

INTERNAL AUDIT CHARTER 2008

Function

Internal audit primarily provides an independent and objective opinion to the Accounting Officer on risk management, control and governance. Internal Audit's findings are also of benefit to line management in the audited areas.

Independence

Internal Audit is independent of the activities which it audits to ensure that the judgements essential to its proper conduct and impartial advice to management are unbiased. It reports on a regular basis to the Audit Committee but has a direct line of access to and is ultimately directly accountable to the Accounting Officer.

Access

It has unrestricted access to all the records, assets, personnel and premises and has the authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities.

Role and Scope

Internal Audit will operate to the Government Internal Audit Standards. It fulfils its role by systematic review and evaluation of risk management, control and governance which comprises the policies, procedures and operations that management have put in place to:

- Establish, and monitor the achievement of, the organisation's objectives
- Identify, assess and manage the risks to achieving the organisation's objectives
- Advise on, formulate and evaluate policy, within the responsibilities of the Accounting Officer
- Ensure the economical, effective and efficient use of resources
- Ensure compliance with established policies (including behavioural and ethical expectations), procedures, laws and regulations

- Safeguard the organisation's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption
- Ensure the integrity and reliability of information, accounts and data, including internal and external reporting and accountability processes.

In order to support this role the HIA maintains an audit strategy in line with the best practice guidance issued by HM Treasury.

Reporting

Once reports have been agreed and finalised with line management a copy of the final report is copied to the following:

- Line management and sponsor responsible for the area in question
- Members of the Departmental Audit Committee
- Attendees of the Departmental Audit Committee inc. the NIAO

Progress reports are submitted to the DAC on a monthly basis and include significant issues arising from IA work.

An annual report is submitted to the DAC which provides the DAC with the HIA's overall opinion on corporate governance, risk management and control within the Department, its agencies and satellite bodies. It additionally reports on the Internal Audit performance against Internal Audit key targets.

IA Procedures

Internal Audit provides an annual draft plan for the forthcoming financial year to the DAC, in the spring, for their consideration. This forms the basis of IA work during the coming year. The HIA is tasked with maintaining a professional core of staff with the necessary skills and experience to deliver the IA service for the year ahead. During the course of the year the plan is varied as necessary to take account of altered circumstances and new or emerging risks, with the approval of the DAC.

Fraud

Managing the risk of fraud is the responsibility of management. Management is responsible for instituting appropriate measures to ensure that an adequate system of control has been designed and is operational over all activities.

Internal Audit is responsible for evaluating the controls designed within the

system that reduce the risk of fraud or abuse of the Department's assets. It is a requirement that the HIA is informed of all instances of suspected or detected fraud in order that he can consider

- The adequacy of the relevant controls
- Evaluate the impact of the fraud to inform the opinion on risk management, control and governance
- Consider making recommendations to line management regarding any need for detailed investigation and improvement in control.

Internal Audit can also carry out fraud investigations at the request of management in line with the Department's Fraud Policy and Fraud Response Plan.

Consultancy Role

Within the NIO the Departmental Audit Committee has taken the view that internal audit will not carry out consultancy assignments although it will offer ad hoc advice to line management when requested. Where substantial pieces of advice have been provided the HIA will endeavour, where practical, not to use that individual in subsequent audits of that area for at least two years.

Inter-Departmental Systems

The HIA is responsible for ensuring that inter-departmental systems and interfaces have been identified and an agreed approach put in place for the giving and receiving of appropriate assurances. This will be an area of significance in the months ahead as the Department becomes more involved in shared services.

Appointment of Head of Internal Audit

A HIA will be required to hold an appropriate professional qualification and must be GIAC qualified. Should a new HIA join the department from the private sector they will need to contact ACR in HM Treasury for formal award of GIAC following submission of a CV outlining details of academic achievement and relevant work experience. Evidence that GIAC can be satisfied would need to be available to the department prior to the

appointment being made. The HIA will also have spent a period of time in a management role within internal audit. The post will be filled through a trawl process.

