




Internal Audit Charter



November 2025
Version 1



An Internal Audit Charter is required by the Global Internal Audit Standards (GIAS).

It acts as a service level agreement with the Council (through Audit Committee and Senior Management) so that there is a clear understanding of the role, and purpose of the Council's Internal Audit Service.

It provides MKCC with a formal commitment to ensure the Internal Audit Service can deliver the statutory role as required by the Accounts and Audit Regulations.

Chief Internal Auditor

Chair of Audit Committee

1. Introduction

- 1.1. **The Accounts and Audit Regulations 2015 specify that the Council: ‘MUST have in place an effective internal audit function to evaluate the effectiveness of its risk management, control and governance processes, taking into account the Internal Auditing standards and applicable guidance’.**
- 1.2. The new Global Internal Audit Standards have re-enforced the need for a Charter. To be effective, it requires Internal Audit functions to operate in line with the guiding principles detailed within the Standards. Specifically, Domain 3- Standard 6.2 refers to the principles and standards applicable to the content of the Audit Charter.

The chief audit executive must develop and maintain an internal audit charter that specifies, at a minimum, the:

- a) Purpose of Internal Auditing.*
 - b) Commitment to adhere to the Global Internal Audit Standards.*
 - c) Mandate of the Internal Audit function, including scope and types of services to be provided, and responsibilities and expectations regarding management’s support of the internal audit function.*
 - d) Organizational position of the function and reporting relationships.*
- 1.3. The Internal Audit Charter is a formal document that defines the Internal Audit services’ purpose, authority and responsibility. The charter establishes the position within the organisation, including the nature of the Chief Audit Executive’s functional reporting relationship with the Audit Committee, authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.
 - 1.4. Approval of the Internal Audit Charter resides with the Audit Committee. In practice the Charter shall be reviewed by the Chief Internal Auditor and approved annually by the Corporate Leadership Team and the Audit Committee on behalf of the Council.

2 Purpose of Internal Audit

2.1 Mission

- 2.1.1 **The ‘Mission’ for Internal Audit is - ‘To enhance and protect organisational value by providing risk-based independent and objective assurance, advice and insight’.**
- 2.1.2 Internal auditing plays a critical role in enhancing an organization’s ability to serve the public interest. The primary function of internal auditing is to provide the public and the Council with confidence that MKCC operations are properly governed and controlled, risks are effectively managed, and service delivery meets customers’ needs. Good governance ensures reliability of reporting, compliance with laws and/or regulations, safeguarding of assets, and ethical culture. Strengthening of governance, risk

management, and control processes, contributes to an organization's overall stability and sustainability,

- 2.1.3 To achieve its mission Internal Audit will perform its work in accordance with Global Internal Audit Standards (GIAS) which encompass the mandatory elements of the Institute of Internal Auditors (IIA), and the International Professional Practices Framework (IPPF). The GIAS detail the standards and principles to be followed, listed under four Domains:

Domain 2 - Ethics and Professionalism

Domain 3 - Governing the Internal Audit Function

Domain 4 - Managing the Internal Audit Function

Domain 5 - Performing Internal Audit Services

- 2.1.4 **Value for money:** Alongside the listed requirements in the standard, auditors in the UK public sector must be aware of the importance of securing value for money and the definitions which define that term in their part of the UK public sector.

3 Mandate

3.1 Role and scope of work

- 3.1.1 The mandate empowers the internal audit function to provide the board and senior management with objective assurance, advice, insight, and foresight. The internal audit function carries out the mandate by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of governance, risk management, and control processes throughout the organization.
- 3.1.2 **Responsibility for effective internal control rests with the management / executive of MKCC.** Senior Management and Heads of Service are responsible for ensuring that internal control arrangements are sufficient to address the risks facing their services and achieve approved objectives / policy.
- 3.1.3 Internal audit acts primarily to provide the Audit Committee with information necessary for it to fulfil its own responsibilities and duties. The Director of Finance and Resources in their role as S151 officer has to ensure the Council is compliant with the statutory requirements for internal audit as set out in the Local Government Act-1972. Implicit in internal audit's role is that it supports management to fulfil its own risk, control and compliance responsibilities.
- 3.1.4 **Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations.** It helps an organisation accomplish its objectives by evaluating and providing an opinion on how effective the control arrangements are at protecting the organisation.

Independent = *The freedom from conditions that may impair the ability of the internal audit function to carry out its responsibilities in an unbiased manner.*

Objective = *An unbiased mental attitude that allows internal auditors to make professional judgments, fulfil their responsibilities, and achieve the Purpose of Internal Auditing without compromise.*

Assurance = *Statement intended to increase the level of stakeholders' confidence about an organization's governance, risk management, and control processes over an issue, condition, subject matter, or activity under review.*

3.1.5 The following definitions apply throughout the Charter:

- Assurance Services – an objective examination of evidence for the purpose of providing an independent assessment on governance, risk management and control processes for MKCC. E.g.s. include financial, performance, compliance, system security and due diligence.
- Consulting Services – Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisations governance, risk management and control processes without the internal auditor assuming management responsibility. Egs include counsel, advice, facilitation and training.
- The Council's Audit Committee– acts as the GIAS defined Council's 'Board' in respect of audit committee responsibilities.
- The Council's Chief Internal Auditor – is the GIAS defined 'Chief Audit Executive'
- The Council's Corporate Leadership Team is the GIAS defined 'senior management'.

