

Internal Audit Charter

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I. Policy

I.1 Introduction

This “Audit Charter” is adopted by the Audit, Risk and Improvement Committee. It is distinguished from the “Audit, Risk and Improvement Committee Charter”, which is adopted by the Council, to define the role of the Council’s Audit, Risk and Improvement Committee, formed pursuant to S428A(1) of the Local Government Amendment (Governance and Planning) Act 2016 No 38.

The purpose of Internal Auditing (IA) is to provide independent, objective assurance and consulting services designed to add value and improve Council’s operations. IA provides independent assurance over the internal controls and risk management framework of the council. IA thereby helps Council to accomplish its policy objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, audit, control and governance processes.

This Audit Charter is a formal statement of purpose, authority and responsibility for the internal auditing function within Georges River Council.

- It establishes Internal Audit within Georges River Council as an independent and objective service to Council.
- It outlines the legal and operational framework under which Internal Audit will operate.
- It authorises the Internal Auditor to promote and direct a broad range of internal audits across Georges River Council and where circumstances warrant and approval is granted, external bodies.

In the context of this Charter, the terms Internal Audit, Internal Audit function and Internal Audit personnel are interchangeable. Any staff position titles described, may be amended by the General Manager.

I.2 Role and Authority

Internal Audit at Georges River Council is managed by the Internal Auditor as appointed by the General Manager. The Internal Auditor is the focal position for internal audit activities, fulfilling the role of “Chief Audit Executive” as defined in the Standards issued by the Institute of Internal Auditors.

The Internal Auditor is authorised to direct a comprehensive programme of internal audit work in the form of reviews, previews, consultancy advice, evaluations, appraisals, assessments and investigations of functions, processes, controls and governance frameworks in the context of the achievement of Council’s business objectives. This programme of internal audit work may be carried out by the Internal Auditor, or other persons or organisations engaged by the Internal Auditor, in consultation with the Audit, Risk and Improvement Committee.

For this purpose, all persons formally engaged in Internal Audit must be authorised to have full, free and unrestricted access to all functions, property, personnel, records, information, accounts, files, monies and other documentation, as necessary for the conduct of their work.

1.3 Objectivity, Independence and Organisational Status

Objectivity requires an unbiased mental attitude. As such, Internal Audit shall perform internal audit engagements in such a manner that they have an honest belief in their work and that no significant quality compromises are made. Further, objectivity requires Internal Audit staff to not subordinate their judgment on internal audit matters, to that of others.

To facilitate this approach, Internal Audit must have an independent status within Georges River Council and for this purpose, shall be responsible through the Internal Auditor, to the Audit, Risk and Improvement Committee and administratively to the General Manager.

Internal Audit must be independent of the activities reviewed, and therefore an internal auditor must not undertake any operating responsibilities outside of internal audit work, without the approval of the General Manager and the knowledge of the Audit, Risk and Improvement Committee. Internal Audit staff should not have any executive or managerial powers, authorities, functions or duties, except those relating to the management of Internal Audit. Internal Audit must report to the Audit, Risk and Improvement Committee, any situations where they feel their objectivity may be impaired.

The work of Internal Audit does not relieve the staff of Georges River Council from their accountability to properly and safely discharge their responsibilities. All Georges River Council staff are responsible for risk management and the operation and enhancement of internal controls. This includes responsibility for implementing remedial action endorsed by management, following an internal audit.

Internal Audit must not be responsible for operational activities on a daily basis, or in the detailed development or implementation of new or changed systems or policies and procedures, or for internal checking processes. Development and emplacement of such efficiencies remains the responsibility of relevant, local managers.

The Internal Auditor must only be replaced by the General Manager, after appropriate consultation with the Audit, Risk and Improvement Committee.

