

Report

Governance & Audit Committee

Part 1

Date: 26 May 2022

Subject Internal Audit Charter– Revised and updated

Purpose This report aims to make Members of the Governance and Audit Committee aware of the Council's Internal Audit Charter in order to enable them to make an informed decision to approve The Charter in line with the expectations of the Public Sector Internal Audit Standards (PSIAS). The purpose of this Charter is to define what Internal Audit at Newport City Council is and explain its purpose, authority and responsibility.

This Charter has been written in accordance with Standard 1000 of the Public Sector Internal Audit Standards (PSIAS) which came into force from April 2013.

Author Chief Internal Auditor

Ward General

Summary The attached report is the updated Internal Audit Charter for the Council's Internal Audit Team. The Charter was last approved by Audit Committee in December 2015 so this revision takes into account of PSIAS update in 2017, inclusion of an Internal Audit Mission, reference to the new Executive Board and Strategic Directors within the Council and reference to the new Governance and Audit Committee.

Proposal The report be noted and approved by the Council's Governance & Audit Committee.

Action by The Governance & Audit Committee

Timetable Immediate

This report was prepared after consultation with:

- Chief Financial Officer
- Monitoring Officer
- Head of People and Business Change

Signed

Background

1. This report aims to make Members of the Governance and Audit Committee aware of the Council's Internal Audit Charter in order to enable them to make an informed decision to approve The Charter in line with the expectations of the Public Sector Internal Audit Standards (PSIAS).
2. The purpose of this Charter is to define what Internal Audit at Newport City Council is and explain its purpose, authority and responsibility.
3. This Charter has been written in accordance with Standard 1000 of the Public Sector Internal Audit Standards (PSIAS) which came into force from April 2013.

4. The Public Sector Internal Audit Standards 2013 (PSIAS) states the mission of internal audit is:
"to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight."

and defines Internal Audit as:

"... 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."

5. A professional, independent and objective Internal Audit service is one of the key elements of good governance.
6. Internal Audit has specific responsibilities and rights of access to people and documents written into the Council's Financial Regulations which are included within The Charter, along with its objectives, roles and responsibilities, the staff involved and how it demonstrates its organisational independence. The expectations and responsibilities of the Chief Internal Auditor are also included within The Charter.
7. The Charter reinforces the point that Internal Audit provides assurance to Members and Senior Management and should not be involved with operational matters of service delivery. It includes an important reference to the Code of Ethics for those working within the team in that they need to conform with the principles of Integrity, Objectivity, Confidentiality and Competence and have due regard to the 'Seven Principles of Public Life (Nolan Principles)' when undertaking their duties.
8. The expectations of how Internal Auditors will approach their work in terms of due professional care, integrity, independence, impartiality is written into The Charter; the work itself being delivered through an Audit Strategy and an Annual Audit Plan. The reporting and quality assurance processes are also included, along with how relationships with the team's stakeholders will be developed.
9. Dealing with Fraud and Irregularities is an important part of what the Internal Audit Team does in order to safeguard public money; it is important to include this aspect of its work within The Charter. How the Internal Audit Team will be resourced and continually developed through training has also been included within The Charter.
10. The intention is to maintain The Charter as a working document, which from time to time, will need to be refreshed and updated. The Charter was last approved by Audit Committee in December 2015; this update takes account of the PSIAS update in 2017, inclusion of an Internal Audit Mission, reference to the new Executive Board and Strategic Directors within the Council and reference to the new Governance and Audit Committee.

11. The Internal Audit Charter will therefore be reviewed periodically by the Chief Internal Auditor and presented to Senior Management and the Audit Committee for approval in future. The next review will be in 2025.

Financial Summary

12. There are no financial issues related to this report.

Risks

13. If the plan is not completed due to a lack of resource in the team, the Chief Internal Auditor may have to qualify his year end assurance opinion provided to the Governance & Audit Committee.

Risk	Impact of Risk if it occurs* (H/M/L)	Probability of risk occurring (H/M/L)	What is the Council doing or what has it done to avoid the risk or reduce its effect	Who is responsible for dealing with the risk?
Audit Plan not completed	L	L	Audit work will be prioritised ; Have enquired with external provider but they cannot currently provide additional resources to support the team	Chief Internal Auditor

* Taking account of proposed mitigation measures

Links to Council Policies and Priorities

14. Giving management assurance on systems in operation gives them confidence that there is sound financial management in place, that more effective services can be provided and the risk of theft, fraud and corruption is minimised. Better service provision, looking after the public pound makes our City a better place to live for all our citizens, hence Improving People's Lives.

