

# **Internal Audit Charter For Blaenau Gwent County Borough Council**

## **2021-2022**

### **1. Introduction**

1.1. The Internal Audit Charter describes the purpose, authority and principal responsibilities of Blaenau Gwent Internal Audit Section. The Audit & Risk Manager is responsible for reviewing the Charter and presenting it to both Corporate Leadership Team and to the Governance & Audit Committee annually for review and approval.

1.2. The Charter is produced in compliance with the Public Sector Internal Auditing Standards (PSIAS). The standards refer to the following terms and require that they are defined for the purpose of the Audit Charter. Listed below are the three terms referred to in the standards, along with the officer / body that undertakes the role on behalf of Blaenau Gwent.

- *Chief Audit Executive* – The Audit & Risk Manager
- *The Board* – Governance & Audit Committee
- *Senior Management* – Corporate Leadership Team

1.3. The Charter is split into the following sections;

- Purpose, authority and responsibilities;
- Independence and objectivity;
- Proficiency and due professional care;
- Quality assurance and improvement programme.

### **2. Purpose, Authority and Responsibility (PSIAS 1000 & 1010)**

#### **2.1. Purpose (Definition of Internal Auditing)**

2.1.1. The Public Sector Internal Auditing Standards define Internal Audit as follows:

*“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”.*

## 2.2. **Objectives**

2.2.1 The objectives of the Internal Audit Service are set out as follows:

- To assist the Chief Officer Resources in discharging her statutory duties under Section 151 of the Local Government Act 1972 and subsequent legislation.
- To provide the Council and its Departments with an adequate and effective system of Internal Audit of all accounting records and control systems.
- To assist the Council in achieving its aims in relation to Corporate Governance.
- To support the Council in its search for savings and achievement of Value for Money.
- To help the Council to achieve its service goals by minimising the risks of loss from error, fraud, waste or extravagance.
- To support the work of the Governance & Audit Committee.

2.2.2. These objectives will be delivered through maintaining a high quality Internal Audit function that meets the needs of the Council, supporting the Section 151 Officer and the Governance & Audit Committee in discharging their responsibilities and meeting the requirements of the PSIAS.

2.2.3. Internal Audit is a statutory service in the context of the Accounts and Audit Regulations (Wales) 2014, which states in respect of internal audit:

*“A relevant body (i.e. the Council) must maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control.”*

2.2.4. Section 151 of the Local Government Finance Act 1972 requires every local authority to designate an officer responsible for the proper administration of its financial affairs. In Blaenau Gwent Council this is the Chief Officer Resources.

### 2.3. **Scope and Authority**

2.3.1. The scope for Internal Audit is to review, appraise and report on the adequacy of the internal controls across the whole organisation's control environment as a contribution to the proper, economic, efficient and effective use of resources. This includes delivering the objectives identified in section 2.2 of this charter by providing the Council and its departments with an adequate and effective system of Internal Audit of all accounting records and control systems.

2.3.2. In accordance with the Accounts and Audit Regulations (Wales) 2014, all Internal Audit staff should have unrestricted access to all Council activities and records (including manual and computerised systems), personnel, cash, stores, other assets and premises. Internal Audit has the authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities. This is provided for in the Authority's Financial Procedure Rules.

2.3.3. All Officers within the council are required to give complete co-operation to Internal Audit for the expected fulfilment of the audit process. Internal Audit is located within the Corporate Services Department, reporting to the Chief Officer Resources and where necessary to the Managing Director. The Executive Member for Corporate Services is the Leader of the Council.

### 3. **Independence and Objectivity (PSIAS 1100, 1110, 1111, 1120 and 1130)**

3.1. To be effective, Internal Audit must be independent and be seen to be independent. To ensure this, Internal Audit will operate within a framework that allows:

- Unrestricted access to Senior Management, Head of Paid Service and the Chair of the Governance & Audit Committee
- Reporting in its own name
- Segregation from line operations

- 3.2. Every effort will be made to preserve objectivity by controlling the involvement of audit staff in non-audit duties in order to avoid potential conflicts of interest, specific exceptions are however acceptable in respect of ad hoc fraud investigations, encouragement and development of improved internal control systems, and participation in service improvement projects. Specifically, appropriate arrangements have been put in place for the line management of the Risk Management and Insurance Service. Audit output relating to this service area will not be directed by the Audit & Risk Manager. Reports will be signed off by the Chief Officer Resources.
- 3.3. Internal Audit will report on a regular and routine basis to the Governance & Audit Committee. Such reports will include both the operational and strategic Audit Plans and progress against them, together with the Annual Report of the Audit & Risk Manager and summaries of significant audit findings, activity and developing issues during the year.
- 3.4. The ultimate management of Blaenau Gwent rests with the Council. A number of formal reports such as the Annual Statement of Accounts and the Annual Governance Statement have been delegated to the Governance & Audit Committee. Where necessary, the Audit & Risk Manager may report directly to Council, but special reports may be submitted as appropriate to the Executive, the Governance & Audit Committee, a Scrutiny Committee, or the Corporate Leadership Team.

