Standards and will maintain compliance with those standards (where relevant). Engagements must be performed with proficiency and due professional care. Internal auditors must possess the knowledge, skills and other competencies needed to perform their individual responsibilities.

The majority of Internal Auditors should hold a professional qualification or be training towards a professional qualification. In addition, all internal auditors have a personal responsibility to undertake a programme of continuing professional development (CPD) to maintain and develop their competence. This is fulfilled through a combination of requirements set by professional bodies and through the Council's appraisal and development programme.

All internal audit assignments are subject to an internal peer review to ensure that the conclusions are supported by robust, detailed and structured evidence. A Quality Assurance and Improvement Programme is being developed to assist with the on-going improvement of Internal Audit performance.