

Carmarthenshire County Council

Internal Audit Charter

2023-2025

Contents

1. Introduction	3
2. Mission, Definition, Scope, and Authority of Internal Audit	3
3. Objectives	4
4. Roles and Responsibilities	4
5. Core Principles	6
6. Code of Ethics	7
7. Audit Planning	7
8. Reporting	8
9. Quality Assurance	8
10. Relationships	9
11. Fraud and Irregularity	9
12. Welsh Language	9
13. Contacting Internal Audit	10
14. Review	10

1. Introduction

The purpose of this Charter is to define what Internal Audit is and explain its purpose, authority and responsibility.

This Charter has been written in accordance with Standard 1000 of the Public Sector Internal Audit Standards (PSIAS). Carmarthenshire County Council's Internal Audit activity seeks to be compliant with the PSIAS and the Local Government Application Note (LGAN), which forms a foundation for an effective Internal Audit service and encompasses the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF). Through compliance with these standards, all members of the Internal Audit team adhere to the Code of Ethics stipulated within the Standards. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the Internal Audit activity's performance.

For the purposes of Internal Audit activity, the following terms are defined as follows:

The 'Board'	Governance & Audit Committee
'Chief Audit Executive'	Head of Revenues and Financial Compliance
'Senior Management'	Corporate Management Team, which is made up of the Chief Executive, Executive Directors, and the Monitoring Officer

2. Mission, Definition, Scope and Authority of Internal Audit

Mission Statement

To enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight.

Definition

The PSIAS define Internal Audit as:

"... 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."

A professional, independent and objective Internal Audit service is one of the key elements of good governance.

Scope

The scope of Internal Audit allows for unrestricted coverage of the Authority's activities in order to review, report and provide the appropriate assurance based on its reviews to the Governance & Audit Committee. Internal Audit shall also have unrestricted access to all records and assets deemed necessary by Auditors in the course of an audit. In addition, Internal Audit, will have unrestricted access to:

- the Governance & Audit Committee
- the Chief Executive

- the Leader of the Council
- Members of the Council
- individual Chief Officers
- all Authority employees

Such access to records, assets and personnel may be limited to certain named individuals as agreed with the Head of Revenues and Financial Compliance where highly sensitive or confidential information is involved.

Authority

The authority of the Internal Audit function is derived from legislation. The requirement for an Internal Audit function for Local Authorities is implied by Section 151 of the Local Government Act 1972, which requires that Authorities shall *'make arrangements for the proper administration of their financial affairs and shall ensure that one of their officers has responsibility for the administration of those affairs'*. The Accounts and Audit (Wales) Regulations 2014 requires that *'a local government body must maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control'*.

3. Objectives

Internal Audit's main objectives are to:

- Provide a quality, independent and objective audit service that effectively meets the Council's needs, adds value, improves operations and helps protect public resources.
- Provide assurance to management that the Council's operations are being conducted in accordance with external regulations, legislation, internal policies and procedures.
- Assist in ensuring the objectives of the Council are being met.
- Provide a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes.
- Provide advice and support to management to enable an effective control environment to be maintained.
- Promote an anti-fraud, anti-bribery and anti-corruption culture within the Council to aid the prevention and detection of fraud.
- Investigate allegations of fraud, bribery, corruption and other irregularities,
- Liaise with the police where criminal activities are suspected.

4. Roles and Responsibilities

Role of Internal Audit

To meet Internal Audit objectives, Internal Auditors are responsible for:

- Reviewing and assessing the soundness, adequacy and reliability of financial and non-financial management systems and operations.
- Reviewing and assessing the effectiveness of internal controls.

- Assessing the appropriateness of management action for improvement, where appropriate.
- Reviewing and assessing procedures to check that the Council's assets and interests are adequately protected and risks are identified and effectively managed.
- Checking for compliance with legislation, Council policies and procedures.
- Promoting and assisting the Council in the effective use of resources.
- Ensuring governance and risk management processes are effective and robust.
- Undertaking independent investigations into allegations of fraud and irregularity in accordance with Council policies and procedures and relevant legislation.
- Performing consulting and advisory services related to governance, risk management and control, as appropriate for the Council.
- Evaluating specific operations at the request of the Governance & Audit Committee or management, as appropriate.

Provision of the Internal Audit Function

The Internal Audit function is provided 'in house' and consists of the Head of Revenues and Financial Compliance, Principal Auditor, 4 Senior Auditors, 2 Assistant Auditors and 3 Audit Technicians.

