

BOLTON COUNCIL INTERNAL AUDIT CHARTER

INTRODUCTION:

Internal Auditing is an independent, objective assurance activity designed to add value and improve an organisations operations. It helps an organisation accomplish its objectives of bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

DEFINITIONS:

In Bolton the following definitions will apply with regard to the internal audit function:

“the Board” – Audit Committee

“senior management” – the Deputy Chief Executive

ROLE:

As an independent appraisal function within the authority, the primary objective of Internal Audit is to review, appraise and report upon the adequacy of internal controls across the entire control environment of the council.

PROFESSIONALISM:

The internal audit activity will govern itself by adherence to The Public Sector Internal Audit Standards. This guidance constitutes principles of fundamental requirements for the professional practice of internal auditing and for the evaluating the effectiveness of the internal audit activity's performance.

The service, and individual staff, will be governed by the Code of Ethics of the relevant professional bodies of which they are a member, and all codes and policies operated by Bolton Council.

AUTHORITY:

The internal audit activity, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access to any and all of Bolton Council's records, physical properties, and personnel pertinent to carrying out any engagement. 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 senior officers the Audit Committee

ORGANISATION:

The Internal Audit Section is part of the Chief Executive's Department with The Head of Internal Audit and Risk reporting administratively (i.e. day to day operations) to the Deputy Chief Executive.

The Head of Internal Audit and Risk also reports functionally to the Audit Committee

INDEPENDENCE AND OBJECTIVITY:

The internal audit activity will remain free from interference by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

Internal auditors 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 internal auditor's judgment.

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 Head of Internal Audit and Risk will confirm to the Audit Committee at least annually, the organisational independence of the internal audit activity.

RESPONSIBILITY:

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 process as well as the quality of performance in carrying out assigned responsibilities to achieve the organisation's stated goals and objectives. This includes:

- Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information.
- Evaluating the systems established to 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 programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
- Monitoring and evaluating governance processes.
- Monitoring and evaluating the effectiveness of the organisation's risk management processes.
- Performing consulting and advisory services related to governance, risk management and control as appropriate for the organisation.
- Reporting periodically on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan.
- Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Audit Committee.
- Evaluating specific operations at the request of the Audit Committee or management, as appropriate.
- Involvement in the investigation of any allegations of fraud in accordance with the Council's Fraud Response Plan

INTERNAL AUDIT PLAN:

At least annually, the Head of Internal Audit and Risk 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 budget and resource requirements for the next fiscal/calendar year. The Head of Internal Audit and Risk will communicate the impact of 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 of senior management and the Audit Committee. 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 Head of Internal Audit and Risk or designee following the conclusion of each internal audit engagement and will be distributed as appropriate. Internal audit results will also be communicated in summary to the Audit Committee.

The internal audit report will include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations.

The internal audit activity will be responsible for appropriate follow-up on engagement findings and recommendations. All significant findings will remain in an open issues file until cleared.

PERIODIC ASSESSMENT:

Each year The Head of Internal Audit and Risk will report to senior management and the Audit Committee on the internal audit activity's purpose, authority, and responsibility, as well as performance relative to its plan. Reporting will also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the Audit Committee.

In addition, the Head of Internal Audit and Risk will communicate to senior management and the Audit Committee on the internal audit activity's quality assurance and improvement program, including results of ongoing internal assessments and external assessments conducted at least every five years.

REVIEW:

The Internal Audit Charter will be reviewed and reported to Audit Committee at least every two years