

# Internal Audit Charter

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This Internal Audit Charter defines Audit South West's purpose, authority and responsibility in accordance with the Public Sector Internal Audit Standards for approval by the board (the Audit Committee).

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## Internal Audit Charter

### INTRODUCTION

- 1.1 This Internal Audit Charter defines Audit South West's purpose, authority and responsibility in accordance with the Public Sector Internal Audit Standards for approval by the board (the Audit Committee).
- 1.2 Internal audit is defined as '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 bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.'

### MISSION OF INTERNAL AUDIT

The mission of Internal Audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

### CORE PRINCIPLES FOR THE PROFESSIONAL PRACTICE OF INTERNAL AUDITING

In accordance with the Core Principles for the Professional Practice of Internal Auditing, Internal Audit articulates effectiveness:

- Demonstrates integrity.
- Demonstrates competence and due professional care.
- Is objective and free from undue influence (independent).
- Aligns with the strategies, objectives, and risks of the organisation.
- Is appropriately positioned and adequately resourced.
- Demonstrates quality and continuous improvement.
- Communicates effectively.
- Provides risk-based assurance.
- Is insightful, proactive, and future-focused.
- Promotes organisational improvement.

### PURPOSE, AUTHORITY AND RESPONSIBILITY OF INTERNAL AUDIT

- 2.1 The role of internal audit is to:
  - Provide an internal audit service in accordance with the requirements set out in the mandatory Public Sector Internal Audit Standards, comprising the Definition of Internal Auditing, the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing. Audit South West adopts a risk based auditing approach and maintains an Internal Audit Manual to support compliance with Internal Audit Standards.
  - Provide an independent and objective assurance opinion to the Accountable Officer, Board and the Audit Committee on the degree to which risk management, control and governance support the achievement of the organisation's objectives.
  - Provide an independent and objective advisory and related consulting service, intended to add value and improve an organisation's governance, risk management and control processes including advice, facilitation and training, thereby helping to improve the provision of safe and effective patient care.
  - Review, appraise and report upon policies, procedures and operations in place in order to help the organisation to:
    - maintain financial and operational control;
    - ensure the accuracy of financial reporting;
    - secure their assets;
    - limit the potential for fraud and corruption;
    - obtain value for money;
    - ensure security and confidence in computerised systems; and
    - comply with statutory, NHS and the organisation's own regulations.
- 2.2 Internal audit activity is agreed with the organisation through the agreement of an annual plan discussed with 'senior management' (Executive Management) and approved by the Audit Committee. Internal audit coverage will be sufficient to provide reasonable assurance and the annual plan will be informed by the Board Assurance Framework, the risk register and known risk areas following discussion with executive management and comments received from the Audit Committee.

- 2.3 Internal audit has organisational independence, has no executive role, nor does it have any direct responsibility for the implementation or operation of systems. Organisational independence is reported annually via the approval of the annual internal audit plan and presentation of the internal audit annual report and opinion. Internal audit will complete declarations of interest statements to highlight and avoid any conflicts of interest.

## PERFORMANCE OF THE SERVICE

- 3.1 The performance of the service will be assessed by the organisation from time to time by reference to the work performed as conforming to the Public Sector Internal Audit Standards.
- 3.2 If the performance is deemed to be unsatisfactory, the organisation will explain the problems which, unless it is agreed that the circumstances are outside the control of internal audit, internal audit will be allowed an agreed length of time to rectify.
- 3.3 The appointment and termination of the Director of Audit and the internal audit service is approved by the Audit Committee.
- 3.4 The Audit Committee is responsible for reviewing the effectiveness of the internal audit service.
- 3.5 Individual performance appraisal objectives, based on the Knowledge and Skills Framework, have been produced for the Director of Audit and all internal audit staff. Personal Development Plans for individual staff are produced to meet training needs which are identified during the appraisal process to help staff achieve their performance objectives. Formal monitoring of progress against performance objectives is carried out annually.

