



Leicester
City Council

WARDS AFFECTED
All

FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:

Cabinet

12 June 2006

INTERNAL AUDIT CHARTER

Report of the Chief Finance Officer

1. Purpose of Report

To seek the Cabinet's approval for a revised Internal Audit Charter.

2. Summary

Internal Audit operates under a formal Internal Audit Charter approved by Members. Recent legislative and professional changes make an update of the Charter necessary. This report presents a revised Charter for the approval of the Cabinet.

At its meeting on 6 April 2006, the Resources and Equal Opportunities Scrutiny Committee considered the revised charter and resolved that the revised Internal Audit Charter be

- 1) noted; and
- 2) referred to Cabinet for formal approval.

3. Recommendations

The Cabinet is recommended:

- 3.1 To approve the revised Internal Audit Charter.

4. Report

The Internal Audit service operates under an Internal Audit Charter, which sets out terms of reference for the Internal Audit service and the City Council's expectations of it. The charter governs, amongst other things, the responsibilities, objectives, scope, rights of access, status and reporting arrangements for Internal Audit.

The present Internal Audit Charter was considered by the Finance, Resources and Equal Opportunities Scrutiny Committee in September 2002.

There have been a number of developments in recent years that make an update of the Charter necessary:

- The revised Accounts & Audit Regulations 2003, which lay down the specific statutory requirement for the Internal Audit service.
- The revised *Code of Practice for Internal Audit in Local Government in the United Kingdom*, issued by CIPFA in 2003. This sets out the recognised professional standards for Internal Audit and is the measure used by the Audit Commission in its annual reviews of Internal Audit.
- The increased focus in the CIPFA Code of Practice and elsewhere on Internal Audit's role in the corporate management of risk. The audit profession has been developing risk-based internal auditing (RBIA), with the emphasis on evaluating controls in place to manage risks to business objectives rather than 'simply' assessing controls for their own sake. Internal Audit has been developing the process at Leicester and audit planning and fieldwork are both increasingly aligned with governance and risk management.
- The ever-increasing reliance placed by the Council on third-party providers and partners. Local Area Agreements will accelerate the process. There are clear audit implications and the Charter needs to reflect this and provide, subject to contract terms agreed with third-party organisations, for appropriate audit access to relevant data and records.

The Audit Commission carried out a review of Internal Audit in late 2005 and recommended that the Internal Audit Charter be revised to deal with the above and to make more direct reference to Internal Audit's role with regard to fraud. The Audit Commission's report and actions taken or proposed in response will be reported to a future meeting of the Resources & Equal Opportunities Scrutiny Committee.

5. Implications

IMPLICATIONS	YES/NO	Paragraph References Within Supporting Information
Finance	N	-
Crime and Disorder Implications	N	-
Human Rights Act	N	-
Legal	N	-
Equal Opportunities	N	-
Policy	N	-
Sustainable and Environmental	N	-
Elderly/People on Low Income	N	-

6. Background papers

Accounts and Audit Regulations 2003

Code of Practice for Internal Audit in Local Government in the United Kingdom - 2003 (CIPFA)

7. Consultations

The Finance Managers' Group, Strategic Resources Group and the Audit Commission have been consulted on the proposed revisions to the Charter.

8. Author

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Mark Noble
Chief Finance Officer

DECISION STATUS

Key Decision	No
Reason	N/A
Appeared in Forward Plan	No
Executive or Council Decision	Executive (Cabinet)