

South Kesteven District Council

Internal Audit Charter

21 October 2013

1 The Internal Audit Charter

- 1.1 This Charter establishes the purpose, authority and responsibilities for the internal audit service for South Kesteven District Council.
- 1.2 The internal audit service is provided by Baker Tilly Business Services Ltd. Your key internal audit contacts are as follows:

	Head of Internal Audit	Client Manager
Name	Chris Williams	Rob Barnett
Telephone	07753584993	07791237658
Email address	Chris.williams@bakertilly.co.uk	Robert.barnett@bakertilly.co.uk

- 1.3 The Charter has been prepared in order to support an effective internal audit service and to meet the requirements of Professional Internal Auditing Standards and Baker Tilly’s Internal Audit Manual.
- 1.4 An overview of the process for an individual internal audit assignment is included at Appendix A to this Charter.

2 Role and Definition of Internal Audit

“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 introducing a systematic, disciplined approach in order to evaluate and improve the effectiveness of risk management, control, and governance processes.”

Public Sector Internal Audit Standards

- 2.1 Internal Audit is a key part of the assurance cycle for South Kesteven District Council and, if used appropriately, can assist in informing and updating the risk profile of the organisation. Internal Audit provides management with assurance on whether the organisation’s risk management, control and governance processes are adequate and operating effectively.
- 2.2 As a public sector organisation, South Kesteven District Council is required to have an internal audit service in place which conforms with the Public Sector Internal Audit Standards which come in to effect from 1 April 2013.

3 Independence and Ethics

- 3.1 To provide for the independence of Internal Audit, its personnel report direct to the Head of Internal Audit. The independence of the Head of Internal Audit is assured by him reporting to the Head of Finance, with further reporting lines to the Strategic Director (Corporate Focus) and Chairman of the Governance & Audit Committee.
- 3.2 The Head of Internal Audit has unrestricted access to the Chairman of the Governance & Audit Committee, to whom all significant concerns relating to the adequacy and effectiveness of risk management activities, internal control and governance are reported.

4 Responsibilities

- 4.1 The Head of Internal Audit has a responsibility to:
- Develop a flexible and risk based internal audit strategy with more detailed annual audit plans. The plan will be submitted to the Governance & Audit Committee for review and approval each year before work commences on delivery of that plan.
 - Implement the audit plan as approved, including any additional tasks requested by management and the Governance & Audit Committee.
 - Ensure the internal audit team consists of professional audit staff with sufficient knowledge, skills, and experience.
 - Establish a Quality Assurance and Improvement Program to ensure the quality and effective operation of internal audit activities.
 - Perform advisory activities where appropriate, beyond internal audit's assurance services, to assist management in meeting its objectives. Examples may include facilitation, process design and training.
 - Bring a systematic disciplined approach to evaluate and report on the effectiveness of risk management, internal control and governance processes.
 - Evaluate and assess significant merging or consolidating functions and new or changing services, processes, operations within the organisation.
 - Highlight control weaknesses and required associated improvements together with corrective action recommended to management based on an acceptable and practicable timeframe.
 - Undertake follow up reviews to ensure management has implemented agreed internal control improvements within specified and agreed timeframes.
 - Provide a list of significant measurement goals and results to the Governance & Audit Committee.
 - Liaise with the external auditor for the purpose of providing optimal audit coverage to the organisation.

5 Reporting

- 5.1 The Head of Internal Audit shall issue progress reports to the Governance & Audit Committee and management summarising outcomes of audit activities, including follow up reviews. These will be presented at every the Governance & Audit Committee meeting.
- 5.2 As your internal audit provider, the assignment opinions that Baker Tilly Business Services Ltd provides the organisation during the year are part of the framework of assurances that assist the Board in preparation of an informed statement on internal control.

5.3 As the provider of the internal audit service to South Kesteven District Council we are required to provide the Accounting Officer an opinion on the adequacy and effectiveness of the organisation's governance, risk management and control arrangements. In giving our opinion it should be noted that assurance can never be absolute. The most that the internal audit service can provide to the Board is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes. The annual opinion will be provided to the organisation by Baker Tilly Business Services Ltd at the financial year end.

6 Authority

6.1 The Head of Internal Audit and internal audit staff are authorised to:

- Have unrestricted access to all functions, records, property and personnel which it considers necessary to fulfil its function.
- Have full and free access to the Governance & Audit Committee.
- Allocate resources, set timeframes, define review areas, develop scopes of work and apply techniques to accomplish the overall audit objectives.
- Obtain the required assistance from personnel within the organisation where audits will be performed, including other specialised services from within or outside the organisation.