Options Available

15. This is a factual progress report and therefore there are no specific options to be considered. The quarterly reports provide a mechanism for monitoring the performance and progress of the Internal Audit team and the adequacy of the Council's internal control environment to ensure the public pound is spent wisely and appropriately and that fraud, theft and corruption is minimised.
16. The Governance & Audit Committee is asked to note progress on delivery of the audit plan and audit opinions given to date and ask questions, make observations and recommendations, as necessary.

Preferred Option and Why

17. N/A

Comments of Chief Financial Officer

18. I can confirm that I have been consulted and have no additional comments.

Comments of Monitoring Officer

19. There are no legal issues arising from the report, which simply advises the Committee of updated changes to the Council's Internal Audit Charter to reflect the PSIAS update in 2017, the inclusion of an Internal Audit Mission Statement, and references to the new senior management governance structure and the new terms of reference of Governance and Audit Committee.

Comments of Head of People, Policy and Transformation

20. The Internal Audit Charter is an important document for Newport Council outlining their roles and responsibilities providing independent assurance, advice and guidance in the delivery of its statutory duties. The Charter enables the Council's Internal Audit team and stakeholders across the Council to understand how Internal Audit provides assurances on the effectiveness and efficiency of Council services and delivery of its strategic objectives in the Corporate Plan meeting its Well-being of Future Generations Act requirements. There are no direct human resources impact from this report.

Comments of Cabinet Member

21. N/A

Local issues

22. N/A

Scrutiny Committees

23. N/A

Equalities Impact Assessment and the Equalities Act 2010

24. The Equality Act 2010 contains a Public Sector Equality Duty which came into force on 06 April 2011. The Act identifies a number of 'protected characteristics', namely age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; sexual orientation; marriage and civil partnership. The new single duty aims to integrate consideration of equality and good relations into the regular business of public authorities. Compliance with the duty is a legal obligation and is intended to result in better informed decision-making and policy development and services that are more effective for users. In exercising its functions, the Council must have due regard to the need to: eliminate unlawful discrimination, harassment, victimisation and other conduct that is prohibited by the Act; advance equality of opportunity between persons who share a protected characteristic and those who do not; and foster good relations between persons who share a protected characteristic and those who do not. The Act is not overly prescriptive about the approach a public authority should take to ensure due regard, although it does set out that due regard to advancing equality involves: removing or minimising disadvantages suffered by people due to their protected characteristics; taking steps to meet the needs of people from protected groups where these differ from the need of other people; and encouraging people from protected groups to participate in public life or in other activities where their participation is disproportionately low.
25. As this is a progress report on performance and audit opinions there is no need for an Equalities Impact Assessment. All audits are undertaken in a non-discriminatory manner.

Wellbeing of Future Generations (Wales) Act 2015

26. The role of Internal Audit supports the Council in complying with the principles of the Wellbeing Act and providing assurance on the activities undertaken across the Council. In compiling this report the principles of this Act have been considered:

Long term - The Internal Audit workload is based on an annual operational plan supported by a 5 year strategic plan that is aligned to the Council's Corporate Plan.

Prevention - Internal Audit identify strengths and weaknesses within the control environment of Newport City Council; addressing the weaknesses gives management the opportunity of preventing gaps in service provision getting worse. This should also minimise the potential for fraud, theft, loss or error.

Integration - Internal Audit opinions provide an objective opinion on the adequacy of the Council's corporate governance, internal control and risk management environment in operation and support sound stewardship of public money.

Collaboration - Internal Audit work with delivered in collaboration with operational managers to develop an appropriate action plan in order to address identified concerns.

Involvement - Heads of Service and Senior Managers are invited to contribute to the audit planning process each year in order to prioritise audit resources. The involvement of the Governance & Audit Committee provides assurance and oversight of an effective internal audit provision to carry out its duties.

