



# Internal Audit Charter

**Ivan Butler MBA, CMIIA**  
**Head of Internal Audit Services**

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## Why do we need a Charter?

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1. The Public Sector Internal Audit Standards (PSIAS) 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.
2. The PSIAS use generic terms that, in Denbighshire County Council's case, are translated as:

PSIAS	DCC
Chief Audit Executive	Head of Internal Audit
Senior Management	Chief Executive Officer (CEO)
The Board	Corporate Governance Committee

3. Final approval of the Internal Audit Charter rests with the Corporate Governance Committee.
4. The PSIAS require the Head of Internal Audit to develop and maintain an up to date Internal Audit Charter to establish:

➤ Internal Audit's purpose and position within the Council

➤ The Head of Internal Audit's functional reporting relationship with the CEO and Corporate Governance Committee

➤ Authorisation for Internal Audit to access records, personnel and physical properties relevant to the performance of its work

➤ The scope of Internal Audit's work, including the nature of its assurance role, consultancy services and its involvement in anti-fraud and corruption work

➤ Arrangements for resourcing the Internal Audit service

➤ Arrangements for avoiding conflicts of interest within the Internal Audit service

## What is internal audit?

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5. The PSIAS include mandatory elements:

- ✓ Definition of Internal Auditing
- ✓ Code of Ethics
- ✓ International Standards for the Professional Practice of Internal Auditing

### **PSIAS Definition of internal auditing**

Internal auditing is 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.

6. Within the Council, 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.
7. 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...**

- 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
- Add value in all areas of our work, providing excellent service to our customers

## Who does the Head of Internal Audit report to?

8. Although functionally reporting to the Head of Business Improvement & Modernisation, the Head of Internal Audit also has direct access on internal audit issues to the Council's S151 Officer, the CEO, Cabinet, Corporate Governance Committee and Scrutiny Committees.
9. These 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 raise issues for improvement.
10. 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.

## What are Internal Audit's rights of access?

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11. The Council's Financial Regulations stipulate Internal Audit's rights of access, providing the service with authority to:

- Access all 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
- Access records belonging to third parties, such as contractors, when required

## What is the scope of Internal Audit's work?

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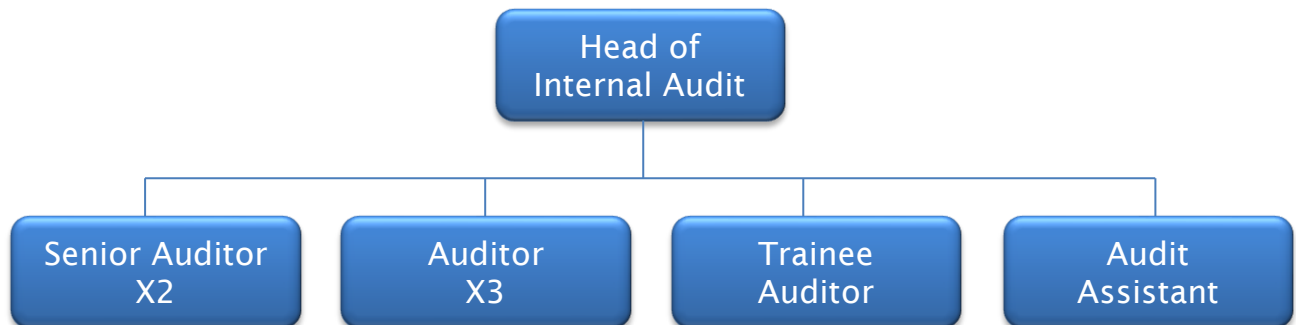
12. The Internal Audit service is very proactive and innovative, constantly aiming to improve. We have a customer-focused approach to audit planning, project scoping and service delivery, involving elected members, senior management and operational staff.
13. Our Internal Audit Assurance Plan links closely 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.
14. 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.
15. Internal Audit is not responsible for managing the risk of fraud – this lies with the Council's senior management. The Council's Financial Regulations and investigation procedures require managers to inform the Head of Internal Audit of any suspected financial irregularities.
16. Although Internal Audit carries out proactive projects to identify potential fraud and/or corruption and can carry out special investigations into alleged financial irregularities, the Head of Internal Audit retains the right to decide on an appropriate course of action, which may mean a joint investigation or investigation by the service. However, all investigation reports should be sent to the Head of Internal Audit for inclusion in a report on fraud investigations within the Internal Audit Annual Report.
17. 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. Services may also occasionally ask us to carry out specific projects on a consultancy basis for a fee. On these occasions, we make it clear from the outset that we are working on a consultancy basis rather than internal audit basis and are not giving audit assurance on these occasions.

## What resources does Internal Audit have?

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18. Internal Audit also provides an audit service to North Wales Police. Our budget is mainly employee based (90%), and is subsidised by income earned through this external contract.

19. The service structure below has all posts currently filled. We have a well-qualified and experienced team, mainly following the Chartered Institute of Internal Auditors (CMIIA) qualification route.



## What are Internal Audit's responsibilities?

20. All members of the Internal Audit service are required to comply with the PSIAS, including its Code of Ethics. In addition we all sign an annual declaration stating that we will respect the confidentiality of information we access during our work, declare any interests we may have in any services that we review, and have read the PSIAS, Code of Ethics and Council's Code of Conduct for Officers.

### **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
- Hold an appropriate qualification and have an active programme for personal professional development

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

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- 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 outcomes 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
- Adhere to and ensure internal audit service compliance with professional internal audit standards