

**AUDIT AND COMPLIANCE COMMITTEE**

**FOR APPROVAL**

**INTERNAL AUDIT MISSION AND CHARTER**

**BACKGROUND**

The Internal Audit Mission and Charter (Appendix 1) defines internal audit's purpose, authority and responsibility and sets out internal audit's position within SFC. It is good practice for the Charter to be reviewed annually by the Audit and Compliance Committee.

The SFC Internal Audit Mission and Charter meets the requirements of the Public Sector Internal Audit Standards.

The Internal Audit Mission and Charter was previously reviewed and approved by the Committee in March 2021.

**RECOMMENDATION**

It is recommended that the Audit and Compliance Committee approves the current Internal Audit Mission and Charter.

**Alan Browne**  
**Head of Internal Audit**  
**February 2022**

## INTERNAL AUDIT MISSION AND CHARTER

### Background

This Internal Audit Mission and Charter defines internal audit's purpose, authority and responsibility and sets out internal audit's position within the Scottish Funding Council (SFC), including the nature of the Head of Internal Audit's relationship with the Audit and Compliance Committee; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

SFC Internal Audit applies the Public Sector Internal Audit Standards (PSIAS). The PSIAS encompass the mandatory elements of the Institute of Internal Auditors International Professional Practices Framework. This Charter commits SFC Internal Audit to the mandatory elements; the Definition of Internal Auditing, the Code of Ethics and the International Standard.

This Internal Audit Mission and Charter will be reviewed annually and approved by the SFC Audit and Compliance Committee on behalf of the Council Board.

### Mission of Internal Audit

The mission of internal audit is to enhance and protect SFC's value by providing risk-based and objective assurance, advice and insight.

### Definition of Internal Auditing

Internal auditing within SFC is an independent, objective assurance and consulting activity designed to add value and improve SFC's operations. It helps SFC to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The Head of Internal Audit is responsible for the delivery of an internal audit service which meets this definition.

### Independence

Internal Audit is independent of the activities which it audits to ensure the unbiased judgements essential to its impartial advice to SFC management. Internal Audit will only undertake non-audit activities on an exceptional basis and the Head of Internal Audit will implement arrangements for avoiding conflicts of interest.

The Head of Internal Audit has direct and unrestricted access to the Chief Executive as Accountable Officer and the Audit and Compliance Committee of the Council Board.

### Authority and Accountability

Internal Audit derives its authority from the Accountable Officer and the Audit and Compliance Committee.

The Head of Internal Audit is responsible for managing the internal audit activity in accordance with the Internal Audit Charter, the PSIAS and the appropriate codes of ethics.

## **Role and Scope**

The overall objective of Internal Audit within SFC is to provide independent assurance on the adequacy and effectiveness of the systems of controls, which have been established to conduct the business of the organisation in a proper manner and ensure accountability for public funds. The internal audit activity must evaluate and contribute to the improvement of governance, risk management and control processes. This is achieved through internal audit reviews carried out and reported in accordance with the SFC Internal Audit Plan. The internal audit activity must evaluate and contribute to the improvement of governance, risk management and control processes.

Internal Audit follows a risk based internal audit approach. This is evidenced at the planning stage to determine the priorities of internal audit activity and within the scope of individual assignments. This enables SFC Internal Audit to provide independent assurance that risk management processes are being appropriately monitored by SFC management to ensure they continue to operate effectively. This includes assessing the identification of risks, the adequacy of responses, the completion of actions and ensuring the effectiveness of controls in place.

## **Fraud and Irregularities**

It is the responsibility of management, and ultimately the Accountable Officer, to maintain systems that ensure that the organisation's resources are utilised in the manner and on the activities intended. This includes the responsibility for the prevention and detection of fraud and other illegal acts.

Internal Audit will not be relied upon to detect fraud or other irregularities but will give due regard to the possibility of fraud and other irregularities in work undertaken. Additionally, Internal Audit will seek to identify weaknesses in control that could permit fraud or irregularity.

Internal Audit will carry out an investigation where there is reasonable suspicion of fraud or irregularities.

## **Reporting**

Individual reports will be prepared for each audit assignment setting out the nature of the work performed; a conclusion on the overall adequacy of the internal control environment operating within that area; and will include an action plan with clearly assigned responsibilities and target dates for completion. Reports will be discussed and agreed with Management.

Internal Audit will report formally to the Audit and Compliance Committee through the following:

- Quarterly reports on the results of its work, including an assessment of the adequacy and effectiveness of the organisation's systems of risk management and internal control, which highlights significant control issues and potential for improving risk management and control processes; and information on the status of the Internal Audit Annual Plan and the sufficiency of Internal Audit resources. Individual audit reports for each assignment will be provided.
- An annual report which confirms completion of the Audit Plan and includes the Head of Internal Audit's opinion on the adequacy and effectiveness of the framework of governance, risk management and control, which have been established to conduct the business of the organisation in a proper manner and ensure accountability for

public funds. The opinion is prepared for the Accountable Officer and Audit and Compliance Committee to support the Governance Statement.

### **Access**

Internal Audit will have the authority to access all SFC's information, documentation, records, assets, personnel and premises that it considers necessary to fulfil its role. This shall extend to the resources of third parties that provide services on its behalf.

All information obtained during the course of an internal audit review will be regarded as strictly confidential and shall not be divulged to any third party without the prior permission of the information owner. However, open access shall be granted to the external auditors.

### **Code of Ethics**

Internal Auditors will conform to the Institute of Internal Auditors Code of Ethics on integrity, objectivity, confidentiality and competency and will have due regard to the Committee on Standards of Public Life's Seven Principles of Public Life. In addition, individual internal auditors with membership of a professional body must also comply with the relevant requirements of that organisation.

### **Skills and Competencies**

Internal auditors must possess the knowledge, skills and other competencies needed to perform their individual responsibilities in delivering the Internal Audit Plan. The Head of Internal Audit and Audit Managers should hold a professional qualification and other staff will be encouraged to obtain appropriate professional certifications and qualifications. All staff will be encouraged to enhance their knowledge, skills and other competencies through continuing professional development.

The Head of Internal Audit will ensure appropriate resourcing to deliver the internal audit service and obtain expert advice and assistance where required to complete the Internal Audit Plan and/or individual assignments.

### **Quality Assurance**

The Head of Internal Audit is responsible for performance and for ensuring standards are defined, agreed and quality is monitored. Testing compliance with the standards laid down in the Internal Audit Manual is an essential element to such a review. The quality monitoring process should be reported to the Audit and Compliance Committee and include assessment against key internal audit performance measures. The Audit and Compliance Committee will formally assess the performance of internal audit on an annual basis, a key element being the work of the external auditor in reviewing internal audit activity. An independent external assessment will be performed every five years.