

## Audit, Risk & Assurance Committee

<b>Date</b>	2 November 2021
<b>Report title</b>	Internal Audit Charter
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<b>Report has been considered by</b>	Not Applicable

### Recommendation(s) for action or decision:

#### Audit, Risk & Assurance Committee is recommended to:

Consider and approve the draft Internal Audit Charter following a review of the current Charter, previously approved by Audit, Risk and Assurance Committee in 2017.

#### 1. Purpose

- 1.1 Internal Audit is a statutory service in the context of the Accounts and Audit Regulations (Amendment) (England) 2015, which states that “A relevant authority 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”.
- 1.2 The Public Sector Internal Audit Standards (PSIAS) are a mandatory requirement and have been adopted by the West Midlands Combined Authority’s internal auditors.
- 1.3 The PSIAS requires the organisation to develop an Internal Audit Charter with approval being sought from the Board. Audit, Risk and Assurance Committee is considered the ‘Board’ for Internal Audit purposes as detailed in the Internal Audit Charter.

## 2. Background

- 2.1 The Internal Audit Charter is a formal document that defines Internal Audit's activity's, purpose, authority and responsibility. It establishes Internal Audit's position with the organisation, including the nature of the Chief Audit Executive's functional reporting relationship with the board. It authorises access to all records, personnel and physical properties relevant to the performance of engagements, and defines the scope of internal audit activities<sup>1</sup>.
- 2.2 The PSIAS defines Internal Audit activity to be effectively managed and conforming with the standards when 'it achieves the purpose and responsibility included in the Internal Audit Charter'.
- 2.3 The Charter has been reviewed in consultation with the Internal Audit service providers and statutory officers. It sets out the scope and objectives of the Internal Audit function, and provides auditors with the required authority to enable them to fulfil their duties effectively, allowing them unrestricted access to all functions, records, property and personnel, and unlimited access to members of Audit, Risk and Assurance committee and WMCA's Senior Leadership Team.
- 2.4 The responsibility of Manager's during any review of a related activity has been captured within the Charter to ensure the effective delivery of each assignment. It requires managers to support Internal Audit in the delivery of the Internal Audit plan, ensuring their availability and access to requests for information is provided in a timely manner, that managers accept responsibility for implementing appropriate actions to address any weaknesses identified, and ARAC members may request their attendance at meetings to provide updates on delivery of audit recommendations when required.
- 2.5 The arrangements for the monitoring of audit recommendations was considered as part of the review and has been adjusted to reflect the categorisation of audit recommendations with priority being given to red and amber audit recommendations for follow-up reviews to reflect green rated audit recommendations being advisory only, as shown below.

<b>Red</b>	Action is imperative to ensure that the objectives for the area under review are met
<b>Amber</b>	Action is required to avoid exposure to significant risks in achieving objectives
<b>Green</b>	Action is advised to enhance risk control or operational efficiency

- 2.6 The charter is to be reviewed annually and presented to ARAC for their continued acceptance ensuring Internal Audit continues to meet the required obligations as contained in the PSIAS.

## 3. Financial Implications

Not applicable

## 4. Legal Implications

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<sup>1</sup> Source: PSIAS

Not applicable

**5. Equalities Implications**

Not applicable.

**6. Inclusive Growth Implications**

Not applicable.

**7. Geographical Area of Report's Implications**

Not applicable.

**8. Other Implications**

Not applicable.

**9. Schedule of Background Papers**

Appendix 1: Internal Audit Charter