



**“Working in partnership for a sustainable and resilient quality service”**

**AuditCotswolds**

**Audit Partnership Charter**

January 2013

## Mission and Objectives

The mission of the Cheltenham, Cotswold & West Oxfordshire Audit Partnership, named AUDIT COTSWOLDS is to provide independent, objective assurance and consulting services designed to add value and improve the partner Council's operations. It helps each Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

AUDIT COTSWOLDS works in partnership with all of its customers to provide a service the scope of which is to determine whether each Council's network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure:

- Risks are appropriately identified and managed.
- Communicating risk and control information to appropriate areas of the organisation.
- Significant financial, managerial, and operating information is accurate, reliable, and timely.
- Ensuring effective organisational performance management and accountability
- Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
- Resources are acquired economically, used efficiently, and adequately protected.
- Programmes, plans, and objectives are achieved.
- Promoting appropriate ethics and values within the organisation
- Evaluate the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities
- Assess whether the information technology governance of the organisation supports the organisation's strategies and objectives
- Quality and continuous improvement are fostered in each Council's control process.
- Significant legislative or regulatory issues impacting each Council are recognised and addressed appropriately.
- Appropriate counter fraud arrangements operate.
- Coordinating the activities of and communicating information among the board, external and internal auditors and management
- Opportunities for improving management control, cost effectiveness, and each Council's image may be identified during audits. They will be communicated to the appropriate level of management.

## Accountability

The Head of the Audit Partnership in the discharge of his duties, shall be accountable to the Audit Partnership Board, Corporate Management / Senior Leadership Teams and each Audit Committee to:

- Provide annually an Audit Opinion on the adequacy and effectiveness of each organisation's processes for controlling its activities and managing its risks, based on evidenced assurance and consulting work through the year.

- Derive the Annual Audit Plan, in consultation with senior management, aligned to organisational objectives and risks, and as approved by the relevant Audit Committee.
- Ensure there are appropriate resources in place to deliver the Annual Audit Plan, and where there is a resource shortfall/surplus; work with the Audit Partnership Board to resolve the issue.
- Report significant issues related to the processes for controlling the activities of each organisation and its affiliates, including potential improvements to those processes, and provide information concerning such issues through to resolution.
- Periodically provide information on the status and results of the Annual Audit Plan and the sufficiency of the Partnership's resources, including a review of its own efficiency and effectiveness.
- To support and review each Council's overall control environment which links to the annual governance statement (for example; risk management arrangements, policy and procedure compliance, security, ethics, environmental and external audit).
- To deliver the Audit Partnership in line with the principles as set out in the Section 101 Agreement.

The Partnership Board, formed by Section 151 Officers from each partner authority, has the key purpose to ensure the Audit Partnership meets with statutory requirements. These statutory requirements are listed below:

- Internal Audit is a statutory function in the context of the Accounts and Audit (England) Regulations 2011 which state *"A relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control"*.
- Section 151 of the Local Government Act 1972 requires every local authority to designate an officer to be responsible for the proper administration of its financial affairs. One of the ways in which this duty is discharged is by maintaining an adequate and effective Internal Audit function.

## Independence

To provide for the independence of the Internal Audit Service, the Head of the Audit Partnership reports to the Partnership Board for partnership matters and functionally to the Corporate Management / Senior Leadership Team and to each Audit Committee in a manner outlined in the above section on accountability.

## Responsibility

The Head of the Audit Partnership has responsibility to:

- Develop a flexible Annual Risk Based Audit Plan using an appropriate risk-based methodology, including any risks or control concerns identified by management, and submit that plan to the Corporate Management / Senior Leadership Team and the relevant Audit Committee for review and approval as well as periodic updates.
- Implement the Annual Audit Plan, as approved, including as appropriate any special tasks or projects requested by management.

- Maintain a professional audit staff with sufficient knowledge, skills, experience, and professional / academic certifications to meet the requirements of this Charter and in particular ensure deliverability of the Annual Audit Plan. This includes the maintenance of Continuous Professional Development (CPD) plans for all audit staff.
- Evaluate and assess significant merging/consolidating functions e.g. shared services, and new or changing services, processes, operations, and control processes coincident with their development, implementation, and/or expansion.
- Issue periodic reports to the Partnership Board, Corporate Management / Senior Leadership Team, and the Audit Committees summarising results of audit activities.
- Keep the Partnership Board informed of emerging trends and successful practices in internal auditing.
- Provide performance indicators, measurement goals and results to the Partnership Board and each Audit Committee.
- Assist in the investigation of significant suspected fraudulent activities as requested by the Partnership Board members and notify the appropriate Service Manager, Assistant Director, Director, Section 151 Officer and the Chief Executive of the results.
- Work with the Benefits Fraud Investigation Teams to ensure that Counter Fraud activity is managed effectively and investigations are appropriately controlled in line with corporate policy
- Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the partner organisations at a reasonable overall cost.

