



INTERNAL AUDIT CHARTER

Purpose and mission

The purpose of TMBC's Internal Audit section is to provide independent, objective assurance and consulting services designed to add value and improve TMBC's operations. The Internal Audit activity helps TMBC accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The mission of Internal Audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

Authority

The Accounts and Audit Regulations specifically require relevant bodies to "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." As such, compliance with the Public Sector Internal Audit Standards and the Application Note to the Standards produced by the Chartered Institute of Public Finance & Accountancy (CIPFA) is mandatory.

The Standards set out requirements for the work of Internal Audit to be led by a Chief Audit Executive (CAE); at Tonbridge & Malling Borough Council this role is fulfilled by the Audit and Assurance Manager. The Standards also set out the roles and responsibilities of 'senior management' and 'the board;' at Tonbridge & Malling 'senior management' is defined as the Council's Management Team and 'the board' is defined as the Audit Committee.

The Internal Audit activity, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access to any and all of the organisation's functions, records, physical properties, and personnel (officers and Members) that it deems necessary in order to undertake its work. All employees are required to assist the Internal Audit activity in fulfilling its roles and responsibilities. The Internal Audit activity will also have free and unrestricted access to the Audit Committee, including in private meetings without management present where relevant.

Professionalism and Professional Standards

The Internal Audit activity will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework along with the Application Note to the Standards produced by the Chartered Institute of Public Finance & Accountancy (CIPFA). The mandatory elements constitute the definition of Internal Audit, the Core Principles, the Code of Ethics and the Standards for the professional practice of Internal Auditing. The Internal Audit activity will also have regard to the Committee on Standards in Public Life, and to the Seven Principles of Public Life, and will adhere to the Council's policies and procedures and the Internal Audit Manual.

Organisational Relationships

The CAE will report functionally to the Audit Committee and administratively to the Chief Financial Services Officer.

The role of Audit and Assurance Manager is fulfilled by way of a shared resource with Kent County Council (KCC). KCC will provide a suitably qualified and experienced person to fulfil this



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role in agreement with the Director – Finance and Transformation. Changes to personnel will be reported to the Audit Committee and Management Team.

The CAE will communicate and interact directly with the Audit Committee, inside and outside of the formal meetings of the Committee as appropriate.

Relationship with the Director – Finance & Transformation (Section 151 Officer)

The CAE has direct access to the Director – Finance & Transformation as Section 151 Officer.

Relationship with the Monitoring Officer

The CAE has direct access to the Director – Central Services as Monitoring Officer.

Relationship with the Chief Executive & Head of Paid Service

The CAE has direct access to the Chief Executive (also the Head of Paid Service).

Relationship with Management Team

The CAE is able to report in their own right to the Council's Management Team, which consists of the Chief Executive and four Directors including the Council's Section 151 Officer and Monitoring Officer.

Relationship with the Audit Committee

The CAE has direct access to the Chair of the Audit Committee and is able to report in their own right to the Audit Committee. The role of the Committee includes monitoring of the performance of the Internal Audit function. This is primarily achieved through consideration of interim and annual Internal Audit reports. It is also achieved through reporting of the QAIP and performance measures. Additionally, the CAE will prepare and present an annual risk based audit plan to the Audit Committee for approval and give an annual opinion on governance, risk management and internal control.

Relationship with External Audit

The CAE will liaise with External Audit to:

- co-ordinate the overall audit effort;
- ensure appropriate sharing of information;
- reduce the incidence of duplication of effort;
- foster a co-operative and professional working relationship.

In particular the CAE shall:

- discuss the annual Internal Audit plan with the External Auditor to facilitate external audit planning as required;
- make all Internal Audit working papers and reports available to the External Auditor on request;
- receive copies of relevant External Auditor communications.



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Independence and Objectivity

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 independence and objectivity.

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 Internal Auditor's judgement. This does not preclude Internal Audit from providing consultancy services to areas of the organisation that it may later audit; threats to independence at individual engagement level will be managed by the CAE through, for example, consideration of rotation.

The CAE has accountability for the Counter Fraud section and, as such, cannot provide independent assurance over this function. Instead, there will be alternative arrangements put in place to provide assurance against this function., the outcomes of which will be reported to Management Team and the Audit Committee.

Internal Auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal Auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgements. Each member of the team will make a declaration of any interests (or potential interests) or of 'no interest' on an annual basis and any interests will be taken into account when allocating audit work across the team. The CAE will confirm to the Audit Committee, at least annually, the organisational independence of the Internal Audit activity. The CAE will also disclose to the Audit Committee any interference and related implications in determining the scope of internal auditing, performing work, and communicating results.

The conduct of an audit or the provision of advice by an Internal Auditor does not in any way diminish the responsibility of line management for the proper execution and control of their activities.

