

INTERNAL AUDIT CHARTER

1. THE CHARTER

- 1.1 This Internal Audit Charter (Charter) establishes the purpose, authority and responsibilities of Internal Audit at Inner West Council.

2. DEFINITION OF INTERNAL AUDITING

- 2.1 The following definition of from the Institute of Internal Auditors (IIA) is adopted for the purposes of this Charter:

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

3. ROLE

- 3.1 Internal Audit is an integral part of the corporate governance framework of Inner West Council.
- 3.2 The objectives of Internal Audit are to provide independent, objective assurance to the General Manager and Council on risk management, control, governance and external accountability responsibilities in identifying operational improvement opportunities, identifying unsound practices, and recognize potential cost savings and performance improvements which add value and improve Council's operations.

4. AUTHORITY

- 4.1 Internal Audit is responsible for the independent appraisal, examination and evaluation of Council activities, and for reporting to Council on these activities through the Audit Risk & Improvement Committee.
- 4.2 Internal Audit will have full and unfettered access to Council activities, records, property, personnel and such information that is necessary to give full effect to the Internal Audit function.
- 4.3 Internal Audit will:
- a) have full and free access to the Audit Risk & Improvement Committee
 - b) obtain the necessary assistance of staff in the sections of the Council where audits are performed, as well as other specialised services from within or outside the Council as approved by the General Manager.
- 4.4 All Council officers are obliged to provide any reasonably possible assistance in order to facilitate the efficient and orderly progress of work by Internal Audit.

5. OBJECTIVITY & INDEPENDENCE

- 5.1 Independence is essential to the effectiveness of internal auditing. This independence is obtained primarily through organisational status and objectivity.

- 5.2 Internal Audit is independent of the activities that it audits in order to ensure unbiased determinations are reached as part of its mandate to properly conduct its work and provide impartial advice to managers.
- 5.2 Internal Audit is administratively responsible to the General Manager, through the Chief Audit Executive, and reports operationally to the Audit Risk & Improvement Committee.
- 5.3 The Audit Risk & Improvement Committee:
- a) Operates within their own Charter
 - b) reviews and commends Internal Audit Charter updates for adoption by Council
 - c) guides, reviews and comments on the performance of the Internal Audit function
 - d) is a key discussion forum that identifies areas considered worthy of examination by Internal Audit and Enterprise Risk Management
 - e) meets at least annually with the Chief Audit Executive (and if appropriate, the Internal Auditor contractor) in camera without the presence of management.

6. RESPONSIBILITIES

- 6.1 The Audit Risk & Improvement Committee is responsible for approving and monitoring the scope of work and performance against the Annual Internal Audit Plan (Audit Plan).
- 6.2 Council managers are responsible for internal control and risk management of their activities.
- 6.3 The Executive Manager Enterprise Risk is the Chief Audit Executive and is responsible for ensuring that:
- a) internal audit is established within IWC and that culturally the importance of such an independent and objective service to the organisation is valued;
 - b) in-house and third party resources deployed to Internal Audit are well managed;
 - c) the Audit Plan is developed, implemented and reported to relevant Council managers and to the Audit Risk & Improvement Committee; and
 - d) implementation of audit recommendations are monitored and reported to relevant Council managers as well as the Audit Risk & Improvement Committee.
- 6.4 Internal Audit is responsible for:
- a) bringing a systematic, disciplined approach to evaluate and report on the adequacy and effectiveness of risk management, internal controls and governance processes within Council
 - b) ensuring that the approach is in accordance with the Audit Plan which may occasionally be modified in consultation with the Audit Risk & Improvement Committee
 - c) developing a risk based Audit Plan in consultation with relevant stakeholders
 - d) carrying out audits in a competent, timely and professional manner in accordance with the Audit Plan and better practice industry standards
 - e) systematic reporting to managers and the Audit Risk & Improvement Committee on audits that have been conducted.

- 6.5 The existence of Internal Audit does not diminish the financial and operational responsibilities of Council managers for the proper execution and control of activities, including their responsibilities for the periodic conduct of business system appraisals, management of internal controls and risk management.

7. SCOPE

- 7.1 The scope of Internal Audit encompasses the examination and evaluation of the adequacy and effectiveness of the Council's internal controls and process efficiencies against existing policies, procedures, legislative requirements and best practice.

Internal Audit is authorised to direct a comprehensive program of internal audit work in the form of reviews, consultancy advice, evaluations, appraisals, assessments and investigations of functions, processes, controls and governance frameworks in the context of the achievement of Council's objectives, including but not necessarily limited to:

- a) reviewing systems and operations to assess the extent to which Council objectives are achieved, as well as the adequacy of internal controls over such activities
- b) assessing the relevance, reliability, timeliness and adequacy of management information
- c) appraising expenditure with regard to how well it may represent value for money
- d) ascertaining the extent of compliance with established internal policies, plans and procedures as well as legislative / regulatory requirements
- e) reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets
- f) recommending improvements in procedures and systems to prevent extravagance, minimise waste and avoid loss
- g) advising, in a consulting capacity, on appropriate systems of internal control and other operational matters
- h) reviewing the implementation of software applications for financial management and other administrative systems
- i) drawing attention to any apparent failures by responsible officers to effect remedial action
- j) carrying out ad-hoc appraisals, investigations, or management reviews in the areas of fraud control, risk management and security or any related areas of focus as identified by the Audit Risk & Improvement Committee.

