

GWYNEDD COUNCIL

COMMITTEE	AUDIT COMMITTEE
DATE	18 JULY 2013
TITLE	INTERNAL AUDIT CHARTER
PURPOSE	TO PRESENT A CHARTER FOR THE INTERNAL AUDIT SERVICE TO THE COMMITTEE
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ACTION	TO APPROVE THE CHARTER

I. INTRODUCTION

- I.1 Terms of Reference for Internal Audit, prepared in accordance with the requirements of CIPFA's *Code of Practice for Internal Audit in Local Government in the United Kingdom 2006*, were adopted by the Audit Committee on 27 September 2012.
- I.2 The *Public Sector Internal Audit Standards* ("PSIAS") came into force on 1 April 2013, to supersede the CIPFA Code of Practice. One of the requirements of the new Internal Audit Standards is the need to set out an Internal Audit Charter instead of "Terms of Reference". The Standards, and a supporting Local Government Application Note published by CIPFA, detail the necessary contents of an Internal Audit Charter for a Local Government Body.
- I.3 The Local Government Application Note remarks that a comparison between the Terms of Reference required under the 2006 Code and an Internal Audit Charter shows only the following differences:
- The Terms of Reference had to identify internal audit's contribution to the review of the effectiveness of the control environment and required and enabled the Head of Internal Audit to deliver the annual audit opinion, and
 - the PSIAS asks for mostly the same content as in the Terms of Reference apart from those specific points set out in the public sector requirement to "PSIAS 1000". These requirements are the last four bullet points in the list in paragraph I.4 below.
- I.4 According to the Standards, and the Local Government Application, the necessary contents of an Internal Audit Charter for a Local Government Body are as follows:
- A formal definition of the purpose, authority and the responsibility of the internal audit activity, that is consistent with the Public Sector Internal Audit Standards (PSIAS).
 - A definition of the terms 'board' and 'senior management', for the purposes of the internal audit activity (Note that it is expected that the audit committee will fulfil the role of the board in the majority of instances).
 - Sets out the internal audit activity's position within the organisation.
 - Establish the Chief Audit Executive's (CAE's) functional reporting relationship with the board.

- Establish the accountability, reporting line and relationship between the CAE and those to whom the CAE may report administratively.
- Establish the responsibility of the board and also the role of the statutory officers (such as the Chief Finance Officer, the monitoring officer and the head of paid service) with regards to internal audit.
- Establish internal audit's right of access to all records, assets, personnel and premises and its authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities.
- A definition of the scope of internal audit activities.
- A recognition that internal audit's remit extends to the entire control environment of the organization.
- Establish the organisational independence of internal audit.
- The arrangements for appropriate resourcing.
- A definition of the role of internal audit in any fraud-related work.
- Set out the existing arrangements within the organisation's anti-fraud and anti-corruption policies, to be notified of all suspected or detected fraud, corruption or impropriety.
- The arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities.
- A definition of the nature of assurance services provided to the organisation, as well as assurances provided to parties external to the organisation.
- A definition of the nature of consulting services.
- A recognition of the mandatory nature of the PSIAS.

1.5 Consideration was given to the above when reviewing the Internal Audit Terms of Reference, and adopting them in order to create and Internal Audit Charter for Gwynedd Council.

2. RECOMMENDATION

2.1 The Audit Committee is asked to receive and approve the contents of the Internal Audit Charter, to approve it, and support Internal Audit in its undertakings.