

REPORT TO:	Audit Committee
REPORT NO:	HF/29/17
DATE:	23 March 2017
LEAD OFFICER:	Head of Finance
CONTACT OFFICER:	Paul Tharme (Tel: 292750)
SUBJECT:	Internal Audit Charter 2017-18
WARD:	N/A

1. PURPOSE OF THE REPORT

To approve Wrexham Internal Audit Charter for 2017-18.

2. INTRODUCTION

- 2.1 Wrexham County Borough Council's (WCBC's) Internal Audit function is provided by Wrexham Internal Audit Services (WIAS).
- 2.2 Since 1 April 2013, WIAS has operated under the framework provided by the Public Sector Internal Audit Standards (PSIAS).
- 2.3 The Internal Audit Charter 2017-18 (the Charter) defines WIAS's purpose, authority and responsibility in terms consistent with the PSIAS's Mission Statement, the Core Principles of Internal Audit, the Code of Ethics and the Standards.
- 2.4 The PSIAS requires the Charter to be reviewed annually by Senior Management and Members. The Charter was considered by SMT on 22 March 2017.
- 2.5 The Charter includes the Internal Audit Plan 2017-18 (Charter, Appendix 1) which details the planned audit assignments, their respective priorities and the estimated number of days to complete each audit. It also links each audit to the Council Plan. The Charter also includes a reserve list of high and medium priority audit assignments (Charter, Appendix 2) that will be undertaken if there is any remaining resource available once the audit assignments in Appendix 1 have been completed.
- 2.6 The Audit Committee will receive regular update reports of progress against the Audit Plan and any material variances will be highlighted within those reports.

3 RECOMMENDATION

That the Internal Audit Charter 2017-18 is approved.

REASON FOR RECOMMENDATION

- 3.1 To meet Standard 2020 of the PSIAS. This states that the internal audit activity's plans and resource requirements, including significant interim changes, should be communicated to senior management for review and to the Audit Committee for approval.

4. BACKGROUND INFORMATION

Internal Audit Charter 2017-18

- 4.1 The main changes from the Internal Audit Charter 2016-17 (which are highlighted in the Charter in red for deleted text and turquoise for new text) are:
- a) The deletion of the previous paragraph 1.5 which explained the changes made to the International Professional Practices Framework (IPPF) in July 2015 which led to the inclusion of a mandatory Mission Statement and a mandatory set of Core Principles in the Standards.
 - b) A new paragraph 1.8 which describes the consultation process for further amending the Standards in April 2017.
 - c) A new paragraph 8.3 which introduces a reserve list of audit assignments that could be undertaken in the event that resources are still available once all audit assignments identified in Appendix A and any high priority unplanned work covered by the contingency allocations have been completed.
 - d) A change of emphasis in paragraph 9.6 so that when high priority recommendations remain outstanding after the first follow up audit has been undertaken, the expectation is that the relevant Head of Department will be invited to attend the Audit Committee meeting to explain why the recommendation has not been implemented.
 - e) Paragraphs 11.8 and 11.9 providing an update on progress now that the first mandatory five-yearly External Assessment has been completed. (See paragraphs 4.3 – 4.9 below.
- 4.2 Other changes from the Internal Audit Charter 2016/17 are the introduction of the new, internationally recognised qualification Certified Internal Auditor (CIA) in paragraph 5.6; the inclusion of a budget forecast in paragraph 8.5 (see paragraph 4.5 below) and the inclusion of references to the Mission Statement and Core Principles in paragraphs 11.1 and 11.5

