

AMENDED AGENDA

AUDIT COMMITTEE MEETING



Date: Monday 30 March 2015
Time: 6.30 p.m.
Venue: Town Hall, High Street,
Maidstone

Membership:

Councillors Black (Chairman), Daley (Vice-Chairman), Harper, Long and Perry

Page No.

1. Apologies for Absence
2. Notification of Substitute Members
3. Notification of Visiting Members
4. Disclosures by Members and Officers
5. Disclosures of Lobbying
6. To consider whether any items should be taken in private because of the possible disclosure of exempt information
7. Minutes of the Meeting held on 26 January 2015

Continued Over/:

Issued on 23 March 2015

The reports included in Part I of this agenda can be made available in **alternative formats**. For further information about this service, or to arrange for special facilities to be provided at the meeting, **please contact DEBBIE SNOOK on 01622 602030**. To find out more about the work of the Committee, please visit www.maidstone.gov.uk

**Alison Broom, Chief Executive, Maidstone Borough Council,
Maidstone House, King Street, Maidstone, Kent ME15 6JQ**

8. Report of the Head of Finance and Resources - External Audit - Understanding How the Audit Committee Gains Assurance from Management
9. Report of the Head of Finance and Resources - External Auditor's Audit Plan 2014/15
10. Report of the Head of Finance and Resources - Audit Committee Update - March 2015
11. **Report of the Head of Audit Partnership - Internal Audit Operational Plan** **56 - 82**
12. **Report of the Head of Audit Partnership - Maidstone Internal Audit Charter** **83 - 93**

MAIDSTONE BOROUGH COUNCIL

AUDIT COMMITTEE

30 MARCH 2015

REPORT OF HEAD OF AUDIT PARTNERSHIP

Report prepared by Russell Heppleston – Audit Manager

1. INTERNAL AUDIT OPERATIONAL PLAN

1.1 Issue for Decision

1.1.1 The report is provided in order to allow the Committee to consider and approve the Internal Audit Operational Plan 2015/16.

1.2 Recommendation of the Head of Audit Partnership

1.2.1 The Audit Committee **approves** the Internal Audit Operational Plan for 2015/16.

1.2.2 The Audit Committee **approves** in principle the longer term plan up to 2018/19 but notes this will be subject to annual review and refresh.

1.3 Reasons for Recommendation

1.3.1 The role of the Audit Committee is required to obtain assurance on the control environment of the organisation; therefore, the Committee needs to have an awareness of the work conducted by Internal Audit, in order to adequately fulfil its duties.

1.3.2 The internal control environment comprises the whole network of systems and controls established to manage the Council, to ensure that its objectives are met. It includes financial and other controls, and arrangements for ensuring the Council is achieving value for money from its activities

1.3.3 The report attached in **appendix A** sets out the one-year operational plan for 2015/16 together with the longer-term plan up to 2018/19. We ask the Committee to review and approve the 2015/16 operational plan in approve in principle the longer-term plan.

1.4 Alternative Action and why not Recommended

1.4.1 The Audit Committee as part of its terms of reference must maintain oversight of the internal audit function and its activities. The plan proposed aims to complete internal audit's responsibilities in an efficient and effective manner. We recommend no alternative course of action.

1.5 Impact on Corporate Objectives

1.5.1 The role of Internal Audit is to help the Council accomplish its objectives. All audit work considers the adequacy of controls and risks associated with the delivery of the Council’s strategic and operational objectives.

1.6 Risk Management

1.6.1 The audit plan is produced as a result of risk assessment examining where audit activity is best focussed. The risk of not approving the plan is that the Council will be at greater risk of incurring or failing to detect fraud, error or service failure or weakness.

1.7 Other Implications

1.7.1 None directly

- 1. Financial
- 2. Staffing
- 3. Legal
- 4. Equality Impact Needs Assessment
- 5. Environmental/Sustainable Development
- 6. Community Safety
- 7. Human Rights Act
- 8. Procurement
- 9. Asset Management

1.8 Relevant Documents

1.8.1.1 The following documents are to be published with this report and form part of the report:

Appendix A: Internal Audit Operational Plan 2015/16 – 2018/19

1.8.1.2 Background Documents

There are no background papers to further support this report.

IS THIS A KEY DECISION REPORT?

THIS BOX MUST BE COMPLETED

Yes

No

If yes, this is a Key Decision because:

.....

Wards/Parishes affected:

.....

