

AUDIT COMMITTEE

5 December 2011

INTERNAL AUDIT CHARTER

REPORT OF INTERNAL AUDIT MANAGER

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RECENT REFERENCES:

PS442 – Internal Audit Strategy and Audit Plan 2011/12 to 2013/14 – 7 March 2011

AUD001 – Review of the Effectiveness of Internal Audit (including End of Year Report to 31 March 2011) – 29 June 2011

AUD010 – Internal Audit Progress Report to 31 August 2011 – 26 September 2011

EXECUTIVE SUMMARY:

This report introduces an updated Charter for Internal Audit within Winchester City Council. This year it has been amended to include reference to the recent Customer Service Excellence accreditation for Winchester City Council's Financial Services, which includes the Internal Audit Team and an update to the named Key Stakeholders following the introduction of an Audit Committee this financial year.

It should also be noted that although the Customer Service Excellence accreditation was a corporate project for Winchester City Council, because the Internal Audit Partnership has the same systems and procedures across the three audit teams, it is able to share in the accreditation. This has meant that it has been possible to include reference to the Customer Service Excellence accreditation in the Audit Charters for Havant Borough Council and Test Valley Borough Council and further demonstrates how best practice can be shared through working in partnership.

The other main change to the Charter is addressing the items that were identified as non-compliant or partially compliant in adherence with the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006. These were previously reported upon to the Audit Committee under report item AUD001 – Review of the Effectiveness of Internal Audit on 29 June 2011. In summary these covered:
One item under Standard 1 for the Scope of Internal Audit which required having in

place a partnership annual letter and performance agreement and two items under Section 5 of the Code of Practice for Relationships relating to detailing relationships with management, members and other stakeholders.

The aim of the Charter is to provide an overview of the key responsibilities and commitment of Internal Audit to provide a quality service which is measurable against accountable standards with an overall emphasis on customer care.

Internal Audit operates within a privileged environment within which they have authority to access and review the operations of the Council and the activities of its officers. The Charter is an important document because it not only recognises the authority granted to Internal Audit but also highlights the high standards of integrity, accountability and responsibility that are expected of Internal Audit.

Performance against the Charter will be reviewed as part of the annual Corporate Governance report in future.

The Audit Charter is shown in Appendix A.

RECOMMENDATIONS:

1. That the Internal Audit Charter be approved.

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DETAIL:

OTHER CONSIDERATIONS:

1. SUSTAINABILITY COMMUNITY STRATEGY AND CORPORATE BUSINESS PLAN (RELEVANCE TO):
 - 1.1 Internal Audit contributes through the annual audit plan to the corporate governance arrangements of Winchester City Council, which in turn supports the achievement of the objectives of the Sustainable Community Strategy and Corporate Business Plan.
2. RESOURCE IMPLICATIONS:
 - 2.1 There are adequate resources within the Internal Audit Team to deliver the Internal Audit Charter.

BACKGROUND DOCUMENTS:

Working papers and Audit Reports held within the Governance Group (some exempt).

APPENDICES:

Appendix A: Internal Audit Charter

Mission and Scope of Work

The mission of the Internal Audit Section is to deliver an audit service in compliance with the definition of Internal Audit in the Code of Practice for Internal Audit in Local Government in the United Kingdom 2006. The definition is as follows:

'Internal Audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources'.

Winchester City Council since 2002 has worked in Partnership with Havant Borough Council and from April 2010 with Test Valley Borough Council to deliver an audit service that shares knowledge, expertise and resources to the benefit of all our customers and stakeholders.

The Section also promotes a partnership approach (whenever possible) with its customers to provide a service the scope of which is to determine whether the Council's network of risk management, control and governance processes, as designed and represented by management are robust and working effectively.

Accountability

The Internal Audit Manager, in the discharge of his duties, shall be accountable to the Chief Executive, Corporate Director (Governance), the Section 151 Officer and

Members of the Audit Committee to:

- Provide annually an assessment on the adequacy and effectiveness of the organisation's processes for controlling its activities and managing its risks in the areas in the Annual Internal Audit Plan and the Annual Governance Statement.
- Report significant issues related to the processes for controlling the activities of the organisation and its affiliates, including potential improvements to those processes, and provide information concerning such issues through to resolution.
- Report quarterly on, and provide information on, the status and results of the annual audit plan and the sufficiency of the Section's resources.
- Co-ordinate with and provide oversight of other control and monitoring functions (risk management, compliance, security, legal, ethics, environmental and external audit).

