

**PROCEDURES FOR AUDITING OF THE COUNCIL**

1. Local Authorities are subject to both internal and external audit.
  
- 2. Internal Audit**
  - 2.1 The requirement for an Internal Audit function for local authorities is implied by Section 151 of the Local Government Act 1972, which requires that authorities “make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs”.
  - 2.2 Regulation 6 of the Accounts and Audit Regulations 2006 more specifically requires 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 practices in relation to internal control”.
  - 2.3 Internal audit can be defined as an “independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes”.
  - 2.4 In 2010 the Council agreed to enter into arrangements with Malvern Hills District Council, Redditch Borough Council, Worcester City Council and Wychavon District Council for the authorities to collaborate and provide one shared Internal Audit Service for all the authorities. The service is hosted by Worcester City Council and is regulated by a formal agreement. The shared service is known as Worcestershire Internal Audit Shared Service. The Council retains a team of auditors based at Bromsgrove who are managed centrally by the Service Manager of the shared service.
  - 2.5 Under the current arrangements the Service Manager for Worcestershire Internal Audit Shared Service reports direct to the Council’s Section 151 Officer, the Executive Director (Finance & Corporate Resources). However, the Service Manager can also report direct to the Chief Executive, if required.
  
- 3. External Audit**
  - 3.1 The Audit Commission is a government body, which has the right to approve and select providers of the external audit function. Government

legislation (Audit Commission Act 1998) refers to accounts and audit, and section 2 states that all accounts:

- shall be made up each year to 31st March or such other date as the Secretary of State may generally or in any special case direct; and
- shall be audited in accordance with this Act by an auditor or auditors appointed by the Commission.

3.2 Section 4 of the Act (Code of audit practice) details that:

3.3 The Commission shall prepare, and keep under review, a code of audit practice prescribing the way in which auditors are to carry out their functions under this Act.

3.4 Section 5 of the Act (General duties of auditors) states that:

3.5 In auditing accounts required to be audited in accordance with this Act, an auditor shall by examination of the accounts and otherwise satisfy himself:

- that they are prepared in accordance with regulations under section 27;
- that they comply with the requirements of all other statutory provisions applicable to the accounts;
- that proper practices have been observed in the compilation of the accounts;
- that the body whose accounts are being audited has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources; and
- that that body, if required to publish information in pursuance of a direction under section 44 (performance information), has made such arrangements for collecting and recording the information and for publishing it as are required for the performance of its duties under that section.

3.6 The auditor shall comply with the code of audit practice applicable to the accounts being audited as that code is for the time being in force.

3.7 The auditor shall consider whether, in the public interest, he should make a report on any matter coming to his notice. An audit management letter summarising the outcome of the annual audit is submitted to the Council for consideration.

- 3.8 The Council's external auditors are appointed by the Audit Commission. Information and contact details regarding the Council's current external auditors can be obtained from Financial Services.