

Internal Audit Charter 2024-25

Internal Audit Charter

Contents

Contents	2
1. Introduction	3
2. Our Purpose	4
3. Definition of Internal Auditing:	4
4. Our Mission	5
5. Our Objectives	5
7. Core Principles for the Professional Practice of Internal Auditing	6
8. Internal Audit Positioning and Reporting Lines	8
9. Authority	10
10. Scope of Internal Audit Activity	11
11. Resources	12
12. Internal Audit Plan	14
13. Reporting and Monitoring	14
14. Quality Assurance and Improvement	15
15. Internal Assessments	15
16. External Assessments	16

Internal Audit Charter

1. Introduction

- 1.1 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.
- 1.2 All UK public sector internal audit service providers currently work to the Public Sector Internal Audit Standards 2017 (PSIAS). However, the New Global Internal Audit Standards were published on the 9 January 2024 and CIPFA has until January 2025 to adopt the standards.
- 1.3 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	Senior Leadership Team (SLT)
The Board	Governance and Audit Committee

- 1.4 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 Governance and Audit 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.

Internal Audit Charter

- Arrangements for avoiding conflicts of interest within the Internal Audit service.

1.5 The Chief Internal Auditor will review the Charter each year and present it to the Governance and Audit Committee for final approval.

2. Our Purpose

2.1 The PSIAS include mandatory elements of the Chartered Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF). They are aimed at all appropriate officers and stakeholders and they define the nature and set out basic principles for internal auditing in the UK Public Sector, including:

- Definition of Internal Auditing;
- Core Principles;
- Code of Ethics;
- International Standards for the Professional Practice of Internal Auditing.

3. Definition of Internal Auditing:

3.1 “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)*

3.2 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.

Internal Audit Charter

3.3 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.

4. Our Mission

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

5. Our Objectives

5.1 Internal audit is an assurance and consulting function that provides an independent and objective opinion to the Council by evaluating the effectiveness of the control environment, risk management and governance arrangements in place.

5.2 Internal Audit’s 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 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.
- Promote an anti-fraud, anti-bribery and anti-corruption culture within the Council to aid the prevention and detection of fraud and to investigate allegations of fraud, bribery, corruption and other irregularities.

Internal Audit Charter

6. Code of Ethics

6.1 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.

6.2 In addition, our annual declaration states that we will declare any interests we may have in any services that we review; that we have read the PSIAS, Code of Ethics, the Council's Code of Conduct for Officers; and that we have due regard for the Nolan Principles of Public Life.

7. Core Principles for the Professional Practice of Internal Auditing

7.1 The Core Principles, taken as a whole, articulate internal audit effectiveness. For an internal audit function to be considered effective, all Principles should be present and operating effectively. Our internal audit approach is underpinned by the following Core Principles, which state that we will:

Internal Audit Charter

- Demonstrate integrity;
- Demonstrate competence and due professional care;
- Be objective and free from undue influence (independent);
- Be aligned with the strategies, objectives, and risks of the organisation;
- Be appropriately positioned and adequately resourced;
- Demonstrate quality and continuous improvement;
- Communicate effectively;
- Provide risk-based assurance;
- Be insightful, proactive, and future-focused;
- Promote organisational improvement.

7.2 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 Governance and Audit Committee, Corporate Executive Team (CET) and Cabinet 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 Charter

8. Internal Audit Positioning and Reporting Lines

- 8.1 The Chief Internal Auditor has a functional reporting line to the Governance and Audit Committee and administratively to the Head of Finance and Audit. In addition to these reporting lines, the Chief Internal Auditor also has direct access on internal audit issues to the CEO, the Corporate Director – Governance and Business, Cabinet, and Scrutiny Committees.
- 8.2 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.
- 8.3 The Head of Finance and Audit reviews the Chief Internal Auditor's performance with input and feedback from the CEO and Chair of the Governance and Audit 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.
- 8.4 Governance and Audit 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.
- 8.5 The Chief Internal Auditor will ensure that the Internal Audit service remains free from all conditions that threaten the ability of Internal Auditors to perform their work in an unbiased manner. Internal Auditors have no direct operational responsibilities or authority over any of the activities audited. In exceptional circumstance where this is required, the approval of the Governance and Audit Committee will be obtained and safeguards put in place to protect our independence and objectivity.

Internal Audit Charter

8.6 The Chief Internal Auditor's responsibilities to the Governance and Audit Committee include:

- Presenting the Internal Audit Charter for approval;
- Presenting the Internal Audit Strategy for approval;
- Presenting the Internal Audit Quality Assurance Improvement programme for annual approval;
- Providing quarterly Internal Audit updates;
- Providing the Governance and Audit Committee with a copy of every internal audit report completed during the financial year;
- Report any instances where management refuse to implement an action plan to resolve issues identified during a review;
- Providing an annual Internal Audit Report with an audit opinion for approval.

8.2 The Terms of Reference for the Governance and Audit Committee (the Committee) provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The Committee's role in ensuring there is sufficient assurance over governance, risk and control gives greater confidence to the Council that those arrangements are effective.

8.3 The Committee has oversight of both internal and external audit, together with the financial and governance reports, helping to ensure there are adequate arrangements in place for both internal challenge and public accountability.

8.4 The Committee is a valuable resource, adding value to the Council by supporting improvement across a range of objectives. To achieve wide-ranging influence, the Committee needs commitment and energy from its membership together with support and openness from the rest of the Council.

