

STROUD DISTRICT COUNCIL
AUDIT AND STANDARDS COMMITTEE

**AGENDA
ITEM NO**

28 JANUARY 2020

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Report Title	INTERNAL AUDIT PURPOSE, AUTHORITY, ROLE AND FUNCTION
Purpose of Report	Regulation and mandatory auditing standards require the Chief Internal Auditor to periodically review and present the Internal Audit Strategies to Senior Management and the Audit and Standards Committee, to provide assurance that the Internal Audit function operates in accordance with professional standards.
Decision(s)	The Committee APPROVES the: a. Internal Audit Strategy b. Internal Audit Data Analytics Strategy c. Internal Audit Charter d. Internal Audit Code of Ethics e. Internal Audit Quality Assurance and Improvement Programme (QAIP)
Consultation and Feedback	ARA Shared Services Board, Senior Leadership Team.
Financial Implications and Risk Assessment	There are no direct financial implications arising from this report. Andrew Cummings, Strategic Director of Resources Tel: 01453 754115 Email: andrew.cummings@stroud.gov.uk Risk Assessment: Failure to deliver an effective Internal Audit Service in line with the PSIAS will prevent an independent, objective assurance opinion to be provided to those charged with governance, that the key risks associated with the achievement of the Council's objectives are being adequately controlled.
Legal Implications	Whilst the requirement to have an effective audit requirement is a legal necessity, there are no specific legal implications arising from the recommendations in this report which are required to comply with PSIAS requirements. Patrick Arran, Interim Head of Legal Services and Monitoring Officer Tel: 01453 754369 Email: patrick.arran@stroud.gov.uk
Report Author	Theresa Mortimer, Head of Audit Risk Assurance (ARA) Tel: 01453 754111 Email: theresa.mortimer@stroud.gov.uk
Options	There are no further options that can be considered as the attached is required by regulation and professional auditing standards.
Performance Management Follow Up	The strategies are reviewed annually by the Head of ARA and the Internal Audit service performance against the standards is reported quarterly to Audit and Standards Committee.

Background Papers/ Appendices	Appendix A: Internal Audit Strategy Appendix B: Internal Audit Data Analytics Strategy Appendix C: Internal Audit Charter Appendix D: Internal Audit Code of Ethics Appendix E: Internal Audit Quality Assurance and Improvement Programme (QAIP)
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1.0 Background

1.1 All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (Section 151) and the Accounts and Audit Regulations 2015. The latter requires authorities to:

“...undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes taking into account public sector internal auditing standards or guidance.” (i.e. the Public Sector Internal Audit Standards (PSIAS) 2017 as reflecting proper internal auditing practice).

The Standards encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) i.e. the Definition of Internal Auditing, Code of Ethics and the International Standards for the Professional Practice of Internal Auditing and define the way in which the Internal Audit Service should be established and undertake its functions.

Additional requirements and interpretations for Local Government are published via the Chartered Institute of Public Finance and Accountancy (CIPFA) Local Government Application Note (LGAN) for the UK PSIAS (2019 Edition).

The Standards require all internal audit functions to implement and retain:

1. **Internal Audit Strategy:** sets out how the service will support and promote improvement and good governance, which is underpinned by the Internal Audit Charter.
2. **Internal Audit Data Analytics Strategy:** This strategy underpins our Internal Audit Strategy to incorporate data analytics in our Internal Audit reviews (where appropriate/relevant) to provide further intelligence over entire populations and help to identify key emerging themes and risks. This will also provide management with contextual perspective of audit findings.’
3. **Internal Audit Charter:** is to formally define Internal Audit’s statutory role, authority, purpose, responsibility and position within SDC.
4. **Internal Audit Code of Ethics:** is a statement of principles and expectations governing the behaviour of individuals in the conduct of internal auditing.
5. **Internal Audit Quality Assurance and Improvement Programme (QAIP):** enables an evaluation of the internal audit activity’s conformance with the IPPF, Definition of Internal Auditing and Standard 1300 (QAIP) within the PSIAS and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity.