



DERBY CITY COUNCIL

AUDIT & ACCOUNTS COMMITTEE
24 March 2011

Report of the Head of Audit and Risk
Management

ITEM 10

INTERNAL AUDIT – TERMS OF REFERENCE

SUMMARY

- 1.1 This report details the changes required to update Internal Audit's Terms of Reference.

RECOMMENDATION

- 2.1 To approve the updated Terms of Reference for Internal Audit.

REASONS FOR RECOMMENDATION

- 3.1 The Audit and Accounts Committee is responsible for providing assurance to the Council on the effectiveness of the governance arrangements, risk management framework and internal control environment.
- 3.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Internal Audit in the UK 2006 states that the Terms of Reference should be approved by the organisation.

SUPPORTING INFORMATION

- 4.1 The internal audit function operates under the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Internal Audit in the UK 2006 and this code requires that the section has terms of reference that are reviewed on a regular basis.
- 4.2 To ensure compliance with the CIPFA Code of Practice, a formal Terms of Reference document for Internal Audit was produced in 2008. These were approved by this Committee on 4 December 2008.
- 4.3 The Terms of Reference set out the framework within which Internal Audit discharges its responsibilities to Derby City Council to those charged with governance (Audit and Accounts Committee) and the Section 151 Officer (Strategic Director – Resources).

4.4 Standard 1 (Scope of Internal Audit) of the CIPFA Code states that:

“The purpose, authority and responsibility of internal audit must be formally defined by the organisation in terms of reference consistent with this Code. They should:

- a) establish the responsibilities and objectives of Internal Audit
- b) establish the organisational independence of Internal Audit
- c) establish the accountability, reporting lines and relationships between the Head of Internal audit and:
 - i) those charged with governance
 - ii) those to whom the Head of Internal Audit may report
- d) recognise that Internal Audit’s remit extends to the entire control environment of the organisation
- e) identify Internal Audit’s contribution to the review of the effectiveness of the control environment
- f) require and enable the Head of internal Audit to deliver an annual audit opinion
- g) define the role of Internal Audit in any fraud-related or consultancy work
- h) explain how Internal Audit’s resource requirements will be assessed
- i) establish Internal Audit’s right of access to all records, assets, personnel and premises, including those of partner organisation, and its authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities.”

4.5 In accordance with paragraph 1.1.3 of Standard 1 that “the terms of reference, be approved and regularly reviewed by the organisation”, the Head of Audit and Risk Management has reviewed and updated them. The updated Terms of Reference are attached at Appendix 3. A table to show the amendments made is included at Appendix 2.

OTHER OPTIONS CONSIDERED

5.1 N/A

This report has been approved by the following officers:

Legal officer	n/a
Financial officer	n/a
Human Resources officer	n/a
Service Director(s)	n/a
Other(s)	n/a

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Background papers:	None
List of appendices:	Appendix 1 – Implications Appendix 2 – Table of changes to the document Appendix 3 - Update terms of reference

IMPLICATIONS

Financial and Value for Money

1.1 None directly arising

Legal

2.1 None directly arising

Personnel

3.1 None directly arising

Equalities Impact

4.1 None directly arising.

Health and Safety

5.1 None directly arising.

Environmental Sustainability

6.1 None directly arising.

Asset Management

7.1 None directly arising.

Risk Management

8.1 None directly arising.

Corporate objectives and priorities for change

9.1 The functions of the Committee have been established to support delivery of corporate objectives by enhancing scrutiny of various aspects of the Council's controls and governance arrangements.

Table of Changes made to the Terms of Reference

Reference	Amendment made
Whole Document	Changed Corporate Director to Strategic Director
Para 1.3.2 , 5 th bullet point	Removed - The Council's Technical Finance service also plays a leading role in the delivery of the Council's efficiency/value for money action plan and meeting Gershon efficiency targets.
Para 1.3.2 , 7 th bullet point	Changed Corporate Director of Corporate and Adult Services to the Director of Legal and Democratic Services
Para 1.3.2 , 10 th bullet point	Removed reference to statutory duty (s151 Officer) after job title.
Para 1.5.4	Changed wording of final sentence from - This level of status within the organisational structure ensures that the Head of Audit and Risk Management is sufficiently influential in the maintenance and development of the Council's control environment
Para 1.6.1	Removed the wording - The Corporate Director – Resources also chairs the monthly Audit Management Meetings
Para 1.6.3	Added words “each audit” before the word assignment in the first sentence
Para 1.6.3	Amended final sentence from - This ensures that the timing of the audit is not inconvenient and the scope of the work is not inappropriate.
Para 1.6.5	Added new paragraph
Para 1.7.1	Changed Departments to Directorates.
Para 1.7.1	Removed words “on a contractual basis2 from final sentence.
Para 1.9.1	Updated number of years audit service.
Para 1.11.1	Updated second paragraph to reflect changes to the Council's Financial Procedure Rules.
Para 1.11.1	Removed the sentence “The benefits of establishing a Corporate Fraud Team, which would combine the skills sets of a number of existing Council functions, are also being formally considered.” from the 4 th paragraph