



INTERNAL AUDIT CHARTER

29 January 2018

1 Establishment of Internal Audit

Internal Audit is established in accordance with the Local Government Regulation 2012.

Internal Audit is an integral part of the governance framework established by Council to provide independent, objective assurance and advice designed to add value and promote continuous improvement.

2 Charter

The Charter will be reviewed by the Audit Committee and endorsed by Council annually.

3 Role of Internal Audit

Internal Audit provides an independent and objective review and advisory service to;

- Provide assurance to the Chief Executive Officer and the Audit Committee that the council's financial and operating controls designed to manage risks and achieve corporate objectives are operating in an efficient effective, economical and ethical manner; and
- Assist management in improving our business performance and compliance.

By providing assurance on the effectiveness of council's internal control environment and identifying opportunities for performance and compliance improvement, internal audit can make a valuable contribution to achieving council's objectives and to managing risks.

To this end, Internal Auditors will undertake reviews of Council's activities and furnish the Chief Executive Officer, the Audit Committee and Management with reports containing analyses, appraisals, recommendations, comments and observations generally.

Internal Auditors will not undertake reviews of activities that are not directly controlled by Council.

4 Audit Planning

Develop a risk based Annual Work Plan that ensures effective utilisation of audit resources and appropriate coverage of critical, significant and low impact systems and operations is achieved. In addition, the plan will take cognizance of previous year's audit results, findings from other assurance providers, advice and requests from Council, the Audit Committee, and Management.



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The Annual Work Plan shall be endorsed by Council upon the recommendation of the Audit Committee.

Ensure that appropriate audit resources enable the Annual Work Plan to be completed.

5 Internal Audit Responsibilities

Develop a risk based Annual Work Plan to be approved by Council.

Assess and make appropriate recommendations for improving council's governance process in the accomplishment of its objectives.

Appraise the adequacy, application and cost effectiveness of financial, administrative and operating controls and promote continuous improvement.

Examine the integrity of financial, administrative and operating systems and the completeness and accuracy of information reported.

Examine and evaluate operational functions to maximise the economic, efficient and effective use of all Council resources in the achievement of Council's objectives and priorities.

Assist in risk management and ascertain the extent to which Council physical assets are accounted for and safeguarded from losses of all kinds.

Implement a Fraud and Corruption Risk Assessment program in accordance with best practice guidance and Council's risk appetite.

Examine the Information Management systems and associated internal controls.

Review and monitor policy, procedures and legislative compliance and reporting processes.

Contribute to the overall audit requirements in regard to Council's Financial Statements.

Appraise and monitor the procedures and controls over external contractual relationships.

Investigate and assist in, or be advised of any investigations where losses to Council assets have occurred.

Consider requests for specific audit assignments from Councillors and Executive Management with due consideration to overall council risk, availability of audit resources and impact to the approved Annual Work Plan.



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6 Internal Audit Reporting Process

The Audit and Assurance function is directly responsible to the Chief Executive Officer and will report the results of reviews via the Audit Committee as broadly described hereunder.

- Matters arising during audits, including matters for possible inclusion in reports will, on completion of the audit, be discussed with the officer in charge of the area and where appropriate with the responsible Manager.
- Matters resolved at the time of audit will be listed in the issued audit report for transparency.
- Reports will consist of an Executive Summary and a Detailed Audit Report. Also, the reports will incorporate statements as to the objective, scope and nature of the audit, audit conclusions, appropriate recommendations for improvement and associated risk assessments, acknowledging good practice and any remedial action in process.
- Reports will include the management's comments to audit recommendations that will include recommendation acceptance, the responsible officer to undertake the corrective action, and the expected date that the corrective action will be completed.
- Audit reports to be finalised with Director's comment within 30 days of the draft report being issued.
- Completed audit reports to be presented at the next Audit Committee meeting.
- Outstanding Management Actions will be monitored and reported to the Audit Committee.

7 Management's Responsibilities for the Risk and Control Environment

Management are accountable for the implementation of effective risk management and internal control frameworks which contribute to improving organisational performance and governance i.e. management own and manage the operating control processes.

Risk management and internal control frameworks are dynamic and must evolve to meet the challenges of our rapidly changing business and operating environments. The frameworks are complementary;

- risk management provides for the identification, assessment, monitoring and reporting on operations and determining value creation opportunities within council's risk appetite; while
- internal controls reflect tactical business solutions to facilitate business objectives, corporate governance and preserve value



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Furthermore, as every employee plays a role in either strengthening or weakening our performance and governance, employees need to be aware of the concept and purpose of both frameworks.

Accordingly, management's ability to demonstrate and provide evidence that risk management and internal control processes are operating effectively will impact the conduct and outcomes of reviews and audit's ability to provide reasonable assurance – but not absolute assurance.

Management is responsible for the implementation of internal and external recommendations designed to minimise risk exposures and strengthen the control environment. The Audit Committee will monitor the implementation of audit recommendations.

8 Organisational Arrangements and Independence

The Manager, Audit and Assurance is responsible to Council through the Audit Committee and the Chief Executive Officer for the effective management of an independent Internal Audit function. The independent status within Council is essential to effective internal auditing and shall be maintained at all times.

The Internal Auditor has no managerial powers, authorities, functions or duties except those relating to the management of the Audit and Assurance function. Accordingly, audit activities do not in any way relieve other personnel from their responsibilities.

Internal Auditors have the right of access to Council's properties, works, all records, accounts, correspondence, minutes and other documents that may be necessary in the conduct of a review. Council personnel may be requested to provide relevant information within a specified time frame to enable a review to be efficiently completed.

Internal Auditors shall not be responsible for detailed development, implementation of, or variation to financial and administrative systems. However, Internal Audit should be advised of any approved development or change to such systems.

Internal Auditors will promote its image as a service function carrying out its responsibilities through constructive co-operation with Executive Management and personnel at all levels within Council.

In order to maintain audit independence, appointments to working groups, committees etc shall be as observer/advisor status.

9 Relationship with External Audit

A professional relationship will be maintained with Council's External Auditors. A close liaison will result in a cost effective use of audit resources ensuring the best value to Council.



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Internal Auditors will consult regularly with External Audit. Consultation will commence at the annual internal audit plan development stage, at the completion of audits as presented by the plan and otherwise as deemed necessary between the internal and external audit.

External Audit reports will be presented to the Audit Committee. Internal Audit will notify External Audit of the date and time of scheduled Audit Committees Meetings.

10 Competence, Standards and Conduct of Audit Work

Internal Auditors will maintain a high degree of professionalism through application of the following competency and standard requirements.

Permanent Internal Audit personnel will be qualified to at least the minimum required for entry to the professional accounting bodies or other appropriate qualification that may be determined from time-to-time.

Staff will be appropriately experienced and skilled to independently operate as effective Internal Auditors.

An appropriate range of skills will be maintained within the function.

Staff will maintain and develop competency and skills through involvement in accepted professional development programmes.

Australian Professional Accounting Bodies and the Institute of Internal Auditors professional standards will be adopted.

11 Internal Audit Resources

The Chief Executive Officer may approve additional audit resources on the advice of the Audit Committee and/or the Manager, Audit and Assurance. Approval will be undertaken in accordance with Council Policies.