

# Denbighshire County Council

# Internal Audit Charter

March 2014

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## Background to the Internal Audit Charter

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- The Public Sector Internal Audit Standards define the nature of, and set out basic principles for, internal auditing in the UK public sector. The Standards require the purpose, authority and responsibility of the internal audit activity to be formally defined in an internal audit charter.
- The Standards use generic terms, which this Charter defines as:

<b>Standards</b>	<b>Denbighshire County Council</b>
Chief Audit Executive	Head of Internal Audit Services
Senior management	Chief Executive Officer (CEO)
The Board	Corporate Governance Committee

- The Head of Internal Audit Services must develop and maintain an up to date Internal Audit Charter that establishes:

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**Internal Audit's purpose and position within the organisation;**

**the nature of the Head of Internal Audit's functional reporting relationship with the CEO and Corporate Governance Committee;**

**authorisation to access records, personnel and physical properties relevant to the performance of Internal Audit's work;**

**the scope of Internal Audit's activities, including the nature of assurance services, consultancy services provided and its involvement in any fraud-related work;**

**arrangements for appropriate resourcing of the Internal Audit service; and**

**arrangements for avoiding conflicts of interest if Internal Audit undertakes any non-audit activities.**

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- Final approval of the Internal Audit Charter rests with the Corporate Governance Committee.

## Internal Audit in Denbighshire County Council

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### **Definition of Denbighshire County Council's Internal Audit Service**

The Internal Audit Service is an independent and objective internal team that provides assurance and advice to all levels of management and elected members on the quality of operations within the Council. We particularly focus on governance, risk management, performance, efficiency and operational and financial control.

- Internal audit is one of the cornerstones of effective governance. Through our annual internal audit opinion and other reports, we give assurance to elected members and management, highlighting areas for improvement.
- Our role is a unique one, providing effective challenge and acting as a catalyst for positive change and continual improvement in governance in all its aspects. Our role is particularly important when the Council is facing uncertain and challenging times.

### Our main objectives are to...

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- provide independent assurance and advice to management and elected members on risk management, governance and internal control;
- develop and promote our role to make a significant contribution to the Council's priority to modernise and deliver efficiencies and improve services for our customers; and
- add value in all areas of our work, providing excellent service to our customers.

## The Head of Internal Audit's reporting lines

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- Although reporting to the Head of Business Improvement & Modernisation, the Head of Internal Audit also has direct access to the Council's Head of Finance & Assets (S151 Officer), the Chief Executive, Cabinet, Corporate Governance Committee and Scrutiny Committees.
- The extended reporting lines provide Internal Audit with sufficient independence of the activities that it reviews to enable our auditors to perform their duties objectively, allowing us to make impartial and effective professional judgements and recommendations.
- The Head of Business Improvement & Modernisation annually appraises the Head of Internal Audit's performance with input and feedback from the CEO and Chair of the Corporate Governance Committee. This ensures that the Head of Internal Audit's opinion and scope of work cannot be limited or affected by his functional line management position within the Council.

## **Internal Audit's access rights**

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- The Council's Financial Regulations provide the Internal Audit with authority to:

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**access Council premises at reasonable times;**

**access all assets, records, documents, correspondence and systems;**

**receive any information and explanation considered necessary concerning any matter made under consideration;**

**require any employee of the Council to account for cash or any other Council asset under his or her control; and**

**access records belonging to third parties, such as contractors, when required.**

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## The scope of Internal Audit's work

