

**MEETING BEING SUBMITTED TO** Audit and Risk Committee

1. **HEADING** Internal Audit Charter 2016/17

**Submitted by:** Audit Manager

**Portfolio:** Finance, IT and Customer

**Ward(s) affected:** All

**Purpose of the Report**

To report to Members for information and approval the Internal Audit Charter.

**Recommendations**

- a) That the Internal Audit Charter for 2016/17 be approved
- b) The Internal Audit Charter to be reviewed and updated annually to ensure compliance with the Public Sector Internal Audit Standards (PSIAS)

**Reasons**

To comply with the requirements of the PSIAS.

1. **Background**

The Chartered Institute of Public Finance and Accountancy (CIPFA) in conjunction with the Institute of Internal Auditors (IIA) introduced the Public Sector Internal Audit Standards (PSIAS) which came into force on the 1 April 2013. The PSIAS replaces the previous CIPFA Code of Practice for Internal Audit in Local Government. Under the new PSIAS the purpose, authority and responsibility of internal audit must be formally defined in an internal audit charter.

The PSIAS requires the Audit Manager to review the Internal Audit Charter periodically but final approval rests with the Audit Committee.

A copy of the Internal Audit Charter is attached as Appendix 1.

2. **Issues**

The Internal Audit Charter is a formal document and the PSIAS require that it should:

- Recognise the mandatory nature of the PSIAS.
- Define the scope of internal audit activities.
- Establish the responsibilities and objectives of internal audit.
- Establish the organisational independence of internal audit.

- Establish the accountability, reporting lines and relationships between the Head of Internal Audit and the Audit Committee and those to whom the Head of Internal Audit reports to functionally and administratively.
- Set out the responsibility of the Audit Committee and other officers with regards to internal audit.
- Set out the arrangements that exist within the organisations anti-fraud and anti-corruption policies, requiring the Head of Internal Audit to be notified of all suspected or detected fraud, corruption or impropriety, to inform the annual internal audit opinion and the risk-based plan.
- Recognise that internal audit's remit extends to the entire control environment of the organisation and not just financial controls.
- Establish internal audits right of access to all records, assets, personnel and premises, including those of partner organisations where appropriate, and its authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities.

The PSIAS also specifies that the charter must:

- Define the terms “board” and “senior management” for the purpose of internal audit activity.
- Cover the arrangements for appropriate resourcing.
- Define the role of internal audit in any fraud related work and
- Include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities.

3. **Options Considered**

To adopt the Internal Audit Charter demonstrates that the Internal Audit Section has mechanisms in place to;

“To deliver a risk-based audit plan in a professional manner, to provide the organisation with an opinion on the level of assurance it can place upon the internal control environment, and to make the recommendations to improve it”

Not to adopt these changes would leave the Council open to criticism of not being able to provide a level of assurance on the Councils systems of internal control.

4. **Proposal**

That the Internal Audit Charter be approved

5. **Reasons for Preferred Solution**

As option 3.1 above.

6. **Outcomes Linked to Corporate Priorities**

The Internal Audit Charter demonstrates that the Council is committed to ensuring the best use of resources and ensuring that there is provision to give assurance on the adequacy of internal controls. It therefore contributes to the Corporate Priority of becoming a Co-operative Council which delivers high quality, community-driven services.

7. **Legal and Statutory Implications**

This report raises no new legal or statutory implications.

8. **Equality Impact Assessment**

There are no differential equality impact issues identified from the proposal.

9. **Financial and Resource Implications**

There are no new financial or resource implications.

10. **Major Risks**

The adoption of an Internal Audit Charter will ensure that the Internal Audit Service continues to provide a quality service in line with the PSIAS. The Internal Audit Risk Assessment has been updated to reflect this.

11. **Key Decision Information**

Not applicable

12. **Earlier Cabinet/Committee Resolutions**

Audit Charter 2014/15 – February 2014

13. **List of Appendices**

Appendix A – Internal Audit Charter

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14. **Background Papers**

Internal Audit Planning file/folder  
PSIAS  
CIPFA – Local Government Application note