The Head of Revenues and Financial Compliance is CIPFA qualified (FCPFA) and the Principal Auditor is ACCA qualified (FCCA); one member of the team is CISA (Certified Information System Auditor) qualified, and most other Auditors are qualified accounting technicians (AAT).

Ongoing development and training of Auditors is fundamental to the delivery of an effective and professional Internal Audit service and is achieved by accessing periodic relevant training events and courses.

Management Structure

Director of Corporate Services

The Director of Corporate Services has wide-ranging responsibilities for the proper administration of the Authority's financial affairs and a key method by which he is able to discharge his statutory obligation is through the work of Internal Audit. Responsibility for the provision of Internal Audit is delegated to the Director of Corporate Services. The Director of Corporate Services acts as a 'Lead Client' on behalf of the Authority as a whole.

Head of Revenues and Financial Compliance

Internal Audit operates as a separate Unit within the Revenues and Financial Compliance Division of the Corporate Services Department. The Head of Revenues and Financial Compliance is responsible for ensuring that the Internal Audit Service is delivered to a professional standard and in accordance with the principles established by the Director of Corporate Services.

Principal Auditor

The Principal Auditor is responsible for ensuring that the reviews set out in the Audit Plan are properly managed and that issues arising from individual reviews are properly reported on. The Principal Auditor is responsible for the day-to-day management of the Internal Audit Staff and delivery of the Audit Plan as approved by Governance & Audit Committee.

Governance & Audit Committee

The Head of Revenues and Financial Compliance and Principal Auditor report to the Governance & Audit Committee on a regular basis (at least quarterly) to update the Committee on progress with Planned Internal Audit Activity and also any key issues or findings arising from unplanned work. The Committee approves and monitors progress with the Annual Audit Plan and the 3 year Strategic Audit Plan.

Organisational Independence

PSIAS Standard 1100 states that the Chief Audit Executive must report to a level within the organisation that allows the Internal Audit activity to fulfil its responsibilities. The Chief Audit Executive will confirm to the Governance & Audit Committee, at least annually, the organisational independence of the Internal Audit activity.

Organisational independence is effectively achieved when the Chief Audit Executive reports functionally to the Governance & Audit Committee. The Governance & Audit Committee is required to:

- Approve the Internal Audit Charter;
- Approve the risk based Internal Audit Annual Plan;
- Receive communications from the Chief Audit Executive on the Internal Audit activity's performance relative to its plan and other matters;
- Make appropriate enquiries of management and the Chief Audit Executive to determine whether there are inappropriate scopes or resource limitations.

PSIAS Standard 1112 requires that where the Chief Audit Executive has roles and/or responsibilities that fall outside of internal auditing, safeguards must be in place to limit impairments to independence or objectivity. To mitigate against impairments to independence or objectivity, there is a protocol in place to ensure that the Chief Audit Executive has no involvement in Internal Audit reviews that are undertaken on areas within the Chief Audit Executive's responsibility. Such reviews are managed by the Principal Auditor, with the Head of Financial Services, who is outside of the Internal Audit activity, having oversight of all such reviews.

5. Core Principles

The Internal Audit service is delivered through application of ten Core Principles, which taken as a whole, articulate internal audit effectiveness.

The following Core Principles underpin the mission of the Internal Audit service: *'To enhance and protect organisational value by providing risk based and objective assurance, advice and insight'*.

- Demonstrates integrity.
- Demonstrates 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.

6. Code of Ethics

Internal Auditors in UK public sector organisations must conform to the Code of Ethics as set out in the PSIAS and detailed below. If individual Internal Auditors have membership of another professional body, then he or she must also comply with the relevant requirements of that organisation.

The purpose of the Code of Ethics is to promote an ethical culture in the profession of internal auditing.

Integrity

The integrity of Internal Auditors establishes trust and thus provides the basis for reliance on their judgement.

Objectivity

Internal Auditors exhibit 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 interests 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 auditing services.

Internal Auditors who work in the public sector must also have regard to the Committee on Standards of Public Life's Seven Principles of Public Life.

7. Audit Planning

The Audit Plan is prepared on a risk-basis, taking account of the Corporate Risks identified in the Authority's Corporate Risk Register as well as risks identified in Departmental Risk Registers, and allowing for consultation with Managers in the various Departments and the Authority's External Auditors.

