

Agenda Item No: 6
Report To: AUDIT COMMITTEE
Date: 15 MARCH 2016
Report Title: INTERNAL AUDIT CHARTER 2016/17
Report Author: Rich Clarke



Summary:	The report sets out the Internal Audit Charter covering the work Mid Kent Audit undertakes at Ashford Borough Council. The Charter, and its annual review, is a requirement of Public Sector Internal Audit Standards. For 2016/17, aside from minor updates, the most significant change is expansion of the potential scope of audit's work as outlined by new guidance issued by the Institute of Internal Audit.
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Key Decision: No

Affected Wards: All

Recommendations:

- 1. The Committee APPROVES the Internal Audit Charter 2016/17**
- 2. The Committee NOTES the Head of Audit Partnership's view that the Partnership is operating with sufficient independence and freedom from managerial interference to fulfil its responsibilities in line with Public Sector Internal Audit Standards, and will continue to do so.**

Policy Overview: Not Applicable

Financial Implications: Not Applicable

Risk Assessment: No

EIA: No

Other Implications: Not Applicable

Exemptions :

Background Papers: Internal Audit Charter 2016/17 (track changes and clear versions)

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Report Title: Internal Audit Charter 2016/17

Purpose of the Report

1. To report is provided in order to allow the Committee to consider and approve the revised Internal Audit Charter for 2016/17.

Background

2. An Audit Charter is a requirement of Public Sector Internal Audit Standards (Standard 1000) and is a foundational document setting out the purpose, authority and responsibility of the service. A partial extract, giving an introduction to the position of the Charter within the Standards is below:

1000 Purpose, Authority and Responsibility

The purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*. The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval.

Interpretation:

The internal audit charter is a formal document that defines the internal audit activity's purpose, authority and responsibility. The internal audit charter establishes the internal audit activity's position within the organisation, including the nature of the chief audit executive's functional reporting relationship with the board; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities. Final approval of the internal audit charter resides with the board.

Public sector requirement

The internal audit charter must also:

- define the terms 'board' and 'senior management' for the purposes of internal audit activity;
- cover the arrangements for appropriate resourcing;
- define the role of internal audit in any fraud-related work; and
- include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities.

1000.A1

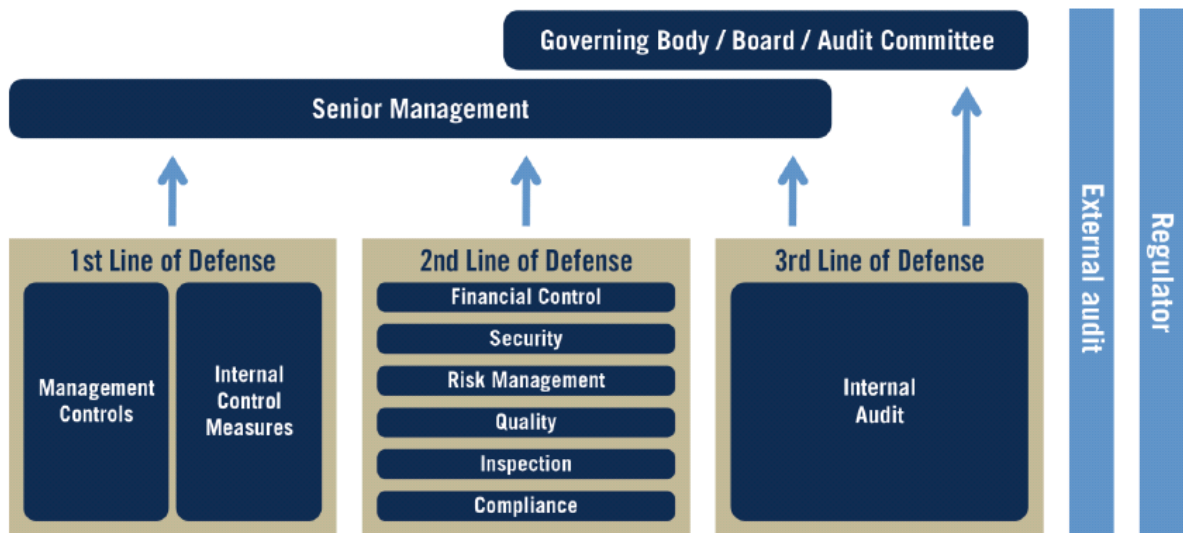
The nature of assurance services provided to the organisation must be defined in the internal audit charter. If assurances are to be provided to parties outside the organisation, the nature of these assurances must also be defined in the internal audit charter.

