

Building homes,
independence
and aspirations



Assurance Services

Internal Audit Charter, Protocol and Service Standards

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Internal Audit Charter

About this charter

This Audit Charter provides the framework for the conduct of Assurance Services in Home Group and has been approved by the Audit Committee. It has been created with the objective of formally establishing the purpose, authority and responsibilities of Assurance Services with respect to internal audit.

Purpose

Internal auditing is an independent, objective assurance and consulting activity designed to add value to and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.

Scope

All of Home Group's activities (including outsourced activities) and legal entities are within the scope of Internal Audit. Internal Audit determines what areas within its scope should be included within the annual audit plan by adopting an independent risk based approach. Internal Audit does not necessarily cover all potential scope areas every year. The audit program includes obtaining an understanding of the processes and systems under audit, evaluating their adequacy, and testing the operating effectiveness of key controls.

Internal Audit can also, where appropriate, undertake special investigations and consulting engagements at the request of the Audit Committee, Executive and/or senior Management.

Internal Audit will coordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimise duplication of efforts.

Authority

The internal audit function, within Assurance Services, derives its authority from the Audit Committee. The Head of Audit is authorised by the Audit Committee to have full and complete access to any of the organisation's records, properties and personnel. The Head of Audit is also authorised to designate members of the audit staff to have such full and complete access in the discharging of their responsibilities, and may engage experts to perform certain engagements which will be communicated to management. Internal Audit will ensure confidentiality is maintained over all information and records obtained in the course of carrying out audit activities.

Responsibility

The Head of Audit is responsible for preparing the annual audit plan in consultation with the Audit Committee, the Executive, Senior Management and the co-sourced internal audit provider. The Head of Audit is responsible for submitting the audit plan, internal audit budget, and resource plan for review and approval by the Audit Committee. The Head of Audit is also responsible for implementing the approved audit plan, and issuing periodic audit reports on a timely basis to the Audit Committee and the Executive.

The Head of Audit is responsible for ensuring that the internal audit function has the skills and experience commensurate with the risks of the organisation. The Audit Committee should make appropriate inquiries of management and the Head of Audit to determine whether there are any inappropriate scope or resource limitations.

It is the responsibility of management to identify, understand and manage risks effectively,

including taking appropriate and timely action in response to audit findings. It is also management's responsibility to maintain a sound system of internal control and improvement of the same. The existence of an internal audit function, therefore, does not in any way relieve them of this responsibility.

Management is responsible for fraud prevention and detection. As Internal Audit performs its work programmes, it will be observant of manifestations of the existence of fraud and weaknesses in internal control which would permit fraud to occur or would impede its detection.

Independence

Internal Audit staff will remain independent of the business and they shall report to the Head of Audit who, in turn, shall report functionally to the Audit Committee and administratively to the Chief Financial Officer.

Internal Audit staff shall have no direct operational responsibility or authority over any of the activities they review. Therefore, they shall not develop nor install systems or procedures, prepare records or engage in any other activity which they would normally audit. Internal Audit staff with real or perceived conflicts of interest must inform the Head of Audit, then the Audit Committee, as soon as these issues become apparent so that appropriate safeguards can be put in place.

Professional competence and due care

The Internal Audit function will perform its duties with professional competence and due care. Internal Audit will adhere to the Definition of Internal Auditing, Code of Ethics and the Standards for the Professional Practice of Internal Auditing that are published by the Chartered Institute of Internal Auditors.

Reporting and monitoring

At the end of each audit, the Head of Audit or auditor will prepare a written report and distribute it as appropriate. Internal Audit will be responsible for appropriate follow-up of audit findings and recommendations. All significant findings will remain in an open issues file until cleared by the Head of Audit or the Audit Committee.

The Audit Committee will be updated regularly on the work of Internal Audit through periodic and annual reports. The Head of Audit shall prepare reports of audit activities with significant findings along with any relevant recommendations and provide periodic information on the status of the annual audit plan.

Periodically, the Head of Audit will meet with the Chair of the Audit Committee in private to discuss internal audit matters.

