**AUDIT COMMITTEE**

**4 JANUARY 2022**

**INTERNAL AUDIT CHARTER**

Report from:      James Larkin, Head of Audit & Counter Fraud Shared Service (Chief Audit Executive)

## Summary

This report presents the Internal Audit Charter for Members' approval.

## 1. Budget and policy framework

1.1. Council delegates responsibility for the oversight and monitoring of internal audit and counter fraud to the Audit Committee.

## 2. Background

2.1. The Public Sector Internal Audit Standards (PSIAS) state that: The purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Definition of Internal Auditing, the Code of Ethics and The Standards. The Chief Audit Executive must periodically review the internal audit charter and present it to senior management and the board for approval.

2.2. The Internal Audit & Counter Fraud Charter in place was approved by the Audit Committee on 5 January 2021.

## 3. Review of the Charter

3.1. As mentioned in the background to this report, it is a requirement of the PSIAS to have a charter in place covering aspects of internal audit activity. The existing charter meets all the requirements of PSIAS, however, as officers were previously undertaking multi-disciplinary roles, it had been designed to also cover counter fraud activity.

3.2. Officers within Internal Audit and Counter Fraud have now moved to designated roles and there is no formal requirement for the activity of the counter fraud team to be included in the Charter. It was therefore necessary for changes to be made and it was also identified that there may be opportunity to make the links to the individual standards much clearer.

3.3. Accordingly, a complete refresh of the Charter has been undertaken. The sections within the Charter now align with the headings of the relevant standards, which are also noted with the headings, and the document has been updated to focus on internal audit activity in line with those requirements.

3.4. A copy of the charter is provided at Appendix 1 for Members' approval for 2022-23.

## 4. Risk management

4.1. The Public Sector Internal Audit Standards require that: The Chief Audit Executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals. The Internal Audit Charter is intended to ensure that the service continues to develop in line with the aspirations of those charged with governance at Medway Council and Gravesham Borough Council.

## 5. Financial implications

5.1. An adequate and effective Internal Audit and Counter Fraud function provides the Council with assurance on the proper, economic, efficient and effective use of council resources in delivery of services, as well as helping to identify fraud and error that could have an adverse effect on the financial statements of the Council.

## 6. Legal implications

6.1. The Accounts & Audit Regulations 2015 require local authorities to: undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance. These Standards are also supported by CIPFA's Local Government Application Note to the Public Sector Internal Audit Standards. The Public Sector Internal Audit Standards require internal audit to have a charter to define their purpose, authority and responsibility and is periodically reviewed and approved. The Section 151 Officer of a local authority is responsible for establishing the internal audit service. Gravesham Borough Council has delegated this responsibility to the Section 151 Officer of Medway Council to deliver internal audit services through the Shared Service to both authorities.

## 7. Recommendation

7.1 The Committee is requested to approve the Charter as set out at Appendix 1 to the report.

## Lead officer contact

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## Appendices

Appendix 1 – Internal Audit Charter

## Background papers

None