APPENDIX B

Internal Audit Charter 2024-25

(Amendments shown as part of review)

Bridgend County Borough Council

Merthyr Tydfil County Borough Council

Vale of Glamorgan Council

REGIONAL INTERNAL AUDIT SERVICE /
GWASANAETH ARCHWILIO MEWNOL RHANBARTHOL

March 2023
Updated June 2023
Updated May 2024

Review and Approval of the Internal Audit Charter

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

The Internal Audit Charter is defined within the Public Sector Internal Audit Standards as follows:

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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 1st 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.

The Public Sector Internal Audit Standards sets out the Mission of Internal Audit (what internal audit aspires to accomplish within an organisation) and the definition of Internal Auditing.

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

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 Public Sector 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 Public Sector Internal Audit Standards require that 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 – The internal audit activity is established and defined by the Board, (hereafter referred to as the Governance & Audit Committee) which has responsibility for overseeing the work of Internal Audit.

Definition changed to:

- 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 – Senior Management is defined as those officers designated as Chief Officers as set out in each Council's Constitution.

Definition changed to:

- 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 Public Sector Internal Audit Standards became effective from the 1st of April 2013 and were updated in March 2017. The Public Sector Internal Audit Standards replaced the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006. Conformance with the Standards, the Definition of Internal Auditing and Code of Ethics is mandatory.

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 the standards laid down in the Public Sector Internal Audit Standards Framework and 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 (QAIP).

1. Purpose, Authority and Responsibility (Standard 1000)

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 Public Sector 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 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 Public Sector Internal Audit Standards provide the following definitions for assurance and 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 examination of evidence for the purpose of providing an independent assessment on **governance, risk management and internal control** for the organisation. 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

  Advisory and related client service activities, 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** without the Internal Auditor assuming management responsibility. Examples include counsel, advice, facilitation and training. The nature of Consulting Services provided includes acting as a 'critical friend' on Project Boards. This work **will not normally result in an opinion** being provided. (These Services may also be provided to other parties and organisations).

  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 the Council's Anti-Fraud, Bribery and Corruption Policy.
The team will work in line with, and positively promote, each of the partner's Counter-Fraud Strategy & Framework, Anti-Fraud, 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.

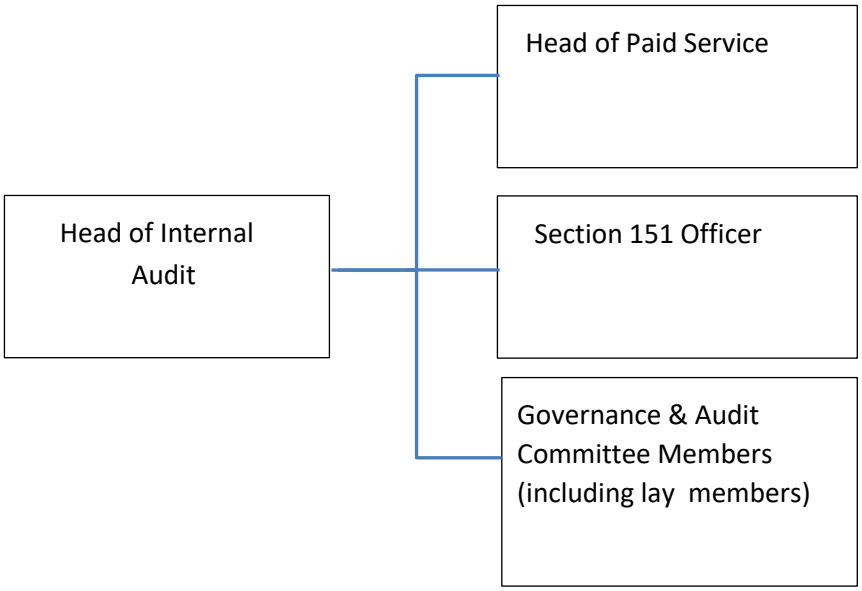
2. Independence and Objectivity (Standard 1100)

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 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 The 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[1] 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 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.

[1] Head of Internal Audit – denotes the Head of the Regional Internal Audit Service

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 Public Sector Internal Audit Standards (PSIAS) which the Chartered Institute of Public Finance and Accountancy (CIPFA) developed in collaboration with the Chartered Institute of Internal Auditors (CIIA) and which came into force on the 1st April 2013 and updated in March 2017.

