# DUMFRIES & GALLOWAY COUNCIL — INTERNAL AUDIT CHARTER

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1. Rationale

- Internal Audit is an independent and objective internal review and consulting activity within the Council.
- Its function is to use a systematic, disciplined approach to evaluate and improve the effectiveness of the Council’s risk management, internal control and governance processes.
- It exists to help the Officer designated under Section 95 of the Local Government (Scotland) Act 1973 fulfil his duty to secure the proper administration of the Council’s business affairs.

2. Authority and Independence

- Internal Audit acts with the full authority of the Council.
- Internal Auditors have an unrestricted right of access to all information, people, records and assets connected with the Council and its agencies. Auditors are entitled to seek any explanations they think necessary for the purposes of audit work and must be given the requested information in full.
- Internal Auditors are to have no other executive responsibilities so they maintain operational independence from what they audit.
- Internal Audit sets its own work programme and it reports in its own name without being influenced by its employing Department’s interests.
- The Chief Internal Auditor is free to bring any audit matter to the attention of the Chief Executive of the Council and the Chair of the Audit and Risk Management Committee.

3. Remit

- Internal Audit’s remit extends to the entire control environment of the Council and is not limited to financial controls.
- Internal Audit will review management’s achievement of the following business objectives:-
  - Effective and efficient operations
  - Reliable internal and external reporting
  - Compliance with laws, regulations and internal policies.
- Internal Audit will report on whether or not the Council can be reasonably sure these objectives are being met based on the controls that are in place.
- Internal Audit is not responsible for the design, establishment or operation of controls. This is management’s responsibility.
- Internal Audit will work with managers to identify controls and may make recommendations for improvement. However managers can choose to accept the risks associated with a control issue or to implement a different solution. Internal Audit’s sole responsibility is to report its findings and disclose any matters of concern which remain unaddressed.
4. Standards

- The work of Internal Audit will be governed by the Public Sector Internal Audit Standards (PSIAS) and related Local Government Application Note, which are acknowledged as mandatory.
- For the purpose of the PSIAS the “board” is generally the Audit and Risk Management Committee of the Council, and “senior management” is the Corporate Management Team.
- Internal Audit will also seek to work to the principles and standards outlined in the current Code of Practice for Internal Audit in Local Government published by CIPFA, where these have not been subsumed in the PSIAS.
- Internal Audit staff are also required to take account of the seven principles of public life identified by the Nolan Committee in their conduct.
- Internal Audit will use the published CIPFA Audit Manual as its core document and will supplement this with procedure notes as required.

5. Responsibilities of Members and Senior Management

- The role of the Audit and Risk Management Committee of the Council is to oversee and review the activities of Internal Audit.
- The Head of Paid Service is responsible for setting the employment terms of Internal Audit staff, for appointing them and for establishing the arrangements for their individual performance appraisal.
- The Council’s S95 Officer has no line management responsibilities for Internal Audit in the current management structure of the Council but a professional accountability on the part of Internal Audit exists.

6. Responsibility for Fraud

- Responsibility for preventing, detecting, and investigating fraud rests with management.
- Internal Audit will contribute to anti-fraud activity. Auditors will be alert to the possibility of fraud when carrying out their work, will follow up anything that looks suspicious and will report to management where they believe fraud has occurred.
- In the ordinary course of its work Internal Audit will consider the adequacy and effectiveness of controls to assist management in preventing and detecting fraud.
- Advice on the investigation of fraud or other financial irregularities will be given to management at their request.
- Internal audit must be notified by management of all suspected or detected instances of fraud, corruption or impropriety so it can assess the impact on the control environment achieved by management.
7. Method of Working

- Internal Audit’s objective is to obtain sufficient, relevant and reliable evidence to support an annual Control Assurance Statement.
- It will achieve this by testing for the continuous operation of key controls in corporate financial systems and by evaluating control arrangements in other areas of business risk. It may also seek assurances on controls from management.
- The Chief Internal Auditor will advise the Audit and Risk Management Committee if s/he considers the section has insufficient resources to fulfil its responsibilities.
- Internal Audit does not have the specialised skills needed to undertake computer audits and will procure services from an external source to identify the audit need and undertake appropriate work.

8. Performance Measures

- Internal Audit will primarily be assessed on its delivery of work against that set out in the annual internal audit plan. Interim progress reports will be submitted to the Audit and Risk Management Committee after 6 and 9 months and an outturn report at the year end.
- The Audit and Risk Management Committee will also be appraised of the annual performance measures for Internal Audit as recommended by the Best Value Working Group of CIPFA Directors in Scotland, along with any other performance measures which may be developed.
- The Council’s external auditors will review and report regularly on their evaluation of Internal Audit as part of their work programme.

9. Reporting

- Internal Audit will report to the S95 Officer its findings on any significant control or assurance issue immediately such a conclusion is reached.
- Internal Audit will report its findings and recommendations on business risk issues to senior managers on completion of the work.
- Internal Audit will remit all finalised reports to the Audit and Risk Management Committee prior to publication and make the full text of its reports available to all Members through the Council’s intranet.
- Internal Audit will report annually to the Audit and Risk Management Committee on its overall conclusion as to what assurance can be had from the internal control arrangements established by management.
10. Working Relationships

- Auditors will seek to foster positive relationships with all of their contacts by being objective and working in a professional manner.
- Internal Audit will maintain confidentiality and respect service interests insofar as they remain compatible with its reporting duty.
- Internal Audit will make its plans and the results of its work available to the Council’s external auditors and may agree to undertake work at the request of external audit to secure efficiency in the audit process as a whole.

11. Continuous Improvement

- Internal Audit will constantly seek to review its programmes and procedures and identify opportunities for improvement.
- Publications will be reviewed to identify best practice and innovation in the practice of internal auditing for local introduction.
- Auditors will participate in working parties and actively maintain contacts with audit colleagues from other organisations in order to learn from them.