Sample of Internal Audit Charter with Free Downloadable Attachment

I decided to share this sample of internal audit charter as part of my way of giving back to the society in this month of May – my month of birth.

Feel free to adopt this free internal audit charter and use it in your **audit engagement** as desired. The content of this article can be downloaded by clicking on **sample of internal audit charter**.

Beginning of the internal audit charter sample

**Purpose and Scope of Work**

[Insert your Company’s name] Internal Audit department serves the Audit Committee of the Board of Directors and management as independent, objective assurance, and consulting activity designed to add value and to improve [Insert your Company’s name] operations.

The purpose of this charter is to establish the Internal Audit position within [Insert your Company’s name], authorize its access to records, personnel, and physical properties relevant to the performance of audits, and to define the responsibilities of internal auditing.

The scope of work of the Internal Audit is to determine whether the organization’s network of risk management and control processes, as designed and represented by management, is adequate and functioning in a manner to ensure:

* Risks are appropriately identified and managed.
* Significant financial, managerial, and operational information is accurate, reliable, and timely.
* Employees’ actions are in compliance with policies, standards, procedures, and laws & regulations applicable to the organization.
* Resources are acquired economically, and adequately protected.
* Significant regulatory issues impacting the organization are recognized and addressed appropriately.

Opportunities for improving management control, and organization’s image may be identified during audits. These opportunities will be communicated to the appropriate level of management.

**Independence and Authority**

Internal audit is an independent and objective assessment function within [Insert your Company’s name] to evaluate and contribute to the improvement of risk management, controls, governance systems, and compliance to relevant laws/regulations and shall report to the Audit Committee/ Chairman of Board of Directors.

Internal Audit has free and full access to all functions, records, properties and personnel relevant to the performance of audits (which for avoidance of doubt shall not include Board related matters). The Internal auditor provides reports to the Board of Directors at least once a quarter and may upon request meet privately with Board of Directors, without members of management present.

**Responsibilities/ Function**

Internal Audit activities for [Insert your Company’s name] are the responsibility of the Internal auditor(s).

Deterrence of fraud and unethical behaviour against Code of Business conducts is the responsibility of management. Internal Audit is responsible for examining and evaluating the adequacy and the effectiveness of the antifraud controls, whistle blower programs and code of business conducts implementation taken by management to fulfil this obligation.

**The scope of Internal Audit includes:**

* Reviewing management’s control to ensure the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.
* Reviewing the systems established or to be established to ensure compliance with those policies, plans, procedures, laws, and regulations that could have a significant impact on operations and reports, and determining whether the organization is compliant.
* Reviewing the means of safeguarding assets and, when appropriate, verifying the existence of assets.
* Appraising the economy and efficiency with which resources are employed.
* Conducting follow-up audits with the auditee at appropriate intervals until all significant open corrective plans have been closed.
* Assisting in the investigation of significant suspected fraudulent activities within the organization and notifying management and the Audit Committee / Chairman Board of Directors of the results.
* Identifying significant risks to the ability of the Organization to meet its business objectives, communicating them to management and ensuring that management has taken appropriate action to guard against those risks.
* Evaluating the effectiveness of controls supporting the operations of the Organization and providing recommendations as to how those controls could be improved.

**Skills and Experience**

[Insert your Company’s name] Internal Audit department is committed to maintaining a progressive and qualified internal audit team as well as for the professional development of its staff. Internal auditors should possess the knowledge, skills, and other competencies needed to perform their individual responsibilities. The internal audit activity collectively should possess or obtain the knowledge, skills, and other competencies needed to perform its responsibilities

**Internal Audit Approach and Standards**

[Insert your Company’s name] Internal Audit department adopts a risk-based approach in planning and carrying out the audit engagements. A corporate risk assessment is performed annually to prioritize the areas for control evaluation. Based on the result of the risk assessment, audit plans are developed to identify the specific subject areas and business processes for evaluation.

[Insert your Company’s name] is committed to comply with the provisions set forth in The Nigerian Code of Corporate Governance and where applicable, The Combined code - UK. Testing of key financial reporting controls in identified financial systems and processes is part of the annual audit plan.

The Internal auditor shall submit the annual audit plan (Agile Methodology will be adopted where necessary for flexibility) to the Audit Committee for approval.

Internal audits are conducted in conformance with the Institute of Internal Auditors’ Standards for the Professional Practice of Internal Auditing. All audit findings are reported to management, who is responsible for determining and implementing the corrective action necessary to eliminate deficiencies in the system of internal control.

**Reviews**

The effectiveness of the Internal Audit function should be assessed at least once a year. The review should focus on issues such as the organizational status within [Insert your Company’s name], independence and objectivity, performance, and qualification of staff.