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Date	Approved By	Version
<u>27/01/2024</u>	<u>Governance &amp;</u> Audit Committee	V1.2 <del>V1.4</del>
<u>TBC</u>	Constitution <del>and</del> Democratic Services Committee	
<u>TBC</u>	Flintshire County Council (planned)	

## Introduction

- 1.1 The Internal Audit Charter is a formal document that defines the internal audit activity's purpose, authority and responsibility. The Internal Audit Charter establishes the internal audit activity's position within the organisation, including the nature of the Internal Audit, Performance & Risk Manager's functional reporting relationship with the 'board'; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities. Final approval of the internal aAudit eCharter resides with the 'board'.
- 1.2 Internal audit is a statutory requirement for local authorities. The two pieces of legislation that impact upon internal audit in local authorities are:
- Section 5 of the Accounts and Audit (Wales) ~~(Amendment)~~–Regulations 20184 states that “a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.
  - Section 151 of the Local Government Act 1972 requires every authority to make arrangements for the administration of its financial affairs and to ensure that one of the officers has responsibility for the administration of those affairs. CIPFA has defined 'proper administration' in that it should include 'compliance with the statutory requirements for accounting and internal audit'.

## 2. Purpose and Mission

- 2.1 The purpose of Flintshire County Council's (the Council's) internal Audit service is to provide independent, objective assurance and consulting services designed to add value and improve the Council's operations. The mission of internal audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight. The internal audit service helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.
- 2.2 Internal Audit objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper economic, efficient and effective use of resources. It may also undertake consulting services at the request of the Council, subject to there being no impact on the core assurance work and the availability of skills and resources within the team.

### 3. Standards for the Professional Practice of Internal Auditing

3.1 The Public Sector Internal Audit Standards (PSIAS) were published in 2013 and updated in 2017. To supplement the PSIAS and provide specific guidance surrounding its application within a local government setting, the Chartered Institute of Public Finance and Accountancy (CIPFA) compiled a Local Government Application Note, which was last updated in 2019. PSIAS provide a definition, mission and core principles for internal audit and the activity and standards that must be met. They include a Code of Ethics which Internal Auditors must conform to, covering integrity, objectivity, confidentiality and competency. They are mandatory for all internal audit service providers in the UK public sector. The Internal Audit, Performance & Risk -Manager will report periodically to Chief Officers and the Governance & Audit Committee regarding the internal audit service's conformance to the Code of Ethics and Standards.

3.2 PSIAS state that the charter must:

- Define the terms 'board' and 'senior management' for the purposes of internal audit activity. For the purpose of this Charter the board will be known as the Governance & Audit Committee.
- Cover the arrangements for appropriate resourcing;
- Define the role of internal audit in any fraud related work; and
- Include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities.

### 4. Authority, Independence and Objectivity

4.1 PSIAS state that 'Organisational independence is effectively achieved when the Internal Audit, Performance & Risk Manager reports functionally to the 'board.' Within Flintshire the Governance & Audit Committee is equivalent to the 'Board' and the Chief Officers' Team constitutes 'Senior Management'. The Governance & Audit Committee fulfils most of the roles of the 'board'. It is responsible for:

- approving the Internal Audit Charter;
- approving the risk based internal audit Sstrategic and Operational plans;
- receiving reports from the Internal Audit, Performance & Risk Manager on the internal audit departments performance relative to its plan and other matters; and
- making appropriate enquiries of management and the Internal Audit, Performance & Risk Manager to determine whether there are inappropriate scope or resource limitations.

4.2 The Internal Audit budget is approved annually as part of the Council's overall budget. Remuneration and arrangements for the appointment and removal of the Internal Audit, Performance & Risk Manager are managed in accordance with the

Council's adopted HR policies.

