

Internal Audit & Counter Fraud Shared Service  
Medway Council & Gravesham Borough Council

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# Internal Audit Charter

Medway Council &  
Gravesham Borough Council

Reviews & Revisions

	Date	Changes
1.	February 2025	Document created in line with introduction of GIAS.

# 1. Introduction

Internal audit services are delivered to Medway Council and Gravesham Borough Council by the Internal Audit & Counter Fraud Shared Service, which was formed on 1 March 2016.

The Internal Audit & Counter Fraud Shared Service recognises and commits to adhere to the mandatory elements of The Institute of Internal Auditors' (IIA) International Professional Practices Framework (IPPF), including the Global Internal Audit Standards ('the Standards'), as well as the requirements of the Application Note: Global Internal Audit Standards in the UK Public Sector.

The Standards guide the professional practice of internal auditing and serve as a basis for evaluating and elevating the quality of the internal audit function. At the heart of the Standards are 15 guiding principles that enable effective internal auditing. Each principle is supported by standards that contain requirements, considerations for implementation, and examples of evidence of conformance. Together, these elements help internal auditors achieve the principles and fulfil the 'Purpose of Internal Auditing'.

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.

This Charter is designed to meet the requirements of the Standards and will be updated and presented to senior management and the Audit Committees on an annual basis for review and approval.

For the purposes of this Charter, the following definitions apply:

<b>Chief Audit Executive (CAE):</b>	The person responsible for managing the internal audit function in accordance with the Standards and arrangements set out in this Charter. This role is fulfilled by the Head of Internal Audit & Counter Fraud (HIACF).
<b>Senior Management:</b>	The highest level of executive management. For Medway Council this role is fulfilled by the Corporate Management Team and for Gravesham Borough Council this role is fulfilled by the Management Team.
<b>The Audit Committees:</b> <i>(known in the Standards as the 'Board')</i>	The highest-level body charged with governance. For Medway Council this role is fulfilled by the Audit Committee and for Gravesham Borough Council this role is fulfilled by the Finance & Audit Committee.

## 2. Purpose of Internal Auditing

The 'Purpose of Internal Auditing' is to strengthen the councils' ability to create, protect, and sustain value by providing senior management and the Audit Committees with independent, risk-based, and objective assurance, advice, insight, and foresight.

The internal audit function enhances the councils':

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

The 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 Audit Committees.
- Internal auditors are free from undue influence and committed to making objective assessments.

### 3. Internal Audit Mandate

The mandate of the councils' internal audit function is found in the Accounts & Audit Regulations 2015, which 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. Gravesham Borough Council has delegated this responsibility to the Section 151 Officer of Medway Council, to deliver its internal audit function through the Internal Audit & Counter Fraud Shared Service.

#### **Authority**

The internal audit function's authority is created by its direct reporting relationship to the Audit Committees of both councils. Such authority allows for unrestricted access to the Audit Committees.

The Audit Committees authorise 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 the councils and other specialised services from within or outside the organisations to complete internal audit services.

#### **Independence, Organisational Position, and Reporting Relationships**

The Chief Audit Executive is positioned at a level that enables internal audit services and responsibilities to be performed without interference from management, thereby establishing the independence of the internal audit function.

The Chief Audit Executive will report functionally to the Audit Committees, reports in their name to these Committees and has a direct right of access to the Chairs of these Committees. Administratively, the Chief Audit Executive reports to the Chief Operating Officer of Medway Council and the Director (Corporate Services) at Gravesham Borough Council (Section 151 Officers), but also has a direct right of access to both council's Chief Executives (*see Appendix 1*). This positioning provides the organisational authority and status to bring matters directly to senior management and escalate matters to the Audit Committees, when necessary, without interference, and supports the internal auditors' ability to maintain objectivity.

Through the reporting arrangements set out in section 7 below, the Chief Audit Executive will confirm to the Audit Committees, at least annually, the organisational independence of the internal audit function. The Chief Audit Executive will also disclose to the Audit Committees 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.

