

APPENDIX 5

Audit Strategy & Vision

Terms of Reference

Internal Audit is responsible for advising all levels of management and the Council (through its Audit Committee), on the Council's systems of internal control. It is a review activity which continuously reinforces line management's responsibility for effective internal controls. The existence of internal audit is not a substitute for management's responsibility to ensure the existence of a sound framework of internal control. Internal audit supports:

- Management's organisational objectives
- The Audit Committee's need for overall assurance on the quality and cost effectiveness of risk management and internal controls.

Internal audit reviews:

- Risk Management and Internal control effectiveness
- Statutory, procedures and control compliance
- Implementation of recommendations
- Corporate governance
- Systems development
- Process improvement
- Performance reporting
- Value for Money and Best Value.

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.

Strategic Vision

"To contribute to the achievement of Argyll and Bute Council's vision and strategic objectives by providing an independent, objective, assurance and consulting activity designed to add value and assist the Council accomplish its objectives, by bringing a systematic, standard approach to assess and develop the effectiveness of risk management, control, and governance process."

Audit Strategy

The audit strategy identifies the priorities for internal audit, based upon an assessment of the key risks to the Council and the extent of alternative sources of assurance, as well as the resources and skills needed to deliver it. The responsibility for effective governance arrangements (including risk management) remains with Council management; internal audit cannot prevent or detect all weaknesses or failures in internal control however the internal audit planning and strategy tries to include all areas of risk across the Council and external audit places reliance on the work of internal audit.

Internal audit activity covers the following areas, Financial Systems, Business Systems, Corporate Performance and Corporate/Service plans with the objective of providing assurance across a wide coverage of management controls. Audit activity is risk based and proportionate with audits planned, structured and delivered accordingly. Audit reporting is timely and focuses on key areas for improvement.

Internal audit complies with good practice Internal audit is reviewed annually to ensure that the operating model remains appropriate and provides best value.

Operating Model

A 3 year strategic audit plan is prepared based upon a risk assessment with an annual review. An audit agreement document setting out the scope and objectives and timescale for each audit is agreed with management. Audits are completed from the annual audit plan and within agreed timescales. Audit reports are issued within an agreed timescale and are cleared by management (see process set out in Appendix 1 and 2).

Internal audit maintains a database of all agreed external and internal audit recommendations and monthly reports on implementation progress are provided to DMTs and SMT and quarterly to the Audit Committee.

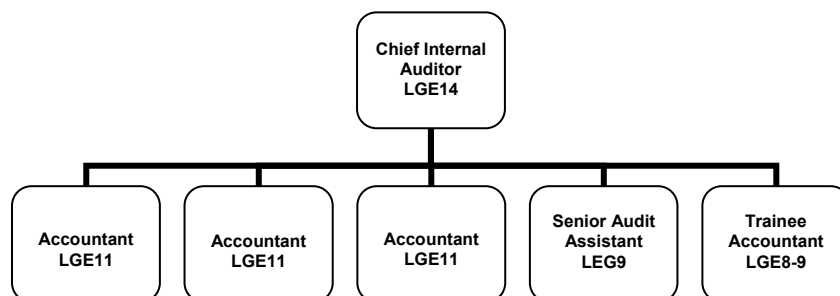
Internal audit complies with good practice as set out by the Chartered Institute of Public Finance (CIPFA) Code of Practice for Internal Audit in Local Government in the United Kingdom, 2006. Consideration is also given to the CIPFA consultation draft on the role of the Head of Internal Audit in developing both the audit risk based strategy and plan.

Performance is measured by the Audit Committee on an annual basis in the annual internal audit report where achieved performance is recorded against set Audit Committee PIs. In addition, internal audit performance is recorded monthly on the Pyramid (the Councils performance management system) and through the Directors of Finance PIs for internal audit.

The operating model for internal audit is reviewed as part of the 3 year strategic audit plan and guidance is provided on the areas to be audited when delivering the plan.

Internal Audit Resources

There is an in-house team of 6 FTE as follows:



1 Chief Internal Auditor, 3 FTE Accountants, 1 Senior Audit Assistant, 1 Trainee Accountant. One of the 3 Accountant posts is filled by contract auditors. The internal audit section is located within Strategic Finance / Chief Executives Unit. The Chief Internal Auditor reports to the Head of Strategic Finance who reports to the Chief Executive. The Chief Internal Auditor can report direct to the Chief Executive and has a dotted line responsibility to the Chairman of the Audit Committee.