

Meeting of:	<b>Audit Committee</b>
Date of Meeting:	<b>Thursday, 24 September 2020</b>
Relevant Scrutiny Committee:	Corporate Performance and Resources
Report Title:	Regional Internal Audit Shared Service Charter 2020/21
Purpose of Report:	To present to Members the Regional Internal Audit Shared Service Charter for 2020/21.
Report Owner:	Head of the Regional Internal Audit Service
Responsible Officer:	Head of the Regional Internal Audit Service
Elected Member and Officer Consultation:	No Elected Members have been consulted. Legal Services and Head of Finance.
Policy Framework:	The proposals in this report are in accordance with the policy framework and budget.
<p>Executive Summary:</p> <ul style="list-style-type: none"> <li>• The Regional Internal Audit Shared Service (RIASS) Charter defines the purpose, authority and responsibilities of the Regional Internal Audit Shared Service across Bridgend, Merthyr Tydfil, Rhondda Cynon Taf and the Vale of Glamorgan Councils.</li> <li>• This is the first time a consistent Charter for the four Councils has been proposed and is consistent with the objectives of the Regional Shared Service, that is, to eliminate duplication and apply best practice.</li> <li>• The Head of Internal Audit is responsible for reviewing the charter and presenting it to each Council's Audit Committee annually for review and approval in line with the Public Sector Internal Audit Standards (PSIAS).</li> <li>• The roles of the Audit Committee in relation to internal audit are to: <ul style="list-style-type: none"> <li>○ Oversee its independence, objectivity, performance and professionalism;</li> <li>○ Support the effectiveness of the internal audit process and;</li> <li>○ Promote the effective use of internal audit within the assurance framework</li> </ul> </li> <li>• One of the key roles which demonstrate the Audit Committee's oversight is the approval of the Internal Audit Charter.</li> </ul>	

## **Recommendation**

1. That Members consider and approve the Regional Internal Audit Shared Service Charter for 2020/21 as attached as Appendix A to this report.

## **Reason for Recommendation**

- 1.1 To keep the Audit Committee informed, and to ensure compliance with the Public Sector Internal Audit Standards (PSIAS).

## **1. Background**

- 1.1 The Internal Audit Charter is a formal document that defines the purpose, authority and responsibility of Internal Audit activities. The Internal Audit Charter establishes Internal Audit's position within the organisation; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of Internal Audit activities.
- 1.2 The purpose of this Regional Internal Audit Shared Service (RIASS) Charter is to define the purpose, authority and responsibilities of the Regional Internal Audit Shared Service across Bridgend, Merthyr Tydfil, Rhondda Cynon Taf and the Vale of Glamorgan Councils. This is the first time a consistent Charter for the four Councils has been proposed and is consistent with the objectives of the Regional Shared Service, that is, to eliminate duplication and apply best practice
- 1.3 The Charter establishes the position of internal audit activity within each Council along with reporting lines, authorising access to records, personnel and physical property relevant to the performance of audit work and defines the scope of internal audit activities.
- 1.4 The Head of Internal Audit is responsible for reviewing the charter and presenting it to each Council's Audit Committee annually for review and approval in line with the Public Sector Internal Audit Standards (PSIAS).
- 1.5 The PSIAS are applicable to all areas of the United Kingdom public sector and are based on the Chartered Institute of Internal Auditor's (CIIA's) International Professional Practices Framework.
- 1.6 The Regional Internal Audit Shared Service is committed to meeting the standards laid down in the Public Sector Internal Audit Standards Framework and any significant deviations from the Standards will be reported to the Audit Committee.
- 1.7 The Charter is split into the following sections:
  - Purpose, Authority and Responsibility;
  - Independence and objectivity;
  - Proficiency and due professional care;
  - Quality assurance and improvement program;

- 1.8** The Charter also has two annexes containing a Glossary of Terms and the Code of Ethics.
- 1.9** The roles of the Audit Committee in relation to internal audit are to:  
Oversee its independence, objectivity, performance and professionalism;  
Support the effectiveness of the internal audit process and;  
Promote the effective use of internal audit within the assurance framework
- 1.10** One of the key roles which demonstrate the Audit Committee's oversight is the approval of the Internal Audit Charter.

