

Central Bedfordshire Council

AUDIT COMMITTEE

19 November 2018

Revisions to Internal Audit Charter

Report of Charles Warboys, Director of Resources

Contact Officer: Clint Horne, Head of Internal Audit and Risk

Purpose of this report:

This report proposes the adoption of revisions to the Internal Audit Charter in compliance with the Public Sector Internal Audit Standards applied in the UK, based upon international standards which were adopted on 1st April 2013 and most recently revised in April 2017.

RECOMMENDATIONS

The Committee is asked to:

1. Consider and endorse the revisions to the Internal Audit Charter.

Overview and Scrutiny Comments/Recommendations

1. This report is not scheduled to be considered by Overview and Scrutiny, as this is the responsibility of the Audit Committee.

Background

2. The Audit Committee has a key role in ensuring and maintaining effective corporate governance arrangements within the Council. The Internal Audit Charter provides evidence of such arrangements in respect of the Internal Audit function.
3. Public Sector Internal Audit Standard 1000 requires the Purpose, Authority and Responsibility 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.

4. The Audit Committee approved the Internal Audit Charter at its meeting in January 2017, following the April 2016 revision of the Public Sector Internal Auditing Standards.
5. The Public Sector Internal Audit Standards were last revised in April 2017. One area of significant change to the PSIAS is the introduction of a new standard: *1112 Chief Audit Executive Roles beyond Internal Auditing*. If the Head of Internal Audit and Risk (referred to as the chief audit executive in the standards) takes on roles or responsibilities that fall outside of internal auditing, then safeguards must be put in place to limit impairments to independence or objectivity. The Head of Internal Audit and Risk must highlight any actual or perceived impairment to the board or audit committee and safeguards should be considered to protect internal audit independence. The perception of impairment is presumed where the Chief Audit Executive holds responsibilities beyond that role.
6. The Head of Internal Audit and Risk has responsibility for the facilitation of risk management activities and for the Anti-Fraud and Corruption Strategy. The standards do not prohibit this, but rightly emphasise the importance of internal audit independence and the need to ensure it is safeguarded. It is vital that this principle is considered locally, and the Head of Internal Audit and Risk is adequately supported by the Committee to meet professional requirements.
7. In relation to Risk Management, the Head of Internal Audit & Risk is responsible for the overall Risk Management Strategy and for facilitating the reporting process, but has no role in the identification, prioritisation or mitigation of business risks. Furthermore, to protect against perception of conflict, any audit review of Risk Management arrangements will be undertaken by suitable external expertise on a regular basis, in accordance with the risk-based audit plan. These measures are considered by Management to provide adequate safeguards to the risk of potential role conflict. This point has been reflected in the revised Charter at paragraph 5.3.
8. Concerning the Counter fraud role, the Head of Internal Audit & Risk is responsible for the Counter Fraud & Corruption Strategy, fraud awareness activity and investigative work potentially relating to Fraud (not Customer related) and irregularity or whistle blowing referrals agreed with the Monitoring Officer.
9. Investigative work often follows similar review processes applied to standard internal audit engagements that ensures reliance on evidence and impartiality of the auditor along with interest in improving deficient control environments. The Head of Internal Audit and Risk does not have direct managerial responsibility for any of the areas examined in relation to counter fraud activity and the Internal Audit function is separate from the Corporate Fraud function which investigates all potential Customer Fraud. These safeguards are considered by Management to adequately

protect against potential role conflicts in relation to Counter Fraud activity.
This point has been reflected in the revised Charter at paragraph 5.4.

10. The proposed adjustments can be found at **Appendix A** and appear in **bold font and underlined.**

Council Priorities

11. An effective internal audit function will indirectly contribute to all of the Council's priorities.

Corporate Implications

Legal Implications

12. None directly from this report.

Financial Implications

13. None directly from this report.

Equalities Implications

14. None directly from this report.

Conclusion and next Steps

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

Appendices

Appendix A - Internal Audit Charter November 2018

Background Papers

None.