



**STATE EXAMINATIONS COMMISSION**

**INTERNAL AUDIT WRITTEN CHARTER AND PROCEDURES**

**CGF/107-2**

**24 NOVEMBER 2017**

**VERSION 2.0**

## VERSION CONTROL

VERSION	REF. NO	APPROVED BY	CHANGES FROM PREVIOUS VERSION	DATE
1.0	CGF 107	Board		10 Feb 2017
2.0	CGF 107	Board	Minor updates to reflect updated references to 'Related Internal Documents'	24 Nov 2017

These procedures are for the approval of the Board and signed off by the Head of Internal Audit, the Chief Executive and the Chairperson of the Audit and Risk Committee.

## RELATED EXTERNAL DOCUMENTS

- [Code of Practice for the Governance of State Bodies 2016](#) (Department of Public Expenditure and Reform, August 2016);
- [Code of Practice for the Governance of State Bodies – Audit and Risk Committee Guidance 2016](#) (Department of Public Expenditure and Reform, August 2016);
- Code of Ethics of the Institute of Internal Auditors;
- International Standards for the Professional Practice of internal Auditing;
- The [Public Spending Code](#), (Department of Public Expenditure and Reform, September 2013) and [Circular 13/13 The Public Spending Code: Expenditure Planning, Appraisal & Evaluation in the Irish Public Service - Standard Rules & Procedures](#), Department of Public Expenditure and Reform, September 2013);

## RELATED INTERNAL DOCUMENTS

- Procedures for Protected Disclosures under the Protected Disclosures Act 2014 (CGF 101)
- SEC Risk Management Framework (CGF 104)
- Anti-Fraud Policy (CGF 105)
- SEC Audit and Risk Committee Written Charter and Terms of Reference (CGF 106)
- SEC Corporate Procurement Plan (approved on 06/06/2017)
- SEC Procurement Policy (Office Notice 01/2017)
- SEC Statement of Strategy 2017 – 2021.

## RECORDS MANAGEMENT

- The Audit and Risk Committee files is held electronically under *Corporate Affairs* -> *Audit* folder on the N Drive.

- The hard copy of the Audit and Risk Committee files is held in the Audit and Risk Committee Secretariat room.

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## **1 Internal Audit Activity within the SEC**

1.1.1 Internal Auditing is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of the SEC. It assists SEC in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organisation's governance, risk management, internal control.

1.1.2 The internal audit activity within the SEC is established by the Board, with guidance from the Audit and Risk Committee. The internal audit activity's responsibilities are defined by the Board as part of their oversight role.

1.1.3 Given the size and available resources within the SEC, and in line with section 7.7 of the [Code of Practice for the Governance of State Bodies 2016](#), it has been determined necessary to contract a professional firm of independent auditors ('Internal Auditors') to discharge the role of 'Internal Audit Unit' as described under the [Code of Practice for the Governance of State Bodies – Audit and Risk Committee Guidance 2016](#).

1.1.4 The internal audit activity, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access to any and all of the SECs records, physical properties, and personnel pertinent to carrying out any engagement. All SEC employees are requested to assist the internal audit activity in fulfilling its roles and responsibilities. The internal audit activity will also have free and unrestricted access to the Board and the Audit and Risk Committee.

### *1.2 Appointment of Internal Auditors*

1.2.1 Following a competitive procurement process, Mazars were appointed as the SEC's Internal Auditors from 28 January 2015 to 28 January 2017 with the option to extend the contract for a further 2 years. The tender documentation, tender response and contract are available from the Audit and Risk Committee Secretariat.

1.2.2 The Internal Auditors shall function professionally, adhering to the Code of Ethics and International Standards of the Institute of Internal Auditors or equivalent professional standards.

1.2.3 The required practical audit experience of the Internal Auditors includes the following:

- Governance Compliance;
- Payroll audits and human resource;
- Internal Financial Control audits;
- Payment audits covering Procurement through to Payments;
- IT Security and data management; and
- Risk management.

- 1.2.4 The Internal Auditor are independent of the activities it audits. The Internal Auditors have no direct operational responsibility or authority over any of the activities audited. Accordingly, they do not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair the internal auditor's judgment.
- 1.2.5 Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.
- 1.2.6 The existence of Internal Auditors does not relieve line management of its responsibility for effective control of the activities for which it is responsible.
- 1.2.7 The Internal Auditors shall be appropriately resourced (with a sufficient level of budget) consistent with its responsibilities under the [\*Code of Practice for the Governance of State Bodies 2016\*](#) with the necessary skills including the ability to deal with non-financial aspects.

