

EXETER CITY COUNCIL
AUDIT AND GOVERNANCE COMMITTEE
26 JUNE 2013

INTERNAL AUDIT CHARTER

1. PURPOSE OF THE REPORT

- 1.1 This report sets out the requirement for the Internal Audit Charter, the purpose of which is to define what Internal Audit is and explain its purpose, authority and responsibility.

2. BACKGROUND

- 2.1 The Internal Audit service previously worked to CIPFA's Code of Practice for Internal Audit in Local Government. This standard was replaced with the Public Sector Internal Audit Standards (PSIAS) from 1 April 2013.

- 2.2 The objectives of the PSIAS are to:

- define the nature of internal auditing with the UK public sector
- set basic principles for carrying out internal audit in the UK public sector
- establish a framework for providing internal audit service, which add value to the organisation, leading to improved organisational processes and operations, and
- establish the basis for the evaluation of internal audit performance and to drive improvement planning

- 2.3 Section 5 1000 of the PSIAS states that 'the purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the PSIAS *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*.

3. INTERNAL AUDIT CHARTER

- 3.1 As a result of the changes above, the Internal Audit Charter has now been reviewed and updated to meet the requirements of the PSIAS and a draft is attached to this report. This was reviewed and approved by the Strategic Management Team on 14 May 2013.

- 3.2 The internal audit charter is a formal document that defines the internal audit activity's purpose, authority and responsibility. It establishes the internal audit activity's position within the organisation; 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 internal audit charter resides with the Audit and Governance Committee.

- 3.3 In addition to the above, for public sector bodies the charter must also:

- 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
- include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities

4. RECOMMENDATION

It is recommended that:

- 4.1 the Audit and Governance Committee approve the Internal Audit Charter
- 4.2 the Internal Audit Charter is reviewed and approved once every two years by the Audit and Governance Committee, as required by the PSIAS.

Helen Kelvey and Helen Putt
Senior Auditors

Local Government (Access to Information) Act 1985 (as amended)
Background papers used in compiling this report:

None