



ST HELENS
BOROUGH COUNCIL

Internal Audit Charter

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1. Purpose

- 1.1 The purpose of the internal audit function is to strengthen St Helens Borough Council's ability to create, protect, and sustain value by proving the Audit and Governance Committee and management with independent, risk-based and objective assurance, advice, insight and foresight.
- 1.2 The internal audit function enhances St Helens Borough Council's:
- Successful achievement of its objectives.
 - Governance, risk management and control processes.
 - Decision making and oversight.
 - Reputation and credibility with its stakeholders.
 - Ability to serve the public interest.
- 1.3 St Helens Borough Council's internal audit function is most effective when:
- Internal auditing is performed by competent professionals in conformance with the Global Internal Audit Standards in the UK Public Sector, which are set in the public interest.
 - The internal audit function is independently positioned with direct accountability to the Audit and Governance Committee.
 - Internal auditors are free from undue influence and committed to making objective assessments.

Commitment to Adhering to the Global Internal Audit Standards.

- 1.5 The St Helens Borough Council's internal audit function will adhere to the mandatory elements of the Institute of Internal Auditor's International Professional Practices Framework, which are the Global Internal Audit Standards, subject to CIPFA's Application Note on how these standards should be applied in the UK Public Sector.
- 1.6 The chief audit executive (CAE) will report annually to the Audit and Governance Committee and senior management regarding the internal audit function's compliance with the Standards, which will be assessed through a quality assurance and improvement programme.

2. Mandate

Authority

- 2.1 There is a statutory duty on the Council to undertake an internal audit of the effectiveness of its risk management, control, and governance processes. The Accounts and Audit Regulations 2015 state:
- 'A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, considering public sector internal auditing standards or guidance.'*
- 2.2 This Charter describes how Internal Audit will be provided in accordance with proper practice at St Helens Borough Council.

- 2.3 The internal audit function's authority is created by its direct reporting relationship to the Audit and Governance Committee. Such authority allows unrestricted access to the Committee.
- 2.4 The Audit and Governance Committee authorises the internal audit function to:
- Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out internal audit responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information.
 - Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives.
 - Obtain assistance from the necessary personnel of St Helens Borough Council and other specialised services from within or outside of the Council to complete internal audit services.

Independence, Organisational Position and Reporting Relationship

- 2.5 The chief audit executive will be positioned at a level in the organisation that enables internal audit services and responsibilities to be performed without interference from management, thereby establishing the independence of the internal audit function. The chief audit executive will report functionally to the Audit and Governance Committee and administratively (for example, day-to-day operations) to the Director of Legal and Governance. The chief audit executive can also raise issues directly with the Executive Director of Corporate Services and/or the Section 151 Officer where necessary. Regular meetings are scheduled for the CAE and Chief Executive, and for the Chief Executive and other Statutory Officers. This positioning provides the organisational authority and status to bring matters directly to senior management and escalate matters to the Audit and Governance Committee, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.
- 2.6 The chief audit executive will confirm to the Audit and Governance Committee, at least annually, the organisational independence of the internal audit function. If the governance structure does not support organisational independence, the chief audit executive will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence. The chief audit executive will disclose to the Audit and Governance Committee any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function's effectiveness and ability to fulfil its mandate.

Changes to the Mandate and Charter

- 2.7 Circumstances may justify a follow-up discussion between the chief audit executive, the Audit and Governance Committee, and senior management on the internal audit mandate or other aspects of the internal audit charter. Such circumstances may include but are not limited to:
- A significant change in the Global Internal Audit Standards.
 - A significant restructure within the organisation.
 - Significant changes in the chief audit executive, Audit and Governance Committee and / or senior management.
 - Significant changes to the organisation's strategies, objectives, risk profile, or the environment in which the organisation operates.

- New laws or regulations that may affect the nature and / or scope of internal audit services.