3.2 Types of Services

3.2.1 Internal Audit will seek to provide a robust high quality audit service that delivers honest, evidenced assurance through:

- assessing the adequacy and effectiveness of the system of risk management and internal controls operated within the organisation;
- reviewing and evaluating compliance with policies, plans, procedures, laws and regulations;
- assessing the reliability and integrity of information;
- reviewing the arrangements for safeguarding of assets (staff and chattels)

3.1.1 These will be achieved by

- Deploying its resources to where there is most value aligned to the corporate objectives and priorities, whilst ensuring sufficient assurance work to support the Annual Governance Statement.
- Being flexible and responsive to the needs of the Council, with an Annual Plan that is reviewed twice a year, enabling Audit resources to be redeployed as new risks emerge, with the agreement of Corporate Leadership Team and Audit Committee.

- Being outward looking and forward focused, taking account of the impact of national and local developments and of their potential impact on MKCC's governance, risk management and control arrangements.
 - Balancing independent support and challenge while avoiding a tone which blames but being resolute in challenging for the wider benefit of MKCC and its clients.
 - Identifying and sharing organisational issues and themes that are recognised and taken on by Audit Committee and working constructively with management to support new developments.
 - Strengthening the governance of MKCC through encouraging working towards best practice.
- 3.1.2 Consultancy service - Counter Fraud support. The Counter Fraud unit managed by the Chief Internal Auditor, will work with Services to investigate alleged fraud referrals and also undertake proactive work, to ensure the Council identifies and mitigates occurrences of fraud.
- 3.1.3 Consultancy service - Risk Management support. Work with the Corporate Governance and Risk Group, to facilitate operation of risk management in the Council. This will involve reviewing risk registers and where appropriate providing advice.

4 Organisational Position and Reporting Relationship

4.1 Independence and Objectivity

- 4.1.1 The Chief Internal Auditor will confirm to the Audit Committee at least annually, the organisational independence of the Internal Audit service. *GIAS Domain 111*.
- 4.1.2 *The chief audit executive should be positioned at a level in the organization that enables internal audit services and responsibilities to be performed without interference from management GIAS Domain 111.* The Chief Internal Auditor has a direct reporting line to the Director of Finance.
- 4.1.3 *GIAS Domain IV*, - the Chief Internal Auditor has full responsibility for the operation and delivery of the Internal Audit function. This responsibility includes strategic planning, obtaining and deploying resources, building relationships, communicating with stakeholders, and ensuring and enhancing the performance of the function.
- 4.1.4 Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, 'approve' procedures, install systems, prepare records, or engage in any other activity that may

impair the internal auditor's judgment. Where auditors have previously been involved in any of these activities or consultancy work, they will be prohibited from auditing those areas for at least two years. Where appropriate, audits are rotated within the team to avoid over-familiarity and complacency.

- 4.1.5 Internal audit must be free from interference in determining the scope of internal auditing, performing work and communicating results. Should any interference take place, internal audit will disclose this to the Audit Committee to discuss the implications. **GIAS Domain II** - *Internal auditors must perform their work with honesty and professional courage and the chief audit executive must maintain a work environment where internal auditors feel supported when expressing legitimate, evidence-based engagement results, whether favourable or unfavourable.*
- 4.1.6 Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. They will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments. **GIAS Domain II** - *Internal auditors must be aware of and manage potential biases, and exercise professional scepticism when planning and performing internal audit services.*

4.2 Access

- 4.2.1 **The Chief Internal Auditor has direct and unrestricted access to the Chief Executive, Director of Finance and Resources, External Audit and the Audit Committee at his/her discretion, including private meetings with the Chair of Audit Committee.**
- 4.2.2 Internal Audit has unrestricted access to all MKCC and partner records and information whether manual or computerised systems, officers, cash, stores and other property, it considers necessary to fulfil its responsibilities. Internal Audit may enter MKCC property and has unrestricted access to all locations and officers without prior notice if necessary.

The Accounts and Audit Regulations 2015 state

'Any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit—

(a) make available such documents and records; and

(b) supply such information and explanations as are considered necessary by those conducting the internal audit.