- 7.2 The scope of Internal Audit work does not extend to:

- a) exercising executive or managerial authority or functions
- b) performing any operational duties for Inner West Council
- c) initiating or approving accounting transactions
- d) directing the activities of any staff member, except to the extent such staff have been appropriately assigned to audit teams or to otherwise assist an Internal Auditor
- e) involvement in any day to day operations of the Council or its day to day internal monitoring and review functions.

8. REPORTING

8.1 Internal Audit shall at all times report functionally to the Audit Risk & Improvement Committee. At each Committee meeting, the Internal Auditor (that is, the nominated Principal of the Internal Audit firm) shall submit a report on:

1. audits completed
2. progress in implementing the annual audit work plan; and
3. the implementation status of agreed internal and external audit recommendations.

8.2 On completion of each internal audit engagement, Internal Audit shall issue a report to its audit customers 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 officer (Group Manager) an agreed or endorsed action plan outlining remedial action to be taken, along with an implementation timetable and person responsible.

Responsible Officers shall have a maximum of ten working days to provide written management responses and action plans in response to issues and recommendations contained in internal audit reports.

Internal Audit shall also provide the appropriate Group Manager with a client feedback form requesting feedback on the conduct of the audit to enable an assessment of client satisfaction.

8.3 Internal Audit shall make available all internal audit reports to the Audit Risk & Improvement Committee. However, the work of the Internal Auditor is solely for the benefit of Inner West 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 & Improvement Committee.

8.4 In addition to the normal process of reporting on work undertaken by Internal Audit, the Chief Audit Executive and/or Head of Internal Audit shall draw to the attention of the Audit Risk & Improvement Committee all matters that, in their opinion, warrant reporting to the Committee.

8.5 At least annually, Internal Audit shall provide a report to the Audit Risk & Improvement Committee outlining the results of the Internal Audit function. This should include an assessment against any agreed performance measures endorsed by the Committee.

9. PLANNING

9.1 At the end of each financial year, Internal Audit shall update a rolling four (4) year Internal Audit Plan and prepare supporting details on the next Annual Internal Audit Plan of proposed audits so that they may be endorsed by the Executive Leadership Team and the Audit Risk & Improvement Committee before the annual program of work commences for the coming financial year.

9.2 Identification and prioritisation of work reflected in Audit Plans will be based on assessment of risks pertaining to the achievement of the Council objectives, and on additional information gathered from consultations with key internal stakeholders.

- 9.3 In developing the Annual Internal Audit Plan (Audit Plan), Internal Audit will consult with the:
- a) External Auditor
 - b) Key Group Managers responsible for business areas to be audited
 - c) Executive Leadership Team.
- 9.4 The Executive Manager Enterprise Risk, in consultation with the Leadership Team, will provide Internal Audit with relevant and up-to-date risk data to ensure that the final Audit Plan is properly aligned with the Council's risk profile.
- 9.5 For each audit engagement flagged within the Audit Plan, the Internal Auditor will prepare an individual audit plan and audit program of work for approval by relevant managers prior to the commencement of field work.

10. QUALITY ASSURANCE & INTERNAL AUDIT

- 10.1 The Executive Manager Enterprise Risk is to keep the Internal Audit function under review in order to ensure that its work observes relevant standards and meets the requirements of this Charter.
- 10.2 The Internal Auditor will ensure:
- a) that all internal audit work is undertaken proficiently and with due professional care
 - b) that all information gained in the course of audit work remains confidential and is not used or conveyed for purposes beyond the scope of approved responsibilities
 - c) their compliance with all relevant Internal Audit policies and procedures
 - d) their compliance with the *International Standards for the Professional Practice of Internal Auditing* issued by the IIA
 - e) their compliance with codes of ethics and conduct issued by Inner West Council and the IIA
 - f) where applicable, they have regard to auditing standards and practice statements issued by the Auditing and Assurance Standards Board.
- 10.3 The Executive Manager Enterprise Risk will monitor the Internal Audit Program, including oversight of in-house resources and any contracts with third party suppliers, to ensure that Council receives value for money and professional internal auditing services.

11. EVALUATION

- 11.1 The Chief Audit Executive and Head of Internal Audit shall develop performance measures (key performance indicators) for consideration and endorsement by the Audit Risk & Improvement Committee, as a means for the performance of internal audit to be periodically evaluated.
- 11.2 Internal Audit shall also be subject to an internal quality review every two years and 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 reported to the Audit Risk & Improvement Committee.

12. CONFLICTS OF INTEREST

- 12.1 Internal auditors are not to 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.
- 12.2 When engaging internal audit contractors, the Chief Audit Executive and Head of Internal Audit shall take steps to identify, evaluate the significance, and manage any perceived or actual conflicts of interest that may impinge upon internal audit work.
- 12.3 Instances of perceived or actual conflicts of interest by the Head of Internal Audit or Internal Audit staff and contractors are to be immediately reported to the Committee by the Head of Internal Audit.

13. REVIEW OF INTERNAL AUDIT CHARTER

- 13.1 The Internal Audit Charter will be reviewed every year.
- 13.2 Amendment of this Internal Audit Charter is subject to the approval of the Council, after review by the Audit Risk & Improvement Committee and the Leadership Team.

Policy and Risk Only:

Version	Amended By	Changes Made	Date	DWS#
1	Council	Adopted by Council	27 September 2016	
2	Policy and Risk	Revised for currency	February 2018	
3	ARIC	Endorsed in ARIC meeting	21 February 2018	4986214