

Building homes,  
independence  
and aspirations



## Assurance Services

Internal Audit Charter, Protocol and Service  
Standards

June 2023

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<b>Owner</b>	Helen Young - Head of Audit
<b>Approved By</b>	Audit Committee
<b>Next Review Due</b>	Head of Audit - June 2024 Audit Committee - July 2025

# Internal Audit Charter

## About this charter

This Audit Charter provides the framework for the conduct of Assurance Services in Home Group and has been approved by the Audit Committee. It has been created with the objective of formally establishing the purpose, authority and responsibilities of Assurance Services with respect to internal audit.

The charter will be reviewed on an annual basis by the Head of Audit and every two years by the Audit Committee unless there are significant changes. Any changes to the International Professional Practice Framework will also be incorporated as and when they occur.

## Purpose

Internal auditing is an independent, objective assurance and consulting activity designed to add value to and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.

## Scope

All of Home Group's activities (including outsourced activities) and legal entities are within the scope of Internal Audit. Internal Audit determines what areas within its scope should be included within the Annual Assurance Plan by adopting an independent risk-based approach aligned with strategic objectives. Internal Audit does not necessarily cover all potential scope areas every year. The audit programme includes obtaining an understanding of the processes and systems under audit, evaluating governance, risk management and control process and testing the operating effectiveness of key controls.

Internal Audit is also responsible for:

- Reviewing and evaluating compliance with policies, plans, procedures, laws and regulations;
- Assessing the reliability and integrity of information; and
- The safeguarding of organisational assets.

Internal Audit can also, where appropriate, undertake special investigations and consulting engagements at the request of the Audit Committee, Executive and/or Senior Management. This may include ad hoc requests for advice, systems development work or undertaking a 'critical friend' role on a project. This will only be undertaken where safeguards are in place to ensure the Auditor remains independent and objective and does not take on a role for which management should be responsible.

Internal Audit will coordinate its activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimise duplication of efforts.

## Authority

The Board delegates responsibility to the Audit Committee, as outlined in their respective terms of reference. The internal audit function derives its authority from the Audit Committee. The Head of Audit is authorised by

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the Audit Committee to have full and complete access to any of the organisation's records, properties and personnel including attendance at all or part of executive committee meetings and any other key management decision-making fora. The Head of Audit is also authorised to designate members of the audit team to have such full and complete access in the discharging of their responsibilities and may engage experts to perform certain engagements which will be communicated to management. Internal Audit will ensure confidentiality is maintained over all information and records obtained in the course of carrying out audit activities.

### **Responsibility**

The Head of Audit is responsible for preparing the Annual Assurance Plan in consultation with the Audit Committee, the Executive, Senior Management and the co-sourced internal audit provider where applicable. The Head of Audit is responsible for submitting the Annual Assurance Plan, internal audit budget, and resource plan for review and approval by the Audit Committee. The Head of Audit is also responsible for implementing the approved Annual Assurance Plan and issuing periodic audit reports on a timely basis to the Audit Committee and the Executive.

The Head of Audit is responsible for:

- Reviewing and adjusting the audit plan as necessary in response to any changes to risks and communicated this to senior management;
- Ensuring that the internal audit function has the skills and experience commensurate with the risks of the organisation. The Audit Committee should make appropriate inquiries of management and the Head of Audit to determine whether there are any inappropriate scope or resource limitations;
- Ensuring each engagement of the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties;
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld;
- Ensure trends and emerging issues that could impact Home Group are considered and communicated to senior management and the Audit Committee as appropriate;
- Ensure emerging trends and successful practices in internal auditing are considered; and
- Establish and ensure adherence to policies and procedures designed to guide the Assurance Services.

It is the responsibility of management to identify, understand and manage risks effectively, including taking appropriate and timely action in response to audit findings. It is also management's responsibility to maintain a sound system of internal control and improvement of the same. The existence of an internal audit function, therefore, does not in any way relieve them of this responsibility.

Management is responsible for fraud prevention and detection. As Internal Audit performs its work programmes, it will be observant of manifestations of the existence of fraud and weaknesses in internal control which would permit fraud to occur or would impede its detection.

## Independence and objectivity

Internal Audit colleagues will remain independent of the business and they shall report to the Head of Audit who, in turn, shall report functionally to the Audit Committee and administratively to the Chief Financial Officer.

