

Date	1 December 2021
Agenda Item	8



Report to Audit Risk and Governance Committee

Report Title: Internal Audit Charter

Report By: Internal Auditor

Summary of Report and Implications	
Purpose	This report:
	- seeks a decision <input checked="" type="checkbox"/>
	- is to provide assurance <input type="checkbox"/>
	- is for information <input type="checkbox"/>
	- is for discussion <input type="checkbox"/>
	To ask the Committee to approve the internal audit charter.
Recommendations	It is recommended that the Audit, Risk and Governance Committee approves the internal audit charter.
Directions to NHS Lothian and/or West Lothian Council	A direction is not required.
Resource/ Finance/ Staffing	None.
Policy/Legal	None.
Risk	The internal audit charter contributes to the management of risk via the provision of an effective internal audit service.

Equality, Health Inequalities, Environmental and Sustainability Issues	The report has been assessed as having little or no relevance with regard to equality or the Public Sector Equality Duty. As a result, an equality impact assessment has not been conducted.
Strategic Planning and Commissioning	The internal audit charter contributes to planning and commissioning via the provision of an effective internal audit service.
Locality Planning	None.
Engagement	IJB Chief Officer, Chief Finance Officer and Standards Officer.

Terms of Report	
1.1	The Public Sector Internal Audit Standards (PSIAS) is a mandatory set of standards applying to internal audit service providers in the public sector. The PSIAS requires that the purpose, authority and responsibility of internal audit is formally defined in an internal audit charter.
1.2	The existing internal audit charter was approved by the Audit, Risk and Governance Committee on 6 January 2017. It sets out internal audit's purpose, scope, responsibilities, objectives, organisational status, independence, and authority. The charter also covers arrangements for managing conflicts of interest.
1.3	The charter has been reviewed in consultation with the IJB Chief Officer, Chief Finance Officer and Standards Officer. A small number of minor presentational changes have been made and the revised charter is attached as an appendix.
1.4	The charter is important in that it clearly sets out the arrangements for securing internal audit's independence, and sets out the right of internal audit staff to receive documents, information and explanations from officers and members of the IJB.

Appendices	1. Internal Audit Charter
References	Report to Audit, Risk and Governance Committee 6 January 2017: Internal Audit Charter
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WEST LoTHIAN INTEGRATION JOINT BOARD

INTERNAL AUDIT CHARTER

1 December 2021

1. INTRODUCTION

- 1.1 The Local Authority Accounts (Scotland) Regulations 2014 require the West Lothian Integration Joint Board (IJB) to operate a professional and objective internal auditing service in accordance with recognised standards and practices in relation to internal auditing.

2. PURPOSE

- 2.1 In compliance with the regulations, the IJB has established an internal audit function which independently reviews the IJB's risk management, control and governance processes.
- 2.2 Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations.

3. STANDARDS

- 3.1 Internal audit operates in accordance with the Public Sector Internal Audit Standards (PSIAS).
- 3.2 The PSIAS has been produced by the relevant standard setters, including the Chartered Institute of Public Finance and Accountancy (CIPFA), and represents a common set of internal audit standards for all internal audit service providers in the public sector in the United Kingdom.
- 3.3 The PSIAS came into force on 1 April 2013 and comprise a definition of internal auditing, code of ethics and professional standards. Compliance with the PSIAS is mandatory.
- 3.4 The PSIAS requires that the chief audit executive periodically reviews the internal audit charter and presents it to senior management and also to the board for approval.
- 3.5 In this context the "chief audit executive" is the IJB Internal Auditor, "senior management" is the IJB Chief Officer and "the board" is the Audit, Risk and Governance Committee.

4. SCOPE

- 4.1 Internal audit's remit extends to the IJB's entire risk management, control and governance processes, both financial and non-financial.

5. RESPONSIBILITIES AND OBJECTIVES

- 5.1 The IJB Internal Auditor has responsibility for the IJB's internal audit function.
- 5.2 Internal audit provides assurance by conducting audits of the IJB's risk management, control and governance processes based on an assessment of risk.
- 5.3 Internal audit's objectives are to review, appraise and report on the:

- effectiveness of systems of financial and non-financial control;
- effectiveness of governance processes;
- effectiveness of risk management processes;
- extent of compliance with policies, plans and procedures;
- extent of compliance with regulations and legislation;
- degree to which assets are properly accounted for and safeguarded;
- reliability and integrity of management data and performance information;
- effectiveness of management in discharging its responsibilities for ensuring best value.

5.4 The IJB Internal Auditor prepares an annual risk based internal audit plan and reports on performance in completing the plan.

