

Sedgefield Borough Council Internal Audit Section

AUDIT CHARTER

Introduction

This Charter establishes the purpose, authority and responsibility of the Internal Audit function within Sedgefield Borough Council.

Purpose

Internal Audit is an assurance function that primarily provides an independent and objective opinion to the organisation in the control environment by evaluating its effectiveness in achieving the organisation's objectives.

It objectively assures, evaluates and reports on the adequacy of the control environment as a contribution to the proper economic, efficient and effective use of resources.

Statutory Role and Responsibilities

The Local Government Act 1972, section 151 requires that the Council *"makes arrangements for the proper administration of financial affairs and shall ensure that one of the officers has responsibility for the administration of those affairs."*

The Accounts and Audit Regulations 2003 (amended in 2006) specifically require that "a

relevant body shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices."

Internal Audit is concerned with independently appraising the adequacy of the systems of internal control, thereby contributing to the requirement for the proper, economic, efficient and effective use of resources across all of the Council's services.

To this end it is the responsibility of Internal Audit to evaluate and report on the soundness and adequacy of these controls in promoting the following:

- Completeness, accuracy, and reliability of records for the production of effective, accurate management information and final accounts.
- Compliance with the Council's established policies, procedures and regulations.
- Protection of all of the Council's assets and interests.
- The securing of best value and value for money in the provision of all services.

It should be understood that it is the responsibility of management, and not Internal Audit, to ensure that the appropriate controls are introduced, managed and maintained for all systems. Internal Audit shall have no responsibility for the operations that it audits, over and above the provision of recommendations and advice to management regarding systems and controls.

Other Responsibilities

Internal Audit will also provide the following services:

- Give advice to management on the systems of control and any other related issues.
- Carry out any necessary investigations into matters of fraud, probity, and compliance.
- Carry out any reviews or other assignments as may be agreed with senior management.
- Cooperate with and assist the Audit Commission in the completion of the annual audit of the Council's systems and accounts through the managed audit process.

Internal Audit is required to produce an annual audit plan, agreed with the Director of Resources and approved by the Audit Committee, and to perform the audits specified in the plan to the necessary professional standards as detailed in the Chartered Institute of Public Finance's Code of Practice for Internal Audit, as well as any other relevant codes or guidelines.

As part of effective corporate governance reports to Audit Committee are provided as follows:

- Agree annual audit plan detailing work to be undertaken during course of the year.

- Provide a report during the year on progress against the annual audit plan, any significant matters arising or other issues of concern.
- Present an annual report detailing actual work completed and any other matters arising.
- Bring to the attention of the Audit Committee any appropriate matters.

Staffing and Training

Internal Audit shall be staffed with persons of appropriate qualifications and experience. The Audit & Resources Manager, in conjunction with the Head of Financial Services will ensure that formal and effective training takes place to enable all staff within Internal Audit to carry out their work in accordance with the required standards laid down in the Audit Manual.

Training needs of all staff will be reviewed annually and discussed with them as part of the Employee Development Programme.

Audit Reports

All audit findings and recommendations will be discussed and agreed with the relevant service providers immediately following the completion of an audit.

The recommendations will then be communicated to the appropriate manager by means of an audit report memo, which will

outline the work carried out and the reasons for recommendations made. Service managers will then be expected to implement any audit recommendations within an agreed timescale.

Performance targets for Audit reports are:

- Audit memo to be dispatched to Service Manager within three weeks of completion of audit.
- Reminder to Service Manager within three weeks of the original memo.
- Full response from Service Manager to audit points detailed in audit memo within one month of the original memo.

Following this, management satisfaction surveys are issued to officers responsible for implementing recommendations.

Quarterly summary reports are issued to Heads of Service and progress reported to the Council's Audit Committee.

Access

Internal Audit's role applies to all functions and services for which the Council is responsible. The scope for Internal Audit allows for unrestricted coverage of the Council's activities and unrestricted access to all records and assets deemed necessary in the course of the audit.

In addition the Audit & Resources Manager has direct access to all levels of management,

all employees and all elected members and particularly those charged with governance.

Management must assist and co-operate with Internal Audit to enable them to carry out the work.

Independence

Internal Audit is required to provide an objective audit service in accordance with professional auditing standards. Auditors are independent of the activities they audit and maintain an objective approach to their areas of responsibility. Independence allows impartial and unbiased judgement which are essential to the proper conduct of an audit.

The Audit & Resources Manager has direct access and freedom to report to all senior management including the Chief Executive.

Statement by the Director of Resources

The Internal Audit Section occupy a key role in helping me fulfil my statutory responsibility to ensure the affairs of the Council are secure and effective corporate governance arrangements are in place. The Council and I obtain a great deal of assurance from the work of Internal Audit, and to operate effectively, it is essential that it's approach is widely understood by both members and officers at all levels.

Alan Smith, Director of Resources