



MCAST

Internal Audit Office



**MCAST Internal Audit Office
Charter**

Version: 6.0

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Acronyms

MCAST – Malta College of Arts Science and Technology

MIAO – MCAST Internal Audit Office

CEO – Chief Executive Officer

BoG – Board of Governors

MAC – MCAST Audit Committee

IA&ID - Internal Audit and Investigations Department

DIA – Director - Internal Audit

MCAST Internal Audit Office (MIAO)

Preamble - Establishment and Mandate of MIAO

The MCAST Internal Audit Office (MIAO) was established by a resolution of the MCAST Board of Governors during its 187th meeting held on 28th September 2017.

The Board of Governors, as the highest governing authority within MCAST, provides the mandate for the internal audit function, defining its authority, role and responsibilities. The Audit Committee, a sub-committee of the Board, is delegated specific powers and responsibilities through its Terms of Reference as approved by the Board of Governors.

Definition of Internal Auditing

In line with the Global Internal Auditing Standards (GIASs), internal auditing is defined as an independent, objective assurance and advisory service designed to add value and enhance the organisation's operations.

At MCAST, internal auditing supports the College and its subsidiaries in achieving their objectives by applying a systematic and disciplined approach to assess and improve the effectiveness of governance, risk management, and internal control processes.

Purpose of Internal Auditing

Internal Auditing enhances the organisation's ability – specifically MCAST and its subsidiaries – to create, protect and sustain value by providing the Board (including through the Audit Committee) and Senior Management with independent, objective, and risk-based assessments of operations, financial systems, internal controls, risk management and governance frameworks.

Internal Audit evaluates the organisation's (including Management and staff) adherence to policies, procedures, standards, and applicable laws and regulations. Each audit engagement seeks to provide assurance and, where appropriate, actionable recommendations to improve the effectiveness and efficiency of operations within MCAST and its subsidiaries.

By strengthening governance, risk management and control processes, Internal Audit supports the organisation in achieving its objectives. It contributes to better decision-making and oversight, enhances MCAST's and its subsidiaries reputation and credibility with stakeholders, and bolsters the organisation's capacity to serve the public interest.

Ethical Standards

Audit is guided by three key ethical principles:

- 1) Competency – It is performed by competent professionals in conformance with the Global Internal Auditing Standards.

- 2) Independence – IA function is independently positioned with accountability to the Board of Governors and the MCAST Audit Committee as delegated to them by the BoG in the Audit Committee Terms of Reference.
- 3) Objectivity – Internal Auditors are free from undue influence and committed to make risk-based objective assessments.

Purpose/Scope of this Charter

This Charter defines the:

- A) Definition and Purpose of Internal Audit
- B) Ethical Standards
- C) Authority of the Internal Audit Office
- D) Organisational positioning (Independence) of Internal Audit Office and the reporting relationship/ reporting structure,
- E) Mandate including the scope and type of services/ key responsibilities and approach of the MIAO within MCAST and its subsidiaries.
- F) Commitment to adhering to the GIASSs (where possible and applicable).
- G) BOG's and/or Audit Committee's responsibilities as delegated to them in the Audit Committee Terms of Reference.
- H) BoG's/Audit Committee's expectations regarding the management's support to the internal audit function.

Reporting protocol.

MIAO is established by the Board of Governors (BoG), through the MCAST Audit Committee (MAC). The internal audit function derives its authority from the BoG via the Audit Committee.

MIAO reports administratively to the President of the MCAST BoG and functionally (operationally) to the Chair of the MAC.

Internal Audit maintains direct and unrestricted access to the Board of Governors.

MIAO reports internal audit findings and recommendations primarily to the President of the MCAST BoG and the MAC. Additionally, reports are shared with the Principal and CEO and the relevant Senior Management/Management.

Mission

To provide the MCAST President/the Board of Governors and/or the MCAST Audit Committee – with independent, objective assurance and consulting (advisory) service designed to add value and improve the College's operations. To help MCAST and its subsidiaries accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Authority

MIAO is granted full and unrestricted access – both confidential and physical – to all records, property, and personnel of MCAST and its subsidiaries that are relevant to its function/mandate including audit/mini audit/spot-check engagements.

