



Meeting	Audit, Risk And Assurance Committee
Date	22 June 2023
Location	MS Teams
Title of Paper	Internal Audit Charter
Presented By	Claire Robertson, BDO, Risk and Advisory Services Director
Recommendation to Members	For Discussion
Appendix Attached	Appendix A – Internal Audit Charter

PURPOSE

To provide the Audit, Risk and Assurance Committee (ARAC) the opportunity to review the Internal Audit Charter by the new internal audit provider, BDO.

The paper is presented in line with the corporate governance framework of the Scottish Police Authority (SPA) and Audit, Risk and Assurance Committee (ARAC) terms of reference and is submitted for consultation.

1 Background

- 1.1 BDO were appointed the internal audit providers for Scottish policing for a 3 year period commencing April 2023.
- 1.2 A commitment to develop an internal audit charter was included in the mobilisation plan for the contract.

2 FURTHER DETAIL ON THE REPORT TOPIC

- 2.1 The Internal Audit Charter, shown at **Appendix A**, formally defines internal audit's purpose, authority and responsibility in line with the Chartered Institute of Internal Auditors (CIIA) Attribute Standard 1000, Performance Standard 2060, and Implementation Standards 1000, A1 & C1.
- 2.2 The charter describes internal audit's position within the organisation and defines the scope and limitations of internal audit activities and its relationship with the Audit, Risk and Assurance Committee and Senior Management.
- 2.3 Within this document, BDO has also included performance indicators that are within the control of Internal Audit, which will be reported on to each ARAC meeting.

3 FINANCIAL IMPLICATIONS

- 3.1 There are no financial implications in this report. The cost associated with the delivery of internal audit, in line with the plan and contract and is included in the SPA budget for 2023/24

4 PERSONNEL IMPLICATIONS

- 4.1 There are no personnel implications in this report.

5 LEGAL IMPLICATIONS

- 5.1 There are no legal implications in this report.

6 REPUTATIONAL IMPLICATIONS

- 6.1 There are no reputational implications in this report.

7 SOCIAL IMPLICATIONS

7.1 There are no social implications in this report.

8 COMMUNITY IMPACT

8.1 There are no community implications in this report.

9 EQUALITIES IMPLICATIONS

9.1 There are no equality implications in this report.

10 ENVIRONMENT IMPLICATIONS

10.1 There are no environmental implications in this report.

RECOMMENDATIONS

Members are invited to discuss the charter and provide any feedback on the contents.



SCOTTISH POLICE AUTHORITY

INTERNAL AUDIT CHARTER

March 2023

Updated May 2023 to include Performance KPIs

IDEAS | PEOPLE | TRUST



INTERNAL AUDIT CHARTER

Purpose of this Charter

This Charter formally defines internal audit's purpose, authority and responsibility in line with the Institute of Internal Auditors' (IIA):

Attribute Standard 1000,

Performance Standard 2060, and

Implementation Standards 1000.A1 & C1.

This Charter establishes internal audit's position within the Scottish Police Authority and defines the scope and limitations of internal audit activities and its relationship with the Audit, Risk and Assurance Committee and Senior Management.

Standards for the Professional Practice of Internal Auditing

The internal audit function undertakes its work in line with the mandatory elements of the IIA'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 as set out by the Global IIA.

Internal Audit's purpose

Internal audit provides independent, objective assurance and consulting activity designed to add value and improve the 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.

Internal audit acts primarily to provide the Audit, Risk and Assurance Committee with the information necessary for it to fulfil its own responsibilities and duties. Implicit in internal audit's role is that it supports the organisation's management to fulfil its own risk, control and compliance responsibilities.

Internal Audit's authority

Internal audit staff are authorised to:

- ▶ Have full, free and unfettered access to all of the organisation's records, property, and personnel relevant to the performance of engagements; **whilst being accountable for the confidentiality and safeguarding of such records and information.**
- ▶ Obtain assistance from the necessary organisation's personnel in relevant engagements, as well as other specialised services from within or outside the organisation.

The Head of Internal Audit will have unrestricted access to the Audit, Risk and Assurance Committee and retain the right to meet *in camera* with the Audit, Risk and Assurance Committee, without management present.