## Customer Care

The Head of the Audit Partnership and the staff of AUDIT COTSWOLDS will ensure that customer care is at the centre of its activities and shall:

- Operate a process by which the quality of service received by the customer can be assessed by the customer and the customer can influence improvements in the service they can expect to receive.
- Consultation with all customer groups will ensure that the local standards adopted by AUDIT COTSWOLDS are determined by the customers.
- All Annual Audit Plan work will have an appropriate Terms of Reference that has input from the client. The client will be provided with a copy of the Terms of Reference.
  - Assurance work will be aligned with two parties; Audit Committee through the Head of the Audit Partnership, and the client
  - Consultancy work will be aligned with the client
- Standards will be continually reviewed in accordance with customer feedback.
- Compliance with standards will be monitored by the Partnership Board.
- Apply the principal of Best Value to the management and performance of the service.
- An effectiveness review will be undertaken annually to ensure compliance with appropriate standards, and at least once every 5 years entertain an external assessment.
- Consideration will be given to the minimisation of duplication through alignment of other assurance provider's activity, for example, reliance placed on the work of the external auditor
- All audit work will be subject to internal quality assurance checks by audit partnership management

## Reporting

Reporting on audit work:

Draft reports will be issued to the client (usually the Service Manager) following each audit that:

- restates the scope and purpose of the work (as defined in the agreed terms of reference) to help the reader understand the extent, or limitations, of the assurance provided in the report
- includes assurance opinions on the evaluation of the system under review and the level of compliance with controls
- provides a formal record of points arising from the audit and, where appropriate, lists control weaknesses identified and offers a recommendation for management's consideration and acceptance.

Draft reports and action plans will be issued within **10 working days** of completion of fieldwork and discussed with the client, to seek factual clarification. Management responses should be received within a further **10 working days**; either stating acceptance of the recommendations and agreeing action to be taken, or stating reasons why the recommendations are not accepted. There is opportunity for management to make further comments about issues raised in the audit within the report.

Any disputed recommendations should be evidenced on the action plan and if not resolved through discussion, any significant risk should be escalated to more senior management and, if necessary, reported to the Audit Committee.

Final reports will be issued to the following:

- the client (usually the Service Manager)
- the appropriate Director
- the external auditor
- the Audit Committee (on request)
- the Head of Service or equivalent
- the Section 151 Officer
- where appropriate other stakeholders, such as, partner internal audit services, governance & risk groups, shared service governance groups

Reporting to the Audit Committee:

Quarterly assurance reports will be presented to the Audit Committee summarising the work carried out during the quarter and the assurance opinions given. Progress against the annual plan will also be reported, any variances explained and any issues which may have an impact on the satisfactory completion of the plan, such as staffing concerns or unexpected additional workloads, will be highlighted.

The content of the quarterly report to Audit Committee is the executive summary, audit opinion and management response. Detailed recommendations will only be reported where there is a failure to implement the recommendation in a timely manner, this will be part of the follow-up report issued as part of the quarterly report. This ensures Audit Committees focus on key risks, in particular, those arising from failure to implement recommendations.

The Head of Internal Audit's annual report will be issued, timed to support the Annual Governance Statement. This will include an opinion on the overall adequacy and effectiveness of the Council's control environment and a summary of work from which the opinion is derived, including reliance placed on work by other assurance bodies. Any qualifications to that opinion, together with the reasons for it, will be disclosed. The report will also include a comparison of planned work for the year with the actual work carried out and summarise actual performance of the service against its performance measures and targets.

## Authority

The Head of the Audit Partnership and staff of AUDIT COTSWOLDS are authorised to:

- Have unrestricted access to all functions, records, property, and personnel.
- Have full and free access to the Chief Executive and the members of each Audit Committee.
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives.
- Obtain the necessary assistance of personnel in Service Areas of each Council where they perform audits, as well as other specialised services from within or outside the Council.

The Head of the Audit Partnership is authorised to;

- Report to the relevant Chief Executive or other statutory officers or the Chair of the relevant Audit Committee, other Members or Officers; without reference to his Partnership Board representatives should that be deemed appropriate.
- Report to the Partnership Board members individually for all audit matters relating to that partner authority.
- Share partnership matters with all Partnership Board members even when the matter may only affect one partner.