6.2 The Head of Internal Audit and internal audit staff are not authorised to:

- Perform any operational duties associated with the organisation.
- Initiate or approve accounting transactions on behalf of the organisation.
- Direct the activities of any employee not employed by Baker Tilly Business Services Ltd unless specifically seconded to internal audit.

7 Data Protection

7.1 Internal audit files need to include sufficient, reliable, relevant and useful evidence in order to support our findings and conclusions. Personal data is not shared with unauthorised persons unless there is a valid and lawful requirement to do so. We are authorised as providers of internal audit services to our clients (through the firm's Terms of Business and our engagement letter) to have access to all necessary documentation from our clients needed to carry out our duties.

7.2 Personal data is not shared outside of Baker Tilly. The only exception would be where there is information on an internal audit file that external auditors have access to as part of their review of internal audit work or where the firm has a legal or ethical obligation to do so (such as providing information to support a fraud investigation based on internal audit findings).

7.3 Baker Tilly has a Data Protection Policy in place that requires compliance by all of our employees. Non-compliance will be treated as gross misconduct.

8 Fraud

- 8.1 The Governance & Audit Committee recognises that management is responsible for controls to reasonably prevent and detect fraud. Furthermore, the Governance & Audit Committee recognises that internal audit is not responsible for identifying fraud; however it will assess the risk of fraud and be aware of the risk of fraud when planning and undertaking any internal audit work.

Signature _____ Date _____

Councillor Ian Stokes
Chairman of the Governance & Audit Committee

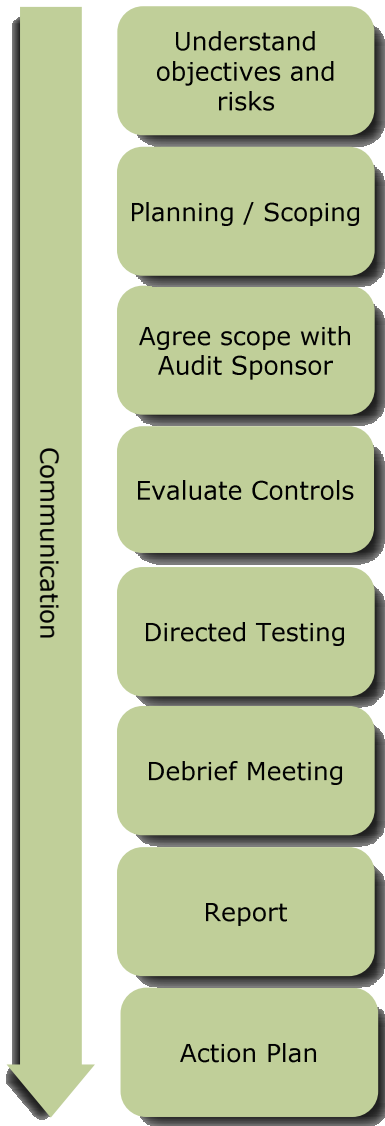
Signature _____ Date _____

Daren Turner
Strategic Director (Corporate Focus)

Signature _____ Date _____

Chris Williams
Head of Internal Audit, Baker Tilly Business Services Ltd

Appendix A: Overview of the Internal Audit Process



Planning the Assignment

Each audit will be planned individually to ensure that the scope addresses the risks facing your organisation, and is therefore a useful source of assurance, providing assurance on the controls that you rely on to manage your risks and deliver your objectives. We will meet with appropriate staff to understand the area under review and will then send you an Assignment Planning Sheet for your comment and sign off, so that we can discuss and agree the scope of each review; this provides the Audit Sponsor with an opportunity to comment on the scope of each audit. We will agree the audit date at the start of the year and you will receive a planning sheet at least two weeks before the audit commences.

Undertaking the Audit

Once the scope has been agreed, our audit fieldwork is carefully planned to ensure that we thoroughly test the right controls. Should we identify any major issues during the audit, we will bring these to the attention of management straight away. We will keep you informed through the audit, and our team will be happy to answer any questions you may have. We will provide a list of information we will need when we issue the planning sheet so that you can prepare for the audit.

Reporting our Findings

Before the internal audit team leaves site, we will hold a debrief meeting to discuss our findings and recommendations with you.

Therefore, there will be no surprises when you receive the draft internal audit report, and you have an opportunity to comment on the report before it is issued for wider circulation.

Each formal assurance report will contain a clear opinion, so you know instantly if your risk management of this area is effective.

Agreeing Actions for Improvement

Every internal audit report contains an action plan which is completed by management. Once the action plan is completed the report is issued as a final report. This provides Governance & Audit Committee with a clear view of management’s response to each recommendation, and also enables recommendation tracking. We will undertake follow up work to provide the Governance & Audit Committee with an overview of progress in implementing actions that management have agreed.