



## **INTERNAL AUDIT SERVICE**

### **Internal Audit Charter**

#### **1. Purpose and Mission**

- 1.1 The Internal Audit Service for the Swansea Bay City Deal Partnership will be provided by Pembrokeshire County Council's Internal Audit Service in accordance with the Joint Committee decision on 28 May 2019.
- 1.2 The purpose of the Internal Audit Service is to provide independent, objective assurance and consulting services designed to add value and improve Swansea Bay City Deal operations. The Internal Audit Service helps the Swansea Bay City Deal Partnership accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, internal control and financial management arrangements. The provision of assurance services is the primary role for the Internal Audit Service. The mission of Internal Audit is to enhance and protect organisational value by providing risk based and objective assurance, advice and insight.

#### **2. The Role of Internal Audit in Local Government**

- 2.1 Section 151 of the Local Government Act 1972 states that every local authority in England and Wales should 'make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs'. The Director of Corporate Services for Carmarthenshire County Council is the designated Section 151 Officer for Swansea Bay City Deal and has statutory responsibility for ensuring an effective internal audit function is resourced and maintained.
- 2.2 The Accounts and Audit Regulations (Wales) 2014 (as amended) state that a local government body 'must maintain an adequate and effective internal audit of its accounting records and its system of internal control. Any officer or member of that body must, if the body requires:
  - a) Make available such documents of the body which relate to its accounting and other records as appear to that body to be necessary for the purpose of the audit, and;
  - b) Supply the body with such information and explanation as that body considers necessary for that purpose.
- 2.3 The Relevant Internal Audit Standards Setters<sup>1</sup> introduced a common set of Public Sector Internal Audit Standards (PSIAS) in April 2013, which were updated in 2016 and 2017. The

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<sup>1</sup> CIPFA, Department of Health, Welsh Government, Department of Finance & Personnel, HM Treasury, The Scottish Government, in collaboration with the Chartered Institute of Internal Auditors.

PSIAS are mandatory for every internal audit service provider for the public sector, whether internal, shared service or external. There are defined as 'proper internal audit practices'.

### **3. Standards for the Professional Practice of Internal Auditing**

- 3.1 The Internal Audit Service will govern itself by adherence to the Institute of Internal Auditors (IIA) mandatory Core Principles for the Professional Practice of Internal Auditing, Code of Ethics, Public Sector Internal Audit Standards and Definition of Internal Auditing.
- 3.2 The Head of Internal Audit for Swansea Bay City Deal will report periodically to the Section 151 Officer, Swansea Bay City Deal Lead Chief Executive, and the Joint Committee regarding the Internal Audit Service's conformance with the Public Sector Internal Audit Standards.
- 3.3 The IIA's Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable to guide operations. In addition, the Internal Audit Service will adhere the relevant policies and procedures of Pembrokeshire County Council and Swansea Bay City Deal policies and procedures where defined.

### **4. Authority**

- 4.1 The Head of Internal Audit will adhere to the CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations 2019, and will report functionally to the Joint Committee and Section 151 Officer (as outlined below in 4.3) and administratively to the Swansea Bay City Deal Lead Chief Executive. To ensure that the Internal Audit Service has sufficient authority to fulfil its duties, the Joint Committee will:
  - Approve the Internal Audit Charter;
  - Approve the risk-based Internal Audit plan;
  - Receive communications from the Head of Internal Audit on the outcome of assurance and consulting activities;
  - Receive the annual Head of Internal Audit opinion and report, that can be used by Swansea Bay City Deal to inform its governance statement;
  - Make appropriate enquiries of management and the Head of Internal Audit to determine whether there are inappropriate scope or resource limitations.
- 4.2 The Internal Audit Service must be free from interference in determining the scope of internal auditing, performance work and communicating results. In order to ensure independence, the Head of Internal Audit will communicate and interact directly with the Joint Committee and will have a direct reporting line to the Chair of the Joint Committee.
- 4.3 In order to ensure that the Section 151 Officer can fulfil his statutory duty and comply with the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016), the Head of Internal Audit will:
  - Consult with the Section 151 Officer when scoping the annual internal audit work plan to ensure sufficient assurance can be provided in line with CIPFA's Code of Practice on Local Authority Accounting in the UK;

