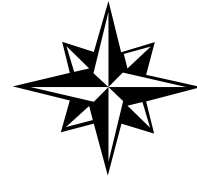


*CAERPHILLY COUNTY
BOROUGH COUNCIL
INTERNAL AUDIT SERVICES
AUDIT CHARTER*



**A
U
D
I
T

C
H
A
R
T
E
R**

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 high-priority duties and the exigencies of the service.

All Internal Audit activity is carried out in accordance with the Council's Financial Regulations, with specific authority for the audit section contained in Financial Regulations section 10.

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 Head of Corporate Finance to discharge her duties as Proper Officer (Section 151 Officer)
- contribute to and support the Head of Corporate Finance's objective of ensuring the provision of, and promoting the need for, sound financial systems

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. In addition, 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 Directorate of Corporate Services in accordance with the financial regulations, under the direction of the Proper Officer, the Head of Corporate Finance.

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 the 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.
2. Monitor the incidence and where necessary investigate all frauds and irregularities.
3. Advise on internal control implications of new systems.

Audit Style and Content

The primary task of Internal Audit is to review the systems of internal control operating throughout the authority, and in this will adopt a predominantly systems-based approach to audit.

The Internal 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 discharge of this duty, the Internal Audit Manager will:

- prepare a rolling strategic risk-based audit plan in consultation with departmental senior management, for formal ratification by the Audit Committee. 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 Head of Corporate Finance and approval by the Audit Committee.
- ensure a system of close supervision of audit work, and maintain a review of audit files through the supervisory structure
- ensure a system of computer audit within the authority is implemented and maintained
- when appropriate, ensure specific resources are devoted to VFM studies, where the achievement of economy, efficiency and effectiveness will be reviewed
- prepare, for agreement with the Head of Corporate Finance, annual reports on audit activities for presentation to the Audit Committee.

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

The staffing structure of the section will comprise a mix of qualified, technician and trainee posts with a mix of professional specialisms to reflect the varied functions of the section.

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-life basis.

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.

Upon request from the Head of Corporate Finance, appropriate specialists from departments other than Finance should be made available to take part in any audit or VFM review requiring specialist knowledge.

Audit Training

The Internal 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.

Specific resources will be devoted to specialised training in relation to computer audit to keep abreast of IT developments.

Audit Reporting

All audit assignments and VFM studies 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.

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:

- general anti-fraud and corruption policy
- fraud guidelines
- whistle-blowing policy
- benefits fraud prosecution policy
- IT Security Policies.