

# Internal Audit Charter 2025-26

## Bridgend County Borough Council



## Merthyr Tydfil County Borough Council



## Vale of Glamorgan Council



**REGIONAL INTERNAL AUDIT SERVICE /  
GWASANAETH ARCHWILIO MEWNOL RHANBARTHOL**



March 2023  
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May 2025

## **Review and Approval of the Internal Audit Charter**

This Internal Audit Charter defines the purpose, authority and responsibility of the Internal Audit Service.

This Internal Audit Charter is in conformance with the Global Internal Audit Standards (GIAS) including the Public Sector requirements, CIPFA's Code of Practice and CIPFA's Application Note. It has been updated to reflect the fact that the GIAS have replaced the Public Sector Internal Audit Standards with effect from 1<sup>st</sup> April 2025.

The Internal Audit Charter is a formal document that defines the purpose, authority and responsibility of Internal Audit activities. The Internal Audit Charter establishes Internal Audit's position within the organisation; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of Internal Audit activities.

A professional, independent and objective Internal Audit Service is one of the key elements of good governance, as recognised throughout the UK Public Sector.

The purpose of this Regional Internal Audit Service Charter is to define the purpose, authority and responsibilities of the Regional Internal Audit Service (RIAS) across Bridgend, Merthyr Tydfil and the Vale of Glamorgan Councils.

The Charter establishes the position of internal audit activity within each Council along with reporting lines, authorising access to records, personnel and physical property relevant to the performance of audit work and defines the scope of internal audit activities.

The Head of Internal Audit is responsible for reviewing the charter and presenting it to each Council's Governance & Audit Committee annually for review and approval.

### **Mandate of Internal Audit**

The mandate for internal audit within Local Government within Wales comes from the Accounts and Audit (Wales) Regulations 2014

Internal auditing strengthens the organisation's ability to create, protect and sustain value by providing the board and management with independent, risk based and objective assurance, advice, insight and foresight.

Internal auditing enhances the organisation'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

## Mission of Internal Audit

To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

## Definition of Internal Auditing

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

- A. In each of the partner Councils, the role of the Board, as defined within the Global Internal Audit Standards, will be the responsibility of each Council's Governance & Audit Committee and any reference made throughout this document relating to the Governance & Audit Committee assumes the responsibilities of the Board as defined and referred to within the Standards.
- B. The Internal Audit Charter defines the terms Board, Chief Audit Executive and Senior Management in relation to the work of internal audit. For the purposes of internal audit work the roles are defined as follows:
  - Board
    - Highest level body charged with governance; the Governance and Audit Committee; authorised to provide the internal audit function
  - Chief Audit Executive
    - The leadership role responsible for effectively managing all aspects of the internal audit function and ensuring the quality performance of internal audit services is in accordance with Global Internal Audit Standards
    - The role of the Chief Audit Executive is undertaken by the Head of the Regional Internal Audit Service.

- Senior Management
  - The highest level of executive management of an organisation that is ultimately accountable to the board for executing the organisation's strategic decisions, typically a group that included the Chief Executive officer – Senior Management is defined as those officers designated as Chief Officers as set out in each Council's Constitution.

These definitions are set out within the glossary of the GIAS.

C. The Global Internal Audit Standards became effective for the public sector in the UK from the 1st of April 2025; they replace the Public Sector Internal Audit Standards. The GIAS is made up of 5 Domains, 15 guiding principles and 55 Standards. The 5 Domains are:

- Purpose
- Ethics & Professionalism
- Governing
- Managing
- Performing

Conformance with the Standards is mandatory.

The RIAS is committed to meeting, and conforming with, the standards laid down in the Global Internal Audit Standards; any significant deviations from the Standards will be reported to the Governance & Audit Committee.

D. The Charter is split into the following sections;

1. Purpose, Authority and Responsibility;
2. Independence and Objectivity;
3. Proficiency and Due Professional Care;
4. Quality Assurance and Improvement Programme.