MIAO operates under the authority of the BoG and is empowered to access any documents, systems, personnel, and physical assets necessary to carry out its responsibilities.

All staff, including Senior Management/Management are required to cooperate fully and provide any assistance or information deemed necessary by MIAO in the course of its work.

Independence and Objectivity

MIAO operates independently from the operational activities of MCAST and its subsidiaries and is free from any interference that could impair its judgement or objectivity.

Independence is fundamental to MIAO's ability to perform its responsibilities impartially, fairly and without bias.

DIA reports administratively to the President of the MCAST BoG and functionally to the Chair of the MCAST Audit Committee.

MIAO has unrestricted and direct access to the BoG for the purpose of reporting and obtaining information and documentation necessary to fulfil its responsibilities. MIAO has direct access to the Principal and CEO strictly for the purpose of obtaining information and documentation required to carry out its work. MIAO remains fully independent from the Principal and CEO and the Senior Management/Management structure of MCAST and its subsidiaries.

To maintain its independence and objectivity, MIAO does not assume any management responsibilities related to the design, implementation, or operation of systems and processes. It may, however, provide advisory service of a consultative nature, provided these do not impair its independence.

MIAO exercises professional judgment in determining the scope of its work and in communicating its findings, ensuring that all assessments are objective, evidence- based, and free from undue influence or conflicts of interest.

Scope of the MIAO

The scope of the MIAO encompasses all activities in which the College and its subsidiaries have a financial or operational interest. This includes management control systems and functions – including financial ones – as identified through the audit needs assessment process.

Risk-based internal auditing is based on the Risk Register (Risk Universe), Risk Assessments, the follow-up of the Recommendations and the results of the follow-up of the Recommendations' Register.

MIAO's scope covers the review of the effectiveness of governance, risk management and control processes. The scope comprises of the College's operations, resources, staff, services and responsibilities to other bodies.

The mission and scope of the MIAO is further details as follows:

- A) Assurance Function.
- B) Consultation/Advisory Function.

These functions add value and support the achievement of MCAST's mission.

MIAO services may be delivered internally, through outsourced arrangements on behalf of MIAO, wholly outsourcing or by co-sourcing method of internal auditing.

Assurance Function

The role of MIAO is to carry out evaluations and provide reasonable assurance that risk management, control and governance systems are operating effectively and are aligned to support the achievement of the College's objectives and goals (including that of the sections/units/functions within the College). Emphasis is placed on ensuring compliance with applicable legislation, regulations, directives, circulars, and internal policies and procedures.

The assurance function of the MIAO includes the following types of engagements:

- A) Audit Engagements,
- B) Mini-Audit Engagements,
- C) Spot-check Engagements,
- D) Periodic follow-up and monitoring of the previously issued MIAO recommendations. by MIAO.
- E) Investigations, which may be initiated under any of the following circumstances:
 - 1) At the direction of the President of the MCAST BoG/BoG and/or the Audit Committee.
 - 2) When, during an assurance or advisory engagement, evidence arises of breaches of regulations, policies, or guidelines; gross misconduct; or misuse and/or misappropriate of resources.
 - 3) When the DIA determines that an investigation is warranted based on substantive information available within the MIAO.

Consultation Function

MIAO shall provide consulting services upon request from the Board of Governors/President of BoG and/or Audit Committee or from the Senior Management/Management. In this case MIAO shall participate or provide guidance and support as may be required. Such engagements could be refused if the nature and scope of the engagement compromises the independence or objectivity of the internal audit function.

MIAO may contribute in a consultative capacity in the following instances:

- A) Participation in Government task forces,
- B) Advisory input on operational policies and procedures, ensuring that adequate internal controls are embedded
- C) Other consulting services aligned with internal audit's professional expertise and consistent with the internal auditor's obligation to maintain objectivity and avoid assuming management responsibility.