Consultation

27. N/A

Background Papers

28. N/A

Dated:

Appendix A





INTERNAL AUDIT CHARTER 2022

Version: 2 – Draft

Author: Andrew Wathan, Chief Internal Auditor

Approved by: Governance and Audit Committee

Date Approved:

Date of Next Review: March 2025



Version Control:

Version	Details	Approved by & Date
1	Original	Audit Committee, December 2015
2	Revised and updated, taking account of changes to Public Sector Internal Audit Standards (2017).	Governance and Audit Committee, TBC



INTERNAL AUDIT CHARTER

1 Introduction

- 1.1 The purpose of this Charter is to define what Internal Audit is and explain its mission, authority, responsibility and position within Newport City Council.
- 1.2 This Charter has been written in accordance with Standard 1000 of the Public Sector Internal Audit Standards (PSIAS) and sets out how the Internal Audit Section will discharge its duties in compliance with the PSIAS. Compliance with the PSIAS is mandatory for all internal audit providers and is based on the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF).
- 1.3 For the purposes of internal audit activity the following terms are defined as follows:

Board	Governance & Audit Committee
Senior Management	The Executive Board which is made up of the Chief Executive Strategic Director Transformation & Corporate Strategic Director Social Services Strategic Director Environment & Sustainability

2 Mission, Definition, Authority and Scope of Internal Audit

Mission and Definition

- 2.1 The Public Sector Internal Audit Standards 2017 (PSIAS) confirms the mission of internal audit is:
- “ to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.”*

- 2.2 The Standards define Internal Audit as:

“... 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.”

- 2.3 A professional, independent and objective Internal Audit service is one of the key elements of good governance.

Authority

- 2.4 The authority of the internal audit function is derived from legislation. The requirement for an internal audit function for local authorities is implied by Section 151 of the Local



Government Act 1972, which required that authorities shall '*make arrangements for the proper administration of their financial affairs and shall ensure that one of their officers has responsibility for the administration of those affairs*'. The Accounts and Audit (Wales) Regulations 2014 requires that '*A relevant body (Newport City Council) must maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control*'.

2.5 Newport City Council has delegated these responsibilities to the Head of Finance.

2.6 Financial Regulations (March 2016) section 5.4 states:

To ensure that internal auditors have the authority to:

- enter at all reasonable times on any Council premises or land without prior notice;
- have access to all records, documents, computer programs and files and correspondence relating to any financial and related transactions of the Council;
- require and receive such explanations as are necessary concerning any matter under examination;
- require any employee of the Council to produce cash, stores or any other Council property under their control or such items in their custody as an officer of the Council which are the property of other persons;
- secure and prevent access to any equipment and records subject to an immediate report to the relevant Head of Service or Strategic Director.

Scope

2.7 The scope of Internal Audit work is to determine whether the Council's network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure:

- Risks are appropriately identified and managed;
- Interaction with the various governance groups occurs as needed;
- Significant financial, managerial, and operating information is accurate, reliable, and timely;
- Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations;
- Resources are acquired economically, used efficiently, and adequately protected;
- Programmes, plans, and objectives are achieved;
- Quality and continuous improvement are fostered in the Council's control process;
- Significant legislative or regulatory issues impacting the Council are recognised and addressed appropriately; and



- Opportunities for improving management control, profitability and the Council's image may be identified during audits. They will be communicated to the appropriate level of management.

Our scope of work may include audit activity both within Newport City Council (NCC) and on functions that NCC has delegated or contracted out.

2.8 The scope of Internal Audit allows for unrestricted coverage of the Authority's activities in order to review, report and provide the appropriate assurance based on its reviews to the Governance and Audit Committee. Internal Audit shall also have unrestricted access to all records, property and assets deemed necessary by auditors in the course of an audit. In addition, Internal Audit, will have unrestricted access to:-

- the Governance and Audit Committee
- the Chief Executive
- the Leader of the Council
- Members of the Council
- individual chief officers
- all Authority employees.

2.9 Such access to records, assets and personnel may be limited to certain named individuals as agreed with the Chief Internal Auditor where highly sensitive or confidential information is involved.

2.10 Internal Audit is known as the 3rd line of defence within an organisation, with operational management controls being the 1st, risk management and compliance the 2nd. Each line has its own role in the Authority to ensure that risks are appropriately managed and identified. Internal Audit's unique role is to provide assurance to the strategic management that is objective and independent of management about the controls in place to manage risk.

