

Thurrock Council

Internal Audit Charter 2024

March 2024

To be presented to Standards and Audit Committee on the 21 March 2024

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Distribution

Copies of this Audit Charter will be provided to all members of the Standards and Audit Committee, Section 151 (S151) 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 – 5 – Next review date March 2025 or as required by changes to working practices or legislation.

1. INTRODUCTION

- 1.1 Internal audit is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of 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, and 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:

	Head of Internal Audit
Name	Colin Ratcliffe
Email address	colin.ratcliffe@thurrock.gov.uk

- 1.4 This Charter has been prepared 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, which came into effect from 1 April 2013 and were updated in February 2019.
- 1.5 This Charter will be reviewed, updated as required, and reported to the Standards and Audit Committee for consideration on an annual basis.
- 1.6 For the purposes of this Charter, the Interim Head of Financial Assurance, Risk, Internal Audit and Insurance 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 have responsibilities for other operational areas within the council and further details can be found in section 6.

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 The mission of internal audit is to enhance and protect organisational value by providing risk based and objective assurance, advice, and insight (Source - Institute of Internal Auditors).

- 2.3 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 Public Sector Internal Audit Standards, senior management are defined as the Senior Leadership Team, and members of the Standards and Audit Committee.

3. PROFESSIONAL STANDARDS

- 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 (IPPF)*. 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 Specifically, the internal audit service works to the Public Sector Internal Audit Standards (the Standards). These Standards are based on the mandatory elements of the IPPF and exist to promote further improvement in the professionalism, quality, consistency, and effectiveness of internal audit services across the public sector.
- 3.3 The HoIA will periodically report to the Senior Leadership Team and the Standards and Audit Committee regarding the internal audit service's conformance to the Code of Ethics and the Standards.

4. AUTHORITY

- 4.1 The principal authority for internal audit at the council comes from the Accounts and Audit Regulations 2015, specifically Regulation 5 which demands:
- "A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance".*
- 4.2 The HoIA will functionally report to the Standards and Audit Committee and administratively to the Chief Financial Officer (S151 Officer).
- 4.3 The HoIA will have unrestricted access to, and communicate and interact directly with, the Standards and Audit Committee, including private meetings without management present.
- 4.4 The internal audit service will:
- Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.

Noting that this power also derives from Regulation 5(2) of the Accounts and Audit Regulations 2015.

- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
- Obtain assistance from the necessary personnel of the council, as well as other specialised services from within or outside the council, to complete the engagement.

4.5 To establish, maintain and assure that the council's internal audit service has sufficient authority to perform its duties, the Standards and Audit Committee will:

- Approve the Internal Audit Charter.
- Approve the risk based internal audit plan.
- Approve the internal audit service's budget and resource 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.

4.6 To establish, maintain and assure that the council's internal audit service has sufficient authority to fulfil its duties the Chief Financial Officer, on behalf of, and where appropriate in consultation with, the Senior Leadership Team, will:

- Approve the Internal Audit Charter.
- Approve the risk based internal audit plan.
- Approve the internal audit service's budget and resource plan.
- Receive communications from the HoIA on the internal audit service's performance relative to its plan and other matters.
- Approve decisions regarding the appointment and removal of the HoIA, after consultation with the Audit Panel.
- Conduct performance appraisals of the HoIA, after consultation with the Audit Panel.
- Make appropriate enquiries of the Senior Leadership Team and the HoIA to determine whether there are inappropriate scope or resource limitations.

5. INDEPENDENCE AND OBJECTIVITY

- 5.1 The HoIA will ensure that the internal audit activity remains 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. If the HoIA determines that independence or objectivity has been impaired, they will disclose this impairment to the relevant parties.
- 5.2 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.
- 5.3 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.
- 5.4 Where the HoIA has roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit the threat to independence and objectivity.
- 5.5 Currently, aside from the internal audit services, the HoIA has oversight of the following areas:
- a) Risk Management
 - b) Insurance
 - c) Financial Assurance
- 5.6 The HoIA will confirm to the Standards and Audit Committee, at least annually through the HoIA's Annual Report, the organisational independence of the internal audit activity.
- 5.7 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 S151 Officer and the Chair and members of the Standards and Audit Committee.
- 5.8 The HoIA holds one to one meetings with the Chair of the Standards and Audit Committee, to whom all significant concerns relating to the adequacy and effectiveness of risk management activities, internal control and governance are reported.
- 5.9 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.

6. RESPONSIBILITIES

6.1 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 and Audit Committee.
- Evaluating specific operations at the request of the Standards and Audit Committee or management, as appropriate.

6.2 The HoIA also has a responsibility to:

- Develop a flexible, risk based 3-year internal audit strategy and detailed audit plan. The plan will usually be submitted to the Standards and 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 and Audit Committee following consultation with the Chief Financial Officer.

- 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 Public Sector Internal Audit Standards.
 - 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.
- 6.3 The HoIA also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed. The internal audit service may perform advisory and related client service activities, the nature and scope of which will be agreed with the client, provided the internal audit service does not assume management responsibility.
- 6.4 The internal audit service adheres to Standards 1210.A2 in having an awareness of fraud when undertaking its work. However, the primary responsibility for preventing, detecting, and investigating fraud at the council rests with the Counter Fraud & Investigations Team.

7. REPORTING

- 7.1 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 and Audit Committee.
- 7.2 The HoIA shall issue progress reports to the Standards and 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 and Audit Committee.
- 7.3 The HoIA is required to provide the Section 151 Officer with an annual 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 and Audit Committee following the financial year end.

8. DATA PROTECTION

- 8.1 Internal audit files need to include sufficient, reliable, relevant, and useful evidence in order to support its findings and conclusions.
- 8.2 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).
- 8.3 Thurrock Council has a Data Protection Policy in place that requires compliance by all employees. Non-compliance may result in disciplinary action.

9. APPROVAL SIGNATURES

Standards and Audit Committee Chair:
Date: March 2024

Head of Internal Audit:
Date: March 2024

Chief Financial Officer:
Date: March 2024