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Internal Audit Charter for Kent County Council

Purpose

The purpose of the Internal Audit function is to strengthen Kent County Council's ability to create, protect, and sustain value by providing the Governance and Audit Committee and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

The Internal Audit function aims to enhance Kent County Council's:

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

Kent County Council's Internal Audit function is most effective when:

- Internal auditing is performed by competent professionals in conformance with the IIA's Global Internal Audit Standards, which are set in the public interest.
- The Internal Audit function is independently positioned with direct accountability to the Governance and Audit Committee.
- Internal auditors are free from undue influence and committed to making objective assessments.

Commitment to Adhering to the Global Internal Audit Standards

Kent County Council's Internal Audit service will adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements. The Head of Internal Audit (referred to as Chief Audit Executive in the Standards) will report at least annually to the Governance and Audit Committee and senior management regarding the Internal Audit function's conformance with the Standards, for example in relation to the Internal Audit Strategy.

Mandate

Authority

The requirement for the Council to 'maintain an adequate and effective system of internal audit of its accounting record and its systems of internal control' is contained in the Accounts and Audit Regulations 2015. This supplements the requirements of Section 151 of the Local Government Act 1972 for the Council to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has responsibility for the administration of those affairs. The Council has delegated this responsibility to the Corporate Director of Finance.

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The Internal Audit service's authority is created by its direct reporting relationship to the Governance and Audit Committee. Such authority allows for unrestricted access to the Governance and Audit Committee. The Head of Internal Audit has direct access to the Chair of the Governance and Audit Committee and has the opportunity to meet with the Governance and Audit Committee in private. The Chair of the Governance and Audit Committee will be involved in the appointment and termination of the Head of Internal Audit.

The Governance and Audit Committee authorises the Internal Audit function to:

- Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out internal audit responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives.
- Obtain assistance from the necessary personnel of Kent County Council and other specialised services from within or outside Kent County Council to complete internal audit services.

Independence, Organisational Position, and Reporting Relationships

The Head of Internal Audit will be positioned at a level in the organisation that enables internal audit services and responsibilities to be performed without interference, thereby establishing the independence of the Internal Audit function. The Head of Internal Audit will report functionally to the Governance and Audit Committee and administratively (for example, day-to-day operations) to the Corporate Director of Finance. The Head of Internal Audit will have free and unrestricted access and freedom to report in their own name to the Corporate Director of Finance, Chief Executive, Monitoring Officer and Chair of the Governance and Audit Committee.

This positioning provides the organisational authority and status to bring matters directly to senior management and escalate matters to the Governance and Audit Committee if actions have not been taken and supports the internal auditors' ability to maintain objectivity.

The Head of Internal Audit will confirm to the Governance and Audit Committee, at least annually, the organisational independence of the Internal Audit function. If the governance structure does not support organisational independence, the Head of Internal Audit will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence. The Head of Internal Audit will disclose to the Corporate Director of

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Finance and/or the Chair of the Governance and Audit Committee any impairment internal auditors encounter related to the scope, performance, or communication of Internal Audit work and results. The disclosure will include communicating the implications of such impairment on the Internal Audit function's effectiveness and ability to fulfil its mandate.

This will also include ensuring that if an audit is undertaken in an area where the Head of Internal Audit has operational responsibility, appropriate measures are put in place to avoid compromising independence.

If requested to undertake any additional roles or responsibilities outside of Internal Auditing, the Head of Internal Audit must highlight to the Governance and Audit Committee any potential or perceived impairment to independence and objectivity having regard to the principles contained within the Code of Ethics. The Governance and Audit Committee must approve and periodically review any safeguards put in place to limit impairments to independence and objectivity

Changes to the Mandate and Charter

Circumstances may justify a follow-up discussion between the Head of Internal Audit, Governance and Audit Committee, and senior management on the Internal Audit mandate or other aspects of the Internal Audit Charter. Such circumstances may include but are not limited to:

- A significant change in the Global Internal Audit Standards.
- A significant reorganisation within the organisation.
- Significant changes in the Head of Internal Audit, Governance and Audit Committee, and/or senior management.
- Significant changes to the organisation's strategies, objectives, risk profile, or the environment in which the organisation operates.
- New laws or regulations that may affect the nature and/or scope of Internal Audit services.

