



INTERNAL AUDIT CHARTER

1. Introduction

- 1.1 Provision of an adequate and effective Internal Audit service is the responsibility of Surrey Heath Borough Council under Regulation 6 of the Accounts and Audit Regulations 2011. This function has been delegated to the Head of Legal and Democratic Services, who shall provide an Internal Audit service to the Council in accordance with statutory requirements and professional standards. This latter requirement is met by virtue of compliance with the Public Sector Internal Audit Standards (PSIAS). The standard setters adopted the common set of PSIAS from April 2017. The PSIAS are mandatory and are a set of requirements that need to be adopted and complied with.

2. Definition of Internal Audit

- 2.1 The Public Sector Internal Audit Standards 2017 defines internal audit as:

"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."

3. Responsibilities of Internal Audit

- 3.1 Internal Audit's responsibility is to report to the Council on its assessment of the adequacy of the entire control environment, through the Audit, Standards and Risk Scrutiny Committee and the Council's senior management team (CMT). It does this by:
- Providing assurance to the Council and its management on the quality of the Council's operations, whether delivered internally or externally, with particular

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Surrey Heath Borough Council
Knoll Road, Camberley GU15 3HD
Alex.middleton@surreyheath.gov.uk



emphasis on systems of risk management, resource control, governance and compliance with rules and regulations

- Providing consultancy and advice on the setting up and monitoring of internal controls throughout the Council with the aim of improving economy, efficiency and effectiveness, managing risk and reducing the potential for fraud
- Providing advice to the Council on activities where there could be exposure to significant financial, strategic, reputational or operational risk to meeting its objectives.

3.2 Internal Audit will do this in accordance with:

- relevant codes of ethics, standards and guidelines issued by the Chartered Institutes and the Auditing Practices Board (in particular, United Kingdom Public Sector Internal Audit Standards 2017)
- the Council's Constitution and other relevant corporate standards and policies
- the Audit Manual and other team and local standards
- advice and guidance from the Council's external auditors
- reporting progress and audit recommendations to the Audit, Standards and Risk Scrutiny committee

4. Objectives of Internal Audit

4.1 The Accounts and Audit Regulations require the Council to "maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control." To this end internal audit responsibilities should include:

- Providing **independent assurance** to the authority that risk management processes, control systems, accounting records and governance arrangements are in place and operating properly
- Providing **advice** regarding risk, internal control and governance arrangements
- Assisting management in the **assessment of risk**
- Undertaking special investigations as necessary and detecting and deterring possible fraud and other irregularity



- Testing of financial systems on behalf of external audit

5. Scope of Internal Audit

- 5.1 The scope of Internal Audit shall include the Council's entire control environment and should allow for unrestricted access to all records and assets deemed necessary by auditors in the course of an audit, both electronic and paper based. Internal Audit should also be able to have access to records from Council partner organisations, contractors and selected third parties, subject to agreement.
- 5.2 Some records and documents will be sensitive to the Council, and they should be treated as such and remain confidential to the organisation. Internal Audit should be mindful at all times of the requirements of data protection and the handling of sensitive information.

6. Position of Internal Audit within the Organisation and Reporting Lines

- 6.1 From November 2021 the Internal Audit service sits under the Legal and Democratic Services section and reports directly to the head of service. The Senior Auditor leads the Internal Audit function and is responsible for managing the service operationally. The Senior Auditor reports to the Council's senior management team via CMT and to Members.
- 6.2 In the event of a disagreement or recommendation that cannot be agreed Internal Audit has a direct reporting line to senior management and to the Chief Executive. The Senior Auditor should also be able to report directly to the Council's Chief Finance officer and the Section 151 Officer.
- 6.3 The Senior Auditor also has direct access to discuss issues with the external auditors where considered necessary to do so.
- 6.4 The Senior Auditor as the service lead officer will assume the responsibilities of the previous Head of Audit, including:
- ✓ Preparation of committee reports
 - ✓ Attendance at Audit, Standards and Risk Committee
 - ✓ Reporting directly to the senior management team
 - ✓ Liaison and engagement with Members as necessary
 - ✓ Overseeing and the day to day management of the Internal Audit team and its operation



- 6.5 Whilst Internal Audit will respond to specific requests from management, this is always subject to its existing commitments, capacity of staff and the respective levels of identified risk.
- 6.6 Internal Audit will prepare annually, for the endorsement and agreement of the Audit, Standards and Risk Committee, an operational plan of the activities and areas that are to be covered by its work, together with resources required to deliver the plan. This is known as The Audit Annual Plan. This in turn is based on a 3 year medium term Strategic Plan and prioritisation of key business, operational, management and financial risks. Both the Annual Plan and the 3 Year Audit Strategy should align with the Council's corporate objectives through its Annual Plan and 5 Year Plan.
- 6.7 The PSIAS make reference to the terms 'Board' and 'senior management' for the purposes of audit reporting and authority. With regard to Surrey Heath the Council's Audit, Standards and Risk scrutiny committee takes on the responsibility as the 'Board' and the Council's corporate management team or CMT are the senior management.

7. Independence, Objectivity and Integrity

- 7.1 Internal Audit is an independent review activity. It is not an extension of, or a substitute for, the functions of line management and must remain free from any undue influence or other pressure affecting its actions and reporting. As such audit must remain independent at all times. Audit should operate without bias and without any undue influence from Members or management.
- 7.2 Internal Audit has no executive responsibility at the Council, thus protecting its independence of reporting and action; it reserves the right to determine its own work plans and priorities, which it will do in full compliance with recognised professional standards.
- 7.3 Internal audit work should be undertaken with due professional care and in accordance with the PSIAS and any relevant Code of Ethics. The Council's Code of Conduct should be adhered to at all times, especially in terms of working with integrity, honesty, due diligence and responsibility.
- 7.4 In undertaking its duties Audit will disclose all material facts known to them that if not disclosed may distort the reporting activities under review, and which may impact on its integrity and professionalism.
- 7.5 Internal audit should be sufficiently competent to only carry out activities for which it has the necessary knowledge, skills and expertise. Audit staff will aim to



continually improve its proficiency and effectiveness and quality of service through Continued Professional Development.