## **2. Key Issues for Consideration**

- 2.1** The PSIAS requires the Head of Internal Audit to review the charter periodically but final approval resides with the Audit Committee.
- 2.2** The Regional Internal Audit Shared Service Charter for 2020/21 is attached at Appendix A. It has been reviewed and updated to ensure it continues to reflect the requirements of the PSIAS and is applicable to all four Councils involved in the Shared Service.

## **3. How do proposals evidence the Five Ways of Working and contribute to our Well-being Objectives?**

If the Public Sector Internal Audit Standards are not met, the provision of an adequate and effective Internal Audit function is put at risk. The work of Internal Audit which in turn will compromise the work of the Audit Committee which could become disjointed. This could undermine the positive contribution that both Internal Audit and the Audit Committee makes to both short and long term service improvement and the Council's Well-Being Objectives.

## **4. Resources and Legal Considerations**

### **Financial**

- 4.1** There are no resource implications as a direct consequence of this report.

### **Employment**

- 4.2** None as a direct consequence of this report.

### **Legal (Including Equalities)**

- 4.3** The provision of an adequate and effective Internal Audit function is a legal requirement under the Accounts and Audit (Wales) Regulations 2014 as

amended from time to time. There are no equalities implications as a direct consequence of this report.

## **5. Background Papers**

None

# DRAFT

## Internal Audit Charter 2020/21

### Bridgend County Borough Council



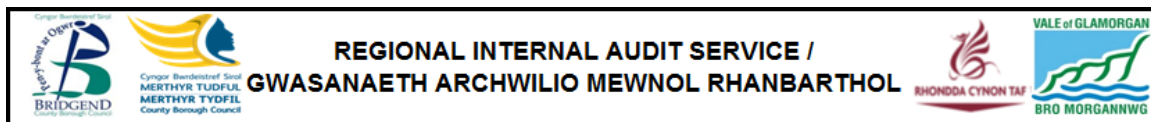
### Merthyr Tydfil County Borough Council



### Rhondda Cynon Taf County Borough Council



### Vale of Glamorgan Council



## **Review and Approval of the Internal Audit Charter**

This Internal Audit Charter defines the purpose, authority and responsibility of the Internal Audit Service.

The Internal Audit Charter is defined within the Public Sector Internal Audit Standards as follows:

The Internal Audit Charter is a formal document that defines the purpose, authority and responsibility of Internal Audit activities. The Internal Audit Charter establishes Internal Audit's position within the organisation; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of Internal Audit activities.

A professional, independent and objective Internal Audit Service is one of the key elements of good governance, as recognised throughout the UK Public Sector.

The purpose of this Regional Internal Audit Shared Service Charter is to define the purpose, authority and responsibilities of the Regional Internal Audit Shared Service (RIASS) across Bridgend, Merthyr Tydfil, Rhondda Cynon Taf and the Vale of Glamorgan Councils.

The Charter establishes the position of internal audit activity within each Council along with reporting lines, authorising access to records, personnel and physical property relevant to the performance of audit work and defines the scope of internal audit activities.

The Head of Internal Audit is responsible for reviewing the charter and presenting it to each Council's Audit Committee annually for review and approval.

The Public Sector Internal Audit Standards sets out the Mission of Internal Audit (what internal audit aspires to accomplish within an organisation) and the definition of Internal Auditing.

## Mission of Internal Audit

To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

## Definition of Internal Auditing

Internal auditing is 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.

