

INTERNAL AUDIT CHARTER

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1. **INTRODUCTION**

- 1.1 This Charter identifies the role and objectives, authority, scope, responsibility, resources and reporting function of Internal Audit within Loch Lomond & The Trossachs National Park Authority (the Park Authority).

The main determinant of the effectiveness of the Internal Audit function is that it is seen to be independent. To ensure this, Internal Audit will operate within a framework that allows:

- Unrestricted access to the Executive Team and the Chair of the Audit & Risk Committee;
 - Reporting in its own name; and
 - Segregation from line operations.
- 1.2 The Public Sector Internal Audit Standards (PSIAS) came into effect on 1st April 2013 and were updated on 1st April 2017. These standards are mandatory and provide a clear specification for the arrangements that should be put in place for an internal audit service. The PSIAS are based on the International Standards of Internal Auditing and developed and issued by CIPFA, the Chartered Institute of Internal Auditors UK (CIIA) and HM Treasury. They provide a coherent and consistent internal audit framework for the whole of the public sector. The PSIAS apply to all internal audit service providers, whether in-house, shared service or outsourced.
- 1.3 In terms of the PSIAS, *“the purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter”*.
- 1.4 The Park Authority is required by Scottish Government to establish and maintain arrangements for internal audit in accordance with the PSIAS and the [Internal Audit](#) section of the Scottish Public Finance Manual (SPFM). This Internal Audit Charter explains the detailed arrangements and sets out the Head of Internal Audit’s (hereinafter in this document referred to as the Chief Internal Auditor) strategy for discharging his/her role and providing the necessary annual assurance opinions.
- 1.5 The Mission of Internal Audit as defined in the PSIAS is:
- “To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight”*.
- 1.6 The PSIAS defines Internal Auditing as follows:

“Internal Auditing 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 the effectiveness of risk management, control and governance processes.”

2. ROLE AND OBJECTIVES OF INTERNAL AUDIT

2.1 The primary objective of Internal Audit is to review, appraise and report upon the adequacy of internal controls as a contribution to the proper, economic, efficient and effective use of resources and the management of risk. In addition, the other objectives of the function are to:

- Support the Chief Executive to discharge his / her duties as Accountable Officer;
- Contribute to and support the Director of Corporate Services in ensuring the provision of, and promoting the need for, sound financial systems;
- Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets; and
- Conduct special assignment and investigations into any matter or activity affecting the probity, interest and operating efficiency of the Park Authority.

The Accountable Officer is responsible for ensuring that appropriate internal control systems exist within his / her own organisation, and for deciding whether or not to accept and implement internal audit findings and recommendations.

2.2 Internal Audit will have regard to the possibility of malpractice, fraud and other illegal acts, and will seek to identify serious defects in the internal control system which may permit such irregularities. The Park Authority’s Code of Conduct for Employees and Fraud, Bribery and Corruption Policy will be used to deal with any irregularities identified.

3. AUTHORITY OF INTERNAL AUDIT

3.1 All Internal Audit activity is carried out in accordance with the [Internal Audit](#) section of the SPFM to provide the Accountable Officer with a continuing assurance that the organisation’s risk management, control and governance arrangements are adequate and effective.

3.2 The Chief Internal Auditor or his/her authorised representatives shall have authority to:

- Enter at all reasonable times any Park Authority premises or

- land;
 - Have access to all records, documents and correspondence relating to financial and other transactions of the Park Authority;
 - Require and receive such explanations as are necessary concerning any matter under examination; and
 - Require any employee of the Park Authority to produce cash, stores, or any other property under his/her control.
- 3.3** Internal Audit staff will as necessary be provided with a separate log-in to any computer system within the Park Authority and have full access to any system, personal computer or other devices being used for Park Authority business purposes.

4. POSITION OF INTERNAL AUDIT WITHIN THE ORGANISATION

4.1 Internal Audit is an independent review activity. It is not an extension of, or a substitute for, the functions of line management and must remain free from any undue influence or other pressure affecting its actions and reporting.

4.2 In accordance with the Framework Agreement with Scottish Government the Park Authority shall:

establish and maintain arrangements for internal audit in accordance with the PSIAS and the [Internal Audit](#) section of the Scottish Public Finance Manual (SPFM).

4.3 Management's responsibilities in relation to governance and control include:

- Maintaining proper internal controls in all processes for which they have responsibility to ensure probity in systems and operations;
- The prevention, detection and resolution of fraud and irregularities;
- Co-operating fully with Internal Audit and ensuring that Internal Audit can properly fulfill their role; and
- Considering and acting upon Internal Audit findings and recommendations or accepting responsibility for any resultant risk from not doing so.

