

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

23 June 2008

Report of the Chief Internal Auditor

Part 1- Public

Delegated

1 INTERNAL AUDIT CHARTER

Summary

This report introduces a revised Internal Audit Charter that sets out the Internal Audit Section Terms of Reference. Members of this Committee are asked to review the Charter and endorse it.

1.1 Introduction

1.1.1 As part of the Council's overall Internal Control Procedure the Internal Audit Charter sets out the roles and responsibilities of Internal Audit.

1.1.2 The Charter was introduced in 2005 and was a requirement of the Internal Controls section of the Key Lines of Enquiry. The charter was endorsed by the General Purposes Committee.

1.1.3 The responsibility for endorsing the Internal Audit Charter now falls within the remit of the Audit Committee.

1.2 Factors Affecting the Role of Internal Audit

1.2.1 There are several factors affecting the role of Internal Audit and these are likely to be included in future inspections using the Key Lines of Enquiry.

1.2.2 The evolution of risk management processes is constantly under review and this Committee has responsibility for overseeing this process. Internal Audit must use risk management in the preparation of the Audit Plan. In the Charter the Internal Audit Section is required to "promote the development of an embedded Risk management system throughout the Council"

1.2.3 The Audit Committee is required to oversee the provision of Internal Audit within the Council and this Committee has a duty to consider the terms of reference of Internal Audit to ensure that they are sufficiently robust to enable a satisfactory service to be provided.

- 1.2.4 The Accounts and Audit (Amendment) (England) Regulations 2006 S.I. 564 has also further defined the role of Members, Officers and Auditors with regard to proper accounting procedures.
- 1.2.5 The Council is required to conduct a review of the effectiveness of its system of internal control. The work of internal audit forms part of this review. The Audit Committee are required to approve the annual statement of internal control.
- 1.2.6 The Audit Committee are also required under these regulations to conduct a review of the effectiveness of its system of internal audit. The Audit Commission have recently conducted a review of the section and the outcome of this review will be reported to Members of this Committee at a later meeting.
- 1.2.7 One of the key issues raised in the revised Regulations is that the CIPFA Code of Practice for Internal Auditors in the United Kingdom 2003 is recognised within the guidelines as providing proper procedures for the provision of Internal Audit.
- 1.2.8 The Charter sets out the terms of reference for Internal Audit within the Council, and is constructed to ensure compliance with the CIPFA Code of Practice for Internal Auditors in the United Kingdom 2006. This Code of Practice is used by the Audit Commission as a yardstick for ensuring compliance with the Accounts and Audit Regulations.
- 1.2.9 The Charter was revised considerably after the new Code of Practice was introduced in December 2006.
- 1.2.10 The document has remained largely unchanged in this revision with the main change being the introduction of two new sections, one outlining the individual responsibilities of the Chief Internal Auditor and one outlining the responsibilities of the individual internal auditor. These sections have been added following comments made by the Audit Commission during their recent inspection of the Internal Audit Section. A copy of the revised Audit Charter is attached **[Annex 1]**.

1.3 Legal Implications

- 1.3.1 The Council are required to ensure that a satisfactory procedure of internal control exists. Failure to meet this requirement could lead to an adverse report by external inspectors. The Audit Terms of Reference are designed to ensure that Internal Audit is able to comply with the requirements of legislation.

1.4 Financial and Value for Money Considerations

- 1.4.1 Without an adequate internal control the Council would be exposed to fraud and error that could have an adverse effect on the accounts.

1.5 Risk Assessment

- 1.5.1 Without adequate terms of reference the Internal Audit service could be compromised e.g. lack of independence. The Code of Practice for Internal

Auditors in the United Kingdom 2006 is identified as the yardstick for audit provision and the Charter is designed to meet the requirements of the Code.

1.6 Recommendations

1.6.1 Members are asked to review the Internal Audit Charter and **recommend** its endorsement.

Background papers:

contact: David Buckley

CIPFA Code of Practice For Internal Auditors in Local Government 2006

David Buckley
Chief Internal Auditor