#### **Strategy**

The Chief Audit Executive will develop and implement a strategy that helps guide the internal audit function towards fulfilment of the 'Purpose of Internal Auditing' and Internal Audit Mandate. The strategy will support the strategic objectives and success of the councils', will align with the expectations of senior management, the Audit Committees and other key stakeholders and will include a vision, strategic objectives and supporting initiatives for the internal audit function. The strategy will be reviewed with senior management and the Audit Committees on an annual basis.

## Quality Assurance & Improvement Programme (QAIP).

The Internal Audit & Counter Fraud Shared Service is committed to providing a high-quality internal audit function that delivers the Internal Audit Mandate, meets the needs of its stakeholders and adds value to both councils.

To that end, the Chief Audit Executive will develop, implement, and maintain a QAIP that covers all aspects of the internal audit function. The QAIP will include external and internal assessments of the internal audit function's conformance with the 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 QAIP will be reviewed with senior management and the Audit Committees on an annual basis, which will also include approval of the internal audit function's performance objectives.

The Chief Audit Executive will communicate the results of the QAIP to senior management and the Audit Committees on an annual basis, including the results of internal assessments (ongoing performance measurement and periodic self-assessments) and external assessments. External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team. If applicable, internal and external assessments will include plans to address the internal audit function's deficiencies and opportunities for improvement.

## 4. Audit Committee Oversight

The Standards set out a number of requirements for the Chief Audit Executive in relation to 'Governing the Internal Audit Function'; however, the activities of senior management and the Audit Committees are also essential to the internal audit function's ability to fulfil the 'Purpose of Internal Auditing'. These activities are identified as "essential conditions" in Domain III of the Standards and establish a necessary foundation for an effective dialogue between the Audit Committees, senior management, and the Chief Audit Executive, ultimately enabling an effective internal audit function.

To ensure these conditions, the Audit Committees will:

- Participate in discussions with the Chief Audit Executive and senior management about the "essential conditions" described in the Standards, which establish the foundation that enables an effective internal audit function.
- Discuss with the Chief Audit Executive and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the internal audit function.
- Ensure the Chief Audit Executive has unrestricted access to, communicates, and interacts directly with the Audit Committees, including in private meetings without senior management present (but held in accordance with laws and/or regulations applicable to public records)
- Approve this Charter, which includes the internal audit mandate and the scope and types of internal audit services.
- Review this Charter annually with the Chief Audit Executive to consider changes affecting the organisation.
- Discuss with the Chief Audit Executive and senior management other topics that should be included in this Charter.
- Approve the risk-based Internal Audit Plans.
- Receive communications from the Chief Audit Executive about the internal audit function, including its performance relative to its Plans and the Chief Audit Executive's annual opinion on the overall control environment of each council.
- Ensure a QAIP has been established and review the results annually.
- Make appropriate inquiries of senior management and the Chief Audit Executive to determine whether scope or resource limitations are inappropriate.
- Advocate to senior management that sufficient financial and human resources are proposed within the councils' annual budgets to deliver the internal audit function.

## 5. Scope of Internal Audit Services

The IIA define internal auditing as:

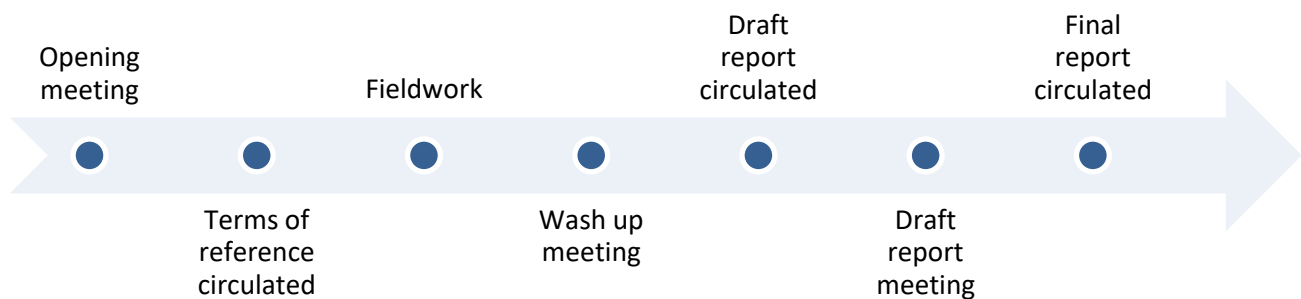
*“An independent, objective assurance and advisory service designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes”.*

The scope of internal audit services extends to the entire control environment and covers all activities, assets and personnel of Medway Council and Gravesham Borough Council, including those provided in partnership or under contract with external organisations. There are no restrictions.