## **1. Purpose, Authority and Responsibility**

1.1 Internal Audit is an assurance function that primarily provides an independent and objective opinion to management and Members (including lay members) on the control environment comprising risk management, internal control and governance by evaluating its effectiveness in achieving the Council's objectives.

- 1.2 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.
- 1.3 It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance issues.
- 1.4 In addition, the other objectives of the function are to:
- Support the Chief Finance Officer in each Council to discharge their Section 151 duties;
  - Contribute to and support the organisation with the objective of ensuring the provision of, and promoting the need for, sound financial systems;
  - Investigate allegations of fraud or irregularity to help safeguard public funds in consultation with relevant Council Services;
  - Support the work of the relevant Governance & Audit Committees; and
  - Provide an annual audit opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
- 1.5 These objectives will be delivered through maintaining a high quality RIAS function that meets the needs of each Council, supporting the relevant Section 151 Officers and the Governance & Audit Committees in discharging their responsibilities and meeting the requirements of the Global Internal Audit Standards.
- 1.6 Internal Audit is a statutory service. Part 3 of The Accounts and Audit (Wales) Regulations 2014 concerns financial management and internal control. Regulation 5 (responsibility for internal control and financial management) of Part 3 directs that:  
*'The relevant body must ensure that there is a sound system of internal control which facilitates the effective exercise of that body's functions and which includes:*  
*Arrangements for the management of risk, and*  
*Adequate and effective financial management.'*
- 1.7 Regulation 7 (Internal Audit) of Part 3 directs that:  
*'A relevant body must maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control.'*
- 1.8 The work of Internal Audit forms part of the assurance framework, however, the existence 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.

- 1.9 Section 151 of the Local Government Finance Act 1972 requires every local authority to designate an officer to be responsible for the proper administration of its financial affairs. In each Council it is the Chief Finance Officer/Head of Finance/Director of Finance or equivalent.

### **Scope**

- 1.10 The scope for Internal Audit work includes the control environment comprising risk management, control and governance.
- 1.11 This effectively means that Internal Audit has the remit to independently access and review all the Council's operations, resources, services and processes in place to:
- Establish and monitor the achievement of Council objectives;
  - Identify, assess and manage the risks to achieving the Council's objectives;
  - Facilitate policy and decision making;
  - Ensure the economical, effective and efficient use of resources;
  - Ensure compliance with established policies, procedures, laws and regulations;
  - Safeguard assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption; and
  - Ensure the integrity and reliability of information, accounts and data, including internal and external reporting.
- 1.12 All the Council's activities, funded from whatever source, and indeed the entire control environment fall within the remit of Internal Audit.
- 1.13 Internal Audit will consider the adequacy of controls necessary to secure propriety, economy, efficiency and effectiveness in all areas. It will seek to confirm that management have taken all necessary steps to achieve these objectives.
- 1.14 The scope of Internal Audit work should cover all operational and management controls and should not be restricted to the audit of systems and controls necessary to form an opinion on the financial statements. This does not imply that all systems will necessarily be reviewed, but that all will be included in the audit needs assessment and hence considered for review following the assessment of risk. The Internal Audit activity is free from interference in determining the scope of internal auditing, performing work and communicating results.
- 1.15 It is not the remit of Internal Audit to challenge the appropriateness of Policy decisions. However, Internal Audit is required to examine the management arrangements of the Council by which such decisions are made, monitored and reviewed.

1.16 The following are definitions for assurance and advisory / consultancy work:

- Assurance

Statement intended to increase the level of stakeholders' confidence about an organisation's governance, risk management and control processes.

- Assurance Services

An objective, independent assessment on **governance, risk management and internal control** for the organisation to provide assurance. Examples may include financial, performance, compliance, system security and due diligence engagements. **This work will usually result in an opinion** being provided. (These Services may also be provided to other parties and organisations).

- Advisory / Consulting Services

Provision of advice without providing assurance (an opinion) or taking on management responsibilities; the nature and scope of which are agreed with the client, are intended to add value and improve an organisation's **governance, risk management and internal control**. Examples include counsel, advice on design of new systems, acting as a 'critical friend' on Project Boards, facilitation and training.

