

INTERNAL AUDIT CHARTER

1. Purpose

Livingstone Shire Council (Council) recognises the value of a strong internal audit function in enhancing governance, accountability, and internal control systems. This Internal Audit Charter establishes the framework within which Council's internal audit function operates. It outlines the purpose, authority, responsibilities, and reporting arrangements of the internal audit function and has been endorsed by Council's Audit, Risk, and Improvement Committee (the Committee).

The Charter is developed in accordance with section 105 of the *Local Government Act 2009* and section 207 of the *Local Government Regulation 2012*, and aligns with the *International Professional Practices Framework (IPFF)* issued by the Institute of Internal Auditors (IIA).

2. Role

Internal Audit provides independent and objective assurance and advisory services designed to add value and improve Council's operations. The function supports Council to achieve its objectives by evaluating and enhancing the effectiveness of risk management, internal controls, governance, and compliance processes.

Internal audit adopts a risk-based approach, focusing on emerging issues, critical business processes, strategic initiatives and key organisational risks. It promotes a culture of integrity, transparency, and continuous improvement across Council activities.

3. Authority

Internal audit has unrestricted access to all Council operations, records, systems, assets, and personnel relevant to the performance of its duties. It is authorised to:

- conduct audits and reviews across all Council activities and controlled entities;
- access all information, data, and staff necessary to conduct audits;
- obtain assistance from Council personnel as required;
- communicate directly with the Audit, Risk & Improvement Committee and the external auditor; and
- initiate investigations into suspected fraud, corruption, or other irregularities, subject to applicable legislation and Council policy.

4. Scope

Internal audit activities provide assurance and improvement opportunities in areas including:

- effectiveness of risk identification, management, and mitigation practices;
- reliability and integrity of financial and operational information;
- effectiveness and efficiency in use of Council assets and resources;
- compliance with legislation, policies, procedures, and contracts;
- fraud prevention and detection controls; and
- business continuity and disaster recover planning.

The internal audit function may review any aspect of Council operations, both financial and non-financial, including third-party and contractor engagements.

5. Independence and Objectivity

Internal audit must remain free from undue influence to perform its duties objectively and effectively. The function has no direct responsibility for operational activities or decision making and does not:

- develop or implement internal controls;
- undertake operational duties;
- authorise transactions; and
- assume accountability for activities it reviews.

The Chief Executive Officer (CEO) currently holds the role of Chief Audit Executive (CAE). Recognising the dual role presents a potential conflict of interest, so the following safeguards are applied:

- The CAE will not approve or oversee any audit engagement that relates directly to operational areas under the CEO's purview.
- All internal audit planning, reporting, and performance assessments will be reviewed by the Audit, Risk and Improvement Committee to ensure independence is maintained.
- The Committee Chairperson, in consultation with another independent member, will conduct periodic private discussions with internal auditors to identify any threats to objectivity or independence.
- Where appropriate, Council's appointed Internal Audit Service Provider will be assigned lead responsibility for audit engagements. This includes leading the majority of planned audits, particularly those involving high-risk or sensitive operational areas.

6. Organisational Reporting and Communication

The Chief Executive Officer in his role as Chief Audit Executive is accountable for overseeing the delivery of internal audit services in accordance with this Charter and the Internal Audit Plan.

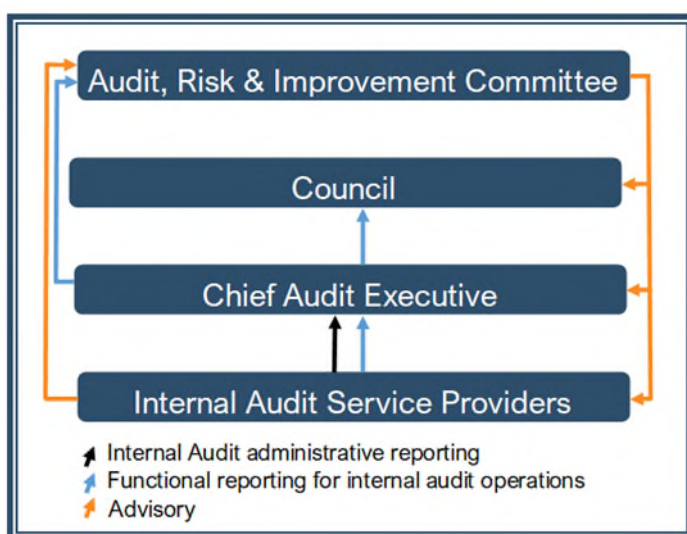
The internal audit function maintains functional reporting lines to the Audit, Risk and Improvement Committee (ARaIC) to support the Committee's oversight responsibilities and to safeguard the independence of internal audit activities. Administratively, the internal audit function reports to the Chief Audit Executive.

