
To: Renfrewshire Health and Social Care Audit Committee

On: 16 September 2016

Report by: Chief Internal Auditor

Heading: Internal Audit Charter

1. Summary

- 1.1 The Public Sector Internal Audit Standards (PSIAS) came into effect from 1 April 2013. In April 2016, the standards were revised to include the Mission of Internal Audit and the Core Principles for the Professional Practice of Internal Auditing.
- 1.2 This report presents the Internal Audit Charter (Appendix 1) for the Integration Joint Board's Internal Audit Service that has been developed to ensure compliance with the Public Sector Internal Audit Standards (PSIAS).

2. Background

- 2.1 The PSIAS require that the purpose, authority and responsibility of Internal Audit must be formally defined in an internal audit charter consistent with the Definition of Internal Auditing, the Core Principles for the Professional Practice of Internal Audit, the Code of Ethics and the Standards. The Chief Auditor must periodically review the internal audit charter and present it to senior management and the board for approval.

The PSIAS require that the Internal Audit Charter should:

- Recognise the mandatory nature of the PSIAS;
- Define the scope of Internal Audit activities;
- Establish the responsibilities and objectives of Internal Audit;
- Establish the organisational independence of Internal Audit;
- Establish the accountability, reporting lines and relationships between the Chief Auditor and:
 - The board;
 - Those to whom the Chief Auditor must report functionally; and
 - Those to whom the Chief Auditor may report to administratively.
- Set out the responsibility of the board and also the role of the statutory offices such as the Chief Officer and the Chief Financial Officer with regards to Internal Audit;
- Recognise that Internal Audit's remit extends to the entire control environment of the organisation and not just financial controls; and

2. Recommendations

- 2.1 That the Audit Committee approves the Internal Audit Charter.
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Implications of the Report

1. **Financial** - none
 2. **HR & Organisational Development** - none.
 3. **Community Planning** - none.
 4. **Legal** - none.
 5. **Property/Assets** - none.
 6. **Information Technology** - none.
 7. **Equality & Human Rights** - The recommendations contained within this report have been assessed in relation to their impact on equalities and human rights. No negative impacts on equality groups or potential for infringement have been identified arising from the recommendations contained in the report. If required following implementation, the actual impact of the recommendations and the mitigating actions will be reviewed and monitored, and the results of the assessment will be published on the Council's and NHS GC&C website.
 8. **Health & Safety** - none.
 9. **Procurement** - none.
 10. **Risk** - Conformance with the PSIAS mitigates the risk of the Internal Audit Service being ineffective.
 11. **Privacy Impact** - none.
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List of Background Papers – none.

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INTERNAL AUDIT CHARTER

APPENDIX 1



INTRODUCTION:

Internal Audit is an independent and objective assurance and consulting activity designed to add value and improve the operations of the Integration Joint Board. It assists the Integration Joint Board (IJB) in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organisation's risk management, control, and governance processes.

MISSION:

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

DEFINITION OF ROLES:

The Public Sector Internal Audit Standards require that the Internal Audit Charter defines the terms 'board', 'senior management' and 'Chief Audit Executive' in relation to the work of Internal Audit. For the purposes of the Internal Audit function for the Integration Joint Board:

- the 'board' refers to the IJB Audit Committee which has delegated responsibility for overseeing the work of Internal Audit;
- 'senior management' is defined as the Chief Officer of the IJB, to whom the work of Internal Audit shall be reported; and
- 'Chief Audit Executive' refers to the Chief Auditor of Renfrewshire Council who has been nominated as the Chief Internal Auditor of the IJB.

PROFESSIONALISM:

The Internal Audit service will comply with the PSIAS which encompasses the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF), including the *Definition of Internal Auditing*, the *Core Principles for the Professional Practice of Internal Audit*, the *Code of Ethics*, and the *International Standards for the Professional Practice of Internal Auditing (Standards)*. This mandatory guidance constitutes the principles of the fundamental requirements for the professional practice of internal auditing in the public sector and for evaluating the effectiveness of the internal audit activity's performance.

The internal audit service will adhere to Renfrewshire Council's relevant policies and procedures and the internal audit manual which sets out the internal audit activity's standard operating procedures.

A programme of Continuous Professional Development (CPD) is maintained for all staff working on audit engagements to ensure that auditors maintain and enhance their knowledge, skills and audit competencies.

AUTHORITY:

The authority of Internal Audit is set out in the IJB's Financial Regulations and Codes. 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, investigation, or consultancy work. Internal Audit has authorised full, free, and unrestricted access to any and all of the IJB's records, physical properties, and personnel pertinent to carrying out any engagement. 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. All employees are requested to assist the internal audit activity in fulfilling its roles and responsibilities. The internal audit activity will also have free and unrestricted access to the Audit Committee, the Chief Officer and the Chief Financial Officer.

