

## **Audit Committee**

**20 March 2025**

### **Internal Audit Charter**

Report from: Phil Watts, Chief Operating Officer, Business Support Directorate

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#### **Summary**

This report presents the Internal Audit Charter for review and approval.

#### **1. Recommendations**

- 1.1. The Committee is recommended to approve the Internal Audit Charter presented at Appendix 1.

#### **2. Budget and policy framework**

- 2.1. Council delegates responsibility for the oversight and monitoring the effectiveness of the Internal Audit and Counter Fraud Shared Service to the Audit Committee.

#### **3. Background**

- 3.1. From 1 April 2025, the current Public Sector Internal Audit Standards (PSIAS) will be replaced, and the council's internal audit function will instead need to be delivered in accordance with the Institute of Internal Auditor's (IIA) Global Internal Audit Standards, as well as the requirements of the Application Note: Global Internal Audit Standards in the UK Public Sector.
- 3.2. The Global Internal Audit Standards ('the Standards') require that the Chief Audit Executive develops and maintains an Internal Audit Charter, that specifies, as a minimum, the internal audit function's purpose, commitment to adhering to the Standards, mandate, organisational position and reporting relationships.
- 3.3. The Standards also require that the Chief Audit Executive discusses the proposed Internal Audit Charter with senior management and the Audit Committee to confirm that it accurately reflects their understanding and expectations of the internal audit function, and state that the Internal Audit Charter must be approved by the Audit Committee.

#### **4. Internal Audit Charter**

- 4.1. As mentioned above, it is a requirement of the new Standards to have an Internal Audit Charter in place, which is presented to senior management and the Audit Committee for review and approval.

4.2. Although this was also a requirement of PSIAS, with the current Internal Audit Charter approved by the Audit Committee on 10 January 2024, the new Standards introduce additional requirements around the content of the Internal Audit Charter, including introducing a requirement to establish and document the internal audit function's 'mandate', which, in the case of local authorities, is provided by the Accounts & Audit Regulations 2015.

4.3. The Internal Audit Charter has therefore been updated to ensure it meets these requirements, and the updated version for 2025-26 is provided at Appendix 1 for Members' review and approval.

## 5. Risk management

5.1. Development, maintenance and approval of an Internal Audit Charter is a requirement of the Global Internal Audit Standards, which are widely recognised as the 'public sector internal auditing standards or guidance' referenced in the Accounts & Audit Regulations 2015, which must be taken into account when undertaking an effective internal audit to evaluate the effectiveness of risk management, control and governance processes.

5.2. The Internal Audit Charter sets the parameters within which the internal audit function is delivered, specifying the internal audit function's purpose and mandate, and thereby granting the authority needed to provide internal audit services, which in turn help improve the effectiveness of the council's risk management, control, and governance processes.

## 6. Climate change implications

6.1. There are no climate change implications in this report.

## 7. Financial implications

7.1. An adequate and effective internal audit function provides the council with assurance on the proper, economic, efficient and effective use of council resources in delivery of services. The budgeted costs for 2024/25 for the audit element of the shared service is £504,000 with Medway's share of these costs being £323,000. The Round 3 revenue budget monitoring projected an underspend on the shared service as a whole of £58,000.

## 8. Legal implications

8.1. The Accounts & Audit Regulations 2015 require local authorities to: undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance. The Section 151 Officer of a local authority is responsible for establishing the internal audit function.

## Lead officer contact

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## Appendices

Appendix 1 – Internal Audit Charter.

Background papers

None