

Non-Executive Report of the:  <b>Audit Committee</b>  Thursday, 30 January 2020	 <b>TOWER HAMLETS</b>
<b>Report of:</b> Corporate Director, Governance and Monitoring Officer	<b>Classification:</b> Open (Unrestricted)
<b>Internal Audit Charter</b>	

<b>Originating Officer(s)</b>	Paul Rock
<b>Wards affected</b>	(All Wards);

## Executive Summary

The Public Sector Internal Audit Standards requires the purpose, authority and responsibility of the internal audit activity to be formally defined in an internal audit charter which must be approved by the Audit Committee.

This report and appendix provides the Audit Committee with the opportunity to review and approve the updated internal audit charter (Appendix A).

## Recommendations:

The Audit Committee is recommended to:

1. Review and approve the Internal Audit Charter.

## 1. REASONS FOR THE DECISIONS

- 1.1 The Public Sector Internal Audit Standards requires the purpose, authority and responsibility of the internal audit activity to be formally defined in an internal audit charter which must be approved by the Audit Committee.

## 2. ALTERNATIVE OPTIONS

- 2.1 None.

### **3. DETAILS OF THE REPORT**

- 3.1 The Public Sector Internal Audit Standards requires the purpose, authority and responsibility of the internal audit activity to be formally defined in an internal audit charter which must be approved by the Audit Committee annually.
- 3.2 The charter must be consistent with the Mission of Internal Audit and the mandatory elements of the Public Sector Internal Audit Standards (including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards and the Definition of Internal Auditing). The Head of Internal Audit must periodically review the internal audit charter and present it to the Audit Committee for approval annually.
- 3.3 The internal audit charter is 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 Head of Internal Audits functional reporting relationship with the Audit Committee; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.
- 3.4 The internal audit charter must also:
- Define the terms 'board' and 'senior management' for the purposes of internal audit activity.
  - Cover the arrangements for appropriate resourcing.
  - Define the role of internal audit in any fraud-related work, and
  - Describe safeguards to limit independence or objectivity if internal audit or the Head of Internal Audit undertakes non-audit activities.
- 3.5 During January 2020 the previous charter has been reviewed and fully updated to align with best practice as recommended by the Chartered Institute of Internal Auditors and is presented to the Audit Committee for review and approval.

### **4. EQUALITIES IMPLICATIONS**

- 4.1 There are no equalities implications to consider.

### **5. OTHER STATUTORY IMPLICATIONS**

- 5.1 This section of the report is used to highlight further specific statutory implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration. Examples of other implications may be:
- Best Value Implications,

- Consultations,
- Environmental (including air quality),
- Risk Management,
- Crime Reduction,
- Safeguarding.
- Data Protection / Privacy Impact Assessment.

5.2 There are no other statutory implications to consider.

## **6. COMMENTS OF THE CHIEF FINANCE OFFICER**

6.1 There are no specific financial implications to consider.

## **7. COMMENTS OF LEGAL SERVICES**

7.1 The recommendation seeks the Audit Committee's agreement to review and approve the Internal Audit Charter. The charter establishes a framework with which the Council's Internal Audit Service operates to best serve the Council and to meet its professional obligations under applicable professional standards.

7.2 Paragraphs 3.3 and 3.4 of the report set out the purpose and remit of the Charter and defines the scope of internal audit activities.

7.3 The requirement for an internal audit is a local government governed by the Accounts and Audit Regulations 2015 ("2015 Regulations") and the Public Sector Internal Audit Standards 2013 (updated 1 April 2017) ("PSIAS").

7.4 Specific requirements are detailed in the "2015 Regulations," in that a relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control. Any officer or member of a relevant body must, if the body requires:

- make available such documents and records as appear to that body to be necessary for the purposes of the audit; and
- supply the body with such information and explanation as that body considers necessary for that purpose.

7.5 The PSIAS are the first internal audit standards to apply across the whole public sector. The PSIAS requires that an internal audit charter is in place for each local authority. The London Borough of Tower Hamlets Internal Audit Charter is included within Appendix A in compliance with the standards.

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## **Linked Reports, Appendices and Background Documents**

### **Linked Report**

- None.

### **Appendices**

- Appendix A – Internal Audit Charter.

### **Local Government Act, 1972 Section 100D (As amended)**

#### **List of “Background Papers” used in the preparation of this report**

List any background documents not already in the public domain including officer contact information.

- None.

#### **Officer contact details for documents:**

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