1000.C1

The nature of consulting services must be defined in the internal audit charter.

3. In March 2015 this Committee approved the 2015/16 Charter which was scheduled to be revised and, if necessary, updated each year. This current report includes proposed updates to the 2016/17 Charter.
4. Some of the updates for 2016/17 are merely taking the opportunity of a revision to tidy up the document. This includes correcting one or two typographical errors and standardising the terminology (for example, using “Audit Partnership” to refer specifically to this service and leaving “internal audit” to denote the practice of internal audit more generally).
5. The more substantial part of the update seeks to build on Supplemental Guidance issued recently by the Institute of Internal Audit on how and whether internal audit can take up broader roles within an organisation. These broader roles are often referred to as ‘second line of defence’ roles.
6. The ‘three lines of defence’ model is commonly used to describe controls existing within an organisation and is summarised in the diagram below (extracted from the IIA Guidance).

Figure 1



7. Traditionally, Internal Audit operates solely within the third line and that is the norm in many sectors (even most non-Local Government parts of the public sector). Indeed, the Audit Standards are written in the expectation that internal audit will not have any role outside the third line which may impede (or appear to impede) its independence.
8. However, the global IIA has been under pressure recently from, among others, the UK Internal Audit Standards Advisory Board (which includes the Mid Kent Head of Audit) to recognise that in many organisations a good audit function could successfully play a number of roles, and that Standards could usefully acknowledge and inform those roles. In particular, the IASAB sought to avoid a

situation where existing guidance could be read to forbid auditors from undertaking those roles even where there are clear benefits to them doing so.

9. In response, the IIA has now issued a Supplemental Guidance report entitled “Internal Audit and the Second Line of Defence”. That Guidance acknowledges that audit services may often possess the skills, knowledge and expertise to successfully fulfil certain second line of defence roles and doing so could be beneficial especially in smaller organisations. Fundamentally, it acknowledges that organisations can – provided they do so knowingly and having weighed up the benefits – accept certain risks to the independence and objectivity of audit.
10. A key component of accepting those risks is being aware of the safeguards to independence that would operate, and having those safeguards acknowledged and approved by the Audit Committee. The more substantive amendments proposed to the Charter set out those safeguards.
11. Note that, at present, audit does not occupy any roles that comprise second line of defence functions. The Charter sets out the safeguards that would operate in the event of the Audit Partnership being asked to undertake those roles by Management. In particular, the Charter considers the safeguards that would operate if the Audit Partnership were to play a more prominent role, including ownership of relevant corporate policies.
12. To be clear, the Head of Audit Partnership is satisfied that the Partnership currently operates with required independence and freedom from interference and that it would continue to do so, subject to the described safeguards, in the event of being asked to take on further responsibilities. Consistent with the Public Sector Internal Audit Standards, the Head of Audit Partnership will contact Members immediately in the event of significant threat to independence or interference from Management..

Risk Assessment

13. Not applicable.

Equalities Impact Assessment

14. There are no proposals made in the report that require an equalities impact assessment.

Other Options Considered

15. The Audit Committee as part of its terms of reference must maintain oversight of the internal audit function and its activities. The Charter proposed sets out the basis on which the function operates. We recommend no alternative course of action. However, the Committee may wish to make further comment on the nature of safeguards proposed and, potentially, request to see further reports in the event of the Audit Partnership being asked to take on second line of defence roles.

Consultation

16. The Charter was shared in draft with the Section 151 Officer through the Shared Service Board.

Implications Assessment

17. Not Applicable

Handling

18. Not Applicable

Conclusion

19. We propose that the Audit Committee approve the Internal Audit Charter for 2016/17.

Portfolio Holder's Views

20. The portfolio holder with responsibility for audit is a member of this Committee.

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MID KENT AUDIT

Internal Audit Charter

(2016/17 Update Track Changes Version)

Ashford Borough Council



Internal audit charter

1. The Internal Audit Charter (the 'Charter') is the formal document that defines internal audit's purpose, authority and responsibility at Ashford Borough Council (the 'Council'). The Charter establishes ~~internal audit~~ the Audit Partnership's position within the authority, including the nature of the Head of Audit Partnership's functional reporting relationships. The Charter also authorises access to records, personnel and physical properties relevant to the performance of engagement and defines the scope of internal audit activities.
2. Final approval of the Charter resides with the Audit Committee, but it will be reviewed each year by the Head of Audit Partnership in consultation with the Audit Partnership Board.