2.14 Revised and updated Global Internal Audit Standards were issued in January 2024 which will become effective from January 2025. They will then replace the International Professional Practice Framework, the mandatory elements of which are the basis for the current UK public sector internal auditing standards (the PSIAS). The UK Public Sector Internal Auditing Standards Advisory Board

(IASAB) have been asked to carry out a review of the new standards with a view to identifying and producing any sector specific interpretations or other material needed to make them suitable for UK public sector use. The effective date for any new material developed by the IASAB will be 1 April 2025.

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 and 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 has adopted the CIIA's Code of Ethics 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 must also comply with their relevant bodies' ethical requirements.

2.17 Each member of the Team will receive a copy of the Code of Ethics (included at Annex 2) and sign up to an annual declaration to confirm that they will work in compliance with the Code of Ethics this, the GIAS as well as Councils standards and policies such as the Codes 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 Code of Ethics 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 (standard 1200)

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 PSIAS.

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 the Code of Ethics Doman 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 PSIAS. 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 (Standard 1300)

4.1 To enable the Head of Internal Audit to assess the RIAS's activities with conformance to the PSIAS 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 PSIAS this will be reported to the Governance & Audit Committee and the Regional Board with any significant deviations being detailed within the Annual Governance Statement. 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 PSIAS, 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 Client Satisfaction Surveys Post Audit Questionnaires and formally in the annual personal development review process.

External Assessment

4.10 In compliance with the PSIAS, 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 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 conforms.

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. The Code of Ethics applies to both parties and entities that provide internal audit services.
The purpose of the Code of Ethics 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 - Code of Ethics

Public sector requirement

Internal Auditors in UK public sector organisations (as set out in the Applicability Section) must conform to the Code of Ethics as set out below. If individual Internal Auditors have membership of another professional body then he or she must also comply with the relevant requirements of that body. The Code of Ethics promote an ethical and professional culture. It does not supersede or replace Internal Auditors' own professional bodies Code of Ethics or those of employing organisations.

The purpose of The Institute of Internal Auditor's Code of Ethics is to promote an ethical culture in the profession of Internal Auditing. A Code of Ethics is necessary and appropriate for the profession of Internal Auditing, founded as it is on the trust placed in its objective assurance about risk management, control and governance.

The Institute's Code of Ethics extends beyond the definition of Internal Auditing to include two essential components:

Components

1. Principles that are relevant to the profession and practice of Internal Auditing; and
2. Rules of Conduct that describe behaviour norms expected of Internal Auditors.

These rules are an aid to interpreting the Principles into practical applications and are intended to guide the ethical conduct of Internal Auditors.

The Code of Ethics provides guidance to Internal Auditors serving others. 'Internal Auditors' refers to Institute members and those who provide Internal Auditing services within the definition of Internal Auditing.

Applicability and Enforcement

This Code of Ethics applies to both individuals and entities that provide Internal Auditing services. For Institute members, breaches of the Code of Ethics will be evaluated and administered according to The Institute's Disciplinary Procedures. The fact that a particular conduct is not mentioned in the Rules of Conduct does not prevent it from being unacceptable or discreditable and therefore, the member liable to disciplinary action.

Public sector interpretation

The 'Institute' here refers to the Institute of Internal Auditors. Disciplinary procedures of other professional bodies and employing organisations may apply to breaches of this Code of Ethics.

1. Integrity

Principle

The integrity of Internal Auditors establishes trust and thus provides the basis for reliance on their judgement.

Rules of Conduct

Internal Auditors:

1.1 Shall perform their work with honesty, diligence and responsibility.

1.2 Shall observe the law and make disclosures expected by the law and the profession.

1.3 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.

1.4 Shall respect and contribute to the legitimate and ethical objectives of the organisation.

2. Objectivity

Principle

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.

Rules of Conduct

Internal Auditors:

2.1 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.

2.2 Shall not accept anything that may impair or be presumed to impair their professional judgement.

2.3 Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

3. Confidentiality

Principle

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.

Rules of Conduct

Internal Auditors:

3.1 Shall be prudent in the use and protection of information acquired in the course of their duties.

3.2 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.

4. Competency

Principle

Internal Auditors apply the knowledge, skills and experience needed in the performance of Internal Auditing services.

Rules of Conduct

Internal Auditors:

4.1 Shall engage only in those services for which they have the necessary knowledge, skills and experience.

4.2 Shall perform Internal Auditing services in accordance with the International Standards for the Professional Practice of Internal Auditing.

4.3 Shall continually improve their proficiency, effectiveness and quality of their services.

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 main 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).

In addition to the Code of Ethics, 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;

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;

Link:

Global Internal Audit Standards

Global Internal Audit Standards in the UK Public Sector | CIPFA

Governance of Internal Audit in Local Government | CIPFA