

Internal Audit Charter

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Chief Internal Auditor

Introduction

1. This Charter defines the purpose, authority and responsibility of internal audit. The Internal Audit Charter establishes the internal audit activity's position within the Council; authorises access to records; and defines the scope of internal audit activities.
2. All UK public sector internal audit service providers work to the Public Sector Internal Audit Standards (PSIAS). The latest version is effective from 1 April 2017.
3. The PSIAS use generic terms that, in Denbighshire County Council's case, are translated as:

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

4. The PSIAS require the Chief Internal Auditor to develop and maintain an up to date Internal Audit Charter to establish:
 - Internal Audit's purpose, mission and position within the Council
 - The Chief Internal Auditor'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
5. The Chief Internal Auditor will review the Charter each year and present it to the Corporate Governance Committee for final approval.

Our Purpose

6. The PSIAS include mandatory elements of the Chartered Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF):
- Definition of Internal Auditing
 - Core Principles
 - Code of Ethics
 - International Standards for the Professional Practice of Internal Auditing

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”. *(PSIAS)*

7. Within the Council, Internal Audit is one of the cornerstones of effective governance. Our annual internal audit opinion and other reports are a key element of the framework of assurance that is used to complete the Annual Governance Statement. We give assurance to elected members and management, highlighting areas for improvement.
8. 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 Mission

“To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight” (*PSIAS*)

Our Objectives

- 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 modernise the Council and deliver efficiencies and improve services for our customers
- Add value in all areas of our work, providing excellent service to our customers

Code of Ethics

9. All members of the Internal Audit service make an annual declaration that they agree to comply with the IIA Code of Ethics as follows:

Ethic	Principle
Integrity	The integrity of internal auditors establishes trust and this provides the basis for relying on their judgement.
Objectivity	Internal auditors demonstrate the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interest or by others in forming judgements.
Confidentiality	Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

Competency	Internal auditors apply the knowledge, skills and experience needed in the performance of internal audit services.
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10. In addition, our annual declaration states that we will 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.

Core Principles for the Professional Practice of Internal Auditing

11. Our internal audit approach is underpinned by the following Core Principles:

- Demonstrate integrity
- Demonstrate competence and due professional care
- Is objective and free from undue influence (independent)
- Aligns with the strategies, objectives, and risks of the organisation
- Is appropriately positioned and adequately resourced
- Demonstrates quality and continuous improvement
- Communicates effectively
- Provides risk-based assurance
- Is insightful, proactive, and future-focused
- Promotes organisational improvement

12. In addition, the Chief Internal Auditor will be appropriately experienced and hold a professional qualification (CCAB or CMIIA) and is responsible for:

- Developing an annual internal audit plan based on an understanding of the significant risks to which the Council is exposed.
- Submitting the plan to the Corporate Governance Committee and Senior Leadership Team for review and agreement.
- Implementing the plan and reporting any amendments that may occur.
- Ensuring compliance with the Standards.
- Developing and maintaining co-operative relationships with management, other internal auditors, external auditors and other review bodies to ensure the most effective audit coverage is achieved.
- Maintaining a professional internal audit team with sufficient knowledge, skills and experience to carry out the plan.

- Providing an annual opinion as to the adequacy and effectiveness of the Council's control environment including any issues which should be considered for inclusion in the Council's Annual Governance Statement.

Internal Audit Positioning & Reporting Lines

13. Internal Auditors have no executive responsibilities in order to maintain our independence and facilitate impartial judgements.
14. The Chief Internal Auditor has a functional reporting line to the Head of Business Improvement & Modernisation, but also has direct access on internal audit issues to the Council's S151 Officer, the CEO, Cabinet, Corporate Governance Committee and Scrutiny Committees.
15. 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.
16. The Head of Business Improvement & Modernisation annually appraises the Chief Internal Auditor's performance with input and feedback from the CEO and Chair of the Corporate Governance Committee. This ensures that the Chief Internal Auditor's opinion and scope of work cannot be limited or affected by his functional line management position within the Council.
17. Corporate Governance Committee monitor the effectiveness of Internal Audit's activities. It should be involved in the selection process when/if an internal audit service provider changes, the appointment or termination of the Chief Internal Auditor and in ensuring that internal audit is adequately resourced.
18. The Chief Internal Auditor will not undertake roles and/or responsibilities that fall outside of internal auditing. In the exceptional circumstance where this is required, the approval of the Corporate Governance Committee will be obtained and safeguards put in place to protect our independence and objectivity.