- 4.3 The Internal Audit department is part of the Governance Portfolio. The Internal Audit, Performance & Risk Manager reports administratively to the Chief Officer Governance (the Monitoring Officer).
- 4.4 To further ensure the independence of the Internal Audit, Performance & Risk Manager, the Chief Executive and Chair of the Governance & Audit Committee provide feedback into hertheir annual appraisal.
- 4.5 The Internal Audit, Performance & Risk Manager has direct access to the Chief Executive and the Leader of the Council and meets with the Chief Executive bimonthly.
- 4.6 Internal Audit is independent of the activities that it audits to ensure the unbiased judgements essential to its proper conduct and impartial advice to management.
- 4.7 To ensure independence, Internal Audit operates within a framework that gives it the authority to:
- have unrestricted access to all activities undertaken in the Council;
  - have full and unrestricted access to all functions, records and property, including those of partner organisations. In very exceptional circumstances if the "responsible officer" (Section 151 Officer) and Monitoring Officer believe this would constitute a breach of the laws of confidentiality, or the provisions of the Human Rights Act, or the Data Protection Act the matter will be referred to the Governance & Audit Committee for consideration;
  - have full and free access to the Governance & Audit Committee via the Internal Audit, Performance & Risk Manager, and an annual private meeting with the committee;
  - have full and free access to the Chief Executive, Corporate Finance Officer (S151 Officer), Monitoring Officer, Chair and Vice Chair of the Governance & Audit Committee and External Auditors via the Internal Audit, Performance & Risk Manager;
  - have unrestricted access to senior management, members and all employees;
  - require any employee or member to provide any information and explanation considered necessary concerning any matter under consideration;
  - require any employee or member to produce or account for cash, stores or any other Council asset or asset of a third party under his or hertheir control;
  - allocate resources, set timeframes, define review areas, develop scopes of work and apply techniques to accomplish the overall audit objectives; and
  - issue audit reports in its own name.

4.8 The Internal Auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties;
- Exhibit professional objectivity in gathering, evaluating and communicating information about the activity or process being examined;
- Make balanced assessments of all available and relevant facts and circumstances; and
- Take the necessary precautions to avoid being unduly influenced by their own interests or by others' informing judgements.

4.9 Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties for the council.
- Initiating or approving transactions external to the internal audit service.
- Directing the activities of any council employee not employed by the internal audit service, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

4.10 Appropriate arrangements are in place to limit the impairment of independence and objectivity due to the Internal Audit, Performance & Risk Managers line management of the Performance & Risk, Central Despatch and Test, Trace, Protect (TTP) services. The Internal Audit, Performance & Risk Manager will not scope or review internal audit activity relating to these service areas. The Chief Officer Governance (Monitoring Officer) will oversee any internal audit work in these areas and will approve final audit reports.

4.11 The Internal Audit, Performance & Risk Manager will confirm to the Governance & Audit Committee, at least annually, the organisational independence of the Internal Audit service.

4.12 The Internal Audit, Performance & Risk Manager will disclose to the Governance & Audit Committee any interference and related implications in determining the scope of internal auditing, performing work, and / or communicating results.

4.13 However, in strict emergency / crisis management situations only, internal audit personnel may be called upon to carry out non-audit work on a temporary basis. If a request is made the decision to allocate resources will be made by the Internal Audit, Performance & Risk Manager's, who will agree clear terms of reference. The Governance & Audit Committee Chair or Vice Chair, the Chief Officer Governance and the s.151 officer will be advised.

- 4.14 In order to further enhance independence and objectivity a regular rotation of work is usually adhered to. It should be acknowledged that ensuring independence and objectivity is a priority within the team; however, in some instances a conscious decision has been made to use the same auditor for key system reviews to develop expertise and specialism within the team as this adds value to the audit and allows effective management of resources.

## 5. Scope of Internal Audit Activities

- 5.1 Internal Audit must provide the Council, through the Governance & Audit Committee, with an annual independent and objective opinion on the adequacy and effectiveness of internal control, risk management and governance arrangements which supports the Council's Annual Governance Statement.