- A. In each of the four Councils, the role of the Board, as defined within the Public Sector Internal Audit Standards, will be the responsibility of each Council's Audit Committee and any reference made throughout this document relating to Audit Committee assumes the responsibilities of the Board as defined and referred to within the Standards.
- B. The Public Sector Internal Audit Standards require that the internal audit charter defines the terms Board, Chief Audit Executive and Senior Management in relation to the work of internal audit. For the purposes of internal audit work the roles are defined as follows:
  - Board – The internal audit activity is established and defined by the Board, (hereafter referred to as the Audit Committee) which has responsibility for overseeing the work of Internal Audit.
  - Chief Audit Executive – The role of the Chief Audit Executive is undertaken by the Head of the Audit Service.
  - Senior Management – Senior Management is defined as those officers designated as Chief Officers as set out in each Council's Constitution.

C. The Public Sector Internal Audit Standards became effective from the 1st of April 2013 and were updated in March 2017. The Public Sector Internal Audit Standards replaced the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006. Conformance with the Standards, the Definition of Internal Auditing and Code of Ethics is mandatory.

The RIASS is committed to meeting the standards laid down in the Public Sector Internal Audit Standards Framework and any significant deviations from the Standards will be reported to the Audit Committee.

D. 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 (Standard 1000)**

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 Council's objectives.

1.2 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.

1.3 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.

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

- Support the Chief Finance Officer in each Council to discharge their Section 151 duties;
- Contribute to and support the organisation with the objective of ensuring the provision of, and promoting the need for, sound financial systems;
- Investigate allegations of fraud or irregularity to help safeguard public funds in consultation with relevant Council Services;
- Support the work of the relevant Audit Committees; and
- Provide an annual audit opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.

1.5 These objectives will be delivered through maintaining a high quality RIASS function that meets the needs of each Council, supporting the relevant Section 151



Officers and the Audit Committees in discharging their responsibilities and meeting the requirements of the Public Sector Internal Audit Standards.

- 1.6 Internal Audit is a statutory service. Part 3 of The Accounts and Audit (Wales) Regulations 2018 concerns financial management and internal control. Regulation 5 (responsibility for internal control and financial management) of Part 3 directs that:

*'The relevant body must ensure that there is a sound system of internal control which facilitates the effective exercise of that body's functions and which includes:*

- (a) Arrangements for the management of risk, and*
- (b) Adequate and effective financial management.'*

- 1.7 Regulation 7 (Internal Audit) of Part 3 directs that:

*'A relevant body must maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control.'*

- 1.8 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.

- 1.9 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 each Council it is the Chief Finance Officer/Head of Finance/Director of Finance or equivalent.

### **Scope**

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

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

- 1.12 All the Council's activities, funded from whatever source, and indeed the entire control environment fall within the remit of Internal Audit.
- 1.13 Internal Audit will consider the adequacy of controls necessary to secure propriety, economy, efficiency and effectiveness in all areas. It will seek to confirm that management have taken all necessary steps to achieve these objectives.
- 1.14 The scope of Internal Audit work should cover all operational and management controls and should not be restricted to the audit of systems and controls necessary to form an opinion on the financial statements. This does not imply that all systems will necessarily be reviewed, but that all will be included in the audit needs assessment and hence considered for review following the assessment of risk. The Internal Audit activity is free from interference in determining the scope of internal auditing, performing work and communicating results.
- 1.15 It is not in the remit of Internal Audit to challenge the appropriateness of Policy decisions. However, Internal Audit is required to examine the management arrangements of the Council by which such decisions are made, monitored and reviewed.
- 1.16 The Public Sector Internal Audit Standards provide the following definitions for assurance and consultancy work:
- Assurance Services  
An objective examination of evidence for the purpose of providing an independent assessment on **governance, risk management and internal control** for the organisation. Examples may include financial, performance, compliance, system security and due diligence engagements. **This work will usually result in an opinion** being provided. (These Services may also be provided to other parties and organisations).
  - Consulting Services  
Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation's **governance, risk management and internal control** without the Internal Auditor assuming management responsibility. Examples include counsel, advice, facilitation and training. The nature of Consulting Services provided includes acting as a 'critical friend' on Project Boards. This work **will not normally result in an opinion** being provided. (These Services may also be provided to other parties and organisations).
- 1.17 The core aim of the work undertaken is to establish a risk based annual Internal Audit Plan that is balanced and covers the control environment of the Council as far as is practicable. In order to undertake a balanced workload, Internal Audit plans to complete a mix of assurance and consultancy work, the outcomes of