Consulting engagements need to:

- A) Be formally documented in a Terms of Reference or equivalent agreement.
- B) Clearly define the scope, purpose, responsibility/ies and reporting lines.
- C) Be approved by the Director – IA.
- D) Be included in periodic reporting to the Audit Committee and/or BoG/President of BoG, where relevant.

MIAO retains the right to conduct subsequent assurance reviews in areas where consulting services have been provided.

Objectives and Responsibilities

MIAO is responsible for conducting independent appraisals of activities carried out by MCAST and its subsidiaries. These include both financial and non-financial operations and are carried out following the approved Annual Risk-Based Audit Plans.

These plans must be reviewed and recommended for approval by the MAC and subsequently approved by the BoG.

MIAO provides assurance to the BoG, via the Audit Committee, on the adequacy and effectiveness of controls, governance and risk management systems.

The responsibility for establishing, operating and monitoring effective systems remains with Senior Management/Management. Similarly, risk management is also the responsibility of Senior Management/Management.

MIAO's objectives and responsibilities span across MCAST (including its subsidiaries) functions, operations, departments and units.

Key responsibilities of the DIA are the following:

Charter Management:

- DIA reports changes potentially affecting the Internal Audit Mandate/Charter to the Audit Committee and/or BoG. The Charter is reviewed and approved by the MAC and recommended for final approval by the BoG

Annual Risk-Based Audit Plan Development:

- DIA develops the Annual Risk-Based Audit Plan, including budgeting and resources. Risk Universe (Register) needs the input of MCAST and its subsidiaries staff (including the Management), the President of the BoG, the Principal and CEO and the Deputy Principals in charge of their area.

Annual risk-based Audit Plan is completed by the DIA. This plan requires the input of the President of BoG and the Principal and CEO in order to see whether there are any area/s of concern that need/s to be included in the same plan. This plan is presented to the Audit Committee to review, approve and recommend to the BoG the final approval of this plan.

DIA needs to report the following to the BoG and/or Audit Committee with regards to the Annual Audit Plan:

- 1) Changes potentially affecting this Plan,
- 2) The impact of any resource limitations on internal audit coverage,
- 3) Limitations on scope or restriction on access to information,

- 4) The rationale for not including an assurance engagement in a high-risk area or activity in the plan.

Independence and Objectivity:

- DIA reports any impairments to MIAO's independence/objectivity to the BoG and/or Audit Committee. When necessary, the BoG and/or Audit Committee interacts with Senior Management. Senior Management is obliged to resolve such issue/s.
- DIA must confirm the office's independence at least annually to the Audit Committee and disclose any current, potential and/or perceived impairment/s to independence of MIAO, together with the action plan to address this (if applicable).

Reporting and Oversight Communication:

- DIA must provide information necessary for effective oversight by the BoG and/or Audit Committee. This information may be specifically requested by the BoG and/or Audit Committee or may be, in the judgement of the DIA valuable for the BoG and/or Audit Committee to exercise its oversight responsibilities.
- DIA needs to provide the following information to the BoG and/or Audit Committee:
 - 1) Annual Risk-Based internal audit plan and budget and subsequent significant revisions to them (if applicable). In this case this is presented to the Audit Committee to be ultimately recommended to the BoG for final approval.
 - 2) Changes potentially affecting the mandate or charter (if applicable) to the Audit Committee and/or BoG. MIAO Charter needs to be reviewed, approved and recommended by the Audit Committee to the BoG for final approval.
 - 3) Potential impairments to independence/objectivity.
 - 4) Results of the internal audit services, including monitoring results such as the follow-up of the recommendations' register. Risk Universe, Audit/Mini-Audit/Spot-check reports and the follow-up of Recommendations' Register are distributed to the President of BoG, Audit Committee, Principal and CEO and Deputy Principals in Charge.
 - 5) Results from quality assurance and improvement programs including any action plan if applicable. Quality assurance and improvement programs together with the action plan if applicable needs to be approved by the Audit Committee.
 - 6) There may be instances when there are disagreements between the DIA and Senior Management or other stakeholders on the scope, findings, or other aspects of an engagement that may affect the ability of the internal audit function to execute its responsibilities.

