

AUDIT COMMITTEE

Date of Meeting	Wednesday, 27 th January 2021
Report Subject	Internal Audit Charter
Report Author	Internal Audit Manager
Type of Report	Assurance

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 continues to meet 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

1.00	EXPLAINING THE INTERNAL AUDIT PROGRESS REPORT
1.01	<p>The Internal Audit Charter has been in place since 2002. It was last updated in 2019 to reflect the Accounts and Audit (Wales) (Amendment) Regulations 2018 and the external assessment of service compliance with the PSIAS.</p> <p>The current review takes into account best practice recommendations around the content of Internal Audit Charter issued by the Institute of Internal Auditors (IIA) specifically around objectivity and independence and the scope of Internal Audit activities. The Charter has also been updated to reflect the arrangements to limit the impairment of independence and objectivity due to the Audit Managers line management of other services within the Council.</p>

1.02	<p>Few changes have been made to the Charter apart from reflecting arrangements to ensure continued independence and objectivity of the Internal Audit team, enhancing the content around the scope of Internal Audit activities and reflecting current ways of working, terminology and positions within the Council.</p> <p>To aid review the new areas within the Charter are detailed below:</p> <table border="0"> <thead> <tr> <th data-bbox="309 405 459 443">Section</th> <th data-bbox="507 405 799 443">New to the Charter</th> </tr> </thead> <tbody> <tr> <td data-bbox="309 456 459 495">Para 3.1</td> <td data-bbox="507 456 1283 533">Updated to provide clarity around the CIPFA guidance supplementing the PSIAS.</td> </tr> <tr> <td data-bbox="309 555 459 593">Para 4.9</td> <td data-bbox="507 555 1362 703">This paragraph has been added to reflect the arrangements in place to ensure the continued independence and objectivity of the Internal Audit team in line with IIA requirements.</td> </tr> <tr> <td data-bbox="309 725 459 763">Para 4.10</td> <td data-bbox="507 725 1382 904">This paragraph has been added to reflect the arrangements in place to limit the impairment of independence and objectivity due to the Audit Managers line management of other services within the Council. This content replaces para 4.13 in the 2019 Charter.</td> </tr> <tr> <td data-bbox="309 927 459 965">Section 5</td> <td data-bbox="507 927 1294 1003">Enhanced to reflect IIA best practice recommendations around the scope of Internal Audit activities.</td> </tr> <tr> <td data-bbox="309 1016 459 1055">Para 7.3</td> <td data-bbox="507 1016 1382 1128">Reflects the Audit Managers responsibility to communicate the impact of resource limitations to Senior Management and the Audit Committee, supplementing the content in Section 8.</td> </tr> <tr> <td data-bbox="309 1151 459 1189">Para 7.3</td> <td data-bbox="507 1151 1353 1227">Provides enhanced clarity around the content of the annual audit report to Audit Committee.</td> </tr> <tr> <td data-bbox="309 1240 459 1279">Para 10.6</td> <td data-bbox="507 1240 1382 1317">Enhanced content around the reporting responsibilities of the Audit Manager.</td> </tr> </tbody> </table>	Section	New to the Charter	Para 3.1	Updated to provide clarity around the CIPFA guidance supplementing the PSIAS.	Para 4.9	This paragraph has been added to reflect the arrangements in place to ensure the continued independence and objectivity of the Internal Audit team in line with IIA requirements.	Para 4.10	This paragraph has been added to reflect the arrangements in place to limit the impairment of independence and objectivity due to the Audit Managers line management of other services within the Council. This content replaces para 4.13 in the 2019 Charter.	Section 5	Enhanced to reflect IIA best practice recommendations around the scope of Internal Audit activities.	Para 7.3	Reflects the Audit Managers responsibility to communicate the impact of resource limitations to Senior Management and the Audit Committee, supplementing the content in Section 8.	Para 7.3	Provides enhanced clarity around the content of the annual audit report to Audit Committee.	Para 10.6	Enhanced content around the reporting responsibilities of the Audit Manager.
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1.03	<p>The Charter meets the requirements of the PSIAS standards. It gives the mission, definition and legal background to Internal Audit. It shows the code of ethics that auditors must comply with. It includes 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>																
1.04	<p>Within Flintshire, the Charter is part section 26 of the Constitution. After approval by the Audit Committee it is intended to submit the Charter to the Constitution and Democratic Services Committee for approval.</p>																
1.05	<p>To aid clarity and transparency two copies of the Internal Audit Charter are included. Appendix A shows where the changes have occurred, using tracked changes, whilst Appendix B shows the revised Charter without tracked changes.</p>																

2.00	RESOURCE IMPLICATIONS
2.01	None as a result of this report.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	The draft Charter has been shared with the Chief Executive, Monitoring Officer and Corporate Finance Officer (s151 Officer) for consideration.

4.00	RISK MANAGEMENT
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 the internal audit service has sufficient independence and authority within the Council.

5.00	APPENDICES
5.01	Appendix A – Internal Audit Charter including tracked changes. Appendix B – Internal Audit Charter without tracked changes.

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	None. Contact Officer: Lisa Brownbill, Internal Audit Manager Telephone: 01352 702231 E-mail: Lisa.brownbill@flintshire.gov.uk

7.00	GLOSSARY OF TERMS
7.01	PSIAS, Public Sector Internal Audit Standards: a set of standards that all Internal Audit teams working in the public sector must comply with. Corporate Governance: the system by which local authorities direct and control their functions and relate to their communities. It is founded on the basic principles of openness and inclusivity, integrity and accountability together with the overarching concept of leadership. It is an inter-related system that brings together the underlying set of legislative requirements, governance principles and management processes.

<p>Risk Management: the process of identifying risks, evaluating their potential consequences and managing them. The aim is to reduce the frequency of risk events occurring (wherever this is possible) and minimise the severity of their consequences if they occur. Threats are managed by a process of controlling, transferring or retaining the risk. Opportunities are managed by identifying strategies to maximise the opportunity or reward for the organisation.</p>
