

## AUDIT COMMITTEE

<b>Date of Meeting</b>	Monday, 26 September 2016
<b>Report Subject</b>	Internal Audit Charter
<b>Cabinet Member</b>	Not Applicable
<b>Report Author</b>	Internal Audit Manager
<b>Category</b>	Advisory

### EXECUTIVE SUMMARY

Public Sector Internal Audit Standards (PSIAS) require that the role, scope, independence, authority and responsibility of Internal Audit be formally defined in a charter. The charter must be reviewed periodically and approved by the Audit Committee. The current charter has been reviewed to ensure the charter meets all legal and regulatory requirements. This paper shows the results of that review.

### RECOMMENDATIONS

1	The committee is requested to consider and approve the updated Internal Audit Charter.
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### REPORT DETAILS

<b>1.00</b>	<b>EXPLAINING THE INTERNAL AUDIT CHARTER</b>
1.01	Internal Audit has had a charter since 2002. It was last updated in 2013 just after the publication of the PSIAS, which replaced the previous Code of Practice. It was approved by the Audit Committee at that time. Since then the PSIAS have been updated, and the Accounts and Audit (Wales) Regulations 2014 and 2015 have been published, all of which relate to Internal Audit. The current review takes into account the requirements of the acts and the recent changes to the PSIAS.

1.02	<p>It is a requirement of the standards that Internal Audit must have a charter, and they state what should be included within it. It must:-</p> <ul style="list-style-type: none"> <li>• define the activity's purpose, authority and responsibility;</li> <li>• establish the activity's position within the organisation and the reporting lines for the Internal Audit Manager;</li> <li>• authorise access to records, personnel and physical properties relevant to the performance of engagements;</li> <li>• define the scope of internal audit activities;</li> <li>• define the nature of assurance and consulting services provided to the organisation;</li> <li>• define the terms 'board' and senior management for the purposes of internal audit activity;</li> <li>• cover the arrangements for appropriate resourcing;</li> <li>• define the role of internal audit in any fraud-related work;</li> <li>• include arrangements to avoid conflicts of interest if undertaking non-audit work; and</li> <li>• recognise the mandatory nature of the Standards, Definition and Code of Ethics.</li> </ul> <p>The Charter must be approved by the 'board'.</p>
1.03	<p>The Accounts and Audit (Wales) Regulations reinforce the need for Internal Audit and the rights of access, stating that</p> <p>“ A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal audit standards or guidance”, and</p> <p>“Any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit make available such documents and records and supply such information and explanations as are considered necessary by those conducting the internal audit”.</p>
1.04	<p>The Charter meets the requirements of the standards. It gives the legal background to Internal Audit, and the mission and definition from the standards. It shows the code of ethics that auditors must comply with. It shows the independence and authority of internal audit; the role, scope and responsibility of the activity including fraud-related work. It also outlines the resources of the team, training requirements and reporting requirements.</p>
1.05	<p>Within Flintshire, the Charter is part of the Constitution. After approval by the Audit Committee it is intended to submit the Charter to the Constitution Committee.</p>
1.06	<p>The draft Charter is attached as Appendix A. Also attached for information is the existing Charter, as Appendix B.</p>

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	None as a result of this report.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	Draft Charter reviewed by Chief Executive, Monitoring Officer and s151 Officer.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	Internal Audit provides an independent, objective assurance to the Council by evaluating the effectiveness of risk management, control and governance processes. To do so it needs to be independent and have the necessary authority to fulfil that role, which helps reduce the overall risk to the Council. The Charter ensures that independence and authority within the Council.

<b>5.00</b>	<b>APPENDICES</b>
5.01	App A – draft update to Internal Audit Charter. App B – current Internal Audit Charter.

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	None.  <b>Contact Officer:</b> David Webster, Internal Audit Manager <b>Telephone:</b> 01352 702248 <b>E-mail:</b> david.webster@flintshire.gov.uk

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	None.