

# Report of the Head of Internal Audit

**AUDIT COMMITTEE – 23<sup>rd</sup> March 2016**

## **INTERNAL AUDIT CHARTER AND STRATEGY 2016/17**

### **1. Purpose of the Report**

- 1.1 This report prefaces the annually reviewed and revised Internal Audit Charter and Strategy. Both documents are attached.

### **2. Recommendation**

- 2.1 **It is recommended that the Audit Committee consider the Internal Audit Charter and Strategy and be satisfied that they adequately represent and describe the function and that the delivery of the Strategy will provide the assurances the Committee receive from Internal Audit regarding the effectiveness of the function.**

### **3. Background**

- 3.1 The update of the current Charter and Strategy has considered the requirements of the Public Sector Internal Audit Standards which became effective from the 1<sup>st</sup> April 2013.
- 3.2 The Charter and Strategy, prepared by the Head of Internal Audit (HoIA) and complemented by regular reports and an annual report, are intended to give the Audit Committee assurances regarding how the Internal Audit function is resourced, managed, organised and delivers its responsibilities.

### **4. The Charter and Strategy**

- 4.1 The Audit Committee considers the Charter and Strategy documents annually as required by the Public Sector Internal Audit Standards (PSIAS).
- 4.2 This latest review has ensured that the Charter and Strategy reflect the current working arrangements of the function but also the aspirations and developments necessary to ensure continuous improvement. The Charter and Strategy will be made available to all employees through the Service's Intranet site.
- 4.3 Both documents reflect the changes arising from the broad client base and the structure of the Service embedded in 2015/16 following a fundamental review through the Future Council programme.
- 4.4 The Internal Audit Team provides services to Barnsley MBC, Berneslai Homes, the South Yorkshire Police Crime Commissioner, South Yorkshire Police Chief Constable, South Yorkshire Fire and Rescue Authority, South Yorkshire Pensions Authority, the Sheffield City Region Combined Authority and from April 2015, the South Yorkshire Passenger Transport Executive. The latter client was secured through a competitive tender process and now

means that Internal Audit coverage is now virtually a 50:50 split between the Council and non-Council clients.

4.5 The key aspects of the Charter and Strategy are:

- i. The Strategy reinforces the objective of the service as a valuable asset to the Authority (and its other clients) by supporting senior management in meeting their responsibilities and the delivery of corporate objectives.
- ii. The Strategy addresses how the Internal Audit Service will be delivered given available limited resources and the changes to the risk profile of the Authority and client organisations along with the requirement of the Authority (and other organisations) to remain 'safe' throughout an period of unprecedented change.
- iii. The Strategy explains the basis of the development of audit work aimed at supporting the various initiatives each organisation is undertaking to meet significant financial pressure and organisational change.
- iv. The development of specialism's to facilitate the delivery of themed type audits across the broad client base.
- v. Explains the changing technical and non technical skills required of the audit team; in particular, in respect of the increase in number of Council and other services delivered by a third party resulting in potentially fragmented governance arrangements.
- vi. The creation of a Corporate Fraud Team within the Internal Audit Service.

4.6 The Charter and Strategy will undergo an annual review to ensure they remain reflective of current working arrangements, but also highlight developmental areas where the service is likely to change to meet changing operational or audit industry requirements. The documents should also serve as a source of reference for the Audit Committee on how the Internal Audit function is organised and managed.

4.7 In overall terms both documents have not changed significantly. However, it has been recognised that it is important to ensure the correct relationships are built and maintained with and within each service of the Council (and client organisation). Through the planning process, the protocols for liaison, consultation and general communication have been reviewed and refreshed. It is vital in the delivery of an efficient and effective Internal Audit service that it is truly regarded, seen and felt as a 'internal'. This is of particular importance and significance in relation to the external clients where most are based in Sheffield.

4.8 There will also be a focus on Internal Audit looking forward and assisting senior management in all client organisations through the significant transformational change that all are facing.

4.9 We very much look forward to supporting this and each Audit Committee and senior management team in the forthcoming year.

## **5. Local Area Implications**

5.1 There are no Local Area Implications arising from this report.

## **6. Consultations**

6.1 Key officers within each of the client organisations utilising the Internal Audit Service have been consulted on the content of the Charter and Strategy.

## **7. Compatibility with European Convention on Human Rights**

7.1 In the conduct of audit work and investigations particularly, Internal Audit operates under the provisions of the Data Protection Act 1998, the Regulation of Investigatory Powers Act 2000 and the Police and Criminal Evidence Act.

## **8. Reduction of Crime and Disorder**

8.1 An inherent aspect of audit work is to prevent, detect and investigate incidents of fraud, theft and corruption. The control issues arising from audit investigations have been considered to ensure improvements in overall controls are made. Additionally, Internal Audit ensures that in specific instances, management takes appropriate action to minimise the risks of fraud and corruption re-occurring.

## **9. Risk Management Considerations**

9.1 The underlying purpose of the work of Internal Audit is to address and advise on key risks facing management and, as such, risk issues are inherent in the body of the report.

9.2 The Division's operational risk register has been fundamentally revised to reflect the changing client base, reduced resources, significant workload pressures, access to and use of IT resources with the underlying aim of providing a high quality, professional and flexible service to all client organisations.

## **10. Employee Implications**

10.1 There are no employee implications arising from this report.

## **11. Financial Implications**

11.1 The costs of the Internal Audit function are included within the Authority's base budget. The services provided to client organisations are paid for under the terms of a Service Level Agreement.

## **12. Appendices**

### **12.1 Appendix 1 - Internal Audit Charter and Strategy 2016/17**

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