Internal audit services can be categorised into two key areas:

- **Assurance services** – Services through which internal auditors perform objective assessments to provide assurance on the adequacy and effectiveness of governance, risk management and control processes. Internal auditors may provide limited or reasonable assurance, depending on the nature, timing, and extent of procedures performed. This work will primarily be delivered through planned internal audit engagements, though may also include responsive engagements, the nature and scope of which will be determined by the internal auditor. Examples include financial, operational, performance and compliance reviews, validation of data/claims, confirmation of procurement awards etc.

Whether planned or responsive, significant assurance engagements (taking more than five days) will be undertaken in accordance with the procedure shown below and will result in a written report, with an audit opinion and, if necessary, agreed management actions, which will be prioritised in accordance with the definitions set out at *Appendix 2*.



The written report will be issued by the Chief Audit Executive, or a nominated designee, following conclusion of the engagement, with the specific distribution of each report agreed in the Terms of Reference issued before the fieldwork commences. All final reports will be issued to key stakeholders including the relevant Service Manager/Head of Service, Assistant Director/Strategic Head of Service, Director/ Chief Officer, and the Chief Executive; all reports with financial and/or legal implications will also be issued to the Section 151 Officer / Monitoring Officer of the respective council. Should the report be found to contain a significant error or omission, the Chief Audit Executive will communicate corrected information promptly to all parties who received the original report.

Management actions agreed as part of assurance engagements will be followed up in line with an agreed process. Where responsible officers fail to implement agreed actions which are considered to impact on the council’s governance, risk management and control processes, an escalation process will be followed which ultimately results in reporting to senior management and the Audit Committees. Audit opinions will not be revised based on the results of follow up work.

- **Advisory services** – Services through which internal auditors provide advice which is intended to add value and improve governance, risk management and control processes, without providing assurance or taking on management responsibilities. The nature and scope of advisory services are subject to agreement with relevant stakeholders. Examples include advising on the design and implementation of new policies, processes, systems, and products; providing forensic services; providing training; and facilitating discussions about risks and controls.

The Chief Audit Executive, or a nominated designee, will supervise all internal audit engagements (both assurance and advisory) and ensure they are performed, documented, and communicated in accordance with the Standards, relevant laws and/or regulations and established methodologies to guide the internal audit function. However, in conducting the above services, neither the Chief Audit Executive, nor internal auditors can give total assurance that control weaknesses or irregularities do not exist. Managers are responsible for the quality of the control environment within their area of accountability and should ensure that adequate and effective governance, risk management and control processes are in place, without depending on internal audit services to identify weaknesses or control failures.

As Head of Internal Audit & Counter Fraud, the Chief Audit Executive has responsibility for counter fraud activities at both Medway Council and Gravesham Borough Council. As such, the Internal Audit & Counter Fraud Shared Service cannot provide independent assurance over the counter fraud activities of either council. Instead, independent assurance over the effectiveness of these arrangements will be sought from an external supplier of internal audit services on a periodic basis.

## 6. Internal Audit Plan

The Chief Audit Executive will undertake a documented assessment of the councils' strategies, objectives and risks on a six-monthly basis, to determine the priorities for internal audit services and develop a risk-based Internal Audit Plan for each council. The Plans will consider the input of senior management and the Audit Committees and will be informed by the Chief Audit Executive's understanding of the councils' governance, risk management and control processes. In particular, the Plans will:

- Consider the internal audit mandate and the full range of agreed-to internal audit services.
- Specify internal audit services that support the evaluation and improvement of the councils' governance, risk management, and control processes.
- Consider coverage of information technology governance, fraud risk, the effectiveness of the councils' compliance and ethics programs, and other high-risk areas.
- Identify the necessary human, financial, and technological resources necessary to complete the Plans.
- Consider the need for the Chief Audit Executive to provide an annual opinion on the overall adequacy and effectiveness of the framework of governance, risk management and control for each council.