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Governance and Audit Committee Oversight

To establish, maintain, and ensure that Kent County Council's Internal Audit function has sufficient authority to fulfil its duties, the Governance and Audit Committee, in line with its Terms of Reference, will:

- Discuss with the Head of Internal Audit and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the internal audit function.
- Ensure the Head of Internal Audit has unrestricted access to, communicates, and interacts directly with the Governance and Audit Committee, including in private meetings without senior management present.
- Ensure Internal Audit are independent of the activities it audits, is effective, has sufficient experience.
- Discuss with the Head of Internal Audit and senior management other topics that should be included in the internal audit charter.
- Participate in discussions with the Head of Internal Audit and senior management about the "essential conditions," described in the Global Internal Audit Standards, which establish the foundation that enables an effective internal audit function.
- Approve the internal audit function's charter, which includes the internal audit mandate and the scope and types of internal audit services.
- Review and approve the Internal Audit Charter annually with the Head of Internal Audit to consider changes affecting the organisation, such as the employment of a new Head of Internal Audit or changes in the type, severity, and interdependencies of risks to the organisation; and approve the internal audit charter annually.
- Approve the risk-based internal audit plan.
- Receive communications from the Head of Internal Audit about the Internal Audit function including its performance relative to its plan
- Ensure a Quality Assurance and Improvement Programme has been established and review the results annually.
- Make appropriate inquiries of senior management and the Head of Internal Audit to determine whether scope or resource limitations are inappropriate.

In accordance with the Global Internal Audit Standards in the UK public sector – Application note, the following are adaptations to Global Internal Audit standard requirements:

- Provide view, where appropriate, on the internal audit function's human resources administration and budgets and expense.
- Provide input, where requested, to senior management on the appointment and removal of the Head of Internal Audit, ensuring adequate competencies and qualifications and conformance with the Global Internal Audit Standards; and

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- Provide input, as required, to senior management on the Head of Internal Audit's performance.

Head of Internal Audit Roles and Responsibilities

Ethics and Professionalism

The Head of Internal Audit will ensure that internal auditors:

- Conform with the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the organisation aligned to the Council's values and be able to recognise conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the organisation.
- Report organisational behaviour that is inconsistent with the organisation's ethical expectations, as described in applicable policies and procedures.

Objectivity

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

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

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

- Assessing specific operations for which they had responsibility within the previous year.
- Performing operational duties for Kent County Council or its affiliates.
- Initiating or approving transactions external to the internal audit function.
- Directing the activities of any Kent County Council employee that is not employed by the Internal Audit function, except to the extent that such

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employees have been appropriately assigned to internal audit teams or to assist internal auditors.

Internal auditors will:

- Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties and at least annually, such as the Head of Internal Audit, Governance and Audit Committee, management, or others.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

Managing the Internal Audit Function

The Head of Internal Audit has the responsibility to:

- At least annually, develop a risk-based Internal Audit Plan that considers the input of the Governance and Audit Committee and senior management, discuss the Plan with the Governance and Audit Committee and senior management and submit the Plan to the Governance and Audit Committee for review and approval.
- Communicate the impact of resource limitations on the Internal Audit Plan to the Governance and Audit Committee and senior management.
- Review and adjust the Internal Audit Plan, as necessary, in response to changes in Kent County Council's business, risks, operations, programmes, systems, and controls.
- Communicate with the Governance and Audit Committee and senior management if there are significant interim changes to the Internal Audit Plan.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards and the UK Public Sector Application Note.
- Follow up on engagement findings and confirm the implementation of action plans and communicate the results of Internal Audit services to the Governance and Audit Committee and senior management and for each engagement as appropriate
- Ensure the Internal Audit function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards and fulfil the Internal Audit mandate.

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- Identify and consider trends and emerging issues that could impact Kent County Council and communicate to the Governance and Audit Committee and senior management as appropriate.
- Consider emerging trends and successful practices in internal auditing.
- Establish and ensure adherence to methodologies designed to guide the Internal Audit function.
- Ensure adherence to Kent County Council's relevant policies and procedures unless such policies and procedures conflict with the Internal Audit Charter or the Global Internal Audit Standards. Any such conflicts will be resolved or documented and communicated to the Governance and Audit Committee and senior management.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the Head of Internal Audit cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and if necessary escalated to the Governance and Audit Committee.

Communication with the Governance and Audit Committee and Senior Management

The Head of Internal Audit will report annually to the Governance and Audit Committee and senior management regarding:

- The Internal Audit function's mandate.
- The Internal Audit plan and performance relative to its plan.
- Potential impairments to independence, including relevant disclosures as applicable.
- Results from the quality assurance and improvement program, which include the Internal Audit function's conformance with the IIA's Global Internal Audit Standards, and the UK Public Sector Application Note and action plans to address the Internal Audit function's deficiencies and opportunities for improvement.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the Governance and Audit Committee that could interfere with the achievement of Kent County Council's strategic objectives.
- Results of assurance and advisory services.
- Internal Audit resources, budget and any significant revisions to the Internal Audit Plan and Budget.