3. Audit and Governance Committee Oversight

- 3.1 The roles and responsibilities of the Audit and Governance Committee are set out in the groups Terms of Reference document.
- 3.2 To establish, maintain and ensure that the St Helens Borough Council's internal audit function has sufficient authority to fulfil its duties, the Audit and Governance Committee will:
- Discuss with the chief audit executive and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and / or advisory) of the internal audit function.
 - Ensure the chief audit executive has unrestricted access to and communicates and interacts directly with the Audit and Governance Committee, including in private meetings without senior management present.
 - Discuss with the chief audit executive and senior management other topics that should be included in the internal audit charter.
 - Participate in discussions with the chief audit executive and senior management about the “essential conditions” described in the Global Internal Audit Standards, which establish the foundation that enables an effective internal audit function.
 - Approve the internal audit functions charter, which includes the internal audit mandate and the scope and types of internal audit services.
 - Review the internal audit charter annually with the chief audit executive to consider changes affecting the organisation, such as the employment of a new chief audit executive or changes in the type, severity, and interdependencies of risks to the organisation, and approve the internal audit charter annually.
 - Approve the risk based internal audit plan.
 - Engage with the CAE and senior management to ensure internal audits financial, human and technological resources are sufficient to meet internal audits mandate.
 - Receive communications from the chief audit executive about the internal audit function including its performance relative to its plan.
 - Ensure a quality assurance and improvement program has been established and review the results annually.
 - Make appropriate enquiries of senior management and the chief audit executive to determine whether scope or resource limitations are inappropriate.
- 3.3 The chief audit executive will be appointed in accordance with the Council's Recruitment and Selection Policy and will have sufficient skills, experience and competencies to work with senior management and the Audit and Governance Committee. In accordance with the Standards, the Committee should provide feedback on the proposed job description, and the performance evaluation of the chief audit executive should include feedback from the chair of the Committee.

4. Chief Audit Executive Roles and Responsibilities

Ethics and Professionalism

- 4.1 The chief audit executive will ensure that internal auditors:
- Conform with the Global Internal Audit Standards, including the principles of Ethics and Professionalism, integrity, objectivity, competency, due professional care, and confidentiality.
 - Understand, respect, meet, and contribute to the legitimate and ethical expectations of the organisation and be able to recognise conduct that is contrary to those expectations.
 - Encourage and promote an ethics-based culture in the organisation.
 - Report organisational behavior that is inconsistent with the organisation's ethical expectations, as described in applicable policies and procedures.

Objectivity

- 4.2 The chief audit executive will ensure that the internal audit function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the chief audit executive determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.
- 4.3 Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe their work product, do not compromise quality, and do not subordinate their judgement on audit matters to others, either in fact or appearance.
- 4.4 Internal auditors will have no direct operational responsibility or authority over any of the activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgement, including:
- Assessing specific operations for which they had responsibility within the previous year.
 - Performing operational duties for St Helens Borough Council or its affiliates.
 - Initiating or approving transactions external to the internal audit function.
 - Directing the activities of any St Helens Borough employee that is not employed by the internal audit function, except to the extent that such employees have been appropriately assigned to internal audit teams or to assist internal auditors.
- 4.5 Internal auditors will:
- Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties and at least annually, such as the chief audit executive, Audit and Governance Committee, management, or others.
 - Exhibit professional objectivity in gathering, evaluating, and communicating information.
 - Make balanced assessments of all available and relevant facts and circumstances.

- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

Managing the Internal Audit Function

4.6 The chief audit executive has the responsibility to:

- At least annually, develop a risk-based internal audit plan that considers the input of the Audit and Governance Committee and senior management. Discuss the plan with the Committee and senior management and submit the plan to the Committee for review and approval.
- Communicate the impact of resource limitations on the internal audit plan to the Audit and Governance Committee and senior management.
- Review and adjust the internal audit plan, as necessary, in response to changes in St Helens Borough Council's business risks, operations, programs, systems and controls.
- Communicate with the Audit and Governance Committee and senior management if there are significant interim changes to the internal audit plan.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards and the UK Public Sector Application Note.
- Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services to the Audit and Governance Committee and senior management quarterly and for each engagement as appropriate.
- Ensure the internal audit function collectively possesses or obtains the knowledge, skills and other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards in the UK Public Sector and fulfil the internal audit mandate.
- Identify and consider trends and emerging issues that could impact St Helens Borough Council and communicate to the Audit and Governance Committee and senior management as appropriate.
- Consider emerging trends and successful practices in internal auditing.
- Establish and ensure adherence to methodologies designed to guide the internal audit function.
- Ensure adherence to St Helens Borough Council's relevant policies and procedures unless such policies and procedures conflict with the internal audit charter or the Global Internal Audit Standards. Any such conflicts will be resolved or documented and communicated to the Audit and Governance Committee and senior management.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the chief audit executive cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and if necessary escalated to the Audit and Governance Committee.

Communication with the Audit and Governance Committee and Senior Management

- 4.7 The chief audit executive will report annually to the Audit and Governance Committee and senior management regarding:
- The internal audit function's mandate.
 - The internal audit plan and performance relative to its plan.
 - Internal audit budget.
 - Significant revisions to the internal audit plan and budget.
 - Potential impairments to independence, including relevant disclosures as applicable.
 - Results from the quality assurance and improvement program, which include the internal audit function's conformance with The IIA's Global Internal Audit Standards in the UK Public Sector and action plans to address the internal audit function's deficiencies and opportunities for improvement.
 - Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the Audit and Governance Committee that could interfere with the achievement of St Helens Borough Council's strategic objectives.
 - Results of assurance and advisory services.
 - Resource requirements.
 - Management's responses to risk that the internal audit function determines may be unacceptable or acceptance of a risk that is beyond St Helens Borough Council's risk appetite.

Quality Assurance and Improvement Programme

- 4.8 The chief audit executive will develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program will include internal and external assessments of the internal audit function's conformance with the Global Internal Audit Standards in the UK Public Sector, as well as performance measurement to assess the internal audit function's progress towards the achievement of its objectives and promotion of continuous improvement. The program also will assess, if applicable, compliance with laws and/or regulations relevant to internal auditing. Also, if applicable, the assessment will include plans to address the internal audit function's deficiencies and opportunities for improvement.
- 4.9 Annually, the chief audit executive will communicate with the Audit and Governance Committee and senior management about the internal audit function's quality assurance and improvement program, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments. External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside St Helens Borough Council; qualifications must include at least one assessor holding an active Certified Internal Auditor Credential.

5. Scope and Types of Internal Audit Services

- 5.1 The scope of internal audit services covers the entire breadth of the organisation, including all of St Helens Borough Council's activities, assets, and personnel. The scope of internal audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the Audit and Governance

Committee and management on the adequacy and effectiveness of governance, risk management, and control processes for the Council.

- 5.2 The nature and scope of advisory services may be agreed with the party requesting the service, provided the internal audit function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagement. These opportunities will be communicated to the appropriate level of management.
- 5.3 Internal audit engagements may include evaluating whether:
- Risks relating to the achievement of St Helens Borough Council's strategic objectives are appropriately identified and managed.
 - The actions of St Helens Borough Council's officers, directors, management, employees, and contractors or other relevant parties comply with the Council's policies, procedures, and applicable laws, regulations and governance standards.
 - The results of operations and programs are consistent with established goals and objectives.
 - Operations and programs are being carried out effectively, efficiently, ethically and equitability.
 - Established processes and systems enable compliance with the policies, procedures laws and regulations that could significantly impact St Helens Borough Council.
 - The integrity of information and the means used to identify, measure, analyse, classify, and report such information is reliable.
 - Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

6. Review

- 6.1 This Charter will be reviewed periodically by the chief audit executive and presented to the Audit and Governance Committee for approval.