- Inform the Section 151 Officer immediately of any significant governance issues, high risks, material inaccuracies and any suspicions of fraudulent or irregular activity (as appropriate);
- Inform the Section 151 Officer of any resource limitations that may impact on the delivery of the Internal Audit work plan;
- Provide assurance to the Section 151 Officer on delivery of the Quality Assurance and Improvement Programme; the outcome of the annual self-assessment of conformance with the PSIAS; and, the outcome of the 5-yearly external assessment. Any factors of material non-compliance with the PSIAS will be brought to the attention of the Section 151 Officer.

4.4 The Internal Audit Service, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access to any and all of the Swansea Bay City Deal records, physical properties, and personnel pertinent to carrying out any engagement. All employees (either directly employed by Swansea Bay City Deal or employed in a Partner Organisation) are required to assist the internal audit activity in fulfilling its roles and responsibilities. The Internal Audit Service will also have free and unrestricted access to the Joint Committee.

## **5. Independence and Objectivity**

- 5.1 The Head of Internal Audit will ensure that the Internal Audit Service remains free from all conditions that threaten the ability of Internal Auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing and report content. If the Head of Internal Audit determines that independence or objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.
- 5.2 Internal Auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgement on audit matters to others.
- 5.3 Internal Auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, Internal Auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any activity that may impair their judgement including;
- Assessing specific operations for which they had responsibility within the previous year;
  - Performing any operational duties for Swansea Bay City Deal or any operational duties for Pembrokeshire County Council that would conflict with the interests of Swansea Bay City Deal;
  - Directing the activities of any Swansea Bay City Deal employee, except to the extent that such employees have appropriately assigned to assist Internal Auditors.
- 5.4 Internal Auditors will;

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties;
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined;
- Make balanced assessments of all available and relevant facts and circumstances;
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgements.

5.5 The Head of Internal Audit will confirm to the Joint Committee, at least annually, the organisational independence of the Internal Audit Service.

5.6 All auditors are required to sign an annual declaration of interest to ensure that the allocation of audit work avoids a conflict of interest. Auditors who undertake any consultancy work will be prohibited from auditing those areas. Audits are rotated within the team to avoid over-familiarity and complacency.

## **6. Scope of Internal Audit Activities**

6.1 The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of Swansea Bay City Deal's governance, risk management, financial management and internal control arrangements in relation to defined objectives. Internal control objectives considered by Internal Audit include:

- Risks relating to the achievement of Swansea Bay City Deal's strategic objectives are appropriately identified and managed.
- Consistency of operations or programmes with established objectives and effective performance.
- Effectiveness and efficiency of operations and employment of resources;
- Compliance with policies, plans, procedures, laws and regulations;
- Reliability and integrity of management and financial information processes, including the means to identify, measure, classify, and report such information;
- Resources and assets are acquired economically, used efficiently and protected adequately.

6.2 Due to its detailed knowledge and understanding of risks and controls, Internal Audit is well placed to provide advice and support on emerging risks and issues. As a result, Internal Audit may perform consulting and advisory services related to governance, risk management, internal control and financial management as appropriate, subject to the availability of resources and full cost recovery.

6.3 The Head of Internal Audit will report periodically to the Section 151 Officer, Swansea Bay City Deal Lead Chief Executive and the Joint Committee regarding;

- The Internal Audit Service's purpose, authority and responsibility;

- The scope and outcome of the annual Internal Audit work plan;
- The Internal Audit Service's conformance with the IIA's Code of Ethics and Standards, and action plans to address any significant conformance issues;
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Joint Committee;
- Resource requirements;
- Any response to risk by management that may be unacceptable to Swansea Bay City Deal.