7.6 Internal Auditors will have regard to the Standards of Public Life's Seven Principles of Public Life, including integrity, accountability, and objectivity.

8. Rights of Access

8.1 For the purposes of carrying out Internal Audit's responsibilities, internal auditors shall:

- Have access at all times to any Council premises and property
- Have access to all data, records, documents and correspondence relating to any financial or any other activity of the Council
- Have access to any assets of the Council
- Be able to require from any Member, employee, agent, partner, contractor or other person engaged on Council business, any information and explanation considered necessary to allow it to properly fulfil its responsibilities, and provided within a reasonable period of time

8.2 These rights of access include access to relevant records (whether electronic or otherwise) held by service providers. They apply to Council services provided under contracts and partnership arrangements of all kinds including joint, shared and pooled arrangements. This right of access shall be incorporated within all relevant contract or service agreement documents involving Council services provided other than internally.

8.3 Internal Audit will safeguard all information obtained in the carrying out of its duties and will only use it for the purposes of an audit or investigation. Internal Audit will make no disclosure of any information held unless this is authorised or there is a legal or professional requirement to do so, such as through an FOI request.

8.4 Internal Audit will only be able to share data in accordance with the authority's IT Security Policy and data sharing protocols. Any data sharing outside of the organisation needs the approval of the service head and/or the Section 151 Officer.

9 Reporting Arrangements

9.1 Internal Audit monitors work progress and reports on its work and makes recommendations addressed to the relevant Service Heads and service



managers. Internal Audit will report as required on the results of its work (including progress made in delivering the agreed Audit Plan) to the Head of Legal and the Audit, Standards and Risk Committee. This will include an annual report, which will contain the annual audit opinion on the effectiveness of the Council's internal control environment. This annual report will also be the basis of an annual review of effectiveness of the system of internal audit as required of the Council by the Accounts and Audit Regulations.

- 9.2 Audit accepts that its responsibility does not cease at the point where a report is issued and will take reasonable action to ensure that recommendations are implemented, having due regard to the duty of the Head of Legal to ensure the Council has efficient arrangements for managing its financial systems.
- 9.3 Suitable performance measures will be agreed from time to time with the Head of Legal, in conjunction with the Audit, Standards and Risk committee to evaluate its performance and maintain and publish information accordingly.
- 9.4 The work of Internal Audit (including its opinion on the control environment) shall contribute to the Council's Annual Governance Statement.

10 Fraud and Corruption

- 10.1 The Senior Auditor should be notified of all suspected or detected fraud, corruption or impropriety. The Senior Auditor will work or provide assistance to senior officers to investigate such instances, dependent on resources available and circumstances. The service will follow guidelines set out by CIPFA and will follow any relevant statutory duties in respect of investigations. Local guidance such as the Fraud Response Plan shall also be followed.

11 Audit Resources and Work Prioritisation

- 11.1 The Audit Annual Plan, derived from the Audit Strategy shall be the main determinant of the relative priority to be placed on each part of the work of Internal Audit.
- 11.2 The Senior Auditor shall determine the actual deployment of available resources and shall do so within the framework of risk prioritisation used to draw up the strategic audit risk assessment.
- 11.3 The Plan will have within it provision of resources to address unplanned work. This contingency shall be directed towards unplanned work and cover other



unforeseen variations in the level of resources available to Internal Audit, such as staff vacancies.

- 11.4 In the event that the audit risk assessment identifies a need for a greater degree of audit work than there are resources available, the Senior Auditor will identify the shortfall in the annual Internal Audit Plan and initially advise the Head of Legal, followed by the Audit, Standards and Risk Committee as needed. In practice these are highlighted by the 3 year Audit Strategy. It shall be for Members of the committee to decide whether to accept the risks associated with the non-delivery of such audit work or to recommend to the Council that additional resources would be required or to make a variation to the Annual Plan.

12 Quality Assurance and Improvement Programme

- 12.1 A Quality Assurance and Improvement Programme should be developed taking into account practicality, proportionality and constraints of a small team and limited resources. The QAIP should cover all aspects of the internal audit activity and should be developed in accordance with all aspects of the PSIAS.
- 12.2 A range of quality measures have been introduced across the team to identify and evaluate quality and service delivery. These include the adoption of the Audit Charter which takes on the form of a mandate and terms of reference for the team, as well as an Audit Manual which details policies procedures and processes to guide the internal audit activity.
- 12.3 Regular staff supervision, regular 1 to 1s, appraisals where individual and team objectives are set, and file/working paper reviews are standard across the team. Individual and team performance targets are set and monitored on a periodic basis. Stakeholder feedback for example through exit meetings is obtained where necessary and incorporated into service delivery. An annual report and effectiveness report are presented to the senior management team and Members annually. These reports include compliance with PSIAS such as integrity, honesty, objectivity, effective risk, and use of resources.
- 12.4 The Internal Audit team also undertakes periodic assessments for evaluating whether activities are carried out in accordance with the PSIAS. In addition every 5 years the Audit team is subject to an external independent validation exercise, where an Action Plan is produced to identify areas for improvement. Significant deviations from the PSIAS should be discussed and/or reported to the head of service and/or the Audit committee as necessary.





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Alex Middleton
Surrey Heath borough council
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