

# Audit Committee

25 July 2019



<b>Title</b>	Internal Audit Charter		
<b>Purpose of the report</b>	To note		
<b>Report Author</b>	Internal Audit Manager, Punita Talwar		
<b>Cabinet Member</b>	Councillor Tony Harman	<b>Confidential</b>	No
<b>Corporate Priority</b>	Financial Sustainability		
<b>Recommendations</b>	The Audit Committee is required to review and approve the revised Internal Audit Charter.		
<b>Reason for Recommendation</b>	That the Audit Committee approves the Internal Audit Charter which is compliant with the mandatory Public Sector Internal Audit Standards.		

## 1. Key issues

- 1.1 The Audit Charter sets out the purpose, authority and responsibility of the Council's Internal Audit function, in accordance with the mandatory UK Public Sector Internal Audit Standards. The charter sets out the nature of services that internal audit will provide and how internal audit will help the organisation to achieve its objectives.
- 1.2 The Audit Charter has been revised to ensure it is still compliant with the mandatory Public Sector Internal Audit Standards (PSIAS) which came into effect from April 2013 with subsequent revisions from April 2017. This also completes one of the actions arising from the Internal Audit Manager's annual review of the 'effectiveness of internal audit' and the recent external quality assessment undertaken to assess Internal Audits conformance with PSIAS.
- 1.3 A full review and refresh of the Charter has been undertaken incorporating a number of changes to update the previous document. The latest CIPFA statement on '**The Role of the Head of Internal Audit**' (published April 2019) sets out 5 core principles and has also been considered for the purpose of this review. This places greater emphasis on the organisations responsibility to support the role of internal audit in order to enable the function to effectively meet its expected professional standards. This statement is therefore insightful for all parties including the Strategic Management Team, Audit Committee and Internal Audit Manager in striving for continued effectiveness.
- 1.4 The revised Charter is attached at Appendix 1. The Audit Committee is responsible for approval of the Charter.

1.5 The revised Internal Audit Charter includes the following sections (most of these were in the previous charter but the content has been expanded and amended as appropriate):

- (a) **Application of Charter and review** - In PSIAS the 'Head of Internal Audit' role is referred to as the Chief Audit Executive. The Internal Audit Manager at Spelthorne represents the 'Head of Internal Audit' and therefore as Chief Audit Executive is responsible for applying the Charter and keeping it up to date on a biennial basis.
- (b) **Purpose and Mission** –Includes a mission statement as set out in PSIAS. The mission of Internal Audit is 'to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight'. There is also reference to supporting the successful achievement of the Council's strategic objectives and priorities.
- (c) **Statute** – Legislative requirement for Internal Audit including responsibilities of the Section 151 Officer/Chief Finance Officer.
- (d) **Access and Authority** – Highlights the importance of Internal Audit having unrestricted access to all records, officers and Members.
- (e) **Responsibilities and Scope** - Sets out core responsibility in providing independent and objective assurance to the Council on the adequacy of internal systems of control, risk management and governance arrangements. A key outcome of internal audit activity is an evidence based annual audit opinion representing a key assurance statement for the Council.
- (f) **Independence** – The importance of this fundamental principle of auditing is explained as well as how organisational independence is achieved. Appropriate arrangements will be put in place to safeguard the independence of Internal Audit where it is involved in non-audit duties (corporate tasks) or consultancy and advisory work that falls outside the key assurance role.
- (g) **Audit Reporting** - PSIAS requires the Chief Audit Executive (Internal Audit Manager at Spelthorne) to be appropriately positioned, reporting at the highest level of the organisation with free and unfettered access. This includes reporting to both the executive (strategic management team) and non-executive board represented by the Audit Committee.
- (h) **Engagement** –Internal Audit engage and consult with senior management as part of the audit planning process and there is reference to the 'added value' role of in advising on emerging risks.
- (i) **Fraud, Bribery and Corruption** - Internal Audit and management responsibilities are outlined including the importance of alerting the Section 151 Officer and Internal Audit Manager immediately where irregularities are suspected to enable appropriate action to be taken to safeguard the authority's assets. Promotion of an anti-fraud, bribery and corruption culture.

- (j) **Audit Resources and competencies** – Current staffing levels, Internal Audit and management responsibilities in considering whether the Internal Audit function is sufficiently resourced, how auditor competencies and proficiencies are assessed.
- (k) **Audit Approach and Service Delivery** – Some of the core duties in managing the delivery of the audit service. Reference is also made to the Council developing an assurance framework to articulate the alternative sources of assurance (both independent sources and other).
- (l) **Professional Standards and Ethical conduct** – The importance of exercising due professional care through adherence to statutory requirements, core principles and professional codes of conduct/frameworks.
- (m) **Quality Assurance** - Mechanisms in place and further development of a programme to demonstrate how the function is operating effectively.

## **2. Options analysis and proposal**

2.1 There are no options.

## **3. Financial implications**

3.1 N/A.

## **4. Other considerations**

4.1 None.

## **5. Risks and how they will be mitigated**

Failure to adhere to professional mandatory standards and position statements from relevant Audit and Accounting professional bodies could compromise the effectiveness of the Internal Audit function, thereby reducing value to the authority and its stakeholders. It could also reduce the level of independent assurance the authority receives on how well systems of internal control are operating and whether risks are being effectively managed, potentially leading to increased financial losses and reputational damage and weakened governance arrangements.

## **6. Timetable for implementation**

6.1 Immediate implementation.

### **Background papers:**

There are none

### **Appendices:**

**Internal Audit Charter**