

# **Thurrock Council**

## **Internal Audit Charter 2019**

### **September 2019**

To be presented to Standards and Audit Committee on the 12<sup>th</sup>  
September 2019

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## Consultation

This Audit Charter will be circulated to the members of Directors Board, the Standards & Audit Committee and Section 151 Officer as part of the consultation process.

## Distribution

Copies of this Audit Charter will be provided to all members of the Standards & Audit Committee, Section 151 Officer and all staff by being made available on the council's internet site.

## Who to contact to find out more:

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Version – 3 - Next review date September 2020 or as required by changes to working practices or legislation.

## 1 INTRODUCTION

- 1.1 Internal Auditing is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of the Thurrock Council. It assists the council in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organisation's governance, risk management, internal control.
- 1.2 This Charter establishes the purpose, authority and responsibilities for the internal audit service for Thurrock Council.
- 1.3 The internal audit service is provided by Thurrock Council's Internal Audit team. Your key internal audit contact is:

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- 1.4 This Charter has been prepared in order to support the council in ensuring it has in place an effective Internal Audit service that meets the requirements of the Public Sector Internal Auditing Standards (PSIAS) which came into effect from 1<sup>st</sup> April 2013. This was updated in February 2019.
- 1.5 This Charter will be reviewed, updated as required and reported to the Standards & Audit Committee for consideration on a bi-annual basis.
- 1.6 For the purposes of this Charter, the Chief Internal Auditor fulfils the role of the council's Head of Internal Audit (HoIA) and is referred to as such throughout the document.
- 1.7 Within Thurrock Council, the HoIA does not have any responsibility for other operational areas within the council.

## 2 DEFINITION AND PURPOSE OF INTERNAL AUDIT

- 2.1 Internal Audit is defined in the Public Sector Internal Audit Standards 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 introducing a systematic, disciplined approach in order to evaluate and improve the effectiveness of risk management, control, and governance processes.”*

- 2.2 Internal Audit is a key part of the assurance cycle for the council and provides senior management with assurance on whether the organisation's risk

management, control and governance processes are adequate and operating effectively.

- 2.3 To clarify and align this Charter with the PSIAS, senior management are defined as Directors' Board, the Leadership Group and members of the Standards & Audit Committee.

### **3 PROFESSIONALISM**

- 3.1 The internal audit activity will govern itself by adherence to The Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the *International Standards for the Professional Practice of Internal Auditing (Standards)*. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.
- 3.2 The Institute of Internal Auditors' Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable to guide operations. In addition, the internal audit activity will adhere to the council's relevant policies and procedures and the internal audit activity's standard operating procedures manual.

### **4 AUTHORITY**

- 4.1 In accordance with Chapter 9, Part 3, Section 1, Paragraph 1.9 of the Council Constitution covering the Finance Procedure Rules, to enable the HoIA and internal audit staff to fulfil their responsibilities, they have the right to automatic and full access to all records (however held) relating to any transaction carried out or on behalf of the council and to any of the council's premises or land. They may seek and obtain any explanations they need to conduct their work, or require any employee to produce council assets under their control, wherever located.
- 4.2 The HoIA and internal audit staff are not authorised to perform any operational duties associated with the organisation which may conflict with their independence.

### **5 ORGANISATION**

- 5.1 The HoIA will report functionally to the Standards & Audit Committee and administratively (i.e. day to day operations) to the Director of Finance & IT.
- 5.2 The Standards & Audit Committee will:
- Approve the internal audit charter.
  - Approve the risk based internal audit plan.
  - Receive communications from the HoIA on the internal audit activity's performance relative to its plan and other matters.

- Make appropriate inquiries of management and the HoIA to determine whether there is inappropriate scope or resource limitations.

## **6 INDEPENDENCE AND OBJECTIVITY**

- 6.1 The internal audit activity will remain free from interference by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.
- 6.2 Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment.
- 6.3 Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.
- 6.4 The HoIA will confirm to the Standards & Audit Committee, at least annually through the HoIA's Annual Report, the organisational independence of the internal audit activity.
- 6.5 To enhance the independence of Internal Audit, its personnel report direct to the HoIA. The HoIA has the right of independent access to the Chief Executive, as well as reporting lines and direct access to the Section 151 Officer and the Chair and members of the Standards & Audit Committee.
- 6.6 The HoIA holds one to one meetings with the Chair of the Standards & Audit Committee, to whom all significant concerns relating to the adequacy and effectiveness of risk management activities, internal control and governance are reported.
- 6.7 The HoIA and team of auditors are required to sign a declaration of interest form on an annual basis. Copies of the signed declarations will be retained by the HoIA.

