

Internal Audit Charter 2025-26

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Internal Audit Charter

Contents

| | |
|--|----|
| Contents | 2 |
| 1. Introduction | 4 |
| 2. Our Purpose | 4 |
| 3.1 Internal Audit Mandate | 6 |
| 3.2 Reporting Relationships | 7 |
| 3.3 Amendment to the Internal Audit Mandate and Charter | 8 |
| 4. The Role and Responsibility of the Governance and Audit Committee | 8 |
| 5. The Roles and Responsibilities of the Chief Internal Auditor | 10 |
| 5.1 Code of Ethics | 10 |
| 5.2 Core Principles for the Professional Practice of Internal Auditing | 11 |
| 5.3 Internal Audit Positioning and Reporting Lines | 12 |
| 6. Authority | 13 |
| 7. Scope of Internal Audit Activity | 14 |
| 8. Resources | 15 |
| 9. Internal Audit Plan | 16 |
| 10. Quality Assurance and Improvement | 18 |
| 11. Internal Assessments | 18 |

Internal Audit Charter

12. External Assessments

18

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 The Global Internal Audit Standards (GIAS) together with the GIAS in the UK Public Sector define the nature and set out basic principles for internal auditing in the UK Public Sector.
- 1.3 The GIAS and the GIAS in the UK Public Sector 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.
- 1.4 The Chief Internal Auditor (CIA) will review the Charter each year and present it to the Governance and Audit Committee for final approval.

2. Our Purpose

- 2.1 Definition of Internal Auditing:

Internal Audit Charter

“While the primary function of Internal Auditing is to strengthen governance, risk management, and control processes, its effects extend beyond the organisation. Internal auditing contributes to an organisation’s overall stability and sustainability by providing assurance on its operational efficiency, reliability of reporting, compliance with laws and/or regulations, safeguarding of assets, and ethical culture”. (GAIS)

- 2.2 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 (AGS). We give assurance to elected members and management, highlighting areas for improvement.
- 2.3 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.
- 2.4 The Internal Audit team is made up of professional officers, who are at various stages in their professional training and qualifications and are all conforming to the IIA’s GIAS and CIPFA’s GIAS in the UK public Sector. Although the Internal Audit team sits within the Finance and Audit Service, but the team is independently positioned with direct accountability to: -
- The Chief Executive Officer (CEO);
 - The Corporate Director – Business and Governance (Council’s Monitoring Officer);
 - Head of Service for Finance and Audit (S.151 Officer); and
 - The Governance and Audit Committee.
- 2.4 This allows the Internal Audit team to be free from undue influence and committed to making objective assessments.

Internal Audit Charter

3.1 Internal Audit Mandate

3.1.1 The Council's Internal Audit function mandate found in The Accounts and Audit (Wales) Regulations 2014 states in Section 7:

- The Council must maintain an appropriate, adequate and effective system of Internal Audit controls around its accounting records.
- Any officer or member of the Council is required to make available: -
 - (a) any accounting documents or records that relate to the Council that may be required for the purpose of the audit; and
 - (b) supply the Council with such information and explanation as considers necessary for that purpose.
- On an annual basis the Council should undertake a review of its Internal Audit function to evaluate its effectiveness.
- Any findings from the review of the Internal Audit function should be considered and shared with the Council's senior management and the Governance and Audit Committee.

3.1.2 The reporting lines within Denbighshire County Council for the Internal Audit team are as follows: -

- Corporate Executive Team;
- Cabinet; and
- Governance and Audit Committee.

3.1.3 Under these reporting requirements the Internal Audit team have the following statutory powers: -

- Have full and unrestricted access to all functions, buildings, data, records, information, physical property, and personnel pertinent to carrying out Internal Audit responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information.

Internal Audit Charter

- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives.
- Obtain assistance from the necessary personnel of the Council and other specialised services from within or outside the Council to complete Internal Audit services.

3.2 Reporting Relationships

3.2.1 The CCIA will be positioned at a level in the Council that enables Internal Audit services and responsibilities to be performed without interference from management, thereby establishing the independence of the Internal Audit function.

3.2.2 The CIA will confirm to the Governance and Audit Committee, at least annually, the Council's independence of the Internal Audit function. If the governance structure does not support organisational independence, the CIA will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence.

3.2.3 The CIA will report functionally to the Governance and Audit Committee and administratively to the Corporate Director – Business and Governance (Council's Monitoring Officer) and the Head of Finance and Audit (S.151 Officer). This positioning provides the organisational authority and status to bring matters directly to the senior management and escalate matters to the Governance and Audit Committee, when necessary, without interference and supports the Internal Auditors' ability to maintain independence and objectivity.

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Internal Audit Charter

3.2.4 The CIA will disclose to the Governance & Audit Committee any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function's effectiveness and ability to fulfil its mandate.

3.3 Amendment to the Internal Audit Mandate and Charter

3.3 Circumstances may justify a follow-up discussion between the CIA, Governance and Audit Committee, and senior management on the Internal Audit mandate or other aspects of the Internal Audit Charter. Such circumstances may include but are not limited to:

- A significant change in the Global Internal Audit Standards.
- A significant reorganisation within the organisation.
- Significant changes in the roles of CIA, Governance and Audit Committee, and/or Senior Leadership Team.
- Significant changes to the organisation's strategies, objectives, risk profile, or the environment in which the organisation operates.
- New laws or regulations that may affect the nature and/or scope of Internal Audit services.