5.5 The Audit Risk and Governance Committee is responsible for overseeing the work of internal audit and monitoring its overall performance.

5.6 The IJB Internal Auditor prepares an annual report which includes an opinion on the IJB's framework of governance, risk management and control. The IJB takes this into account when reviewing the effectiveness of its system of internal control.

6. ORGANISATIONAL STATUS AND INDEPENDENCE

6.1 The IJB Internal Auditor independently and objectively reports on the IJB's risk management, control and governance processes.

6.2 The IJB Internal Auditor reports administratively to the IJB Chief Officer. The PSIAS requires the IJB Internal Auditor to report functionally to the Audit, Risk and Governance Committee. Functional reporting is defined as that which enables the IJB Internal Auditor to ensure that internal audit fulfils its responsibilities. This is achieved by the Audit Risk and Governance Committee:

- approving the internal audit charter;
- approving the risk based internal audit plan;
- receiving internal audit reports in the IJB Internal Auditor's name;
- scrutinising internal audit reports received;
- receiving reports from the IJB Internal Auditor on internal audit's performance;
- considering the efficiency and effectiveness of the internal audit function.

6.3 The IJB Internal Auditor has the right of direct access to the Chair of the Audit, Risk and Governance Committee, IJB Chief Officer and IJB Chief Finance Officer in relation to any matter pertaining to the IJB's framework of governance, risk management and control.

6.4 The IJB Internal Auditor may consult with the Standards Officer at any time about any matter pertaining to the IJB's framework of governance, risk management and control.

6.5 Audit reports are issued in the IJB Internal Auditor's name and in addition to the nominated point of contact, audit reports are circulated to:

- the IJB Chief Officer;
- the Chief Finance Officer;
- the external auditor.

6.6 The IJB Internal Auditor also has the right to send audit reports to the Standards Officer for consideration.

6.7 The IJB internal Auditor liaises with NHS Internal Audit and other Lothian IJB Internal Auditors. Information sharing protocols are developed and are authorised by the Audit, Risk and Governance Committee

7. AUTHORITY

7.1 The Local Authority Accounts (Scotland) Regulations 2014 require that any officer or member of the IJB must, as required by those undertaking internal auditing:

- make available such documents of the IJB which relate to its accounting and other records for the purpose of internal auditing; and
- supply such information and explanation as those undertaking internal auditing consider necessary for that purpose.

8. MANAGEMENT RESPONSIBILITIES

8.1 Responsibility for internal control rests with managers, who must ensure that proper internal control arrangements are in place. Internal audit's role is to evaluate the effectiveness of such internal control arrangements. Management is responsible for accepting and implementing audit recommendations, and bears any risk arising from not taking action. Internal audit is not a substitute for an effective system of internal control implemented by management.

9. RESOURCES

9.1 Responsibility for resourcing the internal audit function rests with the IJB Chief Officer.

9.2 The IJB Chief Officer ensures that resources are sufficient to enable internal audit to conduct a regular review of the IJB's risk management, control and governance processes, based on an assessment of risk. The IJB Internal Auditor is responsible for managing the resource provided and providing an effective internal audit service.

10. CONSULTING AND COUNTER FRAUD WORK

10.1 Internal audit may from time to time provide consulting services. Consulting services are generally provided at the request of senior management and are defined as advice, information or training in relation to risk management, control and governance processes.

10.2 The IJB Internal Auditor has responsibility for the IJB's counter fraud function. It may be necessary, from time to time, for the IJB Internal Auditor to undertake counter fraud

investigations, in response to referrals either from management, contractors, customers or members of the public, to establish the facts.

- 10.3 Counter fraud work will generally result in a report which sets out the facts of the matter, insofar as this can be determined, and include where appropriate recommendations for improvement in control.

11 CONFLICTS OF INTEREST

- 11.1 Internal audit staff are required to comply with all relevant codes of conduct and guidance and disclose any potential conflicts of interest which may affect their audit work, for example previous employment with Lothian Health Board or West Lothian Council.
- 11.2 The IJB Internal Auditor is responsible for the IJB's corporate risk management and counter fraud functions. Alternative sources of assurance are sought in relation to the effectiveness of these functions, for example by utilising the work of other council or NHS internal audit teams, or by having regard to the work of external audit.
- 11.3 The IJB Internal Auditor also acts as internal auditor for West Lothian Council. Any conflicts of interest arising from this will be reported to the IJB Chief Officer and, if necessary, advice will be sought from the IJB's Standards Officer.

Kenneth Ribbons
IJB Internal Auditor