



REPORT TO THE JOINT COMMITTEE

11 November 2020

Report by: GwE Managing Director

Subject: Governance Arrangements: Internal Audit

1. Purpose of the Report

1.1 To present & request the approval of the Joint Committee with regard to internal audit arrangements.

2. Background

2.1 During the last meeting of the GwE Joint Committee (item 7, 15/09/20), members requested that the GwE Managing Director, in consultation with the Monitoring Officer & Head of Finance in Gwynedd Council, review the governance arrangements & report back to the Joint Committee.

3. Proposed Arrangements

3.1 Statutory Context

GwE is a 'relevant body' which must maintain an adequate and effective system of internal audit of its accounting records and system of internal control. Under Section 151 of the Local Government Finance Act 1972, the 'Section 151' Officer of the host authority is responsible for ensuring that proper arrangements are in place for the management of

GwE's financial affairs. It relies fundamentally on Internal Audit to fulfill that responsibility. Part of the function of Internal Audit is to provide assurance that arrangements are subject to an appropriate level of internal control, and to report any risks or weaknesses in the system of internal control, or any financial loss or irregularity to the Section 151 Officer as well as with appropriate management and the Joint Committee responsible for GwE's governance.

- 3.2 In order to comply with these statutory requirements, the internal audit service will be provided to GwE in accordance with the Public Sector Internal Audit Standards ("PSIAS"). The Standards are relevant to every internal audit service provider for the public sector, whether internal, shared service or external.
- 3.3 The Standards define Internal Audit as follows: "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."

4. Proposed Management and Governance Arrangements

- 4.1 GwE has a process for identifying the need for internal audit and acting on the recommendations, namely:
- 1) Identify the need for audit in specific areas. This work plan will be developed where possible through consideration of risk registers, performance reports, business plans etc.
 - 2) Meeting between the host authority's Audit Manager and GwE's Managing Director.
 - 3) To agree the audit program for the year with the Management Board.
 - 4) Content of the program to be shared with the Joint Committee.
 - 5) The Audit Unit of the host authority to conduct the audits.
 - 6) Share draft audit reports with relevant GwE management for accuracy and agree actions to address any risks.
 - 7) The host authority's Audit Unit to send audit reports to GwE's Managing Director and relevant managers.
 - 8) Relevant GwE officers to act on agreed actions (administrative issues not requiring Joint Committee input).
 - 9) GwE Managing Director to share individual audit reports with Management Board.

- 10) The host authority's Audit Manager submits an annual report to the Joint Committee on any audits carried out during the year.
- 11) Relevant GwE officers to act on Joint Committee decisions.
- 12) GwE officers to report progress as necessary to the Joint Committee.

4.2 Following this process will ensure clarity of GwE's role in reporting on the findings of the internal audit unit and clear communication and appropriate governance for a regional service.

4.3 In order to formalise these arrangements further, the Joint Committee will be given an opportunity in a future meeting to consider and adopt an Internal Audit Charter, as is required under the Public Sector Internal Audit Standards.

5. Recommendation

5.1 The Joint Committee is asked to approve the arrangements as noted in section 3.0.

6. Financial Implications

6.1 There are no additional financial commitments arising from this report.

7. Equalities Impact

7.1 There are no new equalities implications arising from this report.

8. Personnel Implications

8.1 There are no new personnel implications arising from this report.

9. Consultation Undertaken

9.1 Full consultation has taken place with the Monitoring Officer & Head of Finance of the host authority.

OPINION OF THE STATUTORY OFFICERS

Monitoring Officer:

Providing appropriate audit arrangements is part of the framework that provides assurance to the Councils and to the Joint Committee regarding GwE's governance. The proposed system provides clarity in respect of dealing with and scheduling investigations and communicating the resultant reports, within the current arrangements. It is also important to note that the Councils have a need for robust and independent audit arrangements, and that this procedure does not preclude reporting to the Audit Committee of any Council should this be specifically required

Statutory Finance Officer:

I have worked with the author to prepare this report, and confirm my support for working together on the basis of the proposed arrangements presented here.