

## AUDIT COMMITTEE – 11TH JUNE 2019

### Report of the Head of Strategic Support

#### Part A

##### ITEM                      INTERNAL AUDIT CHARTER

##### Purpose of Report

To present the Internal Audit Charter to the Committee for approval.

##### Recommendation

The Committee is recommended to approve the Internal Audit Charter as appended to this report.

##### Reason

To conform with the requirements of the Public Sector Internal Audit Standards (PSIAS).

##### Policy Justification and Previous Decisions

The PSIAS came into effect on 1st April 2013, they apply to all internal audit service providers, whether in-house, shared services or outsourced. The PSIAS (Attribute Standard 1000) requires organisations to have an Internal Audit Charter that formally defines the purpose, authority and responsibility of the internal audit activity, consistent with the Definition of Internal Auditing, the Code of Ethics and the Standards.

##### Implementation Timetable including Future Decisions

The Charter is reviewed annually and presented to the Audit Committee for approval.

##### Report Implications

The following implications have been identified for this report.

##### *Financial Implications*

None.

##### *Risk Management*

There are no risks associated with this decision.

Background Papers:                      None

Officer to contact:                      Adrian Ward (01509 634573)  
[adrian.ward@charnwood.gov.uk](mailto:adrian.ward@charnwood.gov.uk)

## Part B

### Background

1. The Public Sector Internal Audit Standards (PSIAS) came into effect on the 1st April 2013. The standards are the result of collaboration between CIPFA and the Institute of Internal Auditors (IIA) to develop a set of internal audit standards applicable to all areas of the UK public sector. The Standards apply to all internal audit service providers, whether in-house, shared services or outsourced.
2. CIPFA has also produced an Application Note as the sector –specific requirements for local government organisations. The PSIAS and the Local Government Application Note together supersede the 2006 CIPFA Code of Practice for Internal Audit in Local Government in the UK.
3. Although the PSIAS do not fundamentally differ to the Code, one additional requirement of the PSIAS is for the organisation to have an Internal Audit Charter.

The Charter is defined in the PSIAS as: ‘a formal document that defines the purpose, authority and responsibility of the internal audit activity’.

4. In the public sector, the internal audit charter must also:
  - a. define the terms ‘board’ and ‘senior management’ for the purposes of internal audit activity;
  - b. cover the arrangements for appropriate resourcing;
  - c. define the role of internal audit in any fraud-related work; and
  - d. include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities.
5. The ‘board’ is described as:

“the governance group charged with independent assurance of the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting”.

In a local authority it is the responsibility of the Chief Audit Executive (CAE) and the organisation to decide which group fulfils this definition and document this in the Charter. At their meeting of 30<sup>th</sup> April 2014, the Senior Management Team approved the CAE’s proposal for the fulfillment of this role to be undertaken by the Audit Committee.

6. The Charter is required to be approved by ‘senior management’ and the ‘board’, and thereafter reviewed annually by the Chief Audit Executive and presented for approval to both ‘senior management’ and the ‘board’. The Charter was reviewed during May 2019 and an amendment made to section 3.6 to clarify arrangements in the event that the Audit & Risk Manager post is vacant.

Appendices:

Appendix A – Internal Audit Charter (May 2019)