6.4 The Head of Internal Audit has the responsibility to:

- Submit an annual risk-based work plan to the Joint Committee for approval, following consultation with the Section 151 Officer (as outlined in Section 4.3);
- Communicate to the Section 151 Officer, Swansea Bay City Deal Lead Chief Executive and the Joint Committee the impact of resource limitations on the internal audit plan;
- Review and adjust the internal audit plan, as necessary, in response to changes in Swansea Bay City Deal's business risks, operations, programmes, systems and controls;
- Ensure that the audit engagement process is undertaken in accordance with the Public Sector Internal Audit Standards (PSIAS);
- Follow-up on engagement findings and corrective actions, and report periodically to Senior Management and the Joint Committee any corrective actions not effectively implemented;
- Ensure the principles of integrity, objectivity, confidentiality and competency are applied and upheld;
- Ensure that the Internal Audit Service collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirement of the Internal Audit Charter;
- Ensure trends and emerging issues that could impact on Swansea Bay City Deal are considered and communicated to Senior Management and the Joint Committee as appropriate;
- Ensure emerging trends and successful practices in Internal Auditing are considered and implemented where appropriate.

6.5 Provide a 'Head of Internal Audit Annual Opinion and Report' to the Joint Committee to provide assurance on the overall adequacy and effectiveness of Swansea Bay City Deal's governance, internal control, risk management and financial management arrangements in place.

## **7. Quality Assurance Improvement Programme**

7.1 The Head of Internal Audit is responsible for documenting and continuously reviewing a Quality Assurance Improvement Programme. This will involve ensuring appropriate supervisory checks are in place within the service to monitor continued compliance with the Public Sector Internal Audit Standards on all audit engagements. Additionally, a skills gap analysis will be undertaken to ensure the existing skills base is sufficient to meet the demands of Swansea Bay City Deal. Where a skills gap is identified, this will be highlighted

to the Section 151 Officer who may also consider providing additional funding for training purposes or procuring specialist knowledge or skills where applicable.

## **8. Periodic Assessment**

- 8.1 The Head of Internal Audit is responsible for periodically providing a self-assessment on the internal audit activity as regards its compliance with the Audit Charter (purpose, authority, responsibility) and performance relative to its annual plan. Results will be reported at least annually to the Section 151 Officer, Swansea Bay City Deal Lead Chief Executive and the Joint Committee.
- 8.2 In accordance with the requirements of the Public Sector Internal Audit Standards, an external assessment must be conducted at least once every five years by a qualified independent assessor or assessment team from outside Pembrokeshire County Council. Arrangements for an external assessment is undertaken as part of Pembrokeshire County Council's responsibility for Internal Audit, however, the results will be communicated to the Section 151 Officer and the Joint Committee.

## **9. Role in Counter Fraud**

- 9.1 The internal audit plan is designed, in part, to help deter and identify fraud and corruption. Internal Audit bases its planning on regular risk assessment, and works with the Section 151 Officer (responsible for implemented appropriate measures to prevent and detect fraud and corruption) and the Lead Officer as well as the Joint Committee when determining its work programme.
- 9.2 The Section 151 Officer or Joint Committee may commission the Internal Audit service to undertake an investigation into purported fraud or irregularity, subject to the availability of resources and full cost recovery for additional work over and above the approved internal audit work plan and annual Head of Internal Audit Opinion and Report.

## **10. Assurance Mapping**

- 10.1 In accordance with the PSIAS, the Head of Internal Audit will liaise with other assurance providers when scoping the internal audit work plan. To avoid duplication of effort, the Internal Audit service will place reliance on the work of other assurance providers where the scope and standards of work are sufficient to fulfil the assurance requirements of Swansea Bay City Deal.

## **Signatures:**

**Head of Internal Audit:**

**Date:**

**Swansea Bay City Deal Section 151 Officer:**

**Date:**

**Swansea Bay City Deal Lead Chief Executive:**

**Date:**

**Chair of the Joint Committee:**