

	CHARTER	
	Internal Audit Charter	
	Policy Number	CP015
	Directorate	Organisational Services
	Owner	Ken Diehm, Chief Executive Officer
	Last Approved	26/04/2023
	Review Due	29/04/2023

1. PURPOSE

The purpose of internal audit is to function in partnership with Council’s governing body and staff and external audit to assist Councillors and management in the effective discharge of responsibilities. Internal audit seeks to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight.

Internal audit considers whether policies, operations, systems and procedures meet appropriate standards of accountability, regulatory compliance, effectiveness, efficiency and propriety.

Internal audit works with management to identify, evaluate and adopt opportunities for Business Process Improvement. Internal Audit supports Council initiatives for more efficient and effective processes and systems.

This Charter applies to all staff and contractors engaged in internal auditing (internal auditors).

2. INTERNAL AUDITING

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

The relationship of internal auditing to the Council is described in the *Core Principles for the Professional Practice of Internal Auditing*. These principles are practically expressed in the internal auditing *Code of Ethics* and the *International Standards for the Professional Practice of Internal Auditing* (the Standards).

For purposes of the Standards and this Charter, the Chief Audit Executive of Fraser Coast Regional Council is the person occupying the position of Internal Auditor.

3. OBJECTIVE

The objective of Internal Audit is to provide independent advice on:

1. Compliance with legislation, standards, and other regulatory requirements;
2. Adequacy of control environments and compliance with management policies and procedures;

3. Economy and efficiency of the use of resources;
4. Safeguarding of assets;
5. Integrity of information;
6. Risk framework and risk assessments;
7. Effectiveness in achievement of objectives specified in Corporate and Operational Plans; and
8. Continuous Business Process Improvement in achieving best practice.

4. FUNCTION

The scope of internal audit engagements shall be sufficiently comprehensive to ensure the effective and regular review of key activities which may extend to all areas of Council. Internal audit shall include, but not be limited to the following:

- Risk assessment and management;
- Identification and assessment of risks to which Council's operations are exposed;
- Review of systems and control environment;
- Audit of key risks, financial systems and information; and
- Reporting to the Chief Executive Officer and Audit and Risk Committee on a timely and regular basis.

Assurance Engagements

Assurance engagements may be:

- operational in nature – considering the extent to which activities are efficient and effective in achieving their objectives - and/or
- compliance in nature – including financial, accounting, administrative, and regulatory compliance.

The extent and frequency of internal audit reviews will depend upon circumstances such as results of previous internal and external audits, risk assessments, materiality and the adequacy of control environments.

Consulting Engagements

Should the Chief Audit Executive believe it appropriate and the results may add value to the organisation, and with the permission of the Chief Executive Officer, internal audit may provide engagements where the scope and objectives have been agreed with the client.

The results of consulting engagements are reported to the Audit and Risk Committee.

5. CODE OF ETHICS

In addition to the Fraser Coast Council Staff Code of Conduct, the Institute of Internal Auditors *Code of Ethics* will govern the behaviour of individuals in the conduct of internal auditing. Internal auditors are expected to apply and uphold the following principles:

Integrity

The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgment.

Objectivity

Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and

communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments.

Confidentiality

Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

Competency

Internal auditors apply the knowledge, skills, and experience needed in the performance of internal audit services

Internal auditors must be free of any interest, either actual or perceived which may be regarded as incompatible with integrity and objectivity. Where internal auditors become aware of actual or perceived conflicts the situation must be made known to the Chief Audit Executive and Director Organisational Services. Consultative resolution will then be undertaken.

6. OPERATING PRINCIPLES

The following operating principles shall be observed to ensure the effectiveness of internal audit:

6.1 Professionalism

Internal audit activity will be conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* promulgated by the International Internal Auditing Standards Board. Information technology audits will also conform with the *IS Audit and Assurance Standards* published by ISACA.

Other standards may be relevant to the conduct of an internal audit engagement and may be used in addition to the *International Standards for the Professional Practice of Internal Auditing* with the prior permission of the Chief Audit Executive.

The Chief Audit Executive shall ensure assignments are completed by suitably skilled, experienced and competent persons.

6.2 Balance

Audit reports shall maintain an equitable balance between the need for efficiency and the need for effective delivery of service to the community.

6.3 Risks v benefits of control

The need for internal controls/quality controls are based on an assessment of risks, potential benefits, and costs of such controls. To be “adequate” control must be cost effective in relation to the assessment of risk.

6.4 Audit quality control

Internal Audit quality control is provided by:

- Review of planning and final report stages by the Chief Audit Executive, the relevant Director, the Chief Executive Officer and the Audit and Risk Committee;

- Review of draft reports by relevant officers of Council;
- Review of reports by the Audit and Risk Committee;
- Use of competent internal auditors, with a regular review of audit plans and reports.

At no point in the review process can management change or influence the intent of the audit report.

Service providers will be required to attest adherence to the prescribed professional standards and in particular to confirm that all engagements have been supervised and quality reviewed within the service provider organisation.

