

## APPENDIX A

### **BOLTON COUNCIL CORPORATE RESOURCES DEPARTMENT INTERNAL AUDIT - TERMS OF REFERENCE**

#### 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 any high-priority duties and the exigencies of the service.

All internal audit activity is carried out in accordance with the financial regulations, with specific authority for the audit contained in Financial Regulations ,regulation 9.

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 across the entire control environment of the council. In addition, the other objectives of the function are to:

- support the Director of Corporate Resources to discharge duties as Proper Officer
- to give annual audit opinion on the adequacy of internal control in accordance with Section 1 of the CIPFA code of practice
- contribute to and support the Corporate Resources Department's objective of ensuring the provision of, and promoting the need for, sound financial systems
- proactive contribution to the key objectives of the authority
- support the corporate Value for Money process to ensure that the council is making the best use of its resources.
- Promote and support the anti-fraud policies that exist within the authority

## Scope of Internal Audit

The scope of Internal Audit allows for unrestricted coverage of the authority's activities, including the entire control environment and unrestricted access to all records and assets deemed necessary in the course of the audit. This access also applies to the external organisations for whom internal audit work is undertaken. In addition, Internal Audit, through the Head of Internal Audit and Service Development, 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 Corporate Resources Department in accordance with the financial regulations, under the direction of the Proper Officer, the Director of Corporate Resources.

## Internal Audit Responsibility

The internal audit function is one of six sources of assurance that exists within the council. 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 the whole control environment.
  - the suitability and reliability of financial and other management data, including aspects of performance measurement.
2. To be made aware of all cases of fraud which are identified within the council and where appropriate undertake investigation in conjunction with management.
3. Advise on internal control implications of new systems.

The Internal Audit Section also provides a service for the following external clients:

- Coroners
- HM Registrars
- Bolton at Home
- North West Museums Service
- Westhoughton Town Council.

## Audit Style and Content

The primary task of Internal Audit is to review the systems of internal control operating throughout the authority. This is done on a risk basis which involves identifying the risks that may stop the council achieving its objectives.

The Head of Internal Audit and Service Development 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. In discharge of this duty, the Head of Internal Audit & Service Development will:

- prepare a rolling three-year strategic risk-based audit plan in consultation with departmental senior management. This strategic plan will be regarded as flexible rather than as an immutable expression of audit policy
- translate the strategic plan into annual plans
- 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

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 include physical verification of assets, equipment, and materials.

## Audit Resources

The staffing structure of the section will comprise a mix of qualified, experienced 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 Director of Corporate Resources, appropriate specialists from departments other than finance should be made available to take part in any audit or review requiring specialist knowledge.

The resources requirements of the internal audit section are assessed annually as part of the council's Corporate Business Planning Process (CBPP). This is in the context of the overall control and assurance environment of the council. The assessment will be part of the annual report presented to Audit Committee.

## Audit Training

The development and training needs of all internal audit staff are continuously assessed through the process of Service Development Interviews and Personal Developments Plans, training covering both internal and external courses is provided to meet both professional and development needs that are identified.

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

## Audit Reporting

For all regular audit assignments a formal report or memorandum will be issued. Draft reports will be sent to the managers responsible for the area under review for agreement to the factual accuracy of findings. After agreement, the reports will be issued to the director of the department under review with a copy sent to the authority's external auditors.

## 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:

- anti-fraud and corruption policy
- fraud guidelines
- whistle-blowing policy
- benefits fraud prosecution policy
- data matching policy.