
Report To:	Audit Committee	Date:	27.02.18
Report By:	Corporate Director Environment, Regeneration and Resources	Report No:	AC/18/18/SA/APr
Contact Officer:	Andi Priestman	Contact No:	01475 712251
Subject:	INTERNAL AUDIT CHARTER		

1.0 PURPOSE

- 1.1 The purpose of this report is to present the revised Internal Audit Charter which sets out the purpose, authority and principal responsibilities of the Council's Internal Audit function.

2.0 SUMMARY

- 2.1 The existing terms of reference under which Internal Audit operates require to be reviewed and revised to take account of current best practice and the requirements contained within the most recent edition of the Public Sector Internal Audit Standards and associated CIPFA guidance on the role of the Head of Internal Audit.
- 2.2 The proposed Internal Audit Charter has been prepared by the Chief Internal Auditor and is based on recognised best practice identified by the Chartered Institute of Internal Auditors. **Appendix 1**
- 2.3 The Charter clarifies the purpose of the Internal Audit function and details its principal roles and responsibilities. The document largely codifies existing practice and does not alter the existing role of Internal Audit or signify any change in how Internal Audit will discharge its role. Accordingly, there are no significant new developments or issues arising from the revised Internal Audit Charter which require to be highlighted.
- 2.4 The Charter also sets out the requirement for an external assessment to be carried out once every 5 years. The first external assessment will be carried out by June 2018.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that Members approve the updated Internal Audit Charter and note the requirement for an external assessment to be carried out.

Scott Allan
Corporate Director
Environment, Regeneration and Resources

4.0 BACKGROUND

- 4.1 The Public Sector Internal Audit Standards (PSIAS) are based on the mandatory elements of the International Professional Practices Framework (IPPF) of the Global Institute of Internal Auditors (IIA) and are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of internal audit across the public sector. The Standards have been revised from 1 April 2017 to reflect the latest changes in the IPPF.
- 4.2 Standard 100 of the PSIAS sets out the requirement for an Internal Audit Charter which is a formal document that defines the Internal Audit activity's purpose, authority and responsibility and establishes the Internal Audit activity's position within the organisation. Final approval of the Internal Audit Charter resides with the Audit Committee.
- 4.3 The Charter was last reviewed in May 2012 and will be subject to a formal review every 5 years.

5.0 CURRENT STATUS

- 5.1 The existing terms of reference under which Internal Audit operate require to be reviewed and revised to take account of current best practice and the requirements contained within the most recent edition of the Public Sector Internal Audit Standards and associated CIPFA guidance on the role of the Head of Internal Audit.
- 5.2 The proposed Internal Audit Charter has been prepared by the Chief Internal Auditor and is based on recognised best practice identified by the Chartered Institute of Internal Auditors.
- 5.3 The Charter clarifies the purpose of the Internal Audit function and details its principal roles and responsibilities. The document largely codifies existing practice and does not alter the existing role of Internal Audit or signify any change in how Internal Audit will discharge its role. Accordingly, there are no significant new developments or issues arising from the revised Internal Audit Charter which require to be highlighted.
- 5.4 The Charter also sets out the requirement for an external assessment to be carried out once every 5 years. The first external assessment will be carried out by June 2018.

6.0 IMPLICATIONS

6.1 Finance

An external review as part of the quality assurance and improvement framework is required every 5 years.

Financial Implications:

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report	Virement From	Other Comments
Environment, Regeneration and Resources	TBC	2018-2019	Circa £12,000		The cost of the external assessment will be contained within the overall ERR budget.

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (If Applicable)	Other Comments
N/A					

6.2 Legal

There are no direct legal implications arising from this report.

6.3 Human Resources

There are no direct HR implications arising from this report.

6.4 Equalities

There are no direct equalities implications arising from this report.

6.5 Repopulation

There are no direct repopulation implications arising from this report.

7.0 CONSULTATIONS

7.1 The CMT has been consulted on the revised Internal Audit Charter.

8.0 LIST OF BACKGROUND PAPERS

8.1 Public Sector Internal Audit Standards. Copy available from the Chief Internal Auditor.

Purpose

The purpose of Inverclyde Council's Internal Audit activity is to provide independent, objective assurance and advisory services designed to add value and improve the Council's operations. The mission of Internal Audit is to enhance and protect organisational value by providing risk-based and objective assurance and advice. The Internal Audit activity helps Inverclyde Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.

Professional Standards

The Internal Audit team operates in accordance with the Public Sector Internal Audit Standards (PSIAS) and will additionally adhere to the Code of Ethics as contained within the PSIAS. The Chief Internal Auditor will report periodically to senior management and Audit Committee regarding the Internal Audit team's conformance to the Code of Ethics and the Standards.

