

<b>TITLE</b>	<b>Internal Audit Charter</b>
<b>FOR CONSIDERATION BY</b>	Audit Committee on 28 September 2016
<b>WARD</b>	None Specific
<b>DIRECTOR</b>	Catherine Hickman, Service Manager – Shared Audit & Investigation Service (and Head of Internal Audit)

## **OUTCOME / BENEFITS TO THE COMMUNITY**

The Internal Audit Charter describes the purpose, authority, responsibilities and other relationships of the council's Internal Audit Service. As such, it is a key document in respect of the council's internal control, risk management and corporate governance framework.

## **RECOMMENDATION**

That the Audit Committee consider and approve the Internal Audit Charter (attached) with the changes highlighted.

## **SUMMARY OF REPORT**

As part of the effectiveness of internal audit review conducted in June 2016 there were actions identified in relation to amending the Internal Audit Charter to bring it in line with the new Public Sector Internal Audit Standards (PSIAS) that were revised in April 2016. The changes are tracked in the document but are as follows:

- Bullet 10 on Independence clarifying access arrangements for Head of Internal Audit directly to the Chair of the Audit Committee, where appropriate.
- Bullet 12 on the Objectives of Internal Audit, the first sub-bullet point makes a clearer alignment with the Audit and Accounts Regulations 2015 terminology and requirements.
- Bullet 13 on the Objectives of Internal Audit that enables the use of Internal Audit assurance for 3<sup>rd</sup> party purposes. (PSIAS 1000.A1).
- Bullet 27 on the Audit Style and Content defines the scope and nature of consultancy services provided by internal audit and the ability for this work to contribute to the overall opinion. (PAIAS 1000.C1).
- Bullet 33 on Audit Reporting formally documents the role of the Head of Paid Service in relation to the Head of Internal Audit's appraisal and includes the Chair of the Audit Committee's input into the appraisal. (Public Sector interpretation of 1110).

## **Background**

The Internal Audit Charter sets out to communicate key information around the following areas:

- The purpose or authority of Internal Audit and its definition.
- The role, purpose and function of Internal Audit with a stress on the independence to preserve objectivity.

- The objectives of internal audit and the scope of the audit function.
- The professional standards and ethics to be followed by Internal Audit and its employees.
- Reference to the responsibilities retained by Council's management.
- Audit style content and content including reference to a prepared audit protocol.
- Audit resources and training.
- Audit reporting.

The Internal Audit Charter shall be subject to annual review and approval by the Audit Committee.

### Analysis of Issues

The Internal Audit Charter provides the authority for the practice of Internal Audit in the council and is a key governance document in this respect. The Audit Committee should consider whether the Charter provides Internal Audit with the necessary authority to enable it to fulfil its responsibilities in providing independent and objective assurance to the Audit Committee.

### FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

***The Council faces severe financial challenges over the coming years as a result of the austerity measures implemented by the Government and subsequent reductions to public sector funding. It is estimated that Wokingham Borough Council will be required to make budget reductions in excess of £20m over the next three years and all Executive decisions should be made in this context.***

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	N/A	Yes	N/A
Next Financial Year (Year 2)	N/A	Yes	N/A
Following Financial Year (Year 3)	N/A	Yes	N/A

### Other financial information relevant to the Recommendation/Decision

Not applicable

### Cross-Council Implications

Not applicable

### List of Background Papers

None

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