1.17 The core aim of the work undertaken is to establish a risk based annual Internal Audit Plan that is balanced and covers the control environment of the Council as far as is practicable. In order to undertake a balanced workload, Internal Audit plans to complete a mix of assurance and consultancy work, the outcomes of which contribute to the Internal Audit Annual Report where it concludes with an opinion on the Council's overall risk, governance and control environment. The Head of Internal Audit should share information, coordinate activities and consider relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimise duplication of efforts.

### **Rights of Access**

1.18 Internal Audit has right of access to all of the Council's records, information and assets that it considers necessary to fulfil its responsibilities, including those of partner organisations. Internal Audit staff shall have unrestricted access to all Council activities and records (whether manual or computerised systems), personnel, cash, stores, other assets and premises, including those of partner

organisations and have authority to obtain such information and explanations as considered necessary to fulfil Internal Audit's responsibilities.

- 1.19 All staff are required to give complete co-operation to Internal Audit staff to enable the undertaking of an audit.
- 1.20 All partners/agents contracted to provide services on the Council's behalf are also required to co-operate with Internal Audit staff and make available all necessary information. Rights of access to other bodies funded by the Council should be set out in conditions of funding or contract documents.

### **Anti-Fraud**

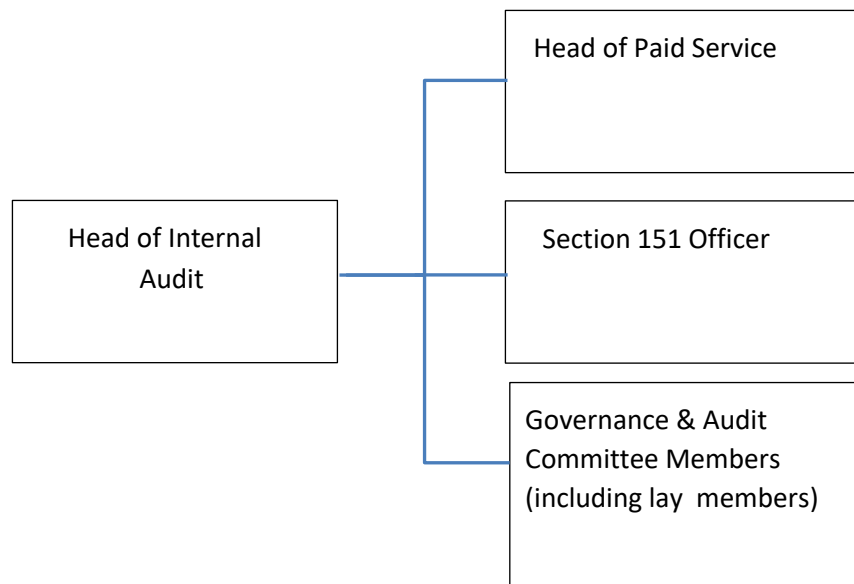
- 1.21 Internal Audit are responsible for evaluating the potential for the occurrence of fraud and how the organisation manages fraud risk. Each Council's Corporate Fraud Officer (or equivalent) works closely with the Internal Audit team. The team will work in line with, and positively promote, each of the partner's Counter Fraud Strategy & Framework, AntiFraud, Bribery and Corruption Policy, Enforcement Policy, Anti-Money Laundering Policy along with the Whistleblowing Policy.
- 1.22 Each partner has a zero-tolerance culture to fraud, bribery and corruption.

## **2. Independence and Objectivity**

- 2.1 The main determinant of the effectiveness of Internal Audit is that it is seen to be independent and that Internal Auditors must be objective in performing their work. To ensure this, Internal Audit operates within a framework that allows:
  - The Head of Internal Audit direct access to the Chief Executive, the Section 151 Officer and Monitoring Officer;
  - Unrestricted access to Directors, Heads of Service, Managers and Staff;
  - Unrestricted access to Members (including the Leader, Cabinet Members and Governance & Audit Committee (including lay members));
  - Unrestricted access to Audit Wales (i.e. the Council's External Auditor);
  - Reporting in its own name; and
  - Internal Audit is free from interference when determining the scope of audit reviews, performing the work and communicating the results.
- 2.2 This is achieved through a reporting relationship in each Council as shown in Figure 1 below:



Figure 1 – Internal Audit reporting arrangements



### **Section 151 Officer**

- 2.3 The Section 151 Officer has overall responsibility for the proper administration of the Council's financial affairs. Internal Audit assists the Section 151 Officer by providing an opinion on the overall control environment and by regular assurance testing of the key financial systems.