2 Scope of Work

2.1 The scope of services provided by Internal Audit shall encompass:

- Phase I reforms to the Local Government Act, published on 23 September 2016 and advised by Office of Local Government (OLG) Circular 2016/35.
- The examination and evaluation of the adequacy and effectiveness of systems of internal control, risk management, governance, and the status of ethical behaviour.
- Ascertaining conformity with the goals and objectives of the Georges River Council.
- Assessment of the economic and efficient use of Council's resources.
- The examination of compliance with policies, procedures, plans and legislation.
- Assessment of the reliability and integrity of information.
- Assessment of the safeguarding of assets.

- Any special investigations as directed by the General Manager or the Audit, Risk and Improvement Committee.
- All activities of the Georges River Council, whether financial or non-financial, manual or computerised.

The scope of internal audit work may include:

- Assurance services: Objective examination of evidence for the purpose of providing an independent assessment on risk management, control, or governance processes of Council. Examples may include financial, performance, operational, compliance, system security, and due diligence engagements. Consulting services: Advisory and related client service activities, the nature and scope of which are agreed with the client and which are intended to add value and improve Council's governance, risk management, and control processes without the internal auditor assuming management responsibility. Examples include special Audit projects, counsel, advice, facilitation and training.

Any of the above services may also be provided by external, contracted specialists.

2.2 Internal Audit Methodology

Internal Audit shall use the most appropriate methodology for each internal audit engagement, depending on the nature of the activity and the pre-determined parameters for the engagement. Generally, internal audits will include:

- Internal audit planning (both strategic and annual plans).
- Field-work planning prior to each audit.
- Reviewing and assessing risks in the context of the audit objectives.
- Examination and evaluation of information.
- Communicating findings and results.
- Following up on the implementation of audit recommendations.

2.3 Operating Principles

Internal Audit shall conform to:

- The Standards and Code of Ethics issued by the Institute of Internal Auditors.
- *Where relevant*, the Statement on Information Systems Auditing Standards issued by the Information Systems and Control Association. *
- Relevant auditing standards issued by the Auditing and Assurance Standards Board (AUASB). These standards "establish requirements and provide application and other explanatory material on the responsibilities of the auditor, the outside contractor and the assurance practitioner, as appropriate, when performing audits, reviews, assurance or related services engagements".

* See OLG Guidelines under S23A of the Local Government Act (Sect 7 pg 59)

2.4 Professional Care and Conduct

Internal Audit shall:

- Possess the knowledge, skills, and technical proficiency essential to the performance of internal audits.
- Be skilled in dealing with people and in communicating audit issues effectively.
- Maintain their technical competence through a programme of continuing education.
- Exercise due professional care in performing internal audit engagements.
- Conduct themselves in a professional manner.
- Conduct their activities in a manner consistent with the concepts expressed in the Standards and the Code of Ethics as mentioned in section 2.3.

3 Reporting Arrangements

The Internal Auditor will report to the Audit, Risk and Improvement Committee. At each Audit, Risk and Improvement Committee meeting, the Internal Auditor shall submit a report summarising all audit activities undertaken during the period, indicating:

- Internal audit engagements completed or in progress.
- Outcomes of each internal audit engagement undertaken.
- Remedial action taken or in progress.

On completion of each internal audit engagement, Internal Audit shall issue a report to its audit customers (the auditee) detailing the objective and scope of the audit, and resulting issues based on the outcome of the audit. Internal Audit shall seek from the responsible senior executive, an agreed and endorsed action plan outlining remedial action to be taken, along with an implementation timetable and identification of a person responsible.

The auditee shall have a maximum of fifteen working days from the date of receipt of an internal audit report, to provide written management responses and action plans, in response to issues and recommendations contained in internal audit reports. This timeframe assumes that any urgent, remedial action would have been identified and commenced prior to or immediately upon the formal release of the audit report.

The Internal Auditor shall make available all internal audit reports to the Audit, Risk and Improvement Committee.

The work of Internal Audit is solely for the benefit of Georges River Council and is not to be relied on or provided to any other person or organisation, except where this is formally authorised by the Audit, Risk and Improvement Committee and the Internal Auditor.

