



Merthyr Valleys Homes

Internal Audit Charter

Approved at the November 2021 Audit Committee



1. INTRODUCTION

- 1.1. This Charter defines the internal audit activity's purpose, authority and responsibility for the service for Merthyr Valleys Homes.
- 1.2. Your internal audit service is provided by Barcud Shared Services as defined in the Members Agreement and annually issued Engagement Letters.
- 1.3. Your key internal audit contact is:

Nigel Ireland, Head of Internal Audit	
Mobile:	Redacted
Email:	Redacted

- 1.4. This Charter has been prepared to define the scope of internal audit activities and has been prepared in line with the Institute of Internal Auditors' International Standards.

2. ROLE & DEFINITION OF INTERNAL AUDIT

- 2.1. The Institute of Internal Auditors (IIA) states the Mission of Internal Audit is "to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight."
- 2.2. The (IIA) defines internal audit as:
 - an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations;
 - an activity that helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.
- 2.3. Internal Audit is a key part of the assurance framework for Merthyr Valleys Homes and, if used appropriately, can assist in informing the risk profile of the organisation. Internal Audit reviews and evaluates the risk management, control and governance arrangements that the organisation has in place, with a view to providing the organisation with assurance that processes are adequate and operating effectively.
- 2.4. As well as conforming to the IIA's International Professional Practices Framework (IPPF), which includes the Definition of Internal Auditing, International Standards and Code of Ethics, you are also required to have an internal audit service that meets the requirements of the Public Sector Internal Audit Standards (PSIAS).

3. INDEPENDENCE & ETHICS

- 3.1. The independence of the Head of Internal Audit is assured by Barcud Shared Services being independent of Merthyr Valleys Homes and the reporting structure being to the Deputy Chief Executive, with further reporting lines to the Audit Committee and the Chair of that Committee.
- 3.2. The Head of Internal Audit has unrestricted access to the Chair of the Audit Committee, to whom all significant concerns relating to the adequacy and effectiveness of risk management activities, internal control and governance are reported.
- 3.3. Threats to independence will be managed at the individual auditor, engagement, functional and organisational levels as required.

4. RESPONSIBILITIES

4.1. The Head of Internal Audit has a responsibility to:

- Develop a flexible Internal Audit Strategy and a more detailed Internal Audit Annual Plan. These will be submitted to the Audit Committee for review and approval each year before work commences on delivering that plan.
- Implement the audit plan as approved, including any additional tasks as required by management and/or the Audit Committee.
- Ensure the internal audit team consists of professional audit staff with sufficient knowledge, skills and experience, relevant to the work undertaken.
- Establish a Quality Assurance and Improvement Program to ensure the quality and effective operation of internal audit activities.
- Perform advisory activities where appropriate, beyond internal audit's assurance services, to assist management in meeting its objectives; examples may include workshop facilitation, project support and training.
- Provide consulting services to the organisation where the audit team: has sufficient resources to undertake the work without impacting upon the core Internal Audit plan; has sufficient knowledge, skills and experience; can maintain its objectivity and not assume management responsibility; and, is able to maintain its independence for future reviews of the area. Consulting activities will be agreed on an engagement by engagement basis and, if internal auditors have potential impairments to independence or objectivity relating to proposed consulting services, disclosure must be made to the client prior to accepting the engagement.
- Bring a systematic disciplined approach to evaluate and report on the effectiveness of risk management, internal control and governance processes.
- Evaluate and assess significant merging or consolidating functions and new or changing services, processes or operations within the organisation.
- Highlight control weaknesses and required associated improvements together with corrective action recommended to management based on an acceptable and practicable timeframe.
- Undertake follow up reviews to ensure management has implemented agreed internal control improvements within specified and agreed timeframes.
- Provide a list of significant measurement goals and results to the Audit Committee.
- Liaise with the external auditor for the purpose of providing optimal audit coverage to the optimal audit coverage to the organisation.

4.2. The management and staff of Merthyr Valleys Homes have a responsibility to:

- Work with the Head of Internal Audit to produce an Internal Audit Strategy and Annual Plan for presentation to the Audit Committee prior to the start of that Plan.
- Facilitate the undertaking of agreed internal audit engagements in an efficient and effective manner, including:
 - Reviewing and approving individual engagement's Terms of Engagement prior to the agreed fieldwork start date;
 - Ensuring required staff are available during the agreed engagement fieldwork dates;
 - Providing all information requested and responding to queries raised as part of the review in a timely manner; and
 - Arranging / providing access to systems and files, as necessary to complete the agreed engagement, in a timely manner.

- Ensure there is appropriate senior management over-sight of audit progress and delivery of the Annual Plan.
- Keep the Head of Internal Audit informed of significant changes and risks to the organisation that may affect the Internal Audit Strategy and/or Annual Plan.