which contribute to the Internal Audit Annual Report where it concludes with an opinion on the Council's overall risk, governance and control environment. The Head of Internal Audit should share information, coordinate activities and consider relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimise duplication of efforts.

- 1.18 Internal Audit has right of access to all of the Council's records, information and assets that it considers necessary to fulfil its responsibilities, including those of partner organisations. 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.

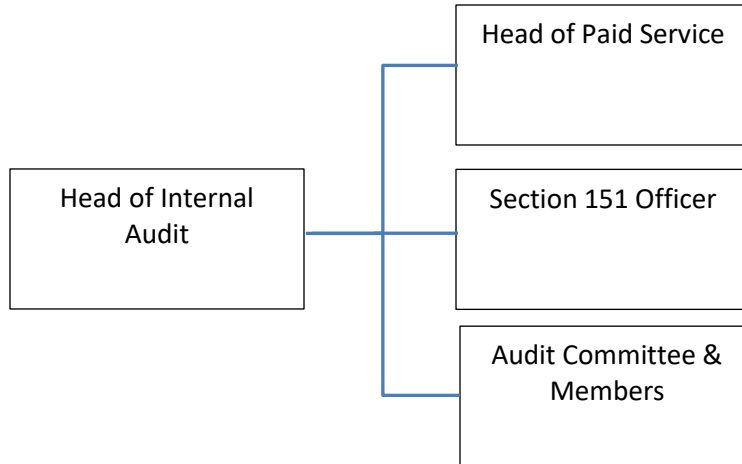
### **Rights of Access**

- 1.19 All staff are required to give complete co-operation to Internal Audit staff to enable the undertaking of an audit.
- 1.20 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. Rights of access to other bodies funded by the Council should be set out in conditions of funding or contract documents.

## **2. Independence and Objectivity (Standard 1100)**

- 2.1 The main determinant of the effectiveness of Internal Audit is that it is seen to be independent and that Internal Auditors must be objective in performing their work. To ensure this, Internal Audit operates within a framework that allows:
- The Head of Internal Audit has direct access to the Chief Executive/ Managing Director, the Section 151 Officer and Monitoring Officer;
  - Unrestricted access to Directors, Heads of Service, Managers and Staff;
  - Unrestricted access to Members (including the Leader, Cabinet Members and Audit Committee);
  - Unrestricted access to Audit Wales (i.e. the Council's External Auditor);
  - Reporting in its own name; and
  - Internal Audit is free from interference when determining the scope of audit reviews, performing the work and communicating the results.
- 2.2 This is achieved through a reporting relationship in each Council as shown in Figure 1 below:

Figure 1 – Internal Audit reporting arrangements



### **Section 151 Officer**

- 2.3 The Section 151 Officer has overall responsibility for the proper administration of the Council’s financial affairs. Internal Audit assists the Officer by providing an opinion on the overall control environment and by regular assurance testing of the key financial systems.

### **Audit Committee**

- 2.4 The Council operates an Audit Committee that meets on a cyclical basis. It monitors the performance of Internal Audit in relation to productivity, efficiency and quality. It receives regular reports from Internal Audit including progress in delivering the Annual Audit Plan and is attended by the Head of Internal Audit<sup>1</sup> as well as Officers from the Council.
- 2.5 In addition, the Audit Committee receives the Internal Audit Annual Report that provides a summary of all assurance and consultancy work undertaken and concludes by giving an opinion on the overall control environment within the Council. If a qualified or unfavourable annual internal audit opinion is issued, the reasons to support this will be stated within the Internal Audit Annual Report.
- 2.6 The Head of Internal Audit has unrestricted access to the Chair of Audit Committee.

