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Thurrock Council  
Internal Audit Protocol  
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# Thurrock Council's Commitment to Good Governance

## About this Protocol

Thurrock Council is responsible for significant expenditure of public money and places great importance on maintaining the highest standards of probity, financial management and accountability.

External and Internal Audit provide the Council with independent assurance that assets and resources are properly applied and used wisely.

This Protocol explains how our audit arrangements operate and sets out the responsibilities of Members and Senior Management for ensuring that the audit requirements of the Council are met and recommendations made are fully implemented.

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## Communication

This protocol will be circulated to the Chief Executive, Monitoring Officer, Head of Internal Audit, External Audit and the Section 151 Officer as part of the consultation process..

## Distribution

Copies of this Protocol will be provided to all Councillors, the Chief Executive, Monitoring Officer, Directors Board, Section 151 Officer, Heads of Service and all staff through Insight and will be made available on the Council's internet site.

## Who to contact to find out more:

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## **Responsibilities Explained**

### **Cabinet Members**

Cabinet must ensure the Council's audit arrangements are effectively applied. Cabinet do this through:

- The Cabinet Portfolio Member with responsibility for Central Services.
- The Council's Standards & Audit Committee
- Approving the Council's Action Plan arising from the External Auditor's Annual Audit Letter, after this has been reviewed by the Standards & Audit Committee.

### **Senior Management**

Directors, Heads of Service and individual managers are responsible for exercising proper internal control over their areas of responsibility. External and Internal Audit review the effectiveness of these control arrangements and make recommendations for improvements where weaknesses are identified. It is important that the implementation of these recommendations is monitored and followed up by the Authority to ensure that the audit process is effective.

Copies of External and Internal Audit reports referring to departmental issues will be sent to and monitored by individual Directors and Heads of Service.

Those reports referring to corporate issues, or which could have a negative impact on the reputation of the Council, should be reported to the Directors Board for initial consideration before being referred to whichever working group or individual the Board deems to be most appropriate.

Where a Red assurance report is issued, the relevant Director or Head of Service will be responsible for writing a covering report and presenting the report to the next meeting of the Standards & Audit Committee. Directors will also be responsible for discussing the contents of these reports and the actions they are taking to address the issues raised, at the regular meetings they hold with their relevant portfolio holder.

### **Standards & Audit Committee**

The purpose of the Standards & Audit Committee is to provide independent monitoring of the adequacy of the risk management framework, as well as independent scrutiny of the authority's financial and non-financial performance. The Committee also oversees the financial reporting process. This assists the Committee in focussing External and Internal Audit resources to ensure that the Council's main risks are independently reviewed. The Committee will do this by:

- Reviewing the External and Internal Audit annual plans prior to these being formally approved.

- Ensuring the Internal Audit function is properly resourced.
- Confirming effective co-ordination between the External Audit provider and Internal Audit.
- Confirming that the Audit Protocol is being properly applied.
- Ensuring that the Council's risk management strategy is fully operational and reviewing the Risk Register on a periodic basis.

The Standards & Audit Committee will also keep under review the operation of the Council's financial and information systems. It will do this by:

- Receiving and considering the External Auditor's Annual Audit Letter which will incorporate the Council's management responses and recommend the management action plan to Cabinet for formal approval.
- Monitoring implementation of the management action plans.
- Receiving and considering Internal Audit's annual assurance report which comments on the adequacy and effectiveness of internal control systems within the Council.
- Considering red and red/amber assurance reports issued by Internal Audit to relevant Directors, together with management responses and monitor implementation of agreed recommendations.
- Promoting an anti-fraud culture.

The Council takes audit matters very seriously. If the Standards & Audit Committee has specific concerns that important issues raised by External or Internal Audit are not being addressed, including the implementation of agreed recommendations, the Standards & Audit Committee will refer this formally to the Chief Executive, Monitoring Officer, Section 151 Officer or appropriate Director/Head of Service for an explanation.

### **External Audit**

The Council's External Auditor is required by the Code of Audit Practice to make an independent assessment about:

- The Council's Statement of Accounts.
- Corporate Governance.
- Performance Management Arrangements.

External Audit provides:

- A statement that the audit of the accounts has been completed in accordance with statutory requirements.
- A conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources.

- Where appropriate, a report dealing with matters that the auditor considers to be in the public interest.
- Progress reports on matters arising from specific aspects of the Auditors' work.
- An Annual Audit Letter, addressed to the Members of the Council, which summarises the most important matters arising from the audit work completed over the year. This will be considered by Cabinet, who will approve the Council's formal response and monitor progress against key recommendations, through the reporting process. The Letter and its response will also be reported to the Standards & Audit Committee to ensure the Committee is satisfied that the response is sufficient.

The annual Internal Audit Plan is discussed in detail with External Audit. External Audit also receives copies of audit reviews of the key financial systems.

### **Internal Audit**

Under the Accounts and Audit Regulations, the Council is required to maintain an adequate and effective internal audit of its accounting records and control systems.

Internal Audit provides an independent appraisal function which reviews the internal control arrangements of the Council, helps to ensure resources are used wisely and value for money is secured.