Bodies Outside the Core

The NIO IA unit also has the responsibility to provide the IA service to each NIO Agency. (Until the heads of the CSO and PPS become accounting officers in their own right those organisations are effectively treated as a part of the core.) Internal Audit services are provided on the same basis as that to the core and the summarised findings are made available to the DAC in the HIAs annual report or, should a significant issue arise in-year which would impact on the Department, this is reported directly to the DAC.

Satellite bodies outside the orbit of the core and agencies are largely audited on an outsourced basis. The HIA in the department, together with the sponsoring branches, receive copies of all final reports and annual reports. The significant findings from these reviews are also reported by the HIA to the DAC. The sponsoring branches are responsible for ensuring action within sponsored bodies to remedy identified deficiencies. Further detail on the arrangements pertaining to the audit of satellite bodies is contained in annex A.

Directors should report any significant audit findings in satellite bodies through the twice yearly assurance statements.

Accounting Officer _____

Date _____

INTERNAL AUDIT ARRANGEMENTS IN NIO AGENCIES, NDPBs and STATUTORY BODIES etc. FUNDED BY THE NIO

1. As noted in the final paragraph of the Charter the NIO Internal Audit unit provides the internal audit service to the core Department, the NIPS, the Compensation Agency, FSNI and the Youth Justice Agency and a small number of satellite bodies which, to all intents and purposes, are treated as a part of the core for IA purposes.
2. Each Agency has its own Audit Committee with its own terms of reference together with terms of reference for the performance of internal audit in those bodies. When providing the audit service in those bodies the HIA works to each Accounting Officer A.O. in the same way as he does for the NIO A.O. When individual assignment reports are finalised in each body a copy of the report is copied to the appropriate Fraser figure in the Department for information. An annual report is provided for each individual body expressing an audit opinion in the same manner as takes place for the Department. The Head of Audit uses the information contained within each annual report to inform his overall opinion on the state of risk management, internal control and corporate governance within the Department when the Department's annual report is being written.
3. Bodies outside the core and agencies but currently within the remit of NIO Internal Audit are listed at the end of this annex. These bodies are treated for audit purposes as a part of the Department and feature on Departmental Internal Audit plans with the resulting reports being directly available to the Department's Audit Committee. They are effectively audited in the same manner as any other part of the core Department and will only feature in an audit plan on the basis of an appropriate risk analysis.

4. A number of other bodies are also funded by the NIO which do not have their own in-house internal audit service; the audit service is bought in. This can either be a stand alone contract negotiated by the body itself or via means of a central call off contract.
5. It has been agreed that when IA reports are completed in each body that a copy of the report is passed to both the NIO HIA and to the sponsoring branch. These reports should include:
 - individual internal audit assignment reports once agreed with management;
 - a copy of the HIA's annual report on the organisation; and
 - a copy of any external quality assurance report on the internal audit service.
6. Receipt of this information will enable the Departmental HIA to obtain assurance that an appropriate internal audit service is being performed within each of these bodies and that the output can be relied upon. The Departmental HIA will provide feedback to the Departmental Audit Committee on the work being performed in these bodies and again use the findings to inform his own overall opinion on the state of risk management, internal control and corporate governance throughout the NIO.
7. The sponsoring branches should use the information to ensure that all agreed recommendations are being implemented in accordance with the agreed timeframe and as an information source for the completion of the twice yearly assurance statements.

List of Bodies Currently Within the Remit of NIO IA

Crown Solicitors Office

Public Prosecution Service

State Pathology

Civil Service Commissioners

Assessor of Military Complaint Procedures

Commissioner for Detained Terrorist Suspects

Life Sentence Review Commissioners

Sentence Review Commissioners

Law Commission

NIO Satellite Bodies with Outsourced IA

N.I. Human Rights Commission

Parades Commission

Probation Board for N.I.

Electoral Office

N.I. Policing Board

PSNI

Office of the Police Ombudsman

N.I. Police Fund

P.R.R.T.

Criminal Justice Inspectorate

R.U.C. George Cross Foundation

Prisoner Ombudsman

Independent Monitoring Commission