- 4.2.3 All MKCC contracts and partnerships shall contain similar provision for Internal Audit to access records pertaining to Council business held by contractors or partners.
- 4.2.4 The Audit Committee shall be informed of any restriction unduly placed on the scope of Internal Audit's activities which in the opinion of the Chief Internal Auditor prevent the proper discharge of IA functions.
- 4.2.5 Handling information: The new Global Internal Audit Standards (GIAS) set out the duty on internal auditors to be faithful custodians of the information they gather, sharing

only in limited, defined and controlled ways. **GIAS 5.2-** *Internal auditors must be aware of their responsibilities for protecting information and demonstrate respect for the confidentiality, privacy, and ownership of information acquired when performing internal audit services or as the result of professional relationships.*

4.3 Reporting

- 4.3.1 **The Audit Committee and Corporate Leadership Team (CLT) will receive regular updates on audits completed, the assurance opinions and improvement actions to be implemented.** Weak and Limited opinion reports and key actions not implemented will be discussed in more detail as appropriate with CLT and the Audit Committee. Quarterly updates on progress against the approved plan shall be submitted to senior management and Audit Committee.
- 4.3.2 A written report providing an evidenced opinion will be prepared and issued to senior management, following the conclusion of each internal audit engagement, including follow up audits, unless in the opinion of the Chief Internal Auditor a written report is not necessary.
GIAS Domain IV -The chief audit executive must communicate the results of internal audit services to the board and senior management periodically and for each engagement as appropriate.
- 4.3.3 While the chief audit executive reports functionally to the Audit Committee, the administrative reporting relationship is often to a member of management. The CIA reports to the Director of Finance and Resources.

5 Commitment to adhering to Global Audit Standards

5.1 Planning

- 5.1.1 The Global Internal Audit Standards (GIAS) and Public Sector application note, effective from 1 April 2025 defines the service and professional standards for public sector internal audit functions. These include the need for risk-based audit plans to be developed in consultation with senior management and the Board.
- 5.1.2 ***“The chief audit executive must create an internal audit plan that supports the achievement of the organization’s objectives.*** The Chief Internal Auditor has full responsibility for the operation and delivery of the Internal Audit function including the production and execution of the audit plan and subsequent audit activities. The annual audit plan is agreed in consultation with relevant officers, the senior management team senior management team and the Audit Committee.

- 5.1.3 The annual audit plan for the coming year is developed from conversations with key stakeholders, the documented 'Audit Universe¹', the review of key corporate documents and risk registers, and an understanding of the Council.
- 5.1.4 Development of Audit Plan will consider the relevant Risk Register information and involve consultation with senior management teams. The Organisation has a clear framework and approach to risk management and review of registers will be a key focus of planning for the year, to ensure the plan meets the organisation's assurance needs and contributes to the achievement of their objectives.
- 5.1.5 The IA service will use various sources of information and discussed priorities for internal audit with members of departmental management teams, individually or collectively at their management groups and continue to work closely with other assurance providers to ensure that duplication is minimised, and a suitable breadth of assurance is obtained.

5.2 Methodology

- 5.2.1 In line with GIAS Domain 4- Standard 9.3, the chief audit executive must establish methodologies to guide the internal audit function in a systematic and disciplined manner to implement the internal audit strategy, develop the internal audit plan, and conform with the Standards.
- 5.2.2 The Audit Manual developed in line with the Standards and best practice guidance, guides the approach to completing Internal Audit assignments. A review process is in place to ensure assignments are completed in line with the audit manual. The Manual will be reviewed when there are changes, to ensure it accurately reflects changes to audit systems or practice.

5.3 Resource

- 5.3.1 In order to deliver the Annual Audit Plan at the required quality and professionalism the Chief Internal Auditor must ensure that the team has the required mix of skills and experience and be effectively deployed.
 - 5.3.2 The Service resource will be constantly reviewed to ensure it is appropriate and sufficient. Recruitment will take into account the expertise and skills required to fill any gaps within the current service
 - 5.3.3 All necessary staff within the audit service hold a relevant professional qualification, part qualification or are actively studying towards a relevant qualification. All participate
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in continuing professional development, both in relation to specific audit skills e.g. contract audit, and softer skills e.g. communication skills.

- 5.3.4 Changes in resource levels that are likely to impact Plan delivery will be routinely reported to CLT and to Audit Committee, for their consideration.

5.4 Quality

- 5.4.1 In line with GIAS requirement 8.4, an independent external quality assessment of the service should be done every 5 years. This was completed in July 2022 and that review concluded that for the most part, the Service was operating in line with the Standards.

- 5.4.2 **Internal Audit is subject to a Quality Assurance and Improvement Programme (QAIP) that covers all aspects of internal audit activity. This consists of:**

- ongoing performance monitoring;
- an annual self-assessment of the service and its compliance with GIAS;
- an external assessment at least once every five years by a suitably qualified, independent assessor;
- a programme of Continuous Professional Development (CPD) for all staff working on audit engagements to ensure that auditors maintain and enhance their knowledge, skills and audit competencies;
- the Chief Internal Auditor holding a professional qualification (current Chief Internal Auditor is a Fellow of the Association of Chartered Certified Accountants) and being suitably experienced.