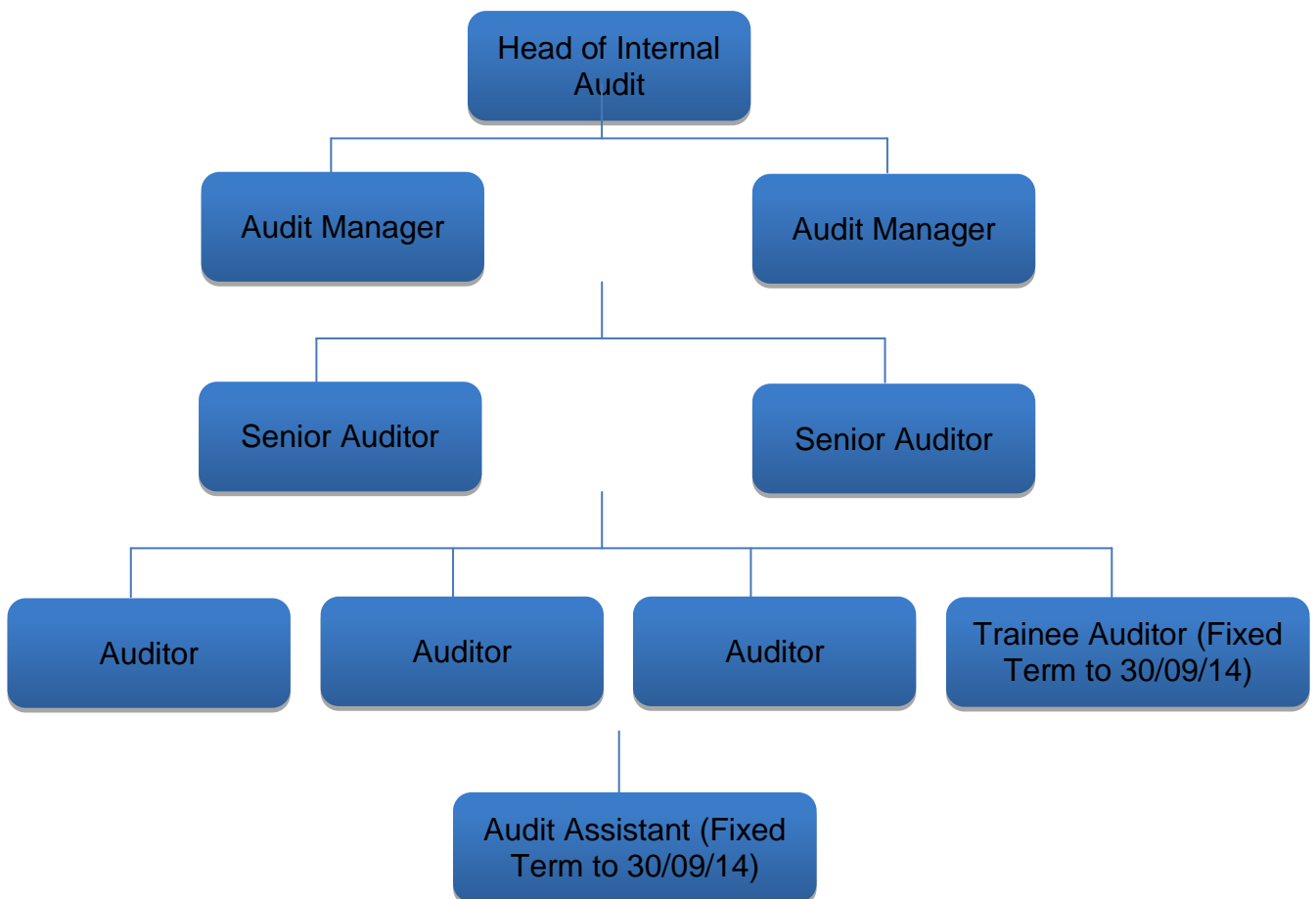
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- The Internal Audit service is very proactive and innovative, constantly aiming to improve. We have a customer-focused approach to audit planning, project scoping and service delivery, involving elected members, senior management and operational staff.
- Our Internal Audit Assurance Plan links closely to the Council's Governance Assurance Framework, taking account of other assurances that the Council may receive, internal or external, to prevent duplication and co-ordinate regulatory work. It also takes account of discussions with senior management.
- Our work provides a risk-based approach that allows the Head of Internal Audit to form and evidence his opinion on the control environment to support the Council's Annual Governance Statement.
- Internal Audit is not responsible for managing the risk of fraud or carrying out investigations into alleged fraud; however, the Council's Financial Regulations and investigation procedures require notification to the Head of Internal Audit of any suspected fraud so that he can decide on an appropriate course of action.
- Internal Audit has no responsibility for providing any other services within the Council but, we occasionally provide guidance and advice e.g. on new systems or may help to develop new processes using our specific skills. On these occasions we are working on a consultancy basis rather than internal audit basis and are careful to ensure that services are aware of this and that we are not necessarily giving audit assurance on these occasions.

## Internal Audit's resources

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- Internal Audit also provides a service to North Wales Police and Natural Resources Wales. Our budget is mainly employee based (90%), and is subsidised by income earned through our external contracts.
- The service structure below has all posts currently filled. Two posts are on fixed term contracts.
- We have a well-qualified and experienced team, mainly following the Chartered Institute of Internal Auditors (CMAA) qualification route.





## Internal Audit's responsibilities

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### All internal auditors must...

- work with others to promote and demonstrate the benefits of good governance throughout the Council;
- promote the highest standards and ethics across the Council based on integrity, objectivity, competence and confidentiality;
- exercise sound judgement in identifying weaknesses in the Council's control environment and provide a balanced view on how significant these are;
- be committed to continuous improvement;
- demonstrate integrity;
- report on what is found, without fear or favour;
- give clear, professional and objective advice; and
- hold an appropriate qualification and have an active programme for personal professional development.

### In addition, the Head of Internal Audit must...

- be a senior manager with regular and open engagement across the Council, particularly with the leadership team and the Corporate Governance Committee;
- be suitably qualified and experienced;
- give assurance on the control environment, including risk and information management and internal controls across the Council;
- produce an evidence-based annual internal audit opinion on the Council's control environment, reflecting the work done during the year and summarising the main findings and conclusions, highlighting any specific concerns;
- liaise closely with the Council's external regulators to share knowledge and use audit resources most effectively;
- determine the resources, expertise, qualifications and systems for the internal audit service that are required to meet its objectives and provide an annual audit opinion; and
- adhere to and ensure internal audit service compliance with professional internal audit standards.