

TEWKESBURY BOROUGH COUNCIL

Report to:	Audit Committee
Date of Meeting:	18 July 2018
Subject:	Internal Audit Charter
Report of:	Graeme Simpson, Head of Corporate Services
Corporate Lead:	Mike Dawson, Chief Executive
Lead Member:	Councillor E J MacTiernan, Lead Member for Corporate Governance
Number of Appendices:	1

Executive Summary:

Public Sector Internal Audit Standards (PSIAS) require the purpose, authority and responsibility of the internal audit activity must be formally defined in an Internal Audit Charter. The charter must be periodically reviewed by the Chief Audit Executive and presented to senior management and the board for approval. For the purpose of Tewkesbury Borough Council, the charter defines the 'board' as the Audit Committee and the 'chief audit executive' as the Head of Corporate Services.

Recommendation:

To APPROVE the Internal Audit Charter.

Reasons for Recommendation:

To ensure compliance with PSIAS it is a requirement that the 'board' i.e. Audit Committee approve the internal audit charter.

Resource Implications:

None directly arising from this report.

Legal Implications:

None directly arising from this report.

Risk Management Implications:

If a formal Internal Audit Charter is not approved then compliance with PSIAS cannot be demonstrated and internal audit's role within the organisation may not be clearly defined.

Performance Management Follow-up:

The charter will be periodically reviewed by the Head of Corporate Services with any significant changes reported to Audit Committee. The charter will also be presented at Audit Committee every three years irrelevant of whether changes have been identified or not.

Environmental Implications:

None.

1.0 INTRODUCTION/BACKGROUND

- 1.1** Standard 1000 of the Public Sector Internal Audit Standards (PSIAS) requires the purpose, authority and responsibility of the internal audit activity must be formally defined in an Internal Audit Charter. The charter must be periodically reviewed by the Chief Audit Executive (CAE) and presented to senior management and the board for approval. For the purpose of Tewkesbury Borough Council, the charter defines the 'board' as the Audit Committee and the 'chief audit executive' as the Head of Corporate Services.

2.0 INTERNAL AUDIT CHARTER

- 2.1** The Internal Audit Charter is a formal document that defines the internal audit activity's purpose, authority and responsibility. The Internal Audit Charter establishes the internal audit activity's position within the organisation, including the nature of the Chief Audit Executive's functional reporting relationship with the board; authorises access to records and defines the scope of internal audit activities. Final approval of the Internal Audit Charter resides with the board (Audit Committee).
- 2.2** The Internal Audit Charter must also; define the terms 'board' and 'senior management' for the purposes of internal audit activity; cover the arrangements for appropriate resourcing, define the role of internal audit in any fraud-related work; and include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities. The charter was last approved at Audit Committee on 22 March 2017.
- 2.3** In layman's terms, the charter is a document which if not in place would not detrimentally affect the performance of the internal audit team. It does; however, define for those who are not involved in the internal audit activity, what internal audit is, what it does, how it does it and provides assurance it does so in compliance with PSIAS.

3.0 AMENDMENTS TO THE CHARTER

- 3.1** As previously reported to Audit Committee, it is a requirement of PSIAS that, at least once every five years, an external assessment of the internal audit activity is undertaken by a qualified, independent assessor. This assessment took place in November 2017 and generated a report and a set of recommendations. The report was presented at Audit Committee on 28 March 2018 and a workshop was also held on 11 May 2018 to fully brief Committee Members on the contents of the report.

3.2 With regards to the recommendations, a small number of the 16 recommendations, related to updating the Internal Audit Charter. These relate to textual amendments to reflect:

- Include within the charter the core principles for the professional practice of internal auditing.
- Include within the charter, the safeguards to be put in place to protect the independence and objectivity of the CAE.
- Include information within the charter regarding audit's objectives and outcomes, how the CAE forms the annual audit opinion and how audit work will identify and address local and national issues and risks.
- Include the mission of internal audit within the charter.

Amendments to the charter, to take account of these have been included in bold. The amendments have been made as succinctly as possible to ensure the document remains a pragmatic one. This is particularly important as the assessor commented that the charter is one of the most approachable that she had seen. The updated charter can be found in Appendix 1.

4.0 OTHER OPTIONS CONSIDERED

4.1 None.

5.0 CONSULTATION

5.1 Audit Committee workshop.
Corporate Governance Group.

6.0 RELEVANT COUNCIL POLICIES/STRATEGIES

6.1 None.

7.0 RELEVANT GOVERNMENT POLICIES

7.1 Public Sector Internal Audit Standards.

8.0 RESOURCE IMPLICATIONS (Human/Property)

8.1 None directly linked to the internal audit charter. Resources are aligned to the annual internal audit plan.

9.0 SUSTAINABILITY IMPLICATIONS (Social/Community Safety/Cultural/ Economic/ Environment)

9.1 None.

10.0 IMPACT UPON (Value For Money/Equalities/E-Government/Human Rights/Health And Safety)

10.1 None directly linked to the charter.

11.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS

11.1 Audit Committee 22 March 2017.

Background Papers: None

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Appendices: Appendix 1 – Internal Audit Charter