The Head of the Audit Partnership and staff of the partnership are not authorised to:

- Perform any operational duties for the Council or its affiliates without the approval of the Partnership Board.
- Initiate or approve accounting transactions external to AUDIT COTSWOLDS.
- Direct the activities of any Council employee, except to the extent such employees have been appropriately assigned to AUDIT COTSWOLDS.

## Standards of Audit Practice

AUDIT COTSWOLDS will meet the Standards for the Professional Practice of Internal Auditing of The Chartered Institute of Internal Auditors (UK & Ireland), and of the Chartered Institute of Public Finance and Accountancy Public Sector Internal Audit Standards 2012. The Head of the Audit Partnership fulfils the role of 'Head of Internal Audit' as defined by CIPFA (2010)

## Partnership Board

### **Mark Sheldon – Cheltenham BC**

Director of Resources (Section 151 officer)

### **Supported by**

**Robert Milford**

Head of the Audit Partnership

### **Jenny Poole – Cotswold DC**

Head of Finance, GO Shared Services and Audit Services (Section 151 officer)

### **Paul Stuart – West Oxfordshire DC**

GOSS Head of Finance (Section 151 Officer's nominated representative)

## Glossary

### **Assurance**

A confident assertion, based on sufficient, relevant and reliable evidence, that something is satisfactory, with the aim of giving comfort to the recipient. The basis of the assurance will be set out and it may be qualified if full comfort cannot be given. The HIA may be unable to give an assurance if arrangements are unsatisfactory.

Assurance can come from a variety of sources and internal audit can be seen as the 'third line of defence' with the first line being the organisation's policies, processes and controls and the second being managers' own checks of this first line.

### **Audit Committee**

The governance group charged with independent assurance of the adequacy of the internal control environment and the integrity of financial reporting

### **Consultancy**

Advisory and related client service activities, the nature and scope of which are agreed by the client, are intended to add value and improve an organisation's governance, risk management and control processes without the internal auditor assuming management responsibility.

### **Corporate Management / Senior Leadership Team**

The most senior officer group within the organisation that includes the Chief Executive Officer.

### **Governance**

The arrangements in place to ensure that an organisation fulfils its overall purpose, achieves its intended outcomes for citizens and service users and operates in an economical, effective, efficient and ethical manner.

<b>Head of Internal Audit</b>	<p>This is defined by CIPFA, in the role of the head of internal audit in public service organisations 2010 as follows:</p> <p>The Head of Internal Audit in a public service organisation plays a critical role in delivering the organisation's strategic objectives by:</p> <ul style="list-style-type: none"> <li>• championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments; and</li> <li>• giving an objective and evidence based opinion on all aspects of governance, risk management and internal control.</li> </ul> <p>To perform this role the Head of Internal Audit:</p> <ul style="list-style-type: none"> <li>• must be a senior manager with regular and open engagement across the organisation, particularly with the Leadership Team and with the Audit Committee;</li> <li>• must lead and direct an internal audit service that is resourced to be fit for purpose; and</li> <li>• must be professionally qualified and suitably experienced</li> </ul>
<b>Partnership Board</b>	<p>This is the Section 151 Officer group established to monitor the delivery of the key aims as set out in the Section 101 Agreement and fulfils the role of providing strategic direction for the partnership. This group also aids the Section 151 Officer in the delivery of their statutory function of ensuring an effective internal audit.</p>
<b>Risk Based Audit</b>	<p>An audit that:</p> <ul style="list-style-type: none"> <li>• identifies and records the objectives, risks and controls</li> <li>• establishes the extent to which the objectives of the system are consistent with higher-level corporate objectives</li> <li>• evaluates the controls in principle to decide whether or not they are appropriate and can be reasonably relied upon to achieve their purpose, addressing the organisation's risks</li> <li>• identifies any instances of over and under control and provides management with a clear articulation of residual risks where existing controls are inadequate</li> <li>• determines an appropriate strategy to test the effectiveness of controls ie through compliance and/or substantive testing</li> <li>• arrives at conclusions and produces a report, leading to management actions as necessary and providing an opinion on the effectiveness of the control environment.</li> </ul>
<b>Section 101 Agreement</b>	<p>This is the document that sets out the terms by which Cheltenham Borough Council, Cotswold District Council and West Oxfordshire District Council, will work together in the provision of a joint/shared Internal Audit Service for the mutual benefit of the three Councils</p>
<b>System of internal control</b>	<p>The totality of the way an organisation designs, implements, tests and modifies controls in specific systems, to provide assurance at the corporate level that the organisation is operating efficiently and effectively.</p>