

INTERNAL AUDIT CHARTER

2025

London Borough of Havering

DOCUMENT CONTROL

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EQUALITY & HEALTH IMPACT ASSESSMENT

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|----|---|---|---|--|
| 1 | Title of activity | Internal Audit Charter | | |
| 2 | Type of activity | Charter | | |
| 3 | Scope of activity | - To define Internal Audit's purpose, authority and responsibility in accordance with the Global Internal Audit Standards (GIAS) and the CIPFA Application Note. | | |
| 4a | Are you changing, introducing a new, or removing a service, policy, strategy or function? | No | If the answer to <u>any</u> of these questions is 'YES', please continue to question 5. | If the answer to <u>all</u> of the questions (4a, 4b & 4c) is 'NO', please go to question 6. |
| 4b | Does this activity have the potential to impact (either positively or negatively) upon people (9 protected characteristics)? | No | | |
| 4c | Does the activity have the potential to impact (either positively or negatively) upon any factors which determine people's health and wellbeing? | No | | |
| 5 | If you answered YES: | Please complete the EqHIA in Section 2 of this document. Please see Appendix 1 for Guidance. | | |
| 6 | If you answered NO: (Please provide a clear and robust explanation on why your activity does not require an EqHIA. This is essential in case the activity is challenged under the Equality Act 2010.) Please keep this checklist for your audit trail. | This Charter establishes internal audit's position within the Council and reporting lines; authorises access to records, personnel and physical property relevant to the performance of audit work; and, defines the scope of internal audit activities. There is no impact on protected characteristics. | | |

| Date | Completed by | Review date |
|-----------------------------|--|-------------|
| 20 th March 2025 | Maria Denton, Deputy Head of Internal Audit & Risk | March 2027 |

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INTRODUCTION

Introduction

The [Institute of Internal Audit's Global Internal Audit Standards 2024](#) (the “Standards”) define an internal audit charter as: *“a formal document that includes the internal audit function’s mandate, organisational position, reporting relationships, scope of work, types of services and other specifications”*.

This document is the internal audit charter for the London Borough of Havering (“the Council”). It will come into force alongside the new Standards on 1 April 2025 and remain until amended or replaced. It is based on a model charter under the new Standards published by the Institute of Internal Audit, adapted for the UK public sector (with reference to the UK Public Sector Application Note (the “[Application Note](#)” and CIPFA’s Code of Practice for the Governance of Internal Audit in UK Local Government (the “[Code of Practice](#)”) and further specific to the Council.

Hyperlinks are used to refer to a full copy of standards or guidance available online throughout this document, when they are first mentioned and reiterated in the glossary. Bold, coloured text will be used throughout this document to denote when a term has a specific meaning in a Standards context which is explained further in the glossary (for example, **Audit Committee**).

PURPOSE

Purpose

This Charter sets out the purpose, authority and functions of the internal audit service supporting the Council. The purpose of the internal audit service is to strengthen the Council's ability to exercise effective governance in pursuit of its objectives by providing independent, risk-based and objective assurance, advice and insight.

The internal audit service enhances the Council's:

- Successful achievement of objectives,
- Governance, risk management and control processes,
- Decision-making and oversight,
- Reputation and credibility with stakeholders, and
- Ability to serve the public interest.

The Council's internal audit service is most effective when:

- The internal audit service is independently positioned with direct accountability to the **Audit Committee**.
- Internal auditing is performed by competent professionals in conformance with the Standards, the Application Note and the Code of Practice and any additional guidance authorised for use in the UK by relevant standards-setters.
- Internal auditors are free from undue influence and committed to making objective assessments.

Commitment to Adhering to Global Internal Audit Standards and other Mandatory Guidance

The Council's internal audit service will adhere to the mandatory elements of The Institute of Internal Auditors (IIA) International Professional Practices Framework, which are the Standards and Topical Requirements (subject to their approval by relevant UK standards-setters). Mandatory elements in the UK Public Sector also include the Application Note and the Code of Practice.

The **Head of Assurance** will report at least annually to the **Audit Committee** and **senior management** regarding the internal audit service's conformance with the Standards and other mandatory guidance. The **Head of Assurance** will monitor and assess that conformance through a quality assurance and improvement programme.

MANDATE

Mandate

In local government in the UK, internal audit's authority has statutory backing through Regulation 5 of the Accounts and Audit Regulations 2015 (the "[Regulations](#)"). The Regulations affirm internal audit's right of access to all documents, records and information considered necessary by those conducting the internal audit.

