

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **AUDIT COMMITTEE**

DATE: **WEDNESDAY, 29 JANUARY 2014**

REPORT BY: **HEAD OF FINANCE**

SUBJECT: **AUDIT CHARTER UPDATE**

1.00 PURPOSE OF REPORT

1.01 At the request of the Constitution Committee, to bring a sentence in the Internal Audit Charter to the attention of the Audit Committee for their consideration.

2.00 BACKGROUND

2.01 The Internal Audit department has had a charter since 2002. The charter formalises the status, independence and responsibility of the department and is part of the Constitution and was last updated in 2011.

2.02 New Public Sector Internal Audit Standards (PSIAS) were published in April 2013 and included new requirements for the content of the charter. The Flintshire charter was therefore updated to include these requirements, most of which reflected current practice but had not previously been written into the charter.

2.03 The updated charter was presented to the Audit Committee on 30th July 2013, when it was approved with some minor changes. It was then presented to the Constitution Committee on 16th October where it was endorsed. However, the committee requested that the Audit Committee consider the sentence in the charter concerning the use of audit staff on non-audit work in emergency situations.

3.00 CONSIDERATIONS

3.01 The charter includes the following in the section on Independence and Authority:

'Every effort is made to preserve objectivity by ensuring that all members of internal audit staff are free from any conflicts of interest and do not undertake any non-audit duties. Internal Audit has complete segregation from Council operations and is not responsible for the management of areas that are audited. The Internal Audit Manager and internal audit staff are not authorised to:

- *Perform any operational duties associated with the Authority*
- *Initiate or approve accounting transactions on behalf of the Authority*
- *Direct the activities of any employee unless specifically seconded to Internal Audit'*

Under the Audit Resources section it includes the following:

*Internal Audit will not participate in the day-to-day operation of any systems of internal financial control. **However, in strict emergency situations only, audit personnel may be called upon to carry out non-audit work on a temporary basis.***

It is the last sentence that the Constitution Committee asked for the Audit Committee to consider. Their concern was about it being misused by management to divert audit staff away from sensitive areas.

- 3.02 This sentence has not been added to the charter during this update or the previous one. As far as I can see it has been there since 2002.
- 3.03 As far as I am aware it has never been used, certainly not since I first came to Flintshire in 2005.
- 3.04 I have researched the standards, any suggested charter contents from official bodies, and the charters of neighbouring authorities. None include this provision.

4.00 RECOMMENDATIONS

- 4.01 That the committee consider the inclusion of this sentence within the charter and recommend one of the following.
1. The sentence should be deleted from the charter (as it should not be there, audit staff should never be called upon in this way, and it has never been used), or
 2. The sentence should remain (as the other parts of the charter give enough protection, the sentence stresses strict emergency situations only, and it has never been used), or
 3. The sentence should remain but with an additional sentence inserted such as "If such a call is made the decision to allocate resources will be the Internal Audit Manager's alone" (to stress the independence of audit but still give the option of providing resource).

5.00 FINANCIAL IMPLICATIONS

5.01 None as a result of this report.

6.00 ANTI POVERTY IMPACT

6.01 None as a result of this report.

7.00 ENVIRONMENTAL IMPACT

7.01 None as a result of this report.

8.00 EQUALITIES IMPACT

8.01 None as a result of this report.

9.00 PERSONNEL IMPLICATIONS

9.01 None as a result of this report.

10.00 CONSULTATION REQUIRED

10.01 None as a result of this report.

11.00 CONSULTATION UNDERTAKEN

11.01 None as a result of this report.

12.00 APPENDICES

12.01 Updated Internal Audit charter.

**LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985
BACKGROUND DOCUMENTS**

None

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