

**UPDATED TERMS OF REFERENCE AND REPORTING TEMPLATES - DRAFT**

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**1. SUMMARY**

This report introduces updated terms of reference and reporting templates for internal audit work.

**2. RECOMMENDATIONS**

- 2.1 The Audit Committee review and comment on the revised templates.
- 2.2 The Audit Committee approve the proposed amendments to the Terms of Reference and Audit Reporting Templates.

**3. DETAILS**

- 3.1 In September 2013 the outcome of the self assessment against Public Sector Internal Audit Standards was reported to the Audit Committee. Included in the improvement plan were 2 actions relating to the development of a revised terms of reference for individual audits and a revised format for audit reports. The Terms of Reference document, Appendix 1 to this report, will replace the Audit Agreement Document (Appendix 2) and will include the engagement's objectives, scope, timing, resource allocations, management expectations and reporting format required. The Terms of Reference will be discussed and agreed with relevant managers and be approved at Head of Service level and by the Chief Internal Auditor or a Lead Auditor.
- 3.2 The key change to the approach is the preliminary assessment of the risks relevant to the activity under review and documenting and agreeing these in the Terms of Reference. Internal audit engagement objectives will reflect the results of this risk assessment.
- 3.3 Appendix 3 sets out our revised reporting template. We hope our revised template will make our reporting more focused, and with clearer outcomes based on the following table within the Audit Charter:

<b>Level of Assurance</b>	<b>Reason for the level of Assurance given</b>
<b>High</b>	Internal Control, Governance and the Management of

	Risk are at a high standard with only marginal elements of residual risk, which are either being accepted or dealt with.
<b>Substantial</b>	Internal Control, Governance and the Management of Risk have displayed a mixture of little residual risk, but other elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.
<b>Limited</b>	Internal Control, Governance and the Management of Risk are displaying a general trend of unacceptable residual risk and weaknesses must be addressed within a reasonable timescale, with management allocating appropriate resource to the issues.
<b>Very Limited</b>	Internal Control, Governance and the Management of Risk are displaying key weaknesses and extensive residual risk above an acceptable level which must be addressed urgently, with management allocating appropriate resource to the issues.

#### 4. CONCLUSION

We have prepared an Audit Charter in line with the Public Sector Internal Audit Standards. A number of changes were required to current internal audit outputs to meet the requirements of the Standards, and of the Audit Charter. We have therefore made a number of proposals, but would welcome the view of the Audit Committee to ensure that the revised reporting templates meet the needs of the Committee.

#### 5. IMPLICATIONS

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| 5.1 | Policy:              | None |
| 5.2 | Financial:           | None |
| 5.3 | Personnel:           | None |
| 5.4 | Legal:               | None |
| 5.5 | Equal Opportunities: | None |

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13 December 2013