Comment [RC1]: Change to harmonise terminology in the document.

Mission

3. The Audit Partnership acknowledges and aspires to achieving the mission of Internal Auditing provided by the Institute of Internal Auditors (IIA):

To enhance and protect organisational value by providing stakeholders with risk based ~~and~~ objective ~~and reliable~~ assurance, advice and ~~insight~~.

Comment [RC2]: Minor change to reflect updates to the Internal Audit Mission in the International Professional Practices Framework (IPPF) launched in July 2015.

Scope of work

4. The scope of the Audit Partnership's work includes, in the first instance, tasks in support of the annual Head of Internal Audit Opinion. This work covers three areas:

Internal Control

5. The system of internal control is a process for assuring achievement of the Council's objectives in operational effectiveness and efficiency, reliable financial reporting and compliance with laws, regulations and policies. It incorporates both financial and non-financial systems.

Corporate Governance

6. Corporate governance is the system of rules, practices and processes by which the Council is directed and controlled.

Risk Management

7. Risk management is the process of identifying, quantifying and managing the risks that the Council faces in attempting to achieve its objectives.
8. In addition to those three core areas the Audit Partnership may, subject to specific arrangements, undertake engagements in the areas of counter fraud, operational risk management or advisory as discussed elsewhere in this Charter.

Authority of internal audit

9. Internal Audit is a statutory service as defined within the Accounts and Audit Regulations ~~2011~~ 2015 (the 'Regulations') which require the Council to ~~maintain an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with proper practices, evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal audit standards.~~
10. Deriving authority from those Regulations and those authorising this Charter, the Audit Partnership has free and unrestricted ability to plan and undertake audit assignments deemed necessary to fulfil its scope.
11. To enable full discharge of its duties, the Head of Audit Partnership and his team are authorised to:
- Have a right of direct access to the Chair of the Audit Committee;
 - Have unrestricted access to all functions, records, property and personnel;
 - Obtain assistance where necessary from Council officers and contractors involved in subject of audit engagements.
12. The Head of Audit Partnership and his team are not authorised to perform any operational duties for the Council, initiate or approve accounting transactions (except where directly related to the administration of the service) and direct the activities of any Council employee (except insofar as they have been appropriately assigned to assist engagements or as described within the safeguards set out in this Charter).

Comment [RC3]: Wording updated to reflect revised R5 in 2015 Regulations.

Responsibility

13. The Head of Audit Partnership and his team have responsibility to undertake their work at all times in accordance with the Public Sector Internal Audit Standards (the 'Standards') ~~and~~ the IIA's Code of Ethics (the 'Code') and the broader International Professional Practices Framework (IPPF) which applies across the global practice of internal audit. In addition, those members of the team who have membership of professional bodies will comply with the relevant requirements of that organisation. Undertaking work in accordance with the Standards will include:
- Developing a flexible risk-based audit strategy and annual plan in consultation with senior management and presented annually to the Audit Committee for review and approval. The Audit Committee will also be invited to review and approve significant changes to the plan;
 - Tracking the status of agreed management actions and providing regular updates to the Audit Committee, including escalation of items of significant risk;
 - Issuing period reports to senior management and the Audit Committee summarising results of internal audit work;
 - Continuing liaison with the Council's external auditors and other assurance providers to seek optimal assurance coverage;

- Communicating regularly with relevant stakeholders on progress of the [internal audit service](#)[Audit Partnership](#), its work and findings; and
- Keeping the Shared Services Board (and so, the [Deputy Chief Executive](#)[Section 151 Officer](#)) informed on the performance of the internal audit service.

Reporting lines

14. The Head of Audit Partnership has responsibility for day to day management of the [internal audit team](#)[Audit Partnership](#). The Head of Audit Partnership reports administratively to the Director of Mid Kent Services and, with respect to activities undertaken at the Council, reports functionally to the [Deputy Chief Executive](#)[Section 151 Officer](#) as the Council's representative on the Audit Partnership Board. Organisationally, the Head of Audit Partnership reports to the Audit Committee. The Head of Audit Partnership also has a direct right of access to the [Interim](#) Chief Executive as and when required.
15. Should the Head of Audit Partnership not be satisfied with the response of senior management to or engagement with a given audit review this will be highlighted to the relevant Head of Service in the first instance and escalated to the Audit Committee if the matter remains unresolved.