7. QUALITY ASSURANCE AND IMPROVEMENT

Fraser Coast Regional Council acknowledges the requirements of Attribute Standard 1300 of the Standards which requires a Quality Assurance and Improvement Program to be developed and maintained. Council will promote quality assurance and continuous improvement through conducting the following activities:

- Use of competent personnel;
- Appropriate supervision;
- Oversight by the audit committee;
- Annual internal assessments for conformance with the standards;
- Assurance provided by the external auditor as part of their assessment on what reliance is to be placed on the work of the internal audit during the external audit.

8. INDEPENDENCE

Internal Audit has independent and neutral status within the Council and for that purpose, the Chief Audit Executive:

- a) shall be responsible for administrative purposes to the Executive Manager Governance and Customer Service, but shall have direct access to the Chief Executive Officer and Audit and Risk Committee as and when required;
- b) may from time to time (with the approval of the Chief Executive Officer and after notification to the Audit and Risk Committee) be assigned managerial or functional responsibility for non-operational activities. When activities managed by the Internal Auditor are subject to internal audit review, such reviews will be supervised by a more senior officer from a different chain of command;
- c) shall not be involved in the day to day internal checking system of any department or branch;
- d) shall not be responsible for designing, installing or maintaining systems, procedures or controls, but will advise on these matters and provide assurance to management that implemented systems will contribute to the achievement of the intended corporate goals and objectives.

9. INTERNAL AUDIT PROCESS

- a) Planning and Establishment
 - The Chief Audit Executive shall consult with management in developing the forward program of audits based on a preliminary risk evaluation.

- An internal audit program shall be drawn from industry best practice in consultation with management and forwarded to the Audit and Risk Committee for approval.
- Scope for each individual engagement will be discussed and where appropriate agreed with management. Should any problem arise regarding the scope of audit, the matter shall be referred to the Chief Executive Officer or the Audit and Risk Committee as appropriate for decision.

b) Report

- Matters arising shall be discussed with management during the conduct of the audit.
- Management have no power or authority to change or influence the intent of the audit report and findings.
- Audit reports of detailed findings and recommendations shall be presented to relevant management. A copy of the executive summary and recommendations of reports, together with the management comments, shall be forwarded to the Chief Executive Officer, Audit and Risk Committee and relevant Director.
- Copies of audit reports shall not be released without reference to responsible management
- External auditors have legal access to all of the Council's documents and therefore have access to internal audit reports. Requests by external audit for access to documents shall be directed through either the Chief Executive Officer or the Chief Audit Executive.

c) Monitoring audit recommendations

The Executive Manager Governance and Customer Service shall follow up progress on the implementation of approved audit recommendations, and advise the appropriate responsible management and the Chief Executive Officer accordingly.

d) Progress and Performance Report

The Executive Manager Governance and Customer Service shall review progress and performance in achieving the annual program, and report progress to the Chief Executive Officer and the Audit and Risk Committee.

10. ACCESS TO INFORMATION

Internal Audit has reasonable access to all relevant information, facilities and staff of the Council. When responding to requests from an internal auditor, managers and staff should do so to the best of their ability and in a timely manner. Managers and staff must not knowingly mislead an internal auditor or wilfully obstruct any audit activity.

Any plans for change which impact on an audit must be advised to the responsible auditor.

11. RELATIONSHIP WITH MANAGERS AND STAFF

Internal Audit has an independent function. Internal Audit's primary role is to assist management in determining the adequacy of management controls and where necessary recommend changes.

A review by internal audit does not relieve managers or staff of any responsibility related to their employment.

12. RELATIONSHIP WITH OTHER INTERNAL REVIEW FUNCTIONS

Internal audit will consider the scope of other review activities within the Fraser Coast Regional Council and will consider the extent to which internal audit may rely on the work of these other review activities. Internal audit will not unnecessarily duplicate the work of other internal review activities but may take their results into account in advising the Audit and Risk Committee.

13. RELATIONSHIP WITH EXTERNAL AUDITORS

- a) The internal audit function shall maintain a co-operative working relationship with the Queensland Audit Office, or contract auditor appointed by the Queensland Audit Office.
- b) The Queensland Audit Office, or contract auditor, completes an assessment of the Council’s annual report and financial statements and a range of other reviews that they deem necessary.
- c) Close liaison with the external auditor shall be maintained to ensure co-ordination of audit effort and maximum coverage.

14. ASSOCIATED DOCUMENTS

Audit and Risk Committee Policy [#3218662](#)
Internal Audit Policy [#3196069](#)
Audit and Risk Committee Charter [#3071357](#)
International Standards for the Professional Practice of Internal Auditing

15. REVIEW

This Charter will be reviewed when related legislation/documents are amended or replaced, other circumstances as determined from time to time by Council or at intervals of no more than three years.

Version Control

Version Number	Key Changes	Approval Authority	Approval Date	Document Number
6	Amendment – Review & transfer to new format	Council	26/04/2023	3218668
7				