

Partneriaeth Pen-y-Bont a'r Fro  
Bridgend & Vale Partnership  
working together - gweithio ar y cyd



## **INTERNAL AUDIT SHARED SERVICE (IASS)**

### **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 Shared 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 Head of Finance and Performance, 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 are free from any conflicts of interest. Internal auditors do not have operational

responsibility. To this end, the Internal Audit Shared Service has adopted a **Policy Statement on Auditors' Independence**, which is included as an appendix to these terms of reference.

- 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. These Standards have been adopted by the Internal Audit Shared Service.

## **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 The CIPFA Code of Practice recommends that Internal Audit must be appropriately staffed in terms of numbers, grades, qualification levels, and experience, having regards to its objectives and to the Standards. Internal Auditors need to be properly trained to fulfil their responsibilities and should maintain their professional competence through an appropriate ongoing development programme. Therefore, Internal Audit will ensure as far as

possible that it is appropriately staffed in terms of numbers, skills and experience.

- 8.2 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. IASS undertakes a continuous review of the development and training needs of its entire staff as part of the staff appraisal process in order to identify any necessary in-service training covering both internal and external courses, reading, research and on-job training. In addition, staff are encouraged to pursue qualifications relevant to their work.
- 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 Head of Finance and Performance, the Assistant Chief Executive – Performance (Section 151 Officer) and the Audit Committee.
- 8.3 The Internal Audit Section has joined forces with the Vale of Glamorgan Council's Internal Audit Section under a shared service arrangement with a combined establishment of 29 Full Time Equivalent posts (this includes six vacant posts three of which relate to BCBC). In addition, during the course of 2011-12 the Section lost a further eight members of staff which equates to 7.6 Full Time Equivalent posts.
- 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).
- 8.5 During 2012-13 it is envisaged that a robust recruitment exercise will take place to address the shortfall in resources.

## **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. Internal Audit may be requested by management to assist with fraud related work, and has auditors with appropriate fraud investigatory skills.
- 9.2 There are arrangements in place to ensure that the IASS is informed of all suspected or detected fraud, corruption or improprieties so that they can consider the adequacy of the relevant controls, and evaluate the implication of fraud and corruption for the opinion on the internal control environment.

**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 Draft reports will be sent to the Contact Officer (Auditee) and their immediate line manager responsible for the area under review for agreement to the factual accuracy of the findings, for consideration of any audit recommendations therein and in order that a plan of action to address any agreed recommendations may be formulated.
- 10.4 After agreement, the reports will be issued as PDF documents to the relevant Head of Service / Director with copies sent to the relevant managers and to the Section 151 Officer / Deputy Section 151 Officer if deemed appropriate.
- 10.5 Management are expected to implement all agreed recommendations within a reasonable timeframe. Any recommendations not accepted will be reported to the Audit Committee with an explanation of the reason for not accepting it, for the Committee’s consideration.
- 10.6 Any reports containing recommendations (substantial or Fundamental) are subject to follow-up normally within three to six months of issue, in order to ascertain whether agreed actions have been implemented.
- 10.7 Recommendations (Merits Attention) are subject to a follow-up audit, normally within six to twelve months, in order to ascertain whether the action stated by Chief Officers in their response to the report has been implemented.
- 10.8 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.
- 10.9 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 place on internal audit work.

**12. Amendments to the Terms of Reference**

- 12.1 These Terms of Reference will be reviewed annually to ensure their relevance is maintained. Amendments will be subject to the approval of the Audit Committee.

**BRIDGEND CBC AND VALE OF GLAMORGAN COUNCIL  
INTERNAL AUDIT SHARED SERVICE (IASS)**

**POLICY STATEMENT – AUDITORS’ INDEPENDENCE**

**INTRODUCTION**

In compliance with the Code of Practice for Internal Audit in Local Government, internal auditors must at all times maintain and be able to demonstrate their independence. They must be fair and must not allow prejudice or bias, conflict of interest or the influence of others to override their judgement and actions. To do this, auditors need to be objective. Objectivity is exercised when auditors make judgements based upon all the available evidence, not depending on, or influenced by, personal opinions or prejudices, or by inappropriate pressure or influence.

**RELATIONSHIPS**

Some relationships may allow the prejudice, bias, or influence of others to threaten that objectivity. It is impossible to define and prescribe all such situations and relationships where these possible pressures exist. Reasonableness should prevail in identifying circumstances and relationships that are likely to, or appear to, impair an auditor’s objectivity.

For this reason, when being allocated to an audit assignment auditors should inform their Senior Group Auditor / Group Auditor of situations:

- Where a member of the client’s staff is their spouse or partner;
- Where a member of the client’s staff is related to them or to their spouse or partner;
- Where a member of the client’s staff is a friend or neighbour;
- Any other circumstances in which an outside person could prejudice the auditor’s independence.

The Senior Group Auditor / Group Auditor will then determine whether that member of staff should carry out the planned audit or whether the impairment to their objectivity is such that another should undertake that review.

**PREVIOUS DUTIES**

Objectivity may also be impaired where audit staff have previously worked within the section whose work is being reviewed, or have had authority or responsibility for the section. Therefore, auditors will not be permitted to undertake audit duties until a reasonable period of time has elapsed. A “reasonable period” of time will normally be taken to be twelve months, or any such period as the Chief Internal Auditor shall decide in any particular circumstances.

**ROTATION OF DUTIES**

In order to ensure objectivity the work assignments of internal auditors should be rotated from time to time where this is possible.

**ANNUAL DECLARATION**

All members of the Internal Audit Shared Service will be expected to complete an annual declaration of interest even if there is nothing to declare “Nil Declaration”.