



## **INTERNAL AUDIT CHARTER**

### **Purpose**

Internal auditing is 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.

### **Authority**

The requirement for an Internal Audit function for local authorities is implied by Section 151 of the Local Government Act 1972, which requires that authorities "make arrangements for the proper administration of their financial affairs." Regulation Six of the Accounts and Audit Regulations 2011 specifically requires relevant bodies to "undertake an adequate and effective Internal Audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control." Proper Practices is defined as the Public Sector Internal Audit Standards (PSIAS – herein referred to as the Standards) along with the Application Note to the Standards produced by the Chartered Institute of Public Finance & Accountancy (CIPFA); as such compliance with these documents 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 Chief Internal Auditor. The Standards also set out the responsibility for oversight of the work of Internal Audit as falling jointly to '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 records, physical properties, and personnel pertinent to carrying out any engagement. All employees are requested 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.

### **Professionalism**

The Internal Audit activity will govern itself by adherence to the Public Sector Internal Audit Standards (PSIAS) along with the Application Note to the Standards produced by the Chartered Institute of Public Finance & Accounting (CIPFA). 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. In addition, the Internal Audit activity will adhere to Tonbridge & Malling Borough Council's policies and procedures and the Internal Audit activity's standard operating procedures manual.

### **Organisational Relationships**

The Chief Internal Auditor will report functionally to the Council's Statutory Officers and Audit Committee. The Chair of the Audit Committee will monitor the performance of the Chief Internal Auditor and will be invited to provide feedback to the appraisal process for this officer.

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

#### *Relationship with the Chief Internal Auditor*

The Chief Internal Auditor is responsible for the provision of the Internal Audit function, but may also be a client of Internal Audit for other services and functions under his responsibility. Where the Chief Internal Auditor is a client of Internal Audit, audit management responsibilities in relation to the assignment will be passed to the Audit & Assurance Manager. Both officers will ensure that Internal Auditors remain independent in the completion of their work enabling them to carry out their work freely and objectively in accordance with the Standards.

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

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



## **INTERNAL AUDIT CHARTER**

### *Relationship with the Monitoring Officer*

The Chief Internal Auditor has direct access to the Director – Central Services as Monitoring Officer.

### *Relationship with the Chief Executive & Head of Paid Service*

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

### *Relationship with Management Team*

The Chief Internal Auditor is able to report in his 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 role of the Audit Committee, as it relates specifically to the Internal Audit function, includes monitoring of the performance of the Internal Audit function. This is primarily achieved through consideration of the annual Internal Audit reports which incorporates a review of the following:

- details of audit work completed, including assurance reviews and consulting engagements;
- development of the Internal Audit function;
- Internal Audit staffing.

Additionally, Internal Audit will report to the Audit Committee through the year providing a summary of Internal Audit work completed.

### *Relationship with External Audit*

The Chief Internal Auditor 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 Chief Internal Auditor shall:

- discuss the annual Internal Audit plan with the External Auditor to facilitate external audit planning;
- make all Internal Audit working papers and reports available to the External Auditor;
- receive copies of External Auditor communications to management;
- gain a knowledge of the External Auditor programme and methodology;
- provide liaison, where appropriate, between the External Auditor and management for the purpose of resolution of differences.

### **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 a necessary independent and objective mental attitude.

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.

Internal Auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Where there is a training need identified by the Chief Internal Auditor or Audit & Assurance Manager then appropriate training will be sought. All members of the Internal Audit team will be invited to attend the annual conference arranged by the Kent Audit Group.

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 of 'no interest' on an annual basis and any interests will be taken into account when allocating audit work across the team. Where an audit is scheduled for a function for which



## **INTERNAL AUDIT CHARTER**

the Chief Internal Auditor is responsible, the management of that review will fall to the Audit & Assurance Manager with the assistance of the Director – Finance & Transformation where required.

The Chief Internal Auditor will confirm to the board, at least annually, the organisational independence of the Internal Audit activity.

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.

### **Responsibility**

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. Internal control objectives considered by Internal Audit include:

- 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.
- Safeguarding of assets.
- Internal Audit is responsible for evaluating all processes ('audit universe') of the entity including governance processes and risk management processes. It also assists the Audit Committee in evaluating the quality of performance of external auditors and maintains proper degree of coordination with Internal Audit.

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 Board 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 Chief Internal Auditor is responsible for the Council's counter fraud activity including maintenance of the Anti-Fraud & Corruption Strategy which sets out arrangements for all suspected or detected fraud, corruption or impropriety to be reported to Internal Audit.

The work of Internal Audit extends to consider the entire control environment of the Council; this enables the Chief Internal Auditor to fulfil the responsibility under the Accounts and Audit Regulations 2011 in providing an opinion on the Council's internal control environment, based on the work of Internal Audit. This opinion is then considered by the Council as part of the annual review of the Council's governance arrangements.

### **Partnership Working**

The Internal Audit Services of Gravesham Borough Council and Tonbridge & Malling Borough Council have operated under a partnership working arrangement from 1 December 2010. The objective of this partnership is to provide a high quality Internal Audit service with added resilience. An Internal Audit presence has been retained at each Council with the work of the team at Tonbridge & Malling Borough Council directed by the Chief Internal Auditor and the work of the team at Gravesham Borough Council directed by the Assistant Director – Corporate Performance. The operational work of the two teams is managed by an Audit & Assurance Manager who is shared between the two councils. The teams share best practice and are working to aligned working practices in order to provide a consistent high quality service across the two councils.

The Internal Audit team based at Tonbridge & Malling Borough Council consists of the shared Audit & Assurance Manager and two full time trainee auditors/auditors. The partnership working arrangement with Gravesham Borough Council provides the opportunity to use the expertise of the Internal Auditors based at Gravesham to conduct audits at Tonbridge & Malling and vice versa, where it is practical and beneficial to do so. The Internal Auditor assigned to each audit review is selected by the Audit & Assurance



## **INTERNAL AUDIT CHARTER**

Manager, in liaison with the Chief Internal Auditor, based on their knowledge, skills, experience and discipline to ensure that the audit is conducted properly.

Audit reviews may also be performed by any of the following on a case by case basis provided that they are suitably qualified:

- engaged agency staff;
- engaged consulting services.

In the case of the engagement of a person from another authority or of a consultant, formal arrangements are to be set in place and agreed by the Director – Finance & Transformation in accordance with the Council's Financial Procedures after budget provision has been agreed.

### **Internal Audit plan**

At least annually, the Chief Internal Auditor 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 Chief Internal Auditor 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 by the Chief Internal Auditor or the Audit & Assurance Manager 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.

### **Periodic assessment**

The Chief Internal Auditor is responsible also for providing periodically a self-assessment on the Internal Audit activity as regards its consistency with the Audit Charter (purpose, authority, responsibility) and performance relative to its Plan.

In addition, the Chief Internal Auditor will communicate to the Council's Management Team and the Audit Committee on the Internal Audit activity's quality assurance and improvement programme, including results of on-going internal assessments and external assessments conducted at least every five years.

Signed by:

Chief Internal Auditor

Chair of the Audit Committee