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**Meeting:**        **Audit Committee**

**Date:**            **13 January 2014**

**Subject:**        **Internal Audit Charter**

**Report of:**      **Chief Finance Officer**

**Summary:**      This report proposes the adoption of an Internal Audit Charter in compliance with the Public Sector Internal Audit Standards applied in the UK, based upon international standards which were adopted on 1<sup>st</sup> April 2013.

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Contact Officer:        Kathy Riches, Head of Internal Audit and Risk

Public/Exempt:        Public

Wards Affected:        All

Function of:            Audit Committee

## **CORPORATE IMPLICATIONS**

### **Council Priorities:**

The activities of Internal Audit are crucial to the governance arrangements of the organisation and as such are supporting all of the priorities of the Council.

### **Financial:**

1.        There are no direct financial implications from adopting this Charter.

### **Legal:**

2.        None directly from this report.

### **Risk Management:**

3.        Although there are no specific risks from the issues identified in the report, the outcome of implementing the Audit Charter is for the Council to better manage its risks, thereby increasing protection from adverse events.

### **Staffing (including Trades Unions):**

4.        None directly from this report.

### **Equalities/Human Rights:**

5.        None directly from this report.

### **Public Health**

6.        None directly from this report.

### **Community Safety:**

7.        None directly from this report.

**Sustainability:**

8. None directly from this report.

**Procurement:**

9. None directly from this report.

**RECOMMENDATION:****The Committee is asked to:**

**1. Consider and endorse, with appropriate comment, the Internal Audit Charter.**

**Background**

10. The Audit Committee has a key role in ensuring that effective corporate governance arrangements are in place within the Council, and subsequently maintained. The Internal Audit Charter provides evidence of such arrangements in respect of the Internal Audit function and has been updated to reflect the recent adoption of the Public Sector Internal Audit Standards.
11. Public Sector Internal Audit Standard 1000 requires the Purpose, Authority and Responsibility of the Internal Audit function to be defined in an Audit Charter. In addition, the Internal Audit Charter establishes Internal Audit's position within the organisation, including the nature of the Head of Internal Audit and Risk's functional reporting relationship with the Audit Committee; authorises access to records, personnel and physical properties relevant to the performance of audit work; and defines the scope of internal audit activities. Final approval of the Internal Audit Charter resides with the Audit Committee.
12. The Internal Audit Charter should also refer to:
- The nature of assurance services provided to the Council
  - Organisational independence
  - Individual objectivity
  - Impairment to independence or objectivity
  - Proficiency and due professional care
  - Continuing professional development
  - Quality Assurance and improvement programme – internal and external.

13. The attached Charter seeks to address these requirements and also describes the contribution that Internal Audit makes to the Council and includes:
  - Internal Audit's purpose and responsibilities
  - Independence and objectivity
  - Competencies and standards
  - Internal Audit planning
  - Nature of work
  - Internal Audit reporting
  - Quality assurance
  - Fraud and Corruption
  - Rights of access.
14. The updated Charter replaces both the Internal Audit Strategy and the Internal Audit Charter previously approved by the Committee. Both these documents complied with the CIPFA Code of Practice 2006, which was the predecessor to these standards. The previous Charter has been renamed as the Internal Audit Engagement Protocol, a description which better fits its contents.
15. The Charter has been considered and approved by senior management.
16. A copy of the proposed Charter is attached at Appendix A.

### **Conclusion and Next Steps**

17. The approval of the Charter by the Audit Committee will help ensure that Internal Audit can progress its work in line with the Public Sector Internal Audit requirements.

### **Appendices:**

Appendix A – Internal Audit Charter

### **Background Papers:**

Public Sector Internal Audit Standards

### **Location of papers:**

N/A