In addition, the Chief Audit Executive will coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services, ensuring that where reliance is placed on the work of others, the basis for reliance is documented. If the Chief Audit Executive cannot achieve an appropriate level of coordination, the issue will be communicated to senior management and if necessary escalated to the Audit Committees.

The Internal Audit Plans will be presented to senior management and the Audit Committees for discussion, review and approval.

The Chief Audit Executive will identify and consider trends and emerging issues that could impact the councils and will review and adjust the Internal Audit Plans, as necessary, in response to changes in the councils' business, risks, operations, programs, systems, controls and culture. Any such changes will be reported to senior management and the Audit Committees for approval as part of the reporting arrangements set out in section 7 below.

## 7. Reporting

The Chief Audit Executive will present progress reports to the senior management and Audit Committees of both councils, at least three times per year, detailing:

- Performance relative to the Internal Audit Plans.
- Significant adjustments to the Internal Audit Plans.
- The impact of any resource limitations, conflicting demands or limitations on scope / restrictions on access to information on the Internal Audit Plans.
- Conformance with the Standards.
- Potential impairments to independence & objectivity.
- The results of assurance and advisory services performed, including the follow-up of agreed actions.
- Significant risk exposures and control issues, that could interfere with the achievement of the councils' strategic objectives, including instances where the internal audit function determines management's response to a risk is unacceptable or beyond the councils' risk appetite.

The Chief Audit Executive will also present an annual report to the senior management and Audit Committees of both councils, which will include all information detailed in the progress reports, as well as an opinion on the overall adequacy and effectiveness of the councils' framework of governance, risk management and control, in order that this can be used to inform the councils' Annual Governance Statements and support their Statement of Accounts. As a minimum, the opinion will incorporate:

- The criteria used as a basis for the opinion.
- The scope, including limitations and the period to which the opinion relates.
- A summary of the information that supports the opinion.
- A disclosure of reliance on the work of other assurance providers, if any.
- The overall opinion reached.

In addition, the Chief Audit Executive will present an annual report to the senior management and Audit Committees of both councils providing an update on progress against delivery of the Internal Audit Strategy and communicating the results of the QAIP, including conformance with the Standards.

The table below sets out a broad reporting schedule for each of the respective Audit Committees (dates may be subject to minor changes based upon Committee Schedules).

Month	Gravesham Finance & Audit Committee	Medway Audit Committee
<b>July</b>	<ul style="list-style-type: none"> <li>• Annual report (Inc. annual assurance opinion)</li> <li>• Annual satisfaction survey results</li> <li>• Annual progress report against QAIP and Strategy (inc. action plan updates)</li> </ul>	<ul style="list-style-type: none"> <li>• Annual satisfaction survey results</li> <li>• Annual progress report against QAIP and Strategy (inc. action plan updates)</li> </ul>
<b>September</b>	<ul style="list-style-type: none"> <li>• Progress update one</li> <li>• Internal Audit Plan Q3-Q4 (October – March)</li> </ul>	<ul style="list-style-type: none"> <li>• Annual report (Inc. annual assurance opinion)</li> <li>• Progress update one</li> <li>• Internal Audit Plan Q3-Q4 (October – March)</li> </ul>
<b>November</b>	<ul style="list-style-type: none"> <li>• Progress Update two</li> </ul>	N/A
<b>January</b>	N/A	<ul style="list-style-type: none"> <li>• Progress Update two</li> </ul>
<b>February</b>	<ul style="list-style-type: none"> <li>• Progress Update three</li> </ul>	N/A

<b>March</b>	<ul style="list-style-type: none"> <li>• Internal Audit Plan Q1-Q2 (April - September)</li> <li>• Internal Audit Charter</li> </ul>	<ul style="list-style-type: none"> <li>• Progress Update three</li> <li>• Internal Audit Plan Q1-Q2 (April - September)</li> <li>• Internal Audit Charter</li> </ul>
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## 8. Chief Audit Executive and Internal Auditor Roles and Responsibilities

Domain II of the Standards outlines the behavioural expectations for the Chief Audit Executive and internal auditors, specifically relating to ethics and professionalism. The Chief Audit Executive and internal auditors will ensure conformance with these requirements, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality, as well as the Seven Principles of Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership) and the Employee Code of Conduct.