Internal Audit resources are set in accordance with the Council's budget setting process, with guidance from the Finance Division. The Head of Internal Audit is responsible for the management of the budget.

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The Rolling Internal Audit Plan considers the work that is needed to enable the Head of Internal Audit to provide an assurance on the control environment and governance across the Council. To ensure that there are adequate Internal Audit resources available to deliver the Plan, an assessment is made to determine the number of staff days available and to identify the knowledge and experience of staff to ensure that Internal Audit has the right skills mix to deliver the Plan.

The detailed Rolling Audit Plan, including a resource plan, is reported to the Governance and Audit Committee. If there are significant revisions to the Internal Audit Plan and resources available that impact on the ability of Internal Audit to fulfil its role, this should be reported to the Governance and Audit Committee with any proposed mitigating actions in such circumstances.

Quality Assurance and Improvement Program

The Head of Internal Audit will develop, implement, and maintain a Quality Assurance and Improvement Programme (QAIP) that covers all aspects of the Internal Audit function. The programme will include external and internal assessments of the Internal Audit function's conformance with the Global Internal Audit Standards, as well as performance measurement to assess the Internal Audit function's progress toward the achievement of its objectives and promotion of continuous improvement. The programme also will assess, if applicable, compliance with laws and/or regulations relevant to internal auditing. Also, if applicable, the assessment will include plans to address the Internal Audit function's deficiencies and opportunities for improvement.

Annually, the Head of Internal Audit will communicate with the Governance and Audit Committee and senior management about the Internal Audit function's QAIP, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments. External Quality Assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside Kent County Council; qualifications must include at least one assessor holding an active Certified Internal Auditor credential.

Scope and Types of Internal Audit Services

The scope of Internal Audit services covers the entire breadth of the organisation, including all of Kent County Council's activities, assets, and personnel. The scope of Internal Audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the Governance and Audit Committee and management on the adequacy and

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effectiveness of governance, risk management, and control processes for Kent County Council.

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

This effectively means that Internal Audit has independent oversight of all the Council's operations, resources, services and processes and Internal Audit engagements may include evaluating whether:

- Risks relating to the achievement of Kent County Council's strategic objectives are appropriately identified and financial and other management controls manage the risks to achieve the Council's objectives
- The actions of Kent County Council's officers, Corporate Management Team management, employees, and contractors or other relevant parties comply with Kent County Council's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations and programmes are consistent with established goals and objectives.
- Operations and programmes are being conducted effectively, efficiently, and ethically.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact Kent County Council.
- The integrity of information and the means used to identify, measure, analyse, classify, and report such information is reliable.
- Resources and assets are acquired economically, used efficiently and sustainably, protected adequately. accounted for and safeguarded from losses arising from:
 - Fraud and other offences
 - Waste, extravagance and inefficient administration, poor value for money and other causes.

The scope of Internal Audit work may also include:

- Reviewing the suitability and reliability of financial and other management data developed within the organisation.
- Reviewing awareness of risk and its control and providing advice to management on risk mitigation and internal control in financial or operational areas where new

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- systems are being developed or where improvements are sought in the efficiency of
- existing systems.
- Promoting and raising awareness of fraud and corruption.
- Investigating allegations of fraud and corruption.
- Providing advice (consultancy) to Directorates for a variety of issues, such as project assurance, controls advisory requests, areas of concern and lessons learnt reviews.

Where the Head of Internal Audit considers that the scope of audit work is being restricted, the Corporate Director of Finance and the Governance and Audit Committee will be advised.

Internal Audit is not relieved of its responsibilities in areas of the Council's business that are subject to review by others but will assess the extent to which it can rely upon the work of others and co-ordinate its audit planning with the plans of such review agencies.

The Head of Internal Audit will provide an annual audit opinion as to the adequacy of the Council's governance arrangements, internal controls, and risk management processes. This will be used to support the Annual Governance Statement.

Provision of Assurance to Third Parties

The Council's Internal Audit section is sometimes requested to undertake Internal Audit and assurance activity for third parties. These include internal audit services, grant certification and financial accounts sign-off.

The same principles detailed in this Charter will be applied to these engagements.

In performing consulting engagements, internal auditors must ensure that the scope of the engagement is sufficient to address the agreed-upon objectives. If internal auditors develop reservations about the scope during the engagement, these reservations must be discussed with the client to determine whether to continue with the engagement. Internal auditors will address controls consistent with the engagement's objectives and be alert to significant control issues

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Approved by the Governance and Audit Committee at its meeting on 23rd January 2025.

Acknowledgments/Signatures

_____	_____
Head of Internal Audit	Date
_____	_____
Governance and Audit Committee Chair	Date
_____	_____
Chief Executive	Date