

**REPORT TO THE GOVERNANCE AND AUDIT COMMITTEE  
MEETING OF 26<sup>th</sup> July 2017**

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**Status:** For approval  
**Title:** Internal Audit Charter  
**Originator:** Rachel Ashley-Caunt, Head of Internal Audit, LGSS  
**Where from:** LGSS Internal Audit  
**Where to next:** N/A

Objective : To review and approve the Internal Audit Charter which reflects the requirements of the Public Sector Internal Audit Standards.

1. Outcome sought from Committee

1.1 That Members review and approve the Internal Audit Charter, which will be adhered to in the delivery of the Internal Audit service for 2017/18.

2 Report

2.1 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'.

2.2 Since 1<sup>st</sup> April 2017, the Council's Internal Audit service has been formally delegated to LGSS. As such, 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.

2.3 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

2.4 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.

2.5 The Internal Audit Charter is enclosed as Appendix A to this report.

### 3 Equality Impact Assessment

3.1 Not applicable.

### 4 Conclusion

4.1 The report contains, and submits for approval, the Internal Audit Charter which reflects the requirements of the Public Sector Internal Audit Standards.

#### **Previous report(s):**

**Information Issued Under Sensitive Issue Procedure: N**

**Ward Members Notified: N**

#### **Appendices:**

**A. Internal Audit Charter and Strategy**