### Integrity

The Chief Audit Executive will maintain a work environment where internal auditors feel supported when expressing legitimate, evidence-based engagement results.

Internal auditors will:

- Perform work with honesty and professional courage.
- Be truthful, accurate, clear, open, and respectful in all professional relationships and communications.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the councils and be able to recognise conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the councils.
- Report organisational behaviour that is inconsistent with the councils' ethical expectations, as described in applicable policies and procedures, or legal / regulatory requirements.
- Abide by all relevant laws and regulations.

### Objectivity

The Chief Audit Executive 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. The Chief Audit Executive will also establish methodologies to address any impairments to objectivity that arise. If the Chief Audit Executive determines that objectivity may be impaired in fact or appearance, details of the impairment will be disclosed to appropriate parties. Impairments of the Chief Audit Executive's objectivity, in fact or appearance, will be disclosed to the Audit Committees.

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.
- 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 councils.
  - Initiating or approving transactions external to the internal audit function.



- Directing the activities of any of the councils' employees that are not employed by the internal audit function, except to the extent that such employees have been appropriately seconded to assist the internal audit function.
- Disclose impairments of independence or objectivity, in fact or appearance, to the Chief Audit Executive at least annually and as they arise.
- 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.

### **Competency**

The Chief Audit Executive will ensure that the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Standards and fulfil the Internal Audit Mandate, encouraging and supporting internal auditors with their professional development.

Internal auditors will:

- Possess or obtain the competencies to perform their responsibilities successfully.
- Engage only in those services for which they have or can attain the necessary competencies.
- Maintain and continually develop their competencies through continuing professional development to improve the effectiveness and quality of internal audit services.

### **Due Professional Care**

The Chief Audit Executive will establish documented methodologies for the performance of internal audit services that align with the Standards.

Internal auditors will:

- Plan and perform internal audit services in accordance with the Standards and the internal audit function's established methodologies.
- Exercise due professional care by assessing the nature, circumstances, and requirements of the services to be provided.
- Exercise professional scepticism when planning and performing internal audit services.

