

	<b>CHARTER</b>	
	Internal Audit Charter	
	Policy Number	CP015
	Directorate	Organisational Services
	Owner	Ken Diehm, Chief Executive Officer
	Last Approved	20 November 2024
	Review Due	20 November 2027

## 1. PURPOSE

The purpose of the internal audit function is to strengthen Council’s ability to create, protect, and sustain value by providing the Council and management with independent, risk-based, and objective assurance, advice, insight, and foresight. The internal audit function enhances Council’s:

- Successful achievement of its objectives;
- Governance, risk management, and control processes;
- Decision-making and oversight;
- Reputation and credibility with its stakeholders;
- Ability to serve the public interest.

Internal audit function is most effective when:

- Internal auditing is performed by competent professionals in conformance with The IIA’s *Global Internal Audit Standards*, which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the Audit and Risk Committee.
- Internal auditors are free from undue influence and committed to making objective assessments.

This Charter applies to all staff and contractors engaged in internal auditing (internal auditors). This Charter does not apply to Council’s quality management function. 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.

## 2. MANDATE

The internal audit function’s mandate is the *Local Government Act 2009, section 105* which states:

*Each local government must establish an efficient and effective internal audit function.*

The internal audit function has been established by Council in fulfilment of this requirement. This Charter authorises the internal audit function to conduct internal audit engagements under the supervision of the Audit and Risk Committee.

### 3. OBJECTIVE

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

1. Compliance with legislation, standards, and other regulatory requirements;
1. Adequacy of control environments and compliance with management policies and procedures;
2. Economy and efficiency of the use of resources;
3. Safeguarding of assets;
4. Integrity of information;
5. Risk framework and risk assessments;
6. Effectiveness in achievement of objectives specified in Corporate and Operational Plans; and
7. 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 engagements may include evaluation of:

- Risk assessment and management;
- Identification and assessment of risks to which Council's operations are exposed;
- Review of systems and control environment;
- Review of results for consistency with established goals and objectives;
- Effectiveness and efficiency of operations, established processes and systems;
- Compliance of established processes and systems with relevant policy, legislation or standards;
- Integrity of information;
- Efficiency, sustainability and protection of resources and assets; 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.

#### **Advisory 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 advisory engagements are reported to the Audit and Risk Committee.

## 5. ETHICS AND PROFESSIONALISM

In addition to the Fraser Coast Council Staff Code of Conduct, the Chief Audit Executive will ensure that the internal audit function and internal auditors, including service providers engaged by the internal audit function, conform with the mandatory elements of the The Institute of Internal Auditors' International Professional Practices Framework which are the *Global Internal Audit Standards and Topical Requirements*. This includes the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.

### **Integrity**

The integrity of internal auditors establishes trust by upholding ethical principles and organisational values, including demonstrating honesty and the professional courage to act based on relevant facts.

### **Objectivity**

Internal auditors must maintain an impartial and unbiased attitude in performing all aspects of the internal audit function. The Chief Audit Executive will ensure that the internal audit function remains free from conditions that threaten the ability to carry out responsibilities in an unbiased manner. Internal auditors will have no direct operational responsibility. Internal auditors:

- Will not have direct operational responsibility or authority over activities they review
- Will not be responsible for designing, implementing or maintaining systems, procedures or controls.
- Are responsible to disclose any impairments or perceived impairments of objectivity to the Audit and Risk Committee
- Must avoid conflicts of interest, bias and undue influence.

### **Competency**

Internal auditors apply the knowledge, skills, and experience needed in the performance of internal audit services. Internal auditors may only engage in services for which they have or can get the necessary skills.

### **Due Professional Care**

Internal auditors must be competent and plan and perform internal audit services with appropriate diligence, judgment and scepticism.

### **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.

## 6. OPERATING PRINCIPLES

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

### **6.1 Balance**

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

### **6.2 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.

### **6.3 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 the *Global Internal Audit Standards* to develop and maintain a Quality Assurance and Improvement Program that addresses all aspects of the internal audit function. Council’s internal audit function is a small internal audit function and will promote quality assurance and continuous improvement through conducting the following activities:

- Use of competent personnel;
- Appropriate supervision;
- Oversight by the Audit and Risk Committee;
- Annual internal self-assessments for conformance with the standards;
- Reporting of self-assessment results to the Audit and Risk Committee;
- Monitoring of performance against strategy objectives.

## **8. REPORTING RELATIONSHIPS**

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

- a) shall be responsible for administrative purposes to the Executive Manager Corporate Services, but shall have direct access to the Chief Executive Officer.
- b) shall report functionally to the Audit and Risk Committee;
- c) shall not have ongoing responsibility for any operational matters without prior disclosure to the Audit and Risk Committee.

## **9. INTERNAL AUDIT PROCESS**

### **9.1 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.

## **9.2 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.
- Internal Audit reports containing 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.
- Except as required by law, copies of internal audit reports shall not be released without reference to responsible management and without the approval of the Chief Audit Executive.
- 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.

## **9.3 Monitoring audit recommendations**

Internal Audit shall follow up progress on the implementation of approved audit recommendations, and advise the appropriate responsible management and the Chief Executive Officer accordingly.

## **9.4 Progress and Performance Report**

Internal Audit 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 internal audit activity.

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

## **11. RELATIONSHIP WITH MANAGERS AND STAFF**

Internal Audit has an independent function. Internal Audit's role is to provide assurance to the Council and 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](#)  
Global Internal Audit Standards

**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.

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**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	Amendment – align with Global Internal Audit Standards	Council	20/11/2024	3218668