

## Terms of Reference

1. For Terms of Reference to be comprehensive and a useful document to the Service and the organisation they should:
  - a. establish the responsibilities and objectives of Internal Audit
  - b. establish the organisational independence of Internal Audit
  - c. establish the accountability, reporting lines and relationships between the Internal audit :
    - i. those charged with governance
    - ii. those whom the internal audit may report to
  - d. recognise that Internal Audit's remit extends to the entire control environment of the organisation
  - e. identify Internal Audit's contribution to the review of the effectiveness of the control environment
  - f. require and enable the chief internal Auditor to deliver an annual audit opinion
  - g. define the role of Internal Audit in any fraud-related or consultancy work
  - h. explain how Internal Audit's resource requirements will be assessed
  - i. establish Internal Audit's right to access to all records, assets, personnel and premises, including those of partner organisations, and its authority to obtain such information and explanations as it considers necessary to fulfil its responsibility.

**LB BROMLEY**

**Internal Audit**

**Terms of Reference**

## 1. Introduction

To be effective, Internal Audit must be and be seen to be independent. To ensure this, Internal Audit will operate within a framework that allows:

- Unrestricted access to senior management and executive
- Reporting in its own name
- Segregation from line operations

Every effort will be made to preserve objectivity by ensuring that all Internal Audit members of staff are free from any conflicts of interest and minimise any non-audit duties.

All Internal Audit activity is carried out in accordance with the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 and with the Council's Financial Regulations and Procedure.

The existence of Internal Audit does not diminish the responsibility of management to establish systems of internal control.

## 2. Statutory Requirement

The Accounts and Audit Regulations require that "a relevant body shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices".

## 3. Objectives of Internal Audit

In Bromley the Internal Audit's main objective remains as ' assisting management and Members in minimising risks, maintaining high standards and continuously improving service delivery through independent appraisal, review and advice.' We aim to do this by;

- **independently reviewing** and appraising systems of control throughout the Authority
- ascertaining the **extent of compliance** with procedures, policies, regulations and legislation
- ascertaining the **management arrangements in place for delivering value for money**

- **providing assurance** to management and Members that the areas subject to review are performing adequately and any control or management weaknesses are identified and rectified.
- facilitating good practice in **managing risks**
- **working in partnership** with the external auditors and other external providers
- **Pro actively identifying fraud** wherever possible, **prosecuting fraudsters and deterring crime.**

#### 4. **Scope of Internal Audit**

The scope of Internal Audit allows for unrestricted coverage of the authority's activities and unrestricted access to all records and assets deemed necessary in the course of the audit. In addition, Internal Audit will have unrestricted access to:

- The Audit Committee
- Chief Executive
- Members of the Council
- Individual Directors and Heads of Service
- All authority employees

#### 5. **Position of Internal Audit within the Authority**

Internal Audit is a service within the Resources Directorate and the Chief Internal Auditor reports directly to the Director of Resources, but has the right to report directly to the Chief Executive as necessary.

The Audit Committee fulfils the roles expected of such a committee in the 2006 Code of Practice.

#### 6. **Internal Audit Responsibility**

The main areas of Internal Audit responsibility within the authority are to:

- a) 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 internal controls
  - The suitability and reliability of financial and other management data, including aspects of performance measurement.

- b) Investigate frauds and irregularities where appropriate.
- c) Advise on internal control and risk implications of enhancements to existing or new systems.
- d) Lead the authority and provide advice and guidance to officers on the risk management process.
- e) Devise processes to ensure that Corporate Governance arrangements are sound.

## **7. Audit Style and Content**

The primary task of Internal Audit is to review the systems on internal control operating throughout the authority, and in this will adopt a predominantly systems-based approach to audit but within an audit plan based around risk.

The Chief Internal Auditor (CIA) 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 discharge of this duty, the CIA will:

- Prepare a rolling strategic risk based audit plan in consultation with Heads of Service, for formal ratification by the Director of Resources, the Chief Executive and the Audit Sub Committee. This strategic plan will be regarded as flexible rather than as an unchangeable expression of audit policy
- Translate the strategic plan into annual plans for formal agreement with the Director of Resources, the Chief Executive and the Audit Sub Committee
- 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
- Prepare, for agreement with the Director of Resources and the Chief Executive progress reports together with an annual report on audit activities for presentation to the Audit Committee.

**8. Fraud and Corruption**

Internal Auditors will be alert in their work to risks and exposures that could allow fraud and corruption. The CIA has made arrangements to be informed of all suspected or detected fraud, corruption or improprieties so that he/she can consider the adequacy of the relevant controls, and evaluate the implication of fraud and corruption for the opinion on the internal control environment.

**9. Audit Resources**

The staffing structure of the section will comprise a mix of professional audit staff with sufficient knowledge, skills, experience and 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 service will be expected to contribute to the general management and conduct of business through membership of working groups and participation in ad hoc exercises.

**10. Audit Training**

The CIA will carry out a continuous review of the development and training needs of all audit personnel and will arrange in-service training covering both internal and external courses.

**11. Audit Reporting**

All audit assignments will be the subject of formal reports. 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 Internal Audit Section will issue the report direct to the responsible Head of Service who must submit a formal reply setting out the response and an action plan for implementation of the recommendations.