### **Confidentiality**

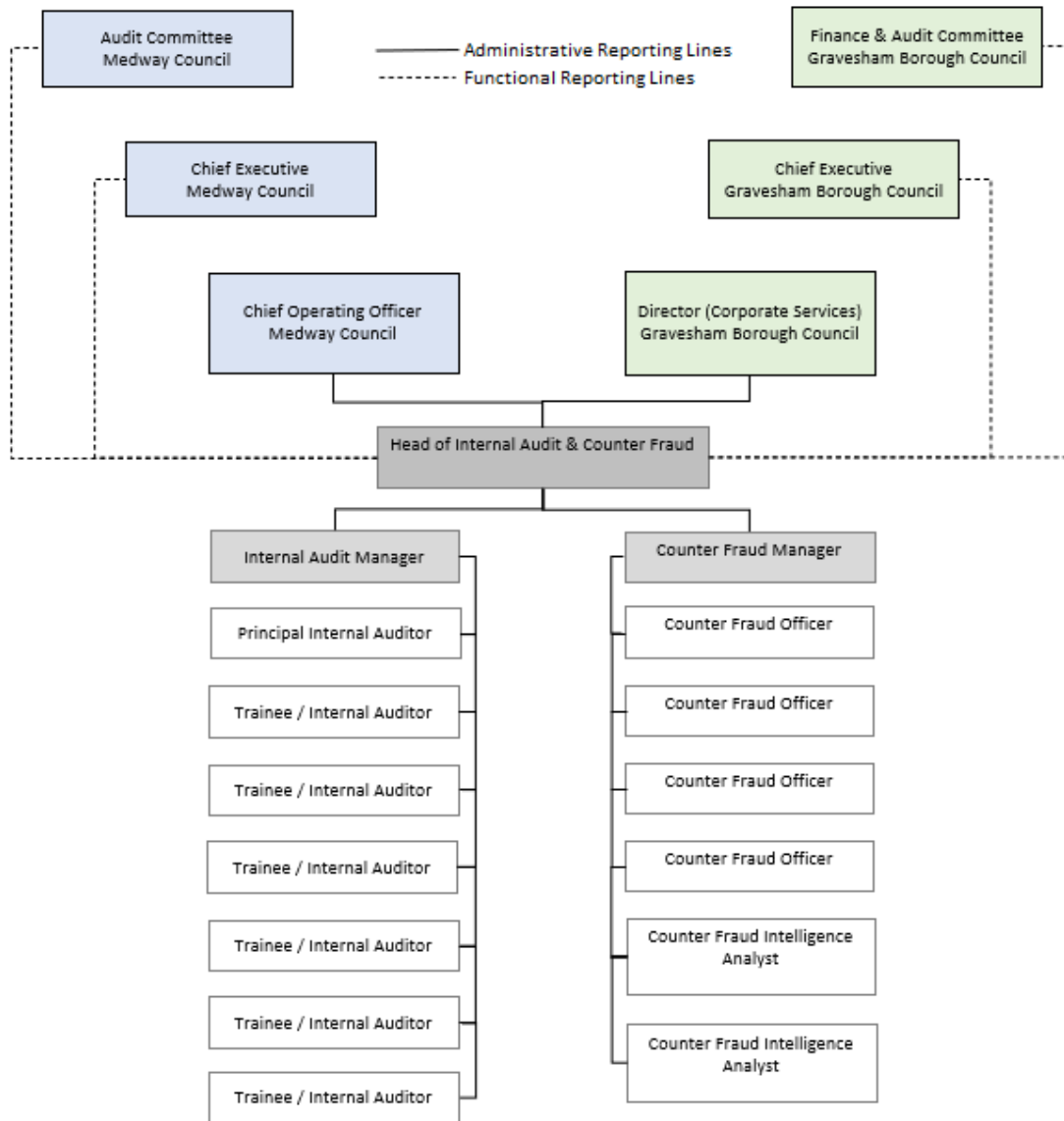
The Chief Audit Executive will ensure that the internal audit function and internal auditors adhere with all relevant policies, procedures laws and regulations for protecting information.

Internal auditors will:

- Understand and abide by relevant policies, procedures, laws and regulations relating to using and protecting information.
- Not disclose confidential information to unauthorised parties or use information for personal gain or in a manner contrary to the councils' legitimate and ethical objectives.

Internal Auditors will be subject to Disclosure and Barring Service (DBS) checks to comply with security requirements for access to the councils' computer systems.

Internal Audit & Counter Fraud Shared Service Structure & Reporting Lines



## Internal Audit Opinions & Action Priorities

### Audit Opinions

<b>Green</b>	Reasonable assurance can be provided that effective governance, risk management and control processes are in place within the activity under review. The combination of control weaknesses identified (if any) are considered to present minimal risk to the achievement of the objectives for the activity under review, or the council's wider strategic objectives.
<b>Amber</b>	Reasonable assurance can be provided that governance, risk management and control processes are in place within the activity under review, but improvements are required to ensure their effectiveness and/or to address gaps in coverage. The combination of control weaknesses identified are considered to present moderate risk to the achievement of the objectives for the activity under review, or the council's wider strategic objectives.
<b>Red</b>	Limited assurance can be provided that effective governance, risk management and control processes are in place within the activity under review. The combination of control weaknesses identified is considered to present significant risk to the achievement of the objectives for the activity under review, or the council's wider strategic objectives, and/or exposes the council to significant risk of legal / legislative / regulatory breaches, unacceptable levels of fraud / loss / error, or reputational damage.

### Action Priorities

<b>High</b>	The action addresses a control weakness that presents a significant risk (i.e. the likelihood of the risk occurring and/or impact on the council's governance, risk management and control processes is considered to be high). Management should address the action as a matter of priority.
<b>Medium</b>	The action addresses a control weakness that presents a moderate risk (i.e. the likelihood of the risk occurring and/or impact on the council's governance, risk management and control processes is considered to be medium). Management should address the action within a reasonable timeframe.
<b>Low</b>	The action addresses a control weakness that presents a small risk (i.e. the likelihood of the risk occurring and/or impact on the council's governance, risk management and control processes is considered to be low). Management should address the action as resources allow.