MID KENT AUDIT

**Internal Audit Plan
2015/16 – 2018/19**

**Maidstone Borough
Council**



Introduction

1. Internal audit is an independent and objective assurance and consulting activity designed to add value and improve the Council's operations. It helps the Council accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes¹.
2. Statutory authority for Internal Audit is within the Accounts and Audit Regulations 2015 (the Regulations), which require the Council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes in accordance with the 'proper practices'. From 1 April 2013 the 'proper practices' are the Public Sector Internal Audit Standards (PSIAS) that replaced the Code of Practice for Internal Audit in Local Government in the UK.
3. The Head of Audit Partnership must provide an annual opinion on the overall adequacy and effectiveness of the Council's framework of control, governance and risk, as required by both PISAS and Regulation 5. The opinion takes into consideration:
 - a) Controls: Including financial and non-financial controls.
 - b) Governance: Including effectiveness of measures to counter fraud and corruption, and
 - c) Risk Management: Principally, the effectiveness of the Council's risk management framework.
4. This document sets out our internal audit plan for the next four years outlining the work we will undertake to both inform that opinion and provide wider support to the Council in helping to achieve its strategic objectives. As required by PSIAS we have, for the first time, included for the Committee details of the risk assessment that underpins the plan to demonstrate the process of its compilation. We aim by this to give the Committee assurance that our work is appropriately tailored to reflect the risks to and priorities of the Council and sufficiently resourced to deliver an effective and accurate audit opinion.
5. Naturally, in order to effectively respond to the changing environment of local government we will need to keep our plan continually flexible and under review. As the activities of the Council, and the consequent risks to its control, governance and risk management vary, so we will need to consider how our audit plan is best arranged to deliver appropriate assurance. This may include substituting individual projects or changing their scope, timing or duration.
6. Our principal route for this review will be in ongoing consultation with the Council's s.151 Officer, although we will continue to keep the Audit Committee abreast of changes through our interim and annual reporting as well as consult directly with the Chair of this Committee with respect to significant changes to the plan (as set out in the Audit Charter elsewhere on tonight's agenda, if the Committee accept our recommendation to adopt the Charter).

¹ This is the definition of internal audit included within the Public Sector Internal Audit Standards

Basis of our plan: available resources

7. In previous years our audit plans were centred on delivering a set number of projects per year. While this gave the plans directness and simplicity it limited the ability of the service to respond to changing need; a project is a large block of work to flex and adapt. Moreover, that approach did not recognise the time and contribution of audit management or acknowledge any of the range of additional tasks and support the service provides. The restriction also led to inconsistent definition of what constituted an audit 'project', obscuring the link between plans and the risk profile of the authority. This weakness was noted and commented on within our 2014 External Quality Assessment (EQA) undertaken by the Institute of Internal Auditors (IIA).
8. This plan seeks to add this flexibility by taking advantage of the freedom in the 2014 revised collaboration agreement by moving from a project to days-led approach. In moving to this approach we have allocated to each authority a total number of audit days proportionate to their financial contribution to the service.

Role	Contractual Days	Chargeability target	FTE	Available Days
Head of Audit	219	40%	1.0	87
Audit Manager	219	50%	2.0	218
Senior Auditor	219	75%	3.95	648
Auditor	219	85%	1.5	277
Trainee Auditor			2.0	250
Specialist Support			1.0	120
Totals			11.45	1,600

For further details of the resources available to the Partnership, see appendix E.

Authority	Contribution to overall partnership budget	Audit Days Allocated
Ashford BC	23.0%	370
Maidstone BC	29.5%	470
Swale BC	25.7%	410
Tunbridge Wells BC	21.9%	350
Total	100%	1,600

9. Therefore the total audit allocation for Maidstone BC in 2015/16 is **470 days**. Based on our risk assessment, we are satisfied that represents a sufficient level of resource to evaluate the effectiveness of the Council's risk management, internal control and governance processes. Our audit plan cannot address all risks across the Council and represents our best deployment of limited audit resources. In approving the plan, the Audit Committee recognises this limitation. We will keep the Committee abreast of any changes in our

assessment of resource requirement as we monitor the risks posed to the Council. In particular, we will revise this resource assessment afresh each year of the four year plan.

Basis of our plan: risk assessment

10. Our assessment that this level of resource is adequate is based upon the risk assessment underlying our plan. This assessment comprises 3 principal steps:

Step 1: Understanding the Audit Universe, Strategic Priorities and Risks

11. Our assessment of the audit universe – essentially all of the areas and topics that are within the potential scope of audit review and contribute to the Council’s pursuit of its strategic priorities – is informed by review of the Council’s structure, ongoing meetings and discussion with officers and Members and review of Council meeting papers.
12. Our aim in drawing together the plan is that, over the course of its four year lifetime, all areas of the Council will have received a proportionate level of audit review. The 2015/16 assessment of the audit universe is shown by the areas displayed in the plan at appendix A and we will update and refresh this assessment each year.
13. Strategic priorities and risks have been determined by the Council and considered by us in drawing together the audit plan. As the Council moves through the process of refreshing and updating its strategies and priorities for 2015/16 onwards, it is important that the audit plan is flexible to respond to the changing needs of the Council. We therefore keep our assessment of risks and priorities under review, to ensure that any changes in direction are considered within our audit plan.
14. The Council’s key risks are included within its **strategic risk register 2013-2016**. At the time of writing, the register details 6 risks scenarios, some of which contain several individual risks:

Risk 1 (**amber**): **Having the right resources which are used in the right way**

Risk 2: (**amber**) **Resident satisfaction with place & the way that services are provided**

Risk 3: (**red**) **Economic downturn/austerity agenda**

Risk 4: (**red**) **Creating the place we want to be**

Risk 5: (**amber**) **Delivering services in partnership with others**

Risk 6: (**red**) **Impacts arising from political change**

Step 2: Evaluating the risks

15. A key finding of the IIA's EQA last year was the need to make our planning more clearly derived from and led by the differing objectives and risks at each authority; a point that was the root finding for 4 of the 6 recommendations needed to achieve full conformance with the PSIAS. We have responded to those recommendations in this plan by conducting a comprehensive risk assessment across the range of Council services, building on our work in identifying the audit universe and the Council's key priorities and risks.
16. In conducting this assessment we considered risk across 6 discrete fields (summarised below, a full detail of our assessment process is at appendix B.

