

**Appendix 1**

## **WILTSHIRE COUNTY COUNCIL**

### **INTERNAL AUDIT TERMS OF REFERENCE**

**Introduction**

The CIPFA Code of Practice for Internal Audit in Local Government 2003 (The Code of Practice) requires the County Council to define the terms of reference for the Internal Audit Service. This document sets out these terms of reference, which should be considered as an integral part of the Financial Regulations of the Council.

**Internal Audit**

The main role of Internal Audit is that of an assurance function that primarily provides an independent and objective opinion to the County Council on its internal control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the Council's objectives. It objectively examines, evaluates and reports on the adequacy of the internal control environment as a contribution to the proper, economic, efficient and effective use of resources.

The work of internal Audit in discharging this function is focused towards and culminates each year, in the provision of the Chief Auditor's (CA) annual report and opinion to Members on the internal control environment.

The scope of Internal Audit allows for unrestricted coverage of the County Council's activities and unrestricted access to all records and assets deemed necessary in the course of audit activity.

**Responsibilities and Objectives**

In accordance with the Code of Practice, the main objective of Internal Audit is to provide a high quality, independent internal audit service to the County Council which provides annual assurances in relation to internal controls and the overall governance arrangements. In addition to this primary assurance role, Internal Audit will also:

- Support the County Treasurer in delivering his responsibilities under Section 151 of the Local Government Act 1972. This includes the responsibility to make arrangements for the proper administration of the County Council's financial affairs
- Provide consultancy services to departments including advice in relation to strategic and operational risk management
- Investigate any allegations of fraud or irregularity
- Advise on the internal control implications of new systems.

In addition to the above the CA will take responsibility for the co-ordination of the Risk Management arrangements across the County Council. In the discharge of this, the CA will organise the Corporate Risk Management Group and advise on operational risk. The CA will not be the County Council's Corporate Risk Manager and will not manage risks on behalf of the Corporate Management Board.

## **Organisational Independence and Accountability**

In terms of the Code of Practice, the status of Internal Audit should enable it to function effectively recognising that the independence of Internal Audit is fundamental to its effectiveness. The Code requires that the CA should have 'sufficient status to facilitate the effective discussion of audit strategies, plans, results and improvement plans with senior management within the organisation.'

Within Wiltshire County Council, the CA has unrestricted access to those charged with governance. This specifically includes Members, the Chief Executive and the County Treasurer. In addition all staff of the Internal Audit Service have unrestricted access to all Chief Officers and employees of the County Council and appropriate partner organisations.

In terms of accountability and independence, the CA reports functionally to the Final Accounts and Audit committee. In this context 'functional reporting' means that the Final Accounts and Audit Committee will:

- Approve the terms of reference and strategy for delivery of the Internal audit service
- Approve the annual Internal Audit Plan
- Receive reports from the CA on the result of Internal Audit activity or other matters the CA thinks necessary
- Seek confirmation that Internal Audit is adequately resourced to meet its assurance and other key responsibilities and objectives
- Receive the CA's annual audit opinion, which will be timed to support and inform the Statement on Internal Control, which must be published with the annual accounts

## **Reporting Lines and Relationships**

Internal Audit forms part of the Finance & IT Department, and the CA reports administratively to the County Treasurer.

Administrative reporting in this context includes reporting in relation to:

- The Budget and management accounting
- Human resource administration
- Internal communications and information flows
- Administration of the Council's internal policies and procedures.

However, the CA has the discretion to determine the most appropriate reporting arrangements for specific tasks in line with the open access rights described above.

The Internal Audit service will determine its priorities in consultation with the County Treasurer and the Final Accounts and Audit Committee.

### **Provision of Internal Audit Opinion**

The very wide potential scope of Internal Audit activity means that the service must adopt a risk-based approach to determine priorities for its work.

The risk-based approach ensures that the Internal Audit service reviews all major risks to the achievement of the County Council's objectives and is therefore able to provide assurance and deliver an audit opinion on the internal control environment. To ensure the annual audit work is appropriately focused to deliver the CA's annual audit opinion, the CA has developed and will maintain an audit strategy which explains how the required assurances will be built up through the normal audit process, supplemented by assurances from other relevant parties where necessary.

### **Internal Audit Resources**

The Internal Audit service must be appropriately staffed in terms of numbers, grades, qualification levels and experience, to meet its objectives and responsibilities. The CA is responsible for ensuring that the resources of the Internal Audit Section are sufficient to meet its responsibilities and achieve its objectives. This includes recruitment and training to ensure the appropriate mix of qualifications, experience and audit skills.

The CA will be responsible for the Internal Audit service annual Training and Development plan and a programme of continuing professional development.

### **Fraud and Corruption**

Managing the risk of fraud and corruption is the responsibility of management. Management is also responsible for developing, implementing and maintaining systems of internal control to guard against fraud or irregularity and ensure probity in systems and operations.

Financial Regulations set out the responsibilities of Chief Officers, managers and staff in relation to any suspicion of fraud or irregularity. The role of Internal Audit is to investigate any suspicion of fraud, irregularity or corrupt practice, report to management and those charged with governance, and where appropriate, liaise with the Police Authorities.

Audit procedures alone, cannot guarantee that fraud or corruption will be detected. Internal Audit staff will, however, be alert in all their work to risks and exposures that could allow fraud or corruption to occur. The Chief Auditor has made arrangements to be informed of all suspected or detected fraud and corruption to allow consideration of the adequacy of the relevant controls and evaluate the implication of fraud and corruption for the audit opinion on the internal control environment.