

STAFFORDSHIRE MOORLANDS DISTRICT COUNCIL

Report to Audit & Accounts Committee

25 June 2021

TITLE:	Internal Audit Charter
PORTFOLIO HOLDER:	Councillor Sybil Ralphs - Council Leader SMDC
CONTACT OFFICER:	John Leak – Head of Audit
WARDS INVOLVED:	Non-Specific

Appendices Attached:

Appendix 1 Internal Audit Charter

1. Reason for the Report

- 1.1 The Accounts and Audit Regulations 2015 requires the Council to “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”. The Audit Charter provides a framework for the operation of the Internal Audit service and is required by the Public Sector Internal Audit Standards (PSIAS) which require the Charter to be approved by the ‘Board’, which for the Council’s purpose is the Audit & Accounts Committee.

2. Recommendation

- 2.1 That the Committee approve the Council’s updated Internal Audit Charter.

3. Executive Summary

- 3.1 The Internal Audit Charter is a formal document that defines Internal Audit’s purpose, authority and responsibility. The Charter establishes Internal Audit’s position within the organisation, including the nature of the Head of Audit’s functional reporting relationship with the Audit Committee; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of Internal Audit’s activities.
- 3.2 The Internal Audit Charter has been updated to ensure continued compliance with the requirements of the PSIAS effective from March 2017 and is attached as **Appendix 1**.

4. How this report links to Corporate Priorities

- 4.1 The assurance provided by the work of Internal Audit informs the Annual Governance Statement and therefore helps to confirm effective use of financial and other resources to ensure value for money.

5. Alternative Options

- 5.1 Approve the updated Internal Audit Charter (*Recommended*). The Council will have a formal document that defines Internal Audit's purpose, authority and responsibility and is in accordance with the requirements of Public Sector Internal Audit Standards, and therefore the Accounts and Audit Regulations 2015.
- 5.2 Do not approve the updated Internal Audit Charter (*Not Recommended*). The Council will not be complying with the Accounts and Audit Regulations 2015 requirement to "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".

ANDREW P STOKES **Chief Executive**

Web Links and **Background Papers**

Public Sector Internal
Audit Standards

Location

Internal Audit

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6. Detail

- 6.1 The Internal Audit Charter provides a framework for the operation of the Internal Audit service and is required by the PSIAS. PSIAS require the Charter to be approved by the 'Board', which for the Council's purpose is the Audit & Accounts Committee.
- 6.2 The Internal Audit Charter is a formal document that defines Internal Audit's purpose, authority and responsibility. The PSIAS require that it should:
- recognise the mandatory nature of the PSIAS;
 - define the scope of internal audit activities;
 - establish the responsibilities and objectives of internal audit;
 - establish the organisational independence of internal audit;
 - establish the accountability, reporting lines and relationships between the Head of Audit and the Audit Committee and those to whom the Head of Audit reports to functionally and administratively;
 - set out the responsibility of the Audit Committee and also the role of the statutory officers with regards to internal audit;
 - set out the arrangements that exist within the organisations counter-fraud and corruption strategy, requiring the Head of Audit to be notified of all suspected or detected fraud, corruption or impropriety, to inform the annual internal audit opinion and the risk-based plan;
 - recognise that internal audit's remit extends to the entire control environment of the organisation and not just financial controls;
 - establish internal audits right of access to all records, assets, personnel and premises, including those of partner organisations where appropriate, and its authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities.
- 6.3 The PSIAS also specifies that the Internal Audit Charter must:
- define the terms "board" and "senior management" for the purposes of internal audit activity;
 - cover the arrangements for appropriate resourcing;
 - define the role of internal audit in any fraud related work; and
 - describe safeguards to limit impairments of independence or objectivity if internal audit or the Head of Audit undertakes non-audit activities.
- 6.4 The current Internal Audit Charter was previously approved by this Committee in February 2017. The Charter has therefore been reviewed and updated to ensure continued compliance with the requirements of the PSIAS effective from March 2017 (**Appendix 1**).
- 6.5 The Internal Audit Charter will be reviewed periodically or in the event of any significant changes. Updated versions will be submitted to the Audit & Accounts Committee for approval when required.