

<b>Meeting:</b>	<b>Audit and Governance Committee</b>	<b>Date:</b>	<b>20<sup>th</sup> January 2020</b>
<b>Subject:</b>	<b>Internal Audit Purpose, Authority, Role and Function</b>		
<b>Report Of:</b>	<b>Head of Audit Risk Assurance (ARA): Chief Internal Auditor</b>		
<b>Wards Affected:</b>	<b>Not applicable</b>		
<b>Key Decision:</b>	<b>No</b>	<b>Budget/Policy Framework:</b>	<b>No</b>
<b>Contact Officer:</b>	<b>Theresa Mortimer – Head of Audit Risk Assurance</b>		
	<b>Email:</b>		<b>theresa.mortimer@gloucester.gov.uk</b>
	<b>Tel:</b> <b>01452 396430</b>		
<b>Appendices:</b>	<b>1. Internal Audit Strategy</b>		
	<b>2. Internal Audit Data Analytics Strategy</b>		
	<b>3. Internal Audit Charter</b>		
	<b>4. Internal Audit Code of Ethics</b>		
	<b>5. Internal Audit Quality Assurance and Improvement Programme (QAIP)</b>		

## FOR GENERAL RELEASE

### 1.0 Purpose of Report

- 1.1 Regulation and Auditing Standards require the Chief Internal Auditor to periodically review the Internal Audit Strategies, Charter, Code of Ethics and Quality Assurance and Improvement Programme (QAIP). These are to be presented to Senior Management and the Audit and Governance Committee to provide assurance that the Internal Audit function operates in accordance with regulation and mandatory professional standards. Due to maintaining independence, the final approval of the above, resides with the Audit and Governance Committee.

### 2.0 Recommendations

- 2.1 It is recommended that the Committee reviews and approves the Internal Audit Strategy, Data Analytics Strategy, Charter, Code of Ethics and Quality Assurance Improvement Programme.

### 3.0 Background and Key Issues

- 3.1 All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (Section 151) and the Accounts and Audit Regulations 2015. The latter requires 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.” (i.e. the Public Sector Internal Audit Standards (PSIAS) 2017 as reflecting proper internal auditing practice).*

- 3.2 The Standards encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) i.e. the Definition of Internal Auditing, Code of Ethics and the International Standards for the Professional Practice of Internal Auditing and define the way in which the Internal Audit Service should be established and undertake its functions.
- 3.3 Additional requirements and interpretations for Local Government are published via the Chartered Institute of Public Finance and Accountancy (CIPFA) Local Government Application Note (LGAN) for the UK PSIAS (2019 Edition).
- 3.4 The Standards require all internal audit functions to implement and retain:
1. **Internal Audit Strategy:** sets out how the service will support and promote improvement and good governance, which is underpinned by the Internal Audit Charter.
  2. **Internal Audit Data Analytics Strategy:** This strategy underpins our Internal Audit Strategy to incorporate data analytics in our Internal Audit reviews (where appropriate/relevant) to provide further intelligence over entire populations and help to identify key emerging themes and risks. This will also provide management with contextual perspective of audit findings.'
  3. **Internal Audit Charter:** is to formally define Internal Audit's statutory role, authority, purpose, responsibility and position within Gloucester City Council.
  4. **Internal Audit Code of Ethics:** is a statement of principles and expectations governing the behaviour of individuals in the conduct of internal auditing.
  5. **Internal Audit Quality Assurance and Improvement Programme (QAIP):** enables an evaluation of the internal audit activity's conformance with the IPPF, Definition of Internal Auditing and Standard 1300 (QAIP) within the PSIAS and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity.

#### **4.0 Social Value Considerations**

- 4.1 There are no 'Social Value' considerations arising out of the recommendations in this report.

#### **5.0 Environmental Implications**

- 5.1 There are no 'Environmental' implications arising out of the recommendations in this report.

#### **6.0 Alternative Options Considered**

- 6.1 Not applicable

## **7.0 Reasons for Recommendations**

- 7.1 The Accounts and Audit Regulations 2015, the Public Sector Internal Audit Standards 2017 and the CIPFA Local Government Application Note For the UK Public Sector Internal Audit Standards 2019, require the Chief Internal Auditor to periodically review the Internal Audit Strategies, Charter, Code of Ethics and Quality Assurance and Improvement Programme (QAIP) which are presented to Senior Management and the Audit and Governance Committee for formal approval.

## **8.0 Future Work and Conclusions**

- 8.1 The Chief Internal Auditor monitors the Internal Audit service against the requirements of the PSIAS and its QAIP. The outcomes of the assessments are reported to the quarterly Audit and Governance Committee meetings in January, March, July, October and November meetings.

## **9.0 Financial Implications**

- 9.1 No financial implications directly arising from the recommendations.

(Financial Services have been consulted in the preparation this report.)

## **10.0 Legal Implications**

- 10.1 No legal implications directly arising from the recommendations.

(One Legal have been consulted in the preparation this report.)

## **11.0 Risk & Opportunity Management Implications**

- 11.1 Failure to deliver an effective Internal Audit Service in line with the PSIAS will prevent an independent, objective assurance opinion to be provided to those charged with governance, that the key risks associated with the achievement of the Council's objectives are being adequately controlled.

## **12.0 People Impact Assessment (PIA) and Safeguarding:**

- 12.1 The PIA Screening Stage was completed and did not identify any potential or actual negative impact, therefore a full PIA was not required.

## **13.0 Community Safety Implications**

- 13.1 There are no 'Community Safety' implications arising out of the recommendations in this report.

## **14.0 Staffing & Trade Union Implications**

- 14.1 There are no 'Staffing and Trade Union' implications arising out of the recommendations in this report.

**Background Documents:**

- Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF)
- Public Sector Internal Audit Standards 2017
- CIPFA Local Government Application Note for the UK PSIAS 2019