

TITLE OF REPORT: Review of Internal Audit Charter

REPORT OF: Darren Collins, Strategic Director, Corporate Resources

Purpose of the Report

- 1 This report informs Committee of the review of the Internal Audit Charter.

Background

- 2 The purpose, authority and responsibility of Internal Audit must be formally defined in an Internal Audit Charter, consistent with the definition of Internal Auditing outlined in Public Sector Internal Audit Standards (PSIAS). The Chief Internal Auditor must periodically review the internal audit charter and present it for approval.
- 3 The Public Sector Internal Audit Standards (PSIAS), that came into effect from April 2013, define internal audit as:

‘an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.’
- 4 These standards are based on the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF), are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of internal audit across the public sector.
- 5 The PSIAS have been revised from 1 April 2017 in line with new and revised IPPF Global standards and consequently amendments have been made to incorporate the additional public sector requirements and interpretations.
- 6 The Internal Audit Charter attached at Appendix 1 has therefore been revised to accommodate the changes made to the PSIAS. It was last presented to Committee in October 2016 and report seeks comments on and approval of the Internal Audit Charter in line with best practice.

Revised Internal Audit Charter

- 7 A key element of compliance with PSIAS is the periodic review and approval by the Audit and Standards Committee of an Internal Audit Charter. The Charter is a formal document that defines Internal Audit's purpose, authority and responsibility setting out the Chief Internal Auditor's functional reporting relationships, authorises rights of access for internal audit staff and defines the scope of internal audit activity. Final approval of the Internal Audit Charter resides with the Audit and Standards Committee.
- 8 The main points and changes to the PSIAS and subsequently the Internal Audit Charter are summarised as follows:
 - Emphasis on proper safeguards being in place where the Chief Audit Executive has roles beyond Internal Audit.
 - The Standards now explicitly refer to the service considering 'trends and emerging issues that could impact on the organisation'.
 - Specifically references that the Service should be 'future focussed and continually add value to the organisation'.
 - Inclusion of a new interpretation relating to reliance on other assurance providers.

Recommendation

- 9 The Committee is asked to approve the revised Internal Audit Charter to comply with Public Sector Internal Audit Standards.