### **Governance & Audit Committee**

- 2.4 Each partner Council operates a Governance & Audit Committee that meets on a cyclical basis. It monitors the performance of Internal Audit in relation to productivity, efficiency and quality. It receives regular reports from Internal Audit including progress in delivering the Annual Audit Plan and is attended by the Head of Internal Audit<sup>1</sup> as well as Officers from the Council.
- 2.5 In addition, the Governance & Audit Committee receives the Internal Audit Annual Report that provides a summary of all assurance and consultancy work undertaken and concludes by giving an opinion on the overall control environment within the Council. If a qualified or unfavourable annual internal

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<sup>1</sup> Head of Internal Audit – denotes the Head of the Regional Internal Audit Service

audit opinion is issued, the reasons to support this will be stated within the Internal Audit Annual Report.

- 2.6 The Head of Internal Audit has unrestricted access to the Chair of Governance & Audit Committee.

### **Senior Management**

- 2.7 Each Council is divided into various Services, and it is the role of the Chief Executive and each Director, Head of Service or equivalent to ensure delivery and operation of the service areas falling within their remit.

### **Relationships with Key Stakeholders and Service Managers**

- 2.8 The Internal Audit Service develops constructive working relationships with Managers at all levels within the Council in terms of:
- Planning work;
  - Carrying out audit assignments; and
  - Agreeing action plans arising from the work undertaken.
- 2.9 Whilst maintaining its independence, the Internal Audit Service recognises that it must work with Managers to agree improvements that are deemed necessary.

### **External Auditors**

- 2.10 The aim of the relationship between internal and external auditors is to achieve mutual recognition and respect, leading to a joint improvement in performance and to avoid, wherever possible, duplication of work.
- 2.11 The Head of Internal Audit liaises regularly with Audit Wales to consult on audit plans, discuss matters of mutual interest and to seek opportunities for co-operation in the conduct of audit work.

### **Elected Members and Lay Members**

- 2.12 The Head of Internal Audit will aim to have sound working relationships and channels of communication with Elected Members and Lay Members and in particular, Governance & Audit Committee, Cabinet and Scrutiny Committees.

### **Internal Audit Standards**

- 2.13 There is a statutory requirement for Internal Audit to work in accordance with the “proper audit practices”. These are set out in the Global Internal Audit Standards.
- 2.14 The Global Internal Audit Standards (GIAS) became effective from April 2025. They replaced the UK Public Sector Internal Auditing Standards (PSIAS). The

Relevant Internal Audit Standard Setters within the public sector within the UK (CIPFA for local government) have set out interpretations and requirements which need to be applied to the GIAS requirements, in order that these form a suitable basis for internal audit practice in the UK public sector. CIPFA have published an Application Note – Global Internal Audit Standards in the UK Public Sector, and a Code of Practice for the Governance of Internal Audit in UK Local Government. These are also applicable to all internal audit service providers providing internal audit services to the UK public sector.

2.15 Internal Audit Staff will;

- Comply with relevant auditing standards (GIAS & CIPFA);
- Comply and promote compliance throughout the Council with all Council rules and policies;
- Be expected at all times to adopt a professional, reliable, independent and innovative approach to their work; and
- It is essential that Internal Audit staff are seen to be impartial. All Internal Audit staff are required to complete an annual declaration of their interests which must be kept up to date. This is reviewed as part of the annual appraisal and is in line with professional ethics. The Head of Internal Audit is responsible for ensuring that audit staff are not assigned to operational areas or investigations that could compromise their independence (including previous and / or secondary employment elsewhere in the relevant Council or organisation being audited).

