



Audit Committee

26th November 2018

Report of: Interim Chief Internal Auditor

Title: Internal Audit Updated Charter, Terms of Reference and Strategic Statement

Ward: N/A

Officer Presenting Report: Jonathan Idle – Interim Chief Internal Auditor

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Recommendation

The Audit Committee to approve the annual update of the Internal Audit Charter, Terms of Reference and Strategic Statement.

Summary

In accordance with the Public Sector Internal Audit Standards (PSIAS), Internal Audit is required to document the purpose, authority and responsibilities of the activity in the form of a Charter. The Charter sets out how the Service will comply with the PSIAS, and its place within the organisation, particularly in relation to the Chief Internal Auditor's reporting line within the organisation management hierarchy.

This updated Charter is presented to the Audit Committee for consideration and approval, as required by the PSIAS.

Significant Matters Arising:

- The processes in the event of the impairment to the independence of Internal Audit (paragraph 7.3 / 7.4 of Appendix A.)
- To update the Charter to reflect that Internal Audit no longer have line management responsibilities for the delivery of Risk Management service (paragraph 7.9)
- The updated Charter is provided at Appendix A to this report.



1. Policy

The PSIAS require the Internal Audit service within the organisation to define its role, responsibilities and authority in the form of a Charter, which includes an explanation of the way in which the internal audit function will comply with the PSIAS. Compliance with the PSIAS must be assessed and reported to the Audit Committee on an annual basis.

2. Consultation

Internal – CLB including S151 Officer, Cabinet Member for Governance, Resources and Finance.
External – N/A

3. Context

3.1 The Internal Audit Charter, Terms of Reference and Strategic Statement defines the purpose, authority, scope and responsibility of the Internal Audit service and is consistent with the mandatory requirements of the Public Sector Internal Audit Standards (PSIAS) and the supporting Local Authority Guidance Note (LGAN) produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (IIA). It also meets the PSIAS requirement for Internal Audit's risk-based plan to incorporate or link to a strategic or high-level statement.

It is the responsibility of the Chief Internal Auditor to ensure that the Charter is reviewed each year in order to confirm the Service's compliance with the requirement as detailed in the Charter, as well as to maintain the Charter's relevance to both the Internal Audit Service and the organisation as a whole.

3.2 Key Changes to the Charter, Terms of Reference and Strategic Statement:

- Update to reflect that Internal Audit no longer have line management responsibilities for the delivery of Risk Management services (7.9).
- Changes in relation to the details of the bodies with whom Internal Audit externally contract (9.16)
- Minor Changes in terminology to reflect organisational changes, e.g. CLB rather than SLT.

4. Proposal

4.1 The Audit Committee considers and approves the annual update of the Internal Audit Charter, Terms of Reference and Strategic Statement.

5. Other Options Considered – N/A**6. Risk Assessment**

The work of Internal Audit minimises the risk of failures in the Council's internal control, risk management and governance arrangements, reduces fraud and other losses and increases the potential for prevention and detection of such issues. The PSIAS provide for an effective independent and objective Internal Audit Service, ensuring a good standard of service to the organisation, whilst at the same time providing the Internal Audit Service with wider support in terms of maintaining its independence and freedom from influence.

Public Sector Equality Duties

- 7a) Before making a decision, section 149 Equality Act 2010 requires that each decision-maker considers the need to promote equality for persons with the following “protected characteristics”: age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. Each decision-maker must, therefore, have due regard to the need to:
- i) Eliminate discrimination, harassment, victimisation and any other conduct prohibited under the Equality Act 2010.
 - ii) Advance equality of opportunity between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to --
 - remove or minimise disadvantage suffered by persons who share a relevant protected characteristic;
 - take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of people who do not share it (in relation to disabled people, this includes, in particular, steps to take account of disabled persons' disabilities);
 - encourage persons who share a protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
 - iii) Foster good relations between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to –
 - tackle prejudice; and
 - promote understanding.
- 7b) No Equality Impact anticipated from this report.

Legal and Resource Implications

Legal – N/A

Financial – N/A

Land – N/A

Personnel – N/A

Appendices:

Appendix A – Internal Audit Updated Charter, Terms of Reference and Strategic Statement

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers:

Public Sector Internal Audit Standards