

INTERNAL AUDIT CHARTER

Statutory Role / Objectives and Responsibilities

Internal Audit is an independent, objective assurance function established by the Council under the requirements of the Accounts and Audit Regulations 2015 (amended 2022). The function is designed to add value, improve operations and assist the Council to achieve its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The objectives of Internal Audit are to provide assurance to the organisation in relation to their internal control environment and assist management in delivering their objectives through assessing exposure to risk and recommending, where appropriate, practical improvements to the control environment. To this end it is the responsibility of Internal Audit to provide assurance in relation to: whether operations are being carried out as planned and objectives and goals are being met;

- the adequacy of systems established to ensure compliance with policies, plans, procedures, laws and regulations, i.e. rules established by the management of the organisation, or externally;
- the completeness, reliability and integrity of information, both financial and operational;
- the extent to which the organisation's assets, data and interests are properly accounted for and safeguarded from losses of all kinds, including fraud, corruption, waste, abuse, ineffective management and poor value for money; and
- the economy, efficiency and effectiveness with which resources are employed.

Internal Audit in meeting the above will have an unrestricted range of coverage of the organisation's operations in order to fulfil its role. Responsibility for the maintenance of a sound system of internal control rests with management. Audit procedures are designed so that any material weaknesses in internal control have a reasonable chance of discovery, but should not be relied upon to identify all system weaknesses that may exist.

Audit Strategy and Operational Planning

Internal Audit will produce an Internal Audit Strategy and annual Operational Internal Audit Plan or a Terms of Reference for each client as appropriate to be agreed by the relevant senior officer. For the Council this will be agreed by the Director of Finance and considered and reviewed by the Audit and Governance Committee. In producing this document the head of internal audit will assess the resource requirements needed to deliver them and will have the freedom to determine the priorities for internal audit in consultation with the relevant senior officer and in line with the relevant regulations for the organisation. In general, but not exclusively, a process of risk assessment will determine the priorities for internal audit.

Professional Standards

Internal audit is required to provide an objective audit service in line with professional auditing standards. The head of internal audit will have direct access to, and freedom to report to senior management. For the Council this includes the Chief Executive, Audit and Governance Committee and Members.

Internal Audit will perform the audit work to the professional standards set out in the Public Sector Internal Audit Standards, including the Code of Ethics. Furthermore, Internal Audit shall have no responsibilities over the operations that it audits beyond the furnishing of recommendations and advice to management on risks and controls. Where internal audit work is undertaken in relation to areas where the head of internal audit has overall management responsibility, the Senior Manager - Assurance has freedom to determine the frequency and scope of audit work and will report the findings independently to the Director of Finance.

Internal Auditors are asked to declare any matters that could impact on their independence on an annual basis as part of the audit planning process.

Reports

For Sunderland City Council the 'Board' is defined as the Audit and Governance Committee and 'senior management' is all Chief Officers. All material findings will be communicated to the relevant manager and once agreed a final report will be sent to the relevant senior manager or Chief Officer and, where appropriate, the Director of Finance in the case of the Council. Management is expected to implement all agreed actions within a reasonable timeframe and each audit will be followed up to assess the extent to which this has happened. In addition, the overall results of audit work will be reported to the appropriate governing body for each client. In the case of the Council this will be quarterly to the Director of Finance and to the Audit and Governance Committee. The reports will contain an opinion on the soundness of the organisation's system of internal controls based

on the work carried out by Internal Audit and assurances gathered from other sources as appropriate.

Access

Internal Audit shall have access to all officers, buildings, information, explanations and documentation required to discharge the audit role.

For the City Council this also includes:

organisations to whom the Council has given grants;
organisations to which the Council awards service contracts; and
partner organisations in any schemes for which the Council has responsibility as Lead or Accountable Body.

Such rights of access shall be written into the appropriate agreements with these organisations.

Fraud, Corruption and Financial Irregularity

Managing the risk of fraud, corruption and financial irregularity is the responsibility of management. However, Internal Audit will be alert in all of its work to risks and exposures that could allow these risks to occur and will undertake specific work, from time to time, in this regard. Audit procedures alone cannot guarantee that all such incidences will be detected.

The head of internal audit is to be notified by managers of all suspected or detected fraud, corruption or financial impropriety. Internal Audit will seek to respond to requests for such investigations and make appropriate recommendations to minimise any risks.