Independence and objectivity

16. The ~~internal audit service~~[Audit Partnership](#) is and will remain free from interference in determining the scope and nature of its work and communicating its results. The Head of Audit Partnership will comment on and affirm the independence and objectivity of the service in individual reports and, at least annually, in summary reports to the Audit Committee. [The summary reports will consider and report separately to the Committee on each area of the Audit Partnership's functions.](#)

Accountability

17. The Head of Audit Partnership, in the discharge of his duties, will be accountable to the Audit Committee and the [Deputy Chief Executive](#)[Section 151 Officer](#) (through the Audit Partnership Board). This will include the provision of an annual Head of Audit Opinion as well as periodic reporting on significant issues and audit findings.

Management responsibilities

18. To be effective, the ~~internal audit service~~[Audit Partnership](#) requires full co-operation of senior management. In approval of this Charter the Audit Committee and the [Deputy Chief](#)[Section 151 Officer](#) Executive direct management to co-operate with ~~internal audit~~[the Audit Partnership](#) in the delivery of the service. This includes, but is not limited to, agreeing suitable briefs for audit engagements, acting as audit sponsors, providing access to appropriate records, personnel and systems, responding to draft reports and implementing management actions in line with agreed timescales.

19. Senior management also undertakes to keep the ~~internal audit service~~Audit Partnership abreast of significant proposed changes in processes, systems or organisation, newly identified significant risks and all suspected or detected fraud, corruption or impropriety.
20. Senior management will also ensure that the ~~internal audit service~~Audit Partnership has access to sufficient resources to fulfil the audit plan as directed by the Audit Committee. Responsibility for arranging and deploying resources in fulfilment of the plan rests with the Head of Audit Partnership.

Other Work

Consultancy

21. The Standards allow that Internal Audit resource may sometimes be more usefully focused towards providing advice rather than assurance. Where appropriate, the service may act in a consultancy capacity by giving guidance, providing that:
 - The objectives of the engagement address governance, risk management or internal control,
 - The request has been approved by the ~~Deputy Chief Executive (or delegated officer)~~a member of the Operational Management Team,
 - The service has the right skills, experience and available resource, and
 - ~~Internal audit~~The Audit Partnership's involvement will not constitute a conflict of interest, compromise the appearance or fact of its independence and will not involve assuming a management role in providing advice.
22. The Head of Audit Partnership is responsible for ensuring all requests are reviewed in accordance with the above criteria and for making the final decision. The specific role of ~~Internal Audit~~the Audit Partnership in any particular engagement will be agreed with the sponsor, documented within the assignment plan and reported to the Audit Committee at the next opportunity.
23. With respect to significant requests, defined as those which require the purchase of additional resources or major amendment to the agreed audit plan, the Head of Audit Partnership will consult the Chair of the Audit Committee before accepting the engagement.

Risk Management

24. ~~Internal Audit~~The Audit Partnership's role is Risk Management will be guided by the Institute of Internal Auditors position paper on *The Role of Internal Auditing in Enterprise-Wide Risk Management* ~~and documented in the Council's Risk Management Strategy~~. ~~Internal Audit~~The Audit Partnership will not undertake roles defined as inappropriate by that guidance. ~~Where Internal Audit undertake roles defined as 'legitimate internal audit roles with safeguards' the~~

~~nature and extent of those safeguards will be agreed with the Deputy Chief Executive and reported to the Audit Committee.~~

25. The position paper lists the following as legitimate internal audit roles with safeguards:

- Co-ordinating risk management activities,
- Consolidated risk reporting,
- Developing a risk approach for approval and its subsequent maintenance,
- Facilitating identification and evaluation of risks, and
- Coaching management in responding to risks.