Financial Risk

The risk that failure in the service/area will undermine the Council's financial standing.

Strategic Risk

The risk that failure in the service/area will prevent achievement of a strategic goal or mitigation of a priority risk.

Fraud Risk

The risk that the service will be a victim of fraud or corruption, from within our without.

Change Risk

The risk that the service will be subject to, or seek, change leaving it vulnerable to failure.

Oversight Risk

The risk that failure in the service will not be identified or addressed by agencies other than internal audit.

Exposure Risk

The risk that failure in the service will materially damage the Council's standing, including its ability to deliver services for the local population.

17. One of these risks in particular –Oversight Risk – bears further explanation. One way of considering the control environment at any organisation is the **three lines of defence** model. In this analogy, an organisation has three levels of control which might serve to prevent or detect failure or error.

First Line of Defence: Direct controls within the service itself operating day-to-day to maintain internal control and support risk management.

Second Line of Defence: Controls operating at a corporate level to provide oversight to the process, setting and monitoring a framework for internal control and risk management to operate within.

Third Line of Defence: An independent perspective, still under corporate control, to challenge and comment upon the process and its implementation. Usually, this is the level at which Internal Audit operates.

18. When considering oversight risk, we reviewed the extent to which any service is subject to this model. Also, beyond those internal measures, we also sought to establish and consider what level of external regulation and oversight operates. For instance, although the Health and Safety Executive is not part of the Council's own control processes (as the Council cannot control or direct its actions), its reviews and findings provide useful commentary and perspective on the effectiveness of controls. The Council's external auditors – Grant Thornton – provide a similar perspective across the Council's finances and value for money operations.
19. As noted in appendix B, where a given service does not have a clear position within the three lines of defence or is not subject to detailed oversight from any external agency, we scored this risk factor more highly.
20. We considered each of those inherent risk factors alongside a final factor:

Audit Knowledge

Whether there are findings from previous audits (or an absence of positive audit findings in recent years) which suggest an increased risk of service failure.

21. The detailed audit plan at appendix A includes details of recent audit coverage in each area.
22. Our risk assessment is necessarily limited to matters emerging from the processes listed above. We will review and update this assessment and our plan at least annually, as well as keeping abreast of developments at the Council and seeking to ensure our plan remains relevant and valuable in-between those annual reviews. In consultation with management, and with the approval of the Audit Committee, we will seek to ensure that audit resources remain appropriately focussed.

Step 3: Drawing up the plan and individual projects

23. The higher risk a service or area, by this evaluation the greater level of audit attention and the earlier in the lifespan of our plan that attention comes. Appendix A shows how that assessment has formed our audit plans for 2015/16 to 2018/19.
24. Once we have selected an area for review it will be subject to our usual process of issuing draft and final briefs ahead of the work to ensure our attention is appropriately tailored.
25. The risk-based approach taken to forming the plan as a whole will be integrated within our approach to individual projects. Each will now include, in addition to any specific objectives agreed by the service, the following three objectives as standard:
 - Has the service/area set out its objects and risks and are these in line with the Council's overall aims and risk appetite?
 - Are there adequately designed controls to achieve those objectives and/or mitigate those risks?
 - Are those controls operating effectively?
26. We will conduct each review in line with our standard audit methodology which is aligned to the Public Sector Internal Audit Standards. The roles and responsibilities for successful delivery of audit projects are set out also in our Audit Charter. An updated Charter for 2015/16 is also included on this agenda and will be provided to every audit sponsor.
27. Each of these audit reviews will culminate in an assurance rated report, giving our view on whether the particular area is operating effectively. We will keep these rating levels consistent with our revised approach adopted first in 2014/15, with details of the assurance levels included as a reminder to Members in this report at appendix C.
28. We will also, where appropriate, make recommendations for improvement. These recommendations are graded as set out in appendix C and followed up by our audit team when due for implementation. Recommendations that we find have not been implemented where there is ongoing risk to the Council are reported in the first instance to the Council's Management Team. Also, Senior Managers responsible for services that consistently fail to address audit recommendations may be invited to provide further explanation to Members at the Audit Committee.
29. The plan also recognises the non-project work we deliver, using our experience and expertise to assist the Council in pursuit of its strategic priorities. We undertake this work in line with the arrangements set out in the Charter, in particular with those safeguards aimed at preserving our independence and objectivity.
30. Typically the non-project work will not result in an assurance graded output, but rather an alternative format relevant to the engagement and agreed with the work's sponsor. In

any event, we will inform the Audit Committee of the outcomes of non-project work through our interim and year end reports.

