

INTERNAL AUDIT CHARTER

1. Purpose

Council recognises the relevance of strengthening governance and control systems through the establishment of an efficient and effective internal audit function. The Internal Audit Charter provides a framework for the performance of the internal audit function within Livingstone Shire Council (Council) and is endorsed by Council's Audit, Risk, and Improvement Committee (the Committee).

The Internal Audit Charter has been formulated to satisfy the requirements of section 105 of the *Local Government Act 2009* and is in compliance with section 207 of the *Local Government Regulation 2012*.

2. Role

The role of the internal audit function is to provide independent and objective assurance over risk, governance and control processes across Council and is designed to add value, improve the organisation's operations and help prevent fraud.

The internal audit function adopts a risk-based approach to auditing focusing on emerging risks and issues, critical business processes, key programmes/projects and strategic initiatives. The function aims to assist Council to maintain a culture of accountability, integrity, and adherence Council's values; and promotes the integration of risk management into business as usual activities, processes, and programmes.

3. Authority

Internal audit operates without being influenced or inhibited in the discharge of its duties. Independence is essential to the effectiveness of internal audit. It is obtained primarily through organisational status and objectivity. Internal audit shall have direct and unrestricted access to Council and management. It is authorised to review all areas of Council with full, free and unrestricted access to Council's operations, data, records, assets, and personnel.

4. Scope

4.1 The scope of internal audit activities provides for assurance and improvement opportunities related to Council's governance, risk management and internal controls. Its activities are designed to evaluate whether:

- (a) material risks have been appropriately identified, assessed, mitigated and managed;
- (b) financial, service delivery and governance processes are operating effectively and in line with Council's goals and objectives;
- (c) significant information, whether financial, managerial, or operating, is accurate, reliable, managed, protected and timely;
- (d) assets, systems and resources are acquired economically, used effectively and efficiently, and are adequately protected; and
- (e) activities are compliant with Council's policies and procedures which are designed to comply with legislation, regulations, and relevant standards.

- 4.2 The internal audit function covers all activities of Council together with any controlled entities and their commercial activities. It involves the review of all operations (financial and non-financial), whether manual or computerised.

5. Independence

- 5.1 To be effective, the internal audit function must be able to operate without being influenced or inhibited in the discharge of its duties. Independence is essential to the effectiveness of internal audit.
- 5.2 The internal audit function has no direct authority over the activities it reviews nor does it design, develop, or implement procedures or systems, prepare records, or engage in front line processing functions.
- 5.3 The internal audit function has full, free, and unrestricted access to the Mayor, the Chief Executive Officer, and the Audit, Risk, and Improvement Committee.
- 5.4 An assessment will be made regarding the risk of a potential or perceived conflict of interest or self-review threat by the entity undertaking or overseeing an internal audit engagement. Conflict of interest issues and self-review threats arising will be raised with the Chief Audit Executive or the Committee where related to the Chief Audit Executive and appropriate action taken to address the issue.

6. Structure and reporting arrangements



- 6.1 The role of Chief Audit Executive is performed by the Chief Executive Officer.
- 6.2 The Chief Audit Executive is responsible for communication with the Audit, Risk and Improvement Committee, developing the Internal Audit Plan, dissemination of internal audit results, implementation of internal audit recommendations and maintaining an effective internal audit activity.
- 6.3 The Internal audit function is independent from operational functions and reports directly to the Chief Audit Executive regarding all activities and outputs.
- 6.4 The internal audit function reports regularly to the CEO, Chief Audit Executive and to the Audit, Risk, and Improvement Committee and maintains an open relationship with External Audit and other assurance providers.

- 6.5 The Audit, Risk, and Improvement Committee monitors and reviews the internal audit function, effectiveness and objectivity and makes recommendations to the Chief Audit Executive.
- 6.6 The internal audit function does not in any way relieve Council's officers of their individual responsibilities for implementing and maintaining effective systems to monitor and control Council activities and practices (including internal control and risk management).

7. Standards

- 7.1 All internal audit activities will be conducted in accordance with Council's values, policies and procedures, and relevant standards of professional practice, including:
 - (a) the Code of Ethics published by the Institute of Internal Auditors;
 - (b) the Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors; and
 - (c) the Information Systems Auditing Standards issued by the Information System Audit and Control Association (ISACA).
- 7.2 An effective internal audit process is one which:
 - (a) demonstrates integrity;
 - (b) demonstrates competence and due professional care;
 - (c) is objective and free from undue influence (independent);
 - (d) aligns with the strategies, objectives, and risks of the organisation;
 - (e) is appropriately positioned and adequately resourced;
 - (f) demonstrates quality and continuous improvement;
 - (g) is clear and concise;
 - (h) provides risk-based assurance; and
 - (i) is insightful, proactive, and future-focused.

8. Internal Audit Plan

- 8.1 An Internal Audit Plan for Council will be prepared on an annual basis by the Chief Audit Executive to fulfil the role, purpose and standards identified in the Internal Audit Charter and to detail the work Internal Audit will undertake.
- 8.2 Activities included in the Internal Audit Plan should be based on areas of high priority according to Council's risk profile and recommendations and judgements from Executive Management and Audit representatives.
- 8.3 The extent and frequency of internal audits included in the Plan will depend upon circumstances such as; results of previous audits, relative risk associated with activities, significance and materiality to Council, emerging external issues and impacts, and the resources available.
- 8.4 The Internal Audit Plan will be monitored by the Chief Audit Executive and the Audit, Risk and Improvement Committee for emerging significant risks or issues with changes to internal audit activities made as necessary.
- 8.5 The Internal Audit Plan will incorporate key performance indicators against which the internal audit function will be measured.

9. Quality Assurance

- 9.1 A quality assurance programme will be established and maintained to evaluate the operations of the internal audit function in accordance with the *International Professional Practices Framework for Internal Audit* (as published by the Institute of Internal Auditors). The purpose is to provide assurance that all review work conforms to relevant auditing standards, the Internal Audit Charter, and is cost effective and efficient.
- 9.2 The quality assurance programme will incorporate benchmarking against other internal audit functions across industry, including a periodic external review of the internal audit function. The outcome of the external review will be provided to the Audit, Risk, and Improvement Committee along with actions arising from the review.
- 9.3 On a regular basis, internal audit performance against key performance indicators will be reported to the Audit, Risk, and Improvement Committee.
- 9.4 The quality assurance programme will incorporate an assurance map to help ensure the adequacy of overall audit coverage and to minimise duplication of assurance effort. External Auditors will have full and free access to all internal audit plans, work programmes, reports, and working papers.
- 9.5 The Internal Audit Charter will be reviewed biennially by the Chief Audit Executive in alignment with the Audit, Risk, and Improvement Committee's Terms of Reference to ensure a 'fit for purpose' cost effective, value-adding internal audit service is provided to Council. Any proposed changes to the Internal Audit Charter will be presented to the Audit, Risk, and Improvement Committee for endorsement.

10. Repeals/Amendments

Version	Date	Action
1.0	22/09/2015	Adopted
2.0	18/04/2017	Amended Charter Adopted
3.0	17/07/2018	Amended Charter Adopted
3.1	04/01/2019	Administrative Amendments – reflect organisational restructure
4.0	20/07/2021	Amended Charter Adopted – inclusion of Item 6 – Structure and Reporting arrangements, Resourcing section has been removed
5.0	15/10/2024	Amended Charter Adopted - administrative updates, review period amended from 'annual' to biennial'.

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