

ADOPTED		VERSION NO	2
COUNCIL MEETING MIN	70/22	REVIEW DATE	MARCH 2025
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## Objective

The objective of this policy is to establish an effective and efficient internal audit function that will provide independent, objective assurance and appropriate services designed to add value and improve Council's operations.

An effective internal audit function will seek to achieve the following outcomes in undertaking the annual audit program endorsed by the Audit Risk and Improvement Committee:

- Assess and evaluate Council's processes, procedures and internal control environment to assist with the management of operational risks;
- Appraise the relevance, reliability and integrity of management, business systems, financial and operating records and reports;
- Assist the General Manager and Council in the effective discharge of their responsibilities by providing them with analyses, appraisals, recommendations and information concerning the activities reviewed;
- Review compliance with Council policies and procedures, legislative requirements and regulations; and
- Provide outcomes that will generally improve practices across Council.

## Legislative requirements

Local Government Act 1993

Local Government Act Regulations

## Related policies and plans

- Audit Risk and Improvement Committee Charter
- Risk Management Policy
- Fraud Control Policy

# Policy

## Independence and Objectivity

The internal audit function must be independent and objectivity must be exercised in the conduct of internal audit work.

Internal audit engagements shall be performed with an unbiased and impartial attitude. Internal audit shall not be involved in the day to day operations of Council.

## Authority and access

Internal audit shall have direct and unrestricted access to Council and management. It is authorised to review all areas of Council with full, free and unrestricted access to Council's operations, data and records, assets and personnel.

## Reporting responsibility

The internal audit function will report functionally to the Audit Risk and Improvement Committee with administratively reporting to the General Manager.

Internal audit reports will be prepared and presented to the Audit Risk and Improvement Committee via the General Manager's office on completion of an audit, and progress reports will be presented bi-annually to the Audit Risk and Improvement Committee. These reports will state the control measures that Council has adopted that were assessed by internal audit; the method in which the internal audit was conducted; the observations and recommendations of internal audit and management responses to audit recommendations.

# Internal Audit Resourcing

The internal audit function will be undertaken by a suitably qualified and experienced external service provider and specialist audit services support will be engaged as required. All work undertaken by the external service provider within the Council will be approved by the Audit Risk and Improvement Committee.

The term of appointment of an internal auditor other than a staff member shall be reviewed by the General Manager at least every three years.

# Scope and Objective of Internal Audit

The internal audit coverage may extend to all areas of the organisation and include financial, accounting, administrative, computing and other operational activities.

The extent and frequency of internal audits will depend upon varying circumstances such as results of previous audits, relative risk associated with activities, materiality, the adequacy of the system of internal control and the resources available.

An annual audit plan will be endorsed by the Audit Risk and Improvement Committee.

The objective of Internal Audit is to provide Council with independent advice in relation to:

- Reviewing and appraising the adequacy and effectiveness of the system of internal controls;
- Appraising the relevance, reliability and integrity of management, financial and operating data and reports;
- Reviewing the systems established to ensure compliance with those policies, plans, procedures, statutory requirements and regulations which could have a significant impact on operations;
- • Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets;
- Appraising the economy, efficiency and effectiveness with which resources are employed;
- Reviewing operations or programs to ascertain whether results are consistent with Council's established objectives and goals and whether the operations or programs are being carried out as planned;
- Assessing the adequacy of established systems and procedures;
- Conducting special assignments and investigations into any matter or activity affecting the probity, interests and operating efficiency of the organisation; and
- The improvement and effectiveness of risk management, legal compliance, internal control and governance systems to provide value and accountability to ratepayers.

## Audit Methodology

Internal audits will be conducted in accordance with the Standards for the Professional Practice Internal Auditing. For all audits undertaken, the manager for the activity under review shall be advised and given the opportunity to discuss:

- The objectives, risks and scope of the audit to be conducted, prior to the commencement of such audit; and
- The findings and proposed recommendations on the completion of an audit, and, where appropriate, provide comments.

## Independence

To be effective, the Internal Audit function must be able to operate without being influenced or restricted when undertaking its responsibilities. For this purpose the Internal Audit reports directly to the Audit Risk and Improvement Committee via the General Manager with respect to all audit investigation findings.

## Authority

Internal Auditors, in the course of their duties, have full, free and unrestricted access to all records, monies, materials, assets, property and personnel and are permitted to examine all transactions, review all policies, procedures and functions in Council.

Information acquired by Internal Audit in the course of an audit must remain confidential and must not be used for purposes outside the scope of the audit review.

All members of management and staff must fully co-operate with internal audit in relation to matters subject to review.

## Audit Reports and Recommendations

At the completion of an audit, internal audit will discuss their findings and recommendations with the appropriate officers concerned to ensure that internal audit and management agree on the findings and jointly develop any recommendations considered necessary. A final report will then be issued to the Audit Risk and Improvement Committee.

At the request of the Audit Risk and Improvement Committee (in consultation with the General Manager), internal audit may be required to provide a report summarising significant issues arising out of audits undertaken during the year. It may also be required to provide independent verification that any high risk issues have been addressed, and to undertake an assessment of the implementation of audit recommendations. The report may include: reference to areas where weaknesses were encountered; suggested remedial measures and any general observations or recommendations considered appropriate; and a summary of management actions taken or not taken in response to audit recommendations.

The General Manager will co-ordinate the review of the implementation of internal audit recommendations and report progress and any associated issues to the Risk Audit and Improvement Committee on at least a quarterly basis.

### **Relationship between Internal Audit and External Audit**

Internal audit will collaborate with the appointed external auditor with respect to all internal audit engagements conducted, as required, to facilitate the audit coverage and avoid duplication of work.

Both the internal auditor and external auditor may approach the Audit Risk and Improvement Committee Chairperson directly on any matter.

## Management

The internal audit function will be guided by the standards of the Institute of Internal Auditors and will be active in implementing modern auditing techniques.

A comprehensive set of audit working papers shall be prepared during each assignment. The working papers shall include planning rationale, process documentation, details of auditing procedures, results of testing, discussion records, a report on each process audited and correspondence with senior and line management, etc.

The Executive Manager People and Performance (on behalf of the General Manager) will liaise with the internal audit function (contractor) in relation to the conduct of internal audits, reporting arrangements and the administration of any contractual arrangements.