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<sup>1</sup> Head of Internal Audit – denotes the Head of the Regional Internal Audit Shared Service

### **Senior Management**

- 2.7 Each Council is divided into various Services and it is the role of the Chief Executive/Managing Director and each Director, Head of Service or equivalent to ensure delivery and operation of the service areas falling within their remit.

### **Relationships with key stakeholders and Service Managers**

- 2.8 The Internal Audit Service develops constructive working relationships with Managers at all levels within the Council in terms of:
- Planning work;
  - Carrying out audit assignments; and
  - Agreeing action plans arising from the work undertaken.
- 2.9 Whilst maintaining its independence, the Internal Audit Service recognises that it must work with Managers to agree improvements that are deemed necessary.

### **External Auditors**

- 2.10 The aim of the relationship between internal and external auditors is to achieve mutual recognition and respect, leading to a joint improvement in performance and to avoid, wherever possible, duplication of work.
- 2.11 The Head of Internal Audit liaises regularly with Audit Wales to consult on audit plans, discuss matters of mutual interest and to seek opportunities for co-operation in the conduct of audit work.

### **Elected Members**

- 2.12 The Head of Internal Audit will aim to have sound working relationships and channels of communication with Elected Members and in particular, Audit Committee, Cabinet and Scrutiny Committees.

### **Internal Audit Standards**

- 2.13 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) developed in collaboration with the Chartered Institute of Internal Auditors (CIIA) and which came into force on the 1st April 2013 and updated in March 2017.
- 2.14 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; and
- 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 and must be kept up to date. This is reviewed 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 relevant Council or organisation being audited).

2.15 The RIASS has adopted the CIIA's Code of Ethics. Where members of the RIASS 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.

2.16 Each member of the Team will receive a copy of the Code of Ethics (included at Annex 2) 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.

### **Shared Service**

2.17 Internal Audit is delivered through a shared regional service between Bridgend, Merthyr Tydfil, Rhondda Cynon Taf and the Vale of Glamorgan Councils. The host authority for the delivery of the RIASS is the Vale of Glamorgan Council. The governance of the provision of the shared regional service is carried out by the Regional Board. This is made up of the Chief Financial Officers of each Authority or their nominated substitutes who shall be responsible for the strategic direction of the Service.

2.18 The activities of the Regional Board shall include but not be limited to:

- determining the strategic direction of the RIASS;
- monitoring and reviewing standards;
- determining the Authority Charging Rate on the basis of reasonable information provided by the Head of Internal Audit;
- providing general supervision of the provision of the Service; and,
- Resolving conflicts between competing interests amongst the authorities collectively and individually relating to RIASS, the Regional Board and / or the Service.

2.19 The Audit Committee for each Council reviews the performance and effectiveness of audit activity, including that of the RIASS.

### **3. Proficiency and Due Professional Care (standard 1200)**

- 3.1 Directors, Heads of Service 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 RIASS to each Council which will include reviewing the systems of internal control operating throughout each 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 approval and ratification by the relevant Audit Committee; and
  - 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 Corporate or Strategic Risk Registers.

#### **Resources and Proficiency**

- 3.4 For the RIASS to fulfil its responsibilities, the service must be appropriately staffed in terms of numbers, professional qualifications, skills and experience. Resources must be effectively developed and deployed to achieve the approved risk-based plan. The Head of Internal Audit is responsible for ensuring that there is access to the full range of knowledge, skills, qualifications and experience to deliver the audit plan and meet the requirements of the PSIAS.
- 3.5 The Head of Internal Audit must hold a full professional qualification, defined as CCAB, CMIIA or equivalent professional membership and adhere to professional values and the Code of Ethics. They must have sufficient skill, experience and competencies to work with Directors, Heads of Service, and other Managers and the Audit Committee to influence the risk management, governance and internal control of the Councils.
- 3.6 Each job role within the RIASS structure details 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.
- 3.7 All Auditors are also required to maintain a record of their continual professional development in line with their professional body.

