



Thurrock Clinical Commissioning Group

Internal Audit Charter

May 2014

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This Charter sets out the terms of reference and serves as a basis for the governance of the Thurrock CCG's Internal Audit function. It sets out the purpose, authority and responsibility of the function in accordance with the UK Public Sector Internal Audit Standards.

The Charter will be reviewed annually and presented to the Audit Committee and the Governing Body for final approval.

Purpose

Thurrock CCG has developed a risk management framework, overseen by the Head of Corporate Governance, which includes:

- Identification of the significant risks in the CCG's operations and allocation of a risk owner to each;
- An assessment of how well the significant risks are being managed; and
- Regular reviews by the Corporate Management Team and the Governing Body of the significant risks, including reviews of key risk indicators, governance reports and action plans, and any changes to the CCG's risk profile.

A system of internal control is one of the primary means of managing risk and consequently the evaluation of its effectiveness is central to Internal Audit's responsibilities.

The CCG's system of internal control comprises the policies, procedures and practices, as well as organisational culture that collectively support the CCG's effective operation in the pursuit of its objectives. The risk management, control and governance processes enable the CCG to respond to significant business risks, be these of an operational, financial, compliance or other nature, and are the direct responsibility of the Corporate Management Team and Governing Body.

The CCG needs assurance over the significant business risks set out in the risk management framework. In addition, there are many other stakeholders, both internal and external, requiring assurance on the management of risk and other aspects of the CCG's business. There are also many assurance providers. The CCG has, therefore, developed an assurance framework which sets out the sources of assurance to meet the assurance needs of its stakeholders.

Internal Audit is defined by the Institute of Internal Auditors' International Professional Practices Framework 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.'

In a CCG, Internal Audit provides independent and objective assurance to the Accountable Officer, the Corporate Management Team, and in particular to the Chief Finance Officer to help him/her discharge his/her responsibilities for ensuring that the CCG operates effectively, economically and with probity; makes good use of its resources; and keeps proper accounts.

In particular, Internal Audit carries out assurance and consulting activities across all aspects of the CCG's business, based on a programme agreed with the Audit Committee, and coordinates these activities via the assurance framework. In doing so, Internal Audit works closely with the CCG's risk owners, the Corporate Management Team and the Governing Body.

In addition to providing independent assurance to various stakeholders, Internal Audit helps identify areas where the CCG's existing processes and procedures can be developed to improve the extent with which risks in these areas are managed; and public money is safeguarded and used economically, efficiently and effectively. In carrying out its work, Internal Audit liaises closely with the Corporate Management Team and operational management.

The independent assurance provided by Internal Audit also assists the CCG to report annually on the effectiveness of the system of internal control included in the CCG's Annual Governance Statement.

Authority

Internal Audit has unrestricted right of access to all CCG records and information, both manual and computerised, cash, stores and other property or assets it considers necessary to fulfil its responsibilities. Internal Audit may enter CCG property and has unrestricted access to all locations and officers where necessary on demand and without prior notice. Right of access to other bodies funded by the CCG should be set out in the memorandum of understanding/service level agreement.

Any restriction (management or other) on the scope of Internal Audit's activities will be reported to the Audit Committee.

Internal Audit is accountable for the safekeeping and confidentiality of any information and assets acquired in the course of its duties and execution of its responsibilities.

Internal Audit will consider all requests from the external auditors for access to any information, files or working papers obtained or prepared during audit work that has been finalised, and which external audit would need to discharge their responsibilities.

Responsibility

The Head of Internal Audit is required to provide an annual opinion to the CCG and to the Accountable Officer, through the Audit Committee, on the adequacy and the effectiveness of the CCG's risk management, control and governance processes. In order to achieve this, Internal Audit will:

- Coordinate assurance activities with other assurance providers (such the Local Counter Fraud Specialist (LCFS), the external auditors, etc.) such that the assurance needs of the CCG, regulators and other stakeholders are met in the most effective way.
- Evaluate and assess the implications of new or changing systems, products, services, operations and control processes.
- Carry out assurance and consulting activities across all aspects of the CCG's business based on a risk-based plan agreed with the Audit Committee.
- Provide the Accountable Officer and other officers with reasonable, but not absolute, assurance as to the adequacy and effectiveness of the key controls associated with the management of significant risks in the area being audited.
- Issue periodic reports to the Audit Committee, the Corporate Management Team and the Governing Body summarising results of assurance activities.
- Work with the LCFS in promoting an anti-fraud, anti-bribery and anti-corruption culture within the CCG to aid the prevention and detection of fraud;
- Assess the adequacy of remedial action to address significant risk and control issues reported to the Audit Committee. Responsibility for remedial action in response to audit findings rests with the Chief Finance Officer.

There are inherent limitations in any system of internal control and thus errors or irregularities may occur and not be detected by Internal Audit's work. Unless specifically requested and agreed, Internal Audit will not perform substantive testing of underlying transactions.

When carrying out its work, Internal Audit will provide department/business unit management with comments and report breakdowns, failures or weaknesses of internal control systems together with recommendations for remedial action. However, Internal Audit cannot absolve department/business unit management of responsibility for internal controls.

Internal Audit will support department/business unit managers in determining measures to remedy deficiencies in risk management, control and governance processes and compliance with the CCG's policies and standards and will monitor whether such measures are implemented on a timely basis.