Authority

The internal audit service within the Council draws authority from its direct reporting relationship to the **Audit Committee**, including unrestricted access to Members.

Senior management, with support from the **Audit Committee**, authorise the internal audit service to:

- Have full and unrestricted access to all functions, data, records, information, physical property and personnel necessary for carrying out internal audit responsibilities. Internal auditors are accountable for maintaining confidentiality and safeguarding information they obtain.
- Allocate resources, select subjects, determine scopes of work, apply analytical techniques and issue communications necessary to accomplish audit objectives.
- Obtain assurance from the necessary personnel of the Council and other services from within or outside the Council (including contractors and collaborative or arms-length service arrangements) to complete internal audit services.

Independence, Organisational Position and Reporting Relationships

The **Head of Assurance** is positioned at a level in the Council that enables internal audit services and responsibilities to be free from interference from management, thereby established the service's independence. The **Head of Assurance** will report functionally to the **Audit Committee** and administratively to the Strategic Director for Resources. This positioning provides the authority and status to bring matters direct to **senior management** and escalate to the **Audit Committee** when necessary, without interference and so supports internal auditors' ability to maintain objectivity.

The **Head of Assurance** will confirm to the **Audit Committee**, at least annually, the organisational independence of the internal audit function. The **Head of Assurance** will disclose to the **Audit Committee** any characteristics of the Council's governance structure which may limit independence and any safeguards employed. The **Head of Assurance** will also disclose to the **Audit Committee** any interference internal auditors encounter related to the scope, performance or communication of internal audit work and results. This disclosure will include communicating the implications of such interference or governance structure characteristics on the internal audit service's effectiveness and ability to fulfil its mandate.

MANDATE

Currently, the **Head of Assurance** holds various operational roles beyond responsibility for the internal audit service. These are:

- Oversight of the Council's Anti-Fraud and Corruption Team,
- Oversight of the Council's Workplace Investigation's Team,
- Maintaining the Council's Risk Management Framework and;
- Oversight of the Council's Insurance service.

The following additional and alternative steps will feature in the audit approach to maintain independence and objectivity for these areas:

- At audit planning stage, other officers within the audit service will complete risk assessments. Where planning risk criteria are met, engagements will be longlisted in the audit plan and, at minimum, form part of the consultation draft plan shared with **senior management**.
- At audit engagement stage, the internal audit service will consider various approaches depending on the nature of the engagement. These may include having work undertaken by the Council's internal audit service but overseen by a Chief Audit Executive of another council or assigning work entirely to auditors from an external body or professional audit firm.
- At audit reporting stage, invite the independent entity that completed the engagement the opportunity to report direct to **Audit Committee** and **senior management**. That reporting will include opportunity to comment on the effectiveness of independence safeguards and any recommendations for their development.

The **Head of Assurance** will describe the specific safeguards proposed in the annual audit plan for agreement by the **Audit Committee** before implementation. Where the safeguards rely on assistance from another council, the Council may offer similar (non-reciprocal) services that the **Head of Assurance** will describe within the annual audit plan.

Changes to the Mandate, Authority or Charter

At least annually, the Head of Assurance will present a current version of this Charter for approval by the Audit Committee. Periodically, circumstances may justify more frequent or irregular amendments. These may include:

- Significant changes to Standards or other Mandatory Guidance,
- Significant reorganisation within the Council, especially changes in the Head of Assurance, Audit Committee or senior management.
- Significant changes to the Council's strategies, objectives, risk profile or operating environment.
- New laws or regulations that affect the nature of scope of internal audit.

AUDIT COMMITTEE OVERSIGHT

Audit Committee Oversight

To establish, maintain and ensure that the Council's internal audit service has sufficient authority to fulfil its duties the **Audit Committee** will:

- Discuss with the **Head of Assurance** and **senior management** the appropriate authority, responsibilities, scope and services of the internal audit service.
- Ensure the **Head of Assurance** has unrestricted access to and communicates and interacts directly with the **Audit Committee**, including in private meetings without senior management present.
- Discuss with the **Head of Assurance** and **senior management** the content of the internal audit charter.
- Participate in discussions with the **Head of Assurance** and **senior management** about the “essential conditions” described in the Standards which establish the foundation that enables an effective internal audit function.
- Approve the internal audit service's Charter, which includes the internal audit mandate and the scope and types of internal audit services.
- Review the internal audit charter at least annually to consider changes affecting the Council, such as the employment of a new **Head of Assurance** or changes in the type, severity and interdependencies of risks to the Council; and approve the internal audit charter.
- Approve the risk-based internal audit plan.
- Receive communications from the **Head of Assurance** about the internal audit service including its performance relative to its plan.
- Ensure a quality assurance and improvement program has been established and review its results annually.
- Work with the **Head of Assurance** and **senior management** in selecting an external quality assessor and defining assessment scope.
- Make appropriate enquiries of senior management and the **Head of Assurance** to determine whether actual or desired scope or resource limitations are inappropriate.
- Periodically review and assess the adequacy of specific arrangements to safeguard the **Head of Assurance's** independence and objectivity for work on other operational roles associated with the position.

AUDIT COMMITTEE OVERSIGHT

The following points are adapted from the Standards in line with requirements of the Application Note and the Code of Practice:

- Provide a view, where appropriate, on the internal audit service's human resources administration, budget and expenses.
- Provide input as requested by **senior management** on the appointment and removal of the **Head of Assurance** and ensuring that the post-holder is appropriately competent and qualified as set out in Standards and other Mandatory Guidance.
- Provide information as requested by **senior management** to inform the
- **Head of Assurance's** performance reviews and appraisal.

HEAD OF ASSURANCE ROLES & RESPONSIBILITIES

Ethics and Professionalism

The **Head of Assurance** will ensure that internal auditors:

- Conform to the Standards and other Mandatory Guidance, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care and confidentiality.
- Understand, respect, meet and contribute to the ethical expectations of the Council and be able to recognise conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture.
- Report behaviour that is inconsistent with the Council's ethical expectations, as described in the Council's statement on values and behaviours.

Objectivity

The **Head of Assurance** will ensure that the internal audit service remains free from all conditions that may threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matter of engagement selection, scope, procedures, frequency, timing and communication. If the **Head of Assurance** determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgement on audit matters to others, either in fact or appearance.

Internal auditors will have no direct operational responsibility or authority over any of the activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems or engage in other activities that may impair their judgement, including:

- Assessing specific areas where they previously held operational responsibility in the previous 12 months or where the impact of that responsibility persists.
- Performing operational duties for the Council, except as may be required narrowly for managing the internal audit service itself.
- Initiating or approving transactions external to the internal audit service.
- Directing the activities of any Council employee aside from those engaged by the internal audit service.

HEAD OF ASSURANCE ROLES & RESPONSIBILITIES

Internal auditors will:

- Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties as required by internal audit service policy and procedure.
- Exhibit objectivity in gathering, evaluating and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances to inform conclusions.
- Take steps to avoid conflicts of interest, bias and undue influence.

Managing the Internal Audit Function

The **Head of Assurance** has the responsibility to:

- At least annually, develop a risk-based internal audit plan that considers input from **senior management**.
- Communicate the impact of resource limitations on the internal audit plan to the **Audit Committee** and **senior management**.
- Discuss the plan with **Audit Committee** and **senior management** and submit the plan to Committee for review and approval.
- Review and adjust the internal audit plan, as necessary, in response to changes in the Council's business, risks, operations, programs, systems, controls and alternate sources of assurance.
- Communicate with the **Audit Committee** and **senior management** if there are significant interim changes to the internal audit plan.
- Ensure internal audit engagements are performed, documented and communicated in accordance with the Standards, other Mandatory Guidance and relevant laws and regulations.
- Follow up on engagement findings and confirm implementation of agreed actions as set out in internal audit service policy and procedure.
- Communicate results of internal audit services to **Audit Committee** and **senior management** periodically, and for individual engagements as appropriate.
- Ensure the internal audit service collectively possesses or obtains the knowledge, skills and other competencies and qualifications needed to meet the requirements of the Standards and other Mandatory Guidance and fulfil the internal audit mandate.
- Identify and consider trends and emerging issues that may affect the Council and communicate to **Audit & Risk Committee** and **senior management** as appropriate.