Monitoring delivery

31. We undertake our audit work against our standard audit approach, which has been assessed in our EQA as consistent with the PSIAS. In addition we adhere to the professional standards, roles and responsibilities as set out in the Charter.
32. As part of this approach we are careful to ensure the quality and consistency of our work. With respect to individual audit projects, each undergoes internal review from management focussing on each stage from compilation of the original brief, through completion of fieldwork and ultimately our reporting.
33. We undertake broader quality assurance of our work as required by the PSIAS. These require an external assessment at least every five years and annual self-assessments to ensure maintenance of standards. Mid Kent Audit underwent an EQA in early 2014, becoming the first local authority audit service in the country to seek such a review from our professional institute, the IIA. This concluded we were fully conforming with 50/56 PSIAS and partially conforming to the remaining 6. We are currently in discussion with the IIA about their completing a follow up review in early April 2015 to examine our progress on implementing the recommendations and hope to report the outcome of that review to Members as part of our 2014/15 annual report.
34. In addition our annual reports will include a full self-assessment against the PSIAS. In the event of this review identifying matters to address we will set out a plan for Members for our response.
35. We are also responsible to Members via the Audit Committee. We will provide interim and annual reports on progress against our plans, as well as attend each Committee meeting to respond to queries from Members. The Head of Audit Partnership is also the lead contact for Members for any matters arising, queries about the service or areas of concern (including Whistleblowing, under the Council's procedures) and can be contacted at any time.
36. Our service is also monitored each quarter by an Audit Shared Service Board; David Edwards (Director of Environment and Shared Service) is Maidstone's representative. The Board receives performance and financial monitoring reports on the progress of the service. The set of performance indicators against which we report are included at appendix D, and we also report outturn on these indicators to the Audit Committee twice a year.
37. We are also dedicated to continuing to develop and enhance the professional expertise and experience of our audit team. For 2015/16 this includes re-starting the previously dormant 'Trainee Auditor' grade, taking on skilled individuals dedicated to pursuing a

career in local government audit and supporting them through a professional qualification. We include more details about the audit team and the work we will be undertaking in 2015/16 to support and enhance their development within appendix E

Appendix A: Maidstone Borough Council: 4 Year Audit Plan

Core Finance & Corporate Governance Reviews

Service	Audit Project	Partnership	2015/16	2016/17	2017/18	2018/19
Core Financial Systems			69 days 6 reviews	67 days 6 reviews	74 days 6 reviews	50 days 5 reviews
Finance	Payments & Receipts		10	10	10	10
Finance	Budget Management		15		15	
Finance	Procurement		10		15	
Finance	General Ledger			10		10
Finance	Feeder Systems			10		
Finance	Bank/Treasury			15		10
Human Resources	Payroll	MBC/SBC	10	10	10	8
Revenues & Benefits	Council Tax	MBC/TWBC	12		12	12
Revenues & Benefits	Business Rates	MBC/TWBC	12		12	
Revenues & Benefits	Housing Benefits	MBC/TWBC		12		
Corporate Governance			55 days 5 reviews	58 days 6 reviews	55 days 5 reviews	53 days 6 reviews
Corporate Centre	Business Continuity		15			10
Corporate Centre	Members' Allowances		10		15	
Corporate Centre	Corporate Governance		5	5	5	5
Corporate Centre	Safeguarding		15			
Corporate Centre	Corporate Projects Review		10	10	10	10
Corporate Centre	Register of Interests			10		10
Corporate Centre	Freedom of Information			15		
Corporate Centre	Performance Management			10		10
Corporate Centre	Data Protection				15	
Corporate Centre	Risk Management ²				10	
ICT	ICT Controls & Access	MBC/SBC/TWBC		8		8

² This is our review of the Council's risk management process, which will be assurance rated work. It is distinct from our work supporting day-to-day risk management (as noted elsewhere in this plan).

Service Reviews

Service	Audit Project	Partnership	2015/16	2016/17	2017/18	2018/19
Service Reviews			192 days 16 reviews	178 days 14 reviews	210 days 18 reviews	135 days 11 reviews
Bereavement	Crematorium & Cemetery			15		
Building Control	Building Control Fees			15		
Building Control	Building Control Operations					15
Community Development	Community Safety		15			
Community Development	CCTV			15		
Community Development	Community Halls				15	
Community Development	Public Health					15
Community Development	Cultural Development					15
Democratic Services	Elections & Registration			15		
Economic Development	Commercial Projects		15			
Economic Development	Museum & Tourism			15		
Economic Development	Hazlitt Centre			15		
Economic Development	Parks & Open Spaces			15		
Economic Development	Market				15	
Economic Development	Leisure Centre				15	
Economic Development	Cobtree Manor					15
Environmental Health	Litter Enforcement		15			
Environmental Health	Air Quality & Pollution	MBC/SBC/TWBC			6	
Environmental Health	Animal Welfare & Control				15	
Environmental Health	Food Safety	MBC/SBC/TWBC				6
Finance	Insurance Management				10	
Finance	VAT Management					10
Housing	Temporary Accommodation		15			
Housing	Housing Grants			15		
Housing	Homelessness				15	
Housing	Housing Allocations					15
Human Resources	Learning & Development	MBC/SBC	8			

Service	Audit Project	Partnership	2015/16	2016/17	2017/18	2018/19
Service Reviews			192 days 16 reviews	178 days 14 reviews	210 days 18 reviews	135 days 11 reviews
Human Resources	HR Policy Compliance	MBC/SBC		8		
Human Resources	Recruitment	MBC/SBC			8	
Human Resources	Health & Safety				15	
ICT	Networks	MBC/SBC/TWBC	6			
ICT	IT Business & Application Support	MBC/SBC/TWBC	6			
ICT	ICT Procurement	MBC/SBC/TWBC		6		
ICT	Technical Support	MBC/SBC/TWBC			6	
ICT	Information Security	MBC/SBC/TWBC				6
Legal	Legal Services	MBC/SBC/TWBC			6	
Licensing	Licensing	MBC/TWBC	15		15	
Parking	Parking Enforcement	MBC/SBC	8			8
Parking	Park & Ride		15			
Parking	Residents' Parking	MBC/SBC		8		
Parking	Parking Income	MBC/SBC			8	
Planning	Planning Support	MBC/SBC/TWBC	6			
Planning	Section 106 Payments		15			
Planning	Land Charges	MBC/SBC/TWBC		6		
Planning	Planning Income	MBC/SBC/TWBC			6	
Planning	Planning Enforcement					15
Policy & Communications	Customer Services		15			
Policy & Communications	Online Management			15		
Policy & Communications	Complaints				15	
Policy & Communications	Equalities				15	
Property	Asset Management		15			
Property	Facilities Management			15		
Property	Corporate Support				15	
Revenues & Benefits	Discretionary Payments	MBC/TWBC	8			
Waste & Street Scene	Grounds Maintenance		15			
Waste & Street Scene	Waste Collection Contract	ABC/MBC/SBC			10	
Waste & Street Scene	Commercial Waste					15

