



DERBY CITY COUNCIL

**AUDIT AND ACCOUNTS
COMMITTEE
4 DECEMBER 2008**

Report of the Head of Audit and
Risk Management

ITEM 7

Internal Audit – Terms of Reference

RECOMMENDATION

- 1.1 To approve the Terms of Reference for Internal Audit.

SUPPORTING INFORMATION

- 2.1 At the meeting on 24 September 2008, Members received the External Auditor's Interim Audit Report 2007/8. In the report, Grant Thornton recommended that the Council should consider updating the Terms of Reference to include the requirement that 'The Head of Internal Audit must establish and maintain good working relationships and communication with members.' This recommendation highlighted an area of non-compliance with the CIPFA Code of Practice for Internal Audit in Local Government.
- 2.2. 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."

- 2.3 The purpose, authority and responsibility of internal audit have only been documented in the Council's Financial Procedure Rules. To ensure compliance with the CIPFA Code, a formal Terms of Reference document for Internal Audit has been produced. This document is attached at Appendix 2.
- 2.4 The Terms of Reference document has been reviewed by the Corporate Director - Resources. The Terms of Reference will be reviewed on an annual basis and brought to this Committee for approval. This meets the requirement in paragraph 1.1.3 of Standard 1 that "the terms of reference, be approved and regularly reviewed by the organisation".

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Background papers:

List of appendices: Appendix 1 – Implications
Appendix 2 – Internal Audit - Terms Of Reference

IMPLICATIONS

Financial

1. None directly arising.

Legal

2. Under the Accounts and Audit Regulations 2003, the Council is required to maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices.

Personnel

3. None directly arising.

Equalities impact

4. None directly arising.

Corporate objectives and priorities for change

5. 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.