

Teesdale District Council

Internal Audit Strategy

2008/2009

Introduction

Internal Audit is an assurance function that provides an independent and objective opinion to the organisation on the control environment, by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

In order to achieve this it is important for Audit Manager to plan how this will be achieved and how the resources of the section can be best utilised to meet this key objective. The audit section will be required to undertake additional work outside of this definition and this needs to be carefully managed to ensure that the objectives set out above can be met.

Aims and Objectives

- To undertake sufficient audit work to enable the audit manager to provide an opinion on the overall system of control operating within the authority.
- To support managers in the development of systems that provide for strong internal controls whilst making efficient use of resources available.
- To provide training and support to the audit committee to enable them to fulfil their role.
- To ensure the internal audit section complies with the relevant code of practice for internal audit as published by CIPFA (Currently the 2006 version).
- To work with the Audit Commission to ensure audit plans compliment each other and avoid where possible duplication of effort.
- To ensure it operates within its terms of reference as detailed below.

Terms of Reference

A key component of the code of practice is the development of the terms of reference for Internal Audit. Some of the areas that should be included in the terms of reference are covered elsewhere within this strategy and as such will not be repeated here but reference will be made to them.

Internal Audit has a responsibility to provide assurance to the organisation. As such it will undertake its work in accordance with the introduction to this strategy and by setting out to achieve its aims and objectives within this strategy.

A key enabler to Internal Audit being able to provide effective coverage is the organisational independence of internal audit. To this end:
The audit manager may without prejudice have direct access to the head of paid service, all levels of management and directly to elected members.

The audit manager will in the first instance report to the chief finance officer as their line manager. Issues identified within individual departments will be reported to the appropriate service manager and copied to the relevant director.

Should there be any issues regarding the acceptance of audit recommendations these will be discussed first with the relevant director and if issues can not be resolved they will be reported to the Chief Executive. The audit manager will maintain a good relationship with the Audit & Governance Committee as the committee charged with governance. The head of audit will raise any issues to this committee should they feel the issues have not been satisfactorily dealt with by the Chief Executive.

Ultimately the audit manager will have the support of full council should there be any attempt to influence the opinion of the audit manager or the work they are trying to undertake.

The audit manager has the right to report any significant issues that the authority refuses to accept or address to the appointed external auditor but only after the audit manager has reported the issues to full council.

The internal audit service will ensure their work allows the audit manager to provide an opinion on the entire control environment as outlined in the scope of work section of this strategy.

The internal audit section plays a key role in the review of the effectiveness of the control environment. The work of internal audit will be the main source of assurance because of the independent way it is managed which is coupled with the detailed understanding of how the organisation works. To support this, the audit manager must produce an annual audit report in accordance with the code and give an opinion on the overall system of internal control.

The scope of work internal audit will conduct in relation to fraud and consultancy is as set out later in this strategy.

The resource requirements of internal audit will be established through the annual audit planning process. The audit manager will ensure that after due consideration of the risk associated with each audit area and the requirement to conduct annual audits each audit area will be audited at least once in any three year period.

Internal audit has the absolute right of access to all records, assets, personnel and premises, including those of partner organisations, and authority to obtain such information and explanations as the audit manager considers necessary to fulfil their responsibilities to the organisation.

Scope of Internal Audit Work

The audit manager will maintain an audit portfolio of all the relevant areas which internal audit needs to cover to be able to provide an opinion. Within this portfolio those key systems that must be reviewed as a minimum to enable that opinion to be given will be core audits and must be undertaken each year. The remaining audit areas will be prioritised based on a risk assessment which considers the control environment in place within the service area including but not limited to the risk management arrangements, the level of assurance given by the service manager and any significant national or local priorities.

The audit manager will ensure that each audit area will be reviewed at least once in every three year period.

There are currently no resource constraints that will prevent each audit area from being reviewed at least once every three years or that would prevent the annual core audits being completed.

Other Areas of Work

The audit manager has a specifically responsibility for risk management. This role is a strategic role to develop and implement an effective risk management framework within the authority.

Fraud & Corruption

The role internal audit has with regard to fraud and corruption is two fold. In the first instance audit reviews will be conducted with a mind to the fact that fraud is a risk within any system. As such where possible sampling will be sufficient to aid the detection of fraud should it be occurring, however the responsibility for the prevention and detection of fraud remains firmly with the service management.

Internal Audit will be responsible for conducting investigations into alleged fraud and corruption. This work will be undertaken in such a manner as to protect the interest of the authority at all times. There is a specific section within the audit manual that describes how investigations should be conducted.

Resources

The service is to be delivered in-house.

The audit manager (head of internal audit) should be a member of one of the CCAB bodies. Audit team members should be AAT qualified or be working towards this qualification.

The current staffing levels of 2 FTE is sufficient to achieve the aims and objectives set out in this strategy. This will be reviewed annually.