

INTERNAL AUDIT CONTROL

PURPOSE

The Internal Audit Control (IAC) provides a framework for Council, the Audit and Risk Committee (ARC) and the Chief Executive Officer to independently appraise, examine and evaluate the activities of the Council in effectively discharging their responsibilities and accountabilities to customers and constituents.

This IAC provides for the implementation of the internal audit function ensuring compliance with laws and regulations that impact upon the organisation. It also provides for the development of adequate and effective controls to give particular attention to areas of risk in establishing a quality financial, management and reporting system that complements, however does not duplicate the external audit process undertaken by the Auditor General.

The objective of the internal auditor is to provide independent advice and assurance to Council, the ARC and management that the policies, operations, systems and procedures for which they are responsible:

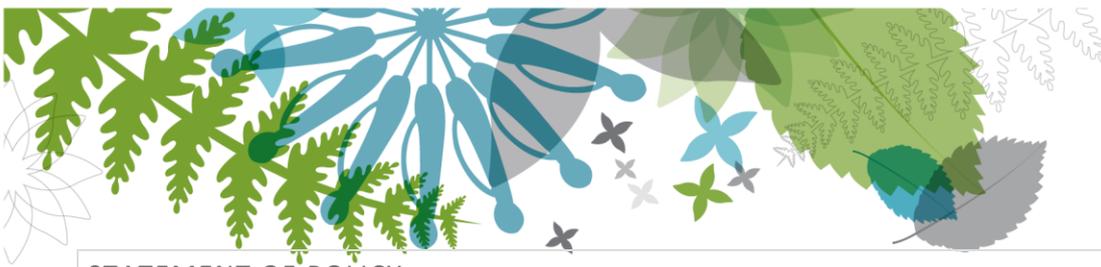
- comply with relevant legislation and standards (compliance);
- are carried out with optimum use of resources (economy and efficiency);
- achieve the objectives specified in Council and Operational Plans (effectiveness).
- pro-active Risk Management to minimise Council's risk exposure.

The internal auditor will undertake reviews of Council's activities and furnish the ARC and management with reports containing analyses, appraisals, recommendations, comments and observations.

SCOPE

The scope of internal audit is to include both compliance by Council and operational performance of Council (including any controlled entities) and may include, but is not restricted to:

- Monitoring risks to which the local government's operations are exposed.
- Preparation of audit plans to lessen the identified risks.
- Evaluating the extent of compliance with legislation, policies and procedures.
- Monitoring, evaluating and reporting on compliance and probity issues surrounding the management of tendering arrangements, including contract compliance, the annual performance statement and co-operative performance indicators.
- Reviewing policies, systems and procedures and evaluating the adequacy of controls.
- Recommending improvements to systems and procedures.
- Advising on appropriate systems of control and other operational matters.
- Assessing the accuracy and appropriateness of reports and other information provided to Councillors.
- Reviewing revenues and expenditure of Council and its controlled entities.
- Advising revenue enhancement and cost reduction.
- Reviewing Business Continuity and control of fraud and corruption.
- Evaluating Council operations and service delivery.
- Making recommendations to achieve operational best practice.



Operating Principles

Organisational Arrangements

The internal auditor (as appointed by Council) is responsible to Council through the ARC and the Chief Executive Officer, for the effective management of an independent internal audit function. The independent status within Council is essential to effective internal auditing and shall be maintained at all times.

The internal auditor has no managerial powers, authorities, functions or duties except those relating to the internal audit function. Accordingly, internal audit activities do not in any way relieve other personnel from their responsibilities.

The internal auditor has the right of access to Council's properties, works, all records, accounts, correspondence, minutes and other documents that may be necessary in the conduct of a review. Council personnel may be requested to provide relevant information within a specified timeframe to enable a review to be efficiently completed.

The internal auditor shall not be responsible for detailed development, implementation of, or variation to financial and administrative systems, but should be advised of any approved development or change to such systems.

The internal auditor will promote its image as a service function carrying out its responsibilities through constructive co-operation with Executive Management and personnel at all levels within Council.

