

GWASANAETHAU CYFREITHIOL A LLYWODRAETH LEGAL AND GOVERNANCE SERVICES

GWASANAETH ARCHWILIO MEWNOL

INTERNAL AUDIT FUNCTION



Mae'r adroddiad yma ar gael yn Gymraeg.

This report is available in Welsh.



Cyngor Sir
CEREDIGION
County Council

GORCHYMUN & SIARTER ARCHWILIO MEWNOL INTERNAL AUDIT MANDATE & CHARTER

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1. Introduction

- 1.1 The Global Internal Audit Standards, along with the Local Government Application Note and CIPFA's Code of Practice: Governing Internal Audit define the nature and set out basic principles for internal auditing in the UK Public Sector and form collectively, the Global Internal Audit Standards in the UK Public Sector (GIAS in the UK Public Sector).
- 1.2 They apply to all internal audit service providers in the public sector and govern the framework within which Internal Audit (IA) in Cyngor Sir Ceredigion County Council's (The Council) operates.
- 1.3 Internal Audit will adhere to the mandatory elements of GIAS in the UK Public Sector.
- 1.4 The Corporate Manager – Internal Audit (CMIA) will report annually to the Governance & Audit Committee and senior management regarding Internal Audit's conformance with the Standards, which will be assessed through a quality assurance and improvement program (QAIP).

2. Internal Audit Mandate

Authority

- 2.1 The Council's internal audit function mandate is found in The Accounts and Audit (Wales) Regulations 2014, which states in Section 7:
 - 1) A relevant body must maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control.
 - 2) Any officer or member of that body must, if the body requires—
 - (a) make available such documents of the body which relate to its accounting and other records as appear to that body to be necessary for the purpose of the audit; and
 - (b) supply the body with such information and explanation as that body considers necessary for that purpose.
 - 3) A larger relevant body must, at least once in each year, conduct a review of the effectiveness of its internal audit.
 - 4) The findings of the review referred to in paragraph (3) must be considered, as part of the consideration of the system of internal control referred to in regulation 5(3), by the committee or body referred to in that paragraph.

2.2 Internal Audit's authority is created by its direct reporting relationship to the Governance & Audit Committee. Such authority allows for unrestricted access to the Governance & Audit Committee and senior management.

2.3 The Governance & Audit Committee and senior management authorises Internal Audit to:

- Have full and unrestricted access to all Council functions, buildings, data, records, information, physical property, and personnel pertinent to carrying out internal audit responsibilities. The same access rights also apply for approved third parties. Internal auditors are accountable for confidentiality and safeguarding records and information.
- 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.

Independence, Position, and Reporting Relationships

2.4 The CMIA will be positioned at a level in the organisation that enables internal audit services and responsibilities to be performed without interference from management, thereby establishing Internal Audit's independence.

2.5 The CMIA will confirm to the Governance & Audit Committee, at least annually, the organisational independence of Internal Audit. If the governance structure does not support organisational independence, the CMIA will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence.

2.6 The CMIA will report functionally to the Governance & Audit Committee and administratively to the Corporate Lead Officer, Legal & Governance who is also the Council's Monitoring Officer. This positioning provides the organisational authority and status to bring matters directly to senior management and escalate matters to the Governance & Audit Committee, when necessary, without interference and supports the internal auditors' ability to maintain independence and objectivity.

2.7 The CMIA 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's effectiveness and ability to fulfil its mandate.

Changes to the Internal Audit Mandate and Charter

2.8 Circumstances may justify a follow-up discussion between the CMIA, Governance & 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 CMIA, Governance & Audit Committee, and/or senior management.
- 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.

3. Purpose

The purpose of Internal Audit is:

To strengthen Ceredigion County Council's ability to deliver, protect, and sustain public services that support a strong economy and healthy environment, whilst promoting well-being. We will do this by providing independent, risk-based, and objective assurance, advice, insight, and foresight.

3.1 Internal Audit enhances The Council's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

3.2 Internal Audit is most effective when:

- Internal auditing is performed by competent professionals in conformance with The IIA's Global Standards, which are set in the public interest.
- Internal Audit is independently positioned with direct accountability to the Governance & Audit Committee.
- Internal auditors are free from undue influence and committed to making objective assessments.