Other Work

Service	Audit Project	Partnership	2015/16	2016/17	2017/18	2018/19
Risk Management			20 days	20 days	20 days	20 days
Corporate Centre	Supporting Risk Management Process ³		15	15	15	15
Corporate Centre	Supporting Risk Management Training		5	5	5	5
Counter Fraud			20 days	20 days	20 days	20 days
Corporate Centre	NFI Co-ordination		5	5	5	5
Corporate Centre	Proactive work		5	5	5	5
Corporate Centre	Initial investigations on referral		5	5	5	5
Corporate Centre	Kent Matches Co-ordination		5	5	5	5
Audit Follow Ups			60 days	60 days	60 days	60 days
Various	Quarterly follow up exercise		60	60	60	60
Consultancy and other work			60 days	67 days	31 days	132 days
Corporate Centre	Supporting Audit Committee		9	9	9	9
Comm. Development	Repair & Renew Grant Sign Off		5			
Various	Project Board Attendance and Support		8	8		
TBC	Unallocated consultancy time		38	50	22	123

³ This is our work supporting the day-to-day risk management process, such as receiving action plans and establishing the effectiveness and accuracy of mitigating actions declared. To maintain independence, these two areas of work will be undertaken by separate teams.

Overall Summary

Work Type	2015/16	2016/17	2017/18	2018/19
Audit Work (leading to assurance rating)	316 days 27 reviews	303 days 26 reviews	339 days 29 reviews	238 days 22 reviews
Core Financial Systems	69	67	74	50
Corporate Governance	55	58	55	53
Service Reviews	192	178	210	135
Non Audit Work (unrated reporting)	154 days	167 days	131 days	226 days
Risk Management	20	20	20	20
Counter Fraud	20	20	20	20
Audit Follow Up	60	60	60	60
Consultancy/Contingency	54	67	31	132
Total Audit Resources Available	470 days	470 days	470 days	470 days

Audit projects noting more than one client (e.g. **MBC/SBC/TWBC**) are reviews of services delivered in partnership. In such instances our work is co-funded between the partners' audit plans and the audit output will be made available to all on the same basis. Precise timings of work within a given year will be subject to negotiation with individual audit sponsors.

Appendix B: Risk Assessment Criteria

Risk Type	Financial Risk	Strategic Risk	Fraud Risk	Change Risk	Oversight Risk	Exposure Risk	Audit knowledge
Full Risk Description	<i>Failure will undermine the Council's financial position</i>	<i>Failure will prevent strategic goal or mitigation of strategic risk</i>	<i>Victim to fraud or corruption (internal or external)</i>	<i>Subject to change leaving it vulnerable to failure</i>	<i>Failure not be identified or addressed by agencies other than internal audit</i>	<i>Failure will materially damage the Council's standing</i>	<i>Findings from previous audits which increase the risk of service failure</i>
Indications of highest risk (4)	Fundamental levels of income or expenditure at stake (£5m+)	Specific service goals integral to overall Council achievement	High volume of transactions with systemic risk of loss	Subject to major fundamental forced change.	Not subject to significant external scrutiny.	Significant interactions, high level of public interest.	Recent history of adverse opinions
Indications of raised risk (3)	Significant levels of income or expenditure at stake (£1m+)	Service supports Council goal but together with other services	Moderate transaction volume with some identified weaknesses.	Service has decided to undergo major fundamental change.	Professional standards exist but no clear external review mechanisms.	Wide range of public interactions but limited public interest.	Mixed recent history, weak responses/no relevant history
Indications of moderate risk (2)	Material levels of income or expenditure at stake (£0.5m+)	Service plays minor direct contribution together with other services	Low transaction volume, few identified weaknesses	Significant change expected in operations.	Review body exists, but remote or risk based oversight only	Limited or minor public interest or interactions.	Good recent record but weak responses
Indications of lower risk (1)	Non material levels of income or expenditure at stake (<£0.5m)	No direct link to strategic objectives, but overall supporting role	No significant fraud exposure	No significant change anticipated.	Subject to regular or continuing external review and scrutiny.	Mainly back office with few public interactions.	Good recent record with prompt response

Appendix C: Assurance & Recommendation Ratings

Assurance Ratings 2015/16 (unchanged from 2014/15)

