

Fairer Future Internal Audit Charter

Introduction

The council is committed to making Southwark a fairer place to live, where all residents have the opportunity to fulfil their potential.

Although we are under increasing pressure to deliver more with less, we remain committed to ensuring all residents, businesses and voluntary and community sector groups can make the most of the many opportunities that our borough has to offer.

The council has set out its ambitious vision in the Fairer Future promises, and in order to deliver these we need to deliver the Fairer Future values:

- Spending money as if it were coming from our own pockets
- Being open, honest and accountable
- Making Southwark a place to be proud of

It is important in delivering this that the council can be assured its systems and controls are designed correctly and operating effectively, and internal audit is a key service to managers in delivering this.

Purpose of this charter

This charter formally defines internal audit's mission, purpose, authority and responsibility. It establishes internal audit's position within Southwark Council, and defines the scope of internal audit activities.

The charter is a requirement of Public Sector Internal Audit Standards (PSIAS). The charter shall be reviewed annually by management and approved by Southwark Council's audit, governance and standards committee.

Role and scope of Internal Audit

Internal audit definition and role

Internal audit 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.

Internal audit supports management to fulfil its own risk, control and compliance responsibilities. Internal audit provides the audit, governance and standards committee with information necessary for it to fulfil its own responsibilities and duties.

The Accounts and Audit Regulations 2015 require the council to have an internal audit service.

Internal audit's mission

Internal audit's mission is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

Standards of internal audit practice

To fulfil its mission, internal audit will perform its work in accordance with PSIAS, which encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF): Definition of Internal Auditing, Code of Ethics, and International Standards for the Professional Practice of Internal Auditing.

Internal audit's scope

The scope of internal audit activities includes all activities conducted by Southwark Council. The Internal Audit Plan sets out those activities that have been identified as the subject of specific internal audit engagements.

The range of work performed by internal audit is set out in PSIAS and not repeated here.

The provision of assurance services is the primary role for internal audit in the UK public sector. This role requires the chief audit executive to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control.

Assurance engagements involve the objective assessment of evidence to provide an independent opinion or conclusions regarding an entity, operation, function, process, system or other subject matter. The nature and scope of the assurance engagement are determined by internal audit.

Consulting engagements are advisory in nature and are generally performed at the specific request of management, with the aim of improving governance, risk management and control and contributing to the overall opinion.

The nature and scope of consulting engagement are subject to agreement with management. When performing consulting services, internal audit should maintain objectivity and not assume management responsibility.

Effective Internal Audit

Effective internal audit

internal audit is effective when:

- ❖ It achieves the purpose and responsibility included in the internal audit charter
- ❖ It conforms with the Standards
- ❖ Its individual members conform with the Code of Ethics and the Standards
- ❖ It considers trends and emerging issues that could impact the organisation.

The internal audit activity adds value to Southwark Council (and its stakeholders) when it considers strategies, objectives and risks, strives to offer ways to enhance governance, risk management and control processes and objectively provides relevant assurance.

Coordination with and reliance on other assurance providers

In co-ordinating activities internal audit may rely on the work of other assurance and consulting service providers.

A consistent approach is adopted for the basis of reliance and internal audit will consider the competency, objectivity, and due professional care of the assurance and consulting service providers. Due regard will be given to understanding of the scope, objectives and results of the work performed by other providers of assurance and consulting services.

Where reliance is placed upon the work of others, internal audit is still accountable and responsible for ensuring adequate support for conclusions and opinions reached by the internal audit activity.

Access to records and confidentiality

There are no limitations to internal audit's right of access to Southwark Council's officers, records, information, premises, or meetings which it considers necessary to fulfil its responsibilities.

When the auditors receive confidential information about council affairs it shall at all times be kept confidential, except as required by law or as provided for in regulatory, ethical or other professional pronouncements applicable.

All information will be maintained in line with appropriate regulations, for example the Data Protection Act 1998.

Independence and objectivity

To provide for internal audit's independence, its personnel and external partners report to the chief audit executive, who reports functionally to the audit, governance and standards committee.

The chief audit executive has free and full access to the chair of the audit, governance and standards committee.

The chief audit executive reports administratively to the strategic director of finance and governance who provides oversight.

The strategic director of finance and governance will take decisions in relation to the appointment, remuneration and removal of the chief audit executive in accordance with established council procedures. These decisions will be reported to the chief officer's team and audit, governance and standards committee, who may request a direct consultation with the chief audit executive or strategic director of finance and governance.

The internal audit service provided by BDO will have an impartial, unbiased attitude and will avoid conflicts of interest. The internal audit service is not ordinarily authorised to perform any operational duties for Southwark Council.

In the event that internal audit undertakes non-audit activities, safeguards will be agreed to ensure that independence and objectivity of the internal audit activity are not impaired. This might include a separate partner review of the work or a different team undertaking the work.

In the event that internal audit provides assurance services where it had previously performed consulting services, an assessment will be undertaken to confirm that the nature of the consulting activity did not impair objectivity and safeguards will be put in place to manage individual objectivity when assigning resources to the engagement. Such safeguards will be communicated to the audit, governance and standards committee.

Internal audit must be free from interference in determining the scope of internal auditing, performing work and communicating results.

Should any interference take place, internal audit will disclose this to the audit, governance and standards committee to discuss the implications.

Internal audit's role in countering fraud, bribery and corruption

Management are responsible for the prevention and detection of fraud, bribery and corruption.

Internal auditors will, however, be alert in all their work to risks and exposures that could allow fraud or corruption as well as seeking to identify indications that fraud and corruption may have been occurring.

Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud and corruption will be detected. In the event that internal audit suspects a fraud, this will be referred to appropriate management in the first instance and then the audit, governance and standards committee.

Internal audit, management and staff commitments

Internal audit's commitments to Southwark Council

Internal audit commits to the following:

- ❖ working with management to improve risk management, controls and governance within the organisation
- ❖ performing work in accordance with PSIAS
- ❖ complying with the ethical requirements of PSIAS
- ❖ dealing in a professional manner with Southwark Council's staff, recognising their other commitments and pressures
- ❖ raising issues as they are identified, so there are no surprises and providing practical recommendations
- ❖ liaising with external audit and other regulators to maximise the assurance provided to Southwark Council
- ❖ reporting honestly on performance against targets to the audit, governance and standards committee.

Management and staff commitments to Internal Audit

The management and staff of Southwark Council commit to the following:

- ❖ providing unrestricted access to all of Southwark Council's records, property, and personnel relevant to the performance of engagements
- ❖ responding to internal audit requests and reports within the agreed timeframe and in a professional manner
- ❖ implementing agreed recommendations within the agreed timeframe
- ❖ being open to internal audit about risks and issues within the organisation
- ❖ not requesting any service from internal audit that would impair its independence or objectivity
- ❖ providing honest and constructive feedback on the performance of internal audit.

Contact us

We'd like to hear what you think about this Internal Audit Charter and if you've got questions, we are here to answer them.

There are lots of different ways to get in touch with us and share your views.



@lbs_southwark



/southwarkcouncil

Or if you prefer, email councilnews@southwark.gov.uk or call 020 7525 7251.

Southwark Council would like to thank BDO, the internal audit provider, for their assistance in the preparation of this Internal Audit Charter.