



Northumberland

County Council

AUDIT COMMITTEE

DATE: 27 JULY 2022

INTERNAL AUDIT CHARTER

Report of: Kevin McDonald, Head of Internal Audit & Risk Management

Purpose of report

The purpose of this report is to inform Audit Committee of an updated Internal Audit Charter in accordance with the requirements of the Public Sector Internal Audit Standards (April 2017) and the related Local Government Application Note.

Recommendations

Audit Committee is asked to agree the updated Internal Audit Charter which is attached as **Appendix A** to this report, and which is a requirement of the Public Sector Internal Audit Standards.

Link to Corporate Plan

The work of Internal Audit and the Audit Committee contributes to the achievement of all priorities in the Council's Corporate Plan.

Key issues

The report sets out an updated Internal Audit Charter. In conformance with the Public Sector Internal Audit Standards, the Audit Committee, as the designated 'board' is required to approve the Internal Audit Charter periodically.

Background

It is a statutory requirement for all relevant authorities (including Northumberland County Council) to "undertake an effective internal audit to evaluate the effectiveness of...risk management, control and governance processes, taking into account public sector internal auditing standards or guidance." ¹

The Institute of Internal Auditors (IIA) has published an International Professional Practices Framework (IPPF) which includes certain mandatory elements with which every Internal Audit service provider must comply. For the Public Sector in the UK, 'Relevant Internal Audit Standard Setters' have been designated for central government, the NHS and local government. The role of these standard setters is to adopt a common set of Public Sector Internal Audit Standards (PSIAS) which encompass the mandatory elements issued by the

¹ The Accounts and Audit Regulations 2015 – Regulation 5 (1)

IIA and any additional requirements and interpretations for the UK public sector, whilst maintaining the integrity of the text of the mandatory elements of the IPPF.

In April 2017, the ‘Relevant Internal Audit Standard Setters’ published updated specific Public Sector Internal Audit Standards, applying the IIA International Standards to the UK Public Sector. These standards apply to all parts of the public sector (local government, central government and the NHS). For local government, the Chartered Institute of Public Finance and Accountancy (CIPFA) has been designated as ‘the relevant standard setter’. To support the PSIAS in local government, CIPFA, as relevant local government standard setter, have published a Local Government Application Note which accompanies and underpins the mandatory requirements of the full PSIAS. The PSIAS and Local Government Application Note together comprise the ‘public sector internal auditing standards’ which are necessary to undertake the effective internal audit required by the Accounts and Audit Regulations 2015.

All local government Internal Audit providers in the UK are expected to comply fully with the PSIAS. It is also a requirement that the degree of conformance to the standards is assessed and reported to ‘senior management’ and the ‘board’ of the organisation. The Audit Committee fulfils the role of the ‘board’ in Northumberland County Council. The PSIAS include a requirement that a specific Internal Audit Charter is adopted by every relevant authority, which is approved by the ‘board’ on a periodic basis.

The Internal Audit Charter was most recently approved by Audit Committee in July 2020. The Internal Audit Charter has been reviewed to ensure that the exact requirements of the PSIAS continue to be met and the proposed Internal Audit Charter is attached as Appendix A.

Implications

Policy	Effective internal audit is an essential part of the County Council’s governance arrangements. Internal Audit examines the Council’s systems of internal control, and the economy, efficiency and effectiveness with which resources are deployed.
Finance and value for money	The audit of the Council’s activities promotes good financial governance and the importance of value for money. Effective control in these areas reduces the potential for financial loss through fraud, waste and inefficiency.
Legal	The Accounts and Audit Regulations 2015 require the Council 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. The Public Sector Internal Audit Standards establishes the professional standards Internal Audit must apply when planning the use of its resources. Adherence to these standards is the subject of the main body of this report.
Procurement	None

Human Resources	None
Property	None
Equalities (Impact Assessment attached) Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/>	None
Risk Assessment	There are no specific risks arising from this report, as the Internal Audit Charter is in accordance with the requirements of the required standards. Should this situation change, a further report would be brought back to Audit Committee as the designated 'board' under the PSIAS.
Crime & Disorder	Section 17 of the Crime and Disorder Act 1998 has been considered, and no implications have been identified.
Customer Consideration	This report advises Audit Committee, as the recognised 'board' under the Public Sector Internal Audit Standards, of the Internal Audit Charter, in conformance with those standards. The views of Audit Committee will be considered during presentation of this item at the Audit Committee meeting.
Carbon reduction	None
Wards	All

Background papers:

- Public Sector Internal Audit Standards (PSIAS), Chartered Institute of Public Finance and Accountancy, April 2013, revised April 2017;
- Local Government Application Note for the UK Public Sector Internal Audit Standards, Chartered Institute of Public Finance & Accountancy / Institute of Internal Auditors, April 2019;
- The Accounts and Audit Regulations 2015, April 2015;
- NCC Finance and Contract Rules, December 2011;

Report sign off.

Finance Officer	N/A
Monitoring Officer/Legal	N/A
Human Resources	N/A
Procurement	N/A
I.T.	N/A
Portfolio Holder(s)	N/A

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