

# AUDIT BOARD

## 27 MARCH 2019

### INTERNAL AUDIT CHARTER (March 2019)

#### 1. Summary

1.1. The Audit Charter (appendix A) sets out the purpose, authority and responsibility of the Audit Service. Following updates to 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.

#### 2. RECOMMENDATION

2.1 That Members approve the Internal Audit Charter attached as Appendix A to this report.

#### 3. Background and Discussion

3.1 As those charged with governance, the Audit Board is required through its Terms of Reference to consider and approve the Charter.

3.2 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 of Internal Audit. 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 Board last considered and approved the Internal Audit Charter in January 2016.

3.3 In April 2017 the Standards were updated, and additional application notes and guidance were 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:

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### 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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3.4 Following the appointment of a new Interim Audit Manager (Chief Audit Executive) in August 2018, the opportunity has been taken 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.

#### 4. Internal Audit Resources

4.1 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 there are no resource implications identified as part of this decision.

#### 5. Relationship to the Corporate Plan

Not applicable

#### 6. Financial, legal, staffing and other administrative implications and risk assessments

Financial Implications	There are no financial implications associated with this decision.
Legal Implications	There are no legal implications associated with this decision.
Staffing Implications	There are no staffing implications associated with this decision.
Administrative Implications	There are no administrative implications associated with this decision.

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Risk Assessment	If the Board chooses not to approve the Charter, they are accepting the risk to run an Audit Service that is not meeting the required Standards.
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7. Details of Exempt Information Category

Not applicable

8. Appendices

Appendix A – Internal Audit Charter 2019

**BACKGROUND PAPERS**

<u>Documents consulted</u>	<u>Date</u>	<u>Report Author</u>	<u>Section &amp; Directorate</u>	<u>Exempt Information Category</u>
<p>The previous Charter was reported to the Audit Board in January 2016 and is publically available on the Council's <a href="#">website</a>.</p> <p>The action plan and update from the follow-up of the External Quality Assessment (EQA) were reported to the Audit Board in April 2018. Papers are available on the Council's <a href="#">website</a>.</p>	15/02/19	Audit Manager 01322 343004	Internal Audit Partnership  &  Strategic Director (Internal Services)	N/A