## **Due Professional Care**

3.8 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;
- Cost of assurance in relation to potential benefits; and
- Considering various data analysis techniques and being alert to significant risks that may affect the objectives.

## **Relationships**

3.9 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:

- Elected Members;
- Chief Officers (as defined in the Council's Constitution)
- Corporate Directors and Section 151 Officers
- Heads of Service and Headteachers;
- Group Managers / Operational Managers and line supervisors;
- Front line employees delivering services to the public; and
- Back office support staff, in particular Financial Services, Legal Services, ICT 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 have regard to the work performed by Internal Audit when undertaking their final accounts audit.
- Various Government Agencies and Inspectorates.

## **4. Quality Assurance and Improvement Programme (Standard 1300)**

4.1 To enable the Head of Internal Audit to assess the RIASS's activities with conformance to the PSIAS and to aid in the annual assessment of the RIASS'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 relevant Audit Committee.
- 4.4 Where there are instances of non-conformance to the PSIAS this will be reported to the Audit Committee and the Regional 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 and electronic training material and websites. 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 Targets are set for individual auditors (such as completion of an audit within a set number of days) as well as for the team. Audit targets and performance indicators will be agreed with the Regional Board and reported to the relevant Audit Committee.
- 4.8 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.
- 4.9 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.

### **External Assessment**

- 4.10 In compliance with the PSIAS, external assessment will be carried out once every five years by a qualified, independent assessor or assessment team from outside of the RIASS Councils. The External Assessment of the previous Shared Service between Bridgend CBC and the Vale of Glamorgan Council took place during in 2017 and in the other respective Councils in 2018/19. The next external assessment will take place in 2022.

## **Annex 1 - Glossary of Terms**

### **Charter**

The internal audit charter is a formal document that defines the internal audit activity's purpose, authority and responsibility. The internal audit charter establishes the internal audit activity's position within the organisation; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

### **Chief Audit Executive**

Chief audit executive describes the role of a person in a senior position responsible for effectively managing the internal audit activity in accordance with the internal audit charter and the mandatory elements of the International Professional Practices Framework. The chief audit executive or others reporting to the chief audit executive will have appropriate professional certifications and qualifications. The specific job title and/or responsibilities of the chief audit executive may vary across organisations. In the context of the RIASS this is the Head of Internal Audit.

### **Code of Ethics**

The Code of Ethics of the Chartered Institute of Internal Auditors (CIIA) are Principles relevant to the profession and practice of internal auditing and Rules of Conduct that describe behaviour expected of internal auditors. The Code of Ethics applies to both parties and entities that provide internal audit services.

The purpose of the Code of Ethics is to promote an ethical culture in the global profession of internal auditing.

### **Compliance**

Adherence to policies, plans, procedures, laws, regulations, contracts, or other requirements.

### **Conflict of Interest**

Any relationship that is, or appears to be, not in the best interest of the organisation. A conflict of interest would prejudice an individual's ability to perform his or her duties and responsibilities objectively.

### **Control**

Any action taken by management, the board and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organises and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.

### **Control Environment**

The control environment provides the discipline and structure for the achievement of the primary objectives of the system of internal control. The control environment includes the following elements:

- Integrity and ethical values;
- Management's philosophy and operating style;
- Organisational structure;
- Assignment of authority and responsibility;
- Human resource policies and practices; and

- Competence of personnel.

**Fraud**

Any illegal act characterised by deceit, concealment or violation of trust. These acts are not dependent upon the threat of violence or physical force. Frauds are perpetrated by parties and organisations to obtain money, property or services; to avoid payment or loss of services; or to secure personal or business advantage.

**Governance**

The combination of processes and structures implemented by the board to inform, direct, manage and monitor the activities of the organisation toward the achievement of its objectives.

