

Appendix B

Safeguarding Internal Audit Independence

Audit and Governance Board

5 July 2023



Safeguarding Internal Audit Independence

The following arrangements have been established by management to meet the relevant PSIAS standards and to limit any impairment to the independence or objectivity of the Council's internal audit function:

[PSIAS standard 1100 - Internal audit activity must be independent and internal auditors must be objective in performing their work](#)

- The Council has established a requirement that the Head of Internal Audit must hold a recognised accountancy or internal audit qualification. As a qualified CIPFA member, the Head of Internal Audit is consequently bound by the Statement of Professional Practice on Ethics (SOPP). Adherence to the SOPP is an obligation of membership of the Institute, and all members and students are required to act in accordance with it. As is general practice in all professional bodies, departures from the standard may be subject to disciplinary action. The SOPP contains principles relating to integrity, objectivity, professional competence and due care.

[PSIAS standard 1112 - Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest](#)

- Internal auditors, including the Head of Internal Audit, are required to follow the code of ethics in the PSIAS. All officers involved in delivering internal audit work are therefore required to sign an annual declaration acknowledging those responsibilities and providing a commitment to fully comply with these requirements whilst working for the Council. The declaration also requires internal auditors to declare:
 - any conflicts of interests that could adversely affect their independence and objectivity
 - any operational responsibilities that they have held within the preceding 18 months
 - any relatives or close associates who are either employed by the Council or are an elected member of Halton Borough Council
 - the nature of any involvement they have in organisations that provide goods or services to the Council
- As employees of Halton Borough Council, internal auditors are also required to comply with the Council's Employee Code of Conduct. The Code acknowledges that the public is entitled to expect the highest standards of conduct from all employees who work for local government and to expect that the conduct of employee should never be influenced by improper motives.
- At an operational level, in planning internal audit assignments there will inevitably be occasions where internal audit work is undertaken relating to business areas for which the Head of internal Audit is responsible for managing. Potential conflicts of interests are therefore managed by the following arrangements:
 - Terms of Reference for the review are agreed and shared with the Operational Director – Finance in advance of the audit commencing to ensure that planned audit coverage is appropriate.
 - The draft report following the audit review is shared with the Operational Director – Finance at the same time as being presented to Head of Internal Audit for review. This removes the opportunity for the suppression of any audit findings.

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- The Audit & Investigations Manager has direct right of access to the Operational Director – Finance and therefore has the opportunity to raise any issues or concerns without having to go through the Head of internal Audit.

PSIAS standard 1130 – Requirement for the Chief Audit Executive to disclose the details of any impairment to independence or objectivity, whether in fact or appearance

- The Council has established an Internal Audit Charter that forms part of Finance Standing Orders, and explains the Head of Internal Audit's responsibility for ensuring the organisational independence of internal audit activity and reporting and explaining to the Audit and Governance Board how any potential impairment to independence or objectivity will be managed.
- The Annual Internal Audit Plan is reviewed by Management Team and approved by the Audit and Governance Board. This ensures that appropriate scrutiny is applied to planned audit coverage. The narrative supporting the Plan also sets out an overview of the arrangements to mitigate any potential impairment to independence and objectivity.

Other safeguards to limit any impairment to independence or objectivity

- Arrangements exist for a five-yearly external assessment of the Council's internal audit activity, which will include a review of the Head of Internal Audit's independence and objectivity. The results from that review will be reported to the Audit and Governance Board.
- The business areas for which the Head of Internal Audit has management responsibility form key parts of the Council's finance function and are therefore subject to other forms of assurance in addition to review by internal audit. These arrangements include:
 - Annual external audit review of the key financial systems that provide material disclosures for the financial statements, i.e. creditors, debtors and income collection and reconciliation
 - Regular review of the insurance claims handling arrangements by the Council's insurer
 - Periodic review of the Council's deputyship arrangements by the Office of the Public Guardian
 - Periodic review of the Council's VAT accounting arrangements by HMRC
 - Ongoing scrutiny through the Council's performance management framework
- As part of the annual audit of the financial statements, the Council's external auditor completes a high-level review of the Council's internal audit arrangements and reports the findings of this review to the Audit and Governance Board.

Safeguarding Internal Audit Independence

- The Head of Internal Audit reports functionally to the Audit and Governance Board. This arrangement includes presenting regular progress reports to the Board summarising all internal audit work completed and provides the opportunity for scrutiny and challenge by members.
- Ongoing line management arrangements for the Head of Internal Audit include regular supervision meetings with the Operational Director – Finance. This provides opportunity to discuss issues, developments and the performance of the internal audit function, in addition to the other business areas for which the Head of Internal Audit is also responsible.