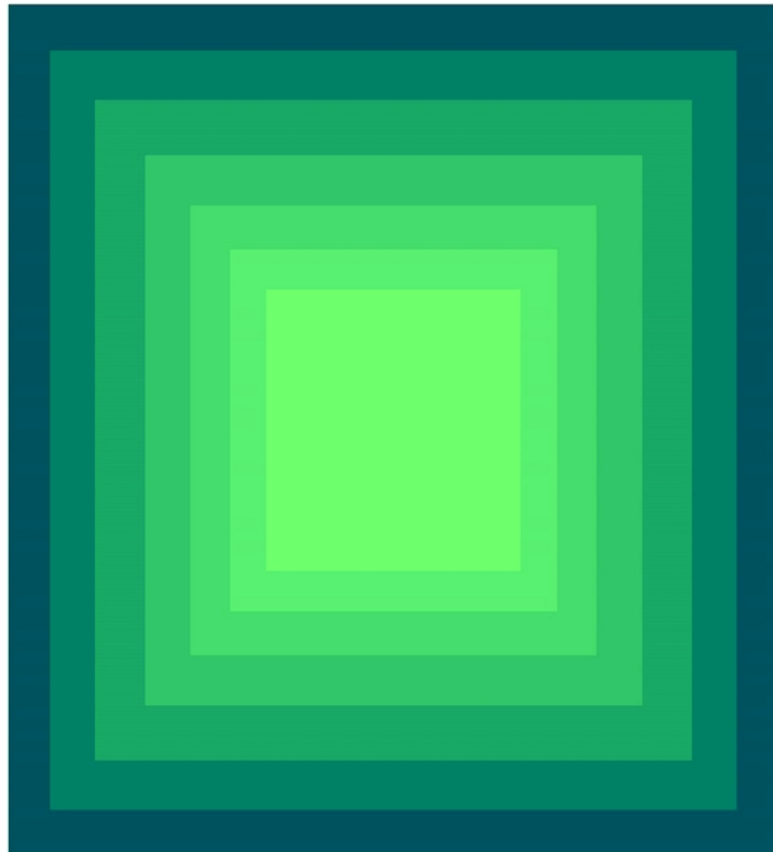




AUDIT OVERSIGHT BOARD
The Independent Audit Regulator



AUDIT COMMITTEE TOOLKIT

GUIDANCE
ON THE ROLES
AND RESPONSIBILITIES
OF AUDIT COMMITTEES

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Illustrative Internal Audit Charter¹

Mission and scope of work

The mission of the internal audit department is to provide independent, objective assurance and consulting services designed to add value and improve operations. It helps the company accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

The scope of work of the internal audit department involves ensuring that the company's governance, risk management, and control processes are adequate and functioning effectively. This includes, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments related to whether:

- Risks related to the achievement of the company's objectives are appropriately identified and managed;
- Interaction with the various regulatory, governance, and compliance groups occurs as needed;
- Significant financial, managerial, and operating information is accurate, reliable, and timely;
- Actions of the company's employees are in compliance with policies, standards, procedures, and applicable laws and regulations;
- Significant legislative or regulatory issues impacting the company are recognized and addressed appropriately;
- In addition, the internal audit department may perform consulting or advisory activities within the company but will not assume any day to day operational responsibilities or management responsibilities.

Authority

The audit committee of the board of directors has authorized the internal audit function in the exercise of its duties to:

- Have unrestricted access to all functions, systems, records, property, and personnel of the company.
- Obtain the assistance of personnel in units of the company where they perform audits, as well as obtain other specialized services from within or outside the organization.

¹ Adapted from IFC Simplified CG Product Offering "Model document: Internal Audit Department Charter"

- Have full and free access to the audit committee whenever required, including without the presence of management.
- Determine the scope of work, resourcing arrangements, timelines, and the auditing techniques necessary to accomplish audit objectives.

The audit committee will also:

- Approve the internal audit charter.
- Approve the annual risk based internal audit plan.
- Approve the internal audit budget.
- Approve the appointment and removal of the head of internal audit.
- Approve the remuneration of the head of internal audit.
- Make appropriate inquiries of management and the head of internal audit to determine whether there are inappropriate scope or resource limitations.
- Receive communications from the head of internal audit on the internal audit activity's performance relative to its plan and other matters.

Independence of the internal audit unit

The internal audit function must maintain its independence at all times. Independence is defined in the standards from the professional practice of internal auditing as “the freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner. Threats to independence must be managed at the individual auditor, engagement, functional, and organizational levels.”.

Internal auditors must be objective at all times while performing their work. Objectivity is defined in the standards as the presence of “an unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgment on audit matters to others. Threats to objectivity must be managed at the individual auditor, engagement, functional, and organizational levels”.

In accordance with the Listed Companies Code of Corporate Governance Regulations 2017 and good practice, the head of internal audit shall functionally report to the audit committee and administratively to the chief executive officer of the company.

To maintain independence and objectivity, internal auditors will not under any circumstances:

1. Perform any operational duties for the company;

2. Initiate or approve transactions external to the internal audit function;
3. Assume any management decision making functions.

The head of internal audit will also confirm annually to the audit committee:

1. The organizational independence of the internal audit function;
2. Whether there has been any impairment of its independence or objectivity in fact or appearance; and
3. Whether the function has faced any interference in determining the scope or execution of its work.

Responsibilities of the internal audit unit

The internal audit unit will, in the exercise of its responsibilities:

1. Develop and submit to management and the audit committee a risk based annual audit plan for review and approval.
2. Implement the approved annual audit plan with the execution of each planned engagement, including as appropriate any consulting engagements.
3. Review and adjust the annual audit plan to take into account changes in the company's business, risk profile, systems, and/or controls.
4. Maintain a competent internal audit team comprising of experts in relevant disciplines sufficient to discharge their responsibilities under their charter.
5. Issue periodic reports to the audit committee and senior management summarizing results of audit activities.
6. Follow up on internal audit recommendations and report to senior management and the audit committee on those findings which have not been implemented.
7. Participate, as required, in fraud investigations.
8. Keep current on standards for the professional practice of internal auditing.

Adherence to professional standards

The internal audit department will meet the standards established by professional bodies for the practice of internal auditing such as the Institute of Internal Auditors and the Information Systems Audit and Control Association.

Quality assurance program

The head of internal audit will ensure that a quality assurance program is implemented which includes an assessment of the function's compliance with the professional standards. The results of the assessment shall be communicated to senior management and the audit committee.