

## Introduction

1. This Charter sets out the purpose, authority, and responsibility of the City Corporation's Internal Audit function, prepared in accordance with the UK Public Sector Internal Audit Standards (PSIAS) (2017) and the CIPFA Local Government Application Note (LGAN).
2. The Charter is reviewed annually and presented to the Audit and Risk Management Committee for approval.
3. The Internal Audit, Risk Management and Anti-Fraud functions at the City of London Corporation are provided to a number of bodies, including the City of London Police (excluding risk management), the Barbican Centre, the Guildhall School of Music and Drama, and the City Corporation's Independent Schools. Where reference is made to the City Corporation, these bodies will be deemed to be included in the objectives and requirements of this Charter.

## Role of Internal Audit

4. The City of London Corporation has adopted the PSIAS mandatory definition of internal auditing, as specified by the Chartered Institute of Internal Auditors' International Professional Practices Framework (IPPF):

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

5. Internal Audit seeks to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight, specifically:
  - Assessing whether all significant risks are identified and reported appropriately to Members and Senior Leadership
  - Assessing the design and operation of key controls to determine whether they are effective at mitigating significant risks
  - Challenging Senior Leadership to improve the effectiveness of governance, risk management and internal controls by providing assurance over the effectiveness of the first and second line of defence functions.

## Scope and Purpose

6. The scope of Internal Audit work is unrestricted and is based on Internal Audit's independent assessment of the key risks faced by the City of London Corporation and how effectively these risks are being managed.
7. Internal Audit may undertake assurance projects at the request of Audit and Risk Management Committee or the Audit (Sub) Committees of the institutions. In addition,

Internal Audit may undertake lessons learned reviews following significant adverse events.

8. Internal Audit validates that management actions arising from audits have sustainably remediated the control weaknesses identified.
9. The Team provides advice and guidance to management on governance, risk and control and may engage with the City's Corporate and Departmental change projects providing expert independent and objective advice on the design of internal controls. The Head of Audit and Risk Management will ensure that the independence of future Internal Audit assurance work is not compromised through this activity.

### Independence and Authority

10. Internal Audit receives its authority from the Audit and Risk Management Committee, this Committee will fulfil the functions of the "board", as defined in the Public Sector Internal Audit Standard.
11. The Internal Audit function has unrestricted access to all Corporation records and information, both manual and computerised, cash, stores and other Corporation property or assets it considers necessary to fulfil its responsibilities. Internal Audit may enter City Corporation property and has unrestricted access to all locations and officers where necessary on demand and without prior notice. Right of access to other bodies funded by the Corporation should be set out in the conditions of funding.
12. Although line-managed by the Chamberlain, the Head of Audit and Risk Management has direct access to the Town Clerk, Comptroller and City Solicitor, the Chairman of Audit and Risk Management Committee and the Chairmen of the Audit (Sub) Committees (or equivalent) for those bodies under the remit of the City Corporation.
13. In addition to reporting formally to Members at Audit and Risk Management Committee meetings, the Head of Audit and Risk Management has access to all Members of City of London Committees in the reporting and discussion of Internal Audit work.
14. All Internal Audit staff are responsible for being independent, objective, and constructive in the conduct of their work and avoiding conflicts of interest and personal, business or other issues that may impair impartiality.

### Head of Audit and Risk Management Responsibilities

15. The Head of Audit and Risk Management fulfils the role of the Chief Audit Executive (as required by the PSIAS) and is required to provide an annual opinion on the adequacy and effectiveness of the system of internal control for the whole Corporation and not limited to financial controls. In order to achieve this, the Internal Audit function has the following objectives:
  - Developing and delivering an audit plan that focuses on the key risks to the City Corporation, providing assurance that significant risks to the Corporation's objectives are being managed and reporting progress on delivery of this plan to Audit and Risk Management Committee

- Attending and presenting reports at the relevant Audit and Risk Committees and to senior management as appropriate. This includes reporting significant findings and their root causes and providing opinions on the effectiveness on the governance, risk management and control environment within systems reviewed
- Provide assurance to management that the Corporation's operations are being conducted in accordance with external regulations, legislation, internal policies and procedures
- Provide advice and support to management to enable an effective control environment to be maintained
- Investigate concerns of irregularity
- Accessing additional expertise and resource through the use of third parties e.g. professional services firms. In appointing third parties the Head of Audit and Risk Management considers the following factors: competence, independence and objectivity.

16. The Head of Audit and Risk Management will report on conformance with the PSIAS in their annual report. An independent peer review will be undertaken at least every five years to assess the Internal Audit function's compliance with these standards.

### Standards of Audit Practice

17. The Public Sector Internal Audit Standards (PSIAS), which came into effect on 1 April 2013 and most recently revised in 2017 are **mandatory** for the City of London Corporation, the service is designed and operates within these.
18. This is also in accordance with the IPPF, which includes the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics.
19. Internal Audit officers are required to follow the CIIA's Code of Ethics which is a statement of principles and expectations governing behaviour required in the conduct of internal auditing.
20. In addition, Internal Audit officers must comply with Internal Audit's policies and procedures and those of the City Corporation together with any other relevant professional bodies' standards of conduct. Auditors must possess the knowledge, skills and disciplines necessary to discharge their responsibilities.

### Additional Responsibilities of the Head of Audit and Risk Management

21. **Provision of Services to Outside Bodies** - The City of London Corporation Internal Audit function provides Internal Audit services under a service level agreement to London Councils and the Museum of London. In addition, Internal Audit will occasionally provide assurance to Central Government on the appropriate use of ring-fenced grants or performance returns where required by grant conditions.
22. **Risk Management** - Providing risk management support to the City of London by promoting the consistent use of risk management and ownership of risk at all levels within the City. Achieved through the development and review of the risk management framework, including facilitation of the City of London Corporate Risk Register.

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23. **Anti-Fraud and Corruption** - Promoting fraud awareness and maintaining an effective anti-fraud and corruption function, acting as a central function for the investigation of irregularities and, where criminal investigation is considered appropriate, to liaise directly with the Police and advise departments on such matters. The Section plays a specific anti-fraud and investigation role in relation to Housing Tenancy Fraud and the investigation of serious whistleblowing concerns raised through the City of London Whistleblowing policy.
24. Independent assurance as to the adequacy and effectiveness of Risk Management and Anti-Fraud and Corruption arrangements will be provided to senior management and the Audit and Risk Management Committee through periodic external assessment.

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