

AUDIT SERVICES CHARTER**Introduction**

1. The purpose of this Charter is to establish the authority and responsibility conferred by the Council on the Audit Services Team with respect to carrying out internal audit functions.

Statutory Background

2. The need to maintain an internal audit function is implied by Section 151 of the Local Government Act 1972 under which local authorities are required to make proper arrangements for the administration of their financial affairs and to delegate responsibility for those arrangements to one of their officers. The Accounts and Audit Regulations 2003 amended by the Accounts and Audit (Amendment)(England) Regulations 2006 are explicit about the requirement to maintain an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.

The Nature of Audit Services

3. The Audit Services Team is an assurance function that provides an independent and objective opinion to the Council on risk management, control and governance by evaluating their effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a proper economic, efficient and effective use of resources.

Audit and Corporate Governance Committee

4. To facilitate the work of the Audit and Corporate Governance Committee the Chief Internal Auditor will:
 - 4.1 Attend its meetings and contribute to setting the agenda.
 - 4.2 Ensure that it considers its own remit and effectiveness.
 - 4.3 Ensure that it receives, and understands, documents that describe how internal audit will fulfil its objectives (e.g. the audit strategy, annual work programmes, progress reports).
 - 4.4 Report the outcomes of internal audit work in sufficient detail to allow the Committee to understand what assurance it can take from that work and/or what unresolved risks to issues it needs to address.
 - 4.5 Establish if anything arising from the work of the Committee requires consideration of changes to internal audit's programme, and vice versa.
 - 4.6 Present an Annual Assurance report including an overall opinion on the control environment, the extent to which the audit plan has been achieved, and a summary of any unresolved issues.

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5. This is the whole system of controls, both financial and otherwise, established by the Council in order to provide reasonable assurance that:
 - 5.1 Business risks are identified, assessed and managed effectively.
 - 5.2 Operations are effective and efficient.
 - 5.3 There are sound systems of internal financial control.
 - 5.4 There is compliance with laws and regulations.
 - 5.5 Assets are safeguarded from unauthorised use.
 - 5.6 Proper accounting records are maintained and the financial information used for business purposes or for publication is reliable.

The Role of Audit Services

6. The role of the Audit Services Team is to understand the key risks to which the Council is exposed and to contribute to the improvement of the internal control environment - it is not a substitute for it. The Audit Services Team is therefore not directly responsible for the ensuring that adequate and effective internal controls are established to manage the key risks – that responsibility lies with senior management.

Values of Audit Services

7. The Council expects the Audit Services Team to carry out their function in accordance with the following operational values:
 - 7.1 Demonstrating integrity in all aspects of their work.
 - 7.2 Impartiality in discharging all responsibilities, and not allow bias, prejudice or undue influence to limit or override objectivity.
 - 7.3 Applying knowledge, skills and experience to their work, seeking additional advice and support where necessary to ensure work is carried out competently.
 - 7.4 Safeguarding all information received and ensuring no unauthorised disclosure of information unless there is a legal or professional requirement to do so.
 - 7.5 Being client focused at all times.
 - 7.6 Offering constructive comments and practical solutions.

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- 7.7 Being proactive in approach.
- 7.8 Adopting a professional attitude to all tasks.
- 7.9 Being responsive to requests for advice.

Aim of Audit Services

- 8. The Audit Services Team aims to add value by contributing towards the improvement of the Council's activities by promoting effective control at reasonable cost in relation to the identified risks.

Functions of Audit Services

- 9. The functions of the Audit Services Team are to:
 - 9.1 Assist the Council in the accomplishment of its objectives by bringing a systematic and disciplined approach to the evaluation and improvement of risk management, corporate governance and internal control processes.
 - 9.2 Assist the Council in the effective discharge of its functions by providing independent analysis, appraisal, advice and recommendations on the activities subject to internal audit review.
 - 9.3 Review, appraise and report on the adequacy and effectiveness of the systems of financial and internal control.
 - 9.4 Review, appraise and report on the relevance, integrity and reliability of financial and other management information.
 - 9.5 Review, appraise and report on the level of compliance with the policies, plans, procedures, statutory requirements and regulations that could have a significant impact on the Council's activities.
 - 9.6 Review, appraise and report on the arrangements for protecting assets from loss resulting from theft, fraud, fire or misuse and, as appropriate, verifying their existence.
 - 9.7 Review and appraise the economy, efficiency and effectiveness with which resources are deployed and recommend improvements in procedures and systems that will reduce wastage, extravagance and fraud.
 - 9.8 Review service delivery arrangements and projects to ascertain whether the activities are being carried out as planned and the results are consistent with the Council's established policies.
 - 9.9 Maintain a programme of review and assessment of the Council's risk management processes in order to provide assurance on their integrity.

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- 9.10 Carry out any ad hoc appraisals, inspections, investigations, examinations or reviews requested by senior management or the political executive.
- 9.11 Act as the liaison with the Council's external auditors and coordinate audit effort with the Audit Commission in order to avoid duplication of effort and increase audit coverage.
- 9.12 Develop a shared audit protocol with colleagues in partner organisations in order to avoid duplication of effort and maximise internal audit coverage.
- 9.13 Maintain technical competence through continuing education and active participation in professional activities.
- 9.14 Adhere to the code of ethics, standards and guidelines of the relevant professional institutes and the Auditing Practices Board.
- 9.15 Utilize the resources designated for use by the Audit Services Team to maximise the efficiency and effectiveness of the internal audit function.
- 9.16 Serve on internal working groups as appointed by senior management.

