

Committee: **Governance and Audit Committee**
Date of meeting: **20th September 2023**
Report Subject: **Internal Audit Charter**
Portfolio Holder: **Cllr Steve Thomas - Leader, Cabinet Member
Corporate Overview and Performance**
Report Submitted by: **Louise Rosser – Audit and Risk Manager**

| Reporting Pathway | | | | | | | | |
|-----------------------------|---------------------------|--------------------------|----------------------------|-------------------------------|--------------------|---------|---------|----------------------|
| Directorate Management Team | Corporate Leadership Team | Portfolio Holder / Chair | Governance Audit Committee | Democratic Services Committee | Scrutiny Committee | Cabinet | Council | Other (please state) |
| | 06.09.23 | 09.09.23 | 20.09.23 | | | | | |

1. Purpose of the Report

- 1.1 The purpose of this report is to present the Governance and Audit Committee with the Internal Audit Charter for 2023/24 (Appendix A) for consideration and agreement.

2. Scope and Background

- 2.1 The Public Sector Internal Audit Standards (PSIAS) require the Authority to have an Internal Audit Charter that sets out the purpose, authority and responsibility of the service.

- 2.2 The Charter is to contain a number of elements to include:

- The mandatory nature of the definition of a number of terms.
- The responsibilities and objectives of Internal Audit.
- To require and enable the Audit and Risk Manager to deliver an annual opinion.
- To explain how Internal Audit 's resource requirements will be assessed.
- To define the role of Internal Audit in any fraud related or consultancy work.
- To explain the arrangements in place for avoiding conflicts of interest.
- The organisational independence of Internal Audit.
- The accountability, reporting lines and relationships between the Audit and Risk Manager and (i) those charged with Governance (ii) those to whom the Audit and Risk Manager may report.
- Establishing Internal Audit's right of access to all records, assets, personnel and premises, including those of partner organisations, and explanations as it considers necessary to fulfil its responsibilities.

- 2.3 The Charter must be periodically reviewed by both Corporate Leadership Team (CLT) and the Governance and Audit Committee. This is undertaken on an annual basis.

2.4 The service has undergone an External Quality Assessment since the last review of the Internal Audit Charter. A number of suggested amendments to the charter were proposed under this assessment and they have been included in the charter as part of this review. These amendments are:

- Defining Internal Audit's role in fraud work (section 2.4 Fraud, Corruption and Bribery)
- Specifying that Internal Audit should be informed of all fraud, misappropriation etc. (section 2.4 Fraud, Corruption and Bribery)
- Making reference to the Audit and Risk Managers unfettered access to the Chief Executive Officer. (section 3.1 Independence and Objectivity)

In addition, the Mission of Internal Audit and the Core Principles for the Professional Practice of Internal Auditing have been added at Annex 1 for information.

3. **Options for Recommendation**

3.1 The Committee consider the attached Internal Audit Charter and:

Option 1 (preferred option)

Approve the Internal Audit Charter in line with good practice and the requirements of the PSIAS.

Option 2

Suggest amendments to the Charter and then approve it

Option 3

Do not approve the revised Charter

4. **Evidence of how this topic supports the achievement of the Corporate Plan / Statutory Responsibilities / Blaenau Gwent Well-being Plan**

4.1 The Local Government Act (1972) and the Accounts and Audit Regulations (Wales) 2014 require the Council to maintain an effective Internal Audit Service in accordance with proper internal audit practices. The Authority's Internal Audit Service has adopted the PSIAS for this purpose.

5. **Implications Against Each Option**

5.1 ***Impact on Budget (short and long term impact)***

There are no direct financial implications arising from the production of the Internal Audit Charter.

5.2 ***Risk including Mitigating Actions***

Options 1 and 2 comply with the requirements of the PSIAS. Option 3, failure to review and approve the Internal Audit Charter would need to be reported in the Annual Report of the Audit and Risk Manager as a non-compliance with the PSIAS and, if deemed appropriate, included in the Annual Governance Statement. This could in turn result in increased activity by the external auditor and a resultant increase in audit fees.

- 5.3 **Legal**
Provision of an adequate audit service contributes to the Section 151 Officer being able to fulfil her statutory duties under the Local Government Act (1972).
- 5.4 **Human Resources**
There are no direct staffing implications arising from the revision of the Internal Audit Charter.
- 5.5 **Health and Safety**
There are no direct health and safety implications arising from this report.
6. **Supporting Evidence**
- 6.1 **Performance Information and Data**
The Internal Audit Charter is updated on an annual basis. The last revision was in July 2022.
- 6.2 **Expected outcome for the public**
An effective Internal Audit Service and Governance & Audit Committee will assist with the stewardship of public money providing assurance to the communities of Blaenau Gwent on the robustness of the Authority's internal controls.
- 6.3 **Involvement (consultation, engagement, participation)**
The Governance & Audit Committee are consulted on the compilation of the Internal Audit Charter and its annual review.
- 6.4 **Thinking for the Long term (forward planning)**
The work of Internal Audit is intended to provide advice and guidance on the system improvements resulting in an improved control environment for the future of the Authority.
- 6.5 **Preventative focus**
The provision of an effective Internal Audit Service, as set out in the Internal Audit Charter, demonstrates the Authority's intent to consider the adequacy of its control environment including the identification and prevention of fraud.
- 6.6 **Collaboration / partnership working**
The work of Internal Audit includes placing reliance on audits led by other local authorities and cross departmental reviews.
- 6.7 **Integration (across service areas)**
The work of Internal Audit is intended to provide assurance on the whole of the Authority's control environment.
- 6.8 **Decarbonisation and Reducing Carbon Emissions**
There are no direct implications arising from the production of the Internal Audit Charter.

6.9 ***Integrated Impact Assessment (IIA)***

Not applicable.

7. **Monitoring Arrangements**

7.1 The Internal Audit Charter is reviewed on an annual basis.

Background Documents /Electronic Links

- Appendix A – Internal Audit Charter