## **7 RESPONSIBILITIES**

- 7.1 One of the main responsibilities of Internal Audit is to support the Director of Finance & IT in the discharge of their duties as Section 151 Officer by providing an effective internal audit of the council's systems of internal control, risk management and corporate governance in accordance with the Accounts & Audit Regulations 2015. Internal Audit do this by providing a high quality, independent service to the council which evaluates and reports, through the Chief Internal Auditor's Annual Report, on the effectiveness of the risk management, internal control and governance processes. This is presented to

the Standards & Audit Committee at their first meeting of the municipal year and is used to inform the Annual Governance Statement.

7.2 The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management, and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve the organisation's stated goals and objectives. This includes:

- Evaluating risk exposure relating to achievement of the organisation's strategic objectives.
- Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information.
- Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the organisation.
- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Evaluating the effectiveness and efficiency with which resources are employed.
- Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
- Monitoring and evaluating governance processes.
- Monitoring and evaluating the effectiveness of the organisation's risk management processes.
- Performing consulting and advisory services related to governance, risk management and control as appropriate for the organisation. Where consulting or advisory activities are undertaken, the HoIA will not issue an assurance report. An advisory report will be issued.
- Reporting periodically on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan.
- Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Standards & Audit Committee.
- Evaluating specific operations at the request of the Standards & Audit Committee or management, as appropriate.

7.3 The HoIA also has a responsibility to:

- Develop a flexible, risk based 3 year internal audit strategy and detailed annual audit plan. The plan will be submitted to the Standards & Audit Committee for review and approval each year at its March meeting, prior to work commencing to deliver the plan.
- Include any additional tasks requested by management and the Standards & Audit Committee following consultation with the Director of Finance & IT.

- Ensure the internal audit team consists of professional and suitably skilled audit staff with sufficient knowledge and experience.
- Establish a Quality Assurance and Improvement Program to ensure the quality and effective operation of internal audit activities and compliance with the PSIAS.
- As part of the audit planning cycle, evaluate and assess significant merging or consolidating functions and new or changing services, processes or operations within the organisation.
- Highlight risks and weaknesses in control and make recommendations for improvements to management based on an acceptable and practicable timeframe.
- Carry out follow up reviews to ensure management has implemented agreed internal control improvements within specified and agreed timeframes.
- Liaise with the external auditor to provide maximum audit coverage to the organisation whilst minimising duplication of work.

## **8 REPORTING**

- 8.1 A written report will be prepared and issued by the HoIA or designee following the conclusion of each internal audit engagement and will be distributed as appropriate. Internal audit results will also be communicated to the Standards & Audit Committee.
- 8.2 The HoIA shall issue progress reports to the Standards & Audit Committee and management summarising outcomes of audit activities, including follow up reviews. These will be presented in line with the agreed work programme of the Standards & Audit Committee.
- 8.2 The HoIA is required to provide the Section 151 Officer with an opinion on the adequacy and effectiveness of the organisation's governance, risk management and control arrangements. In giving this opinion, it should be noted that assurance can never be absolute. The most that the internal audit service can provide to the Council is a reasonable assurance that there are no major weaknesses in the risk management, governance and control processes. This assurance is provided through the HoIA's Annual Report which is presented to the Standards & Audit Committee following the financial year end.

## **9 DATA PROTECTION**

- 9.1 Internal audit files need to include sufficient, reliable, relevant and useful evidence in order to support our findings and conclusions.
- 9.2 Personal data is not shared outside of Thurrock Council. The only exception would be where there is information on an internal audit file that external auditors have access to as part of their review of internal audit work or where there is a legal or ethical obligation to do so (such as providing information to support a fraud investigation based on internal audit findings).

- 9.3 Thurrock Council has a Data Protection Policy in place that requires compliance by all of their employees. Non-compliance may result in disciplinary action.

## 10 FRAUD

- 10.1 The Standards & Audit Committee recognises that management is responsible for controls to reasonably prevent and detect fraud. Furthermore, the Standards & Audit Committee recognises that internal audit is not responsible for identifying fraud. However, it will assess the risk of fraud and be aware of the risk of fraud when planning and undertaking any internal audit work. Any instances of potential fraud or corruption identified during the course of an internal audit review will be immediately communicated in the first instance to the HoIA who will determine the short-term action to be taken. It will then be discussed with the Director of Finance & IT and the Assistant Director of Fraud & Investigation to determine any further action required.

Signature \_\_\_\_\_  
**Councillor Gerard Rice**  
**Chair of the Standards & Audit Committee**

Date: 12<sup>th</sup> Sept 2019

Signature \_\_\_\_\_  
**Gary Clifford**  
**Chief Internal Auditor**

Date: 12<sup>th</sup> Sept 2019

Signature \_\_\_\_\_  
**Sean Clark**  
**Director of Finance & IT and Section 151 Officer**

Date: 12<sup>th</sup> Sept 2019