Internal Audit Charter

8.5 The overall purpose of the Committee is to:

- Review and scrutinise the authority's financial affairs;
- Make recommendations in relation to the authority's financial affairs;
- Review and assess the risk management, internal control, performance assessment and corporate governance arrangements of the authority, and make reports and recommendations to the authority on the adequacy and effectiveness of those arrangements;
- Review and assess the authority's ability to handle complaints effectively;
- Oversee the authority's internal and external audit arrangements;
- Review the financial statements prepared by the authority;
- Exercise the functions set out in Chapter 1 of Part 6 of the Local Government and Elections (Wales) Act 2021 (performance and governance of principal councils) in respect of the review of self-assessment reports and panel assessment reports.

8.6 It will be for the Committee to determine how to exercise these functions. The Committee may require any Member or Officer of this Council to attend before it to answer questions and may invite other persons to attend meetings of this Committee.

9. Authority

9.1 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.

Internal Audit Charter

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

9.2 The Chief Internal Auditor attends Governance and Audit Committee and has a pre-meeting with the Chair and Vice Chair of Governance and Audit Committee, the Head of Finance and Audit and the Corporate Director – Governance and Business before every Governance and Audit Committee meeting. The Chief Internal Auditor also has right of access to all Governance and Audit Committee members.

9.3 The Chief Internal Auditor attends quarterly meetings with CET and Cabinet Briefing and six-monthly meetings with SLT to present a report on all internal and external reviews that have taken/are taking place within Denbighshire.

10. Scope of Internal Audit Activity

10.1 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.

10.2 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.

10.3 Our work provides a risk-based approach that allows the Chief Internal Auditor to form and evidence his opinion on the control environment to support the Council's Annual Governance Statement.

10.4 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

Internal Audit Charter

but are not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud.

10.5 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.

10.6 Internal Audit 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.

10.7 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.

11. Resources

11.1 The Governance and Audit 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.

Internal Audit Charter

11.2 The service structure has now been in place for 15 months and the new team structure is working well. The table below shows team structure:

Staff Numbers	As at 31 March 2024
1	Chief Internal Auditor
1	Career Pathway Principal Auditor
3	Career Pathway Senior Auditor
1	Auditor

11.3 The Chief Internal Auditor holds the qualification of Chartered Institute of Public Finance Accountancy (CIPFA). The Career Pathway Principal Auditor is currently studying for the Chartered Institute of Internal Auditors qualification (and is part-qualified) and is also completing the ILM level 4 in Management. One of the Career Pathway Senior Auditors will start studying for the Chartered Institute of Internal Auditors qualification in the autumn and the remain two Career Pathway Senior Auditors are currently about to finish their first year of the Association of Accounting Technicians (AAT) qualification.

11.4 In accordance with the Public Sector Internal Audit Standards, the Chief Internal Auditor will advise senior management and the Governance and Audit Committee of any changes to resources that are likely to affect the completion of the planned work, which may impact the ability to provide the necessary assurance.

Internal Audit Charter

12. Internal Audit Plan

12.1 At least annually, the Chief Internal Auditor will submit to senior management and the Governance and Audit Committee an internal audit plan for review and approval. The internal audit plan will consist of a list of audit priorities and resource requirements for the next financial year. The Chief Internal Auditor will communicate the impact of resource limitations and significant interim changes to senior management and the Governance and Audit Committee.

12.2 The internal audit plan will be developed based on a prioritisation of the audit universe using a risk-based methodology, including input of senior management and the Governance and Audit Committee. The Chief Internal Auditor will review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, systems, and controls. This year the plan has changed and has been broken down into the following headings:

- Major savings proposals / non-strategic savings,
- Process reviews and advisory work,
- Service reviews,
- Assurance for the Annual Governance Statement, and
- Other projects.

12.3 Any significant deviation from the approved internal audit plan will be communicated to senior management and the Governance and Audit Committee through the Internal Audit Update Report.

13. Reporting and Monitoring

13.1 A written report will be prepared and issued by the Internal Auditor following the conclusion of each internal audit engagement and will be distributed as appropriate. Internal audit results will also be communicated to the Governance and Audit Committee.

Internal Audit Charter

13.1 The internal audit report will include management's response and corrective action taken or to be taken in regard to the specific findings. Management's response will be incorporated into an action plan which will include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented.

13.3 The internal audit activity will follow-up all low assurance and no assurance areas and report the results to the Governance and Audit Committee. A representative from the Service will be asked by the Committee to attend to explain the action taken to address identified weaknesses.

13.4 The Chief Internal Auditor will periodically report to senior management and the Governance and Audit Committee on the internal audit activity's purpose, authority, and responsibility, as well as performance relative to its plan. Reporting will also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the Governance and Audit Committee.

14. Quality Assurance and Improvement

14.1 The Chief Internal Auditor maintains the quality assurance and improvement programme which covers all aspects of Internal Audit's activities. The programme includes internal and external assessments to evaluate Internal Audit's conformance with the Mission Statement, the Core Principles of Internal Auditing and the International Standards and application of the Code of Ethics.

15. Internal Assessments

15.1 The Accounts and Audit Regulations (Wales) 2014 places a statutory obligation on the Council to conduct a review of effectiveness of internal audit at least once a year. This comprises of:

Internal Audit Charter

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

16. External Assessments

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

16.2 An external assessment has been carried out in 2023-24 by Ceredigion County Council on a peer review basis organised through the Welsh Chief Auditors Group. The results of the review have been scheduled to appear on the next Governance and Audit Committee on the 12 June 2024. The report states that:

“The evaluator has concluded that the Internal Audit service for Denbighshire County Council currently conforms with 45 of the Public Sector Internal Audit Standards (PSIAS) and partly conforms with six. There are five areas of non-conformance identified”.

16.3 During the next 24 months the Chief Internal Auditor will work towards completing the action plan agreed to ensure full compliance and progress will be report to the Governance and Audit Committee in the quarterly internal audit updates.