

## **HERTFORDSHIRE COUNTY COUNCIL**

**AUDIT COMMITTEE**  
**18 JULY 2018 AT 2.00 PM**

Agenda Item

No:

**2**

### **SIAS AUDIT CHARTER 2018/19**

#### Report of the Director of Resources

Author: Chris Wood, SIAS Audit Manager (Tel: 01438 845513)

#### **1. Purpose of Report**

- 1.1 To provide Audit Committee members with the requested changes in wording to the 2018/19 SIAS Audit Charter.
- 1.2 The Hertfordshire County Council 2017/18 Annual Assurance Statement and Internal Audit Annual Report was presented to the Audit Committee at its meeting on 15 May 2018. This report included the 2018/19 SIAS Audit Charter for acceptance by the Audit Committee.
- 1.3 Paragraph 3.5 of the Audit Committee minutes for 15 May 2018 included the "Observation that Public Sector Standards (PSIAS) allowed for the Charter to be tailored to need was followed by a wide ranging discussion on the role and responsibilities of the Audit Committee."
- 1.4 Paragraph 3.6 continued with "The Head of Assurance clarified that CIPFA guidance directed that officers were directly responsible for the management of risk. There was a discussion on the role of the Audit Committee in this process. It was noted that increased Member awareness of the work of Internal Audit as a whole was already being achieved as the Executive Member for each portfolio currently received copies of final Internal Audit reports for their area. The March Audit Plan had detailed the SIAS process for informing the Audit Plan."
- 1.5 Paragraph 3.7 states that "In view of the above discussion the Committee requested that the wording of the Audit Charter 2018/19 be amended to clarify the role of Audit Committee and Members."
- 1.6 The conclusions for this agenda item in the minutes state that the Committee "Requested that the wording of the SIAS Audit Charter 2018/19 be reviewed and brought back to the July meeting of Audit Committee."  
The revised SIAS Audit Charter 2018-19 is appended at Appendix A.

## **2. Background**

- 2.1 The Public Sector Internal Audit Standards require a local authority to formally adopt an Audit Charter. The Charter provides the organisation with an agreement relating to the work internal audit will undertake and the support it will receive. It may also be seen as a benchmarking tool against which it can measure the effectiveness of the internal audit unit in fulfilling its commitment. The Charter can act as a service level agreement with the board or audit committee so that there is a clear understanding of the role, purpose, authority, responsibility and position of internal audit within the organisation and the scope and nature of its work.
- 2.2 Every organisation is different with unique objectives, challenges and risks. The Charter is the best way to agree and describe how internal audit will provide value to the organisation, the nature of the services it will provide and the specific focus or emphasis required of internal audit to help the organisation achieve its objectives. Having a Charter also establishes the internal audit activity's position within the organisation, including the Head of Assurance's reporting lines, authorising access to records, personnel, and physical properties relevant to the performance of engagements, and also defining the scope of internal audit activities. It is therefore a reference point for measuring the effectiveness of internal audit.
- 2.3 The Head of Assurance and SIAS Audit Manager are responsible for drafting the Charter, discussing the detail with stakeholders and confirming that it accurately describes the agreed upon role and expectations and then seeking acceptance of the Charter from the Audit Committee.
- 2.4 The Charter should be reviewed annually, including engagement with stakeholders, to ensure that it remains relevant to the needs of the organisation. As part of the review process, there should be consideration of any changes in roles and responsibilities that may affect the internal audit activity, particularly those that have the potential to impair the Head of Assurance and SIAS Audit Manager's independence and objectivity either in fact or appearance.

## **3 Summary**

- 3.1 The primary amendments to the SIAS Audit Charter 2018/19 are as follows:
  - a) Section 1 Introduction and Purpose – referencing the interests of the public as the ultimate recipients of assurance provision.
  - b) Section 4 Role – clarifying the oversight role of the Audit Committee.

- c) Section 7 Organisation – indicating that the Chairman of the Audit Committee has free and unrestricted direct access to both the Head of Internal Audit and the Council's External Auditor.
- d) Section 8 Stakeholders – inclusion of new paragraphs 8.4 and 8.5 covering Audit Committee communication of internal audit and assurance matters to the wider Member body and circulation of internal audit reports to identified Members. Paragraph 8.7 now references reporting of SIAS Board findings to the Audit Committee in defined areas.
- e) Section 13 Internal Audit Plan – clarifying that engagements in the Plan are agreed by Operational Directorate Boards and subsequently the Section 151 Officer and Senior Management Board.
- f) Addition of a Glossary of Terms.

#### **4. Recommendation**

- a) That the Audit Committee accepts the SIAS Audit Charter 2018/19 following the review and amendment undertaken.