The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Governance & Audit Committee, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for the eCouncil. Internal audit assessments include evaluating whether:

- Risks relating to the achievement of the Council's strategic objectives are appropriately identified and managed.
- The actions of Council officers and contractors are in compliance with policies, procedures, and applicable laws and regulations, including reporting requirements of regulatory bodies.
- The results of operations or programs are consistent with established goals and objectives.
- Operations or programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the Council.
- The extent to which the assets and interests are acquired economically, used efficiently, accounted for and safeguarded from losses of all kinds arising from waste, extravagance, inefficient administration, poor value for money, fraud or other cause, and that adequate business continuity plans exist;.
- The suitability, accuracy, reliability and integrity of financial and other management information and the means used to identify, measure, clarify and report such information;.
- The integrity of processes and systems, including those under development, to ensure that controls offer adequate protection against error, fraud and loss of all kinds; and that the process aligns with the Council's strategic goals;.
- The follow-up action taken to remedy weaknesses identified by internal Audit review is effective, ensuring that good practice is identified and communicated widely;.

- The ~~operation of the~~ Council's corporate governance arrangements are robust and are operating effectively; and
- The potential within the Council for fraud and other violations is appropriately managed through the analysis of systems of control in high-risk operations.

5.2 The ~~I~~nternal ~~A~~udit service completes advisory / consultancy work in agreement with Chief Officers and Senior Accountable Officers by responding to requests for audit reviews and by contributing to projects and working groups throughout the Council.

5.3 Where the Council has entered into a partnership with other organisations the partnership arrangement will be subject to review. In addition, where the Council is the lead authority of a partnership or collaboration, the work undertaken will be subject to review by Flintshire Internal Audit.

5.4 The Internal Audit, Performance & Risk Manager also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed. This reliance can be used to form the annual audit opinion

## 6. Fraud and Irregularity

6.1 All managers are responsible for applying controls to reasonably prevent and detect fraud. ~~Furthermore, I~~nternal audit is not responsible for identifying fraud, instead it will assess and be aware of the risk of fraud when planning and undertaking any internal audit work. All actual or suspected incidents of fraud, corruption or impropriety should be reported without delay to ~~I~~nternal ~~A~~udit. The ~~I~~nternal ~~A~~udit department investigates fraud and irregularity in terms of:

- The undertaking of investigations into reports of violations of the Council's regulations or criminal activities i.e. fraud against the Council; and
- The undertaking of investigations of reports from staff, and third party individuals (partners, consultants, suppliers, volunteers, contractor and employees of Council suppliers and contractors, who are employed to deliver a service / goods to the Council), reporting perceived cases of possible violations of rules or regulations, mismanagement, misconduct, or fraudulent abuse of authority.

6.2 Referrals to the police are made if there is suspected criminal activity, in accordance with the Anti-Fraud and Corruption Strategy and the Fraud and Irregularity Response Plan, following consultation with the Monitoring Officer or Human Resources where appropriate.

6.3 Internal ~~A~~udit is responsible for maintaining the Anti-Fraud and Corruption Strategy, the Fraud and Irregularity Response Plan and the Whistleblowing Policy. They also administer the National Fraud Initiative. The Internal Audit, Performance & Risk Manager is a named contact within the Whistleblowing Policy.

## 7. Audit Responsibility

- 7.1 The presence of Internal Audit does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner.
- 7.2 The primary task of Internal Audit is to review the systems of internal control operating throughout the authority, and in doing this it will adopt a predominantly risk-based approach to audit.
- 7.3 The Internal Audit, Performance & Risk Manager is required to manage the provision of a complete audit service to the Council that will include systems, regularity, computer and advisory audits in addition to the investigation of potential fraud and irregularity. In discharge of this duty, the Internal Audit, Performance & Risk Manager has a responsibility to:
- prepare a rolling strategic risk-based audit plan after consultation with senior management and the Chief Officer Team, for formal approval by the Governance & Audit Committee. This strategic plan is regarded as flexible rather than as an immutable expression of audit policy;
  - translate the strategic plan into annual plans for Chief Officers and the Governance & Audit Committee;
  - implement the audit plan as approved, including any additional work requested by management and the Governance & Audit Committee;
  - communicate to senior management and the Governance & Audit Committee the impact of resource limitations on the internal audit plan;
  - ensure that the scopes of individual audit assignments are agreed with Chief Officers and Senior Management;
  - prepare and adhere to the service's own internal policies and procedures to ensure standards are maintained;
  - ensure the internal audit service collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the Internal Audit Charter;
  - ensure principles of integrity, objectivity, confidentiality and competency are applied and upheld;
  - bring a systematic disciplined approach to evaluate and report on the effectiveness of risk management, internal control and governance processes;
  - highlight control weaknesses and required associated improvements together with corrective action to management based on an acceptable and practicable timeframe;
  - undertake follow up reviews and action tracking to ensure management has

implemented agreed internal control improvements within specified and agreed timeframes;

