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# Internal Audit Charter



**SWALE BOROUGH COUNCIL**

**MID KENT AUDIT PARTERSHIP**

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# Internal Audit Charter

## About this Charter

The Institute of Internal Audit's Global Internal Audit Standards 2024 (the "Standards") define an internal audit charter as: "a formal document that includes the internal audit function's mandate, organisational position, reporting relationships, scope of work, types of services and other specifications".

This document serves as the internal audit charter for Swale Borough Council ("the Council"). It will come into force alongside the new Standards on 1 April 2025 and remain until amended or replaced. It is based largely on a model charter under the new Standards published by the Institute of Internal Audit, but freely adapted for the circumstances specific to the UK public sector (with reference to the UK Public Sector Application Note (the "Application Note" and CIPFA's Code of Practice for the Governance of Internal Audit in UK Local Government (the "Code of Practice") and further specific to the Council.

## Purpose

1. The purpose of the internal audit service is to strengthen the Council's ability to exercise effective governance in pursuit of its objectives by providing independent, risk-based, and objective assurance, advice, insight, and foresight. Mid Kent Audit Partnership creates, protects, and sustains value by providing the audit committee and management with this assurance that meets rigorous professional standards.
2. The internal audit function enhances:
  - 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.
3. The Council's internal audit service is most effective when:
  - Internal auditing is performed by competent professionals in conformance with the Institute of Internal Auditors (IIA) Global Internal Audit Standards (GIAS), the Application Note and the Code of Practice and any additional guidance authorised for use in the UK by relevant standards-setters.
  - The internal audit service is independently positioned with direct accountability to the Audit Committee.
  - Internal auditors are free from undue influence and committed to making objective assessments.

## Commitment to Adhering to the Global Internal Audit Standards and other Mandatory Guidance

4. The internal audit service will adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework (IPPF), which are the Global Internal Audit Standards and Topical Requirements. Mandatory elements in the UK Public Sector also include the Application Note and Code of Practice.
5. The Head of Mid Kent Audit Partnership will report at least annually to the audit committee and senior management regarding the internal audit service's conformance with the Standards, which will be assessed through a quality assurance and improvement program, managed, and monitored by the Head of Mid Kent Audit Partnership.

## Mandate

In local government in the UK, internal audit's authority has statutory backing through Regulation 5 of the Accounts and Audit Regulations 2015 (the "Regulations"). The Regulations affirm internal audit's right of access to all documents, records and information considered necessary by those conducting the internal audit.

## Authority

6. The audit committee grants the internal audit service the mandate to provide the audit committee and senior management with objective assurance, advice, insight, and foresight.
7. The internal audit service's authority is created by its direct reporting relationship to the audit committee, including unrestricted access to Members.
8. Senior management, with support from the audit committee authorises the internal audit function to:
  - Have full and unrestricted access to all functions, data, records, information, physical property, and personnel necessary to carrying out internal audit responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information they obtain.
  - Allocate resources, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the audit objectives.
  - Obtain assistance from the necessary personnel of the Council and other services from within or outside the Council's organisation to complete internal audit services.

## Independence, Organisational Position and Reporting Relationships

9. The Head of Mid Kent Audit Partnership will be positioned at a level in the organisation that enables internal audit services and responsibilities to be performed without interference from management, thereby establishing the independence of the internal audit service. The Head of Mid Kent Audit Partnership will report functionally to the audit committee and administratively to the Director of Resources. This positioning provides the authority and status to bring matters directly to senior management and escalate matters to the audit committee, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.
10. The Head of Mid Kent Audit Partnership will confirm to the 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 Mid Kent Audit Partnership will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence.
11. The Head of Mid Kent Audit Partnership will disclose to the audit committee any interference 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 interference on the internal audit function's effectiveness and ability to fulfil its mandate.
12. Currently, the Head of Mid Kent Audit Partnership holds a role beyond the responsibility for the internal audit service. The role is:
  - Maintaining the Council's Risk Management Framework and overseeing work on the Councils Strategic and Operational risks, including reporting to senior management and the Policy and Resources Committee.
13. The following additional and alternative steps will feature in the audit approach to maintain independence and objectivity in this area:
  - Responsibility for oversight of the Council's risk management arrangements will sit with the allocated Risk Officer within Mid Kent Audit Partnership.
  - The Head of Mid Kent Audit Partnership will describe the specific safeguards proposed in the annual audit plan for agreement by the audit committee before implementation.