ORGANISATION:

The Chief Internal Auditor will report functionally to the Audit Committee and administratively (i.e. day to day operations) to the Director of Finance and Resources, Renfrewshire Council. The Chief Internal Auditor will communicate and interact directly with the Audit Committee, including in Committee meetings and between Committee meetings as appropriate. The Chief Internal Auditor may report direct to the Chief Officer, Chief Financial Officer, IJB Board members regarding any matters of concern that could place the IJB in a position where the risks it faces are unacceptable or the independence of Internal Audit is under threat. The Chief Internal Auditor will share relevant reports and information with the Chief Auditor for Renfrewshire Council, the Head of Internal Audit for NHS Greater Glasgow and Clyde, Renfrewshire Council's Audit, Scrutiny and Petitions Board and Renfrewshire Council's Senior Management.

INDEPENDENCE AND OBJECTIVITY:

Internal Audit is an independent review activity. In conducting its activities, Internal Audit activity will remain free from any undue influence or other pressure affecting its actions and reporting. This includes matters of audit selection, scope, procedures, frequency, timing, or report content.

Internal Audit is not a substitute for effective control exercised by management as part of their responsibilities. It is the responsibility of the Council's managers to ensure that the management of the areas under their control is adequate and effective and that their services have a sound system of internal control which facilitates the effective exercise of the organisation's functions and which includes arrangements for the management of risk.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Where the Chief Internal Auditor has responsibility for operational activities the periodic review of these activities will be conducted by parties independent of the Internal Audit function.

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 Chief Internal Auditor will confirm to the board, at least annually, the organisational independence of the internal audit activity.

RESPONSIBILITY:

The Internal Audit Service adds value to the IJB by providing objective and relevant assurance, and contributing to the effectiveness and efficiency of governance, risk management and control processes.

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management, and internal control processes as well as the quality of performance in carrying out assigned responsibilities to achieve the organisation's stated goals and objectives. This includes:

- Independent review and appraisal of the control environment throughout the organisation.
- Providing assurance to management and the Audit Committee that the established systems ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the organisation.
- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Evaluating the effectiveness and efficiency with which resources are employed.
- Evaluating operations or projects to ascertain whether results are consistent with established objectives and goals and whether the operations or projects are being carried out as planned.
- Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information.
- Supporting the IJB to improve its internal control, governance and risk management processes.
- Evaluating the extent to which risks have been identified and managed to achieve the IJB's objectives.
- Working in partnership with Health Board Internal Auditors, external auditors and other review bodies to coordinate activities with internal audit to avoid duplication and seek to rely on the work of these other assurance providers where professional standards and the nature and quality of the work they have undertaken would make it appropriate to do so.

- Undertaking consulting and advisory services related to governance, risk management and control as appropriate for the organisation.
- Supporting the Chief Officer and the Chief Financial Officer in the discharge of their statutory duties;
- Encouraging a culture of personal and corporate responsibility and accountability through the promotion of anti-fraud and corruption and ethical values.
- Having the right of access to examine the accounts and other financial records and data of external organisations as set out in the conditions of funding or other agreement.
- Investigating any suspicion of fraud, irregularity or corrupt practice in accordance with the relevant procedures.

INTERNAL AUDIT PLAN:

The authority for the production and execution of the audit plan rests with the Chief Internal Auditor. The internal audit plan will be developed based on a prioritisation of the audit universe using a risk-based methodology, including input of senior management and the Audit Committee. At least annually, the Chief Internal Auditor will submit to senior management and the Audit Committee an internal audit plan for review and approval. The internal audit plan will consist of a work schedule as well as resource requirements for the next financial year.

The Chief Internal Auditor will communicate the impact of any resource limitations and any significant deviation from the approved internal audit plan will be communicated to senior management and the Audit Committee as appropriate.

REPORTING AND MONITORING:

A written report will be prepared and issued by the Chief Internal Auditor or designee following the conclusion of each internal audit engagement and will be distributed as appropriate. Internal audit results will also be communicated to the Chief Officer and the Audit Committee in the format agreed.

The internal audit report may include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations. Management's response, whether included within the original audit report or provided thereafter (i.e. within 3 weeks) by management of the audited area should 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 activity will be responsible for appropriate follow-up on engagement findings and recommendations.

PERIODIC ASSESSMENT:

The Chief Internal Auditor will at least annually, report to the Chief Officer and the Audit Committee on the internal audit activity's purpose, authority, and responsibility, as well as performance relative to its plan. Annual reporting will also provide an annual audit opinion on the overall adequacy and effectiveness of the IJB's internal control environment, and include

details of any significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Chief Officer and the Audit Committee.

In addition, the Chief Internal Auditor will communicate to the Chief Officer and the Audit Committee on the internal audit activity's quality assurance and improvement programme, including results of internal assessments and external assessments conducted at least every five years.

APPROVAL

The Internal Audit Charter will be approved by the IJB Audit Committee and shall be subject to regular review by the Chief Internal Auditor in consultation with the Chief Officer.

Effective date 16 September 2016