4. Governance & Audit Committee Oversight

4.1 The Governance & Audit Committee's Terms of Reference and functions are set out in the Council's Constitution in Part 2, Article 9, and Table 3, Part 3.3 respectively and state their purpose and oversight of Internal Audit.

4.2 The Terms of Reference set out its responsibility 'to establish, maintain, and ensure that Internal Audit in Ceredigion County Council has sufficient authority to fulfill its duties'.

4.3 The Governance & Audit Committee must 'ensure the Council's systems of governance and internal control are effective, including arrangements for ensuring value for money, supporting standards and ethics and for managing the authority's exposure to the risks of fraud and corruption, and to ensure that the Internal Audit operates in accordance with agreed procedures'

4.4 The Governance & Audit committee must:

- review the results of the CMIA's assessment of conformance against the Global Standards, Application Note and Code of Practice (UK public sector), including any action plan.
- approve the Internal Audit Charter, Strategy and Audit Plan including any revisions to the plan.
- consider reports from the CMIA on internal audit's performance during the year including key findings, agreed improvement actions, and any limitations of scope.
- review the CMIA's annual report, including the annual conclusion on governance, risk management and control, and internal audit's performance against its objectives.
- satisfy itself on the effectiveness of internal audit by taking into account conformance with the standards, interactions with the committee, performance, and feedback from senior management. Their conclusions will be reported to those charged with governance, as part of the Chair's annual report.

5. Corporate Manager – Internal Audit’s Roles & Responsibilities

Ethics and Professionalism

- 5.1 The CMIA will ensure that internal auditors:
- Conform with the Global Standards, Application Note and Code of Practice including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
 - Understand, respect, meet, and contribute to the legitimate and ethical expectations of the organisation and be able to recognise conduct that is contrary to those expectations.
 - Encourage and promote an ethics-based culture in the organisation.
 - Report organisational behavior that is inconsistent with the organisation’s ethical expectations, as described in applicable policies and procedures.

Objectivity

- 5.2 The CMIA will ensure that the Internal Audit remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication.
- 5.3 If the CMIA determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.
- 5.4 Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.
- 5.5 Internal auditors will have no direct operational responsibility or authority over any of the activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment, including:
- Assessing specific operations for which they had responsibility within the previous year.
 - Performing operational duties for the Council or its affiliates.
 - Initiating or approving transactions external to Internal Audit.
 - Directing the activities of any Council employee that is not employed by the internal audit function, except where such employees have been appropriately assigned to internal audit teams or to assist internal auditors.
- 5.6 Internal auditors will:
- Disclose impairments of independence or objectivity, in fact or appearance, to the CMIA at least annually.
 - Exhibit professional objectivity in gathering, evaluating, and communicating information.
 - Make balanced assessments of all available and relevant facts and circumstances.
 - Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

Managing Internal Audit

5.7 The CMIA has the responsibility to:

- At least annually, develop a risk-based internal audit plan that considers the input of the Governance & Audit Committee and senior management. Discuss the plan with the Governance & Audit Committee and senior management and submit the plan to the Governance & Audit Committee for review and approval.
- Communicate the impact of resource limitations on the internal audit plan to the Governance & Audit Committee and senior management.
- Review and adjust the internal audit plan, as necessary, in response to changes in the Council's business, risks, operations, programs, systems, and controls.
- Communicate with the Governance & Audit Committee and senior management if there are significant interim changes to the internal audit plan.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with GIAS in the UK Public Sector and laws and/or regulations.
- Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services to the Governance & Audit Committee and senior management periodically and for each engagement as appropriate.
- Ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the GIAS in the UK Public Sector and fulfill the internal audit mandate.
- Identify and consider trends and emerging issues that could impact the Council and communicate to the Governance & Audit Committee and senior management as appropriate.
- Consider emerging trends and successful practices in internal auditing.
- Establish and ensure adherence to methodologies designed to guide the internal audit function.
- Ensure adherence to the Council's relevant policies and procedures unless such policies and procedures conflict with the internal audit charter or the GIAS in the UK Public Sector. Any such conflicts will be resolved or documented and communicated to the Governance & Audit Committee and senior management.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the CMIA cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and if necessary escalated to the Governance & Audit Committee.