External Assessment - Action Plan

- 4.3 The minutes of the December 2016 Audit Committee meeting recorded that Members would continue to monitor the implementation of the actions during future reports in order to ensure that Wrexham Internal Audit Services continues to comply with the PSIAS standards.
- 4.4 No action was required in terms of Recommendations 1, 3 4 and 8 either because the proposed actions were not compatible with local government working practices or in the case of Recommendation 4 because the Audit Committee had already agreed the mitigating actions for ensuring organisational independence where there was a potential conflict of interest with the management responsibilities of the Head of Internal Audit.
- 4.5 Paragraph 8.5 sets out the forecast budget figure for 2017-18 which implements Recommendation 2 from the Action Plan.
- 4.6 Recommendation 5 – to identify the mandatory skills for each post – is a low priority recommendation which is in hand but has been put back to later in 2017 as resources have been diverted to higher priority audit work.
- 4.7 Recommendation 6 – requires a reference linking individual audits to the relevant risk or outcome in the Council Plan. This is already included in the Annual Plan and as a result of the recommendation will be included in all interim reports from now on.
- 4.8 Recommendation 7 – another low priority recommendation - suggested including in the Plan the work that could not be carried out because of resource shortages. As an interim measure, the Charter includes a new Appendix 2 which sets out the high priority and some of the medium priority work that has not been included in the 2017-18 Plan because of the limited resources available within Internal Audit.
- 4.9 Recommendation 9 – another low priority recommendation - pointed out that WIAS' time recording relies on an audit management system that is no longer supported. Although this is clearly the case, an alternative solution using Excel is readily available.

Audit Plan 2017-18

- 4.10 In accordance with the PSIAS, a risk-based approach has been used taking account of the Council's risk registers as well as Internal Audit's own assessment of WCBC's financial and governance risks. In addition, the draft plan takes account of the governance framework and the strategic planning framework.
- 4.11 As Internal Audit seeks to become more responsive to Members' and managers' expectations, the draft plan aims to find the right balance between providing assurance and offering advice and assistance in matters relating to internal control, governance and risk management.
- 4.12 The Plan includes a high level of contingency for unplanned work to reflect the need to respond to changing priorities.

- 4.13 All Heads of Departments as well as the Chief Executive and Executive Directors have been consulted on the audits to be included in the Plan. The Wales Audit Office's Financial Audit Manager for Wrexham CBC has also been consulted regarding the coverage of key financial systems.
- 4.14 The 2017-18 Internal Audit Plan will enable the Service Manager - Audit and Technical to provide his annual opinion for 2017-18 to the Audit Committee as to the adequacy and effectiveness of WCBC's internal control environment. This assurance will inform the Annual Governance Statement for the year ended 31 March 2018.
- 4.15 It should be noted that this assurance only applies to the internal control arrangements in the areas that have been audited. Assurance about the adequacy of controls in other areas / risks will be obtained from other sources within WCBC's corporate governance framework. It is management's responsibility to do this.
- 4.16 Counter-fraud activities will continue to take high priority during the year and this work will take place alongside the planned audits. The Service Manager - Audit and Technical will monitor the audit work and advise the Audit Committee and Senior Management Team if there is any risk that the Plan will not be achieved.

5. IMPLICATIONS

- 5.1 **Policy Framework** - This supports the Council Plan Objective 02 Supporting a resilient Council by having robust Internal Audit reporting arrangements in place.
- 5.2 **Budget** - There are no budget implications arising from this report.
- 5.3 **Legal** - There are no legal implications arising from this report.
- 5.4 **Staffing** - There are no staffing implications arising from this report.
- 5.5 **Equality/Human Rights** - Members are advised of their duty to consider the full Equality Impact Assessment which is available at <http://vmwinsqld/equalityisalive/Menu.aspx> report number [EIA00026]. Members of the public can request a copy of the full Equality Impact Assessment from the Contact Officer named in the header box of this report. A summary of the Equality Impact Assessment is attached as Appendix 2.
- 5.6 **Risks** - There are no new risks arising from this report.

BACKGROUND PAPERS	LOCATION	WEBSITE INFORMATION
Wrexham Internal Audit Services – Audit Charter/Audit Plan 2016/17	Internal Audit webpage	http://moderngov.wrexham.gov.uk/ie/ListDocuments.aspx?CId=171&MID=3033&LLL=undefined