

## Internal Audit Charter

### Purpose

The Public Internal Audit Standards (PSIAS) require that the Internal Audit Charter defines the terms 'board' and, 'senior management' in relation to the work of Internal Audit. For the purposes of Internal Audit work:

- *Board* - refers to the Council's Audit Committee which has delegated responsibility for overseeing the work of Internal Audit
- *Senior management* - is defined as the Chief Executive and members of the Council's Corporate Management Team (CMT)

The purpose of West Dunbartonshire Council's Internal Audit activity is to provide independent, objective assurance and advisory services designed to add value and improve the Council's operations. The mission of Internal Audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. The Internal Audit activity helps West Dunbartonshire Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.

### Professional Standards

The Internal Audit team operates in accordance with the PSIAS and will additionally adhere to the Code of Ethics as contained within the PSIAS. The Chief Internal Auditor will report periodically to senior management and Audit Committee regarding the Internal Audit team's conformance to the Code of Ethics and the PSIAS.

### Authority

The Shared Service Manager – Audit & Fraud reports functionally to the Council's Chief Officer – Resources (s95 Officer). The Shared Service Manager – Audit & Fraud has a right of access and freedom to report in her own name to all officers and members and particularly those charged with governance. This reporting structure protects the independence of the Shared Service Manager – Audit & Fraud and promotes an appropriate profile for the Internal Audit team throughout the organisation.

To establish, maintain and assure the Council's Internal Audit team has sufficient authority to fulfil its duties, the Audit Committee will:

- Approve the Internal Audit activity's charter.
- Approve the risk-based Internal Audit plan.
- Receive regular reports from the Shared Service Manager – Audit & Fraud on the Internal Audit team's performance relative to its plan and other matters.

The Shared Service Manager – Audit & Fraud or an authorised representative shall have authority to:

- Enter at all reasonable times any of the Council's premises or land.
- Have access to all records, documents and correspondence relating to the Council, wherever they are held.
- Require and receive such explanations as are necessary concerning any matter under examination.
- Require any employee of the Council to produce any of the Council's property, including property held by the Council as security or on the behalf of others, under that employee's control.

In carrying out their duties, Internal Auditors will have full and unrestricted access to all Council functions, records, property and personnel necessary for their work.

### Independence and Objectivity

The Shared Service Manager – Audit & Fraud will ensure that the Internal Audit team remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing and report content.

The Internal Audit team will maintain an unbiased mental attitude that allows them to perform engagements objectively. Internal Audit will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgements.

The Internal Audit team will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records or engage in any other activity that may impair their judgement.

The CIA has additional responsibilities for counter fraud arrangements. The CIA will declare an interest for audit assignments in this area with the next most senior internal audit team member taking additional reporting responsibilities if a conflict arises. A further option, if required, is for the CIA of another local authority to provide oversight of an audit where there is a possible conflict of interest.

The Shared Service Manager – Audit & Fraud will confirm to the Audit Committee at least annually the organisational independence of the Internal Audit team.

### **Scope of Internal Audit Activities**

The scope of the Internal Audit activity encompasses:

- Strategic development of the Internal Audit function to best meet the Council's needs.
- The continuous professional examination and evaluation of the overall adequacy and effectiveness of the Council's system of internal control ensuring risk inherent in the business is adequately identified, evaluated and managed and providing advice on control implementation.
- Agreeing with management improvements to the control environment where considered desirable or necessary and monitoring and reporting on the implementation of these remedial actions by management.
- Reviewing the reliability, integrity and timeliness of financial and operational information supplied to management and to the members, and the means used to identify, measure, classify and report such information.
- Reviewing the systems and controls established to ensure compliance with those policies, plans, procedures, laws and regulations which have specific impact on the Council.
- Reviewing the means used to safeguard assets and, as appropriate, the existence of such assets.
- Assisting the s95 Officer in the discharge of statutory responsibilities as "proper officer" for ensuring the proper administration of the Council's financial affairs.
- Managing the risk of fraud and corruption is the responsibility of the CMT. Management is also responsible for developing, implementing and maintaining systems of internal control to guard against fraud or irregularity and ensure probity in systems and operations. Internal Audit will assist management by reviewing the controls and procedures in place.
- Undertaking National Fraud Initiative and other investigations of suspected frauds and irregularities and contributing to the promotion of an anti-fraud culture within the Council.
- Supporting management in respect of disseminating control best practice and promoting risk awareness throughout the Council, including during key business change initiatives.
- Working closely with the external auditors to ensure the maximum benefit is achieved for the Council from their respective roles and that any duplication of effort is eliminated.

### **Internal Audit Plan**

At least annually, the Shared Service Manager – Audit & Fraud will submit to senior management and the Audit Committee a risk-based Internal Audit plan for review and approval. The Internal Audit plan will consist of a work schedule as well as budget and resource requirements for the next financial year. The Shared Service Manager – Audit & Fraud will communicate the impact of any resource limitations and significant interim changes to senior management and the Audit Committee.

The Internal Audit plan will be developed based on a prioritisation of the audit universe using a risk-based methodology, including input from senior management and the Audit Committee. The Shared Service Manager – Audit & Fraud will review and adjust the plan as necessary in response to any changes in the Council's operations, risks, programmes, systems and controls. Any significant deviation from the approved Internal Audit plan will be communicated to senior management and the Audit Committee through periodic activity reports.

**Reporting and Monitoring**

A written report will be prepared and issued by the Shared Service Manager – Audit & Fraud or designated officer following the conclusion of each Internal Audit engagement and will be distributed as appropriate.

The Internal Audit Report will include management's agreed actions taken or to be taken in regard to specific findings identified together with a timetable for implementation. The Internal Audit team will be responsible for appropriate follow-up of agreed actions. Progress on action plan implementation will be communicated to senior management and the Audit Committee through periodic Internal Audit activity reports.

**Quality Assurance**

The Internal Audit activity will maintain a quality assurance and improvement programme that covers all aspects of the Internal Audit activity.

The Chief Internal Auditor will communicate to senior management and the Audit Committee on the Internal Audit activity's quality assurance and improvement programme including results of ongoing internal assessments and external assessments conducted at least every 5 years.

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