Code of Ethics

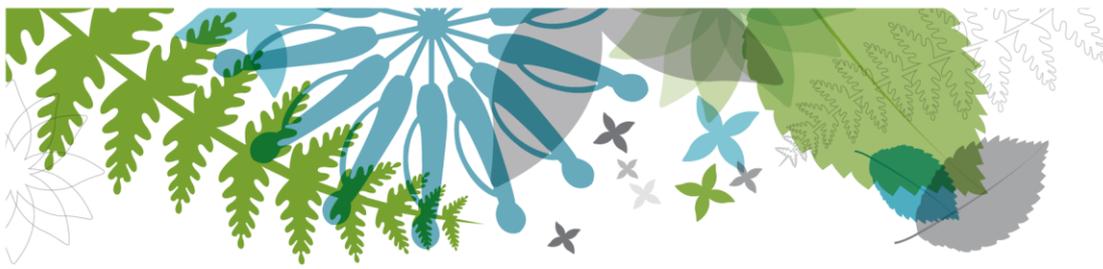
Internal auditors are expected to adopt professional ethical standards in order to meet their responsibility to the Council. The Council accepts that a suitable Code of Ethics and Rules of Conduct is one based on the Institute of Internal Auditors Australia.

Rules of Conduct

Integrity

Internal auditors:

- (a) Shall perform their work with honesty, diligence and responsibility.
- (b) Shall observe the law and make disclosures expected by the law and the profession.
- (c) Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organisation.
- (d) Shall respect and contribute to the legitimate and ethical objectives of the organisation.



Objectivity

Internal auditors:

- (a) Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organisation.
- (b) Shall not accept anything that may impair or be presumed to impair their professional judgement.
- (c) Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

Confidentiality

Internal auditors:

- (a) Shall be prudent in the use and protection of information acquired in the course of their duties.
- (b) Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation.

Competency

Internal auditors:

- (a) Shall engage only in those services for which they have the necessary knowledge, skills and experience.
- (b) Shall perform internal auditing services in accordance with the International Standards for the Professional Practice of Internal Auditing.
- (c) Shall continually improve their proficiency and the effectiveness and quality of their services.

Audit Planning and Control

The Strategic Internal Audit Plan shall be risk based and aligned to the Council Plan. The risk based methodology will indicate where longer term strategic or cyclic activities are involved. In addition, the Strategic Internal Audit Plan will take cognizance of the results of the previous year, advice and requests from Council, the ARC and management.

The Strategic Internal Audit Plan shall be approved by Council upon the recommendation of the ARC.

Reporting the Results of Audit

Matters arising during audits, including matters for possible inclusion in reports will, on completion of the audit, be discussed with the manager in charge of the area and where appropriate with the responsible general manager.

Matters that can be promptly resolved without the need for formal reporting will be done so and if necessary followed up. Details of such matters will be retained in audit working papers.



Reports will include the manager's response to audit recommendations that will include recommendation acceptance or non-acceptance, the responsible officer to undertake the corrective action and the expected date that the corrective action will be completed. Where there is partially or full non-acceptance, the manager must provide a detailed reason for the non-acceptance.

Managers are required to respond to all issues within 30 days of the formal report being issued. This is an initial response only and further work associated with particular recommendations will be negotiated with the appropriate general manager as required.

The final draft report (including all management responses) will be provided to Executive Management Team (EMT) for final review and approval prior to being included in an audit report.

The audit report, including management responses and actions, will be presented to the ARC as soon as possible after the completion of the review.

Recommendations as approved, where appropriate, will be included as actions in the relevant business plans of the particular business unit(s) and incorporated into the Council's management system.

Organisational Reporting of Audit Activity

The internal auditor is directly responsible to the Chief Executive Officer and will report the results of audit reviews via the ARC. The detailed reporting process will be as determined by the Chief Executive Officer on the advice of the ARC.

Relations with the External Auditor

A professional relationship will be maintained with Council's external auditor. A close liaison will result in a cost effective use of audit resources ensuring the best value to Council.

The internal auditor will consult with external auditor, where necessary.

Confidentiality

All the work of the internal auditor will be confidential to the Council and ARC and will not be disclosed to third parties, except for the external auditor, unless specifically authorised by Council.

Other Projects

The ARC will be advised of the internal auditor's participation in non-assurance roles to assess whether it impairs the internal auditor's independence or interferes with the delivery of the internal audit program.

Key Performance Indicators

The internal auditor will provide regular performance indicator reports for the information of the ARC.



RELATED DOCUMENTS

Audit and Risk Committee Charter
Local Government Act 2020

DOCUMENT CONTROL

Document Owner	General Manager Corporate Services	Division	Corporate Services
Initial Adoption by Council	26 August 2020	Document Number	D20/206375
Last Adopted by Council	26 August 2020	Document Review Date	August 2022