Internal audit has no authority or management responsibility for any of its engagement subjects.

Internal audit will not make any management decisions or engage in any activity which could reasonably be construed to compromise its independence.

Internal Audit's responsibility

The Head of Internal Audit is responsible for all aspects of internal audit activity, including strategy, planning, performance, and reporting.

Internal audit will:

Strategy

- ▶ Develop and maintain an Internal Audit Strategy
 - ▶ Review the Internal Audit Strategy at least annually with management and Audit, Risk and Assurance Committee.
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INTERNAL AUDIT CHARTER

Planning

- ▶ Develop and maintain an Internal Audit Plan to fulfil the requirements of this Charter and the Internal Audit Strategy
- ▶ Engage with management and consider the organisation's strategic and operational objectives and related risks in the development of the Internal Audit Plan
- ▶ Review the Internal Audit Plan periodically with management and adjust the plan as necessary to respond to any changes in business risks, operations, systems and controls
- ▶ Present the Internal Audit Plan, including updates, to the Audit, Risk and Assurance Committee for periodic review and approval
- ▶ Prepare an internal audit budget sufficient to fulfil the requirements of this Charter, the Internal Audit Strategy, and the Internal Audit Plan
- ▶ Submit the internal audit budget to the Audit, Risk and Assurance Committee for review and approval annually
- ▶ Coordinate with and provide oversight of other control and monitoring functions, including risk management, compliance and ethics, and external audit
- ▶ Consider the scope of the work of other assurance providers for the purpose of providing optimal audit coverage to the organisation.

Performance

- ▶ Implement the Internal Audit Plan
- ▶ Maintain professional resources with sufficient knowledge, skills and experience to meet the requirements of this Charter, the Internal Audit Strategy and the Internal Audit Plan
- ▶ Allocate and manage resources to accomplish internal audit engagement objectives

- ▶ Establish and maintain appropriate internal auditing procedures incorporating best practice approaches and techniques
- ▶ Monitor delivery of the Internal Audit Plan against the budget
- ▶ Ensure the ongoing effectiveness of internal audit activities
- ▶ Ensure the principles of integrity, objectivity, confidentiality and competency are upheld.

Reporting

- ▶ Issue a report to management at the conclusion of each engagement to confirm the results of the engagement and the timetable for the completion of management actions to be taken
 - ▶ Provide periodic reports to management and the Audit, Risk and Assurance Committee summarising internal audit activities and the results of internal audit engagements
 - ▶ Provide periodic reports to management and the Audit, Risk and Assurance Committee on the status of management actions taken in response to internal audit engagements
 - ▶ Report annually to the Audit, Risk and Assurance Committee and management on internal audit performance against the goals and objectives set out in the internal audit plan and any agreed key performance indicators
 - ▶ Report as needed to the Audit, Risk and Assurance Committee on management, resource, or budgetary impediments to the fulfilment of this Charter, the Internal Audit Strategy, or the Internal Audit Plan
 - ▶ Inform the Audit, Risk and Assurance Committee of emerging trends and issues that could impact the organisation.
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INTERNAL AUDIT CHARTER

Independence and internal audit's position within the organisation

To provide for internal audit's independence, its personnel and any contractors will report to internal audit function, who reports to the Audit, Risk and Assurance Committee. The Head of Internal Audit has free and full access to the Chair of the Audit, Risk and Assurance Committee.

Internal audit reports administratively to the Accountable Officer (Lynn Brown) or their delegate Head of Finance, Audit & Risk (John McNellis) who provides day-to-day oversight.

The appointment or removal of internal audit will be performed in accordance with established procedures and subject to the approval of the Chair of the Audit, Risk and Assurance Committee.

The internal audit service will have an impartial, unbiased attitude and will avoid conflicts of interest and perform engagements in such a manner that there are no quality compromises and judgement on audit matters is not subjugated to others.

If the independence or objectivity of the internal audit service is impaired, details of the impairment will be disclosed to either the Accountable Officer (Lynn Brown) or the Chair of the Audit, Risk and Assurance Committee, dependent upon the nature of the impairment.