26. The Council's *Risk Management Strategy* allows for the Audit Partnership to undertake all of those roles, providing safeguards are in place and agreed through the Audit Charter. The safeguards include:

- Internal separation of duties within the Audit Partnership, managed through the Deputy Head of Audit Partnership role. The Deputy Head of Audit Partnership will lead on reviews of the risk management approach which are reported separately to the Audit Committee and sponsored by the Deputy Chief Executive or Section 151 Officer.
- The Audit Partnership's resource input into risk management will be approved each year by the Audit Committee through the Audit Plan and monitored through update reports.
- Overall responsibility for approving the risk management approach remains with the Audit Committee acting on the advice of the Council's Management Team. The Audit Committee also retains its constitutional role of conducting its own assessments on the effectiveness of the Council's risk management approach which may, if required, also include independent review.

~~24-27.~~ Although not a part of the Council's internal controls, the Audit Committee may also draw assurance from any work completed by the Council's external auditors in completing their work supporting the Value for Money conclusion.

Counter Fraud

~~25-28.~~ Internal Audit~~The Audit Partnership~~'s role on Counter Fraud will be in accordance with the Council's *Counter Fraud Strategy* and with the resources approved by the Audit Committee in the Annual Audit Plan.

~~26-29.~~ Internal Audit~~The Audit Partnership~~ will liaise with the Council's Counter Fraud Service, providing support and co-operation consistent with the *Counter Fraud Strategy* and the approved audit plan.

Major Projects

~~27-30.~~ ~~Internal Audit~~ The Audit Partnership will be informed of major projects and their progress through continuing discussion with Management. Internal Audit response to major projects will be proportionate to the risk in terms of the inclusion of specific audit work within the annual audit plan. Where a project team seeks advice or further support from Internal Audit, we will treat that request as one for consultancy support as described from paragraph 21.

Relationships

~~28-31.~~ The Head of Audit Partnership and the audit team are involved in a wide range of relationships whose quality ~~are~~ is important in supporting the effective delivery of the audit function.

Relationships with management

~~29-32.~~ The ~~internal audit service~~ Audit Partnership will maintain effective relationships with managers at the Council. This will include consultation in the audit planning process both at an overall plan level and with respect to the scope of individual audit projects as well as regular meetings with key stakeholders. Timing of audit work will also be agreed in conjunction with Management.

Relationships with external auditors and regulators

~~30-33.~~ The ~~internal audit service~~ Audit Partnership and Grant Thornton LLP have an established and sound working relationship described in more detail within the *Internal/External Audit Protocol* presented to the Audit Committee in March 2014. ~~We~~ Each will continue to rely upon and draw from each other's work subject to the limits and duties determined by our respective responsibilities and professional standards. This enables ~~us to evaluate~~ evaluation and review of work ~~and only leading to~~ re-performance only where necessary. ~~We~~ The Audit Partnership and Grant Thornton LLP ~~will~~ meet regularly and share ~~our~~ plans and reports.

~~31-34.~~ The ~~internal audit service~~ Audit Partnership will also take account of the results and reports from any other external inspections or reviews when planning and undertaking audit work. Where appropriate the Head of Audit Partnership or appropriately delegated representative will represent the service in consultation and discussion with external agencies, inspectors or regulators.

Relationships with Members

~~32-35.~~ The Head of Audit Partnership will be the first point of contact for Members, in particular members of the Audit Committee. However, we place great store in gaining and maintaining an effective working relationship with Members and so will foster good contacts throughout the ~~internal audit service~~ Audit Partnership as appropriate.

~~33-36.~~ The Head of Audit Partnership will have the opportunity to meet separately (that is, without other officers in attendance) with the Chair of the Audit Committee and other Members if desired.

Standards of internal audit practice

~~34-37.~~ This Charter recognises the mandatory nature of the IIA definition of Internal Auditing ~~and~~, Code of Ethics ~~and the~~, Public Sector Internal Audit Standards ~~and the~~ IPPF. The ~~Internal Audit team~~ Audit Partnership ~~comply~~ complies with these standards.

Quality assurance

~~35-38.~~ The Standards require that audit be subject to a quality assurance and improvement programme. For ~~Mid Kent Audit~~ the Audit Partnership, that programme incorporates both internal and external elements.

Internal assurance

~~36-39.~~ ~~All of our a~~ Audit engagements are subject to review by management ~~and the Head of Audit Partnership~~ prior to finalisation. These reviews seek to ensure that work undertaken is consistent with the Standards, consistent with the risks associated with the area under review and that conclusions are supported by detailed work undertaken. ~~We will vary~~ The Audit Partnership varies the range and scope of reviewers to help maintain consistency and support learning within the service.