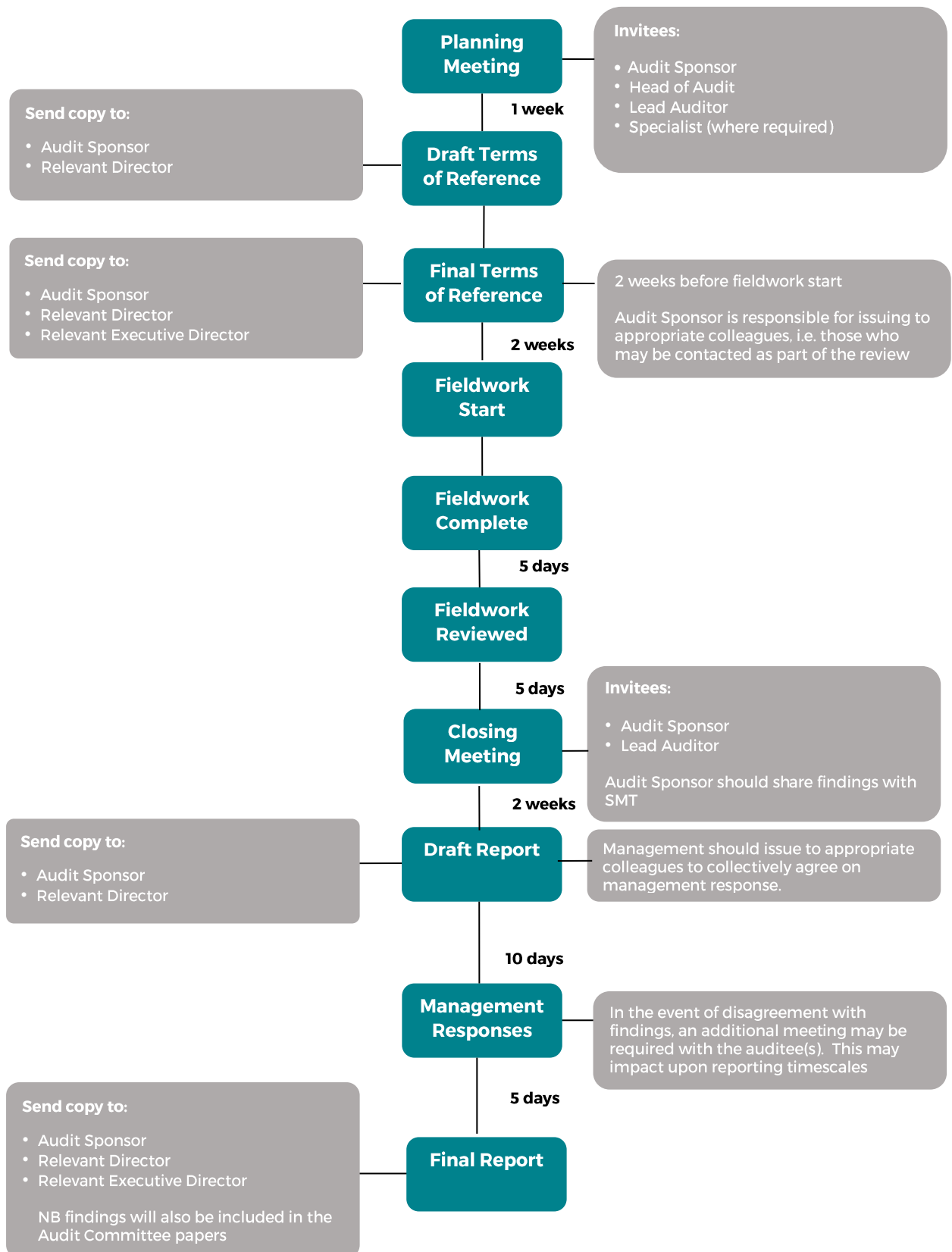
The performance of Internal Audit will be monitored through the implementation of a Quality Assurance and Improvement Programme, the results of which will be reported periodically to the Executive and the Audit Committee.

Internal Audit Protocol

This Audit Protocol provides the framework for the way in which Assurance Services in Home Group will deliver individual internal audit reviews. The protocol provides details of the key activities within each review and the planned timing of these activities. The protocol also sets out how the Executive and Senior Management can expect to interact with the Assurance Services team throughout an audit and their own responsibilities within the process.

The protocol is set out on the next page.

Internal audit protocol: key milestones



Performance standards

To ensure your internal audit service, provided by Assurance Services, is accountable to the Audit Committee, Executive and Senior Management, we have developed a number of key performance indicators to meet in delivering the annual audit plan.

<i>Key Performance Indicators</i>	<i>Target</i>	<i>Comments</i>
Infrastructure		
Audits budgeted v actual	100%	
Audit efficiency (budget to actual)	100%	
Planning		
Terms of Reference agreed promptly	100%	
% of audits with Terms of Reference	100%	
Fieldwork		
% of audits with an exit meeting	100%	
% of recommendations agreed	95%	
Special / ad-hoc requests fulfilled	100%	
Reporting		
Draft reports issued promptly	100%	
Agreed actions received promptly	100%	
Final reports issued promptly	100%	
Relationships		
Average individual satisfaction score	9	
Overall client satisfaction score	9	

Assurance Services: Key Contact Information

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