Communication with the Governance & Audit Committee and Senior Management

5.8 The CMIA will report regularly (at agreed intervals) to the Governance & Audit Committee and senior management regarding:

- Internal Audit's mandate and IA Charter.
- Internal Audit's Strategy.
- The internal audit plan and performance relative to its plan.
- Significant revisions to the internal audit plan.
- Potential impairments to independence, including relevant disclosures as applicable.
- Results from the quality assurance and improvement program, which include the internal audit function's conformance with GIAS in the UK Public Sector and action plans to address the internal audit function's deficiencies and opportunities for improvement.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the Governance & Audit Committee that could interfere with the achievement of the Council's strategic objectives.
- Results of assurance and advisory services.
- Resource requirements.
- Management's responses to risk that the internal audit function determines may be unacceptable or acceptance of a risk that is beyond the Council's risk appetite.

Scope and Types of Internal Audit Services

5.9 The scope of internal audit services covers the entire breadth of the organisation, including all the Council's activities, assets, and personnel.

5.10 The scope of internal audit activities also encompasses but is not limited to:

- Objective examinations of evidence to provide independent assurance and advice to management and the Governance & Audit committee on risk management, governance and internal controls.
- Provide a quality, independent and objective audit service that effectively meets the Council's needs, adds value, improves operations and helps protect public resources.
- Assist in ensuring the objectives of the Council are being met.
- 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 and to investigate allegations of fraud, bribery, corruption and other irregularities.

5.11 Internal audit engagements may include evaluating whether:

- Risks relating to the achievement of the Council's strategic objectives are appropriately identified and managed.
- The actions of the Council's officers, directors, management, employees, and contractors or other relevant parties comply with the Council's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations and programs are consistent with established goals and objectives.
- Operations and programs are being carried out effectively, efficiently, ethically, and equitably.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the Council.
- The integrity of information and the means used to identify, measure, analyze, classify, and report such information is reliable.
- Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

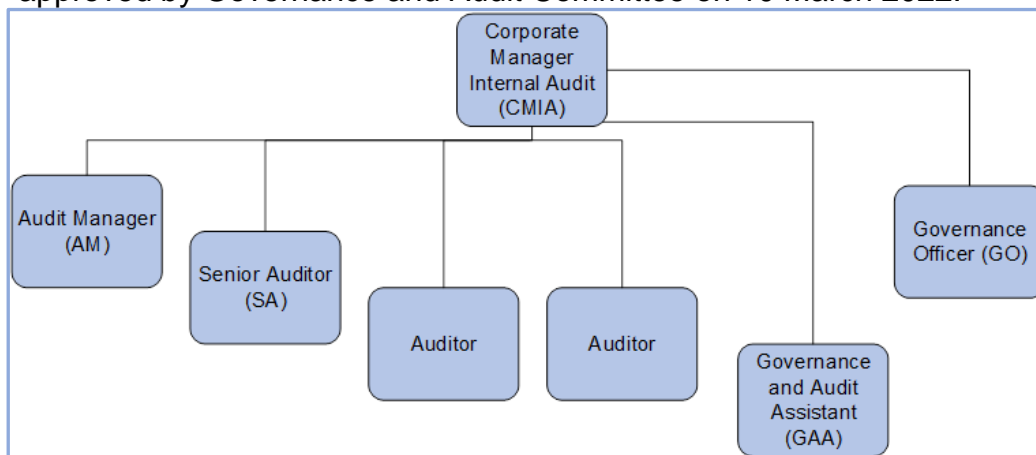
5.12 Advisory services may be agreed with services, provided the internal audit function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. The nature and scope of advisory engagements will be communicated to the Governance & Audit Committee and senior management.

6. Quality Assurance & Improvement Programme (QAIP)

- 6.1 The CMIA will develop, implement, and maintain a QAIP that covers all aspects of the internal audit function. The QAIP will include external and internal assessments of the internal audit function's conformance with the GIAS in the UK Public Sector, as well as performance measurement to assess the internal audit function's progress toward the achievement of its objectives and promotion of continuous improvement.
- 6.2 If applicable, the assessment will include plans to address the internal audit function's deficiencies and opportunities for improvement.
- 6.3 Annually, the CMIA will communicate with the Governance & Audit Committee and senior management about the internal audit function's QAIP, including the results of internal self-assessments and external assessments.
- 6.4 External assessments will be conducted at least once every five years by a suitably qualified and experienced, independent assessor or assessment team from outside the Council.