Internal Audit is committed to reviewing all the Authority's fundamental financial systems on a regular basis of, at least, every 3 years, whilst other systems are audited on a cyclical basis dependent upon the risk factor, nature and value of the system concerned. In discharge of this duty, the Head of Revenues and Financial Compliance is responsible for:

- Preparing a rolling Strategic Risk Based Audit Plan, in consultation with Departmental Senior Management and the External Auditors (Audit Wales). The Head of Revenues and Financial Compliance will discuss the proposed Strategic Plan with the Director of Corporate Services and the Corporate Management Team prior to submission to the Governance & Audit Committee for formal approval.
- Translating the Strategic Plan into Annual Plans which identify the reviews to be undertaken in each Audit Year. The Annual Plan is agreed with the Director of Corporate Services, the Corporate Management Team, and the Governance & Audit Committee.

Internal Audit will advise each Department of the planned reviews to be undertaken during each Audit Year and will attempt to schedule such reviews to the mutual convenience of both parties.

8. Reporting

All audit assignments will be the subject of formal reports. Draft Reports will be sent to the relevant managers, responsible for the area under review, for agreement of the factual accuracy of the findings and for their comments and agreed actions in relation to any recommendations made.

Final Internal Audit Reports, once agreed with Heads of Service / Managers / Head Teachers, are issued to the appropriate Directors, Cabinet Members, Chair and Vice Chair of the Governance & Audit Committee and Chair of School Governing Bodies.

Audit reports:

- Include an action plan showing the agreed management actions and the target date for implementation.
- Give an opinion of the system as at the time of the audit based on the evidence available at that time.
- Define the circulation of the Draft and the Final Reports.

Fundamental weaknesses identified during Internal Audit reviews are referred to the Chief Executive and the Governance & Audit Committee.

In accordance with PSIAS 2500 (Monitoring Progress), follow-up audits are undertaken to ensure that the agreed controls and actions have been implemented by management.

9. Quality Assurance

As is set out in the Internal Audit Quality Assurance and Improvement Programme (QAIP), the Chief Audit Executive will maintain a process of review of the Internal Audit Service to provide reasonable assurance that its work conforms with the relevant standards and to the requirements of this document. Internal assessments will include:

- On-going monitoring of the performance of the service including ensuring there is adequate supervision of work performed.
- Periodic self-assessments on how the service meets the requirements of the Public Sector Internal Audit Standards.

External assessments of the Internal Audit Service will be undertaken once every five years, in accordance with the PSIAS.

Internal Auditors are required to enhance their knowledge, skills and other competencies through continuing professional development.

Audit reports are reviewed by a senior member of staff / peer reviewed prior to issue.

At the conclusion of each review, clients are requested to complete a feedback survey. Results of these surveys are used to review how the Internal Audit function is performing and establish any areas where improvement is required.

10. Relationships

General - in all of these relationships, the person/s concerned will be treated with respect, courtesy, politeness and professionalism. Any confidential or sensitive issues raised with, or reported to, Internal Audit staff will be dealt with in an appropriate manner. Where issues could cause embarrassment to the Council, the appropriate manager will be advised immediately so that the issue can be addressed without delay.

Internal - Internal Audit is keen to develop and maintain constructive working relationships with all Service Managers in terms of planning work, carrying out reviews and agreeing Action Plans arising from the work undertaken.

Whilst statutory duties and its role as independent appraiser must be maintained, the Unit recognises that it must *work with Managers* to agree improvements.

Councillors – the main means of communication between Internal Audit and Councillors is via the Governance & Audit Committee which meets at least four times a year.

External – Internal Audit will liaise with the External Auditors in order to:

- Foster a co-operative and professional working relationship.
- Eliminate the incidence of duplication of effort.
- Ensure appropriate sharing of information.
- Co-ordinate the overall audit effort.

11. Fraud and Irregularity

The Internal Audit Unit undertakes investigative work in respect of fraud / irregularity, with the exception of Housing Benefit related fraud and irregularity, which is investigated by the Department for Work and Pensions.

12. Welsh Language

Internal Audit is fully committed to the Authority's Welsh Language Policy. Where a Department / Establishment wishes to have a review conducted through the medium of Welsh, Internal Audit will endeavor to utilise Welsh Speaking Staff and produce all

correspondence, reports and action plans in the medium of Welsh. All Internal Audit standard forms have been produced bilingually.

13. Contacting Internal Audit

Should you wish to discuss any aspect of Internal Audit's activities please contact:

Helen Pugh, Head of Revenues and Financial Compliance

Telephone: 01267 246223

E-mail: hlpugh@carmarthenshire.gov.uk

Caroline Powell, Principal Auditor

Telephone: 01267 246217

E-mail: capowell@carmarthenshire.gov.uk

14. Review

The Internal Audit Charter will be reviewed periodically by the Chief Audit Executive and presented to the Governance & Audit Committee for approval.