

25 July 2018**Agenda Item: 8****REPORT OF SERVICE DIRECTOR FOR FINANCE, INFRASTRUCTURE &
IMPROVEMENT AND SECTION 151 OFFICER****INTERNAL AUDIT CHARTER REFRESH****Purpose of the Report**

1. To review and approve an updated version of the Internal Audit Charter.

Information

2. The charter is a formal document defining the Internal Audit Section's purpose, authority and responsibility. It establishes the Section's position within the Council, including the nature of the Head of Internal Audit's functional reporting relationship with the Governance & Ethics Committee. It authorises access to records, personnel and physical properties relevant to the performance of audit engagements, and it defines the scope of Internal Audit's activities. Final approval of the charter rests with the Governance & Ethics Committee.
3. The charter should be reviewed periodically, to ensure it remains relevant and up-to-date. A refreshed version is presented at this time to implement recommended changes proposed by the external quality assessors of the Council's Internal Audit Section. The recommendations were made to ensure full compliance with the Public Sector Internal Audit Standards (PSIAS).
4. The proposed changes were brought to the Committee's attention as part of the Head of Internal Audit's Annual Report, presented at the June 2018 meeting. The Annual Report incorporates an improvement programme for the forthcoming year, and this included the following actions in relation to the charter. Also indicated below are follow-up actions to be taken by the Head of Internal Audit to ensure that these changes are followed through by members of the team:
 - a) Charter to incorporate a statement that the Head of Internal Audit has unrestricted access to senior management and members, particularly the Leader of the Council, the Chair of the Governance and Ethics Committee/ Chief Executive, Directors and Heads of Service, and maintains segregation from operations. Further the Head of Internal Audit reports in his/her own name.

No additional actions are necessary, as this change is being made to make explicit in the charter the arrangements already in place.

- b) Audit Charter to be refreshed to incorporate, “Internal Auditors will also have due regard to the Seven Principles of Public Life – Selflessness; Integrity, Objectivity; Accountability; Openness; Honesty; and Leadership.”

The opportunity will be taken at a forthcoming Internal Audit Team Meeting to bring the changes in the charter to the attention of the Internal Audit staff and to remind them of the above principles.

- c) Audit Charter to be reflective of The Accounts and Audit Regulations 2015 and not 2011.

The updated Regulations in 2015 introduced relatively minor changes in the requirement to maintain an effective internal audit service, as follows:

- The focus of the internal audit service to be on risk management, control and governance. This widens out the former definition of the internal auditor’s focus on the adequacy and effectiveness of the organisation’s accounting records and system of internal control. No additional actions are required in this respect, as the Internal Audit Service’s risk assessment process already embraces all risks to the achievement of the Council’s objectives, and not just financial risks.
- Introduces the requirement to conduct internal audit in compliance with the PSIAS. No further actions are required, as demonstrated by the outcome of the external quality assessment of the in-house service’s compliance with these standards.
- Removal of the requirement to conduct an annual review of the effectiveness of the internal audit service. The PSIAS require a formal, external assessment once every five years, in addition to ongoing and periodic internal assessments of the service. In the intervening years between external assessments, the Head of Internal Audit conducts a self-assessment of compliance against the standards and captures required actions in an annual Quality Assurance and Improvement Programme. Consequently, no additional actions are required to implement this update to the charter.

- d) Consideration of a section in the Charter relating to consultancy which is reflective of the point that, due to its detailed knowledge of the County Council’s systems and processes, Internal Audit is well placed to provide advice and support to services on issues of value for money and process re-engineering. Consideration should also be given to including the PSIAS definition of consulting as follows:

“Advisory and client related service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation’s governance, risk management and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training.”

No additional actions are considered to be necessary, as the service has a strong record of being engaged by Council departments to provide advisory and consultancy input to developmental projects.

5. Appendix 1 presents a refreshed version of the charter, incorporating the above changes highlighted.

Other Options Considered

6. The establishment and maintenance of a formal internal audit charter is a requirement of the PSIAS.

Reason/s for Recommendation/s

7. To ensure that this Council's Internal Audit Charter remains up-to-date and relevant to the developing needs of the authority from its internal audit service.

Statutory and Policy Implications

8. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

Financial Implications

9. The activities of the Internal Audit service are a key element in the governance framework within the Council. The formal Internal Audit Charter is a key document in ensuring the Council receives an effective service from the resources it deploys on this area of activity.

RECOMMENDATION/S

- 1) That the revised Internal Audit Charter be approved.

Nigel Stevenson

Service Director for Finance, Infrastructure & Improvement and Section 151 Officer

For any enquiries about this report please contact: Rob Disney, Head of Internal Audit

Constitutional Comments (SLB 12/07/18)

10. Governance and Ethics Committee is the appropriate body to consider the content of this report.

Financial Comments (SES 13/07/18)

11. There are no specific financial implications arising directly from this report.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- None

Electoral Division(s) and Member(s) Affected

- All