

TERMS OF REFERENCE**Effectiveness of the System of Internal Audit 2013/2014****BACKGROUND**

The Accounts and Audit (England) Regulations 2011 require that a review of the effectiveness of the Council's internal audit arrangements is conducted at least annually. In addition, the UK Public Sector Internal Audit Standards (PSIAS) which were introduced in April 2013 require the Chief Internal Auditor to maintain a quality assurance and improvement programme that includes periodic self assessments or assessments by other persons within the organisation with sufficient knowledge of internal audit practices.

The Audit and Governance Committee, as the Committee charged with responsibility for Internal Audit, considers that it is best placed to sponsor such a review of the effectiveness of Internal Audit arrangements on behalf of Surrey County Council. The Chief Finance Officer has a responsibility to support the Internal Audit function as a key vehicle to ensure good stewardship and has endorsed the Terms of Reference for this review.

PURPOSE OF THE REVIEW

To review the effectiveness of the current system of Internal Audit in Surrey County Council and consider whether appropriate controls are in place to mitigate the following risks:

- Internal Audit is not viewed as sufficiently independent of undue influences
- Internal Audit resource may not be focussed on key areas of risk
- The Internal Audit team may not be sufficiently resourced/skilled
- Internal Audit work may not be to an acceptable level of quality
- Management action in response to audit recommendations may not be timely/effective
- Select Committee review of progress in implementing management action plans may be inconsistent
- Internal Audit may not have a sufficiently high profile within the organisation to be a force for change

WORK TO BE UNDERTAKEN

As a comprehensive external review was conducted by CIPFA last year, which included interviews with key stakeholders including the Leader and Chief Executive, this year's review will be more "light touch" and will include:

- Follow-up of action taken in response to the recommendations arising from the 2012/13 review
- Completion of the Checklist for Assessing Conformance with the PSIAS and the Local Government Application Note*

- Review of the level of Select Committee scrutiny of audits which have been attracted an “Unsatisfactory” or “Major Improvement Needed” opinion and/or include high priority recommendations
- Review of Management Action Plan (MAP) progress as reported to Audit and Governance Committee for evidence of appropriate senior officer/Cabinet member focus on red/amber rated actions

* This will be conducted by an officer from the Performance and Research team

OUTCOMES

The findings of this review will inform the report of the Chairman of the Audit and Governance Committee on the Effectiveness of the System of Internal Audit 2013/2014 which will be presented at a meeting of the Committee in March 2014. Any significant areas of non conformance with the PSIAS must be referred for inclusion in the 2013/14 Annual Governance Statement.

REPORTING ARRANGEMENTS

Auditor:	Sue Lewry-Jones
Reporting to:	Audit and Governance Committee
Audit Ref:	CSA /4 – 2013/14