Institutional policy

Internal audit charter

Audit Unit
Risks & Audit Division

Version updated
October 2020

PI l 07
## CONTENT

Foreword .................................................................................................................................3
1. Role and responsibilities of Audit Unit .............................................................................3
2. Attachment and organisation of Audit Unit .................................................................4
3. Scope of internal auditing activities ..................................................................................5
5. Code of ethics of internal auditors ....................................................................................6
6. Conducting an internal audit .............................................................................................7
7. Quality assurance and improvement programme .............................................................8
**Foreword**

This Internal Audit Charter defines and specifies the purpose, authority and responsibilities of the internal auditing activity at Humanity & Inclusion (HI).

The rights and obligations of auditors and auditees are also defined here 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.

![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.](

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.

Internal auditing is complementary to internal control and risk management and addresses two requirements:

- **internally**: ensuring that our governance and executive management bodies have sound knowledge of how the organisation and its activities operate;
- **externally**: ensuring that our organisation meets its regulatory and contractual obligations (with regard to our statutory auditors, main institutional donors and ethical or quality certification bodies)

### 1. Role and responsibilities of Audit Unit

Audit Unit covers internal auditing and evaluates the organisation’s governance, risk management and control processes, as defined by “HI”. Its recommendations help improve and optimise our global performance.

Internal auditing missions notably include:

- Identifying and controlling risks through a structured approach focused on the challenges facing HI and its professions (risk mapping remains the responsibility of the Head of Risk Management);
- Assessing the relevance and effectiveness of processes in terms of their compliance with applicable rules, standards, procedures, laws and regulations;

---

1 Definition of Internal Auditing, Institute of Internal Auditors’ (IIA) International Professional Practices Framework
• Evaluating proficiency with regard to operational and functional processes and the performance of operations in relation to HI’s strategic, operational and financial concerns;
• Verifying the integrity, reliability, completeness and traceability of the information produced (accounting, financial, management, etc.);
• Proposing areas of improvement or progress for the organisation;
• Participating, where appropriate, in certain consultancy missions requested by the Directorate.

Fundamental principles underpinning the professional practice of internal auditing:
1. Demonstrate integrity
2. Demonstrate competence and professionalism
3. Be objective and free from undue influence (independent)
4. Be in phase with the organisation’s strategy, objectives and risks
5. Be appropriately positioned and adequately resourced
6. Demonstrate the quality of internal auditing and its continuous improvement
7. Communicate effectively
8. Provide assurance using a risk-based internal auditing approach
9. Be insightful, proactive and forward-looking
10. Encourage progress within the organisation

2. Attachment and organisation of Audit Unit

Internal auditing is included in the Audit Unit and is attached:
 o Hierarchically, to the Risks & Audit Division:
    - The Director of Risks & Audit Division is Head of Internal auditing
    - The Head of Audit Unit is the internal auditor
 o Functionally, to two committees:
    - At the executive level: the Risk Management Committee, which is attached to the Federal Directorate and headed by the Managing Director, who is responsible for implementation.
    - At the thematic level: the Audit Committee, which is tasked with verifying the organisation’s risk management practices on behalf of the Federal Board.

In order to ensure Audit Unit’s independence, the internal auditor has free access to the Audit Committee. She reports to them annually on the overall level of performance of operations, any significant problems observed in the organisation's risk management, control and governance processes and potential improvements to these processes. She
regularly reports to senior management and the Federal Board on the state of progress and results of the annual audit plan and on the adequacy of Audit Unit’s resources.

HI’s internal auditor draws on and facilitates a network of internal auditors. These auditors are identified and recruited from outside the HI organisation (pro bono or skills sponsorship). There are selected for their proficiency in auditing techniques.

In some cases, HI personnel may participate in an internal auditing mission.

3. Scope of internal auditing activities

The scope of internal auditing activities extends to all the countries hosting federal network entities (Federation and National Associations) and to all the countries in which the Federation is running a programme.

