

Committee: **Audit Committee**

Date of meeting: **29<sup>th</sup> September 2020**

Report Subject: **Internal Audit Charter**

Portfolio Holder: **Cllr Nigel Daniels, Leader / Executive Member  
Corporate Services**

Report Submitted by: **Rhian Hayden - Chief Officer Resources  
Louise Rosser – Audit & Risk Manager**

Reporting Pathway								
Directorate Management Team	Corporate Leadership Team	Portfolio Holder / Chair	Audit Committee	Democratic Services Committee	Scrutiny Committee	Executive Committee	Council	Other (please state)
Virtual	10.09.2020		29.09.20					

## 1. Purpose of the Report

The purpose of this report is to provide the Audit Committee with the revised Internal Audit Charter for 2020/21 (Appendix A).

## 2. Scope and Background

### 2.1 The report provides the basis for production of the Internal Audit Charter, incorporating amendments to reflect changes since the last update.

The Public Sector Internal Audit Standards require the Authority to have an Internal Audit Charter that sets out the service's purpose, authority and responsibility.

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

- The mandatory nature of the definitions of a number of terms;
- The responsibilities and objectives of Internal Audit;
- To require and enable the Audit & 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 & Risk Manager and (i) those charged with Governance (ii) those to whom the Audit & 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.

The Charter must be periodically reviewed by both the Corporate Leadership Team and the Audit Committee. This is undertaken on an annual basis.

### **3. Options for Recommendation**

3.1 The Committee consider the attached Internal Audit Charter.

The Committee consider the following options:

#### **3.2 Option 1**

Approve the Audit Charter in line with good practice and the requirements of the Public Sector Internal Audit Standards (PSIAS).

#### **3.3 Option 2**

Suggest amendments to the Audit Charter and subsequently approve it.

#### **3.4 Option 3**

Do not approve the Audit Charter.

### **4. Evidence of how does 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 Public Sector Internal Audit Standards (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 production of the Internal Audit Charter.

#### **5.2 Risk including Mitigating Actions**

Options 1 and 2 will comply with the requirements of the PSIAS.

Option 3, failure to review and approve the Charter would need to be reported in the Audit & Risk Managers Annual Report 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, demonstrated in part through the production of a suitable audit plan, 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.

## 6. **Supporting Evidence**

6.1 Performance Information and Data  
The Internal Audit Charter is updated on an annual basis. The Charter was last reviewed in September 2019.

6.2 Expected outcome for the public  
An effective Internal Audit Service and 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 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 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 aims to provide assurance on the whole of the Authority's control environment.

6.8 EqIA (screening and identifying if full impact assessment is needed)  
The production of the Internal Audit Charter has a neutral impact against people or groups from the nine protected characteristics.

## 7. **Monitoring Arrangements**

7.1 Progress reports are provided to the Audit Committee throughout the year.

### **Background Documents /Electronic Links**

- *Appendix A – Internal Audit Charter*