#### **4. Internal Audit Standards**

- 4.1. There is a statutory requirement for Internal Audit to work in accordance with the defined audit practices. These are set out in the PSIAS which the Chartered Institute of Public Finance and Accountancy (CIPFA) have developed in collaboration with the Chartered Institute of Internal Auditors (CIIA). These standards have been in force since the 1<sup>st</sup> April 2013, and refreshed in April 2017 to incorporate the Mission of Internal Audit and Core Principles for the Professional Practice of Internal Auditing.
- 4.2. Blaenau Gwent's Internal Audit staff will;

- Comply with relevant auditing standards;
  - Comply with and promote compliance throughout the Council with all the applicable 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, and are seen to be impartial. All Internal Audit Staff are required to complete an annual declaration of interest, in line with their professional ethics. The Audit & Risk Manager is responsible for ensuring that audit staff are not assigned to operational areas or investigations that could compromise their independence.
- 4.3. Internal Audit has adopted (as a minimum) the Chartered Institute of Internal Auditors (CIIA's) Code of Ethics. Where staff have attained membership with other professional bodies such as: CIPFA, ACCA, those officers must also comply with their relevant bodies ethical requirements.
- 4.4. Each member of the Internal Audit Section receives a copy of the Code of Ethics and signs up to an annual declaration to confirm that they will work in compliance with the Code of Ethics as well as the Councils standards and policies such as the Code 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.
- 5. Proficiency and Due Professional Care (PSIAS 1200, 1210, 1220, 1230 and 2030)**
- 5.1. Directors, Heads of Services, Chief Officers and Managers are responsible for ensuring that internal control arrangements are sufficient to address the risks facing their service.
- 5.2. The Audit & Risk Manager is required to manage the provision of a complete Internal Audit Service which will include reviewing the systems of internal control operating throughout the council, and will adopt a combination of system based, risk based and regularity audit.

5.3. In discharge of the duty, the Audit & Risk Manager will:

- Prepare an annual strategic risk based audit plan for formal ratification by the Governance & Audit Committee.
- The Annual Audit Plan will be flexible and may be revised to reflect changing services and risk assessments.

## **6. Resources and Proficiency**

6.1. The staffing structure of the Internal Audit Section will combine professional experience and specialisms, with a mix of qualified and technician posts to reflect the varied functions of the section. The Internal Audit Service is regularly reviewed to ensure remains fit for purpose and continues to align to both professional practices and the Authority's priorities.

6.2. Staff resources will be kept under review by the Audit & Risk Manager, and the Chief Officer Resources in line with the requirements of the current workload.

6.3. The Internal Audit Section will devise and support a training plan to promote the development of experience and/or professional competence for all levels of staff in accordance with the business requirements of the section.

6.4. The Audit & Risk Manager must hold a professional qualification (Consultative Committee of Accountancy Bodies (CCAB) or equivalent) and be suitably experienced. The Audit & Risk Manager is a Fellow of the Association of Chartered Certified Accountants (FCCA).

6.5. Each job role within the Internal Audit Service will detail the prerequisite skills and competencies required for that role, outlining the professional proficiency and responsibilities of individual auditors.

6.6. Auditors are also required to maintain a record of their continual professional development (CPD) in line with both the PSIAS and their professional bodies.

## **7. Due Professional Care**

7.1. 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 errors, fraud, or non-compliance; and
- Cost of assurance in relation to potential benefits.

## **8. Quality Assurance and Improvement Programme (PSIAS 1300, 1310, 1311, 1312, 1320, 1321 and 1322)**

8.1. To enable the Audit & Risk Manager to assess the Internal Audit Service with regard to the conformance with PSIAS and to aid in the annual assessment of the Internal Audit Service's efficiency and effectiveness and identify opportunities for improvement, a Quality Assurance and Improvement Programme must be developed.

8.2. The Quality Assurance and Improvement Programme will include both internal and external assessments in accordance with the Public Sector Internal Audit Standards.

8.3. Where there are instances of non-conformance to the Public Sector Internal Audit Standards this will be reported to the Governance & Audit Committee and if required detailed within the Annual Governance Statement.

### **8.4. Internal Assessment**

8.4.1. 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 Auditors are members of bodies such as CIPFA, ACCA and CIIA, further guidance is available.

- 8.4.2. To maintain quality, audits are allocated to staff with appropriate skills, competence and experience. All levels of staff are supervised; audits are monitored for progress, assessed for quality and to allow for coaching, mentoring and training.
- 8.4.3. Targets are set for individual Auditors, (such as the completion of an allocated audit within a set number of days). Audit targets and performance indicators are reported to the Governance & Audit Committee in line with the committee cycle.
- 8.4.4. In addition, progress made against the audit plan and any emerging issues (i.e. fraud or governance risks) are reported regularly to the Governance & Audit Committee.
- 8.4.5. Ongoing assessments of Auditors are carried out through regular one to one meetings, feedback from clients via quality control interviews and during the annual performance appraisal.

#### 8.5. **External Assessment**

- 8.5.1 In compliance with the PSIAS, external assessments will be carried out at least once every five years, by a qualified, independent assessor or assessment team from outside the organisation.
- 8.5.2. An External Quality Assessment was undertaken during 2016/17 as a self-assessment with peer review in conjunction with a number of other Welsh local authorities. The assessment found the Internal Audit Service to conform to the PSIAS. The next External Quality Assessment is due during 2021/2022.