## Changes to the Mandate, Authority or Charter

14. At least annually, the Head of Mid Kent Audit Partnership will present a current version of this Charter for approval by the audit committee. Periodically circumstances may justify a more frequent or irregular amendments. Such circumstances may include:
- A significant change in the Global Internal Audit Standards or Mandatory guidance.
  - A significant re-organisation within the organisation.
  - Significant changes to the Head of Mid Kent Audit Partnership, 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.

## Audit Committee Oversight

15. To establish, maintain and ensure that the Council's internal audit service has sufficient authority to fulfil its duties the Audit Committee will:
- Discuss with the Head of Mid Kent Audit Partnership and senior management the appropriate authority, role, responsibilities, scope, and services of the internal audit service.
  - Ensure the Head of Mid Kent Audit Partnership has unrestricted access to, communicates, and interacts directly with the audit committee, including in private meetings without senior management present.
  - Discuss with the Head of Mid Kent Audit Partnership and senior management the content of the internal audit charter.
  - Participate in discussions with the Head of Mid Kent Audit Partnership 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 service's charter, which includes the internal audit mandate and the scope and types of internal audit services.
  - Review the internal audit charter [annually] to consider changes affecting the organisation, such as the employment of a new Head of Mid Kent Audit Partnership or changes in the type, severity, and interdependencies of risks to the organisation; and annually approve the internal audit charter.
  - Approve the risk-based internal audit plan.

- Receive communications from the Head of Mid Kent Audit Partnership about the internal audit service including its performance relative to its plan.
- Ensure a quality assurance and improvement program has been established and review its results annually.
- Work with the Head of Mid Kent Audit Partnership and senior management in selecting an external quality assessor and defining assessment scope.
- Make appropriate inquiries of management and the Head of Mid Kent Audit Partnership to determine whether scope or resource limitations are inappropriate.
- Periodically review and assess the adequacy of specific arrangements to safeguard the Head of Mid Kent Audit Partnership's independence and objectivity for work on other operational roles associated with the position.

16. The following points are adapted from the Standards in line with requirements of the Application Note and the Code of Practice:

- Provide a view, where appropriate, on the internal audit service's human resources administration, budget, and expenses.
- Provide input as requested by senior management on the appointment and removal of the Head of Mid Kent Audit Partnership and ensuring that the post-holder is appropriately competent and qualified as set out in Standards and other Mandatory Guidance.
- Provide information as requested by senior management to inform the Head of Mid Kent Audit Partnership's performance reviews and appraisal.

## Head of Mid Kent Audit Partnership Roles and Responsibilities

### Ethics and Professionalism

17. The Head of Mid Kent Audit Partnership 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 ethical expectations of the organisation and be able to recognise conduct that is contrary to those expectations.

- Encourage and promote an ethics-based culture.
- Report behaviour that is inconsistent with the Council's ethical expectations, as described in applicable values, policies, and procedures.

## Objectivity

18. The Head of Mid Kent Audit Partnership will ensure that the internal audit service 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 Mid Kent Audit Partnership determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.
19. 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.
20. 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 the Council, except as may be required for managing the internal audit service itself.
  - Initiating or approving transactions external to the internal audit service.
  - Directing the activities of any Council employee aside from those engaged by the internal audit service.
21. Internal auditors will:
  - Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties at least annually as required by the internal audit service policy and procedure.
  - Exhibit professional objectivity in gathering, evaluating, and communicating information.
  - Make balanced assessments of all available and relevant facts and circumstances to inform conclusions.
  - Take necessary precautions to avoid conflicts of interest, bias, and undue influence.