Authority

The Chief Internal Auditor reports functionally to the Council's Monitoring Officer. The Chief Internal Auditor has a right of access and freedom to report in her own name to all officers and members and particularly those charged with governance. This reporting structure protects the independence of the Chief Internal Auditor and promotes an appropriate profile for the Internal Audit team throughout the organisation.

To establish, maintain and assure the Council's Internal Audit team has sufficient authority to fulfil its duties, the Audit Committee will:

- Approve the Internal Audit activity's charter.
- Approve the risk-based Internal Audit plan.
- Receive regular reports from the Chief Internal Auditor on the Internal Audit team's performance relative to its plan and other matters.

The Chief Internal Auditor or an authorised representative shall have authority to:

- Enter at all reasonable times any of the Council's premises or land.
- Have access to all records, documents and correspondence relating to the Council, wherever they are held.
- Require and receive such explanations as are necessary concerning any matter under examination.
- Require any employee of the Council to produce any of the Council's property, including property held by the Council as security or on the behalf of others, under that employee's control.

In carrying out their duties, Internal Auditors will have full and unrestricted access to all Council functions, records, property and personnel necessary for their work.

Independence and Objectivity

The Chief Internal Auditor will ensure that the Internal Audit team remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing and report content.

The Internal Audit team will maintain an unbiased mental attitude that allows them to perform engagements objectively. Internal Audit will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgements.

The Internal Audit team will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records or engage in any other activity that may impair their judgement.

The Chief Internal Auditor will confirm to the Audit Committee at least annually the organisational independence of the Internal Audit team.

Scope of Internal Audit Activities

The scope of the Internal Audit activity encompasses:

- Strategic development of the Internal Audit function to best meet the Council's needs.
- The continuous professional examination and evaluation of the overall adequacy and effectiveness of the Council's system of internal control ensuring risk inherent in the business is adequately identified, evaluated and managed and providing advice on control implementation.
- Agreeing with management improvements to the control environment where considered desirable or necessary and monitoring and reporting on the implementation of these remedial actions by management.
- Reviewing the reliability, integrity and timeliness of financial and operational information supplied to management and to the members, and the means used to identify, measure, classify and report such information.
- Reviewing the systems and controls established to ensure compliance with those policies, plans, procedures, laws and regulations which have specific impact on the Council.
- Reviewing the means used to safeguard assets and, as appropriate the existence of such assets.
- Assisting the s95 Officer in the discharge of statutory responsibilities as "proper officer" for ensuring the proper administration of the Council's financial affairs.
- Undertaking National Fraud Initiative and other investigations of suspected frauds and irregularities and contributing to the promotion of an anti-fraud culture within the Council.
- Supporting management in respect of disseminating control best practice and promoting risk awareness throughout the Council, including during key business change initiatives.
- Working closely with the external auditors to ensure the maximum benefit is achieved for the Council from their respective roles and that any duplication of effort is eliminated.

Internal Audit Plan

At least annually, the Chief Internal Auditor will submit to senior management and the Audit Committee a risk-based Internal Audit plan for review and approval. The Internal Audit plan will consist of a work schedule as well as budget and resource requirements for the next financial year. The Chief Internal Auditor will communicate the impact of any resource limitations and significant interim changes to senior management and the Audit Committee.

The Internal Audit plan will be developed based on a prioritisation of the audit universe using a risk-based methodology, including input from senior management and the Audit Committee. The Chief Internal Auditor will review and adjust the plan as necessary in response to any changes in the Council's operations, risks, programmes, systems and controls. Any significant deviation from the approved Internal Audit plan will be communicated to senior management and the Audit Committee through periodic activity reports.

Reporting and Monitoring

A written report will be prepared and issued by the Chief Internal Auditor or designated officer following the conclusion of each Internal Audit engagement and will be distributed as appropriate.

The Internal Audit Report will include management's agreed actions taken or to be taken in regard to specific findings identified together with a timetable for implementation. The Internal Audit team will be responsible for appropriate follow-up of agreed actions. Progress on action plan implementation will be communicated to senior management and the Audit Committee through periodic Internal Audit activity reports.

Quality Assurance

The Internal Audit activity will maintain a quality assurance and improvement programme that covers all aspects of the Internal Audit activity.

The Chief Internal Auditor will communicate to senior management and the Audit Committee on the Internal Audit activity's quality assurance and improvement programme including results of ongoing internal assessments and external assessments conducted at least every 5 years.