

# Internal Audit Charter

## 1. Purpose and Mission

- 1.1 The purpose of Lewisham Council's (the "Council") internal audit service is to provide independent, objective assurance and consulting services designed to add value and improve the Council.
- 1.2 The mission of internal audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.
- 1.3 The internal audit service helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of governance, risk management and control processes.

## 2. Standards for the Professional Practice of Internal Auditing

- 2.1 The internal audit service will govern itself by adherence to the mandatory elements of [The Institute of Internal Auditors' International Professional Practices Framework](#) (the IPPF). This includes the Core Principles for the Professional Practice of Internal Auditing, the [Code of Ethics](#), and the *International Standards for the Professional Practice of Internal Auditing*, and the Definition of Internal Auditing. The **Head of Assurance** will report periodically to the **Executive Management Team** and the **Audit & Risk Committee** regarding the internal audit service's conformance to the Code of Ethics and the *Standards*.
- 2.2 Specifically, the internal audit service works to the [Public Sector Internal Audit Standards](#) (the "Standards"). These *Standards*, which are based on the mandatory elements of the IPPF, exist to promote further improvement of internal audit's professionalism, quality, consistency and effectiveness across the public sector. The internal audit service further adheres to [CIPFA's Application Note](#) which gives additional direction specific to Local Government.

## 3. Authority

- 3.1 The principal authority for internal audit at the Council comes from the [Accounts and Audit Regulations 2015](#). In particular [Regulation 5](#) which demands:

"A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance".

- 3.2 The **Head of Assurance** will report functionally to the **Audit & Risk Committee** and administratively to the Executive Director for Corporate Resources (or the person acting in that role).
- 3.3 To establish, maintain and assure that the Council's internal audit service has sufficient authority to fulfil its duties, the Executive Director for Corporate Resources will, on behalf of and in consultation with the **Executive Management Team** as required:
- Approve the internal audit service's Charter.
  - Approve the risk-based internal audit plan.
  - Approve the internal audit service's budget and resource plan.
  - Receive communications from the **Head of Assurance** on the internal audit service's performance relative to its plan and other matters.
  - Approve decisions regarding the appointment and removal of the **Head of Assurance**, after consultation with the **Audit & Risk Committee**.
  - Conduct performance appraisals of the **Head of Assurance**, after consultation with the **Audit & Risk Committee**.
  - Make appropriate enquiries of the **Executive Management Team** and the **Head of Assurance** to determine whether there are inappropriate scope or resource limitations.
- 3.4 To establish, maintain and assure that the Council's internal audit service has sufficient authority to fulfil its duties, the **Audit & Risk Committee** will:
- Approve the internal audit service's Charter.
  - Approve the risk-based internal audit plan.
  - Approve the internal audit service's budget and resource plan.
  - Receive communications from the **Head of Assurance** on the internal audit service's performance relative to its plan and other matters.
  - Respond to requests for information from the Executive Director of Corporate Resources to inform performance appraisals or other personnel decisions regarding the **Head of Assurance**.
  - Make appropriate enquiries of management and the **Head of Assurance** to determine whether there are inappropriate scope or resource limitations.
- 3.5 The **Head of Assurance** will have unrestricted access to, and communicate and interact directly with, the **Audit & Risk Committee**, including in private meetings without other management present.
- 3.6 The **Audit & Risk Committee** and the Executive Director of Corporate Resources on behalf of the **Executive Management Team** authorise the internal audit service to:

- Have full, free and unrestricted access to all functions, records, property and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of information. Noting this power also derives from [Regulation 5\(2\) of the Accounts and Audit Regulations 2015](#).
- Allocate resources, set frequencies, select subjects, determine work scopes, apply techniques required to accomplish audit objectives, and issue reports.
- Obtain assistance from the necessary Council personnel, as well as other specialised services, to complete the engagement.

#### 4. Independence and Objectivity

- 4.1 The **Head of Assurance** will ensure that the internal audit service 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. If the **Head of Assurance** determines that independence or objectivity may be impaired in fact or appearance, they will disclose impairment details to appropriate parties.
- 4.2 Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgement on audit matters to others.
- 4.3 Internal auditors will have no direct operational responsibility or authority over audited activities. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgement, including:
- Assessing specific operations where they had responsibility in the past year.
  - Assessing any operations where they had any managerial responsibilities at the Council.
  - Performing any operational duties for the Council or its affiliates, save those associated directly with the internal audit service.
  - Initiating or approving transactions external to the internal audit service.
  - Directing the activities of any Council officer or contractor not employed by the internal audit service, except to the extent that such people have been appropriately assigned to help internal auditors.
- 4.4 Where the **Head of Assurance** has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.
- 4.5 Currently, aside from the internal audit service, the **Head of Assurance** has oversight of the following areas:

- **Anti-Fraud and Corruption Team.**  
Prevention, detection and investigation of fraud & corruption within and against the London Borough of Lewisham. Prevention, detection and investigation of social housing fraud on behalf of various local RSLs. Pre-employment vetting for potential employees of Lewisham Council. Monitoring of Declarations of Interest for Council employees.
- **Insurance & Risk Management Team.**  
The Insurance & Risk Management Team is responsible for arranging and administering all the Council's insurance and managing all claims made by or against the Council under the insurance arrangements. The Team is also responsible for leading and coordinating the Council's enterprise risk management processes.
- **Corporate Health & Safety Team.**  
The Corporate Health & Safety team help the Council meet its legal obligations in keeping people safe and healthy at work.

