

ANNEX A**TERMS OF REFERENCE****Effectiveness of the System of Internal Audit 2014/2015****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 check against the PSIAS and the Local Government Application Note was conducted last year by an officer from the Performance and Research team, this year's review will be more "light touch" and will focus on those areas where the 2013/14 review suggested the Internal Audit service was not fully compliant with the standards.

OUTCOMES

The findings of this review will be presented at a meeting of the Audit and Governance Committee in April 2015. Any significant areas of non conformance with the PSIAS must be referred for inclusion in the 2014/15 Annual Governance Statement.

REPORTING ARRANGEMENTS

Auditor:	Sue Lewry-Jones
Reporting to:	Audit and Governance Committee