2.16 The RIAS conforms with the GIAS Ethics and Professionalism Domain 2 (Annex 2). This domain replaced the Chartered Institute of Internal Auditors (IIA)'s former Code of Ethics. Where members of the RIAS have attained membership with other professional bodies such as CIPFA or the Institute of Chartered Accountants in England and Wales (ICAEW), those officers also comply with their relevant bodies' ethical requirements.

2.17 Each member of the Team will receive a copy of the Internal Audit Charter and sign up to an annual declaration to confirm that they will work in compliance with this, the GIAS as well as the Council's standards and policies such as the Code of Conduct. Where potential areas of conflict may arise during the year, the auditor will also be required to disclose this. It is critical that all Auditors maintain high standards of integrity, independence, objectivity, confidentiality and competence.

2.18 In addition to the Ethics and Professionalism Domain, staff must comply with the Seven Principles of Public Life as set out in CIPFA's Application Note – 'Global Internal Audit Standards in the UK Public Sector – 9A Ethics and standards in public life' (Annex 3) and the Council's Code of Corporate Governance which are referred to in Annex 3 – Additional Requirements.

## **Explanations of potential non-compliance with the GIAS**

- 2.19 For clarification, RIAS is involved in the collation of the Annual Governance Statement (AGS) for each partner authority.
- a. In Bridgend RIAS provides data and information to the Chief Accountant who compiles the AGS.
  - b. In Merthyr Tydfil and the Vale RIAS facilitates the co-ordination and collation of the AGS, compiles the final document and takes relevant reports to Governance and Audit Committee, albeit, with a strong emphasis that this document has shared ownership amongst key operational staff.

## **Shared Service**

- 2.20 Internal Audit is delivered through a shared regional service between Bridgend, Merthyr Tydfil and the Vale of Glamorgan Councils. The host authority for the delivery of the RIAS is the Vale of Glamorgan Council. The governance of the provision of the shared regional service is carried out by the Regional Board. This is made up of the Chief Finance Officers of each Authority or their nominated substitutes who shall be responsible for the strategic direction of the Service.
- 2.21 The activities of the Regional Board shall include but not be limited to:
- Determining the strategic direction of the RIAS;
  - Monitoring and reviewing standards;
  - Determining the Authority Charging Rate on the basis of reasonable information provided by the Head of Internal Audit;
  - Providing general supervision of the provision of the Service; and,
  - Resolving conflicts between competing interests amongst the authorities collectively and individually relating to RIAS, the Regional Board and / or the Service.
- 2.22 The Governance & Audit Committee for each Council reviews the performance and effectiveness of audit activity, including that of the RIAS.

## **3. Proficiency and Due Professional Care**

- 3.1 Directors, Heads of Service and Service Managers are responsible for ensuring that internal control arrangements are sufficient to address the risks facing their Service including the risk of fraud and corruption.
- 3.2 The Head of Internal Audit is required to manage the provision of an internal audit service to each Council which will include reviewing the systems of internal control operating throughout each Council, and will adopt a combination of system based, risk based, regularity, computer and contract audit approaches in addition to the investigation of fraud.

3.3 In discharge of this duty, the Head of Internal Audit will:

- Prepare an annual strategic risk based audit plan for approval and ratification by the relevant Governance & Audit Committee; and
- The Annual Audit Plan will be regarded as flexible and may be revised to reflect changing services and risk assessments; elements of the annual plan are also based on items within Corporate or Strategic Risk Registers.
- Significant changes to the plan will be brought to the attention of the Governance and Audit Committee.

