

<b>Committee(s)</b>	<b>Dated:</b>
Audit and Risk Management Committee	08/07/2024
<b>Subject: Internal Audit Charter</b>	<b>Public</b>
<b>Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?</b>	<b>N/A</b>
<b>Does this proposal require extra revenue and/or capital spending?</b>	<b>N</b>
<b>If so, how much?</b>	<b>N/A</b>
<b>What is the source of Funding?</b>	<b>N/A</b>
<b>Has this Funding Source been agreed with the Chamberlain's Department?</b>	<b>N/A</b>
<b>Report of: the Chamberlain</b>	<b>For Decision</b>
<b>Report author: Matt Lock Head of Internal Audit</b>	

### **Summary**

The Internal Audit Charter provides a blueprint for how Internal Audit will operate and allows the governing body to clearly signal the value it places on the independence of Internal Audit. The Charter is a mandatory requirement of the Global Internal Audit Standards, which also specify what the Charter should contain.

The Head of Internal Audit has prepared the Internal Audit Charter for the City of London Corporation using the model charter template provided by the standard setter.

### **Recommendation(s)**

In accordance with the requirements of the Global Internal Audit Standards, the Audit and Risk Management Committee is asked to approve the Internal Audit Charter.

## Main Report

### Background

1. It is a mandatory requirement of the Global Internal Audit Standards that an Internal Audit Charter is in place to help govern the Internal Audit function. This is a formal document that defines the purpose, authority, responsibility, and position of Internal Audit within the organisation. While an Internal Audit Charter has been a requirement for many years, the Global Standards, issued in 2024, specify greater depth. The key elements of an Internal Audit Charter are:
  - **Introduction:** Explaining the overall role, mission, and purpose of Internal Audit.
  - **Authority:** Stating Internal Audit's full access to the records, physical property, and personnel required to perform its work.
  - **Professional Standards:** Specifying the requirement to conform to the Global Standards.
  - **Organisation and Reporting Structure:** Establishing reporting lines for the Head of Internal Audit.
  - **Independence and Objectivity:** Signalling the value placed on Internal Audit's independence.
  - **Responsibilities:** Defines the scope of Internal Audit activities.
  - **Quality Assurance and Improvement:** Committing to continuous improvement in relation to Internal Audit Activity.

### Current Position

2. The Global Institute of Internal Auditors provides a template for a model Internal Audit Charter, this template has been adopted for the City of London Corporation's Internal Audit function, Appendix 1 to this report. The model charter contains all mandatory elements and, other than to adapt some terminology to that more familiar to the organisation, has only limited scope and requirement for customisation. The following adaptations have been made for the Internal Audit Charter for the City of London Corporation:
  - i. Inserted "The City of London Corporation" throughout
  - ii. Replaced "the Board" with "the Audit and Risk Management Committee", in accordance with guidance from CIPFA. Note that Court of Common Council is "the Board", the Audit and Risk Management Committee receives its authority directly from the Court of Common Council and, therefore, fulfils the functions of the "Board" in relation to Internal Audit matters.
  - iii. Replaced throughout "Chief Audit Executive" (the internationally recognised designation for the role) with Head of Internal Audit.
  - iv. The "Board Oversight" section is content that has not previously been included within the Audit Charter, there is some overlap with Terms of Reference for the Committee, inclusion within the Charter provides greater transparency in demonstrating conformance with the standards.
  - v. The following points have been removed from the "Board Oversight" section on the basis that this is not within the current remit or authority of the Audit and Risk

Management Committee, it may be that forthcoming revised Public Sector Internal Audit Standards provide further guidance on these elements:

- Approve the Internal Audit function's human resources administration and budgets.
- Approve the internal audit function's expenses.
- Collaborate with senior management to determine the qualifications and competencies the organisation expects in a chief audit executive, as described in the Global Internal Audit Standards.
- Authorise the appointment and removal of the chief audit executive.
- Approve the remuneration of the chief audit executive.
- Review the chief audit executive's performance.

Similarly, the following was removed from "Communication with the Audit and Risk Management Committee and Senior Leadership":

- The Head of Internal Audit will report periodically to the Audit and Risk Management Committee and Senior Leadership regarding:
  - The Internal audit budget

3. Approval of the Internal Audit Charter is a key part of establishing the Internal Audit function's remit and authority.

### **Corporate & Strategic Implications**

4. Internal Audit provides assurance as to the adequacy of the City of London Corporation's systems of internal control and governance and risk management arrangements.

### **Conclusion**

5. The Internal Audit Charter is vital to the success of Internal Audit, the Standards require this to be reviewed annually and approved by the governing body. In the case of the City of London Corporation, the Audit and Risk Management Committee is deemed the governing body.

### **Appendices**

- Appendix 1 – Internal Audit Charter 2024

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