4. The Role and Responsibility of the Governance and Audit Committee

4.1 The Terms of Reference for the Governance and Audit Committee were updated and approved at the Governance and Audit Committee meeting on 24 April 2024.

Internal Audit Charter

- 4.2 The Governance and Audit Committee (the Committee) provides an independent and high-level focus on the adequacy of governance, risk and control arrangements. Its role in ensuring there is sufficient assurance over governance, risk and control gives greater confidence to the Council that those arrangements are effective.
- 4.3 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.
- 4.4 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.
- 4.5 The overall purpose of the Committee is to: -
- review and scrutinise the authority's financial affairs;
 - make reports and recommendations in relation to the authority's financial affairs;
 - review and assess the risk management, internal controls, performance assessment and corporate governance arrangements of the authority, 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;
 - make reports and recommendations in relation to 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.

Internal Audit Charter

4.6 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.

5. The Roles and Responsibilities of the Chief Internal Auditor

5.1 Code of Ethics

5.1.1 All member of the Internal Audit service will comply with the GIAS and the GIAS in the UK Public Sector.

5.1.2 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. |

5.1.3 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 GIAS in the UK Public Sector, Code of Ethics, the Council's Code of Conduct for Officers; and that we have due regard for the Nolan Principles of Public Life.

Internal Audit Charter

5.2 Core Principles for the Professional Practice of Internal Auditing

5.2.1 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:

- 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.

5.2.2 In addition, the CIA 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;

Internal Audit Charter

- 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.

5.3 Internal Audit Positioning and Reporting Lines

5.3.1 The CIA 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 CIA also has direct access on Internal Audit issues to the CEO, the Corporate Director – Governance and Business, Cabinet, and Scrutiny Committees.

5.3.2 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.

5.3.3 The Head of Finance and Audit reviews the CIA's performance with input and feedback from the CEO and Chair of the Governance and Audit Committee. This ensures that the CIA's opinion and scope of work cannot be limited or affected by his functional line management position within the Council.

5.3.4 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 CIA and in ensuring that internal audit is adequately resourced.

Internal Audit Charter

5.3.5 The CIA 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.

5.3.6 The CIA'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;
- Providing a draft Annual Governance Statement for approval.

6. Authority

6.1 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.

Internal Audit Charter

- 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.

6.2 The CIA 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, the Corporate Director – Governance and Business and Audit Wales officers before every Governance and Audit Committee meeting. The CIA also has right of access to all Governance and Audit Committee members.

6.3 The CIA 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.

7. Scope of Internal Audit Activity

7.1 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.

7.2 Our Internal Audit Assurance Plan links closely to the Council's Governance Assurance Framework, taking into account 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.

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

7.4 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, but

Internal Audit Charter

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

7.5 The Council's Financial Regulations and investigation procedures require managers to inform the CIA of any suspected financial irregularities. The CIA 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 CIA 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.

7.6 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 CIA 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.

7.7 The new GIAS in the UK Public Sector will 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.

8. Resources

8.1 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.

8.2 The service structure is working well, but during the last 12 months the team has been reduced from six to five. The table below shows the team structure:

Internal Audit Charter

| Staff Numbers | As at 1 March 2025 |
|---------------|----------------------------------|
| 1 | Chief Internal Auditor |
| 1 | Career Pathway Principal Auditor |
| 2 | Career Pathway Senior Auditor |
| 1 | Auditor |

- 8.3 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 just completed and achieved her ILM level 4 in Management qualification. One of the Career Pathway Senior Auditors will start studying for the Chartered Institute of Internal Auditors qualification in May 2025 and the remaining Career Pathway Senior Auditor is currently in their second year of the Association of Accounting Technicians (AAT) qualification.
- 8.4 In accordance with the GIAS in the UK Public Sector, the CIA 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.

9. Internal Audit Plan

- 9.1 At least annually, the CIA 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 CIA will communicate the impact of resource limitations and

Internal Audit Charter

significant interim changes to senior management and the Governance and Audit Committee.

- 9.2 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 CIA will review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, systems, and controls.
- 9.3 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.
- 9.4 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.
- 9.5 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.
- 9.6 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.
- 9.7 The CIA 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

Internal Audit Charter

matters needed or requested by senior management and the Governance and Audit Committee.

10. Quality Assurance and Improvement

10.1 The CIA 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 Mandate, the Core Principles of Internal Auditing and the International Standards and application of the Code of Ethics.

11. Internal Assessments

11.1 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:

- Ongoing monitoring of the performance of the Internal Audit activity, and
- Periodic self-assessment of the internal audit activity against the new GIAS in the UK Public Sector.

12. External Assessments

12.1 The new GIAS in the UK Public Sector require an External Assessment to be conducted at least once every five years by a qualified, independent assessor from outside the Council.

12.2 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 discussed at the Governance and Audit Committee on the 12 June 2024. The report states that:

Internal Audit Charter

“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”.

12.3 During the next 12 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.