

**TAMESIDE MBC**

**INTERNAL AUDIT  
CHARTER  
2017/18**

## **1. INTRODUCTION**

- 1.1 The work of Internal Audit at Tameside Council is governed by the UK Public Sector Internal Audit Standards – March 2017. The Standards comprise of; the Mission of Internal Audit, the definition of Internal Auditing, a Code of Ethics for Internal Auditors working in the Public Sector and the Standards themselves. The Standards are mandatory for all internal auditors working in the UK public sector.
- 1.2 The mission for Internal Audit is “To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight”
- 1.3 The definition of Internal Audit is “Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”.
- 1.4 Internal Audit supports the Chief Finance Officer to discharge his responsibilities for maintaining an adequate and effective system of internal audit as required under Section 151 of the Local Government Act 1972 and by the Accounts and Audit Regulations 2015.
- 1.5 Internal Audit supports the Monitoring Officer in discharging her responsibilities by providing assurance that the governance framework is operating satisfactorily.
- 1.6 The Head of Risk Management and Audit Services is responsible for the effective review of all aspects of governance, risk and internal control throughout the full range of the Council’s activities.
- 1.7 The existence of Internal Audit 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.
- 1.8 The Public Sector Internal Audit Standards require that the Internal Audit Charter defines the terms ‘board’ and ‘senior management’ in relation to the work of internal audit. For the purposes of internal audit work, the ‘board’ refers to the Council’s Audit Panel and the Greater Manchester Pension Fund Local Board which have delegated responsibility for overseeing the work of internal audit. The term senior management will generally relate to the Senior Management Team, however it may be defined on an individual basis according to individual context.

## **2. INDEPENDENCE**

- 2.1 Internal Audit is independent of all of the activities of the Council to ensure it is able to appraise the Council’s governance, risks and internal control systems in the impartial and unbiased manner essential to the proper conduct of audits.
- 2.2 To ensure this independence, Internal Audit operates within a framework that allows unfettered access to all Council Officers, Senior Management and Elected members. As such, all Internal Audit staff have the right to all documentation held by the Council and to seek explanations as they see necessary to effectively discharge their duties, from all Officers and Elected Members of the Council.
- 2.3 The Head of Risk Management and Audit Services will report in her own name to Officers and Elected Members, particularly those charged with governance.

- 2.4 Where internal audit staff have a perceived or real conflict of interest in undertaking a particular piece of work, this will be managed through the internal audit management and supervisory process. Staff are required to declare any potential conflict of interest when they are assigned a particular audit review and the work will then be reassigned to another auditor.

### **3. REPORTING LINES OF THE CHIEF INTERNAL AUDITOR**

- 3.1 The Head of Risk Management and Audit Services reports operationally to the Assistant Executive Director (Finance), the Chief Finance/Section 151 Officer.
- 3.2 The work of internal audit is reported to the Audit Panel and to the Greater Manchester Pension Fund Local Board via quarterly progress reports.
- 3.3 The Head of Risk Management and Audit Services also has direct access to the Chair of the Audit Panel and the Chair of the Greater Manchester Pension Fund Local Board as she considers appropriate.

### **4. SCOPE OF INTERNAL AUDIT WORK**

- 4.1 The scope of Internal Audit allows for unrestricted coverage of the Council's activities and unfettered access to all records, assets, personnel and premises deemed necessary in the course of its work.
- 4.2 Internal Audit has unrestricted access to all Council Employees and Elected Members and the authority to obtain such information and explanations, as it considers necessary to fulfil its responsibilities.
- 4.3 The Head of Risk Management and Audit Services has direct access to, and freedom to report to, all senior management including Executive Directors, Chief Executive, the Audit Panel and the Greater Manchester Pension Fund Local Board
- 4.4 Where the Council works in partnership with other organisations, the role of Internal Audit will be defined on an individual basis.
- 4.5 Where Internal Audit undertakes work on behalf of any other organisations, this will be determined in conjunction with the organisation's board and in consultation with the Executive Director (Governance and Resources) and the Chief Finance Officer to ensure that appropriate audit resources are available to provide assurance over the Council's activities. External assurance work will result in an assurance statement to the organisation's Board and recommendations to senior management.
- 4.6 Internal Audit may undertake consultancy work in addition to its primary assurance role. The scope of any consultancy work will be agreed with management and will only be undertaken where resources permit without impacting on the annual assurance process. In line with the PSIAS, approval will be sought from the Audit Panel/Greater Manchester Pension Fund Local Board before any significant unplanned consultancy work is accepted.

