

INTERNAL AUDIT CHARTER 2019

Audit Committee - 28 March 2019

Report of Audit Manager

Status For Decision

Key Decision No

Executive Summary: The Audit Charter (appendix A) sets out the purpose, authority and responsibility of the Audit Service. Following updates the professional standards and recommendations from the 2017 External Quality Assessment of the Internal Audit service, the Charter has been fully updated and refreshed to ensure compliance. Notably, the Charter includes those safeguards that are necessary to protect the objectivity and independence of the service, in addition to being reflective of specific governance arrangements for the Council.

Portfolio Holder Cllr. John Scholey

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Recommendation to Audit Committee: That the Internal Audit Charter (Appendix A) is agreed

Reason for recommendation: As those charged with governance, the Audit Committee is required through its Terms of Reference to consider and approve the Charter.

Introduction and Background

- 1 The Internal Audit Charter is a requirement of the [Public Sector Internal Audit Standards](#) (PSIAS). It is a key governance document that sets out the purpose, authority, and responsibility. In addition, the Charter reinforces the 'mission' of Internal Audit as a service that provides vital assurance, insight and improvement to the Council. The Audit Committee last considered and approved the Internal Audit Charter in January 2016.

- 2 In April 2017 the Standards were updated, and additional application notes and guidance was put in place to assist with compliance. As such, when the Partnership had the follow-up review to the 2015 External Quality Assessment (EQA), a number of gaps were identified. PricewaterhouseCoopers LLP (PWC) who conducted the review, made the following recommendations:

1.2 Internal Audit Charter

A number of improvements should be made as follows:

- The Charter should clearly define the 'board' and 'senior management' within the Authority;
 - Further detail should be included on work undertaken outside of the audit programme and independence safeguards in place to maintain auditor independence;
 - The PSIAS state that the Charter should define the role of Internal Audit in fraud related work; this is not captured in the Charter at present; and
 - Reporting in place, including the annual summary report should be noted in the Charter.
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- 3 Following the appointment of a new Interim Audit Manager (Chief Audit Executive) in August 2018, we have taken the opportunity to completely review, update and refresh the Charter for 2019. The Charter (attached in Appendix A) incorporates all of the 2017 updates to the Standards, addresses the gaps identified in the EQA and seeks to set out in greater clarity the purpose and responsibility of the service for the Council.

Key Implications

Financial

Effective governance of the Partnership is vital to ensure delivery of an effective audit service. The work undertaken by the Partnership is approved within the Council's budget and so requires no new funding to be delivered.

Legal Implications and Risk Assessment Statement

There are no legal implications associated with this decision.

The Charter is required by Public Sector Internal Audit Standards and is a key governance document for the service. If Members decide not agree the Charter, then the risk is that the service will not be meeting / complying with professional standards.

Equality Assessment

The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

Conclusions

This report allows Members to discuss and approve the Internal Audit Charter. The new look Charter addresses all of the findings and outstanding actions from the 2017 External Quality Assessment (EQA). As such, we have taken the opportunity to refresh the format, include direct links to the Standards, and improve clarity but simplifying wording and using Plain English where possible.

Appendices

Appendix A - Internal Audit Charter 2019.

Background Papers

The previous Charter was reported to the Audit Committee in January 2016 and is publically available on the Council's [website](#).

The action plan and update from the follow-up of the External Quality Assessment (EQA) were reported to the Audit Committee in July 2018. Papers are available on the Council's [website](#).

Adrian Rowbotham

Chief Finance Officer