7. Appropriate Resourcing

- 7.1 The CMIA is a Chartered Internal Auditor (CMIIA) and is currently undertaking the Institute of Leadership and Management qualification, She has completed the Council's Management Programme of training, and is also an Accredited Counter Fraud Technician. She has a wide-ranging internal audit experience and comply with their respective continuous professional development (CPD) requirements, as well as the Council's corporate performance appraisal.
- 7.2 The Senior Auditor is a Certified Internal Auditor and Accredited Counter-Fraud Technician whilst the Audit Manager holds CIPFA's Certificate in Investigative Practice.
- 7.3 The CMIA is responsible for:
- Recruiting appropriate staff, in accordance with the Council's HR policies and processes, who have the required knowledge, qualifications, competencies, skills, experience and personal attributes required to deliver the audit plan;
 - Engaging the use of specialist providers where appropriate;
 - Periodically assessing individual auditors against the predetermined skills and competencies; and
 - Providing any identified training or development needs on an on-going basis.
- 7.4 All staff are directly managed by the CMIA. The current staffing structure was approved by Governance and Audit Committee on 10 March 2022.



- 7.5 All staff have a responsibility to undertake the Council's performance appraisal system to record the development of their own skills and experience.
- 7.6 The internal audit budget is reported to the Governance and Audit Committee and Council annually as part of the overall Council's budget setting process. Resources are reported to the Governance & Audit committee within quarterly Progress Reports.

- 7.7 As a public sector authority, responsibility of the appointment or removal of the Chief Audit Executive lies with the Corporate Lead Officer, Legal and Governance and the Council's Human Resources function. However, the Governance & Audit Committee will be updated of such processes.
- 7.8 Any concerns about internal audit's ability to fulfil its mandate or deliver an annual conclusion would be formally recorded and reported to the Governance & Audit Committee and senior management. In the event that resource issues result in a limitation of scope on the annual conclusion, this would be reported and disclosed in the annual governance statement.

8. Counter Fraud

- 8.1 Managing the risk of fraud and corruption is the responsibility of management. Internal Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud or any misappropriation will be detected. However, Internal Audit fully considers the risk of fraud when undertaking its activities.
- 8.2 The Council's Counter Fraud Strategy requires managers to inform the CMIA of all suspected or detected fraud, corruption or impropriety. The Corporate Lead Officer concerned may notify the Section 151 Officer, Monitoring Officer or CMIA, who will consult with the Chief Executive, if necessary.
- 8.3 The CMIA coordinates an annual organisation-wide Counter Fraud Risk Assessment to evaluate the Council's response to fraud. The exercise also captures information on controls in place to prevent, detect, deter, investigate and correct instances of fraud against the Council.
- 8.4 The results of the annual Counter Fraud Risk Assessment feed into a Fraud Risk Register maintained by the CMIA and Internal Audit Annual Counter Fraud, Bribery and Corruption Report. The Fraud Risk Register will be used, along with the Corporate Risk Register, to feed into the Internal Audit Strategy and Annual Plan of work for the year ahead.
- 8.5 When notified of suspected fraud, corruption or impropriety, the CMIA will take appropriate actions in line with the Council's Counter Fraud Strategy for the matter to be properly investigated and take appropriate actions they consider necessary to assist with the investigation of suspected fraud or corruption.
- 8.6 Management should send the outcome of all investigation activities to the CMIA for inclusion in the Internal Audit Annual Counter Fraud Report.
- 8.7 Internal Audit currently co-ordinates the Council's participation in the mandatory National Fraud Initiative (NFI) in which data from the Council's main systems are matched internally and with data supplied from other Local Authorities and external agencies to detect potentially fraudulent activity.

8.8 The Council is committed to the NFI exercise, as a fraud deterrent as well as detection. Further actions and activities in place to support awareness of emerging fraud risks include:

- Monitoring and response to fraud alerts (NAFN, wider networks, peers, etc);
- Membership and active participation in professional networks and groups (Institute of Internal Auditors);
- a Strategy to Counter Fraud, Corruption and Bribery (to include Anti-Money Laundering);
- Internal Audit offering advice to services on implementation of new systems and processes to ensure effective internal controls are maintained;
- Nominated Council Officers undertake various fraud training to maintain knowledge and expertise; and
- Key financial control audits & audits covering ethics.

8.9 Internal Audit will report on all counter fraud work undertaken annually to the Governance and Audit Committee.

A E Jenkins
Corporate Manager - Internal Audit

3 March 2025