22. The Head of Mid Kent Audit Partnership has the responsibility to:

- Develop a risk-based internal audit plan that considers input from senior management at least annually.
- Communicate a risk-based internal audit plan to the audit committee and senior management for review and approval.
- Communicate the impact of resource limitations on the internal audit plan to the audit committee and senior management.
- Review and adjust the internal audit plan, as necessary, in response to changes in the Council's business, risks, operations, programs, systems, controls and alternative sources of assurance.
- Communicate with the 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.
- Follow up on engagement findings and confirm the implementation of agreed action as set out in internal audit services policies and procedures.
- Ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the Global Internal Audit Standards and fulfil the internal audit mandate.
- Identify and consider trends and emerging issues that could impact the organisation and communicate to the audit committee and senior management as appropriate.
- Consider emerging trends and successful practices in internal auditing.
- Establish and ensure adherence to methodologies, policies and procedures designed to guide the internal audit service.
- Ensure adherence to the organisation's relevant policies and procedures unless such policies and procedures conflict with the internal audit charter or the Global Internal Audit Standards or other Mandatory guidance. Any such conflicts will be communicated first to senior management, with resolution communicated to the audit committee.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services.
- Set out in the internal audit plan the approach to relying on the work of other assurance providers and co-ordinating activities.
- Plan and manage the internal audit service's financial, human, and technological resources in line with Council policy and procedure, raising with senior management and the audit committee where appropriate if those policies and procedures inhibit the ability of the service to fulfil its mandate and responsibilities under this charter.

## Communication with Audit Committee and Senior Management

23. The Head of Mid Kent Audit Partnership will report at least annually to the audit committee and senior management regarding:
- The internal audit service's mandate.
  - The internal audit plan and performance relative to its plan.
  - Significant revisions to the internal audit plan and budget.
  - Potential impairments to independence, including relevant disclosures.
  - Results from the quality assurance and improvement program, which include the internal audit service's conformance with The IIA's Global Internal Audit Standards and other Mandatory Guidance and action plans to address any deficiencies and opportunities for improvement.
  - Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the Council that could interfere with achieving its strategic objectives.
  - Results of assurance and advisory services.
  - Resource requirements, and a view on the adequacy of resources to meet expectations of the internal audit service.
  - Management's responses to risk that the internal audit service determine may be unacceptable or acceptance of a risk that the Head of Mid Kent Audit Partnership believed is not appropriate within the Council's Risk Management Framework.

## Quality Assurance and Improvement Program

24. The Head of Mid Kent Audit Partnership will develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit service. The program will include external and internal assessments of the internal audit service's conformance with the Global Internal Audit Standards and other Mandatory Guidance. It will also include performance measurement to assess the internal audit service's progress towards achieving its objectives and promotion of continuous improvement. If applicable, the assessment will include plans to address any deficiencies and opportunities for improvement.

25. At least annually, the Head of Mid Kent Audit Partnership will communicate with the audit committee and senior management about the internal audit service's quality assurance and improvement program. This will include the results of internal assessments and external assessments. External assessments will take place at least every five years by a qualified, independent assessor, in accordance with the requirements set out in Standards and other Mandatory Guidance.

## Scope and Types of Internal Audit Services

26. The scope of internal audit services covers the entire breadth of the Council, including all its 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 Council and management on the adequacy and effectiveness of governance, risk management and control processes.
27. The nature of scope of advisory services may be agreed with the party requesting the service, provided the internal audit service 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.
28. Internal audit engagements may include evaluating whether:
- Risks relating to achieving the Council's objectives are appropriately identified and managed.
  - Controls used to mitigate risk and support achievement of objectives are appropriately designed and consistently operated as designed.
  - The actions of the Council's officers, contractors or other relevant parties comply with the Council's policies, procedures and applicable laws, regulations, and governance standards.
  - The results of operations and programs (including major projects and system changes) are consistent with established goals.
  - Operations and programs (including major projects and system changes) are being carried out effectively, efficiently, ethically, and equitably.
  - Established processes and systems enable compliance with policies, procedures, laws, and regulations that could significantly impact the 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, and protected adequately.

## Glossary

29. This charter uses the following terminology as set out in the Global Internal Audit Standards, that can be interpreted for this council as:

- Head of Mid Kent Audit Partnership. At the council this is the role defined in the Standards as the “Chief Audit Executive”. It is the leadership role responsible for effectively managing all aspects of the internal audit service and ensuring the quality performance of the service in accordance with the Standards.
- Audit Committee. In the Standards this is often referred to as the ‘Board’ and is the highest-level body charged with governance.
- Senior Management. At the council this is often referred to as the Executive Management Team (EMT) and the Strategic Management Team.

## Approvals

This internal audit charter [WAS PRESENTED FOR APPROVAL AT] the Audit Committee at its meeting on 23/04/2025.

Katherine Woodward: Head of Mid Kent Audit

Cllr Simon Clark: Chair of Audit Committee

Lisa Fillery: Director of Resources