## ACCESS AND COMMUNICATION

- 4.1 Internal audit has rights of access to all client documents, records, information and assets, which it considers necessary to fulfil its responsibilities. Sensitive and person identifiable information is secured and used in accordance with best practice for Data Protection and to meet Information Governance requirements.
- 4.2 The Director of Audit has a right of access and direct line of communication to the Chairman of the Board, the Chief Executive, Board Directors and the Chairman of the Audit Committee. Management is not permitted to censure or restrict this access. There are arrangements in place for private meetings between the Chairman of the Audit Committee and the internal auditors, at the request of either party.

## REPORTING ARRANGEMENTS

- 5.1 Internal audit will provide the following:
- A strategic audit plan covering three years, based upon the Assurance Framework, the risk register, known risk areas, discussion with executive management and the Audit Committee, and a one year operational plan setting out the proposed programme of audits for a given audit year. The annual plan should set out details of the assignments to be carried out, providing sufficient detail for the Audit Committee and other recipients to understand the purpose and scope of the defined assignments and their level of priority. Internal audit will identify the risks and controls that will be addressed by each individual audit assignment.
  - Draft audit assignment reports at the end of each review, issued as a confidential document to the organisation's manager responsible for the area under review, with details of the work undertaken, an assurance opinion and impact assessment as to the risk to the organisation's objectives, the findings, conclusions and recommendations for the comment and agreement.
  - Final audit assignment reports, approved in accordance with the internal audit protocol, including management responses to recommendations issued to the relevant managers(s) and directors.
  - Periodic reports for the Audit Committee, measuring progress against the operational audit plan, implementation of audit recommendations, and any governance, fraud and risk management and control process issues.
  - An annual report to the Audit Committee setting out performance against the operational plan to include an annual opinion of the overall adequacy and effectiveness of the organisation's risk management, control and governance processes. This opinion will encompass the Assurance Framework, risk management, governance and any requirements in relation to the Care Quality Commission regulations and outcomes and control issues relating to finance and corporate activities.

- A self-assessment of the performance of internal audit against key performance indicators agreed with the organisation.
  - A self-assessment of compliance with Public Sector Internal Audit Standards reported annually to the Audit Committee.
- 5.2 The form and content of any periodic reports mentioned above shall be agreed between internal audit, Executive Management and the Audit Committee.
- 5.3 Where, in the opinion of internal audit, an issue arises which requires the urgent attention of the organisation, the matter will be reported to the relevant director and Audit Committee without delay.

## WORKING ARRANGEMENTS

- 6.1 Internal audit will liaise with external audit and the counter fraud service, in order to avoid unnecessary overlap, compliment assignments and minimise the volume and cost of the service. Internal audit will comply with any joint audit working protocols agreed between internal audit and the external auditors for the organisation.
- 6.2 All audit working papers and associated documents prepared and obtained will remain the property of the organisation and will be available for inspection by external audit and the counter fraud service.
- 6.3 Confidentiality will be maintained for information that relates to individuals and to the organisation.
- 6.4 Internal audit will attend relevant monitoring meetings and attend the Audit Committee, and other relevant Committees, to report on the work of the service.
- 6.5 Internal audit will employ sufficient staff with the appropriate knowledge, skills and other competencies to ensure that the services are provided in accordance with the service requirements.
- 6.6 The organisation will make available to internal audit all appropriate records and information to enable each assignment to be undertaken effectively and be concluded within the agreed timetable.
- 6.7 Internal Audit will agree working arrangements protocols with the organisation covering planning and conducting the audit and reporting.

## CONSULTING SERVICES

- 7.1 Any consulting services requirements over and above that detailed in the audit plan shall be the subject of discussions between internal audit and Executive Management to establish the number and level of staff required and the time required to perform the services. Approval for any significant work over and above that detailed in the audit plan will be sought from the Audit Committee.
- 7.2 The nature and scope of consulting services aims to improve governance, risk management and control processes and the evidence gathered from such service reviews will contribute to the Head of Internal Audit's opinion. When performing consulting services, the internal auditor will maintain objectivity and not take on management responsibility. Confirmation will be required that no conflicts of interest would arise in providing the services.