The internal audit service is not authorised to perform any operational duties for the organisation; initiate or approve accounting transactions external to the internal audit service; or direct the activities of any the organisation employee not employed by the internal auditing service, except to the extent such employees have been appropriately assigned to service or to otherwise assist the internal auditor.

Internal Audit's scope

The scope of internal audit activities includes all activities conducted by the organisation. The Internal Audit Plan identifies those activities that have been identified as the subject of specific internal audit engagements.

Assurance engagements involve the objective assessment of evidence to provide an independent opinion or conclusions regarding an entity, operation, function, process, system or other subject matter. The nature and scope of the assurance engagement are determined by internal audit.

Consulting engagements are advisory in nature and are generally performed at the specific request of management. The nature and scope of consulting engagements are subject to agreement with management. When performing consulting services, internal audit will maintain objectivity and not assume management responsibility.

Quality Assurance Improvement Programme (QAIP)

The internal audit function will maintain a QAIP. The programme will include an evaluation of the internal audit activity's conformance with The Standards and an evaluation of whether the internal auditors apply The IIA's Code of Ethics. The plan will assess the efficiency and effectiveness of internal audit and identify opportunities for improvement.

Periodic reporting on compliance against Professional Standards

Internal audit will periodically report to the Audit, Risk and Assurance Committee to:

- ▶ Confirm the independence of the function on at least an annual basis.
- ▶ Report annually on conformance with The IIA's Code of Ethics and the Standards.
- ▶ Confirm the maintenance of a QAIP, and
- ▶ Report on the results of internal assessments and the results of the external quality assessments (undertaken at least once every 5 years by a qualified, independent assessment team).

Approval and validity of this Charter

This Charter shall be reviewed and approved annually by management and by the Audit, Risk and Assurance Committee on behalf of the Board of the organisation.

PERFORMANCE

Internal Audit Success

We want KPIs we have set up to be aligned with our common goal, which is Internal Audit Success. However, a successful audit relationship cannot be achieved without **strong commitment from both sides and collaboration** between the organisation and IA. For example, we would not be able to deliver an audit report on time for ARAC submission without the organisation’s timely response and commitment to the agreed timeline. Thus, we would like to highlight to ARAC that the measures we have presented to you are those within the control of IA.

Internal Audit Performance Measures and Indicators

Performance measurement is the use of measures and associated targets to assess objectively the performance of a body. It is now well established as an important means of improving performance and reinforcing accountability.

BDO LLP has been appointed as internal auditors to SPA, subject to satisfactory performance. Consequently, there is value in reviewing the quality of our service on a regular basis.

Internal audit performance can be assessed in two ways. Firstly, there is the ability for us to self-assess our performance on a regular basis and report back to the Audit, Risk and Assurance Committee (ARAC) on certain measures around inputs and satisfaction from those officers who have been subject to a review. Secondly, the view of the ARAC as to the value being received from its internal audit provider has to be taken into account.

For each ARAC meeting going forward, we will produce the Audit Committee progress report with measures reported to each KIPs listed to the right for our ongoing performance reviewing.

Internal Audit Efficiency

- In-scope audits are completed to their planned ARACs (please refer to the timeline)
- All in-scope audits for FY2023/2024 are completed by 31 March 2024 with scheduled Q4 audits being in draft report stage.
- Annual Internal Audit report/opinion is presented to the May 2024 ARAC.

Internal Audit Quality

- All recommendations made to each audit are discussed with the management. Agreed recommendations are logged into the system for following up.
- All audits are led and reviewed by qualified staff, with audits required to be involved with SMEs from other teams.
- Customer Satisfaction survey results



Internal Audit Engagement

- Regular liaison meetings with SPA/PS Audit & Risk teams; with PS management; and with HIMCS and external auditor.
- Initial Term of Reference of the audit is issued 4 to 6 weeks ahead of fieldwork starting date.
- Internal audit issues draft audit report within 10 working days of closing meeting.
- Finalised audit report issued to stakeholders within 3 working days of final management responses being received and agreed.

Internal Audit Finance

Actual vs Budgeted days of audits are provided to ARAC.



FOR MORE INFORMATION:

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