

# GOVERNANCE COMMITTEE

6<sup>th</sup> June 2017

## REPORT OF HEAD OF INTERNAL AUDIT

### INTERNAL AUDIT CHARTER & STRATEGY

#### 1.0 PURPOSE OF REPORT

- 1.1 To provide Members with a copy of the Internal Audit Charter and Strategy for review and approval.

#### 2.0 RECOMMENDATIONS

- 2.1 **That Members review and approve the Internal Audit Charter.**

#### 3.0 INTERNAL AUDIT CHARTER

- 3.1 The Public Sector Internal Audit Standards define the internal audit charter as 'a formal document that defines the internal audit activity's purpose, authority and responsibility. The internal audit charter establishes the internal audit activity's position within the organisation, including the nature of the chief audit executive's functional reporting relationship with the board; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities'.

- 3.2 Since 1<sup>st</sup> April 2017, the Internal Audit service has been formally delegated to LGSS. As such, at this point the Head of Internal Audit has undertaken a review of the Internal Audit Charter and Strategy, and has updated this to reflect best practice and the standard approach adopted across the LGSS client base.

- 3.3 The Committee should note that the key changes the updated Charter introduces are in relation to the assurance ratings for each audit assignment. The updated Charter introduces five assurance ratings for the design and compliance with controls, as follows:

- Substantial Assurance
- Good Assurance
- Satisfactory Assurance
- Limited Assurance
- No Assurance

- 3.4 Furthermore, under the proposed approach, an assurance rating will be given in relation to each of the following:

Control Environment – whether controls are robustly designed and whether there are any control weaknesses that impact upon the control environment;

Compliance – whether the controls are being consistently and effectively exercised in practice; and

Organisational Impact – the level of risk the Council is exposed to and the impact of the findings on the organisation as a whole. The ratings will be 'Major', 'Moderate' or 'Minor' impact.

#### 4.0 **POLICY AND CORPORATE IMPLICATIONS**

4.1 There are no wider policy implications arising from this report.

#### 5.0 **FINANCIAL AND OTHER RESOURCE IMPLICATIONS**

5.1 There are no financial or other resource implications arising directly from this report.

#### 6.0 **LEGAL IMPLICATIONS/POWERS**

6.1 There are no legal implications arising directly from this report.

#### 7.0 **COMMUNITY SAFETY**

7.1 There are no community safety implications arising directly from this report.

#### 8.0 **EQUALITIES**

8.1 There are no equalities implications arising directly from this report.

#### 9.0 **RISKS**

9.1 In delivering its services, an effective Internal Audit team should help the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

#### 10.0 **CLIMATE CHANGE**

10.1 There are no climate change implications arising directly from this report.

#### 11.0 **CONSULTATION**

11.1 N/A

#### 12.0 **WARDS AFFECTED**

12.1 All wards are indirectly affected by the report.

Contact Officer Rachel Ashley-Caunt

Date: 19/05/2017

Appendices : A – Internal Audit Charter & Strategy

Background Papers: N/A

Reference : N/A