**Public sector definition: Governance Statement**

The mechanism by which an organisation publicly reports on its governance arrangements each year.

**Independence**

The freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner.

**Internal Auditing**

Internal auditing is 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.

**Overall Opinion**

The rating, conclusion and/or other description of results provided by the chief audit executive addressing, at a broad level, governance, risk management and/or control processes of the organisation. An overall opinion is the professional judgement of the chief audit executive based on the results of a number of individual engagements and other activities for a specific time interval.

**Risk**

The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.

**Risk Appetite**

The level of risk that an organisation is willing to accept.

**Risk Management**

A process to identify, assess, manage and control potential events or situations to provide reasonable assurance regarding the achievement of the organisation's objectives.

## **Annex 2 - Code of Ethics**

### **Public sector requirement**

Internal Auditors in UK public sector organisations (as set out in the Applicability Section) must conform to the Code of Ethics as set out below. If individual Internal Auditors have membership of another professional body then he or she must also comply with the relevant requirements of that body. The Code of Ethics promote an ethical and professional culture. It does not supersede or replace Internal Auditors' own professional bodies Code of Ethics or those of employing organisations.

The purpose of The Institute of Internal Auditor's Code of Ethics is to promote an ethical culture in the profession of Internal Auditing. A Code of Ethics is necessary and appropriate for the profession of Internal Auditing, founded as it is on the trust placed in its objective assurance about risk management, control and governance.

The Institute's Code of Ethics extends beyond the definition of Internal Auditing to include two essential components:

### **Components**

1. Principles that are relevant to the profession and practice of Internal Auditing; and
2. Rules of Conduct that describe behaviour norms expected of Internal Auditors.

These rules are an aid to interpreting the Principles into practical applications and are intended to guide the ethical conduct of Internal Auditors.

The Code of Ethics provides guidance to Internal Auditors serving others. 'Internal Auditors' refers to Institute members and those who provide Internal Auditing services within the definition of Internal Auditing.

### **Applicability and Enforcement**

This Code of Ethics applies to both individuals and entities that provide Internal Auditing services. For Institute members, breaches of the Code of Ethics will be evaluated and administered according to The Institute's Disciplinary Procedures. The fact that a particular conduct is not mentioned in the Rules of Conduct does not prevent it from being unacceptable or discreditable and therefore, the member liable to disciplinary action.

### **Public sector interpretation**

The 'Institute' here refers to the Institute of Internal Auditors. Disciplinary procedures of other professional bodies and employing organisations may apply to breaches of this Code of Ethics.

## 1. Integrity

### Principle

*The integrity of Internal Auditors establishes trust and thus provides the basis for reliance on their judgement.*

### Rules of Conduct

Internal Auditors:

- 1.1 Shall perform their work with honesty, diligence and responsibility.
- 1.2 Shall observe the law and make disclosures expected by the law and the profession.
- 1.3 Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of Internal Auditing or to the organisation.
- 1.4 Shall respect and contribute to the legitimate and ethical objectives of the organisation.

## 2. Objectivity

### Principle

*Internal Auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined.*

*Internal Auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements.*

### Rules of Conduct

Internal Auditors:

- 2.1 Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organisation.
- 2.2 Shall not accept anything that may impair or be presumed to impair their professional judgement.
- 2.3 Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

## 3. Confidentiality

### Principle

*Internal Auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.*

### Rules of Conduct

Internal Auditors:

- 3.1 Shall be prudent in the use and protection of information acquired in the course of their duties.
- 3.2 Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation.

#### **4. Competency**

##### Principle

*Internal Auditors apply the knowledge, skills and experience needed in the performance of Internal Auditing services.*

##### Rules of Conduct

Internal Auditors:

- 4.1 Shall engage only in those services for which they have the necessary knowledge, skills and experience.
- 4.2 Shall perform Internal Auditing services in accordance with the International Standards for the Professional Practice of Internal Auditing.
- 4.3 Shall continually improve their proficiency, effectiveness and quality of their services.