

**Audit Committee - 29<sup>th</sup> June 2006**

**Report of the Director of Finance**

**Audit Charter**

**Purpose of the Report**

1. This report sets out the background to a new Audit Charter which would formally set out much that is accepted practice.

**Background**

2. Audit Services operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom. The Code requires that the purpose, authority and principal responsibilities of the authority's Internal Audit section should be agreed by an appropriate member forum. It provides clarification on what should be included in an Audit Charter i.e.
  - a. Establish the responsibilities and objectives of Internal Audit
  - b. Establish the reporting lines and relationships between the Head of Internal Audit and those charged with governance and, parties to whom the Head of Internal Audit may report
  - c. Define the organisational independence of Internal Audit, including the accountability of Internal Audit, and appropriate provision for the objective assessment of the resource requirements of Internal Audit
  - d. Embrace the control environment of the organisation including all its operations, resources, services, and responsibilities in relation to other bodies
  - e. Establish Internal Audit's right of access to all records, assets, personnel and premises, including those of partner organisations, and its authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities.
3. Some of the above is included in Financial Regulations, and an Audit Charter has been prepared [Appendix 1] which deals with all the issues raised above.

## **Finance**

4. This report has no direct financial effect.

## **Law**

5. The Accounts and Audit Regulations 2006 require that the Council 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 practices in relation to internal control.

## **Equality Impact**

6. This report does not raise any equal opportunities issues.
7. The Audit Charter will contribute to the provision of an internal audit services which will help to ensure the interests of children and young people are protected, albeit they were not consulted on, or involved, with the development of the Audit Charter.

## **Recommendations**

8. The Audit Charter included as Appendix 1 to this report is endorsed by the Committee.



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**Director of Finance**

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## **Dudley MBC - Audit Services Charter**

The Charter describes the purpose, authority, and principal responsibilities of the Council's Audit Services Division.

### **Statutory Basis of Audit Services**

By virtue of Section 151 of the Local Government Act 1972, the Director of Finance has responsibility for the administration of the financial affairs of the Council. The Director of Finance is also responsible for implementing the requirements of the Accounts and Audit Regulations 2006 which require the Council to 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 practices in relation to internal control.

### **Objective of Audit Services**

Audit Services is an assurance function providing an independent and objective opinion on the Council's control environment. It impartially examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

To be effective Audit Services must be, and seen to be, independent. To ensure this, Audit Services will operate within a framework that allows:

- Unrestricted access to senior management, Chief Executive and Chair of the Audit Committee
- Reporting in its own name,
- Segregation from line operations.

### **Scope of Audit Services**

The scope of Audit Services allows for unrestricted coverage of the Council's activities and unrestricted access to all records, employees and assets deemed necessary by Auditors in the course of their work.

### **Responsibilities of Audit Services**

Service Directors are responsible for ensuring that internal control arrangements are sufficient to address the risks facing their services. Accountability for the response to the advice and recommendations made by Audit Services rests with management.

Audit Services responsibilities are to: -

- 1) Review, appraise and report on:
  - the soundness, adequacy and application of internal controls, both financial and non financial controls.
  - the suitability and reliability of financial and other management data including aspects of performance measurement, risk management and corporate governance
  - the extent to which the assets, resources, and interests are accounted for and safeguarded from loss and poor value for money
- 2) Support and encourage improvements in the efficiency, economy and effectiveness of services.
- 3) Investigate frauds and irregularities, where necessary.
- 4) Advise on internal control and risk implications of enhancements to any existing or new systems.
- 5) Liaising with External Auditors in relation to audit planning and assisting with the External Audit when required.
- 6) Working in partnership with other bodies to secure robust internal control.
- 7) To produce a Strategic Audit Plan in accordance with the Council's Strategic Objectives and key risks. This will be fully discussed with Senior Management and the Audit Committee.
- 8) To meet the requirements of the CIPFA Code of Practice for Internal Audit in Local Government and comply with the Code of Ethics for Internal Audit in Local Government and, as directed by professional bodies of which Auditors are members.