

## Agenda Item: 8

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**Meeting:** Audit Committee

**Date:** 6 April 2009

**Subject:** Internal Audit Charter

**Report of:** Director of Corporate Resources

**Summary:** The report proposes to describe how the Internal Audit function will work within Central Bedfordshire.

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Contact Officer: Nick Murley, Assistant Director of Audit and Risk

Public/Exempt: Public

Wards Affected: All

Function of: Audit Committee

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### RECOMMENDATIONS:

**1. That the Audit Committee**

**(a) Approves the Internal Audit Charter attached at appendix A.**

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### Background

1. Under the Accounts and Audit Regulations 1996 (revised in 2006), the council is required to 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.
2. Clearly the responsibility for internal control rests with the management of CBC and that role includes ensuring that key risks are identified and mitigating controls are in place to remove the impact or probability of these risks occurring.
3. The role of the Internal Audit function is to determine how effective the controls systems are and to measure the degree of reliance that can be placed upon these controls.

### Internal Audit Charter

4. Normally during the course of any given year, an audit needs assessment would be carried out to determine a risk based audit plan. Within that plan a number of audits would be identified that will match with the level of available resources.

5. However, a number of key risk areas can be easily identified now and an contingent audit plan, based around these risks, has been established identifying the areas that will need close attention in the early part of 2009/10. this plan focuses on core systems controls and a report on that audit plan is elsewhere on this agenda.
6. The more detailed audit needs assessment will then be carried out during the first six months of 2009/10 so that we are able to present a more robust plan to the Audit Committee later in the financial year.
7. However to help the management, employees, Members and contractors understand how Internal Audit will interact with the organisation when carrying out its work an Internal Audit Charter has been produced and is attached at appendix A.
8. The charter describes:
  - (i) how the brief of each of these audits will be completed,
  - (ii) how the audits will be carried out,
  - (iii) the mechanism for communicating feedback from the audits
  - (iv) an assurance rating and any recommendations arising from the audit.
  - (v) follow-up arrangements of the audits and
  - (vi) the escalation procedures where recommendations or reporting processes are not completed.
9. Also contained within the document are details of the responsibilities around fraud and investigations, the use of internal audit for consultancy purposes and the performance management framework that internal audit will work under setting out the key performance indicators for the function.
10. The final sections of the charter include the relationships that Internal Audit have with the Audit Committee, contractors and External Audit.

### **Conclusion and Next Steps**

11. It is important that the organisation understands how it will work with the Internal Audit function if we are to have an effective Risk Management and Control environment.

## CORPORATE IMPLICATIONS

**Council Priorities:**

An effective Internal Audit function will indirectly contribute to all of the councils priorities.

**Financial:**

None

**Legal:**

None

**Risk Management:**

None

**Staffing (including Trades Unions):**

None

**Equalities/Human Rights:**

None

**Community Development/Safety:**

None

**Sustainability:**

None

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**Appendices:**

Appendix A – Internal Audit Charter