<p>Strong – Controls within the service are well designed and operating as intended, exposing the service to no uncontrolled risk. There will also often be elements of good practice or value for money efficiencies which may be instructive to other authorities. Reports with this rating will have few, if any; recommendations and those will generally be priority 4.</p>	<p>Sound – Controls within the service are generally well designed and operated but there are some opportunities for improvement, particularly with regard to efficiency or to address less significant uncontrolled operational risks. Reports with this rating will have some priority 3 and 4 recommendations, and occasionally priority 2 recommendations where they do not speak to core elements of the service.</p>	Effective Service
<p>Weak – Controls within the service have deficiencies in their design and/or operation that leave it exposed to uncontrolled operational risk and/or failure to achieve key service aims. Reports with this rating will have mainly priority 2 and 3 recommendations which will often describe weaknesses with core elements of the service.</p>	<p>Poor – Controls within the service are deficient to the extent that the service is exposed to actual failure or significant risk and these failures and risks are likely to affect the Council as a whole. Reports with this rating will have priority 1 and/or a range of priority 2 recommendations which, taken together, will or are preventing from achieving its core objectives.</p>	Ineffective Service

Recommendation Ratings 2015/16 (unchanged from 2014/15)

Priority 1 (Critical) – To address a finding which affects (negatively) the risk rating assigned to a Council strategic risk or seriously impairs its ability to achieve a key priority. Priority 1 recommendations are likely to require immediate remedial action. Priority 1 recommendations also describe actions the authority **must** take without delay.

Priority 2 (High) – To address a finding which impacts a strategic risk or key priority, which makes achievement of the Council’s aims more challenging but not necessarily cause severe impediment. This would also normally be the priority assigned to recommendations that address a finding that the Council is in (actual or potential) breach of a legal responsibility, unless the consequences of non-compliance are severe. Priority 2 recommendations are likely to require remedial action at the next available opportunity, or as soon as is practical. Priority 2 recommendations also describe actions the authority **must** take.

Priority 3 (Medium) – To address a finding where the Council is in (actual or potential) breach of its own policy or a less prominent legal responsibility but does not impact directly on a strategic risk or key priority. There will often be mitigating controls that, at least to some extent, limit impact. Priority 3 recommendations are likely to require remedial action within six months to a year. Priority 3 recommendations describe actions the authority **should** take.

Priority 4 (Low) – To address a finding where the Council is in (actual or potential) breach of its own policy but no legal responsibility and where there is trivial, if any, impact on strategic risks or key priorities. There will usually be mitigating controls to limit impact. Priority 4 recommendations are likely to require remedial action within the year. Priority 4 recommendations generally describe actions the authority **could** take.

Advisory – We will include in the report notes drawn from our experience across the partner authorities where the service has opportunities to improve. These will be included for the service to consider and not be subject to formal follow up process.

Appendix D: Performance Indicators

Area	Ref	Indicator	Definition
Finance	F1	Cost per audit day	Total cost of service / productive days
	F2	Audits completed on budget	Percentage of audits delivered within pre-determined number of days
	F3	Chargeable days	Percentage of staff time spent on delivering the audit plan (as distinct from training, personnel management, admin and so on).
Internal Process	I1	Full PSIAS conformance	Conformance with Public Sector Internal Audit Standards, as assessed by IIA
	I2	Audits completed on time	Percentage of audits completed on or before a deadline agreed with the audit sponsor within our audit brief
	I3	Draft reports on time	Percentage of draft reports delivered within 10 days of concluding fieldwork
Customer	C1	Satisfaction with assurance	Percentage of respondents 'very/satisfied' with the assurance received based on surveys sent at end of each audit project
	C2	Final reports on time	Percentage of final reports delivered within 5 days of closing meeting
	C3	Satisfaction with conduct	Percentage of respondents 'very/satisfied' with staff conduct shown based on surveys sent at end of each audit project
Learning & Developing	L1	Implemented recommendations	Percentage of recommendations implemented as agreed with audit
	L2	Training plan achieved	Percentage of assigned training days completed by staff
	L3	Satisfaction with skills	Percentage of respondents 'very/satisfied' with staff skills displayed based on surveys sent at end of each audit project

Appendix E: Mid Kent Audit Team

Management

Rich Clarke CPFA (Head of Audit Partnership): Rich became head of the audit partnership on 1 April 2014, succeeding Brian Parsons. He joined the partnership from KPMG, where he had a range of internal and external audit clients across the public sector including LB Islington, Woking BC, East Kent Hospitals University NHS Trust, the Foreign and Commonwealth Office and the Civil Aviation Authority. Previous to joining KPMG, Rich worked for the Audit Commission for 12 years, where he achieved CIPFA qualification and gained broad experience in local government and NHS audit as well as leading national training on technical accounting, data quality and audit efficiency and project management. In 2015/16 Rich will be begin studying again aiming to achieve CIPFA Accredited Counter Fraud Specialist status.

Ian Cumberworth MAAT (Audit Manager: Ashford & Tunbridge Wells): Ian became the Audit Manager for Ashford and Tunbridge Wells in 2010 when the original partnership was extended having previously been the Audit Manager at Tunbridge Wells. He has experience of working in the private sector and a number of public sector authorities and has gained a broad knowledge and experience within Local Government. He has experience in supporting and leading on corporate projects which has included areas such as Best Value, VFM studies, Procurement & Contracting initiatives and various inspection regimes.