In addition to the normal process of reporting on work undertaken by Internal Audit, the Internal Auditor shall draw to the attention of the Audit, Risk and Improvement Committee, all matters that, in the Internal Auditor's opinion, warrant reporting in this manner.

4 Planning Requirements

Internal Audit uses a risk-based, rolling programme of internal audits to establish an annual Internal Audit Plan to reflect a programme of audits over a 12 month period, as well as a 5 year Strategic Plan. This approach is designed to comply with Office of Local Government guidelines, while being flexible, dynamic and timely, in order to meet the changing needs and priorities of Georges River Council.

The Internal Auditor shall prepare / update an annual Internal Audit Plan and a 5 year Strategic Plan showing the proposed areas for audit, for review and approval by the Audit, Risk and Improvement Committee. The annual Internal Audit Plan shall be based on an assessment of the goals, objectives and business risks of the Council and shall also take into consideration any special requirements of the Audit, Risk and Improvement Committee and senior executives.

The Internal Auditor has discretionary authority to adjust the Internal Audit Plan and engage resources to complete audit projects, as a result of requests from the General Manager to conduct reviews that are not on the plan, with these to be reported to the next meeting of the Audit, Risk and Improvement Committee.

5 Quality Assurance & Improvement Programme

The Audit, Risk and Improvement Committee must oversee the development and implementation of a quality assurance and improvement programme for Internal Audit, to provide assurance that internal audit work conforms to the Standards and is alert to opportunities for improvement.

6 Co-ordination with External Audit

The Internal Auditor shall, at least annually, consult with the external auditor, to discuss matters of mutual interest, to co-ordinate audit activity, and to reduce duplication of audit effort.

7 Co-ordination with Corporate Governance and Risk Management

The Internal Auditor shall periodically consult with the Manager Governance and Risk, to help Council achieve collaborations between Internal Audit, Risk Management and Governance activities and to reduce duplication of efforts.

8 Review of the Internal Audit Charter

The Internal Auditor must periodically review the Internal Audit Charter, to ensure it remains up-to-date and reflects the current scope of internal audit work.

9 Evaluation of Internal Audit

The Internal Auditor must develop performance measures (key performance indicators) for consideration and endorsement by the Audit, Risk and Improvement Committee, as a means for the performance of Internal Audit to be periodically evaluated.

Internal Audit shall also be subject to an independent quality review at least every five years. Such review shall be in line with the Standards of Professional Practice in Internal Audit and be commissioned by and report to the Audit, Risk and Improvement Committee.

10 Conflicts of Interest

Internal auditors should not provide audit services for work for which they may previously have been responsible. Whilst the Standards provide guidance on this point and allow this to occur after 12 months, each instance should be carefully assessed and documented.

When engaging internal audit contractors, the Internal Auditor must take steps to identify, evaluate for significance and manage, any perceived or actual conflicts of interest that may impinge upon internal audit work.

Instances or reports of perceived or actual conflicts of interest by the Internal Auditor or Internal Audit staff and contractors are to be immediately reported to the Audit, Risk and Improvement Committee by the Internal Auditor. The subsequent management or resolution of any identified conflicts of interests shall be monitored by the Audit, Risk and Improvement Committee.

11 Attachments:

There are no attachments.

Reference may be made to Internal Audit Guidelines, issued by Department of Premier and Cabinet – Division of Local Government in September 2010 and still relevant by the authority of S23A of the Local Government Act 1993. See: <https://www.olg.nsw.gov.au/sites/default/files/Internal-Audit-Guidelines-September-2010.pdf>

12 Variation and Review

The Audit, Risk and Improvement Committee reserves the right to review, vary or revoke this policy.

Any changes to this Internal Audit Charter must be approved by the Audit, Risk and Improvement Committee.

This Internal Audit Charter - policy was authorised by the Audit, Risk and Improvement Committee.

Date of Adoption by Committee: 13 February 2017.