Internal Audit provides:

- A progress report detailing the audits that have been completed, the level of assurance provided and a summary of the key findings and recommendations.
- An annual report on the adequacy of financial and non-financial controls.
- A mechanism for following up on recommendations to determine the status of their implementation.

### ***Planning***

The work of Internal Audit is targeted through a three year audit strategy and annual plan which is updated on an annual basis.

Internal Audit consults with Directors and Heads of Service on the annual plan and review progress with the Section 151 Officer on a regular basis. Internal Audit may also attend Directorate Management Team meetings to provide updates. The draft plan is reviewed and agreed by the Directors Board before being submitted to the Standards & Audit Committee each year.

### ***Reporting***

For each audit review, an assignment planning sheet (audit brief) will be prepared, discussed, agreed and signed off (manually or electronically) by the manager responsible for the system being reviewed. This will set out the terms of reference of the review, the scope of the work being undertaken and any limitations to the scope. This provides the Auditor with the authority to start the review process.

On completion of the fieldwork, the Auditor will arrange a debrief meeting and prepare a first draft report and debrief document detailing their findings and recommendations which will be reviewed by the Internal Audit Manager. Dependent on the initial assessment carried out by the IA Manager and the assurance opinion being provided, the following attendees will be invited to the debrief meeting:

- Green assurance opinion – relevant Manager(s) and Auditor
- Amber/Green assurance opinion – relevant Manager(s) and Auditor
- Amber/Red assurance opinion – relevant Head of Service, relevant Manager(s), Internal Audit Manager and Auditor.
- Red assurance opinion – relevant Director, Head of Service, Manager(s), Internal Audit Manager and Auditor.

During the debrief meeting, actions to address recommendations, implementation dates and responsible officers will be agreed and recorded on the debrief document, which is then signed off by the relevant officer. Debrief meetings will be arranged within 5 days of completion of the fieldwork for Green, Amber/Green and Amber/Red reports and 10 days for Red reports.

Draft reports will be issued on major assignments and all audit recommendations will be discussed and agreed before the issue of the final report. An action plan will be included for each audit report, incorporating agreed implementation dates for the recommendations made.

In respect of Green, Amber/Green and Amber/Red reports, a draft report will be issued to the relevant Head of Service and/or Manager(s) within 10 working days of the debrief meeting taking place so they can check the report is factually accurate and that the action plan reflects the actions and timeframes agreed as part of the debrief process.

As soon as Internal Audit identifies circumstances likely to lead to the issue of a Red assurance audit opinion, they will discuss their concerns with the relevant Director, Head of Service and the Section 151 Officer.

Where the report is Red, a copy of the draft report will be sent to the relevant Director and Head of Service and copied in to the Chief Executive, Monitoring Officer and Section 151 Officer. A debrief meeting will then be arranged with the relevant Director, Head of Service and Manager within 10 days and a second draft report issued within 5 days of this debrief meeting. The Chief Executive will then determine whether the report needs to be presented and discussed at Directors Board.

Management must discuss and complete the action plan with their agreed responses at the debrief stage and provide appropriate implementation dates and the names of responsible officers. For Green, Amber/Green and Amber/Red reports, a final report will be issued within 5 days of getting the responses back. For Red reports, this timeframe may be extended at the request of the Chief Executive, Monitoring Officer and/or Section 151 Officer.

Management failure to meet these deadlines will result in an escalation to the relevant Head of Service or Director. If no response is received within a further 5 days, reports

will be finalised without management comment and will result in the Standards & Audit Committee requiring explanations from the relevant Director as to the reason for any delays.

Final reports relating to Green, Amber/Green and Amber/Red assurance reports will be presented to the Standards & Audit Committee as part of a standard progress report in line with the Committee's agreed work programme,. Red assurance final reports will be presented to the next Standards & Audit Committee meeting as a separate agenda item and will require the relevant Director to complete and present the covering report and their responses to the implementation of recommendations.

Management assurances will be sought on the status of recommendations within 1 month of their implementation date for all high and medium recommendations and evidence to support this will be obtained through an on-going follow-up process. If recommendations relating to key controls have not been implemented within the agreed timescale, this will be reported to the Standards & Audit Committee.

If satisfactory explanations cannot be provided to address Internal Audit concerns, this will be referred to the Section 151 Officer who will raise their concerns with the relevant Director.

Where Internal Audit undertakes work of an advisory or consultancy nature, an assurance opinion will not be provided. However, recommendations will still be made and an action plan agreed with senior management. These reviews will be reported to the Standards & Audit Committee as part of the standard progress report.

### **Joint working between External and Internal Audit**

External and Internal Audit work closely together to achieve their respective objectives and agree audit plans. This avoids any duplication of effort which is efficient and cost effective. It enables the External Auditor to place some reliance on the work of Internal Audit, particularly regarding the arrangements for ensuring the adequacy of systems.

Specific joint initiatives include:

- Annual audit planning meetings.
- Meetings to discuss testing strategies around key financial systems.
- Sharing information about fraud.
- Completing the AF70 submission on fraud that is not Benefits related (Benefit fraud is reported by the Benefit Fraud Team Manager).

Regular meetings take place to discuss matters of mutual interest and access is provided to audit files, system notes and working papers.