To ensure the proper performance of its mission, and in conformity with its independence, the Audit Unit’s interventions are based on an "Annual Audit Plan" which it is responsible for drafting. This audit plan also takes into account any specific requests addressed to it by senior management. It is approved by the Risk Management Committee attached to the Federal Directorate, and presented to the Federal Board’s Audit Committee.

Audit Unit’s remit covers all administrative, accounting, financial, functional or operational processes. The themes/subjects of the audits are chosen to ensure coverage of all the entities or divisions, departments and services of all the countries in the HI organisation and all the Federation’s countries of intervention.

4. Cooperation of auditees

The governance bodies and operational and functional services to be audited shall provide Audit Unit with access to all information, records, premises, property and personnel directly or indirectly relevant to the audit.

The documents and information entrusted to the auditors in the course of the internal audit shall be handled with the required level of confidentiality and integrity.

____________________________________

2The annual programming of audits 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. Code of ethics of internal auditors

In conformity with the Code of Ethics of the IIA, auditors (HI’s internal auditor, pro bono auditors or HI personnel participating in an auditing mission) are required to observe the following fundamental principles:

- **Integrity**: the credibility and trust placed in an auditor’s judgement is derived from his/her integrity.
- **Objectivity**: Auditors demonstrate the highest degree of professional objectivity in gathering, evaluating and communicating information relating to the activity or process under review. Auditors assess all relevant factors in an unbiased manner and do not allow their judgment to be impaired by their own interests or those of others.
- **Confidentiality**: Auditors respect the value and ownership of the information they receive and do not disclose information without appropriate authorisation unless a legal or professional obligation requires them to do so.
- **Competency**: Auditors use and apply the knowledge, skills, and experience needed to conduct the audit.

In application of these principles, each auditor undertakes as follows:

- **Independence and objectivity**:  
  - Not to intervene in the audit of activity for which he or she has been responsible or of an organisation or division in which he or she has exercised functions during the previous three years.  
  - Not to participate in any activity or relationship that may impair or be presumed to impair his or her unbiased assessment  
  - Not to accept anything that may impair or be presumed to impair his or her professional judgement.  
  - To disclose all material facts known to him or her that, if not disclosed, may distort the reporting of the activities under review.  
  - In case of doubt, the internal auditor shall report any situation that he or she considers may impair his or her unbiased judgement. If, despite all precautions, it so happens that the independence of an internal auditor for the mission is not assured, the internal audit report must mention this fact

- **Integrity**:  
  - To perform his or her internal auditing duties with honesty, diligence and responsibility.

---

3 Institute of Internal Auditors (www.ifaci.com).
- To observe the law and make disclosures expected by law and the profession.
- Not to knowingly be party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to HI.

- **Confidentiality:**
  - To be prudent in the use and protection of the information gathered in the course of the audit mission.
  - Not to use this information for his or her personal benefit, or in a way that would contravene legal provisions or be prejudicial to HI.

- **Competency:**
  - To engage only in those services for which he or she has the necessary knowledge, skills and experience.
  - To perform his or her internal auditing duties in accordance with the International Standards for the Professional Practice of Internal Auditing;
  - To continually improve his or her proficiency and the effectiveness and quality of his or her work.

### 6. Conducting an internal audit

**Internal audits are carried out:**

- either in accordance with the [annual audit plan](#) (May N to May N+1), which is based on a classification of countries presenting a risk of bribery and corruption and the priorities identified for the regular evaluation of processes;
- or in response to a specific event taking priority over the annual audit plan’s scheduling (proven fraud, a member of national staff taking over as programme/country director, a change of national association director, etc.).

The launch of a non-scheduled audit requires approval by the Risk Management Committee and an additional budget.

To postpone an audit scheduled in the annual audit plan, at least one of the following two criteria must be met:

- absence of more than 30% of the human resources of the entity to be audited;
- insufficient security.

The director concerned shall justify his request for postponement and obtain approval from his/her manager.

