

Leicester City Council Audit & Risk Committee
17 June 2020

**Report of Leicestershire County Council's Head of Internal
Audit & Assurance Service**

Internal Audit Charter (March 2020)

Purpose of report

1. To seek the Audit & Risk Committee's (the Committee's) approval of a new Internal Audit Charter following the regular annual review and updates.
2. To explain how the impact of the coronavirus might affect parts of the Charter.

Recommendations

3. The Committee is recommended to approve the Internal Audit Charter (Appendix) and agree that it accurately reflects the terms of reference of the internal audit function provided by Leicestershire County Council Internal Audit Service (LCCIAS).

Background

4. In January 2017, the Council's internal audit function was delegated to Leicestershire County Council.
5. LCCIAS conforms to all relevant standards and legislation, particularly the Public Sector Internal Audit Standards (PSIAS).
6. The PSIAS mandate that the purpose, authority and responsibility of the internal audit activity must be formally defined in an Internal Audit Charter (the Charter) by each public body. The Head of Internal Audit Service (HoIAS) must periodically review the Charter and present it to senior management and the board (the Committee) for approval.

7. The Charter establishes LCCIAS' position within the City Council, including the nature of the HoIAS' functional reporting relationship with the Statutory Officers, senior management and the Committee; 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 Committee.
8. Providing a formal, written Charter is important to managing the provision of internal audit activity by LCCIAS. The Charter provides a recognised statement for review and acceptance by senior management and for approval, as documented in formal minutes, by the Committee. It also facilitates a periodic assessment by the HoIAS of the adequacy of the internal audit activity's purpose, authority, and responsibility, which establishes the role of LCCIAS and whether it continues to be adequate to enable it to accomplish its objectives. If a question should arise, the Charter provides a formal, written protocol agreed with the Officers and the Committee about the City Council's internal audit activity.
9. The Charter was last approved by the Committee in March 2018. Whilst there haven't been specific revisions to the PSIAS, the practical guidance to conforming to the Standards and guidance on the role of the HoIAS were both revised in April 2019. Additionally, the membership of the Committee has significantly changed including a new Chair and Vice Chair, so it was thought that good governance would be demonstrated if the Committee approved the 2020 version.

How the impact of the coronavirus might affect parts of the Charter

10. The HoIAS has reviewed the Charter to assess how it may have been affected by the coronavirus. The Charter is based on a set of principles which should overall remain and be applicable. However, there are perhaps two areas that may require closer monitoring until there is at least more stability and a 'new normal' state beds in:
 - a. Section 5 – 'Definitions'. The proportion of assurance activity to consulting activity. Traditionally, assurance activity (*An objective examination of evidence for providing an independent assessment on governance, risk management and control processes*) has formed the bulk of the internal audit plan. However, over the next 9 months it's likely that managers are developing new services, alternative methods of delivery etc. In which case there could be a shift to more consulting activity (*provision of include advice, commentary on management's intended control design and framework and potential implications of changes to systems, processes and policies*). This could affect the HoIAS opinion. Also, the Charter records that should consulting become 'significant' then this Committee should approve the direction.

- b. Section 6 – ‘Authority’. The sub section ‘Access’ provides authority for internal audit’s right of access to all records, assets, personnel and premises. The principle is still applicable, but the logistics will need to be developed to ensure the integrity of the audit process is retained

11. The HoIAS will further advise the Committee at a future date how these two potential variations from the Charter are being managed.

Resource Implications

12. The Council pays for LCCIAS to provide its internal audit activity

Equal Opportunities Implications

13. There are **no specific** equal opportunities implications contained within the annual summary of work undertaken.

Legal Implications

14. There are no direct additional legal implications arising from this report. These implications will rest within (and be reported by) the business areas that have day-to-day responsibility for managing their risk.

Background Papers

The Constitution of Leicester City Council
Leicester City Council Internal Audit Charter (March 2018)
The Public Sector Internal Audit Standards (revised April 2017)
CIPFA Local Government Application Note (revised April 2019)
CIPFA Role of the Head of Internal Audit *revised 2019)

Circulation under Sensitive Issues Procedure

None

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Appendix

Internal Audit Charter (March 2020)