

# **WEST YORKSHIRE COMBINED AUTHORITY INTERNAL AUDIT CHARTER**

November 2018

## Purpose and mission

The purpose of The West Yorkshire Combined Authority's internal audit department is to provide independent, objective assurance and consulting services designed to add value and improve the Combined Authority's operations. The mission of internal audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight. The internal audit department helps the Combined Authority accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

## Standards for the Professional Practice of Internal Auditing

The internal audit department will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' 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. The Head of Internal Audit will report periodically to senior management (Senior Leadership Team) and the Governance & Audit Committee (the Board) regarding the internal audit department's conformance to the Code of Ethics and the Standards.

## Authority

The Head of Internal Audit will report functionally to the Governance & Audit Committee and administratively (i.e., day-to-day operations) to the Director of Resources. To establish, maintain, and assure that the Combined Authority's internal audit department has sufficient authority to fulfil its duties, the Governance & Audit Committee will:

- Approve the internal audit charter.
- Approve the risk-based internal audit plan.
- Approve the internal audit budget and resource plan.
- Receive communications from the head of internal audit on internal audit's performance relative to its plan and other matters.
- Approve decisions regarding the appointment and removal of the head of internal audit.
- Approve the remuneration of the head of internal audit.
- Make appropriate inquiries of management and the head of internal audit to determine whether there is inappropriate scope or resource limitations.

The Head of Internal Audit will have unrestricted access to, and communicate and interact directly with, the Governance & Audit Committee including in private meetings without management present.

The Governance & Audit Committee authorises the internal audit department to:

- Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to

accountability for confidentiality and safeguarding of records and information.

- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
- Obtain assistance from the necessary personnel of the Combined Authority, as well as other specialised services from within or outside the Combined Authority, in order to complete the engagement.

## Independence and objectivity

The Head of Internal Audit will ensure that the internal audit department remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the head of internal audit determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties for the Combined Authority or its affiliates.
- Initiating or approving transactions external to the internal audit department.
- Directing the activities of the Combined Authority employee not employed by the internal audit, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

Where the head of internal audit has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.

Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.

- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

The Head of Internal Audit will confirm to the Governance & Audit Committee, at least annually, the organisational independence of the internal audit department.

The Head of Internal Audit will disclose to the Governance & Audit Committee any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

### **Scope of internal audit activities**

The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Governance & Audit Committee, Senior Leadership Team, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for the Combined Authority. Internal audit assessments include evaluating whether:

- Risks relating to the achievement of the Combined Authority's strategic objectives are appropriately identified and managed.
- The actions of the Combined Authority's officers, directors, employees, and contractors are in compliance with the Combined Authority's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations or programs are consistent with established goals and objectives.
- Operations or programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the Combined Authority.
- Information and the means used to identify, measure, analyse, classify, and report such information are reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and protected adequately.

The Head of Internal Audit will report periodically to senior management and the Governance & Audit Committee regarding:

- The internal audit department's purpose, authority, and responsibility.
- The internal audit department's plan and performance relative to its plan.
- The internal audit department's conformance with the IIA's Code of Ethics and Standards, and action plans to address any significant conformance issues.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Governance & Audit Committee or Senior Leadership Team.
- Results of audit engagements or other activities.
- Resource requirements.
- Any response to risk by management that may be unacceptable to the Combined Authority.

The Head of Internal Audit also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed. The internal audit department may perform advisory and related client service activities, the nature and scope of which will be agreed with the client, provided the internal audit department does not assume management responsibility. Internal Audit will respond to requests for support, advice and guidance on implementing and/or improving best practice control procedures for current and new systems, provide support, advice and guidance on risk and controls to staff involved in the design and implementation of new systems.

Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

## Responsibility

The Head of Internal Audit has the responsibility to:

- Submit, at least annually, to senior management and the Governance & Audit Committee a risk-based internal audit plan for review and approval.
- Communicate to senior management and the Governance & Audit Committee the impact of resource limitations on the internal audit plan.
- Review and adjust the internal audit plan, as necessary, in response to changes in the Combined Authority's business, risks, operations, programmes, systems, and controls.
- Communicate to senior management and the Governance & Audit Committee any significant interim changes to the internal audit plan.
- Ensure each engagement of the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.
- Follow up on engagement findings and corrective actions, and report periodically to senior management and the Governance & Audit Committee any corrective actions not effectively implemented.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure the internal audit department collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the internal audit charter.
- Ensure trends and emerging issues that could impact the Combined Authority are considered and communicated to senior management and the Governance & Audit Committee as appropriate.
- Ensure emerging trends and successful practices in internal auditing are considered.
- Establish and ensure adherence to policies and procedures designed to guide the internal audit department.
- Ensure adherence to the Combined Authority's relevant policies and procedures, unless such policies and procedures conflict with the internal

audit charter. Any such conflicts will be resolved or otherwise communicated to senior management and the Governance & Audit Committee.

- Ensure conformance of the internal audit department with the Standards.

### **Quality assurance and improvement programme**

The internal audit department will maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity. The program will include an evaluation of the internal audit department's conformance with the Standards and an evaluation of whether internal auditors apply The IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement.

The Head of Internal Audit will communicate to senior management and the Governance & Audit committee on the internal audit department's quality assurance and improvement programme, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside the Combined Authority.

Signatures

Head of Internal Audit  
Date

Governance & Audit Committee Chair  
Date

Managing Director  
Date