3 Objectives

3.1 Internal Audit's main objectives are to:

- provide a high quality, independent and objective audit service that effectively meets the Council's needs, adds value, improves operations and helps protect public resources;
- provide assurance to management that the Council's operations are being conducted in accordance with external regulations, legislation, internal policies and procedures;
- to ensure the objectives of the Council are being met;
- provide a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes;
- provide advice and support to management to enable an effective control environment to be maintained;
- promote an anti-fraud, anti-bribery and anti-corruption culture within the Council to aid the prevention and detection of fraud;



- investigate allegations of fraud, bribery, corruption and other irregularities; and
- to liaise with the police and other relevant agencies where criminal activities are suspected.

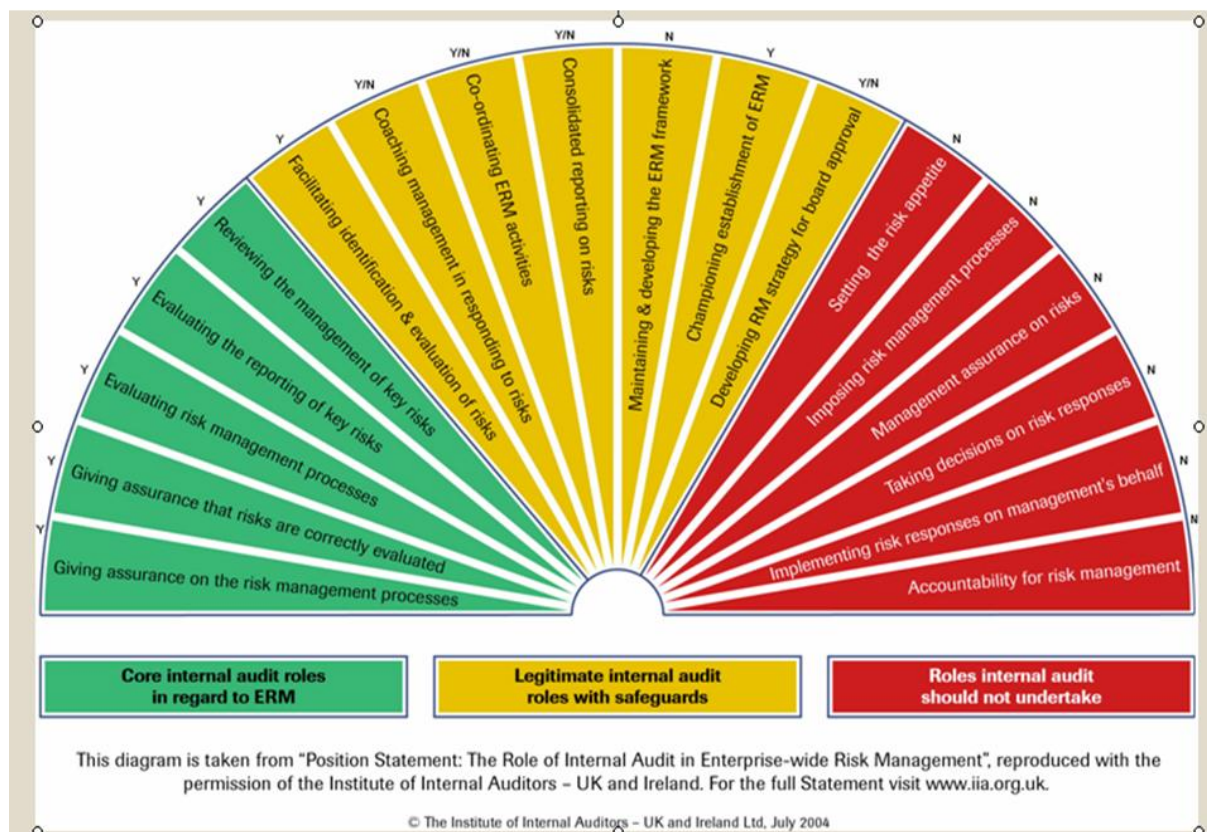
4 Roles & Responsibilities

4.1 To meet Internal Audit objectives, internal auditors are responsible for:

- reviewing and assessing the soundness, adequacy and reliability of financial and non-financial management systems and operations;
- reviewing and assessing the effectiveness of internal controls;
- assessing the appropriateness of management action for improvement, where appropriate;
- reviewing and assessing procedures to check that the Council's assets and interests are adequately protected and risks are identified and effectively managed;
- checking for compliance with legislation, Council policies and procedures;
- promoting and assisting the Council in the effective use of resources;
- ensuring governance and risk management processes are effective and robust; and
- undertaking independent investigations into allegations of fraud and irregularity in accordance with Council policies and procedures and relevant legislation.

