

AUDIT COMMITTEE

DATE OF MEETING: 26 JULY 2022

TITLE OF REPORT: AUDIT CHARTER

Report of: Interim Internal Audit Manager

Cabinet Portfolio: Finance

Key Decision: No

Confidentiality: Non Exempt

PURPOSE OF REPORT

1. To seek approve to a revised internal audit charter.

RECOMMENDATION

2. That the Audit Committee review and approve the internal audit charter attached at Appendix 1.

BACKGROUND

3. The Public Sector Internal Audit Standards (PSAIS) require that the purpose, authority and responsibility of the internal audit service to be formally defined in an internal audit charter.
4. The current charter was approved by the Committee in 2017. As approved via Tier 2 savings, it is expected that one supplier will provide the internal audit service from April 2023. The charter has been reviewed and updated to reflect both the requirements of PSIAS and to ensure that it reflects the scope, responsibilities and objectives of internal audit that will be required under any future arrangement.

MAIN ISSUES

5. The PSIAS provide specific guidance on how internal audit should be carried out, how the internal audit function should be managed and assessed for effectiveness. PSIAS also includes the mandatory elements of the Global Institute of Internal Auditors' International Professional Practice Framework, namely - Mission of Internal Audit, Definition of Internal Audit, Core Principles and international standards for the professional practice of internal auditing and Code of Ethics. This information is required to be captured in the charter.
6. The PSIAS statements defining the Mission and Definition of Internal Audit are included in full in the charter.
7. The PSIAS comprises eleven Attribute and Performance Standards. The Attribute Standards address the characteristics required by those performing internal audit activities. Performance Standards describe the nature of internal audit activities and provide quality criteria against which performance of the service can be evaluated.

Attribute Standards: Purpose, authority and responsibility
 Independence and objectivity
 Proficiency and due professional care
 Quality assurance and improvement programme

Performance Standards: Managing the internal audit activity
Nature of work
Engagement planning
Performing the engagement
Communicating results
Monitoring progress
Communicating the acceptance of risks

8. The charter captures these Standards by simply stating that Internal Audit shall adhere to the PSIAS and associated guidance. The charter does however expand on certain aspects of the Standards, such as its authority, reporting lines, access to records and scope of its activities.
9. Internal auditors must comply with the Institute of Internal Auditors Code of Ethics – integrity, objectivity, confidentiality and competency. In addition, internal auditors must also have regard to the Committee on Standards of Public Life’s Seven Principles of Public Life (commonly known as the Nolan Principles). These requirements are contained in the charter.

CORPORATE GOVERNANCE CONSIDERATIONS

Relevance to the Corporate Plan and/or The Hart Vision 2040

10. Adopting the charter contributes to the Corporate Plan priority of delivering an efficient and effective Council.

Service Plan

- Is the proposal identified in the Service Plan? No
- Is the proposal being funded from current budgets? Yes
- Have staffing resources already been identified and set aside for this proposal?
Yes

Legal and Constitutional Issues

11. The Accounts and Audit Regulations 2015 require the Council to ‘undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance’.
12. The Audit Committee’s terms of reference within the Constitution (May 2022) do not give it the authority to approve the internal audit charter. However, the Audit Committee carries out the ‘Board’ functions as set out within the PSIAS. The Monitoring Officer considers it appropriate for the Committee to approve the internal audit charter.
13. A review of the Constitution is to be undertaken during 2022/23. If that has not been completed before the next Audit Committee meeting, a report proposing amended terms of reference will be presented to the Committee.

Financial and Resource Implications

14. There are no financial implications arising from this report.

Risk Management

15. The internal audit service is likely to be in non-conformance with the PSIAS if the internal audit charter does not reflect professional standards. This may have an adverse effect when seeking third party suppliers for the delivery of the service.

EQUALITIES

16. There are no equality issues arising from this report.

CLIMATE CHANGE IMPLICATIONS

17. No direct carbon/environmental impacts arising from the recommendations.

ACTION

18. The internal audit charter is approved.

**Contact Details: David Harwood, Interim Internal Audit Manager
David.Harwood@hart.gov.uk**

Appendices

Appendix A. Internal audit charter.

Background Papers: None