

TITLE	Internal Audit Charter
FOR CONSIDERATION BY	Audit Committee on 25 July 2018
WARD	None Specific;
DIRECTOR	Director of Corporate Services - Graham Ebers

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

The Audit Committee is asked to consider and approve the Internal Audit Charter (attached) with the changes highlighted.

SUMMARY OF REPORT

As part of the effectiveness of internal audit external review conducted by the Chartered Institute of Public Finance and Accountancy (CIPFA) there were actions identified in relation to amending the Internal Audit Charter to bring it in line with the Public Sector Internal Audit Standards (PSIAS) that were revised in 2017. The changes are tracked in the document and include minor changes and formatting alterations but the main areas changed are as follows:

- (R1) Para 5 – Addition of the Shared Audit and Investigation Service (SAIS) Mission Statement as required by the revised (2017) PSIAS, which conforms to the specific wording of the PSIAS.
- (S2) Para 5 – Clarification that Assistant Director, Governance performs the function of the Chief Audit Executive for the two Councils of the Shared Service in to the Audit Charter.
- (R2) Para 18 – Inclusion of reference to the core principles of internal audit plus the other mandatory guidance along with replacing the generic term 'board' with the Audit Committee.
- (R3) Para 12 – Amendment of the audit charter and the audit protocol between the SAIS and Wokingham Borough Council, to set out clearly the potential impairment to the Chief Audit Executive's independence and objectivity from directly managing a range of services that the SAIS may review, and how and where the SAIS will report the results of audits carried out in these areas. (PSIAS 1000 Purpose, Authority and Responsibility).

Appendix A shows the Audit Charter with tracked changes. Appendix B presents a clean copy of the Audit Charter after changes have been made.

Key:-

R – PSIAS Recommendation

S – PSIAS Suggestion

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 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

Reasons for considering the report in Part 2
Not applicable

List of Background Papers
None

Contact Catherine Hickman	Service Governance
Telephone No Tel: 07917 265742	Email catherine.hickman@wokingham.gov.uk