

AUDIT COMMITTEE	AGENDA ITEM No. 7
8 FEBRUARY 2010	PUBLIC REPORT

Cabinet Member(s) responsible:	Councillor Seaton, Cabinet Member for Resources	
Committee Member(s) responsible:	Councillor M Dalton, Chair of Audit Committee	
Contact Officer(s):	Steve Crabtree, Chief Internal Auditor	☎ 384557

INTERNAL AUDIT - CHARTER

RECOMMENDATIONS	
FROM : John Harrison, Director of Strategic Resources	Deadline date : N/A
The Audit Committee is asked to:- 1. To approve the terms of reference document for Internal Audit, known as the Internal Audit Charter.	

1. ORIGIN OF REPORT

This report is submitted to the Audit Committee following a recent update of the Internal Audit Charter.

2. PURPOSE AND REASON FOR REPORT

The purpose of this report is to gain approval to, and consider any comments that the Audit Committee may have on, the Internal Audit Charter.

3. TIMESCALE

Is this a Major Policy Item / Statutory Plan?	NO	If Yes, date for relevant Cabinet Meeting	N/A
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4. INTERNAL AUDIT CHARTER

4.1 An audit charter is a written statement of the purpose, authority, role, scope and principal responsibilities of an Internal Audit section. It is required because of the unique way in which such a section functions. Internal Audit needs authority to act outside its own departmental boundaries, in all parts of the Council, so as to provide those charged with governance independent assurance over the control environment. This requirement cuts across other hierarchical reporting lines.

4.2 This CIPFA Code of Practice specifies the need for an Internal Audit Charter approved by those charged with governance. Of particular importance is the need for Internal Audit to be independent. It should have no operational responsibilities, and the Head of Internal Audit should have direct access and freedom to report in his own name, without fear or favour, to all officers and members and particularly those charged with governance. The status of the Internal Audit section, in terms of its reporting lines and the seniority of the Head of Internal Audit is a fundamental aspect of independence.

4.3 It is also important that the scope of Internal Audit is not unduly limited. It should cover the whole control environment comprising risk management, internal control and governance.

It should include all the Council's operations, systems, projects, resources, services and responsibilities in relation to other bodies.

4.4 As well as covering the above points, the Internal Audit Charter describes certain audit protocols, so that management understand their responsibilities in the audit process and are made aware of what they can expect from Internal Audit.

4.5 The Internal Audit Charter has recently been refreshed to reflect best practice and is attached at **Appendix A**. Once approved, it will be distributed widely across the Council.

5 ANTICIPATED OUTCOMES

Approval of the Internal Audit Charter.

6 REASONS FOR RECOMMENDATIONS

The Council is subject to the Accounts and Audit Regulations and, as such, must make provision for Internal Audit in accordance with the CIPFA Code of Practice. This code specifies the need for an Internal Audit Charter approved by those charged with governance.

7 ALTERNATIVE OPTIONS CONSIDERED

The lack of an approved Internal Audit Charter is not an option, given the implications outlined below.

8 IMPLICATIONS

There would be a legal implication if an Internal Audit service was not provided for effectively, and if mechanisms were not in place to carry out a review of internal control, governance and risk management as a basis for the Annual Governance Statement.

9 BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985)

CIPFA Code of Practice for Internal Audit in Local Government in the UK
Accounts and Audit Regulations
Local Government Act 1972