There could be instances that management feedback was not provided including action plan and target date. In such cases, DIA needs to report to the BoG and/or Audit Committee to allow them to consider whether, in their oversight role, intervention needs to be done with Senior Management or other stakeholders.

Coordination with External Auditors:

- DIA needs to coordinate with other assurance providers including the external auditors.

Resources and Coordination:

- In the event of shortage in resources, DIA needs to inform the BoG and/or Audit Committee about the impact of insufficient resources and develop a plan to address the shortfall/s.

BoG and/or Audit Committee need/s to interact with Senior Management to support MIAO.

- Audit Committee evaluates the qualifications of the internal audit personnel. The Committee review, approve and recommend for final approval to the BoG the selection, appointment, re-appointment or dismissal of the DIA (including the remuneration of the DIA) and the internal audit staff.

Strategy and Performance:

- DIA needs to develop the MIAO's strategy (that supports the organisation's goal and mission). The strategy needs to be periodically reviewed by the Audit Committee.
- DIA needs to present the performance objective(s) at least annually. Audit Committee review and approve the performance objective/s.
- DIA needs to provide the annual report of the IA function, which reports shall be reviewed by the Audit Committee and recommended for final approval by the BoG or by the President on behalf of the BoG.

Quality Assurance and Improvement:

- DIA needs to communicate the results of the internal quality assessment to the Audit Committee, along with the action plan for improvement (if applicable). This assessment needs to be done annually.
- The Audit Committee needs to review and approve the quality assurance and improvement programmes, including the action plan for improvement (if applicable).
- DIA needs to discuss with the Audit Committee the plan for an external quality assessment of the IA function. External Quality Assessment needs to be done at least once every 5 years.
- Audit Committee and DIA need to collaborate with regards to the scope and frequency of the external quality assessment. This is highlighted in the MCAST Audit Committee Charter.

In the event of identified shortcoming/s from the assessment, the DIA needs to come up with a designed action/s for the rectification. Audit Committee needs to review and approve not only this quality assurance and improvement program but also the related action plan if applicable.

The following is the list of MIAO's objectivities and responsibilities (function/mandate):

MIAO's work aims to enhance the effectiveness of risk management, control and governance processes by assessing:

1. Alignment of the organisational objectives with the MCAST's mission (including that of MCAST's subsidiaries)
2. Compliance with laws, regulations, contracts and established policies, procedures and good practices. MCAST and its subsidiaries' employees actions are in full compliance with documented policies, standards, guidelines, procedures, regulations and applicable laws
3. Risk identification, assessment and mitigation. Risks are identified and managed in a timely manner
4. The efficiency and effectiveness of operations
5. Accuracy and reliability (integrity) of financial and non-financial information
6. Appraise the adequacy and effectiveness of internal control systems
7. Protection of MCAST and its subsidiaries assets from irregularities, fraud or misuse
8. Accounting and administrative controls are effective and efficient
9. Financial, Managerial and operational information is accurate, reliable and timely
10. Legislative or regulatory issues impacting MCAST and its subsidiaries are recognised and tackled properly
11. Evaluate whether the existing and the documented policies, guidelines and procedures are functional and effective
12. Verify the existence of MCAST and its subsidiaries assets and ensure that proper safeguards are in place to protect from loss
13. Assess the integrity of the MCAST and its subsidiaries' information systems and where applicable recommend security and operational improvements
14. Provide consultancy (advisory) and investigative services as detailed above.
15. Issues period reports to the MCAST Audit Committee and to the President of the MCAST BoG, summarising the results of the MIAO and its internal auditing engagements. Reports are also shared to Senior Management/Management as detailed above
16. Other objectives and any other recommendation that may be necessary from time to time.

BoG and/or Audit Committee responsibilities and expectations regarding Management's support to the Internal Audit function

The responsibilities and authority of the Audit Committee are outlined in the MCAST Audit Committee Terms of Reference.

