

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



**INTERNAL AUDIT CHARTER FOR BRIDGEND & VALE INTERNAL AUDIT  
SHARED SERVICE  
2015 - 2016**

The Internal Audit Shared Service Charter describes the purpose, authority and principal responsibilities of the Bridgend and Vale Internal Audit Shared Service. The Head of Audit is responsible for reviewing the charter and presenting it to the Audit Committee at least annually for review and approval.

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 – (Standards 1000 & 1010)**

- 1.1 Internal Audit is an assurance function that primarily provides an independent and objective opinion to management and Members on the control environment comprising risk management, internal control and governance 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.

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.

In addition, the other objectives of the function are to:

- Support the Corporate Director - Resources (BCBC) / Head of Finance (VOG) to discharge their s151 duties;

- Contribute to and support the Corporate Service Directorates with the objective of ensuring the provision of, and promoting the need for, sound financial systems; and;
  - Investigate allegations of fraud or irregularity to help safeguard public funds.
  - Support the work of the Audit Committee
- 1.2 These objectives will be delivered through maintaining a high quality Internal Audit Shared Service function that meets the needs of the Council, supporting the Section 151 Officer and the Audit Committee in discharging their responsibilities and meeting the requirements of the Public Sector Internal Audit Standards.
- 1.3 Internal Audit is a statutory service in the context of the Accounts and Audit (Wales) Regulations 2014, which states in respect of internal audit that:
- “A relevant body (i.e. Council) must maintain an adequate and effective system of internal audit of its accounting records and accounting control systems in accordance with the proper internal audit practices”.
- 1.4 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.
- 1.5 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 the Vale of Glamorgan Council, that officer is the Head of Finance and within Bridgend CBC it is the Corporate Director - Resources.

## **1.6 Scope and Authority**

- 1.7 The scope for Internal Audit work includes the control environment comprising risk management, control and governance.

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;
- Ensure the integrity and reliability of information, accounts and data, including internal and external reporting.

- 1.8 In accordance with the Accounts and Audit (Wales) Regulations 2014, all 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.
- 1.9 All Chief Officers of the Council are required to give complete co-operation to Internal Audit staff for the expedient fulfilment of the audit process. In addition, 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. This requirement should be explicit within contract documents.

## **2. Independence and Objectivity (Standards 1100, 1110, 1111, 1120 and 1130)**

- 2.1 Internal Audit is independent of the activities which it audits thereby providing an unbiased judgement to management. This is essential to its proper conduct and impartial advice to management.

To ensure this, Internal Audit operates within a framework that allows unrestricted access to senior management and Members, particularly the Leader of the Council, the Chair of the Audit Committee, the Managing Director (VOG) / Chief Executive (BCBC), Directors and Heads of Service, and maintains segregation from operations.

In addition the Head of Internal Audit reports in his/her own name.

- 2.2 Internal Audit is a shared service between the Vale of Glamorgan Council and Bridgend County Borough Council. The host authority for the delivery of the Internal Audit Shared Service (IASS) is the Vale of Glamorgan Council. The governance of the provision of the shared service shall be carried out by the IASS Board. This is a group made up of the Chief Financial Officer of each Authority or their nominated substitutes who shall be responsible for the strategic direction of the Service.
- 2.3 The activities of the IASS Board shall include but not be limited to:
- a. determining the strategic direction of IASS;
  - b. setting, monitoring and reviewing service standards;
  - c. determining the Authority Rate on the basis of reasonable information provided by the Head of Audit;

- d. providing general supervision of the provision of the Service;
- e. Resolving conflicts between competing interests amongst the authorities collectively and individually relating to IASS, the IASS Board and / or the Service;
- f. Endeavour to resolve any dispute between the respective Authorities;

2.4 Scrutiny remains the responsibility of each individual Authority and therefore the Audit Committee for each Authority will review the performance and effectiveness of audit activity, including that of the Internal Audit Shared Service.

## **2.5 Internal Audit Standards**

2.6 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) has developed in collaboration with the Chartered Institute of Internal Auditors (CIIA) and which came into force on the 1<sup>st</sup> April 2013.

