

9 Internal Audit

9.1 The Chief Financial Officer under section 114 of the LGFA 1988 and the Accounts and Audit Regulations 2003 (as amended 2006) has a statutory responsibility for the overall financial administration of the Council's affairs. Section 6 of the Accounts and Audit Regulations 2003 (as amended 2006), says that the authority "shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper practices in relation to internal control,..". The Chief Financial Officer shall, therefore, in accordance with relevant legislation arrange for a continuous and current internal audit of all areas of Council activities.

9.2 "Proper internal control practices" are defined in the guidance on the Accounts and Audit Regulations 2003 (as amended 2006)¹ as the CIPFA publication – "Code of Practice for Internal Audit in Local Government in the United Kingdom". Internal Audit will operate to this Code and any other relevant guidance. The definition of Internal Audit within the Code is:

Internal Audit is an assurance function that provides an independent and objective opinion to the organisation on the control environment² by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

9.3 As the definition outlines Internal Audit has a key role to play in independently reviewing the Council's³ arrangements for corporate governance, risk management and internal control. It contributes an objective opinion to the Council's Annual Governance Statement (including the Statement on Internal Control).

9.4 The existence of a continuous internal audit service does not in any way diminish the responsibility of Corporate Directors and Heads of Service for the management of Business Units under their control and their responsibilities in respect to risk management and the systems of internal control.

9.5 The Audit & Risk Manager should ensure that Internal Audit remains independent in its planning and operation. The Audit & Risk Manager should be responsible for maintaining periodic audit plans which have due regard for the key strategic risks of the authority, the risks involved for each service area in delivering their services and the requirements of the external auditor. The plan will deliver work to provide reasonable assurance to the Council based on the resources available. The Audit & Risk Manager must report to the s151 officer or the Audit Committee if there are insufficient resources or limitations in the scope of their work to provide reasonable assurance or a service consistent with the definition of Internal Audit in paragraph 9.2.

9.6 It is the responsibility of Internal Audit to review, evaluate and report upon

¹ Department for Communities and Local Government Circular 03/2006 dated 18/08/06

² The control environment comprises the systems of governance, risk management and internal control.

³ Internal Audit's remit extends to the entire control environment of the Council

- the soundness and adequacy of accounting records and the system of internal controls to provide their assurance for the Annual Governance Statement;
 - the extent to which the Council's assets and interests are accounted for and safeguarded from losses of all kinds arising from:
 - fraud and other offences
 - waste extravagance and inefficient administration, poor value for money or other cause
 - the suitability and reliability of financial and other management data developed within the organisation.
 - The soundness and adequacy of the data quality systems operating to collect and report on performance information
 - The corporate governance arrangements of the Council
 - The risk management processes of the Council both at Corporate and Service Level
- 9.7 The Chief Finance Officer's authorised Internal Audit representatives shall be empowered to:
- enter at all reasonable times any Council premises or land
 - have access to all Council and partner records⁴, documentation and correspondence relating to any financial and/or other transactions or other business of the Council, its employees or members as considered necessary by the Corporate Director: Resources, Head of Audit & Democracy or Audit & Risk Manager.
 - have access to records belonging to third parties such as contractors or partners when required⁵
 - require and receive such explanations as are regarded necessary concerning any matter under examination from any employee, member, partner or third party.
 - require any employee or-or member of the Council or any partner/third party to account for cash, stores or any other Council property which is under his/her control or possession on behalf of the Council.
- 9.8 All work carried out shall have due regard for the requirements of the access to information legislation (e.g. Data Protection Act 1998, Freedom of Information Act 2000 etc) and the Human Rights Act 1998, ~~the Data Protection Act 1998, Freedom of Information Act 2000~~together with any 0 and other legislation current at the time of the audit.

⁴ Records include business e-mail and internet records

⁵ As defined in the articles of association/memorandum, SLA, grant conditions or contract

- 9.9 Corporate Directors, Heads of Service and Business Managers are responsible for responding to Internal Audit reports and the implementation of agreed recommendations within an appropriate timescale. Business Managers should indicate the actions they propose within one month of agreeing the draft report.
- 9.10 Failure to implement statutory, policy or financial regulation recommendations within the agreed timetables may be referred to the Chief Finance Officer and the appropriate members, following consultation with the appropriate Head of Service.
- 9.11 Internal Audit has specific fraud related responsibilities which are set out in the corporate Anti-Fraud & Corruption Policy. Within the scope of their work Internal Audit also provide advice and consultancy in respect to issues around controls and governance, based on their professional knowledge and expertise.
- 9.12 It is the duty of any Officer or Member to follow the corporate Anti-Fraud and Corruption Policy. Any officer or member who suspects that an irregularity involving cash, materials or any other property of the Council may have occurred must inform the Head of Service or report the matter directly to the Audit & Risk Manager or Section 151 Officer. Confidentiality, wherever possible, will be respected in any dealings ~~on such matters with Audit Services.~~
- 9.13 The Section 151 Officer shall report to the Chief Executive, the relevant Corporate Director and Cabinet, if appropriate, any matter of a significant nature.
- 9.14 Where Audit Services inform the Section 151 Officer of any such matter outlined in paragraph 9.12, the Section 151 Officer will inform the appropriate Corporate Director and the Chief Executive/Cabinet, if appropriate.
- 9.15 Any decision to refer a matter as outlined in paragraph 9.12 to the Police is to be taken by the Audit & Risk Manager after informing the Council's Section 151 Officer or their representative. Where a Member is involved the Chief Executive, Monitoring Officer and where appropriate, the External Auditor, will be consulted. Where Police advice is sought but it is not intended that any criminal prosecution shall take place, the Audit & Risk Manager shall ensure that the anonymity of the individual(s) concerned shall be maintained at all times.
- 9.16 Internal Audit should report to a body of members the following information:
- a) the Internal Audit plan and strategy;
 - b) quarterly reports summarising the internal audit work undertaken and any key findings;
 - c) an Annual Report which provides Internal Audit assurance for the Annual Governance Statement.
- 9.17 The Audit & Risk Manager and Head of Audit & Democracy have the authority to report, as appropriate, on any matter, without fear or favour, to all levels of the Council. This can include reporting directly to the Chief Executive, the Leader, Cabinet Member Resources, Chairman of the Audit Committee, s151 Officer, Corporate Directors, the Monitoring Officer or the Council's External Auditors.

CONTACT: Audit & Risk Manager