Independence of Audit Services

- 10. The Chief Internal Auditor reports direct to the Director of Resources. The Director of Resources is the Council's Responsible Financial Officer under the terms of Section 151 of the Local Government Act 1972.
- 11. The Chief Internal Auditor is responsible for the day to day management of the Audit Services Team. The Chief Internal Auditor has the freedom to report to any level of management (officers and Members as appropriate) on audit findings without censure.

Authority of Audit Services

- 12. This Charter and the Council's Standing Orders and Financial Regulations confirm the authority conferred on the Audit Services Team by the Council.
- 13. The Chief Internal Auditor and the Audit Services Team have the authority to:
 - 13.1 Decide on the nature, scope and timing of audits.
 - 13.2 Access all records, documents and correspondence relating to any financial and other transactions of the Council.
 - 13.3 Enter any of the Council's premises.

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- 13.4 Request that any employee produce and surrender cash, stores or any other Council property under the employees control.
 - 13.5 Have discussion with the Council's line managers and other employees.
 - 13.6 Request any officer to provide the information and explanations needed to be able to form an opinion on the adequacy of and compliance with the internal control system.
14. The Council's officers are required to assist the Audit Services Team in the performance of their audit duties and to respond promptly to any requests for information, explanation, discussion, entry to premises or access to documents.

Scope of Audit Services

- 15. The risk of financial loss is not the sole concern of the Audit Services Team. The scope of audit activity encompasses the whole range of internal controls employed by the Council – both financial and non-financial.
- 16. The scope of the audit function is therefore sufficiently comprehensive to meet the Council's needs. It extends to cover all areas of the Council and its controlled entities and may involve working with colleagues in partner organisations.

Audit Protocol

- 17. The Audit Services Team is required to observe the following protocol in carrying out their internal function:
 - 17.1 Provide advance notice to the manager of each service area to be audited. An annual audit plan will be established after securing input from the Directors and Heads of Service and approval of the plan by the Corporate Management Board and the Audit and Corporate Governance Committee.
 - 17.2 Conduct a preparatory meeting with the nominated manager of the service being audited to discuss the nature of the audit, the length of engagement and the coordination of the review around operational constraints. The detail of the audit programme will be reviewed at that meeting with the nominated manager in order to ensure proper and thorough audit coverage.
 - 17.3 Conduct interim meetings with the nominated service manager as appropriate to discuss progress with the review and findings as they arise.
 - 17.4 Preparation of a written draft internal audit report following the conclusion of the audit.
 - 17.5 Conduct a final meeting with the nominated service manager to discuss the draft report and confirm the accuracy of the audit findings and the appropriateness of the audit recommendations.

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- 17.6 Agreed amendments to the draft report will be reflected in the final report along with the nominated service manager's response to the recommendations. Final copies of the report will be distributed as appropriate.
- 17.7 The Head of Service is responsible for making sure that the action plan included in the audit report is implemented.

The Audit Plan

18. A annual plan providing for the review of significant Council activities will be prepared for approval by the Corporate Management Board and the Audit and Corporate Governance Committee at the start of each financial year. The plan will be based on an assessment of the risk pertaining to the achievement of the Council's objectives.
19. The plan will form the basis of the annual operational plan for the Audit Services Team. An annual report on progress against that plan is required for the Corporate Management Board and the Audit and Corporate Governance Committee before the end of June following the end of the relevant financial year.

Audit Reporting

20. The Audit Services Team are required to submit timely reports on all significant issues arising from the internal audit plan to the service manager, the Responsible Financial Officer and senior management as appropriate.

Audit Standards

21. The Council requires the Audit Services Team to follow the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom.

Deterring and Detecting Fraud

22. Managing the risk of Fraud and Corruption and the deterrence of fraud is a responsibility of management. The Audit Services Team is responsible for examining and evaluating the adequacy and effectiveness of actions taken by management to fulfil this obligation.
23. The Audit Services Team shall be trained to recognise the potential indicators of fraudulent activity. If sufficient control weaknesses are detected, the Audit Services Team will carry out additional tests in order to confirm or otherwise an acceptable level of propriety and probity.
24. The Audit Services Team will not and can not, however, be as skilled in the detection of fraud as individuals whose sole purpose is to detect and investigate fraud – the remit of the internal audit function is much wider than prevention of fraud as set out in this Charter. Service managers must also be clear that auditing procedures alone, no matter how professionally they are carried out, cannot guarantee that fraud will be detected.

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- 25. The Audit Services Team will assist in the investigation of fraud in order to:
 - 25.1 Determine if controls need to be implemented or strengthened.
 - 25.2 Design audit tests to help disclose the existence of similar frauds in the future.
 - 25.3 Meet the internal auditor's responsibility to be able to recognise fraud.
- 26. A written report will be issued at the conclusion of each investigation. It will include all findings, conclusions, recommendations and corrective action to be taken.

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