3.1 The diagram below illustrates the sorts of roles that Internal Audit can play, providing the necessary safeguards are in place:





3.2 The internal audit activity must assess and make appropriate recommendations and or agree management actions to improve the organisation's governance processes for:

- making strategic and operational decisions
- overseeing risk management and control
- promoting appropriate ethics and values within the organisation
- ensuring effective organisational performance management and accountability
- communicating risk and control information to appropriate areas of the organisation, and
- co-ordinating the activities of and communicating information among the board, external and internal auditors, other assurance providers and management.

Provision of the Internal Audit Function

3.3 The Internal Audit Function is provided 'in house' and consists of the Chief Internal Auditor, 2 Audit Managers, 3 Principal Auditors and 2 Auditors. The team comprises of professionally qualified and part qualified accountants and auditors (CIPFA, ACCA, IIA, AAT). The Chief Internal Auditor operates in collaboration with a neighbouring local authority dividing his time on a 50:50 basis between Newport City Council and Monmouthshire County Council.

Organisational Independence and Objectivity



- 3.4 PSIAS Standard 1100 states that the Chief Internal Auditor must report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities. The Chief Internal Auditor will confirm to the Governance and Audit Committee, at least annually, the organisational independence of the internal audit activity.
- 3.5 Organisational independence is effectively achieved when the Chief Internal Auditor reports functionally to the Governance and Audit Committee. The Governance and Audit Committee is required to:
- approve the Internal Audit Charter;
 - approve the risk based Internal Audit Plan;
 - receive communications from the Chief Internal Auditor on the internal audit activity's performance relative to its plan and other matters;
 - make appropriate enquiries of management and the Chief Internal Auditor to determine whether there are inappropriate scopes or resource limitations.
- 3.6 Members of the Internal Audit Team annually declare any potential conflicts of interests and do not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment.
- 3.7 Where Internal Audit provide consultancy services, the work will be organised in ways to ensure independence will not be impaired where they subsequently audit that area.

Management Structure

- 3.8 Internal Audit is part of the Finance Service Area, with the Chief Internal Auditor reporting directly to the Head of Finance (nominated S151 Officer). However, in order to maintain its independence Internal Audit has a right of access to the Chief Executive and/or the Leader of the Council and/or the Chair of the Governance and Audit Committee should circumstances warrant it. The Chief Internal Auditor also reports in his own name. Internal Audit does not carry out any non-audit functions and has operational independence.
- 3.9 The Chief Internal Auditor is responsible:
- in managerial terms to the Head of Finance;
 - for the performance of the Internal Audit Service to the Governance and Audit Committee;
 - for providing a level of assurance, or otherwise, to the Governance and Audit Committee and the Executive Board.
- 3.10 The Chief Internal Auditor's responsibilities to the Governance and Audit Committee include:
- keeping under review and periodically presenting for approval the Internal Audit Charter;
 - presenting and obtaining approval of the risk-based annual Internal Audit Plan;
 - reporting quarterly on the work undertaken by Internal Audit;



- reporting any serious weaknesses found in the internal control systems, governance or risk, and any instances where corrective action has not been taken by management;
- reporting any instances where responses to audit reports have not been received within a reasonable timescale of the issue of draft and/or final audit reports, and any instances where agreed management actions have not been implemented within an acceptable time period;
- providing an annual Internal Audit report, including an opinion of the overall adequacy and effectiveness of the Council's internal control environment;
- the annual report must also include a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme; and

3.11 The Governance and Audit Committee's responsibilities are in accordance with the Committee's terms of reference as set out in the Council's Constitution.

4 Code of Ethics

4.1 The Internal Audit Service operates in accordance with the Public Sector Internal Audit Standards (PSIAS) 2017 by:

- ensuring that all internal auditors conform to the Code of Ethics principles of integrity, objectivity, confidentiality and competency;
- implementing the Attribute and Performance Standards as detailed in Section 7 of the Standards.

4.2 Internal Audit staff are required to make an annual affirmation of their knowledge of, and compliance with, the PSIAS Code of Ethics and must also have regard to The Committee on Standards in Public Life's *Seven Principles of Public Life* (the Nolan Principles).