This section expands on the responsibilities of the BoG and/or Audit Committee, as well as the expectations of both the BoG and/or the Audit Committee in relation to Management's support of the Internal Audit function.

Governance and Oversight Responsibilities:

- BoG and/or Audit Committee engage with the DIA to define the authority, role and responsibilities of the Internal Audit function, as outlined in the MIAO Charter. This charter is reviewed, approved and recommended by the Audit Committee for final approval by BoG.
- MAC reviews, approves, and recommends for final BoG approval the Annual Risk-Based Audit Plan, including the budget, resource allocation any proposed changes.
- MAC reviews, approves and recommends the DIA's roles and responsibilities for BoG approval.
- BoG authorises the appointment, reappointment and dismissal (including remuneration) of the DIA and Internal Audit staff, based on the MAC's recommendations.
- MAC may provide input to the BoG/President of the BoG regarding the performance evaluation of the Internal Audit function. The final evaluation is the responsibility of the BoG's President.
- MAC reviews, approves and recommends the Internal Audit Annual Report for final BoG approval or approval by the BoG President on its behalf.

Expectations of Senior Management:

- Senior Management is obligated and expected to support the Internal Audit Mandate across the organisation, ensuring recognition and authority for the function.
- Senior Management must enable the Internal Audit's function unrestricted access to all relevant data, records, systems, personnel, and physical assets necessary to execute its duties effectively. This obligation applies to all MCAST entities and subsidiaries.
- Senior Management must collaborate with the BoG and/or Audit Committee to promptly address and resolve any impairments to internal audit independence and/or objectivity.
- Senior Management is expected to provide adequate resources- human, financial, and technological – to support the Internal Audit function, as authorised by the BoG and/or Audit Committee.
- Senior Management must help the BoG and/or Audit Committee understand the organisation's governance, risk management, and internal control effectiveness. They are also expected to support escalation processes when required.

Interaction and Communication:

- BoG and/or Audit Committee must ensure the DIA has the opportunity to discuss significant or sensitive matters directly with them, including in meetings without Management present.
- Regular communication between the BoG and/or Audit Committee and the DIA is essential to monitor how effectively Internal Audit is fulfilling its mandate.
- BoG needs to communicate strategic direction, objectives, and risk perspectives to the DIA, with Senior Management contributing relevant operational insights.
- BoG and/or Audit Committee must support the Internal Audit function in situations of disagreements between MIAO and auditees, or when Management's feedback is absent or inadequate.
- BoG and/or Audit Committee should advocate for the Internal Audit function and support its ability to execute its mandate, pursue its strategic objectives and fulfil its purpose.

Staffing

MCAST Audit Committee and the BoG are responsible for ensuring that MIAO is adequately and appropriately staffed in terms of both quantity and quality of human resources. This staffing must be sufficient to provide comprehensive audit coverage of MCAST and its subsidiaries within a five-year audit cycle.

In terms of capability, MIAO must possess the necessary management and internal audit competencies to perform its responsibilities professionally and in line with the international trends and best practices.

MIAO's ability to fulfil its responsibilities under this Charter is directly linked to the availability and allocation of adequate resources.

The qualifications and experience of the DIA should be aligned with the core operational areas of MCAST and its subsidiaries, including technical and vocational education, as well as management and administrative functions, as determined by the BoG and Audit Committee.

If the internal audit function is outsourced, the BoG and/or Audit Committee must ensure that all key documents required to establish and maintain an effective Internal Audit Office are developed to reflect the unique needs and structure of MCAST and its subsidiaries. Ownership of all such documents shall remain within MCAST.

Examples of such documentation include, but are not limited to:

- Internal Audit Charter,
- Internal Audit Policies and Procedures,
- Engagement Agreement/Contract (Terms of Reference)
- Non-disclosure Agreement.

Professional Standards

Where applicable and feasible, the work of the MIAO shall be conducted in accordance with the Global Internal Auditing Standards, as well with due professional care and with the mandatory requirements set out by the IA&ID Terms of Reference.

Document History

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