



Carmarthenshire CC

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# Internal Audit Charter

2016/19

**Contents**

1. Statutory Requirement for Internal Audit..... 3

2. Objectives of Carmarthenshire CC’s Internal Audit ..... 3

3. Responsibility for Internal Audit..... 3

4. Independence ..... 4

5. Scope..... 5

6. Audit Manual..... 5

7. Internal Control Environment ..... 5

8. Fraud and Irregularity ..... 6

9. Relationships with Service Managers ..... 6

10. Audit Planning ..... 6

11. Unplanned Reviews – Contingencies ..... 7

12. Reporting..... 7

13. Follow up Policy..... 7

14. Client Feedback ..... 8

15. Welsh Language..... 8

16. Working with External Audit ..... 8

17. Mid and West Wales Fire and Rescue Authority..... 8

18. Performance Monitoring ..... 8

19. Contacting Internal Audit..... 9

## 1. Statutory Requirement for Internal Audit

The Accounts and Audit Regulations 2015 set out the statutory requirement for ensuring that an effective Internal Audit function operates.

The regulations require that ***“A local government body shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices ...”***

The Authority is committed to ensuring the standards laid down by the Accountancy Profession (Consultative Committee of Accountancy Bodies) and in particular the Public Sector Internal Audit Standards.

Whilst the requirement for Internal Audit stems from a statutory obligation, it is vitally important that the Internal Audit function is seen as an aid to management and adds value.

## 2. Objectives of Carmarthenshire CC’s Internal Audit

As an independent appraisal function within the Authority, the primary objective of Internal Audit is to review, appraise and report upon the adequacy of internal controls as a contribution to the proper, economic, efficient and effective use of resources.

The Internal Audit Business Plan summarises the Business Aim as follows:

***“To provide a cost effective and professional audit review of the Authority’s systems and operations to minimise the risk of loss from error, fraud, waste or extravagance”.***

## 3. Responsibility for Internal Audit

### 3.1 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.

## Internal Audit Charter

### **3.2 Head of Audit, Risk & Procurement**

Internal Audit operates as a separate Business Unit within the Audit, Risk & Procurement Division of the Corporate Services Department. The Head of Audit, Risk & Procurement 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.

### **3.3 Audit & Risk Manager**

The Audit Manager 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 Audit & Risk Manager is responsible for the day to day management of the Internal Audit Staff and delivery of the Audit Plan as approved by Audit Committee

### **3.4 Audit Committee**

The Head of Audit, Risk & Procurement and Audit & Risk Manager report to the 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 approve and monitor progress with the Annual Audit Plan and the 3 year Strategic Audit Plan.

## **4. Independence**

The main determinant of the effectiveness of Internal Audit is that it is seen to be independent. To ensure this, Internal Audit operates within a framework that allows:

- unrestricted access to Senior Management
- reporting in its own name
- segregation from line operations

This allows an objective approach to be maintained and allows for impartial and unbiased judgements, which are essential to the proper conduct of an Audit Review. As required by the Public Sector Internal Audit Standards, the Audit & Risk Manager will produce an Annual Report to Audit Committee on the effectiveness of the Internal Audit function and key issues affecting the Internal Control Environment.

## Internal Audit Charter

### 5. Scope

The scope of Internal Audit allows for unrestricted coverage of the Authority's activities and unrestricted access to all records and assets deemed necessary.

### 6. Audit Manual

Internal Audit maintains an Audit Manual to give an overview of the work of the Section and the way in which the work should be carried out in order to ensure that high quality is maintained in the delivery of all of its services. The Audit Manual sets out the detailed procedures to which Internal Audit operates and ensures professionalism and consistency of standard between Reviews. The Audit Manual is subject to continual review.

### 7. Internal Control Environment

Internal Audit adopts an "Integrated Approach", ensuring that a robust Internal Control Environment is embedded within the Council.

Internal Audit as part of its Risk Based approach will:

- Independently review and appraise systems of control throughout the Authority
- Ascertain the extent of compliance with procedures, policies, regulations and legislation ensuring that systems are adequately secured from the risk of fraud or corruption
- Provide assurance to Management that their agreed policies are being carried out effectively
- Helping managers to identify improvements in control, performance and productivity
- Ensuring that excessive expenditure or uncollected income is minimised
- Ensuring that systems are able to fulfil their function in achieving the objectives of the Authority
- Ensuring that the Authority meets obligations imposed on it from external sources, e.g. legal requirements.
- Ensuring Risk Management principles are embedded in decision making within the Authority.

