



INTERNAL AUDIT CHARTER FOR BRIDGEND & VALE INTERNAL AUDIT SHARED SERVICE 2016 - 2017

The Internal Audit Charter describes the purpose, authority and principal responsibilities of the Bridgend and Vale Internal Audit Shared Service (IASS) and how it will fulfil the role and responsibilities.

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.

The Public Sector Internal Audit Standards (PSIAS) were developed in collaboration between the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (CIIA). The unified set of standards is based on the mandatory elements of the IIA's International Professional Practices Framework (IPPF). They came into force on the 1st April 2013.

In accordance with the requirements of the PSIAS the Head of Audit is the appointed Chief Audit Executive (CAE) and is responsible for reviewing the Charter and presenting it to the Audit Committee, who assume the responsibility of the board, at least annually for review and approval.

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 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 Head of Finance for Vale of Glamorgan (VOG) and Chief Executive for Bridgend County Borough Council (BCBC), or their nominated substitutes who shall be responsible for the strategic direction of the Service.

1. Purpose, Authority and Responsibility – Standard 1000

Definition

- 1.1 The Chartered Institute of Internal Auditors (CIIA) define internal auditing as “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 issues”.

Purpose

1.2 Internal Audit is a statutory service in the context of the Accounts and Audit Regulations (Wales) 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”.

1.3 Through its work Internal Audit will provide an independent and objective opinion to management and Members on the control environment comprising risk management, internal control and governance by evaluating the effectiveness in achieving the organisation’s objectives and ensuring the proper, economic, efficient and effective use of resources.

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 The IASS will also:

- Support the Head of Finance in both BCBC and VOG to discharge their Section 151 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 relevant Audit Committees (the board) who are responsible for Internal Audit activities as part of their oversight role.

1.6 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 PSIAS.

Authority

1.7 In accordance with the Accounts and Audit (Wales) Regulations 2014 (as amended from time to time), 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. This will be undertaken with strict accountability for confidentiality and safeguarding of records and information.

- 1.8 All Chief Officers of the Council and their staff 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.
- 1.9 The Internal Audit service will have free and unrestricted access to the board and other Members of the Authorities.

Responsibility

- 1.10 The scope for Internal Audit work encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of BCBC's and VOG's control environment comprising risk management, internal control and governance in relation to the Council's defined goals and objectives.
- 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;
 - Ensure the integrity and reliability of information, accounts and data, including internal and external reporting.
- 1.12 Internal Audit may also participate in consulting services related to governance, risk management and control. It is deemed that the Bridgend and Vale Internal Audit Shared Services do not undertake a consultancy type role at the current time. On an ad-hoc basis, advice and guidance is provided as requested. This will be of a minimal nature and will not jeopardise the independence of the IASS.
- 1.13 Both BCBC and VOG have Anti-Fraud and Anti-Bribery policies in place. Those policies refer to the services that can be sought by the Council from Internal Audit, should instances of suspected / detected fraud, corruption or impropriety take place.
- 1.14 Based on its activities, Internal Audit will report all significant risk exposures and control issues identified to the board and senior management.

2. Independence and Objectivity – Standard 1100

Independence

- 2.1 Internal Audit is independent of the activities which it audits including matters of audit selection, scope, frequency, timing and report contents, thereby providing an unbiased judgement to management. This is essential to its proper conduct and impartial advice to management.
- 2.2 Internal Audit has no direct operational responsibility or authority over any of the activities audited. It does not implement controls, develop procedures, install systems or prepare records.
- 2.3 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.
- 2.4 The Head of Internal Audit will:
 - Reports in his/her own name;
 - Report functionally to the Audit Committee and administratively to Head of Finance VOG;
 - Communicate and interact directly with Audit Committee during scheduled meetings and between meetings as appropriate;
 - Confirm to the board, at least annually, the organisational independence of the internal audit activity.

Objectivity

- 2.5 Internal Auditors must exhibit the highest levels of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Internal Auditors must make a balanced assessment of the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.
- 2.6 The IASS has adopted (as a minimum), the 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.
- 2.7 Each member of the IASS will receive a copy of the Code of Ethics and sign 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. It is critical that all Auditors maintain high standards of integrity, independence, objectivity, confidentiality and competence.

- 2.8 To support the requirement for Internal Auditors to be independent and impartial, on an annual basis all staff are required to complete a declaration of any real or perceived conflicts of interest. This is done as part of the annual appraisal process, though management's attention should be brought to new conflicts as they arise during the year. 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).

3. Proficiency and Due Professional Care – Standard 1200

Proficiency and Resources

- 3.1 The Head of Internal Audit must hold a professional qualification (CIPFA, Association of Chartered Certified Accountants (ACCA) or equivalent) and be suitably experienced.
- 3.2 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.
- 3.3 All Auditors are also required to maintain a record of their continual professional development in line with their professional body.
- 3.4 For the IASS to fulfil its responsibilities, the service must be appropriately staffed in terms of numbers, professional qualifications, skills and experience. Resources will be assessed and must be effectively developed to achieve the approved risk based plan.

Due Professional Care

- 3.5 The Head of Internal Audit is required to manage the provision of a complete IASS 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.
- 3.6 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.
- 3.7 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.

3.8 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.

3.9 Internal – our main contacts are with:

- Members - including but not exclusively the Audit Committee (the board);
- The Managing Director (VOG) and The Chief Executive (BCBC);
- IASS Board -The Chief Executive (BCBC) and Head of Finance (VOG);
- Corporate Directors – including Corporate Management Team / Board in their capacity as senior managers;
- 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.

3.10 External – Our main contacts are with:

- The Council's External Auditors – with whom Internal Audit work's 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 financial accounts audit.
- Various Government Agencies and Inspectorates who may require Internal Audit to provide assurance for them. Alternatively an external assurance provider who's work Internal Audit may place reliance on.

4. Quality Assurance and Improvement Programme – Standard 1300

4.1 To enable the Head of Internal Audit to assess the IASS's activities conformance with the Definition of Internal Auditing and the PSIAS and to evaluate whether internal auditors apply the Code of Ethics, a Quality Assurance and Improvement Programme (QAIP) has been developed. The programme will also assess the IASS's efficiency and effectiveness and identify opportunities for improvement.

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 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.

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. 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 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.
- 4.8 Targets are set for individual auditors (such as completion of an audit within a set number of days) as well as for the team (e.g. percentage 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 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 Audit Committee.
- 4.10 A periodic self-assessment on Internal Audit's activity as regards to its consistency with this charter, the PSIAS and the annual audit plan is undertaken.

External Assessment

- 4.11 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 of the Audit Committee's is through the procurement of an external organisation to perform the work. The detailed scope of work will be agreed by the IASS Board and the relevant Audit Committees. It is anticipated that an external assessment will be undertaken during the Financial Year 2016/2017.