

	COUNCIL POLICY	
	Internal Audit Council Policy	
	Policy Number	CP016
	Directorate	Organisational Services
	Owner	Ken Diehm, Chief Executive Officer
	Last Approved	26/04/2023
	Review Due	26/04/2026

1. PURPOSE

This policy establishes Council’s intention to have an Internal Audit function and outlines the authority and responsibilities conferred to it by the Council.

2. SCOPE

This policy applies to the Internal Audit function.

3. HEAD OF POWER

Local Government Act 2009

Section 105 - Auditing, including internal auditing

- (1) Each local government must establish an efficient and effective internal audit function.
- (2) Each large local government must also establish an audit committee.
- (3) A **large local government** is a local government that belongs to a class prescribed under a regulation.
- (4) An **audit committee** is a committee that—
 - (a) monitors and reviews—
 - (i) the integrity of financial documents; and
 - (ii) the internal audit function; and
 - (iii) the effectiveness and objectivity of the local government’s internal auditors; and
 - (b) makes recommendations to the local government about any matters that the audit committee considers need action or improvement.

Local Government Regulation 2012

Section 207 Internal audit

- (1) For each financial year, a local government must—
 - (a) prepare an internal audit plan; and
 - (b) carry out an internal audit; and

- (c) prepare a progress report for the internal audit; and
 - (d) assess compliance with the internal audit plan.
- (2) A local government's **internal audit plan** is a document that includes statements about—
- (a) the way in which the operational risks have been evaluated; and
 - (b) the most significant operational risks identified from the evaluation; and
 - (c) the control measures that the local government has adopted, or is to adopt, to manage the most significant operational risks.
- (3) A local government must give its audit committee—
- (a) the progress report mentioned in subsection (1)(c); and
 - (b) at least twice during the year after the internal audit is carried out, each of the following documents—
 - (i) a summary of the recommendations stated in the report;
 - (ii) a summary of the actions that have been taken by the local government in response to the recommendations;
 - (iii) a summary of any actions that have not been taken by the local government in response to the recommendations.

4. DEFINITIONS

NA

5. POLICY STATEMENT

Council has implemented an Internal Audit Charter and Policy and will appoint an Internal Auditor(s) to assist Council and the Audit and Risk Committee.

5.1 Philosophy

Council has recognised the need to establish an Audit and Risk Committee to ensure that management is properly discharging its responsibilities and achieving sound managerial control over all Council activities.

Council also recognises the need to adopt an Internal Audit Charter and to appoint an Internal Auditor(s) to assist Council and the Audit and Risk Committee.

5.2 Role

Internal Audit is an assurance activity established to assist Council, the Audit and Risk Committee, the Chief Executive Officer and other levels of Management in improving the organisation's operations and accomplish its objectives by providing risk-based assurance of the control environment and governance processes.

The Internal Auditor will take a risk based approach in reviewing Council's Operations including –

1. regular, management-orientated appraisals of Council functions and activities to determine their appropriateness in the context of the Council's objectives;
2. review of the reliability of accounting and financial management and the protection of the assets and resources under Council control;

3. independent and confidential advice on action to be taken to improve operational effectiveness, efficiency and economy; and
4. follow up appraisals, where appropriate, regarding action taken by Operational Management as a result of audit recommendations or findings.
5. regular monitoring and reporting of the resolution progress for all identified issues.

5.3 Independence

The Internal Auditor has independent status within the Council and for that purpose –

1. 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;
2. 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;
3. shall not be involved in the day to day operation of the Council;
4. 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.

5.4 Authorities & Responsibilities

The Internal Auditor -

1. shall undertake projects in accordance with the Audit Plan and programs approved by the Chief Executive Officer and the Audit and Risk Committee;
2. shall undertake any special or targeted reviews as requested by the Chief Executive Officer or Audit and Risk Committee;
3. shall have access to relevant information and property of the Council;
4. shall have access to any employee of the Council for the purpose of relevant discussions;
5. shall decide upon the nature and scope of each project in consultation with the relevant Director and/or Chief Executive Officer;
6. shall discharge responsibilities in accordance with this document, the Local Government Regulation 2012 and Council Code of Conduct;
7. shall ensure that internal audits are conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*;

8. shall have access to reporting avenues under the Council Code of Conduct, Local Government Act or other statutory bodies.

5.5 Planning

1. The Internal Auditor, through the Office of the CEO, and the Audit and Risk Committee shall establish both short and long term plans to carry out the responsibilities of the Audit function.
2. Internal Audit planning shall have three elements:
 - an Internal Audit Strategy which is a broad statement of the scope of internal auditing and the manner in which the work program will be developed. The strategy is to be approved by the Audit and Risk Committee;
 - an annual audit plan which would include the audit programme for each year, indicated time allowed for each proposed project and a high level scope of agreed projects. The work program is to be developed in accordance with the Internal Audit Strategy and will be based on an analysis of the Council's risks; and
 - field audit plans which are the working plans or programs for each individual project. These are to be prepared by the Internal Auditor and approved by the Executive Manager Governance and Customer Service.

5.6 Scope and Activities

The Internal Audit function appraises the effectiveness and efficiency with which the Council discharges the functions and duties conferred or imposed upon it by the provisions of any statute, regulation or agreement, and to this end, may incorporate such areas as:

1. reviewing activities, functions and management systems to assess the extent to which these can contribute to the achievement of corporate objectives, the efficiency with which human, physical and financial resources are used and the adequacy of managerial control over activities leading to achievement of these objectives;
2. contributing to the corporate management process by assessing and reporting the relevance, reliability and adequacy of management data and performance indicators;
3. appraising past expenditure with regard to value for money obtained and evaluating alternative future expenditure and recommending improvements, in procedures and systems, to prevent waste and extravagance;
4. ascertaining the extent of compliance with established policies, plans and procedures, and reporting whether they are effective in securing their intended purpose;
5. determining whether the systems of internal control are adequate and function effectively and economically;
6. identifying and assessing the risks to which the Council may be exposed including preparation of audit plans to lessen the identified risks.

5.7 Reporting Standards

1. Written reports as required by the Local Government, Regulations or Standards shall be presented including the preparation of summary reports. Reports shall be addressed to the relevant operational manager(s) and copies provided to the Chief Executive Officer and the Audit and Risk Committee.
2. Prior to the issuing of the final report, draft reports and/or any audit advices should be discussed with the persons responsible for taking or securing action in regard to the recommendations/suggestions contained therein. The responses of operational management should be documented.
3. Operational managers are responsible for seeing that a written response is completed within 10 days of receiving the draft report and sent to the relevant department Director. If a plan of action is reported, a follow-up report shall be prepared upon completion of the plan;
4. Where appropriate, the Internal Auditor may provide interim written or oral audit reports and may orally present the final results of a project to the appropriate person(s). Orally presented reports and resultant decisions are to be documented by the Internal Auditor.

5.8 Relationships

1. The Internal Auditor should prove and maintain professional competence by obtaining and retaining membership of appropriate internal audit and other professional bodies in an effort to keep abreast of comprehensive Internal Audit practices; and
2. The Internal Auditor will maintain close liaison with officers or other representatives of the office of the Queensland Auditor-General to ensure co-ordination of effort and maximum audit coverage. The internal auditor may advise the Auditor-General, or representative, of an audit finding.

6. ASSOCIATED DOCUMENTS

Audit and Risk Committee Policy [#3218662](#)
 Audit and Risk Committee Charter [#3071357](#)
 Internal Audit Charter [#3218668](#)

7. REVIEW

This Policy 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
7	Amendment – Review & transfer to new format	Council	26/04/2023	3196069
8				