**There are several stages to an internal audit mission:**
An **Internal Audit Mission Letter (ToR)** is drawn up prior to the mission. This Mission Letter is signed by the Head of internal auditing who is responsible for implementing the internal audit plan, and steering and organising missions. It is then forwarded to the head of the entity, service or programme to be audited and copied to his/her line-manager. It defines the framework of the audit and provides all the information needed to ensure that both parties, auditors and auditees, are clear about its purpose, nature, date and duration. The Internal Audit Mission Letter helps simplify the organisation of the audit’s implementation, and ensure that the auditors’ and auditees’ work schedules are compatible, making it easier to schedule the necessary interviews and meetings.

Before the audit investigations get underway, there is a **preparatory phase** during which the auditors gather information and familiarise themselves with the area or service to be audited through interviews and documentary analyses.

During the **verification and analysis phase**, Audit Unit identifies the strengths and weaknesses of the subject of the audit and carries out a counterfactual analysis of the causes and consequences identified. Throughout their mission, the auditors provide regular feedback on their findings and assessments to the auditees or - depending on the seriousness or nature of these findings and assessments - to HI’s internal auditor.

Once the investigations have been completed, the **reporting phase** begins. Audit Unit drafts a report on the situation observed and makes proposals for improvements. A first draft of this report is examined with the auditees and the services concerned who can make any comments at this stage before the final version is disseminated.

The services or entities audited validate the minutes of the interviews carried out by the internal auditors and make an objective analysis of the audit conclusions that concern them.

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 entities, services or programmes audited. The members of the Federal Board’s Audit Committee are systematically invited to these presentations.

After the meeting to present the audit report, and based on the recommendations approved at this meeting, **an action plan is drawn up by the manager of the audited entity or services and his/her line-management**. Depending on the importance or the nature of the recommendations, the Risk Management Committee decides whether to take part in defining the action plan. This action plan will specify the timeline and the means with which the recommendations will be implemented by the managers concerned. The **action plan for the implementation of the audit recommendations** shall be sent to the internal auditor within one month of the dissemination of the audit report.

### 7. Quality assurance and improvement programme
The Audit Committee is tasked with designing and maintaining an up-to-date quality assurance and improvement programme covering all aspects of internal auditing, including internal and external evaluations.

**Internal evaluations** shall include:
- Continuous monitoring of internal auditing performance (review and steering of internal auditing indicators)
- Periodic evaluations, performed by self-evaluation or by other members of the organisation with sufficient knowledge of internal auditing practices. Sufficient knowledge of internal auditing practice implies, as a minimum, an understanding of all aspects of the International Professional Practices Framework.

The Audit Committee shall oversee the implementation of the audit recommendations, carrying out a twice-yearly review of the advancement of the action plans. The results of these reviews shall be forwarded to the Managing Director.

**External evaluations** shall be conducted at least every five years by a qualified external and independent evaluator or team (no real or perceived conflicts of interest).

With respect to the above evaluations, the Audit Committee shall present the Risk Management Committee with the following elements for validation:
- the scope and frequency of internal and external evaluations;
- evidence of the qualifications and independence of the evaluator(s) or team of evaluators, including potential conflicts of interest;
- the evaluators’ conclusions;
- corrective action plans.

The main documents concerning this policy are:
- ToRs of the Federal Board’s Audit Committee
- ToRs of the Federal Board’s Risk Management Committee
Internal audit charter

This charter defines and specifies the purpose, authority and responsibilities of internal auditing activity within the Humanity & Inclusion network (HI).

The rights and obligations of auditors and auditees are also defined in order to ensure compliance with the ethical, deontological and organisational rules in application at “HI”.

The charter draws on the International Standards for the Professional practice of Internal Auditing.

Initial version approved by the Federal Directorate in July 2013. Updated in December 2017 and validated by the Risk Management Committee in July 2020.

Audit Unit
Risks & Audit Unit
138 avenue des Frères Lumière
69008 Lyon
France
e.pourcelot@hi.org

Humanité & Inclusion
138, avenue des Frères Lumière
69371 Lyon cedex 08
publications@hi.org

Photo credit (cover) : 2017 Pixabay / Luwii / CC0 Creative Commons