

REGULATION 11: AUDIT ARRANGEMENTS (CURRENT)

11.1 EXTERNAL AUDIT

The Council's external auditors are appointed by the Audit Commission. Their basic duties are governed by *section 15 of the Local Government Finance Act 1982*, and amended by *section 5 of the Audit Commission Act 1998*. All external auditors are required to operate within the latest *Audit Commission's Code of Audit Practice*. Their main role is to express an independent opinion on our governance arrangements, financial statements and performance indicators.

The authority may also be subject to audit and inspection from other external bodies, such as HM Customs and Revenues, who have statutory rights of access.

- 11.1.1 **Right of Access:** The external auditor has rights of access to all premises, personnel, documents and information they consider necessary for the purpose of their audit.
- 11.1.2 **Liaison:** The Statutory Chief Finance Officer will work with the external auditors and advise the Council, Executive and Directors and Chief Officers on their responsibilities in relation to external audit.
- 11.1.3 **Relationship with Internal Audit:** The "Nominated Audit Manager" must ensure that there is effective liaison between internal and external audit.
- 11.1.4 **Management Letter:** The External Audit Annual Audit and Inspection letter must be considered by the Statutory Chief Finance Officer and Chief Executive Officer and reported to the Audit Committee.

11.2 INTERNAL AUDIT

The Accounts and Audit Regulations 2003 require local authorities to maintain an adequate and effective internal audit service. This requirement was originally implied by *section 151 of the Local Government Act 1972* which established the post of the Section 151 officer with responsibility to 'make arrangements for the proper administration of their financial affairs'. This post is referred to as the Statutory Chief Finance Officer in these regulations.

The internal audit service is required to operate within the *APB Guidance for Internal Auditors (1990)*, further expanded in the *CIPFA Code of Practice (2006)*. The framework for the service at FBC is set out in the Internal Audit Strategy and Charter and detailed in the Internal Audit Manual. Their main responsibility is as an independent assurance function within the organisation. The audit service may be provided by in-house or external resources.

A service or officer in receipt of an audit review is termed an *Auditee*.

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- 11.2.1 **Responsibility:** The Statutory Chief Finance Officer is responsible for maintaining an adequate and effective internal audit service in accordance with the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom (2006).

An annual report shall be prepared for the Audit Committee on the discharge of this responsibility.

- 11.2.2 **Scope of Audit Service:** Up to date terms of reference for the audit service must be maintained laying out the scope of audit work and the responsibilities of the Audit team. These are contained in the Internal Audit Strategy and [Financial Regulations Support Document 14 – The Internal Audit Charter](#).

- 11.2.3 **Audit Plans:** The Statutory Chief Finance Officer shall consider the strategic and annual audit plans prepared or reviewed by the "Nominated Audit Manager" for approval by the Audit Committee.

These will take account of the characteristics and relative risks of the activities involved within the Council.

- 11.2.4 **Monitoring of Audit Plans:** The Statutory Chief Finance Officer and Audit Committee shall consider quarterly reports on achievement of audit plans.

- 11.2.5 **Independence and Status:** The whole audit service should be independent of the activities it audits, to ensure that assessments and advice are impartial, unbiased and are not impeded. This is to be achieved by the following:

Organisational Status

- a) The "Nominated Audit Manager" must maintain open communication with the Statutory Chief Finance Officer.
- b) The External Audit Partner has the freedom to suggest the priorities of the Internal Audit Service for agreement with the "Nominated Audit Manager" and Statutory Chief Finance Officer. Plans, however, will be subject to scrutiny by the Audit Committee.
- c) The "Nominated Audit Manager" has direct access and freedom to report to the Chairman of the Audit Committee and all Senior Management, including the Chief Executive Officer and Monitoring Officer.
- d) The "Nominated Audit Manager" has the freedom to report through the Statutory Chief Finance Officer, Monitoring Officer and the "Nominated Chief Officer with responsibility for Risk Management" to the committees they support, when appropriate.

Objectivity and Integrity

- e) The "Nominated Audit Manager" and named contact for the external partner must be a member of a professional Accountancy or Auditing body.
- f) The "Nominated Audit Manager" and external partner must establish appropriate professional standards for the rest of the audit team.

