

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

**CORPORATE LEADERSHIP TEAM'S
REPORT TO
AUDIT & STANDARDS COMMITTEE**

22 April 2024

Report Title: Internal Audit Charter 2024

Submitted by: Service Director for Finance (S151 Officer)

Portfolios: Finance, Town Centres and Growth

Ward(s) affected: All

<u>Purpose of the Report</u>	<u>Key Decision</u>	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
<p>The Internal Audit Charter is a formal statement that defines the purpose, authority and responsibilities of Internal as well as confirming its relationships with key stakeholders as required by the UK Public Sector Internal Audit Standards (PSIAS). The Internal Audit Charter should be regularly reviewed and approved by the Audit & Standards Committee.</p>			
<p><u>Recommendation</u></p> <p>That Committee:</p> <p>1. Approve the Internal Audit Charter 2024.</p>			
<p><u>Reasons</u></p> <p>The Accounts and Audit Regulations 2015 include the statutory requirement for the provision of an effective internal audit. Compliance with the PSIAS which includes the need for an Internal Audit Charter demonstrates that an appropriate standard of audit provision is in place.</p>			

1. Background

- 1.1 The Public Sector Internal Audit Standards (PSIAS) came into force on 1 April 2013 with the aim of promoting further improvement in the professionalism, quality, consistency, and effectiveness of internal audit across the public sector. These have been updated periodically since this date (last updated April 2017). A Local Government Application Note (LGAN) has also been developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) to provide further explanation and practical guidance on how to apply the standards. The LGAN has also been updated periodically (last updated March 2019).

- 1.2 The PSIAS are mandatory and apply to all public sector internal audit service providers, whether in-house, shared or outsourced and encompass the required elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework.
- 1.3 The Public Sector Internal Audit Standards (PSIAS) and the Local Government Application Note (LGAN) Standard 1000 require that the purpose, authority and responsibility of the internal audit activity must be defined formally in an Audit Charter. The Internal Audit Charter is a formal document setting out:
- internal audit's position within the organisation;
 - its reporting lines;
 - access to personnel, information and records;
 - the scope of internal audit activities; and
 - what the term Board means (e.g. the Audit and Standards Committee).
- 1.4 The Internal Audit Charter 2024 is attached as **Appendix 1** to this report.
- 1.5 The Internal Audit Charter 2024 covers all the requirements of the latest Public Sector Internal Audit Standards (last issued 2017); the latest Local Government Application Note (last issued March 2019) and the latest CIPFA statement regarding the Role of the Head of Internal Audit in Public Service Organisations (2019 Edition) and also reflects current best practice.

2. Issues

- 2.1 Currently, whilst the Internal Audit Charter 2024 meets the requirements of the latest PSIAS, it should be noted, that on 9th January 2024, the International Internal Auditing Standards Board (IIASB) issued the new Global Internal Audit Standards. These standards guide the worldwide professional practice of internal auditing and serve as a basis for evaluating and elevating the quality of the internal audit function. At the heart of the standards are 15 guiding principles which are supported by standards that contain (i) requirements; (ii) considerations for implementation; and (iii) examples of evidence of conformance. Together these elements are intended to help internal auditors achieve the principles and ultimately fulfil the purpose of internal auditing i.e. to strengthen the organisation's ability to create, protect and sustain value by providing the board and management with independent, risk-based, and objective assurance, advice, insight and foresight.
- 2.2 The standards apply to any individual or function that provides internal audit services, whether an organisation employs internal auditors directly, contracts them through an external service provider or both.
- 2.3 Following the publication of the new Global Internal Audit Standards, the UK Public Sector Internal Audit Standards Advisory Board (IASAB) begun its review of them. The IASAB will determine the implications for the PSIAS and will develop proposals for revised material which will be suitable for the UK public sector context. Any subsequent changes to the UK's PSIAS, and their implementation, will be subject to consultation and appropriate transitional arrangements. Also, the CIPFA Internal Audit Special Interest Group met on

4th March 2024 to consider the need for an updated LGAN and/or other guidance to support them and the outcome of this meeting is awaited. Application of the new Global Internal Audit Standards is required by 9th January 2025 and early adoption is being encouraged.

2.4 Any subsequent changes to the Internal Audit Charter will be made once further guidance has been issued by the IASAB and CIPFA.

3. Recommendation

3.1 That Committee approve the Internal Audit Charter 2024.

4. Reasons

4.1 By reviewing and approving the Internal Audit Charter, the Committee is supporting the Internal Audit Service in demonstrating compliance with the PSIAS and the provision of an effective internal audit.

5. Options Considered

5.1 The Internal Audit Charter being presented to the Committee is in a new format similar to the one adopted for Staffordshire County Council and reflects the scope of work undertaken by Staffordshire County Council's Internal Audit service, the standards it adopts and the way in which it intends to interface with the Council.

6. Legal and Statutory Implications

6.1 Whilst there are no direct legal implications arising from this report, the Accounts and Audit (England) Regulations 2015 require specifically that a relevant body must 'undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.

6.2 Section 151 of the Local Government Act 1972 states that every local authority should make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs'. CIPFA has defined 'proper administration' in that it should include 'compliance with the statutory requirements for accounting and internal audit'.

7. Equality Impact Assessment

7.1 There are no equality impact issues identified from this proposal.

8. Financial and Resource Implications

8.1 Delivery of the Internal Audit Plan 2024/25 to the required standards will be carried out within the agreed price specified in the agreement with Staffordshire County Council for the Provision of Internal Audit services which is in line with the budgeted cost.

9. **Major Risks & Mitigation**

- 9.1 The key risk to be considered in reviewing the attached Internal Audit Charter is that the document does not conform to the PSIAS in relation to its content.
- 9.2 The risk is mitigated by the fact that the Internal Audit Charter presented to the Committee is similar in format to that produced for Staffordshire County Council's Internal Audit Service which has been subject to an external quality assessment last year (January 2023) and was found to conform to the PSIAS.

10. **UN Sustainable Development Goals (UNSDG)**

- 10.1 The Internal Audit arrangement with Staffordshire County Council supports UNSG and climate change objectives in a number of ways. Principally, through partnership working and supporting sustainable cities and communities via the correct use of public monies. The following UNSGs are supported.



11. **Key Decision Information**

- 11.1 This report is not a key decision as defined by the Council's Constitution

12. **Earlier Cabinet/Committee Resolutions**

- 12.1 There are no earlier cabinet decision relating to this report.

13. **List of Appendices**

- 13.1 Internal Audit Charter 2024

14. **Background Papers**

- 14.1 Public Sector Internal Audit Standards – revised with effect from 1st April 2017.
- 14.2 Local Government Application Note – with effect from 1st March 2019
- 14.3 Accounts and Audit (England) Regulations 2015.
- 14.4 CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations (2019 Edition).
- 14.5 New Global Internal Audit Standards 9th January 2024