Authority

19. 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

20. The Chief Internal Auditor attends Corporate Governance Committee and will meet independently with the Chair of Corporate Governance Committee periodically and has right of access to all Corporate Governance Committee members.

Scope of the Internal Audit Activity

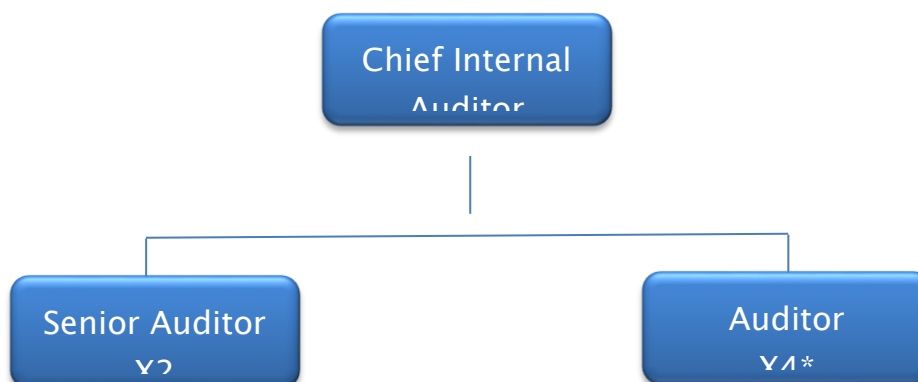
21. The Internal Audit service is very proactive and innovative, constantly aiming to improve. We have a customer-focused approach to audit planning, project scoping and service delivery, involving elected members, senior management and operational staff.
22. Our Internal Audit Assurance Plan links closely 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.
23. Our work provides a risk-based approach that allows the Chief Internal Auditor to form and evidence her opinion on the control environment to support the Council's Annual Governance Statement.
24. Internal Audit is not responsible for managing the risk of fraud – this lies with the Council's senior management. Internal Auditors have sufficient knowledge to evaluate the risk of fraud and the manner in which it is managed by the Council, but are not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud.
25. The Council's Financial Regulations and investigation procedures require managers to inform the Chief Internal Auditor of any suspected financial irregularities. The Chief Internal Auditor retains the right to decide on an appropriate course of action, which may mean a joint investigation or investigation by the service. All investigation reports should be sent to the Chief Internal Auditor for inclusion in a report on fraud investigations within the Internal Audit Annual Report. We will also consider any control issues identified in the fraud investigation in terms of the impact on current and future internal audit activity.
26. 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. The Chief Internal Auditor will accommodate such requests only where there is sufficient capacity to

carry out the work to the required standard. We make it clear from the outset that we are working on a consultancy basis and are not giving audit assurance on these occasions.

27. The PSIAS permit assurance services to be provided where internal audit has previously performed consulting services. This will only be the case where the consulting/advisory work completed has not impaired objectivity. Individual objectivity will be managed when assigning resources to the engagement.

Resources

28. The Corporate Governance Committee has the responsibility to ensure the internal audit function is sufficiently resourced and has the required skills and competencies required to meet the Council's audit needs. The service structure below shows the capacity of the Internal Audit Service:



* Once one of the Auditors retires in October 2017, there will be three Auditors instead of the four shown.

29. We have a well-qualified and experienced team, mainly following the Chartered Institute of Internal Auditors qualification route (CMIIA) at Senior Auditor level and Association of Accounting Technicians (AAT) for the Auditor role. The Chief Internal Auditor holds the CMIIA and is a Certified Information Systems Auditor (CISA).

Quality Assurance and Improvement

30. The Chief Internal Auditor maintains the quality assurance and improvement programme which includes internal and external assessments.

Internal Assessments

31. Regular internal assessments of the internal audit activity comprises of:

- Ongoing monitoring of the performance of the internal audit activity
- Periodic self-assessment of the internal audit activity against the PSIAS.

External Assessments

32. PSIAS require an External Assessment to be conducted at least once every five years by a qualified, independent assessor from outside the Council.

33. We are due an external assessment in 2017–18 and this will be carried out on a peer review basis organised through the Welsh Chief Auditors Group. Once this external assessment is complete, we will advise the Corporate Governance Committee of the results.

34. The Chief Internal Auditor will report any instances of non-conformance with the PSIAS to the Corporate Governance Committee. Any significant deviations will be considered for inclusion in the Council's Annual Governance Statement.