

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

05 April 2016

Report of the Chief Audit Executive

Part 1- Public

Delegated

1 PUBLIC SECTOR INTERNAL AUDIT STANDARDS

The purpose of the report is to inform Members of the addition of a 'Mission' and a set of 'Core Principles' to the Public Sector Internal Audit Standards and the subsequent update to the Internal Audit Charter.

1.1 Introduction

1.1.1 In 2015, among other changes to the International Professional Practices Framework (IPPF), the Institute of Internal Auditors introduced two mandatory elements: a 'Mission' and a set of ten 'Core Principles' for the professional practice of internal auditing.

1.1.2 The Internal Audit Standards Advisory Board in January 2016 then consulted practitioners and other stakeholders in the public sector as to whether there were any fundamental reasons why these two new elements should not be part of the Public Sector Internal Audit Standards (PSIAS).

1.1.3 One reason for incorporating them sooner rather than later is to eliminate inconsistency for members of the Institute of Internal Auditors in the UK public sector. In addition, incorporation will prevent the PSIAS from going out of date. A 'Mission' and 'Core Principles' are themselves considered welcome additions to the overall IPPF. The 'Mission' states Internal Audit's primary purpose and overarching goal – 'To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight'; while the 'Core Principles' set out what an effective internal audit activity looks like as follows:

- Demonstrates integrity.
- Demonstrates competence and due professional care.
- Is objective and free from undue influence (independent).
- Aligns with the strategies, objectives, and risks of the organisation.
- Is appropriately positioned and adequately resourced.

- Demonstrates quality and continuous improvement.
- Communicates effectively.
- Provides risk-based assurance.
- Is insightful, proactive, and future-focused.
- Promotes organisational improvement.

1.1.4 Both a 'Mission' and a set of 'Core Principles' following the consultation have been added to the PSIAS from 1 April this year.

1.2 Internal Audit Charter

1.2.1 The Internal Audit Charter is a key document in the delivery of Internal Audit, setting out the purpose, authority and responsibility of the internal audit function.

1.2.2 In light of the addition of two new elements to the PSIAS detailed above the Internal Audit Charter has been reviewed and updated accordingly. A copy of the updated Charter with amendments highlighted is attached at **[Annex 1]**.

1.3 Legal Implications

1.3.1 Section 151 of the Local Government Act 1972 requires the Council to "make arrangements for the proper administration of their financial affairs". Further to this, the Accounts & Audit Regulations require a relevant body to "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."

1.3.2 The Internal Audit Charter is based upon the requirements set out in the PSIAS and the CIPFA Local Government Application Note which is identified as "proper practice" for internal audit.

1.4 Financial and Value for Money Considerations

1.4.1 An adequate and effective internal audit function provides the Council with assurance on the proper, economic, efficient and effective use of resources in delivery of services, as well as helping to identify fraud and error that could have an adverse effect on the finances of the Council.

1.5 Risk Assessment

1.5.1 The Internal Audit Charter has been prepared with due consideration to proper practice, as set out in the PSIAS and the CIPFA Local Government Application Note to the PSIAS. It is, therefore, considered that adequate action has been taken to minimise the risk that external assessment could consider the Charter to not meet proper practice.

1.6 Equality Impact Assessment

1.6.1 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

1.7 Recommendations

1.7.1 Members are asked to **approve** the updated Internal Audit Charter [**Annex 1**] following the addition of two new elements to the Public Sector Internal Audit Standards, a 'Mission' and a set of 'Core Principles'.

Background papers:

contact: Samantha Buckland

Nil

Samantha Buckland
Chief Audit Executive