### **Resources and Proficiency**

- 3.4 For the RIAS to fulfil its responsibilities, the service must be appropriately staffed in terms of numbers, professional qualifications, skills and experience. Resources must be effectively developed and deployed to achieve the approved risk-based plan. The Head of Internal Audit is responsible for ensuring that there is access to the full range of knowledge, skills, qualifications and experience to deliver the audit plan and meet the requirements of the GIAS.
- 3.5 The Head of Internal Audit must hold a full professional qualification, defined as CCAB, CMIIA or equivalent professional membership and adhere to professional values and Domain II of GIAS, Ethics and Professionalism. They must have sufficient skill, experience and competencies to work with Directors, Heads of Service, and other Managers and the Governance & Audit Committee to influence the risk management, governance and internal control of the Councils.
- 3.6 The current Head of RIAS is CIPFA qualified and has significant public sector experience within internal audit. Before starting with RIAS in April 2023, he had been a Chief Internal Auditor since May 2001, providing the service successfully across two unitary authorities on a collaboration basis since October 2005.
- 3.7 Each job role within the RIAS structure details the prerequisite skills and competencies required for that role and these will be assessed annually in line with Council policy and the GIAS. Any development and training plans will be regularly reviewed, monitored and agreed with officers.
- 3.8 All Auditors are also required to maintain a record of their continual professional development in line with their professional body.

## **Due Professional Care**

3.9 Internal Auditors must exercise due professional care by considering the:

- Extent of work needed to achieve the assignment objectives;
- Relative complexity, materiality or significance of matters to which assurance procedures are applied;
- Adequacy and effectiveness of governance, risk management and control processes;
- Probability of significant error, fraud, or non-compliance;
- Cost of assurance in relation to potential benefits; and
- Considering various data analysis techniques and being alert to significant risks that may affect the objectives.

## **Relationships**

3.10 All stakeholders will be treated with respect, courtesy, politeness and professionalism. Any confidential or sensitive issues raised with or reported to Internal Audit staff will be dealt with in an appropriate manner.

Internal – Our main contacts are with:

- Elected Members and Lay Members
- Chief Officers (as defined in the Council's Constitution)
- Corporate Directors and Section 151 Officers
- Heads of Service and Headteachers
- Group Managers / Operational Managers and line supervisors
- Front line employees delivering services to the public
- Back office support staff, in particular Financial Services, Legal Services, ICT and HR.

External – Our main contacts are with:

- The Council's External Auditors - Internal and External Audit work together to ensure audit resources are used to best advantage for the benefit of the Council. The External Auditors have regard to the work performed by Internal Audit when undertaking their final accounts audit.
- Various Government Agencies and Inspectorates.

## **4. Quality Assurance and Improvement Programme**

4.1 To enable the Head of Internal Audit to assess the RIAS's activities with conformance to the GIAS and to aid in the annual assessment of the RIAS's

efficiency and effectiveness and identify opportunities for improvement, a Quality Assurance and Improvement Programme (QAIP) has been developed.

- 4.2 The QAIP includes both internal and external assessments in accordance with the Standards.
- 4.3 Assessment against QAIP forms part of the annual assessment of the effectiveness of internal audit (as contained within the Head of Internal Audit's Annual Opinion Report) which is presented to the relevant Governance & Audit Committee.
- 4.4 Where there are instances of non-conformance to the GIAS this will be reported to the Governance & Audit Committee and the Regional Board with any significant deviations being detailed within the Annual Governance Statement (AGS). RIAS will also confirm its conformance with the GIAS within the AGS.

### **Internal Assessment**

- 4.5 All Auditors have access to up to date business processes, working instructions, the Internal Audit Charter, Council policies, the GIAS, journals, publications and other relevant articles and electronic training material and websites. Where staff are members of bodies such as CIPFA and/or CIIA further guidance is available.
- 4.6 To maintain quality, work is allocated to staff with appropriate skills, competence and experience. All levels of staff are supervised. Work is monitored for progress, assessed for quality and to allow for coaching and mentoring.
- 4.7 Targets are set for individual auditors (such as completion of an audit within a set number of days) as well as for the team. Audit targets and performance indicators will be agreed with the Regional Board and reported to the relevant Governance & Audit Committee.
- 4.8 In addition to the QAIP, progress made against the annual audit plan and any emerging issues (i.e. fraud risks or governance issues) are reported regularly to the relevant Governance & Audit Committee.
- 4.9 Ongoing assessment of individuals is carried out through regular on-going reviews, one to one meetings, feedback from clients via the Post Audit Questionnaires and formally in the annual personal development review process.