4.4 The status of Internal Audit should enable it to function effectively, with recognition of the independence of Internal Audit fundamental to its effectiveness. The Chief Internal Auditor should have sufficient status to facilitate the effective discussion of audit strategies, plans, results and improvement plans with senior management of the organisation.

4.5 Within the Park Authority, the Chief Internal Auditor reports on an administrative basis to the Director of Corporate Services. However the Chief Internal Auditor also has unrestricted access to those charged with governance, specifically: Chair of the Audit & Risk Committee; the Chief Executive and Executive Team;

The Chief Internal Auditor has direct access to the Chair of the Audit & Risk Committee to discuss any matters the committee or auditors believe should be raised privately. One of the functions of the Audit & Risk Committee is to ensure that no unjustified restrictions and limitations are made to the scope and activities of Internal Audit. Additionally, unrestricted access to all Officers of the Park Authority is afforded to all members of the Internal Audit service.

4.6 Within the PSIAS, widespread use is made of the term “board”. For the purposes of overseeing the activities of the Park Authority’s internal audit function, the “board” is defined as the Audit & Risk Committee. In terms of accountability and independence, the Chief Internal Auditor reports functionally to the Audit & Risk Committee. In this context functional reporting means the Audit & Risk Committee will be asked to:

- Approve the preparation of the Internal Audit Charter;
- Approve the preparation of the Annual Audit Plan;
- Receive regular reports from the Chief Internal Auditor on Internal Audit activity, including action plans on work carried out; and
- Make appropriate enquiries of management to ensure that Internal Audit is adequately resourced to meet assurance and other key responsibilities.

4.7 The Internal Audit Section uses a risk based methodology to determine the key elements of the annual audit plan. Within the PSIAS widespread use is made of the term “senior management”. For the purposes of overseeing the activities of the Park Authority’s internal audit function, “senior management” is defined as the Executive Team. On an annual basis, each member of the Executive Team individually provides the Chief Internal Auditor with an assurance statement in relation to the adequacy and effectiveness of his / her department’s internal control systems. In recognition of the responsibility of the Chief Executive and Executive Team to provide an assurance statement, the annual audit plan is prepared in consultation with the Executive Team.

4.8 A structure chart showing access available for Internal Audit to those charged with governance is included at Appendix 1.

5. SCOPE OF INTERNAL AUDIT

- 5.1** The scope of Internal Audit allows for unrestricted coverage of the Park Authority's activities and unrestricted access to all records and assets deemed necessary in the course of the audit.
- 5.2** Internal Audit will seek to foster good working relationships with the Executive Team, External Audit and other partners as appropriate.
- 5.3** In liaising with External Audit the main objectives will be to:
- Minimise the incidence of duplication of effort;
 - Ensure appropriate sharing of information; and
 - Ensure co-ordination of the overall audit effort.
- 5.4** The existence of Internal Audit does not diminish the responsibility of management to exercise sound systems of internal control. The primary responsibility for monitoring compliance with relevant regulations, guidance and procedures rests with operational areas and their line management, up to and including the Accountable Officer. It is clearly and solely a management responsibility to ensure that activities are conducted in a secure, well-ordered manner and finances are safeguarded and used to maximum effect. This includes identifying and managing risks.

6. INTERNAL AUDIT RESPONSIBILITY

- 6.1** The main areas of Internal Audit responsibility within the Park Authority are to:
1. Review, appraise and report on:
 - The extent to which the assets and interests are accounted for and safeguarded from loss;
 - The soundness, adequacy and application of internal controls;
 - The suitability and reliability of financial and other management data, including aspects of performance measurement.
 2. Investigate frauds and irregularities (as detailed in the Park Authority's policy on Fraud, Bribery and Corruption).
 3. Advise on internal control implications of new systems
- 6.2** The Chief Internal Auditor will prepare and maintain an annual audit plan in consultation with the Executive Team and with reference to the Park Authority's risk register. The annual audit plan will be ratified by the Director of Corporate Services and presented to the Audit & Risk Committee for approval.

- 6.3** The Chief Internal Auditor will establish a framework to assess the Park Authority's system of internal control. An annual assurance statement will be provided to the Director of Corporate Services, Accountable Officer and Audit & Risk Committee.
- 6.4** Internal Audit will fulfill its responsibilities in accordance with:
- Relevant codes of ethics standards and guidelines issued by the professional institutes;
 - Relevant corporate governance documents, standards, policies and procedures; and
 - Its own Audit Manual and other internal standards, which will be adhered to by its entire staff including any contracted external specialists where appropriate.
- 6.5** Internal Audit adheres to the Public Sector Internal Audit Standards issued by the Internal Audit Standards Advisory Board in 2013 which as from 1 April 2013 have superseded the previously issued CIPFA Code of Practice for Internal Audit in Local Government (2006) and will sit alongside the CIPFA Role of the Head of Internal Audit document.