Where appropriate, Internal Audit will undertake assurance or consulting activities for the benefit of the CCG in organisations wholly owned or controlled by the CCG (e.g. trading companies, charitable trusts, etc.). Internal Audit may also provide assurance to the CCG on third party operations (such as contractors and partners) where this has been provided for as part of the contract.

The Audit Committee is responsible for ensuring that Internal Audit is adequately resourced and afforded a sufficiently high standing within the organisation, necessary for its effectiveness.

Scope of Activities

As highlighted in the previous section, there are inherent limitations in any system of internal control. Internal Audit therefore provides the Accountable Officer and other officers with reasonable, but not absolute, assurance as to the adequacy and effectiveness of the CCG's governance, risk management and control processes using a systematic and disciplined approach by:

- Assessing and making appropriate recommendations for improving the governance processes, promoting appropriate ethics and values, and ensuring effective performance management and accountability;

- Evaluating the effectiveness and contributing to the improvement of risk management processes; and
- Assisting the CCG in maintaining effective controls by evaluating their adequacy, effectiveness and efficiency and by promoting continuous improvement.

The scope of Internal Audit's value adding activities includes evaluating risk exposures relating to the CCG's governance, operations and information systems regarding the:

- Achievement of the organisation's strategic objectives;
- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations and programmes;
- Safeguarding of assets; and
- Compliance with laws, regulations, policies, procedures and contracts.

Reporting

Internal Audit will report periodically to the Audit Committee, the Corporate Management Team and the Governing Body on the audit progress and results of the audit work carried out. The format of the reporting will be in accordance with the protocol agreed with the Audit Committee.

For each engagement, Internal Audit will issue a report to the appropriate senior management and business risk owner, as well as the Chief Finance Officer, with a summary to the Audit Committee.

The UK Public Sector Internal Audit Standards require the Head of Internal Audit to report to the top of the organisation and this is done in the following ways:

- The Internal Audit Charter is reported to the Corporate Management Team and the Audit Committee. It is then presented to the Governing Body annually for formal approval.
- The annual risk-based plan is compiled by the Head of Audit taking account of the CCG's risk management /assurance framework and after input from members of the Corporate Management Team. It is then presented to the Corporate Management Team and Audit Committee annually for noting and comment.
- The internal audit budget is reported to the Audit Committee for approval annually as part of the overall Trust budget.
- The adequacy, or otherwise, of the level of internal audit resources (as determined by the Head of Internal Audit) and the independence of internal audit will be reported annually to the Audit Committee.
- Performance against the annual risk-based plan and any significant risk exposures and breakdowns, failures or weaknesses of internal control systems arising from internal audit work are reported to the Audit Committee on a quarterly basis.
- Any significant consulting activity not already included in the risk-based plan and which might affect the level of assurance work undertaken will be reported to the Audit Committee.
- Results from the Quality Assurance and Improvement Programme will be reported to both the Corporate Management Team and the Audit Committee.
- Any instances of non-conformance with the Public Sector Internal Audit Standards must be reported to the Corporate Management Team and the Audit Committee and will be included in the annual Head of Internal Audit report. If there is significant non-conformance, this may be included in the CCG's Annual Governance Statement.

Independence

The Head of Audit has free and unfettered access to the following:

- Accountable Officer;
- Chief Finance Officer;
- Chair of the Audit Committee; and
- Any other member of the Corporate Management Team.

The independence of the contracted Head of Internal Audit is further safeguarded as his annual appraisal is not inappropriately influenced by those subject to internal audit.

To confirm that auditor objectivity is not impaired and that any potential conflicts of interest are appropriately managed, all internal audit staff are required to make an annual personal independence responsibilities declaration via the tailored 'My Compliance Responsibilities' portal which includes personal deadlines for:

- Annual Returns (a regulatory obligation regarding independence, fit and proper status and other matters which everyone in Mazars must complete);
- Personal Connections (the system for recording the interests in securities and collective investment vehicles held by partners, directors and managers, and their immediate family members); and
- Continuing Professional Development (CPD).

Internal Audit may also provide consultancy services, such as providing advice on implementing new systems and controls. 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 Audit Committee. To maintain independence, any audit staff involved in significant consulting activity will not be involved in the audit of that area for a period of at least 12 months.

External Auditors

The external auditors fulfil a statutory duty. Effective collaboration between Internal Audit and the external auditors will help enable effective and efficient audit coverage and resolution of issues of mutual concern. Internal Audit will follow up the implementation of internal control issues raised by external audit.

Internal Audit and external audit meet periodically to:

- Plan the respective internal and external audits;
- Discuss potential issues; and
- Share the results of significant issues arising.

Due Professional Care

The Internal Audit function is bound by the following standards:

- Institute of Internal Auditor's International Code of Ethics;
- Seven Principles of Public Life (Nolan Principles);
- UK Public Sector Internal Audit Standards;
- Relevant Trust Policies and Procedures; and
- Relevant legislation.

Internal Audit is subject to a Quality Assurance and Improvement Programme that covers all aspects of internal audit activity. This consists of an annual self-assessment of the service and its compliance with the UK Public Sector Internal Audit Standards, on-going performance monitoring and an external assessment at least once every five years by a suitably qualified, independent assessor.

A programme of CPD is maintained for all staff working on internal audit engagements to enable auditors to maintain and enhance their knowledge, skills and audit competencies to deliver the risk-based plan. The Head of Audit and the Engagement Manager are required to hold a professional qualification (CMIIA, CCAB or equivalent) and be suitably experienced.

Approved by the Audit Committee on

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