

## **Appendix A**

### **AUDIT CHARTER**

#### **1 Definition and Purpose of Internal Audit**

- 1.1 The Public Sector Internal Audit Standards provide the following definition of Internal Audit.

Internal auditing is 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 systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes

- 1.2 Internal Audit is a statutory service in the context of the Accounts and Audit Regulations, which state in respect of Internal Audit:
- 1.3 'A relevant body shall maintain an adequate and effective system of internal audit of its accounting records and its system of internal control in accordance with the proper internal audit practices.'
- 1.4 The existence of an Internal Audit function does in no way diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in an efficient, secure and well ordered manner within the Authority.

#### **2 Responsibility & Objectives**

- 2.1 As an independent appraisal function within the Authority, the objectives of Internal Audit are:
- To review, appraise and report on the adequacy of internal controls as a contribution to the economic, efficient and effective use of resources.
  - Ascertain the extent of compliance with procedures, policies, regulations and legislation.
  - Provide reassurance to management that their agreed policies are being carried out effectively.
  - Facilitate good practice in managing risks.
  - Recommend improvements in control, performance and productivity in achieving corporate objectives.
  - Review the value for money processes, systems and units within the Authority.
  - Work in partnership with External Audit.
  - Identify fraud as a consequence of its reviews and deter crime.

### **3 Scope and Accountability**

- 3.1 Internal Audit as a function will remain independent of the Authority's operational activities, and its auditors will undertake no operational duties. This will allow auditors to perform duties in a manner which facilitates impartial and effective professional judgements and recommendations.
- 3.2 The scope of Internal Audit allows for unrestricted coverage of the Authority's activities and access to all staff, records and assets deemed necessary in the course of the audit.
- 3.3 Accountability for the response to advice and recommendations made by Internal Audit lies with the management of the Authority. Management can accept and implement advice and recommendations provided or formally reject it. Internal Audit is not responsible for the implementation of recommendations or advice provided.
- 3.4 Internal Audit sits within the Finance Service and supports the statutory functions of the Head of Finance. However, Internal Audit is also accountable to the Governance and Ethics Committee for the delivery of assurance in relation to the Council's system of internal control.

### **4 Reporting**

- 4.1 All audit assignments will be the subject of a formal report written by the appropriate auditor. The report will include an 'opinion' on the adequacy of controls in the area that has been audited.
- 4.2 A follow-up review will be undertaken where the overall opinion of a report is Satisfactory, Weak or Very Weak to ascertain whether actions stated by management in response to the audit report have been implemented in order to provide assurance that the control framework is now effective or flag up concerns where we consider this is not the case.
- 4.3 Internal Audit will prepare half yearly reports for the Governance and Ethics Committee and give an opinion on the Council's internal control framework.
- 4.4 Internal Audit will bring to the attention of the Governance and Ethics Committee any serious matters of concern that may arise in the course of audit work.

### **5 Resources**

- 5.1 Internal Audit will prepare an Audit Strategy each year that sets out the aims and objectives of the service.

- 5.2 A detailed risk based plan of work will be prepared for information for the Governance and Ethics Committee, including the resources required to carry out the work. This will set out the key areas / risks that are to be subject to audit.