5 Service Standards

What can be expected from Internal Audit:

5.1 Internal Auditors will, at all times, exercise due professional care, act with integrity and take a professional, reliable, independent and innovative approach to their work. It is essential that auditors are impartial so that when an audit opinion is requested it will be unbiased and based upon the facts available. Should a situation arise where impartiality could be questioned, then another auditor will be assigned to undertake the task concerned.



- 5.2 The Chief Internal Auditor and individual members of the Internal Audit team are responsible and accountable for maintaining the confidentiality of the information they receive during the course of their work.
- 5.3 Where an auditor was previously employed within a service/area subject to audit then the Chief Internal Auditor will ensure that the auditor concerned is not assigned audits in that area until an appropriate amount of time has lapsed.

Audit Strategy

- 5.4 The Chief Internal Auditor prepares a risk-based audit strategy and translates this into a five-year plan that shows cyclical coverage of audits across all service areas. Where there is a difference between the strategy/plan and resources available, this will be reported to the Governance and Audit Committee.

Annual Audit Plan

- 5.5 To implement the audit strategy, an annual audit plan is established using a risk-based assessment methodology. Planning is informed by review of the Authority's Corporate Risk Register and of Council and Cabinet minutes as well as the Audit Strategy. The plan determines in broad terms the resources and skills needed, and is used for allocating auditors' work. Should the plan indicate a need for additional resources, this will be discussed with the Head of Finance. Heads of Service / Managers are consulted on the audit plan during the planning process and asked if there are any areas or work they wish specifically to be incorporated into the audit coverage. The plan is flexible and includes a contingency to allow for changes in priorities, emerging risks, ad hoc projects, fraud and irregularity, etc.
- 5.6 The Chief Internal Auditor may rely on the work of other assurance and consultancy service providers having first satisfied himself of their competency, objectivity and due professional care. Where such reliance is placed on the work of others, however, the Chief Internal Auditor is still accountable and responsible for ensuring that appropriate support is available for any conclusions and opinions reached.
- 5.7 The Annual Internal Audit Plan is reported to, considered and approved by the Governance and Audit Committee.
- 5.8 During the year, the Chief Internal Auditor must review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programmes,



systems, and controls. Any material changes in the Audit Plan as a result will be reported to the Governance and Audit Committee.

What is expected from operational managers and staff?

5.9 Managers and staff should co-operate with the auditors, for example:

- Agreeing audit scopes promptly prior to the commencement of audit fieldwork;
- Providing Internal Audit with full support and co-operation, including complete access to all records, data, property and personnel relevant to the performance of their responsibilities at all levels of operations, without unreasonable delay;
- Responding to the draft internal report, including provision of management responses to issues raised, within the timescale requested by the Audit Team, normally 10 days. Where a response is not forthcoming a reminder will be issued. However, if a response is not received then the matter may be referred up to the next level of management, and ultimately to the Head of Service, Strategic Director, Chief Executive or Governance and Audit Committee, as appropriate;
- Implementing agreed audit recommendations or management actions in accordance with the agreed timescales;
- Updating Internal Audit with progress made on audit recommendations and agreed management actions;
- Informing Internal Audit of proposed changes and developments in processes and systems and newly identified significant risks;
- promptly notifying the Chief Internal Auditor where they believe fraud, corruption or bribery may have occurred within the organisation'

5.10 Managers and staff are encouraged to feedback any comments which would help improve the future delivery of internal audit services during the audit and through the client audit evaluation questionnaire issued at the conclusion of each audit.

6 Reporting

Audit Reports

6.1 All audit assignments will be the subject of formal reports or memoranda. Where appropriate, draft reports will be sent to the managers responsible for the area under review for agreement of the factual accuracy of findings. After agreement, the final reports will be issued to the relevant Head of Service and Strategic Director.

6.2 Audit reports:

- present the findings based on a risk assessment e.g. critical, significant and moderate risk, together with control strengths identified during the audit (Appendix 1)
- are balanced, showing strengths and weaknesses identified from the evidence obtained during the audit work



- include an action plan showing the agreed management actions and the target date for implementation
- give an opinion of the system / establishment of internal control as at the time of the audit based on the findings (Appendix 1)
- define the circulation of the draft and the final reports
- will be issued on behalf of the Chief Internal Auditor.