The Head of Audit holds no other management responsibilities but the Assurance Services are involved in the review, and potential investigation, of fraud and theft cases. This includes reporting of cases to the Audit Committee on a quarterly basis and the compilation of the annual return to the Regulator. In order to maintain independence in this area, any audits related to the fraud process will be planned and undertaken by the co-source partner.

Internal Audit colleagues shall have no direct operational responsibility or authority over any of the activities they review. Therefore, they shall not develop nor install systems or procedures, prepare records or engage in any other activity which they would normally audit.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and they do not subordinate their judgement on audit matters to others.

Internal Audit colleagues with real or perceived conflicts of interest must inform the Head of Audit, then the Audit Committee, as soon as these issues become apparent so that appropriate safeguards can be put in place. A conflict of interest register will be maintained and reviewed before each audit to ensure independence is upheld

The Head of Internal Audit will confirm to the Audit Committee at least annually, the organisational independence of the Assurance Services.

**The Head of Internal Audit will disclose to the Audit Committee any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.**

## Professional competence and due care

Internal Audit will govern itself by adherence to the mandatory elements of the Global Institute of Internal Auditor's International Professional Practices Framework including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing. The Head of Audit will report periodically to senior management and the Audit Committee regarding its conformance with the Code of Ethics and the Standards.

The core principles are:

- Demonstrating integrity
- Demonstrating competence and due professional care
- Being objective and free from undue influence (independent)
- Aligning with the strategies, objectives, and risks of the organisation
- Being appropriately positioned and adequately resourced
- Demonstrating quality and continuous improvement
- Communicating effectively
- Providing risk-based assurance
- Being insightful, proactive, and future-focused
- Promoting organisational improvement

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## Reporting and monitoring

At the end of each audit, the Head of Audit or Auditor will prepare a written report and distribute it as appropriate to Senior Management and the Executive Team. Internal Audit will be responsible for appropriate follow-up of audit findings and recommendations. . All 'high' and 'medium' priority findings and a sample of 'low' priority findings will be verified before closing and reported to the Audit Committee

The Audit Committee will be updated regularly on the work of Internal Audit through quarterly and annual reports. The Head of Audit shall prepare reports of audit activities with significant findings along with any relevant recommendations including where management have accepted risks identified as part of audits. The Audit Committee will also be provided with periodic information on the status of the Annual Assurance Plan as well any resource requirements of Internal Audit.

Periodically, the Head of Audit will meet with the Chair of the Audit Committee in private to discuss internal audit matters and a meeting is held between the Head of Audit, the Audit Committee and External Audit, annually

The performance of Internal Audit including conformance with the IIA's Code of Ethics and Standards and the efficiency and effectiveness of the Assurance Services, will be monitored through the implementation of a Quality Assurance and Improvement Programme, the results of which will be reported annually to the Audit Committee

