

COMMITTEE	AUDIT AND GOVERNANCE COMMITTEE
DATE	13 JULY 2017
TITLE	INTERNAL AUDIT CHARTER
PURPOSE	TO PRESENT THE INTERNAL AUDIT CHARTER TO THE COMMITTEE
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ACTION	TO APPROVE THE CHARTER

1. INTRODUCTION

1.1 The *Public Sector Internal Audit Standards* (“PSIAS”) came into force on 1 April 2013 (amended April 2017). One of the requirements of the Audit Standards is the need to set out an Internal Audit Charter. The Standards, and a supporting Local Government Application Note published by CIFPA, detail the necessary contents of an Internal Audit Charter for a Local Government Body.

1.2 According to the Standards and the Local Government Application Note, the necessary contents of an Internal Audit Charter for a Local Government Body are as follows:

- A formal definition of the purpose, authority and the responsibility of the internal audit activity, that is consistent with the Public Sector Internal Audit Standards (PSIAS).
- A definition of the terms ‘board’ and ‘senior management’, for the purposes of the internal audit activity (Note that it is expected that the audit committee will fulfil the role of the board in the majority of instances).
- Sets out the internal audit activity’s position within the organisation.
- Establish the Chief Audit Executive’s (CAE’s) functional reporting relationship with the board.
- Establish the accountability, reporting line and relationship between the CAE and those to whom the CAE may report administratively.
- Establish the responsibility of the board and also the role of the statutory officers (such as the Chief Finance Officer, the monitoring officer and the head of paid service) with regards to internal audit.
- Establish internal audit’s right of access to all records, assets, personnel and premises and its authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities.

- A definition of the scope of internal audit activities.
- A recognition that internal audit's remit extends to the entire control environment of the organization.
- Establish the organisational independence of internal audit.
- The arrangements for appropriate resourcing.
- A definition of the role of internal audit in any fraud-related work.
- Set out the existing arrangements within the organisation's anti-fraud and anti-corruption policies, to be notified of all suspected or detected fraud, corruption or impropriety.
- The arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities.
- A definition of the nature of assurance services provided to the organisation, as well as assurances provided to parties external to the organisation.
- A definition of the nature of consulting services.
- A recognition of the mandatory nature of the PSIAS.

1.3 The Financial Procedure Rules relating to Internal Audit (section 16.12 of the Constitution) quoted within the Charter have been updated to reflect amendments to duties that are already operational within the service following redesignation of responsibilities.

2. RECOMMENDATION

2.1 The Audit and Governance Committee is asked to receive and approve the contents of the Internal Audit Charter, to approve it, and support Internal Audit in its undertakings.