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Internal Audit Service

Internal Audit Charter 2023

September 2023

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 objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes (I.I.A.)

Audit Information

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Report Approved by:	Internal Audit Manager.

Distribution List

Internal Audit Service	
Director of Resources	
Management Team	
Audit and Standards Committee	

Abbreviations

BBC	-	Burnley Borough Council
PSIAS	-	Public Sector Internal Audit Standards
QAIP	-	Quality Assurance and Improvement Programme
CIPFA	-	Chartered Institute of Public Finance and Accountancy

INTERNAL AUDIT CHARTER 2023

PURPOSE AND MISSION

- The purpose of the Internal Audit Service is to provide independent, objective assurance and consulting services designed to add value to the operations of Burnley Borough Council (BBC). The Internal Audit Service helps the organisation to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.
- Whilst it is the responsibility of Burnley Borough Council to establish and maintain effective governance, risk management and control systems, Internal Audit plays a key role in providing assurance that these systems are not only in place but are operating effectively. Any necessary action arising as a result of its work is designed to further strengthen the control environment and therefore assist with the achievement of the activity and organisation's objectives.
- Responsibility for and ownership of this Charter remains with the Council, however, while responsibility for its periodic review rests with the Chief Audit Executive (Internal Audit Manager), final approval resides with the Management Team and the Audit and Standards Committee.

MISSION STATEMENT

- "To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight".

STANDARDS FOR THE PROFESSIONAL PRACTICE OF INTERNAL AUDIT

- The Charter establishes the Framework in which the Internal Audit Service operates and allows it to meet its professional obligation under the Public Sector Internal Audit Standards (PSIAS). The PSIAS encompass the mandatory elements of the Global Institute of Internal Auditors Professional Practices Framework, including its definition of Internal Auditing, Code of Ethics and international standards for the professional practice of Internal Auditing.
- For the purposes of clarity, the terms "Board" and "Senior Management" as referred to in the PSIAS, relate to the Audit and Standards Committee and the Management Team. The term "Chief Audit Executive" shall refer to the Internal Audit Manager.
- In carrying out its work, the Internal Audit section has regard to the seven principles of public life i.e.
 - Selflessness,
 - Integrity,
 - Objectivity,
 - Accountability,
 - Openness,
 - Honesty and
 - Leadership.

AUTHORITY

- The Internal Audit Section derives authority from the Audit and Standards Committee, the Council's Management Team and statute (Section 151 Local Government Act 1972 and the Accounts and Audit Regulations 2015).
- Internal Audit, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access to any and all of the organisation's records, physical properties and personnel pertinent to carrying out any engagement. All employees of the organisations are requested to assist the Internal Audit Service in fulfilling its roles and responsibilities. The Internal Audit Service will also have free and unfettered access to the Audit and Standards Committee and Management Team.

ORGANISATIONAL INDEPENDENCE & OBJECTIVITY

- The Internal Audit Manager operationally reports on day to day matters to the Director of Resources who is a member of the Management Team. In all other aspects, the Internal Audit Manager reports to the Audit and Standards Committee and Management Team.
- Internal Audit is independent of other services and has no other executive or operational responsibilities. It is organisationally independent in the planning, operation and reporting of its work and in exceptional circumstances and at his or her discretion, the Internal Audit Manager has direct access to and freedom to report in their name to the Chief Executive and to the Chair of Audit and Standards Committee. In addition, the Internal Audit Manager has direct access to all senior management.
- Internal Audit Manager will confirm to the Audit and Standards Committee, at least annually, the organisational independence of the Internal Audit Service.
- Internal Auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal Auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.
- The Internal Audit Manager is also the Council's Data Protection Officer, and operationally responsible for supporting Risk Management and Business Continuity. It is considered prudent that any internal audit engagement covering the above operational areas and the risk management framework, especially for the formation of the annual opinion on the effectiveness of the control environment, would be overseen by the Director of Resources.
- In any instances, in addition to those outlined above, where there is any real or perceived impairment to Internal Audit's independence or objectivity, assurance will also be sought from a third-party external to the organisation.

SCOPE OF ACTIVITIES

- The PSIAS state that the provision of assurance services is the primary role of Internal Audit activity and requires the Internal Audit Manager to provide an annual opinion based on an objective assessment of the adequacy of the framework of governance, risk management and control. As such, the scope of

its work relates to all of the Council's activities, including those operated through partnerships with other organisations.