- liaise with the external auditor for the purpose of providing optimal audit coverage to the Council;
- work with the external auditor to provide consistent advice to management and the Governance & Audit Committee; and
- prepare an annual audit report for consideration by the Governance & Audit Committee, including the Internal Audit, Performance & Risk Managers opinion on the Councils governance, risk management and control environment, a summary of the work that supports the opinion and a statement on conformance with the PSIAS and the results of the Quality Assurance and Improvement Programme.

## 8. Audit Resources

- 8.1 The staffing structure of the section comprises of qualified Internal Auditors, ~~Accounting Technicians and~~ part qualified Accountants, qualified fraud specialist and a Graduate Trainee with a mix of professional specialisms to reflect the varied functions of the section.
- 8.2 Each year the departmental resources are assessed against the needs of the plan, in order to ensure there is sufficient coverage to arrive at the annual audit opinion.
- 8.3 The Internal Audit, Performance & Risk Manager, Governance & Audit Committee and Corporate Finance Manager (s151 Officer) all have a responsibility to ensure ~~Internal A~~udit has sufficient resources to enable it to fulfil its mandate. Significant matters that jeopardise the delivery of the plan or require changes to the plan will be identified, addressed and reported to the Governance & Audit Committee.
- 8.4 Upon request from the Corporate Finance Manager (s151 Officer), appropriate specialists from other Portfolios and services should be made available to take part in any audit review requiring specialist knowledge.

## 9. Training

- 9.1 Internal auditors must enhance their knowledge, skills and other competencies through continuing professional development. The Internal Audit, Performance & Risk Manager carries out a continuous review of the development and training needs of all audit employees through the Authority Council's appraisal system and will arrange, within budget provision, in-service training covering both internal and external courses.
- 9.2 To comply with the qualification 'Certified Internal Auditor', those Internal Auditors holding this qualification are required to undertake ~~340~~ hours of continued professional development each year. Internal Auditors with the 'Chartered Internal Auditor' designation are required to undertake 20 hours of continued professional development each year.

- 9.3 Specific resources are devoted to specialised training in relation to computer audit, contract audit and fraud investigation to keep abreast of developments.

## 10. Reporting

- 10.1 All standard audit assignments are the subject of formal reports. Discussion draft reports are issued to the manager of the area under review. Debrief meetings are held for agreement of factual accuracy of the findings and the necessary actions. After agreement, final reports are issued. The Internal Audit, Performance & Risk Manager considers the release of special investigation audit reports for disciplinary purposes on a case-by-case basis. Access to audit files is restricted to the Internal Audit service, Chief Officer Governance (Monitoring Officer) and External Auditor.
- 10.2 The Internal Audit, Performance & Risk Manager issues progress reports to the Governance & Audit Committee and management summarising outcomes of audit activities, including follow up reviews and the tracking of audit actions. These are presented at every Governance & Audit Committee meeting.
- 10.3 The Internal Audit, Performance & Risk Manager reports to the Governance & Audit Committee on the progress of investigations into possible fraud and irregularity and also briefs the Audit Committee Chair on any high profile investigations.
- 10.4 The assignment opinions that audit provides during the year are part of the framework of assurance that assists the Authority Council in preparing an informed Annual Governance Statement.
- 10.5 Internal Audit provides the Authority Council with an opinion on the adequacy and effectiveness of the Authority Council's governance, risk management and control arrangements in support of the Annual Governance Statement. In giving the opinion it should be noted that assurance can never be absolute; the most that can be provided is a reasonable assurance that there are no major weaknesses in governance, risk management and control processes. The annual opinion is provided in the Annual Internal Audit Report after the year end.
- 10.6 Overall the Internal Audit, Performance & Risk Manager will report periodically to the Governance & Audit Committee and Senior Accountable Officers (where relevant) regarding:
- The internal audit service's purpose, authority and responsibility;
  - The Internal Audit service's plan and performance relative to its plan;
  - The internal audit service's conformance with ~~T~~the IIA's Code of Ethics (Appendix A) and Standards, and action plans to address any significant conformance issues;
  - Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by the Governance & Audit Committee;