External assurance

~~37-40.~~ An external assessment must be conducted at least once every five years by a qualified, independent assessor from outside the organisation. The ~~service's~~ Audit Partnership's most recent such assessment was completed by the Institute of Internal Auditors in 2014, with results reported to the Audit Committee. The Head of Audit Partnership will keep the need for external assurance under review and discuss options with the Corporate Services Director and the Audit Committee as the need arises.

This Charter is authorised within Ashford Borough Council:

~~Deputy Chief Executive~~ Section 151 Officer: Paul Naylor Ben Lockwood

Audit Committee Chair man: Councillor ~~Paul Clokie~~ John Link

With the agreement of:

Head of Audit Partnership: Rich Clarke

Mid Kent Services Director: Paul Taylor

Agreed by Audit Committee: ~~03-15~~ March 2015 2016

Next Review required: Annually

MID KENT AUDIT

Internal Audit Charter

Ashford Borough Council



Internal audit charter

1. The Internal Audit Charter (the 'Charter') is the formal document that defines internal audit's purpose, authority and responsibility at Ashford Borough Council (the 'Council'). The Charter establishes the Audit Partnership's position within the authority, including the nature of the Head of Audit Partnership's functional reporting relationships. The Charter also authorises access to records, personnel and physical properties relevant to the performance of engagement and defines the scope of internal audit activities.
2. Final approval of the Charter resides with the Audit Committee, but it will be reviewed each year by the Head of Audit Partnership in consultation with the Audit Partnership Board.

Mission

3. The Audit Partnership acknowledges and aspires to achieving the mission of Internal Auditing provided by the Institute of Internal Auditors (IIA):

To enhance and protect organisational value by providing stakeholders with risk based and objective assurance, advice and insight.

Scope of work

4. The scope of the Audit Partnership's work includes, in the first instance, tasks in support of the annual Head of Internal Audit Opinion. This work covers three areas:

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5. The system of internal control is a process for assuring achievement of the Council's objectives in operational effectiveness and efficiency, reliable financial reporting and compliance with laws, regulations and policies. It incorporates both financial and non-financial systems.

Corporate Governance

6. Corporate governance is the system of rules, practices and processes by which the Council is directed and controlled.

Risk Management

7. Risk management is the process of identifying, quantifying and managing the risks that the Council faces in attempting to achieve its objectives.
8. In addition to those three core areas the Audit Partnership may, subject to specific arrangements, undertake engagements in the areas of counter fraud, operational risk management or advisory as discussed elsewhere in this Charter.

Authority of internal audit

9. Internal Audit is a statutory service as defined within the Accounts and Audit Regulations 2015 (the 'Regulations') which require the Council to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal audit standards.
10. Deriving authority from those Regulations and those authorising this Charter, the Audit Partnership has free and unrestricted ability to plan and undertake audit assignments deemed necessary to fulfil its scope.
11. To enable full discharge of its duties, the Head of Audit Partnership and his team are authorised to:
 - Have a right of direct access to the Chair of the Audit Committee;
 - Have unrestricted access to all functions, records, property and personnel;
 - Obtain assistance where necessary from Council officers and contractors involved in subject of audit engagements.
12. The Head of Audit Partnership and his team are not authorised to perform any operational duties for the Council, initiate or approve accounting transactions (except where directly related to the administration of the service) and direct the activities of any Council employee (except insofar as they have been appropriately assigned to assist engagements or as described within the safeguards set out in this Charter).

Responsibility

13. The Head of Audit Partnership and his team have responsibility to undertake their work at all times in accordance with the Public Sector Internal Audit Standards (the 'Standards'), the IIA's Code of Ethics (the 'Code') and the broader International Professional Practices Framework (IPPF) which applies across the global practice of internal audit. In addition, those members of the team who have membership of professional bodies will comply with the relevant requirements of that organisation. Undertaking work in accordance with the Standards will include:
 - Developing a flexible risk-based audit strategy and annual plan in consultation with senior management and presented annually to the Audit Committee for review and approval. The Audit Committee will also be invited to review and approve significant changes to the plan;
 - Tracking the status of agreed management actions and providing regular updates to the Audit Committee, including escalation of items of significant risk;
 - Issuing period reports to senior management and the Audit Committee summarising results of internal audit work;
 - Continuing liaison with the Council's external auditors and other assurance providers to seek optimal assurance coverage;

- Communicating regularly with relevant stakeholders on progress of the Audit Partnership, its work and findings; and
- Keeping the Shared Services Board (and so, the Section 151 Officer) informed on the performance of the internal audit service.