- The role of Internal Audit is to understand the key risks of the Council and to examine and evaluate the adequacy and effectiveness of the system of risk management and internal control. Internal Audit, therefore, has unrestricted access to all activities undertaken by the Council, in order to review, appraise and report on:
 - the adequacy and effectiveness of all systems of financial, operational and management control and their operation in practice in relation to the business risks to be addressed;
 - the extent of compliance with, relevance of, and financial effect of, policies, standards, plans and procedures established by the Council and the extent of compliance with external laws and regulations;
 - the economy, efficiency and effectiveness with which resources are employed;
 - whether operations are being carried out as planned and corporate priorities are being met;
 - the extent to which assets and interests are acquired economically, used efficiently, accounted for and safeguarded from losses of all kinds arising from waste, extravagance, inefficient administration, poor value for money, fraud or other cause and that business continuity plans exist;
 - the suitability, accuracy, reliability and integrity of financial and other management information and the means used to identify, measure, classify and report such information;
 - the integrity of processes and systems, including those under development, to ensure that controls offer adequate protection against error, fraud, and loss of all kinds; and that the process aligns with the Council's strategic objectives;
 - the various sources of assurance that are available within the areas being reviewed and the extent to which these sources are effective in mitigating the risks. This is particularly the case where services may be provided in partnership and the Internal Audit Manager will decide, in consultation with all parties, whether Internal Audit will carry out work to derive the necessary assurance or rely on the assurance provided by partners;
 - the follow-up action taken to remedy weaknesses identified by Internal Audit review, ensuring that good practice is identified and communicated widely;
 - the operation of the Council's corporate governance arrangements;
 - the operation of the Council's risk management arrangements.
- The Internal Audit Service will provide consultancy advice to management on all aspects of risk and control, on best financial practice, on interpretation of Financial Procedure Rules and Standing Orders for Contracts and on security

arrangements. In addition, the section provides support on all aspects of counter fraud, corruption, and bribery.

- The Internal Audit Service will undertake special investigations in cases of suspected fraud or irregularity. Financial Procedure Rules and the Council's Anti-Fraud, Bribery and Corruption Policy require the Internal Audit Manager to be notified immediately of all discovered or suspected cases of fraud, corruption or other financial irregularity.

RESPONSIBILITIES

- The Internal Audit Manager is responsible for: -
 - managing the Internal Audit Section and determining the scope and methods of audit activity;
 - ensuring that Internal Audit staff operate within current auditing standards. For local authority auditors, these are mandatory and are laid down in the UK Public Sector Internal Audit Standards (PSIAS);
 - ensuring that Internal Audit staff operate within ethical standards concerning professional behaviour issued by CIPFA (Statement of Professional Practice on Ethics) and the PSIAS (Code of Ethics);
 - ensuring that Internal Audit staff have an impartial, unbiased attitude and avoid conflicts of interest;
 - identifying areas of operation for Internal Audit review. Developing the Annual Audit Plan based on an assessment of materiality, risk factors and previous assurance, identifying the resources required to achieve the plan;
 - consulting and agreeing the contents of the Annual Audit Plan with Senior Managers and Management Team;
 - submitting the Annual Audit Plan to the Audit and Standards Committee.
 - implementing the approved Annual Audit Plan;
 - maintaining a suitably resourced, professional audit staff with sufficient knowledge, skills and experience to carry out the audit plan; in the event that resources are insufficient through either additional work being required or a loss of staff, the Internal Audit Manager shall report this with a view to seeking approval for either additional temporary resources to Management Team or a report be issued to Governance Committee informing them of the shortfall in resources and seeking their approval to a reduction in the audit plan;
 - Review and adjust the audit plan as necessary, in response to changes in the Council's risks, operations, programmes, systems and controls and agree any major changes with the Audit and Standards Committee;
 - reporting to Management on the results of audit activities, identifying and agreeing improvements where necessary;
 - giving an indication of the level of assurance that can be provided to Management and Audit and Standards Committee on the results of its audit work;
 - reviewing and reporting on the Council's risk management arrangements;

- reviewing the effectiveness of progress taken by Management to implement agreed actions;
- submitting audit report outcomes to the Audit and Standards Committee on a periodic basis also submitting audit plan work progress reports, including Internal Audit performance indicators and an annual Internal Audit report to the Audit and Standards Committee. The annual report must include a statement on conformance with the PSIAS;
- providing the Audit and Standards Committee with an annual opinion of the overall adequacy and effectiveness of the Council's internal controls, risk management and governance systems in accordance with the Accounts and Audit Regulations, and at the same time providing assurance to the S151 officer in relation to the above systems. This opinion will be an important element of the Council's review of the effectiveness of its control environment and will be used by the Council to inform its Annual Governance Statements.

REPORTING AND MONITORING

- A written report will be prepared and issued by the Internal Audit Manager following the conclusion of each Internal Audit engagement and will be distributed as appropriate.
- The Internal Audit report may include management's response and corrective action taken or to be taken regarding the specific findings and recommendations. Management's response will include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented.
- The Internal Audit Service will be responsible for appropriate follow-up of findings and recommendations. Internal Audit results will also be communicated to the Audit and Standards Committee.

PERIODIC ASSESSMENT

- The Internal Audit Manager is responsible also for providing periodically a self-assessment on the Internal Audit Service as regards its consistency with the Audit Charter (purpose, authority and responsibility) and performance relative to its Plan.
- In addition, the Internal Audit Manager will communicate to the Management Team and the Audit and Standards Committee on the Internal Audit Service's quality assurance and improvement programme, including results of ongoing internal assessments and external assessments conducted at least every five years.