6.3 Audit report circulation/reporting structure:

- Operational managers (and Headteachers) receive a draft report for discussion followed by the final report
- Heads of Service (and for schools, Chairs of Governors) and Strategic Directors will receive a copy of all final reports within their service area
- The Executive Board (including the Chief Executive) will receive a copy of all quarterly update reports presented to the Governance and Audit Committee and can request individual reports as required.

Reporting Standards

- 6.4 Upon completion of audits, draft audit reports are internally quality reviewed and issued to the relevant line managers for them to confirm the accuracy of the audit findings. Managers are invited to discuss the report and asked to provide their response to the critical and significant risk weaknesses raised in the draft report. For agreed management actions, dates for action or implementation are recorded in the report and the action plan. The managers' responses are recorded in the final report.
- 6.5 In accordance with professional standard (2500 Monitoring Progress), follow-up audits are undertaken to ensure that the agreed controls and actions have been implemented by management, or that risks of not doing so have been accepted.
- 6.6 Any agreed management actions not implemented within a reasonable timescale and any 'critical risk' weaknesses that are not accepted will be reported to the Governance and Audit Committee for their consideration of any action necessary in accordance with the Committee's terms of reference.
- 6.7 Internal Audit works to the reporting quality standards benchmarked by the Welsh Chief Internal Auditors' Group, which include the timely issue of draft and final audit reports.
- 6.8 Agreed action plans within final reports will be followed-up within 12 months of the date issue of the final audit report, to ensure that the agreed audit recommendations or management actions have been implemented.



7 Quality Assurance

- 7.1 The Chief Internal Auditor will maintain a process of review of the Internal Audit Service to provide reasonable assurance that its work conforms with the relevant standards and to the requirements of this document. Internal assessments will include:
- ongoing monitoring of the performance of the service including ensuring there is adequate supervision of work performed
 - periodic self-assessments on how the service meets the requirements of the Public Sector Internal Audit Standards
- 7.2 External assessments of the Internal Audit Service will be undertaken once every five years, in accordance with the PSIAS. The latest external assessment was completed in March 2018, hence the deadline for the next review is March 2023. The Governance and Audit Committee is encouraged to oversee the external assessment process and the outcome of each assessment will be reported promptly to them.
- 7.3 Internal auditors are required to enhance their knowledge, skills and other competencies through continuing professional development which is supported by Audit Management.
- 7.4 All audit reports are reviewed by a senior member of audit staff prior to issue. All Unsatisfactory or Unsound reports are reviewed by the Chief Internal Auditor. All reports are issued in the name of the Chief Internal Auditor.

8 Relationships

- 8.1 General - in all of these relationships the person(s) concerned 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. Where issues could cause embarrassment to the Council, the appropriate manager will be advised immediately so that the issue can be addressed without delay.
- 8.2 Internal - the main contacts are with: Council employees, operational managers, Heads of Service, Strategic Directors and the Chief Executive. Internal auditors will ensure that they explain to the person(s) concerned the purpose of the audit and the various stages that the audit will follow. Internal Audit will agree with the manager concerned the timing and scope of the audit and the circulation of the audit report.
- 8.3 The Internal Audit Team will maintain an up to date intranet page on the Council's intranet site which will include the IA Plan, IA Charter, staff profiles along with a brief explanation of the audit process.
- 8.4 Councillors – the main means of communication between Internal Audit and Councillors is via the Governance and Audit Committee which meets approximately 7 times per year.
- 8.5 External – Internal Audit will liaise with the external auditors in order to:
- foster a co-operative and professional working relationship
 - minimise the incidence of duplication of effort



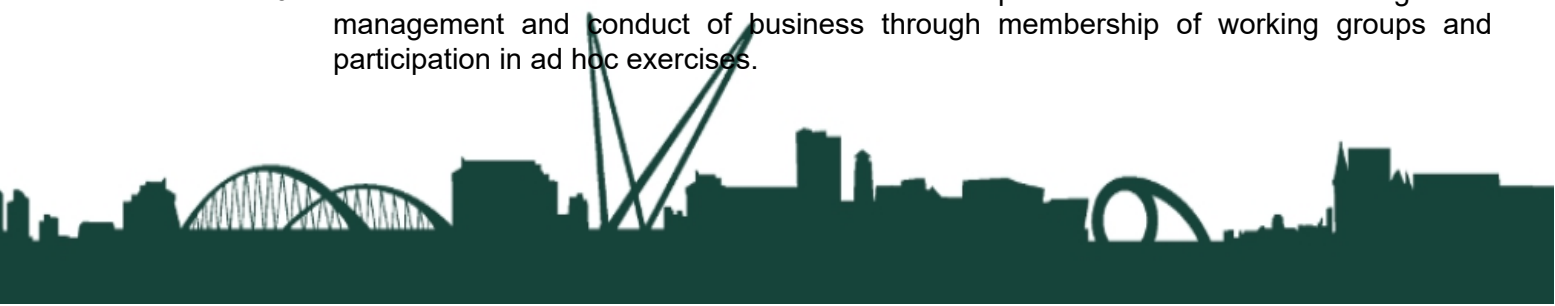
- ensure appropriate sharing of information
- co-ordinate the overall audit effort

