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Internal Audit Charter

Mission

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

1. Introduction

This Internal Audit Charter is a formal statement of purpose, authority and responsibility for the internal auditing function within Ballina Shire Council

- It establishes internal audit within Ballina Shire Council and recognises the importance of such an independent and objective service to the organisation.
- It outlines the legal and operational framework under which internal audit will operate.
- It authorises the General Manager to promote and direct a broad range of internal audits across Ballina Shire Council and, where permitted, external bodies.

2. Role and Authority

The General Manager is authorised to direct a comprehensive program of internal audit work in the form of reviews, previews, consultancy advice, evaluations, appraisals, assessments and investigations of functions, processes, controls and governance frameworks in the context of the achievement of business objectives.

Persons undertaking internal audits are authorised to have full, free and unrestricted access to all functions, property, personnel, records, information, accounts, files, monies and other documentation, as necessary for the conduct of their work.

3. Objectivity, Independence and Organisational Status

Objectivity requires an unbiased mental attitude. As such, all persons undertaking internal audits shall carry out their roles in such a manner that they have an honest belief in their work product and that no significant quality compromises are made.

To facilitate this approach, the internal audit function will have independent status within Ballina Shire Council and for this purpose will be responsible directly to the Audit Committee and administratively to the General Manager.

The work undertaken through internal audits does not relieve the staff of Ballina Shire Council from their accountability to discharge their responsibilities. All Ballina Shire Council staff are responsible for risk management and the operation and enhancement of internal control. This includes responsibility for implementing remedial action endorsed by management following an internal audit.

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4. Scope of Work

The scope of services provided by the internal audit function shall encompass:

- The examination and evaluation of the adequacy and effectiveness of systems of internal control, risk management, governance, and the status of ethical behaviour
- Ascertaining conformity with the goals and objectives of Ballina Shire Council
- Assessment of the economic and efficient use of resources
- The examination of compliance with policies, procedures, plans and legislation
- Assessment of the reliability and integrity of information
- Assessment of the safeguarding of assets
- Any special investigations as directed by the Audit Committee
- All activities of Ballina Shire Council whether financial or non-financial, manual or computerised.

5. The scope of work may include

- **Assurance services** – objective examination of evidence for the purpose of providing an independent assessment on risk management, control, or governance processes for the organisation. Examples may include financial, performance, operational, compliance, system security, and due diligence engagements.
- **Consulting services** – advisory and related client service activities, the nature and scope of which are agreed with the client and which are intended to add value and improve an organisation's governance, risk management, and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training.

6. Internal Audit Methodology

Generally, internal audits will include:

- Planning
- Reviewing and assessing risks in the context of the audit objectives
- Examination and evaluation of information
- Communicating results
- Following up on implementation of audit recommendations.

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7. Operating Principles

The internal audit function shall conform with:

- The Standards and Code of Ethics issued by the Institute of Internal Auditors
- Where relevant, the Statement on Information Systems Auditing Standards issued by the Information Systems and Control Association
- Relevant auditing standards issued by the Auditing and Assurance Standards Board.

8. Reporting Arrangements

At each Audit Committee meeting a report will be submitted summarising all audit activities undertaken during the period, indicating:

- Internal audit engagements completed or in progress
- Outcomes of each internal audit engagement undertaken
- Remedial action taken or in progress.

9. Planning Requirements

A risk-based rolling program of internal audits based on three years will be used to establish an annual Internal Audit Plan to reflect a program of audits over a 12 month period. This approach is designed to be flexible, dynamic and more timely in order to meet the changing needs and priorities of Ballina Shire Council

10. Co-ordination with External Audit

Consultation should be periodically undertaken with the external auditor, to discuss matters of mutual interest, to co-ordinate audit activity, and to reduce duplication of audit effort.

11. Conflicts of Interest

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.

When engaging internal audit contractors, Council shall take steps to identify, evaluate the significance, and manage any perceived or actual conflicts of interest that may impinge upon internal audit work.

Instances of perceived or actual conflicts of interest are to be immediately reported to the Audit Committee.

Any changes to this Internal Audit Charter will be approved by the elected Council