



CORPORATE GOVERNANCE COMMITTEE
25 NOVEMBER 2016

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

THE INTERNAL AUDIT CHARTER

Purpose of Report

1. The purpose of this report is to: -
 - a. Inform the Committee about additions to the Public Sector Internal Audit Standards (the PSIAS)
 - b. Seek the approval of the Committee to amend the revised Internal Audit Charter so that it contains the aforementioned additions.

Background

2. The 'Relevant Internal Audit Standard Setters' (RIASS) in the UK (for which CIPFA represents local government), adopted from 1 April 2013 a common set of Public Sector Internal Audit Standards (the PSIAS). The PSIAS encompass the mandatory elements of the Global Institute of Internal Auditors (IIA Global) International Professional Practices Framework (IPPF).
3. Additional requirements and interpretations for the UK public sector are inserted into the PSIAS. A Local Government Application Note (LGAN) developed by CIPFA guides the Head of Assurance Services when undertaking the role of Head of Internal Audit Service (HoIAS) in consistently applying the PSIAS.
4. The revised Accounts and Audit Regulations (2015) now reflect the PSIAS by stating that, '*A relevant local authority must 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*'.
5. Following changes to the IPPF in 2015, two additions to the PSIAS were adopted from 1 April 2016, namely the Mission of Internal Audit and Core Principles for the Professional Practice of Internal Auditing.
6. The PSIAS require that the purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter (the Charter), and the HoIAS must periodically review the Charter and have it approved.

Additions to the PSIAS 2016

7. The Mission of Internal Audit articulates what the internal audit activity aspires to accomplish within an organisation. Its place in the IPPF is deliberate, demonstrating how practitioners should leverage the entire framework to facilitate their ability to achieve the Mission. The PSIAS define the Mission of internal audit as, '*To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight*'.
8. The Core Principles, taken as whole, point to an effective internal audit function i.e. what 'good' internal audit looks like. The Principles are: -
 - Demonstrates integrity.
 - Demonstrates competence and due professional care.
 - Is objective and free from undue influence (independent).
 - Aligns with the strategies, objectives, and risks of the organisation.
 - Is appropriately positioned and adequately resourced.
 - Demonstrates quality and continuous improvement.
 - Communicates effectively.
 - Provides risk-based assurance.
 - Is insightful, proactive, and future-focused.
 - Promotes organisational improvement.
9. The HoIAS is confident that both the Mission of Internal Audit and the Core Principles align to the current approach to providing the internal audit function at the County Council. Nevertheless, the LGAN will be revised to provide additional guidance and examples of how achievement can be demonstrated, but this is not likely to be issued until April 2017.
10. Further changes to the IPPF are to be implemented in January 2017 and they will be reflected in a further update to the PSIAS later in that year.

The Internal Audit Charter for Leicestershire County Council

11. The Charter establishes the internal audit function's position within the Council, including the nature of the HoIAS' functional reporting relationship with the Corporate Governance Committee (the Committee); authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities. Final approval of the Charter resides with the Committee.
12. Providing a formal, written Charter is important to managing the provision of internal audit activity by LCCIAS. The Charter provides a recognised statement for review and acceptance by the Council's Corporate Management Team and for approval by the Committee. It also facilitates a periodic assessment by the HoIAS of the adequacy of the internal audit activity's purpose, authority and responsibility and whether LCCIAS continues to be adequate and accomplish its objectives.

13. In this first revision of the Charter, the HoIAS has taken account of the additional requirements of the PSIAS and amendments to the Accounts and Audit Regulations (2015). The revised Charter has 8 distinct sections: -

Section Content

1	Introduction
2	Mission of Internal Audit (new)
3	Purpose (PSIAS definition of the internal audit activity)
4	The Core Principles (new)
5	Definitions (including the Board and Senior Management)
6	Authority (afforded to the internal audit activity) (updated)
7	Responsibility (of the Committee, CMT and the HoIAS)
8	The scope of the internal audit activity

14. The Internal Audit Charter (November 2016) is included as Appendix 1.

Resource Implications

15. The determination of resource to undertake internal audit activity is referred to at various points throughout the Charter.

Equality and Human Rights Implications

16. There are no discernible equality and human rights implications resulting from the audits listed.

Recommendation

17. That the Committee: -
- a. Notes the additions to the Public Sector Internal Audit Standards (the PSIAS)
 - b. Approves the revised Internal Audit Charter (November 2016)

Background Papers

The Constitution of Leicestershire County Council

Reports to the Corporate Governance Committee 10 February, 12 May, and 23 September, 2014 - Progress on implementing the Public Sector Internal Audit Standards (PSIAS).

Report to Corporate Governance Committee 24 November 2014 – The Internal Audit Charter

Circulation under the Local Issues Alert Procedure

None.

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Appendices

Appendix 1 - The Internal Audit Charter – November 2016