9 Fraud & Irregularities

- 9.1 The Chief Internal Auditor is responsible for reviewing and updating the Council's Anti-Fraud, Bribery and Corruption Strategy and for promoting an anti-fraud culture within the Council. This is achieved by the following:
- specific detailed testing in high risk areas
 - participation in the Cabinet Office National Fraud Initiative (NFI) data matching exercise
 - investigation of areas of concern identified through routine audits, reported to management or via the Council's Whistleblowing Policy, where appropriate.
- 9.2 Heads of Service / operational managers are responsible for managing risks in order to prevent fraud, irregularity, waste of resources, etc. Internal Audit will assist service colleagues to effectively manage these risks.
- 9.3 However, no level of controls can guarantee that fraud will not occur, even when the controls are performed diligently with due professional care.
- 9.4 Where there is evidence or reasonable suspicion that a fraud or irregularity has occurred, then this must be reported immediately to Internal Audit. All cases will be dealt with in accordance with the Council's *'Anti-Fraud, Bribery and Corruption Strategy'* and *'Whistleblowing Policy'*.

10 Audit Resources

- 10.1 Ideally, the staffing structure of Internal Audit will comprise a mix of qualified, technician, trainee and auditor posts with a mix of professional specialisms to reflect the varied functions of the Section.
- 10.2 As far as is practicable, Internal Audit will not participate in the day-to-day operation of any systems of internal control. However, in strict emergency situations only, audit personnel may be called upon to carry out non-audit work on a short-term basis. Where this is the case the Chief Internal Auditor will implement safeguards to limit any potential impairments of independence or objectivity.
- 10.3 Internal Audit may also provide consultancy services, such as providing advice on implementing new systems and controls or being asked to be part of a project team. However, any significant consulting activity not already included in the Audit Plan and which might affect the level of assurance work undertaken will be reported to the Governance and Audit Committee.
- 10.4 Members of the Internal Audit team will be expected to contribute to the general management and conduct of business through membership of working groups and participation in ad hoc exercises.



11 Audit Training

- 11.1 Internal auditors will continue to enhance their knowledge, skills and other competencies through continuing professional development (Standard 1230).
- 11.2 The Chief Internal Auditor will carry out a continuous review of the development and training needs of all audit personnel and will arrange in-service training covering both internal and external courses. This will complement the Council's performance management 'Check in' process.
- 11.3 The Internal Audit Team will continue to co-ordinate regional training for internal auditors across South Wales internal audit teams on behalf of the Welsh Chief Auditors Group. An annual training programme will be proposed and delivered where resources allow.
- 11.4 NCC's Internal Audit Team will be encouraged to attend this training programme along with training provided through other sources such as the Institute of Internal Auditors.

12 Review

- 12.1 The Internal Audit Charter will be reviewed every three years by the Chief Internal Auditor and presented to the Executive Board and the Governance and Audit Committee for approval. The next renewal date will be March 2025.



APPENDIX 1

Categories of Audit Findings:

RATING	DESCRIPTION
CRITICAL	Major risk to the system.
SIGNIFICANT	Unacceptable risk.
MODERATE	Risk partially mitigated but should still be addressed.

Audit Opinions

	GOOD (Green)	Well controlled with no critical risks identified which require addressing; substantial level of assurance.
➡	REASONABLE (Yellow)	Adequately controlled although risks identified which may compromise the overall control environment; improvements required; reasonable level of assurance.
	UNSATISFACTORY (Amber)	Not well controlled; unacceptable level of risk; changes required urgently; poor level of assurance.
	UNSOUND (Red)	Poorly controlled; major risks exists; fundamental improvements required with immediate effect; unacceptable level of assurance.

