THE ROLE OF INTERNAL AUDIT

Audit Committee 22 June 2015

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Internal Auditing

 An independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systemic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Internal Audit vs External Audit

- Internal Audit is responsible to senior management
- External Audit Reports to Those Charged With Governance
- IA Audit Annual Plan is approved by the AC, External Audit Informs the Council of its Plans
- IA covers all aspects of the Council's activities. EA covers financial statements and VFM, and seek to ascertain an anti-fraud stance

Statutory/Regulatory Requirements (1)

Local Government Act 1972 – Sec 151
 requires that the Council have a sec 151
 officer, who is mandated to make proper
 arrangements for the administration of the
 Council's <u>Financial Affairs</u>, including
 arrangements for <u>Internal Audit</u>

Statutory/Regulatory Requirements (2)

Accounts and Audit Regulations 2015:

- Reg 3 Responsibility for Internal Control
- Reg 4 Accounting Records and Control Systems
- Reg 5 Internal Audit
- Reg 6 Review of Internal Control System

DEFINITION

 <u>Audit Committee</u> - The governance group charged with independent assurance of the adequacy and effectiveness of the internal control environment and the integrity of financial reporting

Internal Audit and The Audit Committee

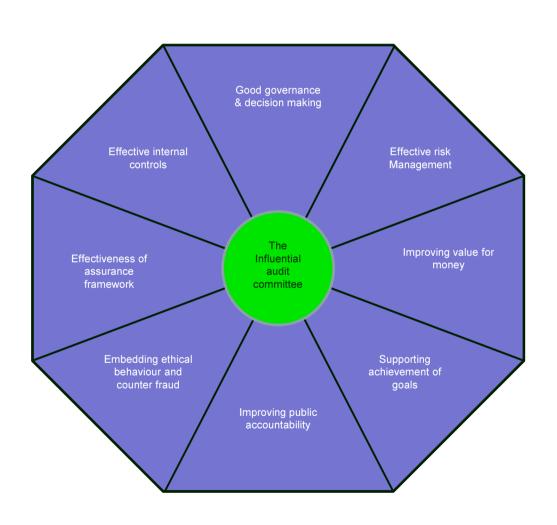
- Close working relationship that of a "critical friend"
- Internal audit role is to work closely with the committee members and particularly the Chair of the Committee, to ensure effective delivery of the Assurance Requirements
- IA to provide regular reports to the AC which gives an <u>independent opinion</u> of the Council's systems of IC, RM & Governance

The Assurance Cycle

Audit Committee Work Plan:

| N/L continue | 1/ |
|--------------|--|
| Months | Key Activities |
| March/April | Approve Annual Audit Plan |
| June | Consider Annual Internal Audit report Effectiveness Report on IA External Audit Annual Plan Risk Management Report Investigations Team Report Approve Annual Governance Statement Monitoring Officer Annual Report |
| | |
| September | Consider First Quarter IA Progress Report Approve Statement of Accounts |
| | Consider Second Quarter IA ProgressRisk Management ReportExternal Audit Annual Letter |
| March | Internal Audit Plan 3rd Quarter IA Progress Report |

Where should the Audit Committee have influence?



Question & Answer

....thank you for listening