### 1.3 *Head of Internal Audit*

- 1.3.1 Eamonn Murtagh (Principal Officer – HR, Finance and Corporate Affairs) is appointed as the Head of Internal Audit within the SEC. The Audit and Risk Committee Secretariat will provide support to the Head of Internal Audit.
- 1.3.2 The Head of Internal Audit will manage on a day-to-day basis the engagement with the Internal Auditors and is responsible for monitoring and reviewing the effectiveness of the SEC internal audit activities and consideration of the Internal Auditors independence, expertise, experience and adherence to professional standards.
- 1.3.3 The Head of Internal Audit will report functionally to the Board and the Audit and Risk Committee.
- 1.3.4 The Head of Internal Audit will report administratively (i.e. day-to-day operations) to the Chief Executive Officer.
- 1.3.5 The Head of Internal Audit will confirm to the Board, at least annually, the organisational independence of the Internal Auditors.

## **2 Responsibility of the Internal Auditing Activity within the SEC**

2.1 The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the SEC's governance, risk management, and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve the organisation's stated goals and objectives. Specifically the Internal Auditors are conduct the effective review of both internal control and risk management. This includes:

- Evaluating risk exposure relating to achievement of the SEC's strategic objectives;
- Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information;
- Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the SEC;
- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets;
- Evaluating the effectiveness and efficiency with which resources are employed;
- Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned;
- Monitoring and evaluating governance processes;
- Monitoring and evaluating the effectiveness of the SEC's risk management processes;
- Evaluating the degree of coordination with the C&AG on audit activities;
- Performing consulting and advisory services related to governance, risk management and control as appropriate for the SEC;
- Reporting periodically on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan;
- Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Board or the Audit and Risk Committee; and
- Evaluating specific operations at the request of the Board, the Audit and Risk Committee or management, as appropriate.

### 3 Internal Auditors Work Programme

#### 3.1 Approval of Internal Audit Work Plan

3.1.1 The Internal Auditors will submit for the approval of the Audit and Risk Committee an Internal Audit Work Plan. The Internal Audit Work Plan will cover a 3 year period and include areas which the Audit and Risk Committee request to be addressed. The Internal Auditors shall demonstrate objectivity, comprehensiveness and relevance to management, the Audit and Risk Committee and the Board in respect of the areas to be audited and the respective priorities for these audits within the programme. The approved Internal Audit Work Plan will be reflected in the Audit and Risk Committee Work Programme. As set out in the *SEC Audit and Risk Committee Written Charter and Terms of Reference*, the Audit and Risk Committee Work Plan is subject to the review and approval of the Board.

3.1.2 The Internal Audit Work Plan will consist of a work schedule, a budget and resource requirements for the next fiscal/calendar year. The Internal Audit Work Plan will be developed based on a prioritisation of the audit universe using a risk-based methodology, including input of senior management, the Audit and Risk Committee and the Board.

3.1.3 In formulating the Internal Audit Plan, the Internal Auditors shall have regard to the SEC's Statement of Strategy and Risk Management Framework.

3.1.4 In formulating the Internal Audit Plan, the specific responsibilities for the Internal Auditors under the SEC's *Risk Management Framework* should be noted.

Section 4 of that document states that *Internal Audit is responsible for providing independent assurance opinion to the Accounting Officer and the Audit & Risk Committee on the risk management framework, policy and processes. Internal Audit will as part of their work programme:*

- (a) *Regularly review risk management arrangements and risk policy implementation;*
- (b) *Assess the extent to which Internal Audit can add value to the process of risk management;*
- (c) *Adopt a risk based approach to the development of its audit plan; and*
- (d) *Help ensure key risks are being managed appropriately and that the system of internal control is operating effectively.*

Section 7 of SEC's *Risk Management Framework* states "*The Internal Auditors will monitor the operation of these Procedures on an ongoing basis and will report to the Audit Committee on their findings*".

3.1.5 In formulating the Internal Audit Plan, the specific responsibilities for the Internal Auditors under the SEC's *Anti-Fraud Policy* should be noted.

Section 4 of that document states

*The Internal Auditors report to both the Audit and Risk Committee and if required the Board and are responsible for providing assurance that the accounting systems, procedures and controls operated by the SEC are being complied with.*

*Although it is not the primary role of the Internal Auditors to detect fraud, they are required to examine the effectiveness of the processes put in place to manage the risk of fraud and in conducting their audit programme will obtain sufficient information to provide reasonable assurance that the control systems in place are adequate.*

*In the event that a fraud is suspected or detected the Internal Auditors may be called upon to conduct an initial investigation.*

Section 6 of SEC's Anti-Fraud Policy states *"The Internal Auditors will monitor the operation of these Procedures on a periodic basis and will report to the Audit and Risk Committee on their findings"*.

3.1.6 In planning, executing and reporting its work, the Internal Auditors should ensure that value-for-money auditing receives adequate attention based on the principles and provisions of the [Public Spending Code](#), where relevant.

3.1.7 The Internal Auditors should review compliance with procurement and disposal procedures as required by the Audit and Risk Committee, from time to time, and report to the Audit and Risk Committee on these matters.