### **5. RESPONSIBILITY**

- 5.1 The Head of Risk Management and Audit Services is responsible for:-
- Developing an annual audit plan based on an understanding of the significant risks to which the organisation is exposed.

- The determination and development of a strategic plan for the service. This strategic plan will establish the future strategic direction for Internal Audit within the Council.
- The management of the provision of a complete professional internal audit service to the Council that is compliant with the Public Sector Internal Audit Standards.
- The monitoring and reporting of the performance of the Internal Audit service in accordance with the Internal Audit Performance Management Framework.
- The production and reporting of an annual audit opinion based on the outcomes of internal audit work conducted throughout the year.
- Providing advice and guidance on risks and the application and development of internal controls.
- The fostering of good working relationships with External Audit with an aim to achieving mutual recognition and respect, leading to a joint improvement in performance and the avoidance of unnecessary duplication of work.
- Internal audit will assess all matters of potential fraud or irregularity in line with the requirement of the Council's Anti-Fraud, Bribery and Corruption Statement of Intent. Internal audit will undertake investigations into such matters under the direction and guidance of the Standards Panel.

## **6. RESOURCING AND STAFFING MATTERS**

- 6.1 Internal Audit will be staffed according to the staffing structure as approved by the Executive Team and the Audit Panel. The two-year plan for internal audit staffing will be as defined within the Internal Audit Strategy and will aim to maintain a suitable mix of experienced and qualified staff.
- 6.2 Individual training needs are established and agreed through the Annual Progress Review process and an appropriate training budget will be maintained to ensure training needs are addressed each year.

## **7. ETHICS**

- 7.1 The Public Sector Internal Audit Standards (PSIAS) contain a Code of Ethics which is mandatory for all internal auditors in the public sector. In addition, individual staff are also required to adhere to the Codes of Ethics of their professional bodies where appropriate.
- 7.2 Internal Audit has adopted the PSIAS Code of Ethics to replace the previous internal code. Staff will be reminded of the need to comply with the Code on an annual basis.

## **8. LIMITATIONS OF INTERNAL AUDIT RESPONSIBILITIES**

- 8.1 In seeking to discharge the responsibilities detailed above, and in line with the responsibilities of Internal Audit set out in 1.5 above, it should be noted that the Internal Audit Service is not responsible for:-
- Controlling the risks of the Council.
  - Establishing and maintaining systems of internal control.
  - Determining operational policies or procedures.
  - Ensuring the prevention or detection of fraud and irregularity.

## 9. REPORTING

- 9.1 All internal audit assignments will be the subject of formal reports. Draft reports will be sent to the manager(s) responsible for the area under review for agreement of the factual accuracy of findings and the implementation of recommendations made to address weaknesses in internal controls.
- 9.2 Once agreed, final reports are issued to the following:-
- Executive Member – responsible for area under review;
  - Chief Executive;
  - Executive Director (Governance and Resources);
  - Chief Finance Officer (Section 151 Officer);
  - Relevant other Executive Director;
  - Appropriate Service Areas Managers;
  - Head of Resource Management – responsible for area under review; and
  - External Audit.
- 9.3 All audit reports issued contain an audit opinion on the level of assurance. The three assurance levels used are:-
- High  
Some enhancements to controls were identified in a few areas – improvements are required to systems in place to further manage and control the risks.
  - Medium  
Controls were not operating effectively in some areas – improvements are required to the system in place to manage and control risks.
  - Low  
Control weaknesses were identified in a large number of areas – numerous improvements are urgently required to systems in place, to effectively manage and control the risks.
- 9.4 Internal Audit will report regularly on the results of its work to Senior Management and the Audit Panel/Greater Manchester Pension Fund Local Board, highlighting significant control issues and the potential for improving risk management, internal control processes and where appropriate value for money and efficiency.