Internal auditing charter

Risk Management & Internal Auditing Unit
Federal Secretariat

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At Humanity & Inclusion (HI), internal auditing is an activity carried out in conjunction with internal control and risk management processes with a view to satisfying two requirements:

- Internally, it ensures sound knowledge by our governance and executive management bodies of how the organisation and its activities operate;
- Externally, it ensures our organisation meets its regulatory and contractual obligations with statutory auditors, donors, ethical and quality certification bodies.

1. **Attachment and organisation of internal auditing activities**

At HI, internal auditing is overseen by two bodies:

- **At the executive level, the Risk Management Committee (CMR) which is attached to the Federal Directorate and headed by HI’s Managing Director.**
- **At governance level, the Audit Committee which is an offshoot of the Federal Board of Trustees and works in liaison with the CMR.**

The implementation of audit missions is the responsibility of Risk Management & Internal Auditing Unit. The Head of Unit is a member of the Risk Management Committee.

The main functions of Risk Management & Internal Auditing Unit are as follows:

- drawing up the annual internal audit plan;
- identifying, recruiting and preparing auditors to conduct audit missions;
- organising these audit missions with the bodies, services and programmes concerned;
- preparing and running meetings for the presentation of audit reports;
- forwarding the audit recommendations to the bodies, services, programmes or divisions concerned and compiling the actions plans drawn up by them to address the priorities identified and agreed upon at the audit report presentation meeting;
- organising an annual review of progress made on these action plans;
- informing the Risk Management Committee and the Audit Committee of the findings of internal audits and lessons learned.

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1. The IIA’s definition of internal auditing is as follows: “Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It 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. As well as its involvement in auditing, the Unit is also in charge of other activities related to quality, ethics, evaluation, transparency, and accountability.

3. Internal audit missions are outsourced. A frequently-renewed pool of external auditors has been constituted to conduct these missions on a pro bono basis. The Risk Management & Internal Auditing Unit has a specific budget for implementing its annual audit plan and financing any emergency audit missions.
Audit reports report on the overall adequacy and effectiveness of operations and any major problems observed in risk management, control and governance processes, as well as potential improvements to these processes.

The Head of Unit keeps the Federal Executive Division, Risk Management Committee and Audits Committee informed of the status and results of the annual audit plan and the adequacy of the Unit’s resources.

2.
Scope of internal auditing activities

- The Audit Committee is tasked with verifying the organisation’s risk management practice on behalf of the Federal Board of Trustees;
- Reporting to the Managing Director, the Risk Management Committee, attached to the Federal Directorate, is responsible for overseeing the deployment of these practices.

The scope of intervention of internal audits extends to the whole federal organisation and to HI’s national associations in all countries hosting federal network bodies or in which HI is running a programme.

The annual internal audit plan is approved by the Risk Management Committee. This plan is then presented to the Audit Committee. The themes/subjects of the audits in this plan are chosen to ensure that the bodies or divisions, functions and services of the Federation’s headquarters, the national associations of the HI network and the programmes being run in the field are all covered on a regular basis.

Internal audits are carried out:

- either according to this annual plan which is based on the priorities identified for ensuring the regular evaluation of processes;
- or in response to specific events, modifying de facto the annual plan drawn up by the Committee.

The launch of a non-programmed audit requires approval by the Risk Management Committee.

Internal audits review all administrative, accounting, financial, functional or operational processes.

3.
Cooperation of auditees

The governance bodies and operational and functional services to be audited are required to provide the auditors with unrestricted access to all information, records, premises, property and personnel directly or indirectly relevant to the audit.

The documents and information entrusted to the auditors for the purposes of their internal audit mission shall be handled with the required level of confidentiality.

4.
Auditors’ code of conduct

Internal auditors are required to respect and comply with the following fundamental principles:

- Independence
  The auditors are identified and recruited from outside the organisation (Federation or national associations) and must not be involved in the design or execution of operational tasks on behalf of the organisation;
- Integrity
  The integrity of internal auditors forms the basis of the trust and credibility accorded to their judgment.

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4. The annual internal audits plan is drawn up in response to priorities identified at the global level. It is independent of any control and verification measures put in place by managers to monitor the implementation of the activities they supervise within the framework of their managerial responsibility for internal control.