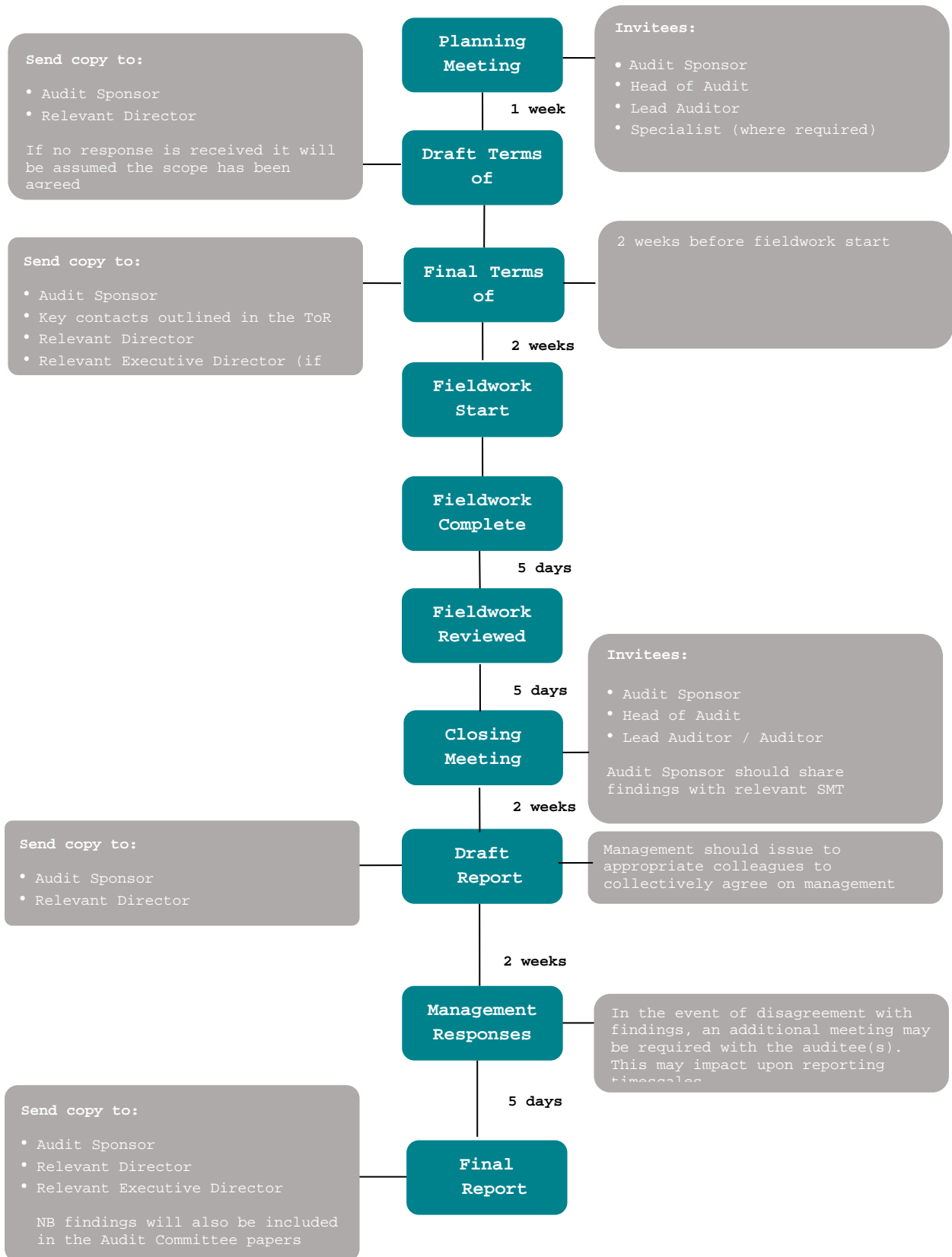
Results of internal assessment and external assessments conducted by a qualified, independent assessor once every five years will be communicated to senior management and the Audit Committee. The Head of Audit will also periodically report to senior management, the Assurance Services purpose, authority, and responsibility.

## Internal Audit Protocol

This Audit Protocol provides the framework for the way in which Assurance Services in Home Group will deliver individual internal audit reviews. The protocol provides details of the key activities within each review and the planned timing of these activities. The protocol also sets out how the Executive and Senior Management can expect to interact with the Assurance Services team throughout an audit and their own responsibilities within the process.

The protocol is set out on the next page.

**Internal audit protocol: key milestones**





## Performance standards

To ensure your internal audit service, provided by Assurance Services, is accountable to the Audit Committee, Executive and Senior Management, we have developed a number of key performance indicators to meet in delivering the annual audit plan.

Key Performance Indicator	Target
<b>Productivity and General Audit Management</b>	
Audits budgeted v actual	90%
Audit efficiency (budget days to actual)	90%
Terms of Reference agreed promptly by management	100%
% of recommendations agreed	95%
Draft reports issued promptly	100%
Management respond to reports and agree actions promptly	100%
Final reports issued promptly by Assurance Services	100%
<b>Efficiency</b>	
Achievement of financial budget	Within 5% +/- of financial budget
<b>Quality</b>	
Average Assurance Services Feedback Survey Results	90% Strongly Agree/Agree
<b>Compliance with Standards</b>	
External Quality Assessment Completed	every 5 years
Self-Assessment against Standards	every 3 years
Internal Audit Charter review	every 2 years

## Assurance Services: Key Contact Information

Group E-mail: [AssuranceServices@homegroup.org.uk](mailto:AssuranceServices@homegroup.org.uk)