Internal Audit Mission Statement

"To contribute to the achievement of Argyll and Bute Council's mission and strategic objectives by providing assurance to the Council that financial and operational controls and arrangements for Best Value are functioning efficiently and effectively and that the significant risks to the organisation are being managed."

Terms of Reference

1 Objectives

1.1 To assist the Council and its Strategic Management Team in their governance responsibilities: that is, to support them in creating a mechanism to deliver an effective and efficient risk management and control framework; and to assist them in the corporate governance reporting process.

1.2 To provide assurance on the adequacy of control within the Council's systems and activities: that is to comment on and recommend appropriate changes to mechanisms put in place by management to ensure systems and activities achieve their objectives; and to bring deficiencies therein to the notice of operational management and ultimately to the Audit Committee.

1.3 To advise management on cost effective controls for new or modified systems and activities;

1.4 To highlight opportunities to reduce costs through greater economy and efficiency within systems and activities.

1.5 Internal Audit areas of focus include:

- ❖ Internal control effectiveness

- ❖ Statutory, procedures and control compliance

- ❖ Implementation of recommendations

- ❖ Corporate governance

- ❖ Systems development

- ❖ Process improvement

- ❖ Value for money and Best Value

1.6 Over time it is envisaged that the function will increase the proportion of reviews of operational systems, value for money and contribute to Best Value.

2 Scope

2.1 The scope of internal audit includes the examination and evaluation of the adequacy and reliability of the Authority's system of internal control. Internal audit is responsible for providing assurance across all of the Authority's activities.

2.2 Internal Audit's work provides assurance on the extent to which management controls ensure that:

- ❖ significant risks are identified, assessed and appropriately managed;

- ❖ objectives are established and achievement against them is monitored;

- ❖ the Council's assets are safeguarded from significant losses, including those caused by fraud, waste, inefficiency and commercially unsound practices;

❖ relevant laws, rules and regulations are complied with;

❖ operations are conducted effectively, efficiently and economically;

❖ operations are conducted in accordance with Council policies and procedures;

❖ management information systems are reliable and secure;

❖ systems under development are monitored, that appropriate internal controls are built in and are consistent with the organisations' needs;

❖ major Council projects achieve their objectives; and

❖ throughout the Authority's activities it can demonstrate good governance.

2.3 In addition, Internal Audit may perform special reviews requested by the senior management or the Audit Committee. When plans are changed for such reviews, this is reported to the Audit Committee so that it clearly understands the implications on resources and for the assurance it requires about internal controls, and any impact on the delivery of agreed plans.

3 Role

3.1 'Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve the Authority's operations. It helps the Authority accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

3.2 When internal auditors provide advice to management in a consultancy capacity, auditors will be clear that such advice will not confer any operational responsibility upon them.

4 Independence

4.1 Internal audit does not have any executive responsibilities and is independent of the activities, which it audits. This enables them to provide impartial and unbiased opinions and recommendations.

4.2 Line managers are fully responsible for the quality of internal control within their area of responsibility. Internal audit is not a substitute for proper control in any sphere of the Authority's activities.

4.3 Internal audit will give advice and make recommendations however, it is the decision of management on whether to implement recommendations or not and they who are accountable for such decisions.

5 Authority and Access

5.1 Internal Audit derives its authority from the Council who enable them to have unrestricted access to all records, systems, documents, property and staff as required in the performance of its work. Internal auditors are authorised to obtain information and explanations they consider necessary from any employee or agent of the Authority to fulfil their objectives and responsibilities. Internal audit require a timely written response to any findings and recommendations contained in assignment reports.

5.2 Any proposed significant changes to systems and procedures should be notified to internal audit so that the implications for internal control can be assessed and acted upon.

5.3 The Internal Audit Management will have unfettered right of access to the Chair of the Audit Committee and the Chief Executive.

5.4 Elected members and staff have a right of access to raise any matter of concern with the Internal Audit Management.

6 Internal Audit Management

6.1 The Council's Internal Audit management team has responsibility for:

❖ Assisting executives with risk management.

❖ Developing a plan that is based on assessed Council risks and Internal Audit's objectives.

❖ Developing a programme based on the plan and which is flexible enough to meet changing organisational needs.

❖ Ensuring that resourcing arrangements are in place to deliver the plan and are flexible enough to cope with special requests

❖ Providing regular progress reports to senior management and the Audit Committee.

❖ Ensuring Internal Audit remains effective, credible, productive and focused on areas of most significance to the Council.

❖ Working with line management constructively to challenge and improve established and proposed practices and to put forward ideas for improving processes.

❖ Developing an appropriately skilled team, supported where necessary by external expertise, to meet best practice.

❖ Maintaining an open relationship with the external auditors.

❖ Fostering a culture of joint working with management leading to agreed solutions.

6.2 Internal audit management policies and procedures will be detailed in an Audit Manual which will be made available to all audit staff.

6.3 Internal Audit is not relieved of its responsibilities when areas of the Council are subject to review by others. It always needs to assess the extent to which it can rely upon that work, co-ordinate its audit planning with those other review agencies, e.g. external auditors, and decide what further investigations need to be carried out.

7 Reporting

7.1 Internal audit will report on individual assignments to the relevant service management, with copies provided to the Head of Strategic Finance and the external auditors. Summary information will be provided to the Chief Executive and the Audit Committee.

7.2 The strategic and annual audit plans will be presented to the Audit Committee for their approval.

7.3 Internal audit will report at each meeting of the Audit Committee on assignments completed since the previous meeting and bring any significant matters to their attention. It will also provide the Committee with reports concerning the implementation of recommendations made to management by internal audit and on progress made against the audit plan.

7.4 The Internal Audit Management will provide annual reports to the Audit Committee about the work of the internal audit team in the year and will provide an overall assessment of the robustness of internal control to the Committee.

8   <u>Quality and Skills</u>

8.1 The Council's Internal Audit management team is responsible for ensuring the skills of Internal Audit are developed and maintained through:

- ❖ re-skilling and training Internal Audit staff e.g. in complex technical areas, in the use of technology, implementing best practice and in developing inter-personal skills such as communication;

- ❖ techniques such as benchmarking to identify and adopt appropriate best practices;

- ❖ the engagement of external specialists as and when necessary and cost-effectively to meet changing Council needs.

- ❖ developing and monitoring appropriate internal audit performance measures, including mechanisms for continuous improvement

8.2 Internal audit staff, including the internal audit management, will be required to hold appropriate qualifications commensurate with their role and to maintain their competence by undertaking regular training and relevant Continuing Professional Development (CPD).

8.3 Internal Audit must demonstrate objectivity and professionalism, including applying best practice and compliance with the professional codes of practice such as the Code of Practice for Internal Audit for Local Authorities in the UK.