- Results of audit engagements or other activities;
- Resource requirements; and
- Any response to risk management that may be unacceptable to the Council.

## 11. Performance

- 11.1 Performance Indicators for ~~the~~ internal ~~A~~udit are reported at each Governance & Audit Committee meeting.
- 11.2 When the data is available ~~the~~ department participates in benchmarking within the Wales Chief Auditors Group. Results are reported to the Governance & Audit Committee.

## 12. Quality Assurance and Improvement Programme

- 12.1 The Internal Audit service will maintain a quality assurance and improvement programme. The programme will include an evaluation of the ~~the~~ internal ~~A~~udit service's conformance with the Standards and an evaluation of whether internal auditors apply ~~the~~ Institute of Internal Auditor's Code of Ethics. The programme will also assess the efficiency and effectiveness of the internal audit service and identify opportunities for improvement.
- 12.2 The Internal Audit, Performance & Risk Manager will communicate to Chief Officers and the Governance & Audit Committee on the ~~the~~ internal ~~A~~udit service's quality assurance and improvement programme, including the results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside ~~of~~ the Council.

## 13. Third Party Auditing

- 13.1 The Internal Audit, Performance & Risk Manager ensures Service Level Agreements are in place with third parties to whom internal audit provides a service. The internal audit service ensures independence and objectively is maintained at all times.

## 14. Related Documents

- 14.1 This document is one of a series that, together, constitute the policies of the Council in relation to anti-fraud and corruption measures. The other documents are:
- Financial Procedure Rules and Contract Procedure Rules;
  - Employee Code of Conduct;
  - Members Code of Conduct;

- Corporate Anti-Fraud and Corruption Strategy;
- Fraud and Irregularity Response Plan;
- Whistleblowing Policy; and
- Disciplinary [Procedure Policy](#).

## 15. Signatures

Internal Audit, Performance & Risk Manager

\_\_\_\_\_Date

Governance & Audit Committee Chair

\_\_\_\_\_Date

Chief Executive

\_\_\_\_\_Date

## Code of Ethics

Anyone delivering internal audit work for the Council must comply with the PSIAS Code of Ethics. This covers:

<p>Integrity</p>	<p>The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement.</p> <p>Internal Auditors:</p> <ul style="list-style-type: none"> <li>• Shall perform their work with honesty, diligence and responsibility</li> <li>• Shall observe the law and make disclosures expected by the law and the profession</li> <li>• Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organisation</li> <li>• Shall respect and contribute to the legitimate and ethical objectives of the organisation</li> </ul>
<p>Objectivity</p>	<p>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.</p> <p>Internal Auditors:</p> <ul style="list-style-type: none"> <li>• Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organisation</li> <li>• Shall not accept anything that may impair or be presumed to impair their professional judgement</li> <li>• Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review</li> </ul>
<p>Confidentiality</p>	<p>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.</p> <p>Internal Auditors:</p> <ul style="list-style-type: none"> <li>• Shall be prudent in the use and protection of information acquired in the course of their duties</li> <li>• Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation</li> </ul>
<p>Competency</p>	<p>Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.</p> <p>Internal Auditors:</p> <ul style="list-style-type: none"> <li>• Shall engage only in those services for which they have the necessary knowledge, skills and experience</li> <li>• Shall perform internal auditing services in accordance with the International Standards for the Professional Practice of Internal Auditing</li> <li>• Shall continually improve their proficiency and effectiveness and quality of their services</li> </ul>