Reporting lines

14. The Head of Audit Partnership has responsibility for day to day management of the Audit Partnership. The Head of Audit Partnership reports administratively to the Director of Mid Kent Services and, with respect to activities undertaken at the Council, reports functionally to the Section 151 Officer as the Council's representative on the Audit Partnership Board. Organisationally, the Head of Audit Partnership reports to the Audit Committee. The Head of Audit Partnership also has a direct right of access to the Interim Chief Executive as and when required.
15. Should the Head of Audit Partnership not be satisfied with the response of senior management to or engagement with a given audit review this will be highlighted to the relevant Head of Service in the first instance and escalated to the Audit Committee if the matter remains unresolved.

Independence and objectivity

16. The Audit Partnership is and will remain free from interference in determining the scope and nature of its work and communicating its results. The Head of Audit Partnership will comment on and affirm the independence and objectivity of the service in individual reports and, at least annually, in summary reports to the Audit Committee. The summary reports will consider and report separately to the Committee on each area of the Audit Partnership's functions.

Accountability

17. The Head of Audit Partnership, in the discharge of his duties, will be accountable to the Audit Committee and the Section 151 Officer (through the Audit Partnership Board). This will include the provision of an annual Head of Audit Opinion as well as periodic reporting on significant issues and audit findings.

Management responsibilities

18. To be effective, the Audit Partnership requires full co-operation of senior management. In approval of this Charter the Audit Committee and the Section 151 Officer Executive direct management to co-operate with the Audit Partnership in the delivery of the service. This includes, but is not limited to, agreeing suitable briefs for audit engagements, acting as audit sponsors, providing access to appropriate records, personnel and systems, responding to draft reports and implementing management actions in line with agreed timescales.

19. Senior management also undertakes to keep the Audit Partnership abreast of significant proposed changes in processes, systems or organisation, newly identified significant risks and all suspected or detected fraud, corruption or impropriety.
20. Senior management will also ensure that the Audit Partnership has access to sufficient resources to fulfil the audit plan as directed by the Audit Committee. Responsibility for arranging and deploying resources in fulfilment of the plan rests with the Head of Audit Partnership.

Other Work

Consultancy

21. The Standards allow that Internal Audit resource may sometimes be more usefully focussed towards providing advice rather than assurance. Where appropriate, the service may act in a consultancy capacity by giving guidance, providing that:
 - The objectives of the engagement address governance, risk management or internal control,
 - The request has been approved by the a member of the Operational Management Team,
 - The service has the right skills, experience and available resource, and
 - The Audit Partnership's involvement will not constitute a conflict of interest, compromise the appearance or fact of its independence and will not involve assuming a management role in providing advice.
22. The Head of Audit Partnership is responsible for ensuring all requests are reviewed in accordance with the above criteria and for making the final decision. The specific role of the Audit Partnership in any particular engagement will be agreed with the sponsor, documented within the assignment plan and reported to the Audit Committee at the next opportunity.
23. With respect to significant requests, defined as those which require the purchase of additional resources or major amendment to the agreed audit plan, the Head of Audit Partnership will consult the Chair of the Audit Committee before accepting the engagement.

Risk Management

24. The Audit Partnership's role is Risk Management will be guided by the Institute of Internal Auditors position paper on *The Role of Internal Auditing in Enterprise-Wide Risk Management*. The Audit Partnership will not undertake roles defined as inappropriate by that guidance.
25. The position paper lists the following as legitimate internal audit roles with safeguards:
 - Co-ordinating risk management activities,