5. In accordance with the IIA Code of Ethics (https://na.theiia.org)

6. Independent auditors may occasionally be accompanied by HI staff who may assist them or even execute certain tasks. If this is the case, it should be clearly specified that the independent auditor remains solely responsible for the audit method, execution and report and shall also remain the point person for auditees.
Objectivity
The auditors exercise the highest level of professional objectivity in gathering, evaluating, and communicating information relative to the activity or process examined. They make a balanced assessment of all relevant aspects and are not unduly influenced by their own interests or by other people when forming their judgment;

Confidentiality
Auditors respect the value and ownership of the information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

Competence
Auditors have the necessary knowledge, skills, and experience to conduct the audit.

5.
Conducting an internal audit

There are several stages to an internal audit mission:

- Terms of reference (ToR) are drawn up prior to any intervention. These ToR are signed by the Head of Risk Management & Internal Auditing Unit who is responsible for the implementation of the internal audit plan and overseeing the audits. The ToR are forwarded to the head of the body, service or programme to be audited and copied to his/her line-manager. They provide the framework of the audit and all the information needed to ensure that both parties, auditors and auditees, are clear about its purpose, nature, date and duration. The ToR thus facilitate the organisation of the audit and ensure that the auditors’ and auditees’ work schedules are compatible, making it easier to arrange the necessary interviews and meetings.

- Before the audit investigations begin, there is a preparatory phase during which the auditors gather information and familiarise themselves with the area or service to be audited by means of interviews and documentary analyses.

- During the verification and analysis phase, the auditors identify the strengths and weaknesses of the subject of the audit and carry out a counterfactual analysis of the causes and consequences identified. The auditors keep the Head of Risk Management & Internal Auditing Unit informed at all times. S/he is their point person for any questions concerning the conduct of the mission or difficulties encountered.

- After completing their investigations, the auditors draft a report assessing the situation and making recommendations for improvements. A first draft of this report is examined with the auditees and the services concerned to give them an opportunity to react before the final version is circulated.

- The final report is presented to representatives of the Risk Management Committee in the presence of the relevant directors and managers and at the headquarters of the bodies, services or programmes audited. Members of the Board’s Audit Committee may attend these presentations.

- After the presentation meeting and on the basis of the recommendations approved at this meeting, an action plan is drawn up by the manager of the audited body or service and his/her line-management. Depending on the scale or nature of the recommendations, the Risk Management Committee will decide whether or not to take part in drawing up this action plan. The plan defines the timeline and the means by which the managers concerned will implement these recommendations.

- The action plans for the implementation of recommendations must be sent to the Head of Risk Management & Internal Auditing Unit within one month of the presentation of the audit report. The auditors will carry out an annual progress review of these action plans. The results of these reviews will be forwarded to the Managing Director and the chair of the Board’s Audit Committee.

7. Auditors are selected for their auditing skills, but also for their knowledge of the organisation and the sectors of activity concerned.
6.

Links between internal audits, internal control and risk management

Internal audits are intended to improve manager’s knowledge and understanding of the organisation’s governance and executive management (combination of processes and structures implemented in order to inform, direct, manage, and monitor the activities of the organisation with a view to achieving its objectives).

As well as improving the practices of the bodies, services and programmes audited, the exploitation of the results of internal audits should contribute towards the global improvement of oversight, internal control and risk management.

Internal auditing should also help the organisation maintain appropriate internal control procedures by evaluating their effectiveness and efficiency and encouraging their continual improvement.

Furthermore, internal auditing should contribute towards risk management, by ensuring that:
- the organisation’s objectives are consistent with and contribute towards achieving its mandate;
- major risks are identified and assessed;
- the methods used for handling risks are appropriate and adapted to the organisation’s positioning on risk-taking;
- information concerning risks is gathered and circulated within the organisation in a timely manner.
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Internal document
Access authorised for partner organisations
This charter defines the role of internal audits at Humanity & Inclusion (HI) and explains existing audit implementation mechanisms.

It outlines the rights and obligations of auditors and auditees in order to ensure compliance with the ethical, deontological and organisational rules in application at HI.

This charter draws on the International Standards for the Professional Practice of Internal Auditing.