4.6 The following additional and alternative steps will feature in the audit approach to maintain independence and objectivity for these areas:

- At Audit Planning stage, other officers within the audit service will complete risk assessments. There will be a general assumption that, where planning risk criteria are met, engagements in these areas will be longlisted in the audit plan and, at minimum, form part of the consultative plan shared with the **Executive Management Team**.
- At Audit Engagement stage, various approaches will be considered depending on the nature of the engagement. These may include having work undertaken by officers of the internal audit service overseen by a Chief Audit Executive of another council or assigning the work entirely to auditors from an external body or professional audit firm.

4.7 The specific safeguards will be disclosed in the annual audit plan and subject to agreement of the **Audit & Risk Committee** before implementation. Where the safeguards rely on assistance from another council, the Council may offer similar (non-reciprocal) services to be disclosed in the annual audit plan.

4.8 Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the examined activity or process.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid being unduly influenced by their interests or others in forming judgements.

4.9 The **Head of Assurance** will confirm to the **Audit & Risk Committee**, at least annually, the organisational independence of the internal audit service.

4.10 The **Head of Assurance** will disclose to the **Audit & Risk Committee** any interference and related implications in determining the scope of internal auditing, performing work and/or communicating results.

## 5. Scope of Internal Audit Activities

5.1 The scope of the internal audit activities encompasses, but is not limited to, objective examinations of evidence to provide independent assessments to the **Audit & Risk Committee**, management and outside parties on the adequacy and effectiveness of governance, risk management and control processes for the Council. Internal audit assessments include evaluating whether:

- Risks relating to achieving the Council's strategic objectives are appropriately identified and managed.
- The actions of Council officers, directors, employees and contractors comply with the Council's policies, procedures and applicable laws, regulations and governance standards.
- The results of operations are consistent with established goals and objectives.
- Operations or programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the Council.
- Information and the means used to identify, measure, analyse, classify, and report such information are reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and protected adequately.

5.2 The **Head of Assurance** will report periodically to **Executive Management Team** and the **Audit & Risk Committee** regarding:

- The internal audit service's purpose, authority and responsibility.
- The internal audit service's plan and performance relative to its plan.
- The internal audit service's conformance with The IIA's Code of Ethics and *Standards* and action plans to address any significant conformance issues.
- Significant risk exposures and control issues, including any fraud risks, governance issues, and other matters requiring the attention of, or requested by, the **Audit & Risk Committee**.
- Results of audit engagements and other activities.
- Resource requirements.
- Any response to risk by management that may be unacceptable to the Council.

- 5.3 The **Head of Assurance** also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed. The internal audit service may perform advisory and related client service activities, the nature and scope of which will be agreed with the client, provided the internal audit service does not assume management responsibility.
- 5.4 Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.
- 5.5 The internal audit service adheres to *Standards 1210.A2* in having an awareness of fraud when undertaking its work. However, the primary responsibility for preventing, detecting and investigating fraud at the Council rests with Management, supported by the Anti-Fraud and Corruption Team.

## 6. Responsibility

6.1 The **Head of Assurance** has the responsibility to:

- Submit, at least annually, a risk-based internal audit plan for review and approval to senior management and the **Audit & Risk Committee**.
- Communicate to the **Executive Management Team** and the **Audit & Risk Committee** on the impact of resource limitations on the internal audit plan.
- Review and adjust the internal audit plan, as necessary, in response to changes in the Council's business, risks, operations, programs, systems, and controls.
- Communicate to senior management and the **Audit & Risk Committee** any significant interim changes to the internal audit plan.
- Ensure each engagement of the internal audit plan is executed, including establishing objectives and scope, assigning appropriate and adequately supervised resources, documenting work programs and testing results, and communicating engagement results with applicable conclusions and recommendations to appropriate parties.
- Follow up on engagement findings and corrective actions, and report periodically to **Executive Management Team** and the **Audit & Risk Committee** any corrective actions not effectively implemented.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure the internal audit service collectively possesses or obtains the knowledge, skills and other competencies needed to meet the requirements of the internal audit charter.

- Ensure trends and emerging issues that could impact the Council are considered and communicated to senior management and the **Audit & Risk Committee** as appropriate.
- Ensure emerging trends and practices in internal auditing are considered.
- Establish and ensure adherence to policies and procedures to guide the internal audit service.
- Ensure adherence to the Council's relevant policies and procedures unless such policies and procedures conflict with the internal audit charter. Any such conflicts will be resolved or communicated to senior management and the **Audit & Risk Committee**.
- Ensure conformance of the internal audit service with the *Standards*

## 7. Quality Assurance and Improvement Program

- 7.1 The internal audit service will maintain a quality assurance and improvement program that covers all aspects of the internal audit service. The program will include an evaluation of the internal audit service's conformance with the *Standards* and an evaluation of whether internal auditors apply The IIA's Code of Ethics. The program will also assess the internal audit service's efficiency and effectiveness and identify improvement opportunities.
- 7.2 The **Head of Assurance** will communicate the **Executive Management Team** and the **Audit & Risk Committee** on the internal audit service's quality assurance and improvement program, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside the Council.

## 8. Approvals

CHIEF AUDIT EXECUTIVE

AUDIT & RISK COMMITTEE CHAIR

ACTING EXECUTIVE DIRECTOR OF CORPORATE RESOURCES

## 9. Definitions

**The Head of Assurance** fulfils the role of "Chief Audit Executive" as set out in *Standard 1000*.

**The Executive Management Team** fulfils the role of "Senior Management" as set out in the Public Sector Requirement of *Standard 1000*.

**The Audit & Risk Committee** fulfils the role of the "Board" as set out in the Public Sector Requirement of *Standard 1000*.