Scope

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 control processes in relation to the organisation's defined goals and objectives. The scope of internal audit includes all activities and services provided or undertaken by TMBC. This extends to where these are provided by third parties, under contract or other agreement, where TMBC provides services on behalf of other organisations or where TMBC works in partnership with other organisations. Internal audit assessments include evaluating:

- Whether risks relating to the achievement of TMBC's strategic objectives are appropriately identified and managed.
- The consistency of operations or programs with established objectives and goals and effective performance.
- Effectiveness and efficiency of operations and employment of resources.
- Compliance with significant policies, plans, procedures, laws, and regulations.
- Reliability and integrity of management and financial information processes, including the means to identify, measure, classify, and report such information.



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- Resources and assets are acquired economically, used efficiently and protected adequately.

Responsibility

The CAE is responsible for:

- Submitting to Audit Committee, at least annually, a risk-based internal audit plan for review and approval.
- Reviewing and adjusting the internal audit plan as necessary in response to changes in TMBC's risks, operations, programmes, systems, and controls.
- Communicating to Management Team and the Audit Committee the impact of resource limitations on the internal audit plan and any significant interim changes to the internal audit plan.
- Ensuring each engagement of the internal audit plan is executed in accordance with professional standards.
- Following up on engagement findings and corrective actions, and reporting periodically to senior management and the Audit Committee any corrective actions not effectively implemented.
- Ensuring the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensuring the internal audit department collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the internal audit charter.
- Ensuring trends and emerging issues that could impact TMBC are considered and communicated to senior management and the Audit Committee as appropriate.
- Ensure emerging trends and successful practices in internal auditing are considered.
- Establishing and ensuring adherence to policies and procedures designed to guide the internal audit department.
- Ensuring conformance of the internal audit activity with the *Standards*

Internal Audit may perform consulting and advisory services related to governance, risk management and control as appropriate for the organisation. It may also evaluate specific operations at the request of the Audit Committee or management, as appropriate.

Based on its activity, Internal Audit is responsible for reporting significant risk exposures and control issues identified to the Audit Committee and to the Council's Management Team, including fraud risks, governance issues, and other matters needed or requested by the Audit Committee.

The CAE is also responsible for the Council's counter fraud activity including maintenance of the Anti-Fraud, Bribery & Corruption Policy which sets out arrangements for all suspected or detected fraud, corruption or impropriety to be reported to Internal Audit.

Partnership Working

The Internal Audit and Counter Fraud service is provided by way of agreement with Kent County Council under an Inter Authority Agreement. The objective of this partnership is to provide a high



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quality Internal Audit service with added resilience, and to share best practice in order to provide a consistent high quality service across the two councils.

The Internal Audit team is based remotely and consists of the CAE, an Audit Manager and a mix of Principal, Senior, Trainee and Contract Auditors to deliver the annual plan. The partnership working arrangement with Kent County Council provides the opportunity for Internal Auditors to conduct audits at either council where it is practical and beneficial to do so. The Internal Auditor assigned to each audit review is selected by the CAE based on their knowledge, skills, experience and discipline to ensure that the audit is conducted properly.

Internal Audit Plan

At least annually, the CAE will submit to the Audit Committee an Internal Audit plan for review and approval, including risk assessment criteria. The Internal Audit plan will include timing as well as budget and resource requirements for the next financial year. The CAE will communicate the impact of resource limitations and significant interim changes to the Council's Management Team and the Audit Committee.

The Internal Audit plan will be developed based on a prioritisation of the audit universe using a risk-based methodology, including input of the Council's Management Team and the Audit Committee. Prior to submission to the Audit Committee for approval, the plan will be discussed with the Council's Management Team. Any significant deviation from the approved Internal Audit plan will be communicated through the periodic activity reporting process.

Reporting and Monitoring

A written report will be prepared and issued following the conclusion of each Internal Audit engagement and will be distributed as appropriate. Internal Audit results will also be communicated to the Audit Committee.

The Internal Audit report may include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations. Management's response, whether included within the original audit report or provided thereafter by management of the audited area should include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented.

The Internal Audit activity will be responsible for appropriate follow-up on engagement findings and recommendations. All significant findings will remain in an open issues file until cleared.

Internal Audit reports quarterly to the Audit Committee on Internal Audit's progress against the Plan including summaries of reports finalised in the relevant time period. Results of the follow up programme are reported twice yearly.

Quality Assurance and Periodic Assessment

The internal audit department will maintain a Quality Assurance and Improvement Programme (QAIP) that covers all aspects of the internal audit activity. The Programme will include an evaluation of internal audit's conformance with the Standards and of whether internal auditors apply The IIA's Code of Ethics. The programme will also assess the efficiency and effectiveness of Internal Audit and identify opportunities for improvement.



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The CAE will communicate to the Council's Management Team and the Audit Committee on the Internal Audit activity's Quality Assurance and Improvement Programme, including any non-conformance with the Standards, results of annual internal assessments of the effectiveness of the system of internal audit and external assessments conducted at least every five years and key performance indicators agreed by the Audit Committee.

Signed by:

Chief Audit Executive (CAE)

Chair of the Audit Committee

April 2022