3.1.8 The Internal Audit Work Plan will be subject to ongoing review by the Head of Internal Audit and the Audit and Risk Committee and may be amended from time to time as necessary, in response to changes in the SEC's business, risks, operations, programs, systems, and controls. Any significant deviation from the approved Internal Audit Work Plan will be communicated to senior management, the Audit and Risk Committee and the Board through periodic activity reports.

## 3.2 *Carrying out Individual Audits*

3.2.1 In completing individual audits under the Internal Audit Work Plan, the following process will apply:

- (a) All audits must be carried out by a qualified Auditor/Accountant to a high quality and professional standard;
- (b) The Internal Auditor will propose a terms of reference for each individual audit for the approval of the Audit and Risk Committee;
- (c) Post approval of the terms of reference by the Audit and Risk Committee, the specific number of days to carry out the individual audit under the Internal Audit Work Plan will be agreed between the Internal Auditor and the Head of Internal Audit in advance of each audit;
- (d) The Internal Auditor will produce a draft Internal Audit Report for observations/response by the Executive;
- (e) The Head of Internal Audit will brief the Audit and Risk Committee on matters raised in the draft Internal Audit Report;
- (f) Following consideration of the observations/responses of the Executive, the Internal Auditor will finalise the Internal Audit Report and submit to the Audit and Risk Committee through the Audit and Risk Committee Secretariat;

3.2.2 The Audit and Risk Committee may request the Internal Auditors to attend the next Audit and Risk Committee to present the specific Internal Audit Report.

3.2.3 Copies of all completed Internal Audit reports will be made available to the C&AG through the Audit and Risk Committee Secretariat.

3.2.4 In finalising individual Internal Audit Reports the following should be noted:

- The Internal Audit Report may include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations.
- Management's response, whether included within the original audit report or provided thereafter by management of the audited area should include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented.

### 3.3 *Follow up to Internal Audits*

3.3.1 The Head of Internal Audit will be responsible for appropriate follow-up on engagement findings and recommendations. All significant findings will remain in the Audit and Risk Committee action list until cleared.

## **4 Communication, Reporting & Meetings**

### *4.1 Communication*

4.1.1 The Internal Auditors and the Head of Internal Audit and/or the Audit and Risk Committee Secretariat will communicate on an ongoing basis.

4.1.2 The Internal Auditors and the C & AG (as External Auditors) will meet at least once annually to prevent duplication of effort and to identify areas of co-operation.

### *4.2 Regular Reports to the Audit & Risk Committee*

4.2.1 At each meeting of the Audit and Risk Committee, the Head of Internal Audit will provide a brief progress report summarising the following:

- work performed by the Internal Auditors (and a comparison with the Audit and Risk Committee Work Programme);
- key issues emerging from the work of internal audit;
- management response to Internal audit recommendations;
- changes to the agreed internal audit plan; and
- any resourcing issues affecting the delivery of the objectives of internal audit.

### *4.3 Regular Reports to the Board*

4.3.1 In conjunction with the Audit and Risk Committee Chairperson, the Head of Internal Audit will communicate and interact directly with the Board, including in executive sessions and between Board meetings as appropriate. This will include providing an update to the Board on the internal audit activity's purpose, authority, and responsibility, as well as performance relative to its internal audit plan. Reporting will also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Board.

4.3.2 The outcome of Internal Audit Reports will be communicated to the Board.

### *4.4 Regular Reports to Senior Management*

4.4.1 The Head of Internal Audit will provide a periodic update to senior management at the Management Board on the internal audit activity's purpose, authority, and responsibility, as well as performance relative to its internal audit plan. Reporting will also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management.

### *4.5 Meetings*

4.5.1 A senior representative of the Internal Auditors will, at least once annually, meet with the Audit & Risk Committee without members of the Executive present.

4.6 *Access to the Audit and Risk Committee*

4.6.1 The Head of Internal Audit, the contracted Internal Auditor and a representative of the Comptroller and Audit General (C&AG) external audit will have free and confidential access to the Chairperson.

4.7 *Access to the Board*

4.7.1 The Head of Internal Audit, the contracted Internal Auditor and a representative of the Comptroller and Audit General (C&AG) external audit will have free and confidential access to the Chairperson of the Board.

**5 Quality Assurance and Improvement Programme**

5.1.1 The Internal Auditors will maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. The program will include an evaluation of the Internal Auditors conformance with the Definition of Internal Auditing and *International Standards for the Professional Practice of Internal Auditing* and an evaluation of whether Internal Auditors apply the Code of Ethics of the Chartered Institute of Internal Auditors. The program also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

5.1.2 The Head of Internal Audit will communicate to senior management, the Audit and Risk Committee and the Board on the Internal Auditors quality assurance and improvement program, including results of ongoing internal assessments and external assessments conducted at least every five years.