Russell Heppleston CMIIA (Audit Manager: Maidstone & Swale): Russell started working for the Maidstone / Ashford partnership in November 2005, and continued his role as Auditor for the Mid Kent Audit Service when it was established in 2010. He progressed through professional qualifications with the Institute of Internal Auditors (IIA) to achieve both Practitioner and Chartered member status. As an Auditor Russell examined the majority of council services, and had particular interests in project management and governance. In September 2013 Russell was appointed as the Audit Manager for Maidstone and Swale, and is the client manager at both sites and is responsible for delivering the audit plan. In 2015/16 Russell will be studying to achieve accreditation with the Institute of Risk Management.

Auditors & Senior Auditors

Alison Blake ACCA (Senior Auditor): Alison joined the internal audit partnership in 2012 and has worked on a variety of audits since starting. Prior to this Alison worked for South Coast Audit for 7 years where she undertook internal audit work across a range of NHS clients in East Kent. While at South Coast Audit she achieved ACCA qualification. During Alison's career she has completed a wide range of audit work including finance, information governance and risk management, system reviews and reviews of compliance with legislation with the aim of working with the client to help them achieve their objectives and the objectives of the organisation as a whole. Alison is currently on maternity leave but will be re-joining the team in January 2016.

Mark Goodwin (Senior Auditor): Mark joined Ashford Borough Council in January 1999 having previously worked at Maidstone Borough Council in an audit role. He was a founder member of the Ashford and Maidstone Internal Audit Partnership before this developed into the four-way Mid Kent Audit Partnership in April 2010. He is an experienced auditor who has audited extensively the full spectrum of Council services and activities across a number of local authorities.

Frankie Smith PIIA (Senior Auditor): Frankie Smith started her career in Internal Audit at Kent County Council in 2001 as a Trainee Auditor. In December 2001 she was appointed to the role of Auditor at Maidstone Borough Council. In the last 13 years she has completed audits at Ashford, Maidstone, Swale and Tunbridge Wells and is currently the Senior Auditor at Swale Borough Council. Frankie completed the CIPFA Diploma in Public Audit in 2003, the IIA Diploma in March 2013 and is now studying towards the IIA Advanced Diploma with a view to becoming a tutor for the IIA qualifications.

Claire Walker (Senior Auditor): Claire joined the audit partnership in September 2010, and has wide experience in a variety of sectors and bodies; Local and Central Government, Arts, Broadcasting, Financial Services, NGOs & Not For Profit Sector (domestic & foreign), also Lottery Fund distribution QUANGOS (New Opportunities Fund, Big Lottery Fund, Millennium, Commission, Olympic Delivery Agency, Heritage Lottery Fund, and Sport England) and the associated grant making programmes (in house and outsourced grant administered programmes). Claire delivered some training & mentoring projects for the FCO, DFID and the World Bank in addition to work on European Social Fund projects. Within Local Government Claire has undertaken a wide range of audits with a focus on legal compliance, contracts and governance arrangements. Other audit experience covers outsourcing functions, due diligence, and fraud investigations.

Jen Warrillow PIIA (Auditor): Jen joined Mid Kent Audit in September 2013 from Kent County Council where she trained as an Internal Auditor. She recently completed study for Practitioner of the Institute of Internal Auditors status and during 2015 will study to become a Chartered Member of the Institute. At KCC Jen undertook a wide range of audits including financial, governance and grant funding internally for the Council and externally for Parish Councils. Previous to joining KCC, Jen worked as an investigator for Swale BC and then Tonbridge & Malling BC. Jen will be providing maternity cover for Alison Blake in the Senior Auditor role until July 2015.

Paul Goodwin AAT (Auditor): Paul has been employed by Tunbridge Wells Borough Council for over 26 years of which nearly all has been in Internal Audit. Paul is a qualified Accounting Technician.

Jo Herrington PIIA (Auditor): Jo joined the audit partnership on 30 September 2013. She joined the partnership from Gravesham BC, where she worked for nearly nine years. She gained experience of working in the Finance department and the Revenues department before settling in the Internal Audit team in September 2009, who operated a shared management arrangement with Tonbridge & Malling BC. As part of the Internal Audit team she gained broad experience conducting financial and operational audit reviews, as well as being involved in working groups across the authority. Jo recently achieved the IIA Diploma, and will be providing maternity cover for Alison Blake in the Senior Auditor role between July and December 2015.

Trainee Auditors & Others

Michael Pugh (Trainee Auditor): Michael joined the audit team in March 2015 as a trainee auditor. He joins us from Baker Tilly where he worked as a risk analyst within their Technology Services internal audit division at clients across the private and public sectors. Michael will be embarking on a professional qualification supported by the service during 2015/16.

Ben Davis (Trainee Auditor): Ben joined the audit team in March 2015 as a trainee auditor. Ben holds a degree in Modern History from UEA and has previous experience in finance teams in the private and voluntary sectors. Ben will also be embarking on a professional qualification supported by the service during 2015/16.

We also have facility within the audit service to seek and deploy additional specialist resource depending on the needs of the service and of our local authority partners. In 2014/15 we used this facility to support delivery of specific audit projects including a significant counter fraud investigation and a major post implementation review of a shared service project.

Agenda Item 12

MAIDSTONE BOROUGH COUNCIL

AUDIT COMMITTEE

30 MARCH 2015

REPORT OF HEAD OF AUDIT PARTNERSHIP

Report prepared by Russell Heppleston – Audit Manager

1. MAIDSTONE INTERNAL AUDIT CHARTER

1.1 Issue for Decision

1.1.1 The report is provided in order to allow the Committee to consider and approve the revised Internal Audit Charter for 2015/16.