7. AUDIT RESOURCES

- 7.1** The staffing structure of Internal Audit will comprise a mix of qualified and technician posts with a mix of professional specialists to reflect the varied audit work carried out.
- 7.2** Internal Audit staff will at all times conduct themselves with proficiency and due professional care and in accordance with the relevant Code of Ethics and standards laid down by the PSIAS, LGAN and other relevant professional guidance in respect of integrity, objectivity, confidentiality and competency. Internal Audit staff will also adhere to all of their employer's relevant policies and procedures.
- 7.3** Internal Audit staff will not participate in the day-to-day operation of any systems of internal financial control. However, there are occasions when internal audit staff may have to contribute to a Park Authority initiative of corporate significance. In these circumstances audit personnel may be called upon to carry out non-audit work on a short life basis only.
- 7.4** In order to avoid conflicts of interest members of the Internal Audit team must declare any such interests in accordance with their employer's Code of Conduct. In addition, Internal Audit staff are required to disclose any potential conflicts of interest which may affect their audit work. Such information will be reviewed by the Internal Audit staff's employer and reported to the Park Authority as appropriate

- 7.5 The Chief Internal Auditor may request from the Executive Team that appropriate specialists should be made available to Internal Audit to assist in any audit work which requires specialist knowledge and expertise.
- 7.6 The Chief Internal Auditor will arrange appropriate provision of any development and training needs of the Internal Audit team.

8. AUDIT REPORTING

- 8.1 Internal Audit has a protocol for reporting findings. This protocol covers both formal written reports and verbal communications, as appropriate.
- 8.2 Audit reports will explain the scope and objectives of the audit and give an assessment of the risks identified. The report will present findings and conclusions in an objective manner and make appropriate recommendations.
- 8.3 Internal Audit will provide Park Authority management with a draft report to provide an opportunity to agree the factual accuracy of the content before the final report is issued with an action plan.
- 8.4 In accordance with the reporting protocol management will be required to provide a formal response to the action plan contained in the final audit report.
- 8.5 Findings and recommendations are categorised and have expected implementation timescales for completion as follows:

Category	Expected implementation timescale
<u>High Risk:</u> Material observations requiring immediate action. These require to be added to the department's risk register	Generally, implementation of recommendations should start immediately and be fully completed within three months of action plan being agreed
<u>Medium risk:</u> Significant observations requiring reasonably urgent action.	Generally, complete implementation of recommendations within six months of action plan being agreed

<p><u>Low risk:</u> Minor observations which require action to improve the efficiency, effectiveness and economy of operations or which otherwise require to be brought to the attention of senior management.</p>	<p>Generally, complete implementation of recommendations within twelve months of action plan being agreed</p>
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8.6 Internal Audit will provide the Audit & Risk Committee with regular reports on the implementation by Park Authority management of agreed Internal Audit action plans. In addition, Internal Audit will also undertake appropriate follow-up on assignment findings and recommendations derived from its own work.

8.7 The Chief Internal Auditor will report annually to management and the Audit & Risk Committee on performance relative to its plan. Reporting may also include significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by the Executive Team and the Audit & Risk Committee. The audit opinion contained within the annual report from the Chief Internal Auditor forms part of the assurance required by the Accountable Officer to enable him / her to sign a governance statement as part of the accounts for which he / she is directly responsible.

8.8 In addition, the Chief Internal Auditor will inform the Executive Team and the Audit & Risk Committee on the internal audit function's quality assurance and continuous improvement programme, including results of ongoing internal self-assessments and external assessments conducted at least every five years.

9. CONSULTANCY WORK

9.1 Internal Audit, using its systematic and disciplined approach, can play an important role for the Park Authority within its Operational Plan and continuous improvement agenda through the provision of advice and consultancy services to:

- advise on cost effective controls for new systems and activities to balance risk and control;
- highlight opportunities to reduce costs through greater economy and efficiency within systems and activities as part of strategic and service reviews;
- provide quality assurance on projects involving major change and systems development; and

- provide an independent and objective assessment of the evidence on progress with implementing action plans to demonstrate continuous improvement.

9.2 Internal Audit should not have responsibility for executive functions or for the development or implementation of systems. Internal Audit may, however, serve as a valuable source of advice on systems of risk, governance and control without impairing its objectivity and independence. The role of Internal Audit in a consultancy assignment is to provide advice, facilitation and support to management who retain the responsibility for the ultimate decisions taken within the area under review.

10. STANDARDS

10.1 Internal Audit standards will be consistent with the Public Sector Internal Audit Standards (PSIAS).

11. FINANCIAL ADVICE

11.1 Internal Audit may be asked to provide financial advice. Wherever possible assistance will be provided however the Chief Internal Auditor is alert to the potential for conflicts of interest to arise and considers each request on its merits.

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