2.7 The unified set of internal audit standards is based on the mandatory elements of the IIA’s International Professional Practices Framework. The standards have been adopted by both the Vale of Glamorgan Council and Bridgend CBC Audit Committees.

2.8 Internal Audit Staff will;

- Comply with relevant auditing standards;
- 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;
- 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. This is done 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 organisation or its Audit Partner).

2.9 The Internal Audit Shared Service (IASS) has adopted (as a minimum) the Chartered Institute of Internal Auditors (CIIA’s) Code of Ethics. Where members of the IASS 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.

- 2.10 Each member of the Team will receive a copy of the Code of Ethics and sign up to an annual declaration to confirm that they will work in compliance with the Code of Ethics 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.

### **3. Proficiency and Due Professional Care (Standards 1200, 1210, 1220, 1230 and 2030)**

- 3.1 Directors 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 a complete Internal Audit Shared Service to the Council which will include reviewing the systems of internal control operating throughout the 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 formal agreement by the IASS Board and formal ratification by the relevant Audit Committee;
  - 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 the Corporate Risk Register.

### **3.4 Resources and Proficiency**

- 3.5 For the Internal Audit Shared Service to fulfil their responsibilities, the service must be appropriately staffed in terms of numbers, professional qualifications, skills and experience. Resources must be effectively developed to achieve the approved risk based plan.
- 3.6 The Head of Internal Audit must hold a professional qualification (CIPFA, Association of Chartered Certified Accountants (ACCA) or equivalent) and be suitably experienced.
- 3.7 Each job role within the Internal Audit Shared Service structure will detail 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.

### **3.9 Due Professional Care**

- 3.10 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; and
- Cost of assurance in relation to potential benefits.
- Considering various data analysis techniques and being alert to significant risks that may affect the objectives.

### **3.11 Relationships**

#### 3.12 General

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:

- Members;
- The Managing Director (VOG) The Chief Executive (BCBC);
- Corporate Directors,
- Heads of Service
- 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, IT 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 place reliance on the work performed by Internal Audit when undertaking their final accounts audit.
- Various Government Agencies and Inspectorates.

**4. Quality Assurance and Improvement Programme (Standards 1300, 1310, 1311, 1312, 1320, 1321 and 1322)**

- 4.1 To enable the Head of Internal Audit to assess the Internal Audit Shared Service's activities with conformance to the PSIAS and to aid in the annual assessment of the Internal Audit Shared Service's efficiency and effectiveness and identify opportunities for improvement, a Quality Improvement and Management Programme (QIMP) has been developed.
- 4.2 The QIMP includes both internal and external assessments in accordance with the Standards.
- 4.3 Assessment against QIMP 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 Audit Committee and to the IASS Board.
- 4.4 Where there are instances of non-conformance to the PSIAS this will be reported to the Audit Committee and the IASS Board with any significant deviations being detailed within the Annual Governance Statement.
- 4.5 Internal Assessment**
- 4.6 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. Where staff are members of bodies such as CIPFA and/or CIIA further guidance is available.
- 4.7 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.
- 4.8 Targets are set for individual auditors (such as completion of an audit within a set number of days) as well as for the team (i.e. 90.5% of all audits completed within planned time). Audit targets and performance indicators will be agreed with the IASS Board and reported to the relevant Audit Committee.
- 4.9 In addition to the QIMP, progress made against the annual audit plan and any emerging issues (i.e. fraud risks or governance issues) are reported regularly to the relevant Audit Committee.
- 4.10 Ongoing assessment of individuals is carried out through regular on-going reviews, one to one meetings, feedback from clients via the

Client Satisfaction Surveys and formally in the annual personal development review process.

#### **4.11 External Assessment**

- 4.12 In compliance with the PSIAS, external assessment will be carried out at least once every five years by a qualified, independent assessor or assessment team from outside of the Internal Audit Shared Services organisations. The preferred option would be through self-assessment, with an independent validation from a peer review (organised through the Welsh Chief Internal Auditors Group) providing there is no conflict of interest and impairment to objectivity in this arrangement. This arrangement together with the scope will be agreed by the IASS Board and the relevant Audit Committees.