## **External Assessment**

- 4.10 In compliance with the GIAS, external assessment will be carried out once every five years by a qualified, independent assessor or assessment team from outside of the RIAS Councils.
- 4.11 A comprehensive and detailed self-assessment against the PSIAS was carried out in 2022 and shared with the external assessors in November 2022. The external assessment of the RIAS was reported to the partners' Governance and Audit Committees during 2023, stating that RIAS currently fully conformed with the PSIAS.



## **Annex 1 - Glossary of Terms**

### **Charter**

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; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

### **Chief Audit Executive**

Chief Audit Executive describes the role of a person in a senior position responsible for effectively managing the internal audit activity in accordance with the internal audit charter and the mandatory elements of the International Professional Practices Framework. The chief audit executive or others reporting to the chief audit executive will have appropriate professional certifications and qualifications. The specific job title and/or responsibilities of the Chief Audit Executive may vary across organisations. In the context of the RIAS this is the Head of Internal Audit.

### **Code of Ethics**

The Code of Ethics of the Chartered Institute of Internal Auditors (CIIA) is now incorporated at Domain 2 of the GIAS which are Principles relevant to the profession and practice of internal auditing and Rules of Conduct that describe behaviour expected of internal auditors. This applies to both parties and entities that provide internal audit services.

The purpose of this Domain is to promote an ethical culture in the global profession of internal auditing.

### **Compliance**

Adherence to policies, plans, procedures, laws, regulations, contracts, or other requirements.

### **Conflict of Interest**

Any relationship that is, or appears to be, not in the best interest of the organisation. A conflict of interest would prejudice an individual's ability to perform his or her duties and responsibilities objectively.

### **Control**

Any action taken by management, the board and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organises and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.

## **Control Environment**

The control environment provides the discipline and structure for the achievement of the primary objectives of the system of internal control. The control environment includes the following elements:

- Integrity and ethical values;
- Management's philosophy and operating style;
- Organisational structure;
- Assignment of authority and responsibility;
- Human resource policies and practices; and
- Competence of personnel.

## **Fraud**

Any illegal act characterised by deceit, concealment or violation of trust. These acts are not dependent upon the threat of violence or physical force. Frauds are perpetrated by parties and organisations to obtain money, property or services; to avoid payment or loss of services; or to secure personal or business advantage.

## **Governance**

The combination of processes and structures implemented by the board to inform, direct, manage and monitor the activities of the organisation toward the achievement of its objectives.

## **Independence**

The freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner.

## **Internal Auditing**

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

## **Overall Opinion**

The rating, conclusion and/or other description of results provided by the chief audit executive addressing, at a broad level, governance, risk management and/or control processes of the organisation. An overall opinion is the professional judgement of the chief audit executive based on the results of a number of individual engagements and other activities for a specific time interval.

## **Risk**

The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.

## **Risk Appetite**

The level of risk that an organisation is willing to accept.

**Risk Management**

A process to identify, assess, manage and control potential events or situations to provide reasonable assurance regarding the achievement of the organisation's objectives.

## **Annex 2**

### **Domain 2 - Ethics and Professionalism**

This Domain outlines the behavioural expectations for professional internal auditors; including the chief audit executive and others that provide internal audit services. Conformance instils trust in the profession of internal auditing, creates an ethical culture within the internal audit function and provides the basis for reliance on internal auditors' work and judgement.

#### **Principle 1 – Demonstrate Integrity**

Integrity is behaviour characterised by adherence to moral and ethical principles including demonstrating honesty and the courage to act based on relevant facts. Internal auditors are expected to tell the truth and do the right thing even when it is uncomfortable or difficult.

Integrity is the foundation of the other principles of ethics & professionalism; the integrity of internal auditors is essential to establishing trust and earning respect.

Standard 1.1 – Honesty & Professional Courage

Standard 1.2 – Organisation's Ethical Expectations

Standard 1.3 – Legal & Ethical Behaviour

#### **Principle 2 – Maintain Objectivity**

Objectivity is an unbiased mental attitude that allows internal auditors to make professional judgements, fulfil their responsibilities and achieve the Purpose of Internal Auditing without compromise. An independently positioned internal audit function supports internal auditors' ability to maintain objectivity.

