

## **REVIEW OF THE INTERNAL AUDIT STRATEGY 2013 TO 2016 AND THE INTERNAL AUDIT SECTION TERMS OF REFERENCE**

**Submitted by:**           **Audit Manager**

**Portfolio:**               **Finance and Budget Management**

**Ward(s) affected:**   **All**

### **Purpose of the Report**

To seek Members approval to the revised Internal Audit Strategy and Terms of Reference which have been reviewed as part of the Audit Planning process for 2013/14.

### **Recommendations**

**That the Internal Audit Strategy 2013 to 2016 and the Internal Audit Section's Terms of Reference be approved in their revised forms.**

### **Reasons**

These documents are reviewed and updated annually to ensure compliance with the newly defined Public Sector Internal Audit Standards (PSIAS) that come into effect from 1 April 2013.

## **1.     Background**

- 1.1     In accordance with the Public Sector Internal Audit Standards (PSIAS), the Audit Manager is required to produce an Audit Strategy which sets out how the Internal Audit Service will be delivered in accordance with the terms of reference and how it links to the organisational objectives and priorities. The PSIAS requires that the Strategy is kept up to date with the organisation and its changing priorities.
- 1.2     The previous Strategy which covered the period 2012 to 2015 was approved by this Committee in January 2012. This document has now been reviewed and updated to reflect that the PSIAS will be in place from 1 April 2013 and these replace the previous CIPFA Code of Practice for Internal Audit 2006, however at the time of writing this report guidance is still awaited from CIPFA on how the PSIAS should be applied, upon receipt of the guidance from CIPFA it may be necessary to bring back a further report to the committee later in the year. The Strategy covers the period 2013 to 2016 and sets out how Internal Audit will contribute to the Council's review of Corporate Governance arrangements, risk management processes, key internal control systems and how assurance for the annual statement on internal control will be demonstrated. It also establishes the resources and skills required for its delivery and allocation of audit work.
- 1.3     The Terms of Reference for Internal Audit have also been reviewed and updated in accordance with the PSIAS.

## **2.     Issues**

- 3.1     In accordance with the PSIAS the documents have been reviewed and updated to reflect the changes that the organisation has recently gone through.

3. **Options Considered**

- 3.1 To review and adopt these documents ensures and demonstrates that the Internal Audit Section has mechanisms in place to;

“To deliver a risk-based audit plan in a professional manner, to provide the organisation with an opinion on the level of assurance it can place upon the internal control environment, and to make the recommendations to improve it”

- 3.2 Not to adopt these changes would leave the Council open to criticism of not being able to provide a level of assurance on the Councils systems of internal control.

4. **Proposal**

- 4.1 That the Internal Audit Strategy 2013 to 2016 and the Internal Audit Sections Terms of Reference be approved in their revised forms.

5. **Reasons for Preferred Solution**

As option 3.1 above.

6. **Outcomes Linked to Sustainable Community Strategy and Corporate Priorities**

- 6.1 The documents demonstrate that the Council is committed to ensuring the best use of resources and ensuring that there is provision to give assurance on the adequacy of internal controls. Therefore contributing to it's Corporate Priority of becoming a Co-operative Council which delivers high quality, community-driven services.

7. **Legal and Statutory Implications**

This report raises no new legal or statutory implications.

8. **Equality Impact Assessment**

There are no differential equality impact issues identified from the proposal.

9. **Financial and Resource Implications**

There are no new financial or resource implications.

10. **Major Risks**

- 10.1 The risk of not having these documents in place would leave Internal Audit open to criticism of not being able to demonstrate how it will deliver a risk-based audit plan in a professional manner, and provide the organisation with an opinion on the level of assurance it can place upon the internal control environment, and to make the recommendations to improve it.

11. **Key Decision Information**

Not applicable

12. **Earlier Cabinet/Committee Resolutions**

Audit Strategy 2012 to 2015 and Internal Audit Terms of Reference, Audit & Risk Committee – January 2012,

14. **List of Appendices**

Appendix A - Internal Audit Strategy 2013 to 2016  
Appendix B - Internal Audit Terms of Reference

15. **Background Papers**

Internal Audit Planning file/folder