



ESCC INTERNAL AUDIT CHARTER & TERMS OF REFERENCE

1. RESPONSIBILITIES AND OBJECTIVES

1.1 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 bringing a systematic, disciplined approach to evaluate and improve effectiveness of risk management, control and governance processes'¹.

1.2 It is a management responsibility to establish and maintain internal control systems and to ensure that resources are properly applied, risks appropriately managed and outcomes achieved.

1.3 The agreed Mission Statement for Internal Audit at East Sussex County Council is as follows:

'Internal Audit is an independent assurance function which conducts reviews and provides advice, support and challenge to the organisation on risk, governance and internal control matters. In achieving this, the service aims to:

- *Deliver a high quality, cost effective service in line with best practice and professional standards;*
- *Work constructively with management to support new developments and major change programmes;*
- *Be pragmatic and proportionate with its recommendations, having regard not just to risk, but also the cost of controls;*
- *Be flexible and responsive to the needs of the organisation in all its work.'*

2. STATUTORY ROLE

2.1 Internal Audit is a statutory service in the context of the Accounts and Audit Regulations 2015, which state in respect of Internal Audit that:

"A relevant body shall maintain an adequate and effective system of internal audit of its accounting records and its system of internal control in accordance with the proper internal audit practices, and any officer or member of that body shall, if the body requires:

- make available such documents of the body which relate to its accounting and other records as appear to be necessary for the purpose of the audit; and
- supply the body with such information and explanation as the body considers necessary for that purpose."

¹ Chartered Institute of Internal Auditors

2.2 The statutory role is recognised and endorsed within the Council's Financial Regulations, which provide the authority for access to officers, members, documents and records and to require information and explanation as necessary.

3. INDEPENDENCE AND ACCOUNTABILITY

3.1 Internal Audit will remain sufficiently independent of the activities that it audits to enable auditors to perform their duties in a way that allows them to make impartial and effective professional judgements and recommendations. Internal auditors have no operational responsibilities. Where the Head of Internal Audit is responsible for other services, arrangements will be put in place to ensure that any internal audit work is subject to appropriate independence and that any conflicts of interest are avoided. This is likely to involve any such work being managed and delivered by the Head of Internal Audit from another local authority.

3.2 Internal Audit is involved in the determination of its priorities in consultation with those charged with governance. The Head of Internal Audit has direct access to, and freedom to report in his own name and without fear of favour to, all officers and Members and particularly those charged with governance. This independence is further safeguarded by ensuring that the Head of Internal Audit's annual appraisal/performance review is not inappropriately influenced by those subject to audit. This is achieved by ensuring that both the Chief Executive and the Chair of Audit, Best Value and Community Services Scrutiny Committee contribute to this performance review.

3.3 Internal Audit may also provide consultancy services, generally advisory in nature, at the request of the organisation. In such circumstances, appropriate arrangements will be put in place to safeguard the independence of Internal Audit and, where this work is not already included within the approved audit plan and may affect the level of assurance work undertaken, this will be reported to Audit, Best Value and Community Services Scrutiny Committee.

3.4 Accountability for the response to the advice and recommendations of Internal Audit lies with management, who either accept and implement the advice or formally reject it.

4. INTERNAL AUDIT SCOPE

4.1 The scope of Internal Audit includes the entire control environment and therefore all of the Council's operations, resources, services and responsibilities in relation to other bodies. In order to identify audit coverage, activities are prioritised based on risk, using a combination of Internal Audit and management risk assessment (as set out within County Council risk registers). Extensive consultation also takes place with key stakeholders.

4.2 Internal audit activity will include an evaluation of the effectiveness of the organisation's risk management arrangements and risk exposures relating to:

- Achievement of the organisation's strategic objectives;
- Reliability and integrity of financial and operational information;
- Efficiency and effectiveness of operations and activities;
- Safeguarding of assets; and
- Compliance with laws, regulations, policies, procedures and contracts.

5. REPORTING LINES AND RELATIONSHIPS

5.1 East Sussex County Council has delegated responsibility for ensuring that statutory internal audit arrangements are in place to the Chief Finance Officer. These arrangements form a key element of the County Council's framework for corporate governance. On a day to day basis the Head of Assurance serves as the County Council's Head of Internal Audit.

5.2 The Head of Internal Audit reports directly to the Chief Finance Officer (the Section 151 Officer). The County Council also has an Audit, Best Value and Community Services Scrutiny Committee to whom Internal Audit reports on a quarterly basis. These reports cover results of internal audit activity and details of internal audit performance, including progress on delivering the audit plan. In addition, Internal Audit provides an annual report and opinion to Chief Officers and Members on the adequacy of the Council's control environment.

6. INTERNAL AUDIT STANDARDS

6.1 There is a statutory requirement for Internal Audit to work in accordance with the 'proper audit practices'. These 'proper audit practices' are in effect the 'Public Sector Internal Audit Standards' (PSIAS) as defined by Chartered Institute of Internal Auditors (CIIA) in conjunction with the Chartered Institute of Public Finance and Accountancy (CIPFA). These Standards have been adopted by East Sussex County Council Internal Audit. It is a requirement of these Standards that the Internal Audit Charter clarify the terms 'board' and 'senior management' and, in the context of ESCC, these are deemed to be the Council's 'Audit, Best Value and Community Services Scrutiny Committee' and 'Corporate Management Team' respectively.

6.2 In accordance the Standards, Internal Audit is subject to a quality assurance and improvement regime. This consists of an annual self assessment of the service against the PSIAS, ongoing performance monitoring and an external assessment at least every five years by a suitably qualified, independent assessor. The results of all of this activity are reported to management and the Audit, Best Value and Community Services Scrutiny Committee, along with details of any instances of non-conformance. Where non-conformance is considered significant, this will also be included within the County Council's Annual Governance Statement.

7. INTERNAL AUDIT RESOURCES

7.1 It is a requirement that Internal Audit must be appropriately staffed in terms of numbers, grades, qualification levels and experience, having regard to it's objectives and to professional standards. Internal Auditors need to be properly trained to fulfil their responsibilities and should maintain their professional competence through an appropriate ongoing development programme.

7.2 The Head of Internal Audit is responsible for appointing the staff of the Internal Audit Service and will ensure that appointments are made in order to achieve the appropriate mix of qualifications, experience and audit skills.

7.3 In addition to ESCC audit staff, the Head of Internal Audit may engage the use of external resources where it is considered appropriate, including the use of specialist providers.

7.4 The Head of Internal Audit is responsible for ensuring that the resources of the Internal Audit Service are sufficient to meet its responsibilities and achieve its objectives. If a situation arose whereby they concluded that resources were insufficient, they must formally report this to the Chief Finance Officer and, if the position is not resolved, to the Audit, Best Value and Community Services Scrutiny Committee.

8. FRAUD AND CORRUPTION

8.1 Managing the risk of fraud and corruption is the responsibility of Chief Officers not Internal Audit. Internal Audit will, however, be alert in all its work to risks and exposures that could allow fraud or corruption and will investigate allegations of fraud and corruption in line with the Council's Anti Fraud and Corruption Strategy.

8.2 The Head of Internal Audit should also be informed of all suspected or detected fraud, corruption or impropriety in order to consider the adequacy of the relevant controls, and evaluate the implication of fraud and corruption for their opinion on the control environment.



Councillor Mike Blanch
Chairman of the Audit, Best Value and Community Services Scrutiny
Committee

Marion Kelly
Chief Finance Officer

Russell Banks
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