Standard 2.1 – Individual Objectivity

Standard 2.2 – Safeguarding Objectivity

Standard 2.3 – Disclosing Impairments to Objectivity

#### **Principle 3 – Demonstrate Competency**

Demonstrating competency requires developing and applying the knowledge, skills and abilities to provide internal audit services. Competencies needed by individual auditors will vary due to the diverse array of services provided. In addition, internal

auditors improve the effectiveness and quality of services by pursuing professional development.

Standard 3.1 – Competency

Standard 3.2 – Continuing Professional Development

#### **Principle 4 – Exercise Due Professional Care**

Internal auditors apply due professional care in planning and performing internal audit services. This is achieved with due diligence, judgement and scepticism possessed by prudent and competent internal auditors.

Standard 4.1 – Conformance with the GIAS

Standard 4.2 – Due Professional Care

Standard 4.3 – Professional Scepticism

#### **Principle 5 – Maintain Confidentiality**

Internal auditors use and protect information appropriately.

Internal auditors have unrestricted access to data, records and other information necessary to do their work which is often confidential or personally identifiable. Internal auditors must respect the value and ownership of this only use it for professional purposes, protecting it from unauthorised access or disclosure, internally and externally.

Standard 5.1 – Use of Information

Standard 5.2 – Protection of Information

## **Annex 3 – Additional Requirements**

### **CIPFA Application Note on the Global Internal Audit Standards in the UK Public Sector**

#### **Ethics and Standards in Public Life**

The GIAS generally and GIAS 1.2 (Organisation's Ethical Expectation) specifically describe the importance of internal auditors encouraging and promoting an ethics based culture alongside personal adherence to the ethical expectations of their organisation. This need for ethical behaviour is especially relevant in the UK Public Sector where those delivering public services are both servants of the public and stewards of public resources. The government has set out Seven Principles of Public Life (Nolan Principles) that apply to all public servants including contractors working in the public service).

Staff must comply with the Seven Principles of Public Life and the Council's Code of Corporate Governance.

The Seven Principles of Public Life (also known as the Nolan Principles) apply to anyone who works as a public office-holder. This includes all those who are elected or appointed to public office, nationally and locally, and all people appointed to work in the Civil Service, local government, the police, courts and probation services, non-departmental public bodies (NDPBs), and in the health, education, social and care services. All public office-holders are both servants of the public and stewards of public resources. The principles also apply to all those in other sectors delivering public services.

#### **1.1 Selflessness**

Holders of public office should act solely in terms of the public interest.

#### **1.2 Integrity**

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

#### **1.3 Objectivity**

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

#### **1.4 Accountability**

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

#### **1.5 Openness**

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

#### **1.6 Honesty**

Holders of public office should be truthful.

#### **1.7 Leadership**

Holders of public office should exhibit these principles in their own behaviour and treat others with respect. They should actively promote and robustly support the principles and challenge poor behaviour wherever it occurs.

More information is available via this link:

[www.gov.uk/government/publications/the-7-principles-of-public-life/the-7-principles-of-public-life--2](http://www.gov.uk/government/publications/the-7-principles-of-public-life/the-7-principles-of-public-life--2);

#### **Code of Corporate Governance**

Staff also need to be aware of and comply with the Council's Code of Corporate Governance which is part of the Constitution.

For example:

Vale of Glamorgan Council

[https://www.valeofglamorgan.gov.uk/Documents/ Committee%20Reports/Committee %20Information/Constitution/November-2022/22-11-10-Section-23.pdf](https://www.valeofglamorgan.gov.uk/Documents/Committee%20Reports/Committee%20Information/Constitution/November-2022/22-11-10-Section-23.pdf);

Link:

[Global Internal Audit Standards](#)

[Global Internal Audit Standards in the UK Public Sector | CIPFA](#)

[Governance of Internal Audit in Local Government | CIPFA](#)