HEAD OF ASSURANCE ROLES & RESPONSIBILITIES

- Consider emerging trends and successful practices in internal auditing.
- Establish and ensure adherence to methodologies, policies and procedures designed to guide the internal audit service.
- Ensure adherence to the Council's relevant policies and procedures unless such policies and procedures conflict with the internal audit charter, Standards or other Mandatory Guidance. Any such conflicts will be communicated first to **senior management**, with resolution communicated to the **Audit Committee**.
- Co-ordinate activities and consider relying on the work of other assurance providers and advisory services.
- Set out the approach to relying on the work of other assurance providers and co-ordinating activities.
- Plan and manage the internal audit service's financial, human and technological resources in line with Council policy and procedure, raising with **senior management** and the **Audit Committee** where appropriate if those policies and procedures inhibit the ability of the service to fulfil its mandate and responsibilities under this charter.

HEAD OF ASSURANCE ROLES & RESPONSIBILITIES

Communication with Audit & Risk Committee and Senior Management

The **Head of Assurance** will report at least annually to the **Audit Committee** and **senior management** regarding:

- The internal audit function's mandate.
- The internal audit plan and performance relative to its plan.
- The internal audit budget, in line with Council budget management processes.
- Significant revisions to the internal audit plan and budget.
- Potential impairments to independence, including relevant disclosures.
- Results from the quality assurance improvement program, which include the internal audit service's conformance with Standards and other Mandatory Guidance plus action plans to address any deficiencies and opportunities for improvement.
- Significant risk exposures and control issues, including fraud risks, governance issues and other areas of focus for the Council that could interfere with achieving its strategic objectives.
- Results of assurance and advisory services.
- Resource requirements, and a view on the adequacy of resources to meet expectations of the internal audit service.
- Management's responses to risk that the internal audit service determine may be unacceptable or acceptance of a risk that the **Head of Assurance** believes is not appropriate within the Council's Risk Management Framework.

Quality Assurance and Improvement Program

The **Head of Assurance** will develop, implement and maintain a quality assurance and improvement program that covers all aspects of the internal audit service. The program will include external and internal assessments of the internal audit service's conformance with the Standards and other Mandatory Guidance. It will also include performance measurement to assess the internal audit service's progress towards achieving its objectives and promotion of continuous improvement. If applicable, the assessment will include plans to address any deficiencies and opportunities for improvement.

At least annually, the **Head of Assurance** will communicate with the **Audit Committee** and **senior management** about the internal audit service's quality assurance and improvement program. This will include the results of internal assessments and external assessments. External assessments will take place at least every five years in accordance with the requirements set out in Standards and other Mandatory Guidance.

SCOPE AND TYPES OF INTERNAL AUDIT SERVICES

Scope and Types of Internal Audit Services

The scope of internal audit services covers the entire breadth of the Council, including all of its activities, assets and personnel. The scope of internal audit activities also encompasses but is not limited to objective examinations of evidence to provide independence assurance and advisory services to the Council and management on the adequacy and effectiveness of governance, risk management and control processes.

The nature of scope of advisory services may be agreed with the party requesting the service, provided the internal audit service does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

Internal audit engagements may include evaluating whether:

- Risks relating to achieving the Council's objectives are appropriately identified and managed.
- Controls used to mitigate risk and support achievement of objectives are appropriately designed and consistently operated as designed.
- The actions of the Council's officers, contractors or other relevant parties comply with the Council's policies, procedures and applicable laws, regulations and governance standards.
- The results of operations and programs (including major projects and system changes) are consistent with established goals.
- Operations and programs (including major projects and system changes) are being carried out effectively, efficiently, ethically and equitably.
- Established processes and systems enable compliance with policies, procedures, laws and regulations that could significantly impact the Council.
- The integrity of information and the means used to identify, measure, analyse, classify and report such information is reliable.
- Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

GLOSSARY

This charter uses the following terms in place of the terminology set out in the Standards to reflect circumstances at the Council.

- **Head of Assurance:** at the Council, this is the role defined in Standards as “Chief Audit Executive”. This means the leadership role responsible for effectively management all aspects of the internal audit function and ensuring the quality performance of internal audit services in accordance with the Standards.
- **Audit Committee:** at the Council this is the role defined in Standards as the “Board”. This means the highest-level body charged with governance. The Glossary within the Standards specifically suggests an Audit Committee in this role.
- **Senior management:** at the Council this means the Executive Leadership Team (ELT) as a collective. For many day-to-day and operational management decisions, ELT have delegated oversight of the internal audit service to the Strategic Director for Resources.

Key Documents

[Institute of Internal Audit's Global Internal Audit Standards 2024](#)

UK Public Sector [Application Note](#)

CIPFA's [Code of Practice](#) for the Governance of Internal Audit in UK Local Government

Accounts and Audit [Regulations](#) 2015