

INTERNAL AUDIT CHARTER

Introduction

The main determinant of the effectiveness of Internal Audit is that it is seen to be independent. To ensure this, Internal Audit will operate within a framework that allows:

- ❖ unrestricted access to senior management
- ❖ reporting in its own name
- ❖ segregation from line operations.

Every effort will be made to preserve objectivity by ensuring that all audit members of staff are free from any conflicts of interest and do not undertake any non-audit duties, *with the exception of exigencies of the service agreed by the Audit Manager.*

All Internal Audit activity is carried out in accordance with financial regulations and procedures.

The existence of Internal Audit does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner.

Objectives of Internal Audit

As an independent appraisal function within the authority, the primary objective of Internal Audit is to review, appraise and report upon the adequacy of internal controls as a contribution to the proper, economic, efficient and effective use of resources. In addition, the other objectives of the function are to:

Support the Executive Manager Financial Services to discharge duties as Proper Officer

Contribute to and support the financial services division's objective of ensuring the provision of, and promoting the need for, sound financial systems

Support the corporate Comprehensive Performance Assessment (and Best Value?) processes.

Provide a quality fraud investigation service which safeguards public money

Scope of Internal Audit

The scope of Internal Audit allows for unrestricted coverage of the authority's activities and unrestricted access to all records and assets deemed necessary in the course of the audit.

Internal Audit, through the Audit Manager, where he deems necessary, will have unrestricted access to:

The Chief Executive

Members

Individual Chief Officers

All Authority Employees.

Location of Internal Audit

Internal Audit is located within the Finance Department in accordance with the Financial Regulations, under the direction of the Proper Officer, Executive Manager Financial Services.

Internal Audit Responsibility

The main areas of Internal Audit responsibility within the Authority are to:

1. Review, appraise and report on:
 - the extent to which its assets and interests are accounted for and safeguarded from loss
 - the soundness, adequacy and application of internal controls
 - the suitability and reliability of financial and other management data, including aspects of performance measurement.
2. Support the Best Value process by participation in any corporate and divisional reviews as appropriate and in any VFM exercises as required
3. Investigate fraud and irregularities in accordance with Council procedures.

(With the exception of those elements of Housing Benefit/Council Tax Benefit Fraud specifically delegated to the Council's Benefit Inspection Team).
4. Advise on internal control implications of new systems.
5. Support the corporate risk management function.

Audit Style and Content

The primary task of Internal Audit is to review the systems of internal control operating throughout the Authority, and for this purpose it will adopt a predominantly systems-based approach to Audit.

The Audit Manager will be required to manage the provision of a complete Audit Service to the Authority which will include systems, regularity, computer and contract audit in addition to the investigation of fraud. In discharge of this duty, the Audit Manager will:

- prepare a rolling five-year strategic risk-based audit plan in consultation with Departmental Senior Management, for formal ratification by the Executive Manager Financial Services. This strategic plan will be regarded as flexible rather than as an immutable expression of audit policy
- translate the strategic plan into annual plans for formal agreement with the Executive Manager Financial Services
- ensure a system of close supervision of audit work, and maintain a review of audit files through the supervisory structure
- ensure that all work is carried out in accordance with the relevant professional standards.
- liaise with the Benefit Inspection Team (whose remit is to investigate claimant and landlord fraud specifically in relation to Housing and Council Tax Benefits). The purpose of this liaison is to enable the Audit Manager to maintain corporate intelligence about trends in fraudulent activity. Internal Audit may also carry out joint exercises involving Benefit Inspection Team Members where appropriate.
- prepare, for agreement with the Chief Executive and Executive Manager Financial Services, annual reports on audit activity for presentation to the Authority.

In order to establish an audit presence and to create sound informal lines of communication, as much audit work as possible will be done on location.

Internal Audit testing may go beyond the records and adopt a more 'physical' approach.

Audit Resources

As far as is practicable, Internal Audit will not participate in the day-to-day operation of any systems of internal financial control. However, in strict emergency situations only, audit personnel may be called upon to carry out non-audit work on a short-term basis with the agreement of the Audit Manager.

Members of the Internal Audit Section will be expected to contribute to the general management and conduct of business through membership of working groups and participation in ad hoc exercises with the agreement of the Audit Manager.

Upon request from the *Executive Manager Financial Services*, appropriate specialists from departments other than Finance should be made available to take part in any audit, VFM, Best Value or CPA Review requiring specialist knowledge.

Internal Audit will liaise with the Council's External Auditors in order to optimise audit coverage from available resources.

Internal Audit may also carry out exercises in conjunction with other bodies such as other Local Authorities, the Audit Commission, the Police and the Inland Revenue etc.

Audit Training

The Audit Manager will carry out a continuous review of the development and training needs of all Audit Personnel and will arrange in-service training covering both internal and external courses.

This will cover generic, professional and technical training, specific auditing techniques and specialist areas in order to maintain an appropriate mix of skills within the section.

Audit Reporting

Audit assignments will be the subject of formal reports. Draft reports will be sent to the Managers responsible for the area under review for agreement to the factual accuracy of findings

All Internal Audit Reports will normally be treated as confidential to unless alternative arrangements have been expressly made with the management concerned except as follows. The Audit Manager reserves the right to copy reports to the Chief Executive, the Section 151 Officer, the Monitoring Officer, the Standards Committee or the Authority's External Auditors or other appropriate external agencies as he deems appropriate.

Related Documents

This document is one of a series that, together, constitute the policies of the Authority in relation to anti-fraud and corruption. The other documents are:

Anti-Fraud and Corruption Policy

Whistle-Blowing Policy

Benefits Fraud Prosecution Policy

Benefits (Verification Framework) Anti Fraud Policy

Officers Code of Conduct

Disciplinary Procedures