



Terms of Reference for the provision of Internal Audit Services

1. Purpose

- 1.1 This Terms of Reference is for the provision of Internal Audit Service to Bridgend CBC. It is reviewed and approved on an annual basis to ensure that current needs are met.

2 Role and Function

- 2.1 Internal Audit is an assurance function that primarily provides an independent and objective opinion and adds value to Bridgend CBC on the control environment by evaluating its effectiveness in achieving the organisation's objectives. It 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. The service is delivered by Bridgend and Vale Internal Audit Service.
- 2.2 The control environment comprises the systems of governance, risk management and internal control.

3. Reporting Lines and Relationships

- 3.1 The Chief Internal Auditor reports to the Assistant Chief Executive – Performance (Section 151 Officer), the Chief Executive, other senior officers and members of the Audit Committee.
- 3.2 The Audit Committee is responsible for approving the Internal Audit Strategy and Annual Audit Plan. The Chief Internal Auditor reports regularly to the Audit Committee on progress against the Annual Audit Plan and key issues arising.

4. Independence and Accountability

- 4.1 Internal Audit will remain sufficiently independent of the activities that it audits to enable auditors to perform their duties in a manner, which facilitates impartial and effective professional judgement and recommendations. Internal auditors do not have operational responsibility.
- 4.2 Internal Audit is involved in the determination of its priorities in consultation with those charged with governance. Internal Audit has unrestricted access to officers, members, council records and to report in its own name.

- 4.3 The existence of an internal audit function within Bridgend CBC 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.

5. Statutory Role

- 5.1 Internal auditing is provided as a statutory service in the context of the Accounts and Audit (Wales) Regulations 2005, which states that a relevant body shall maintain an adequate and effective system of internal audit of its accounting systems and its system of internal control in accordance with the proper internal audit practices.

- 5.2 The statutory role is recognised and endorsed with Bridgend CBC's Financial Procedure Rules, which provides the authority for unlimited access to officers, Members, documents and records and to require information and explanation necessary.

6. Internal Audit Standards

- 6.1 There is a statutory requirement for Internal Audit to work in accordance with the "proper audit practice". These are effectively the CIPFA Code of Practice for Internal Audit in Local Government 2006.

7. Internal Audit Scope

- 7.1 The scope for Internal Audit is "the control environment comprising risk management, control and governance". This means that the scope of Internal Audit includes all of Bridgend CBC's operations, resources, services and responsibilities in relation to associated partner organisations. The priorities for Internal Audit will be determined by the process of risk assessment.

8. Internal Audit Resources

- 8.1 Internal Audit will ensure as far as possible that it is appropriately staffed in terms of numbers, skills and experience. The Chief Internal Auditor is responsible for appointing staff and will ensure these are made in order to achieve the appropriate mix of qualifications, experience and skills.

- 8.2 The Chief Internal Auditor is responsible for ensuring that the resources of Internal Audit are sufficient to meet its responsibilities and achieve its objectives. If a situation arose whereby the Chief Internal Auditor concluded that resources were insufficient, the Chief Internal Auditor would formally report this to the Assistant Chief Executive – Performance (Section 151 Officer) and the Audit Committee.

- 8.3 The Internal Audit Section has recently joined forces with the Vale of Glamorgan Internal Audit Section under a shared service arrangement. At present the overall section comprises the following:

- Chief Internal Auditor (1)
- Senior Group Auditor (3)
- Computer Auditor (1)
- Group Auditor (3)
- Auditor (13)
- Computer Technician (1)
- Audit Assistant (1)
- Administrative Assistant (1)

8.4 The Team currently includes four qualified accountants (CIPFA and ACA), two fully qualified members of the Chartered Institute of Internal Auditors (CMIIA), two who are qualified at practitioner level. In addition the majority of the remainder of the team are studying for professional qualifications (ACA, IIA and AAT).

9. Fraud and Corruption

9.1 Managing the risk of fraud and corruption is the responsibility of management. Internal audit reviews alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected. Internal Audit will, however, be alert in all their work to risks and exposures that could allow fraud or corruption.

10. Reporting Accountabilities

10.1 A written internal audit report will be prepared for every audit carried out and issued to the appropriate manager responsible for the area under review. Internal audit reports will include an “opinion” on the risk and adequacy of controls, which together will contribute to the annual audit opinion on Bridgend CBC’s control environment.

10.2 Internal Audit will make practical recommendations based on the findings of the audit work and discuss these with management to establish appropriate action plans.

10.3 Management are expected to implement all agreed recommendations within a reasonable timeframe. Each internal audit will be followed up normally within six months of issue, in order to ascertain whether agreed actions have been implemented.

10.4 The Chief Internal Auditor will report regularly to the Audit Committee on progress made against the Annual Audit Plan and the summarised outcomes of individual audits.

10.5 The Chief Internal Auditor will provide an Annual Internal Audit Report to the Audit Committee that includes an opinion on the adequacy and effectiveness of the control environment.

11. Responsibilities

- 11.1 In meeting its responsibilities, the activities of Internal Audit will be conducted in accordance with Bridgend CBC's objectives, established policies and procedures. In addition, internal auditors will comply with the Code of Practice for Internal Audit in Local Government (CIPFA).
- 11.2 Internal Audit will co-ordinate effectively with Bridgend CBC's appointed external auditors for optimal audit coverage and to ensure that appropriate reliance can be placed on internal audit work.