Independence

To provide for the independence of the Section, auditors report to the Internal Audit Manager, who reports functionally and administratively to the Head of Finance (S151 Officer) and quarterly to the Audit Committee in a manner outlined in the above section on accountability.

The Internal Audit Manager if required can consult directly on any audit matters with the Chairman of the Audit Committee.

The Internal Audit Manager will ensure the relevant Portfolio Holder is kept informed of any major developments within the Internal Audit Service either directly or through the S151 Officer.

Members can have direct access to the Internal Audit Manager if required, though in the first instance any enquiries are usually received through the S151 Officer or the Monitoring Officer.

Partnership Working

Winchester City Council works in partnership with Havant Borough Council and Test Valley Borough Council for the delivery of internal audit services.

The Internal Audit Manager provides an equal management role to each Council as detailed in the annual partnership letter and performance agreement.

Partnership working enables internal resources to be used to best effect for all partnering Councils, through sharing of specialist skills and knowledge and identifying best practice.

The Internal Audit Partnership has developed and will continue to develop within the service systems and procedures that facilitate and support partnership working.

Responsibility

The Internal Audit Manager and staff of the Section have a responsibility to:

- Develop a flexible strategic and annual audit plan linked directly to the Council's Corporate Risk Register. The Plan is submitted to the Council's Corporate Management Team, Corporate Governance Group, Performance Management Team and the Audit Committee for review and approval as well as periodic updates.
- Implement the annual audit plan, as approved.

- Maintain a professional audit staff with sufficient knowledge, skills, experience and professional certifications to meet the requirements of this Charter.
- Evaluate and assess significant new or changing services, operations and control processes.
- Issue periodic reports to the Section 151 Officer and the Audit Committee summarising results of audit activities.
- Keep the Section 151 Officer informed of emerging trends and successful practices in internal auditing.
- Provide a list of significant performance indicators and measurement goals and results to the Section 151 Officer and the Audit Committee.
- Assist in the investigation of significant suspected fraudulent activities within the Council and notify the Service Manager, the Director, the Monitoring Officer and the Chief Executive of the results. If required and authorised by the Chief Executive to inform the Police or other regulators or inspectors of an investigation and to work with them as detailed in the Internal Audit Fraud Procedures Manual.
- Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the organisation at a reasonable overall cost. Maintain an effective joint working protocol with the External Auditors.

Customer Care

The Internal Audit Manager and the staff of the Internal Audit Service (Partnership) are Customer Service Excellence (CSE) accredited. This was achieved as part of Winchester City Council's Finance Services CSE submission. The CSE Standard provides us with assurance that we are committed to delivering an excellent level of service which

we are continually striving to improve. Contributing to this we shall:

- Operate a process by which the quality of service received by the customer can be assessed by the customer and the customer can influence improvements in the service they can expect to receive.
- Consult with all customer groups to ensure that the local standards adopted by the Section meet customers' needs.
- Review standards in accordance with customer feedback.
- Ensure that compliance with standards will be monitored by the Internal Audit Manager and performance will be periodically reported to all customers.

Authority

The Internal Audit Manager and staff of the Internal Audit Section are authorised to:

- Have unrestricted access to all functions, records, property, and personnel.
- Have full and free access to the Chief Executive and the Chairman of the Audit Committee and the nominated Portfolio Holder.
- Allocate resources, set frequencies, select subjects, determine scope of work and apply the techniques required to accomplish audit objectives.
- Obtain the necessary assistance of personnel in departments of the Council where they perform audits or their equivalent, for example performance management/service improvement reviews, as well as other specialised services from within or outside the Council.

The Internal Audit Manager and staff of the Section are not authorised to:

- Perform any operational duties for the Council or its affiliates without the specific approval of the Chief Executive.
- Initiate or approve accounting transactions external to the Internal Audit Service.
- Direct the activities of any Council employee not employed by the Internal Audit Service except to the extent such employees have been appropriately assigned to the department or to otherwise assist the Internal Auditors.

Standards of Audit Practice

The Internal Audit Service will meet or exceed the Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors and of the CIPFA Code of Practice for Internal Auditors in Local Government.

The Section will meet or exceed the local standards for service provision agreed with its customers.

The Charter is endorsed and supported by the following Key Stakeholders:

John Cummins
Internal Audit Partnership Manager

Alexis Garlick
Head of Finance and Section 151 Officer

Stephen Whetnall
Corporate Director (Governance)

Simon Eden
Chief Executive

Councillor Jean Hammerton
Chair of the Audit Committee