

Status of Report: Public

Meeting: Corporate Governance Committee

Date: 13 March 2019

Subject: The Internal Audit Charter for the CFA – February 2019

Report by: The Treasurer

Author: Neil Jones (Head of Internal Audit & Assurance Service, Leicestershire County Council)

For: Decision

Purpose

1. To seek approval from the Corporate Governance Committee for the revised Internal Audit Charter the CFA.

Recommendation

2. The Corporate Governance Committee is asked to approve the revised Charter.

Executive Summary

3. An effective internal audit function is a mandatory statutory requirement for the Combined Fire Authority (CFA). Detail is contained in the revised Constitution approved by the CFA at its meeting on 20 June 2018.
4. One of the functions of the Corporate Governance Committee (the Committee) is to promote and maintain high standards within the CFA in relation to the operation of its Code of Governance and to monitor the adequacy and effectiveness of the internal audit service.
5. The CFA's internal audit function is outsourced to Leicestershire County Council's Internal Audit Service (LCCIAS) led by the Head of Internal Audit Service (HoIAS). LCCIAS conforms to the Public Sector Internal Audit Standards 2013 (the PSIAS).
6. The PSIAS were last revised in April 2017. They mandate that the purpose, authority and responsibility of the internal audit activity must be formally defined in an Internal Audit Charter by each public body.
7. This report explains the purpose of and requirements for a charter and details minor changes that require the Audit Charter for the CFA to be revised.

Background

8. The Public Sector Internal Audit Standards (the PSIAS) define internal auditing as an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. Internal audit helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
9. Leicestershire County Council Internal Audit Service (LCCIAS) provides internal audit activity to the CFA. Within the PSIAS, Standard 2070 'External Service Provider and Organisational Responsibility for Internal Auditing', specifically requires that when an external service provider serves as the internal audit activity, the provider (LCCIAS) must make the organisation (CFA) aware that it has the responsibility for maintaining an effective internal audit activity. This responsibility is demonstrated through the CFA reviewing LCCIAS' conformance with the Definition of Internal Auditing, the Code of Ethics and the Standards.
10. Standard number 1000, within the PSIAS, outlines that, *'The purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards and the Definition of Internal Auditing). The chief audit executive (Leicestershire County Council's Head of Internal Audit Service (HoIAS)) must periodically review the internal audit charter and present it to senior management and the board (the Corporate Governance Committee) for approval'*.
11. The internal audit charter establishes LCCIAS' position within the CFA, including the nature of the HoIAS' functional reporting relationship with the Principal and Statutory Officers and the Committee; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities. Final approval of the internal audit charter resides with the Committee.
12. Providing a formal, written Charter is important to managing the provision of internal audit activity by LCCIAS. The Charter provides a recognised statement for review and acceptance by the Officers and for approval, as documented in formal minutes, by the CFA. It also facilitates a periodic assessment by the HoIAS of the adequacy of the internal audit activity's purpose, authority, and responsibility, which establishes the role of LCCIAS and whether it continues to be adequate to enable it to accomplish its objectives. If a question should arise, the Charter provides a formal, written protocol agreed with the Officers and the Committee about the CFA's internal audit activity.
13. Minor revisions to the PSIAS and the CFA Constitution require that a revised Charter be developed. This is attached at **Appendix 1**. The contents on page 1 identify **new** additions to the March 2017 version, which reflects changes to the PSIAS and changes made to the CFA Constitution in June 2018.

Report Implications/Impact

14. Legal (including crime and disorder)

Section 112 of the Local Government Finance Act 1988 requires that the CFA '...shall make arrangements for the proper administration of its financial affairs' and to ensure that '...one of its officers has responsibility for the administration of those affairs'. At the CFA this officer is the Treasurer.

Part 2 'Internal Control' of the Accounts and Audit Regulations 2015 require, 'A relevant authority (including fire authorities) must 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'.

15. Financial (including value for money, benefits and efficiencies)

Under the current Service Level Agreement LCCIAS is scheduled to provide 85 days of audit time each year at a cost of £25,075.

As a result of the work carried out, assurances regarding the operation of key financial systems are gained and there would be an expectation that implementing Internal Audit recommendations could improve effectiveness, efficiency and economy. - Colin Sharpe, Head of Finance CDN & Resources, Leicester City Council, 0116 454 4081

16. Risk (including corporate and operational, health and safety and any impact on the continuity of service delivery)

Internal audit provides assurance that effective governance, risk management and internal control procedures are in place. Internal audit reports are used to inform the Treasurer and the Chief Fire and Rescue Officer of the detailed findings of the audit and highlight actions that are required to safeguard the CFA's interests.

17. Staff, Service Users and Stakeholders (including the Equality Impact Assessment)

None.

18. Environmental

None.

19. Impact upon Our Plan Objective

The CFA's Strategic Objective 4 is the attainment of efficiency and the provision of a value for money service. The provision of an internal audit

function assists both effective and efficient management and good corporate governance. It also externally validates the CFA's progress in this area.

Background Papers

Internal Audit Charter for the CFA (Corporate Governance Committee 15 March 2017) http://www.leicestershire-fire.gov.uk/my-calendar/?mc_id=90

The Public Sector Internal Audit Standards (revised April 2017) – <https://www.gov.uk/government/publications/public-sector-internal-audit-standards>

Appendices

Appendix 1 - The Internal Audit Charter for the CFA – February 2019

Officers to Contact

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