5. REPORTING

- 5.1. The Head of Internal Audit shall issue progress reports to the Audit Committee summarising performance to date against delivery of the audit plan and summarising the outcomes of audit activities, including follow up reviews.
- 5.2. Individual engagement reports will be provided to the Audit Committee when finalised¹ and will be in the format agreed with the Committee. Engagement opinions form part of the framework of assurances that assist the Board in preparation of an informed Statement on Internal Control.
- 5.3. As the provider of the internal audit service to Merthyr Valleys Homes we are required to provide the Accounting Officer an opinion on the adequacy and effectiveness of the organisation's governance, risk management and control arrangements. In giving our opinion it should be noted that assurance can never be absolute; the most that the internal audit service can provide to the Board is reasonable assurance that there are no major weaknesses in risk management, governance and control processes. The annual opinion will be provided to the organisation at the financial year end.

6. AUTHORITY

- 6.1. The Head of Internal Audit and internal audit staff are authorised to:
 - Have unrestricted access to all functions, records, property and personnel which it considers necessary to fulfil its function.
 - Obtain and analyse data from the organisation's systems where applicable for a specific purpose in line with the internal audit plan and in line with an agreed scope.
 - Have full and free access to Merthyr Valleys Homes.
 - Allocate resources and time, define review areas, develop engagement scopes and apply techniques to accomplish the overall audit objectives.
 - Obtain assistance from personnel within the organisation where audits will be performed, including other specialised services from within or outside the organisation.
- 6.2. The Head of Internal Audit and internal audit staff are not authorised to:
 - Perform any operational or management duties for the organisation, except where explicitly related to the operation of the internal audit service.
 - Initiate or approve accounting transactions on behalf of the organisation.
 - Direct activities of any employee outside of the internal audit function.

7. COMPLAINTS & CONFLICTS OF INTEREST

- 7.1. Should the service to the organisation not be considered to be in line with this Charter or the standards of service expected the organisation may raise a complaint, which will be dealt with through the Barcud Shared Services Compliments and Complaints Policy, which can be made available on request.
- 7.2. Barcud Shared Services aims to deal with complaints informally where possible; however, should a formal complaint need to be raised this should be raised in writing to the Barcud Shared Services Group Finance Director or Group Chief Executive.

¹ Except where agreed specifically with the Committee; for example: the reporting of potentially 'red' rated reports.

- 7.3. Should the complaint be in relation to the Group Chief Executive and you do not feel that reporting it to the Group Finance Director is appropriate, a complaint may be made to the Chair of the Barcud Shared Services Board.
- 7.4. Conflicts of interest that may lead to a member of staff not being able to undertake their duties appropriately in line with this Charter may be identified by either party.
- 7.5. A record of any actual or potential conflicts of interest is maintained internally and any perceived conflicts of interest identified by Merthyr Valleys Homes should be reported to the Barcud Shared Services Group Finance Director or Group Chief Executive.
- 7.6. Where a conflict of interest is identified, action will be taken to limit its impact and such actions may include: replacing an auditor on an audit with an auditor that does not have a conflict; agreeing a limitation of scope to a review; or proposing the audit is undertaken by a third party.
- 7.7. Any conflicts of interest created from advisory work will be clearly stated in the Internal Audit Annual Report and different auditors used to provide assurance over that area if re-audited within three years.

8. DATA PROTECTION

- 8.1. Internal audit engagement files need to include sufficient, reliable, relevant and useful evidence in order to support our findings and conclusions. Personal / sensitive data is not retained unless required for a specific purpose and is not shared with unauthorised persons or organisations unless there is a valid and lawful requirement to do so. We are authorised as providers of internal audit services to our clients (under the Members Agreement and Engagement Letters) to have access to all necessary information from our clients needed to carry out our duties.
- 8.2. Personal data is not shared outside of Barcud Shared Services. The only exceptions would be where information is held on file that the external auditors have access to as part of their review of internal audit work, or where Barcud Shared Services has a legal or ethical obligation to divulge the information such as providing information to support a fraud investigation based on internal audit findings.
- 8.3. Barcud Shared Services operates to its own Data Protection Policy but will also operate within Merthyr Valleys Homes' relevant data protection policy in relation to work undertaken for the organisation.

9. FRAUD & WHISTLEBLOWING

- 9.1. The Audit Committee recognises that management is responsible for controls to reasonably prevent and detect fraud. Furthermore, the Audit Committee recognises that internal audit is not responsible for identifying fraud; however, it will assess the risk of fraud and be aware of the risk of fraud when planning and undertaking any internal audit work.
- 9.2. Under the Public Interest Disclosure Act 1998, individuals that make disclosures of perceived wrongdoing, 'whistleblowing', should be protected and Internal Auditors should use their best endeavours to ensure that the enterprise has appropriate and effective whistleblowing policies and procedures.
- 9.3. Internal Audit may be incorporated into Merthyr Valleys Homes' whistleblowing policy as an independent point of contact for concerns to be raised. In this situation, the anonymity of the whistle-blower will be protected wherever possible; although anonymity cannot be guaranteed. The Audit Committee and Management accept that Internal Audit will not be expected to reveal its sources of information where an informant approaches Internal Audit. Internal Audit will then follow the whistle-blowing policy of the organisation when investigating the allegations of the informant.

Agreed by the Merthyr Valleys Homes Audit Committee: 9 November 2021