### 8. 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 of Works and Pensions.

### 9. Relationships with Service Managers

Internal Audit is keen to develop constructive working relationships with all Service Managers in terms of:

- planning work
- carrying out Reviews
- 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.

### 10. Audit Planning

The Audit Plan is prepared on a “*Risk Basis*” taking account of the Corporate Risks identified in the Authority’s Risk Register and allowing for consultation with Managers in the various Departments and the Authority’s External Auditors. Internal Audit are committed to providing a review of all the Authority’s systems over the term of the Audit Plan. Major systems (fundamental systems) are examined annually whilst other systems are audited on a cyclical basis dependent upon the risk factor / nature / value of the system concerned. In discharge of this duty, the Head of Audit, Risk & Procurement is responsible for:

- preparing a rolling Strategic Risk Based Audit Plan, in consultation with Departmental Senior Management and the External Auditors (Wales Audit Office). The Head of Audit, Risk & Procurement will discuss the proposed Strategic Plan with the Director of Corporate Services prior to submission to the 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 and the Audit Committee.

## Internal Audit Charter

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.

### 11. Unplanned Reviews – Contingencies

Whilst the overwhelming majority of audit days are allocated in the Strategic Audit Plan, a level of contingency is available to allow Internal Audit to respond to Unplanned Reviews.

### 12. Reporting

The final product from every audit is the communication of its results to the Audit Client. The Report is one of the main standards by which the Client will judge the audit service so it is essential that this stage of the audit is performed effectively. Findings and recommendations emanating from Audit Reviews need to be communicated to Management promptly. The Final Internal Audit Reports once agreed with Heads of Service / Managers / Head Teachers are given to the appropriate Directors, Executive Board Members, Chair and Vice Chair of Audit Committee and Chair of School Governing Bodies for them to fully understand the key findings of each review and to be made aware of all recommendations. The Audit Manual sets out the maximum time allowed for Reporting but exact timings will be agreed with the Client for each Review.

### 13. Follow up Policy

It is the policy of Internal Audit to follow-up all Action Points detailed in every Audit Report in order to ascertain the extent to which agreed actions are actually implemented. The timing of the follow-up depends upon the significance of the individual recommendation. The Audit Committee will be kept informed of key issues emanating from Reviews, and the progress on implementation of the related action points. Recommendations, agreed actions and responsible officers will be placed on the Carmarthenshire's PIMS electronic database system. This will provide a place where all responsible officers and their Senior Managers can access and review their recommendations, as well as providing Internal Audit a tool to monitor and review actions.

### **14. Client Feedback**

Internal Audit values the views of Service Departments. On completion of each Annual Cycle, a Feedback Questionnaire will be sent out asking Service Managers to comment on the way the reviews were conducted and the value they place on the findings and recommendations.

### **15. Welsh Language**

Internal Audit is fully committed to the Authority's Welsh Language Scheme. Where a Department / Establishment wishes to have a review conducted via the medium of Welsh then 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.

### **16. Working with External Audit**

Internal Audit recognise that whilst the Appointed External Auditors (Wales Audit Office) have different statutory obligations, there are clear benefits to the Authority in ensuring that a good working relationship is maintained between Internal and External Audit. The most obvious benefit is reducing duplication of work and to this end, regular meetings are held between the Internal Audit and the Wales Audit Office.

### **17. Mid and West Wales Fire and Rescue Authority**

Internal Audit provide Internal Audit Services to Mid and West Wales Fire and Rescue Authority.

### **18. Performance Monitoring**

The Internal Audit Business Plan sets out Performance Indicators by which the Unit's performance is monitored.



## Internal Audit Charter

It is our aim to deliver work to a consistent high standard. In order to ensure that this is being achieved, Senior Audit staff review working files prior to issuing Audit Reports to ensure the Audit Scope has been covered and working papers support recommendations.

Senior Audit staff on a sample basis undertake “Peer Review” of the quality of audit work to ensure it complies with Professional Standards and with the Authority’s Audit Manual. The results are included in the Annual Audit Report to Audit Committee.

To comply with Public Sector Internal Audit Standards an independent quality assurance and improvement programme that covers all internal audit activity must be carried out at least once every 5 years.

### 19. Contacting Internal Audit

If you wish to discuss any aspect of Internal Audit’s activities please contact:

- Phil Sexton, Head of Audit Risk and Procurement,  
on Extension 6217 or via e-mail [PSexton@carmarthenshire.gov.uk](mailto:PSexton@carmarthenshire.gov.uk)
- Helen Pugh, Audit & Risk Manager,  
on Extension 6223 or via e-mail [HLPugh@carmarthenshire.gov.uk](mailto:HLPugh@carmarthenshire.gov.uk)