

COPELAND BOROUGH COUNCIL

AUDIT AND FRAUD PREVENTION CHARTER

1. Function

Internal Audit is an independent review function set up within the Council as a service to Members and all levels of management. The Audit and Fraud Prevention Manager is responsible for the effective review of all aspects of risk management and control throughout the Council's activities. In particular, Internal Audit must provide assurances to the Head of Finance and Business Development, as Section 151 Officer, as to the probity of financial transactions.

The Fraud Prevention section is responsible for promoting fraud awareness throughout the Council and specialises in investigating Benefit Fraud cases and in working with other agencies to successfully prosecute fraudulent claims. The section must work to agreed national targets and in line with the Department of Works and Pensions Performance Standards for security.

2. Independence

The Audit and Fraud Prevention department is independent of operational activities, to ensure the unbiased judgments essential to its proper conduct and impartiality.

Auditors do not routinely undertake non-audit duties but where they do so, exceptionally, it is understood that they are not then functioning as auditors. Where auditors are acting in a consultancy role, a formal written brief will be produced.

The Audit and Fraud Prevention Manager reports to a Chief Officer, with direct access to the Chief Executive and to the Chairman of the Committee with responsibility for the Audit Committee function.

3. Role and Scope

The role of Internal Audit is to understand the key risks of the organisation and to examine and evaluate the adequacy and effectiveness of the system of risk management and internal control as operated by the organisation. The assessment of business risks will be carried out jointly between management and Internal Audit and will be endorsed by senior management. Internal Audit, therefore, has unrestricted access to all activities undertaken in the organisation - to people, systems, documents and property - in order to review, appraise and report on:

- (a) the adequacy and effectiveness of the systems of financial, operational and management control and their operation in practice in relation to the business risks to be addressed;
- (b) the extent of compliance with, relevance of, and financial effect of, policies, standards, plans and procedures established by Members and management and the extent of compliance with external laws and regulations, including reporting requirements of regulatory bodies;

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- (c) the extent to which the assets and interests are acquired economically, used efficiently, accounted for and safeguarded from losses of all kinds arising from waste, extravagance, inefficient administration, poor value for money, fraud or other cause and that adequate business continuity plans exist;
- (d) the suitability, accuracy, reliability and integrity of financial and other management information and the means used to identify, measure, classify and report such information;
- (e) the integrity of processes and systems, including those under development, to ensure that controls offer adequate protection against error, fraud and loss of all kinds; and that the process aligns with the organisation's strategic goals;
- (f) the suitability of the organisation of the units audited for carrying out their functions, and to ensure that services are provided in a way which is economical, efficient and effective;
- (g) the follow-up action taken to remedy weaknesses identified by Internal Audit, ensuring that good practice is identified and communicated widely;
- (h) the operation of the organisation's corporate governance arrangements.

Internal Audit should be consulted about significant proposed changes in the business, the internal control system and the implementation of new systems. Ideally, this should be before any decision is taken to make significant changes, so that audit may consider the control implications.

Fraud Prevention officers have unrestricted access to all activities undertaken in the organisation - to people, systems, documents and property - in order to investigate referrals or allegations of fraud.

Note: The Audit and Fraud Prevention Section will assist managers in the following:

- ensuring the success of the organisation;
- ensuring the effectiveness of internal control;
- ensuring the reliability of financial reporting;
- ensuring the absence of fraud or other irregularities, or that they are detected.

Nevertheless, the above are management's responsibilities.

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4. Reporting

The Audit and Fraud Prevention Section reports regularly on the results of its work to the Committee with responsibility for the Audit Committee function. The Audit and Fraud Prevention Manager is accountable to this Committee for:

- (a) providing regular assessments of the adequacy and effectiveness of the organisation's systems of risk management and internal control based on the work undertaken by Internal Audit;
- (b) reporting significant control issues and potential for improving risk management and control processes;
- (c) periodically providing information on the status and results of the annual audit plan and on the sufficiency of Internal Audit resources;
- (d) periodically providing information on the progress of the Fraud Prevention section against agreed targets and on the sufficiency of Fraud Prevention resources.

5. Responsibility

The Audit and Fraud Prevention Manager is responsible for:

- (a) developing a strategic audit plan based on an understanding of the significant risks to which the organisation is exposed;
- (b) submitting the plan to the Committee with responsibility for the Audit Committee function for review and agreement;
- (c) implementing the agreed audit plan;
- (d) ensuring compliance with standards for the provision of internal audit in local government;
- (e) ensuring DWP targets for fraud-related work are met;
- (f) ensuring compliance with DWP standards for internal security;
- (g) maintaining professional staff with sufficient knowledge, skills and experience to carry out the audit plan and fraud-related work.

Approved by the Audit Committee 8 June 2000

Revision 1 approved by Audit Sub Group 7 June 2004

Revision 2 to be approved by Full Council December 2005