

REGULATION 5: AUDIT ARRANGEMENTS

5.1 EXTERNAL AUDIT

The Crematorium'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 and financial statements.

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

- 5.1.1 **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.
- 5.1.2 **Liaison:** The Treasurer to the Joint Committee will work with the external auditors and advise the Joint Committee, and Officers on their responsibilities in relation to external audit.
- 5.1.3 **Relationship with Internal Audit:** The "Nominated Audit Manager" must ensure that there is effective liaison between internal and external audit.
- 5.1.4 **Management Letter:** The External Audit Annual Certificate and Opinion must be considered by the Treasurer to the Joint Committee and reported to the Joint Committee.

5.2 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 Treasurer to the Joint Committee 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)*. Their main responsibility is as an independent assurance function within the organisation. The internal audit service for Portchester Crematorium is provided by in-house Internal Audit section at Fareham Borough Council.

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

- 5.2.1 **Responsibility:** The Treasurer to the Joint Committee is responsible for maintaining an adequate and effective internal audit service for

Portchester Crematorium 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 Joint Committee on the discharge of this responsibility taking account of the characteristics and relative risks of the activities involved within the Joint Committee.

- 5.2.2 **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 Treasurer to the Joint Committee.
- 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 Treasurer to the Joint Committee. Plans, however, will be subject to scrutiny by the Joint Committee.
- c) The "Nominated Audit Manager" has direct access and freedom to report to the Chairman of the Joint Committee and all Senior Officers.

Objectivity and Integrity

- d) The "Nominated Audit Manager" and named contact for the external partner must be a member of a professional Accountancy or Auditing body.
- e) The "Nominated Audit Manager" and external partner must establish appropriate professional standards for the rest of the audit team.
- f) The audit service should not have any operational responsibilities or be responsible for the drafting of procedures.
- g) An auditor should not audit an activity that they have previously had responsibility for until at least 12 months have elapsed.
- h) All auditors must inform the named contact for the external partner, "Nominated Audit Manager" or Treasurer to the Joint Committee of any relationships or financial interests in any organisation or activity subject to audit.
- i) An individual auditor should not be solely responsible for an audit area for more than 3 consecutive audits (except for audit specialisms).

- 5.2.3 **Powers of Auditors:** The Treasurer to the Joint Committee and members of the in-house Internal Audit and Corporate Fraud teams of Fareham Borough Council, 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 Joint Committee.
- b) *Documents:* Examine all documents, correspondence or information held by employees, members of the Joint Committee 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 Joint Committee employee, agent or member to produce cash, stores, ICT equipment, or other Joint Committee 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 Treasurer to the Joint Committee.

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

- e) *Property*: Carry out a search of or seize any Joint Committee owned property and equipment.
- f) *Access systems*: Require any Joint Committee employee or member to surrender any keys, cards, de-encryption codes, passwords or any other item or information needed to allow access to Joint Committee premises, assets or data.
- g) *Interception*: Intercept and review communications, data or information held on Joint Committee'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 Crematorium's premises immediately.

Execution of these latter powers shall be in accordance with Fareham Borough Council's Financial Irregularity Investigation Policy, Internal Audit Manual and Personnel Procedures.

5.2.4 Responsibility of Auditees: In order to be effective in the achievement of the Crematorium's objectives in maintaining its Internal Audit requirements 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.

5.2.5 Release of Audit Documents (internally): Internal Audit reports can only be released to the Treasurer to the Joint Committee or the responsible Officer of the area being audited.

5.2.6 The release of the report to anyone else internally requires the authorisation of either the Treasurer to the Joint Committee or Clerk to the Joint Committee.

- 5.2.7 Audit working files and records can only be released internally to the Treasurer to the Joint Committee.
- 5.2.8 **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.
- 5.2.9 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", and Treasurer to the Joint Committee and responsible Officer for the area concerned. This is to ensure that any *exempt* information has been removed, where considered necessary.
- 5.2.10 **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 Treasurer to the Joint Committee only.