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- g) The audit service should not have any operational responsibilities or be responsible for the drafting of procedures.
 - h) An auditor should not audit an activity that they have previously had responsibility for until at least 12 months have elapsed.
 - i) All auditors must inform the named contact for the external partner, "Nominated Audit Manager" or Statutory Chief Finance Officer of any relationships or financial interests in any organisation or activity subject to audit.
 - j) An individual auditor should not be solely responsible for an audit area for more than 3 consecutive audits (except for audit specialisms).

11.2.6 Powers of Auditors: The Statutory Chief Finance Officer and members of the in-house Internal Audit and Corporate Fraud teams, whilst carrying out their duties, have the authority to:

- a) *Premises:* Enter, at any reasonable time, any premises or land owned, leased or controlled by the Council.
- b) *Documents:* Examine all documents, correspondence or information held by employees, members of the council or other third parties, pertinent to their audit work.
- c) *Explanations:* Obtain such information and explanations from any employee or member as necessary concerning any matter under examination.
- d) *Property:* Require any Council employee, agent or member to produce cash, stores, ICT equipment, or other Council property under their control.

These powers may also be conveyed on the auditors working for the external audit partner on agreement with the "Nominated Audit Manager" or Statutory Chief Finance Officer.

Where a significant irregularity is suspected the in-house Internal Audit and Corporate Fraud teams also have the authority to:

- e) *Property:* Carry out a search of or seize any Council owned property and equipment.
- f) *Access systems:* Require any Council employee or member to surrender any keys, cards, de-encryption codes, passwords or any other item or information needed to allow access to Council premises, assets or data.
- g) *Interception:* Intercept and review communications, data or information held on Council's own equipment such as internet logs, email, fax and phone messages.
- h) *Remove documents:* Remove any documents or other material which may be required as evidence.
- i) *Exclusion:* Require an employee to leave the Council's premises immediately.

Execution of these latter powers shall be in accordance with the [Financial Irregularity Investigation Policy](#), Internal Audit Manual and Personnel Procedures.

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11.2.7 Responsibility of Auditees: In order to be effective in the achievement of the Councils objectives in maintaining its Internal Audit Service auditees must seek to ensure the following:

- a) Maintenance of a constructive approach to the audit process.
- b) Adherence to agreed timescales.
- c) Timely availability of employees, documents, computerised systems and information, in respect to the progress of an audit.
- d) Accuracy of information provided to the best of their knowledge.
- e) Prompt responses to audit reports including availability for the de-brief meeting and the production of a timed action plan.
- f) Monitor progress and confirm the timely implementation of agreed recommendations or provide appropriate explanations.

11.2.8 Release of Audit Documents (internally): Internal Audit reports can only be released to the Statutory Chief Finance Officer or the supervisor, manager or Chief Officer of the service being audited.

11.2.9 The release of the report to anyone else internally requires the authorisation of either the Statutory Chief Finance Officer, manager or Chief Officer of the service concerned.

11.2.10 Audit working files and records can only be released internally to the Statutory Chief Finance Officer.

11.2.11 Release of Audit Reports (externally): Internal Audit reports are subject to the Freedom of Information Act and as such can be requested by external parties.

11.2.12 These must be released within the statutory timescale (not later than the twentieth working day following the date of receipt of request), but only after liaison with the "Nominated Audit Manager", Statutory Chief Financial Officer and Chief Officer of the service concerned. This is to ensure that any *exempt* information has been removed, where considered necessary.

11.2.13 Release of Audit Documents (external audit): Internal Audit reports and working files can be released to external auditors on the authorisation of the "Nominated Audit Manager" or Statutory Chief Finance Officer only.

Other Points of Reference (underline denotes a hyperlink is available)

[Financial Regulation 2.3: The Statutory Chief Finance Officer](#)

[Financial Regulation 10.1: Risk Management](#)

[Financial Regulation 10.2: Internal Control](#)

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[Financial Regulation 10.4: Fraud and Corruption](#)

[Financial Regulation 10.5: Financial Irregularity](#)

[Financial Regulation Support Document 14: FBC Internal Audit Charter](#)

[Financial Regulation Support Document 28: Audit Committee Responsibilities](#)

[Financial Irregularity Investigation Policy](#)

[Anti-Fraud and Corruption Policy](#)

FBC Internal Audit Manual

CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006