The Chief Audit Executive is responsible for:

- developing and implementing the Internal Audit Plan;
- communicating key findings, risks, and improvement opportunities;
- coordinating implementation and progress tracking of agreed actions;
- liaising with the Internal Audit Service Provider(s), management, and assurance stakeholders; and
- ensuring internal audit work aligns with professional standards and delivers value to Council.

Council's appointed Internal Audit Service Provider leads the majority of internal audit engagements, operating with functional independence and in close consultation with the Chief Audit Executive, and the Committee. While the Chief Executive Officer

assumes the role of Chief Audit Executive, the internal audit function is administratively supported and coordinated under Council's Corporate Services Portfolio.



The Chief Audit Executive and the internal audit function maintain open communication with:

- the Committee, to support oversight and strategic guidance;
- Council's Executive Leadership Team and management, to clarify audit expectations, obtain information, and monitor response actions; and
- External Audit, to ensure coordination of assurance activities and reduce duplication.

Communication protocols between the Chief Audit Executive and the Committee include:

- quarterly reporting of Internal Audit Plan progress, key findings, and status of recommendations;
- immediate notifications of any critical risk exposures or significant control deficiencies;
- biennial review of the Internal Audit Charter; and
- participation in the Committee strategic planning and performance review workshops.

7. Standards of Practice

Internal Audit will operate in accordance with:

- the International Professional Practices Framework including the Global Internal Audit Standards
- relevant industry standards, including the Information Systems Auditing Standards issued by the Information System Audit and Control Association (ISACA); and
- Council's Code of Conduct, and corporate policies and procedures.

Internal auditors will demonstrate integrity, competence, objectivity, due professional care, and commitment to quality assurance.

8. Internal Audit Planning

- 8.1 An Internal Audit Plan will be developed by Council's appointed Internal Audit Service Provider, in consultation with management and the Committee, and informed by:
- Council's risk profile;
 - Strategic priorities and emerging risks;
 - Assurance Map;
 - Legislative or regulatory obligations; and
 - Previous audit findings and trends.
- 8.2 The Internal Audit Plan will include key performance indicators to measure audit delivery, quality, and responsiveness.
- 8.3 The Internal Audit Plan will be reviewed regularly and adjusted as needed, with material changes endorsed by the Committee.

9. Quality Assurance and Continuous Improvement

- 9.1 A Quality Assurance and Improvement Program (QAIP) will be established and maintained to evaluate internal audit performance and ensure conformance with auditing standards and the Charter.
- 9.2 Quality Assurance and Improvement Program activities include:
- ongoing supervision and internal review of audit work;
 - periodic self-assessments and performance benchmarking;
 - external quality assessments at least once every five years; and
 - reporting of Quality Assurance and Improvement Program results to the Audit, Risk and Improvement Committee.
- 9.3 The quality framework will incorporate an Assurance Map to align internal audit focus with other assurance providers and minimise duplication.

10. Review of the Charter

This Internal Audit Charter will be reviewed biennially by the Chief Audit Executive and presented to the Audit, Risk, and Improvement for endorsement. Amendments may also occur following:

- legislative or regulatory reform;
- significant changes in Council's organisational structure or risk profile;
- recommendations from internal or external quality assessments; and
- determination by Council or the Audit, Risk and Improvement Committee.

11. 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 |

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| 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'. |
| 6.0 | 15/07/2025 | Amended Charter Adopted - inclusion of safeguards to manage independence between CAE and CEO roles. Prescription of communication and reporting between CAE/Mgt and ARaIC. |

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CHIEF EXECUTIVE OFFICER