1.2 Recommendation of the Head of Audit Partnership

1.2.1 The Audit Committee **approves** the Internal Audit Charter 2015/16.

1.3 Reasons for Recommendation

- 1.3.1 Our External Quality Review (EQA) from the Institute of Internal Auditors (IIA) last year included a number of comments on the Audit Charter. Specifically, and in order to achieve full compliance, the EQA recommended a range of improvements and clarifications to better set out the Audit Service's role with respect to consultancy, counter fraud and risk management.
- 1.3.2 The results of the EQA did not specifically recommend the development of a separate charter for each partner, but it is generally accepted within the industry as good practice. The principal benefit here is that separate charters allows for individual tailoring of the service and its scope to meet client needs. The attached Charter, therefore, reflects how our service operates at Maidstone; separate Charters will be presented to other Audit Committees (or equivalent) within the audit partnership.
- 1.3.3 One notable feature is that the revised Charter includes a mechanism for avoiding conflicts of interest in our activities. Reflective of the role of the Audit Committee in providing oversight, the Charter proposes that major additional work requests are subject to consultation between the Head of Audit, Senior Management and the Chair of the Audit Committee prior to approval, and then reported to the next available Committee meeting in full. This type of approach is common within the industry and, for the sake of illustration, would only have been invoked once during 2014/15, for the Planning Shared Service review.

1.3.4 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.

1.3.5 We propose that the Audit Committee **approve** the Internal Audit Charter for 2015/16 attached in **appendix A**.

1.4 Alternative Action and why not Recommended

1.4.1 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.

1.5 Impact on Corporate Objectives

1.5.1 The role of Internal Audit is to help the Council accomplish its objectives. All audit work considers the adequacy of controls and risks associated with the delivery of the Council's strategic and operational objectives.

1.6 Risk Management

1.6.1 Internal Audit seeks to establish and evaluate the controls that Management have put in place to manage risks.

1.7 Other Implications

1.7.1 None directly

- 1. Financial
- 2. Staffing
- 3. Legal
- 4. Equality Impact Needs Assessment
- 5. Environmental/Sustainable Development
- 6. Community Safety
- 7. Human Rights Act
- 8. Procurement
- 9. Asset Management

1.8 Relevant Documents

1.8.1.1 The following documents are to be published with this report and form part of the report:

Appendix A: Maidstone Internal Audit Charter

1.8.1.2 Background Documents

An Internal Audit Charter is a requirement of the Public Sector Internal Audit Standards. To view the Standards in full please see: [Public Sector Internal Audit Standards](#)

IS THIS A KEY DECISION REPORT?

THIS BOX MUST BE COMPLETED

Yes

No

If yes, this is a Key Decision because:

.....

Wards/Parishes affected:

.....

MID KENT AUDIT

Internal Audit Charter

Maidstone 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 Maidstone Borough Council (the 'Council'). The Charter establishes internal audit'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 Shared Services 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, objective and reliable 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:

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 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 (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.
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).

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'). 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, its work and findings; and
 - Keeping the Shared Services Board (and so, the Director of Environment & Shared Services) 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. 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 Director of Environment & Shared Services 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 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 Director in the first instance and escalated to the Audit Committee if the matter remains unresolved.

Independence and objectivity

16. The internal audit service 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.

Accountability

17. The Head of Audit Partnership, in the discharge of his duties, will be accountable to the Audit Committee and the Director of Environment & Shared Services (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 requires full co-operation of senior management. In approval of this Charter the Audit Committee and the Director of Environment & Shared Services direct management to co-operate with internal audit 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 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 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.

Non Audit 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 a member of CLT,
 - The service has the right skills, experience and available resource, and
 - Internal audit'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 before making the final decision. The specific role of Internal Audit 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 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's role in 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 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 Director of Environment & Shared Services and reported to the Audit Committee.

Counter Fraud

25. Internal Audit'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. Internal Audit may assist or lead, as needed, in the investigation of significant suspected fraudulent activities within the Council and notify Management and the Audit Committee of the results.

27. Where a significant investigation requires purchase of additional resource or amendment to the agreed audit plan the Head of Audit Partnership will consult the Chair of the Audit Committee after discussion with the Director of Environment & Shared Services.

Major Projects

28. Internal Audit 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

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

Relationships with management

30. The internal audit service 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

31. The internal audit service 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 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 and review work and only re-perform where necessary. We will meet regularly and share our plans and reports.
32. The internal audit service 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

33. 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 as appropriate.

34. 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

35. This Charter recognises the mandatory nature of the IIA definition of Internal Auditing and Code of Ethics and the Public Sector Internal Audit Standards. The Internal Audit team comply with these standards.

Quality assurance

36. The Standards require that audit be subject to a quality assurance and improvement programme. For Mid Kent Audit, that programme incorporates both internal and external elements.

Internal assurance

37. All of our 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 range and scope of reviewers to help maintain consistency and support learning within the service.

External assurance

38. An external assessment must be conducted at least once every five years by a qualified, independent assessor from outside the organisation. The service'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 Director of Environment & Shared Services and the Audit Committee as the need arises.

This Charter is authorised within Maidstone Borough Council:

Director of Environment & Shared Services: David Edwards

Audit Committee Chair: Councillor Alistair Black

With the agreement of:

Head of Audit Partnership: Rich Clarke

Mid Kent Services Director: Paul Taylor

Signed... Dated...

Next Review required...