- Consolidated risk reporting,
 - Developing a risk approach for approval and its subsequent maintenance,
 - Facilitating identification and evaluation of risks, and
 - Coaching management in responding to risks.
26. The Council's *Risk Management Strategy* allows for the Audit Partnership to undertake all of those roles, providing safeguards are in place and agreed through the Audit Charter. The safeguards include:
- Internal separation of duties within the Audit Partnership, managed through the Deputy Head of Audit Partnership role. The Deputy Head of Audit Partnership will lead on reviews of the risk management approach which are reported separately to the Audit Committee and sponsored by the Deputy Chief Executive or Section 151 Officer.
 - The Audit Partnership's resource input into risk management will be approved each year by the Audit Committee through the Audit Plan and monitored through update reports.
 - Overall responsibility for approving the risk management approach remains with the Audit Committee acting on the advice of the Council's Management Team. The Audit Committee also retains its constitutional role of conducting its own assessments on the effectiveness of the Council's risk management approach which may, if required, also include independent review.
27. Although not a part of the Council's internal controls, the Audit Committee may also draw assurance from any work completed by the Council's external auditors in completing their work supporting the Value for Money conclusion.

Counter Fraud

28. The Audit Partnership's role on Counter Fraud will be in accordance with the Council's *Counter Fraud Strategy* and with the resources approved by the Audit Committee in the Annual Audit Plan.
29. The Audit Partnership will liaise with the Council's Counter Fraud Service, providing support and co-operation consistent with the *Counter Fraud Strategy* and the approved audit plan.

Major Projects

30. The Audit Partnership will be informed of major projects and their progress through continuing discussion with Management. Internal Audit response to major projects will be proportionate to the risk in terms of the inclusion of specific audit work within the annual audit plan. Where a project team seeks advice or further support from Internal Audit, we will treat that request as one for consultancy support as described from paragraph 21.

Relationships

31. The Head of Audit Partnership and the audit team are involved in a wide range of relationships whose quality is important in supporting the effective delivery of the audit function.

Relationships with management

32. The Audit Partnership will maintain effective relationships with managers at the Council. This will include consultation in the audit planning process both at an overall plan level and with respect to the scope of individual audit projects as well as regular meetings with key stakeholders. Timing of audit work will also be agreed in conjunction with Management.

Relationships with external auditors and regulators

33. The Audit Partnership and Grant Thornton LLP have an established and sound working relationship described in more detail within the *Internal/External Audit Protocol* presented to the Audit Committee in March 2014. Each will continue to rely upon and draw from each other's work subject to the limits and duties determined by our respective responsibilities and professional standards. This enables evaluation and review of work leading to re-performance only where necessary. The Audit Partnership and Grant Thornton LLP meet regularly and share plans and reports.
34. The Audit Partnership will also take account of the results and reports from any other external inspections or reviews when planning and undertaking audit work. Where appropriate the Head of Audit Partnership or appropriately delegated representative will represent the service in consultation and discussion with external agencies, inspectors or regulators.

Relationships with Members

35. The Head of Audit Partnership will be the first point of contact for Members, in particular members of the Audit Committee. However, we place great store in gaining and maintaining an effective working relationship with Members and so will foster good contacts throughout the Audit Partnership as appropriate.
36. The Head of Audit Partnership will have the opportunity to meet separately (that is, without other officers in attendance) with the Chair of the Audit Committee and other Members if desired.

Standards of internal audit practice

37. This Charter recognises the mandatory nature of the IIA definition of Internal Auditing, Code of Ethics, Public Sector Internal Audit Standards and the IPPF. The Audit Partnership complies with these standards.

Quality assurance

38. The Standards require that audit be subject to a quality assurance and improvement programme. For the Audit Partnership, that programme incorporates both internal and external elements.

Internal assurance

39. Audit engagements are subject to review by management prior to finalisation. These reviews seek to ensure that work undertaken is consistent with the Standards, consistent with the risks associated with the area under review and that conclusions are supported by detailed work undertaken. The Audit Partnership varies the range and scope of reviewers to help maintain consistency and support learning within the service.

External assurance

40. An external assessment must be conducted at least once every five years by a qualified, independent assessor from outside the organisation. The Audit Partnership's most recent such assessment was completed by the Institute of Internal Auditors in 2014, with results reported to the Audit Committee. The Head of Audit Partnership will keep the need for external assurance under review and discuss options with the Corporate Services Director and the Audit Committee as the need arises.

This Charter is authorised within Ashford Borough Council:

Section 151 Officer: Ben Lockwood

Audit Committee Chairman: Councillor John Link

With the agreement of:

Head of Audit Partnership: Rich Clarke

Mid Kent Services Director: Paul Taylor

Agreed by Audit Committee: 15 March 2016

Next Review required: Annually