

INTERNAL AUDIT

1. Scope:

This Policy and the attached Internal Audit Charter apply to the Internal Audit function within Rockhampton Regional Council encompassing - assurance, professional consulting services, risk management as well as reviews of compliance and internal control. Internal Audit authority to audit and review key governance functions and frameworks/processes and systems, including risk management, internal controls, Council operations and performance.

2. Purpose:

The Charter is a formal definition of the internal audit's purpose, authority, and responsibility. The charter establishes the internal audit activity's position within the organisation; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

3. Reference (e.g. Legislation, related documents):

Local Government Act 2009
Local Government (Finance, Plans and Reporting) Regulation 2010
Audit Committee Policy and Audit Committee Terms of Reference
IPPF – International Professional Practices Framework (IIA)

4. Definitions:

To assist in interpretation, the following definitions shall apply.

IPPF - International Professional Practices Framework for Internal Audit as published by the Institute of Internal Auditors

Chief Audit Executive (CAE) – The head of the internal audit function responsible for internal audit activity.

5. Context:

Internal Audit is a requirement under Local Government Act 2009 S105 – Each local government must establish an efficient and effective internal audit function.

Also refer to mandatory standards of the *IPPF* covering: Code of Ethics; Attribute Standards; Performance Standards.

6. Evaluation Process:

This Policy is reviewed when any of the following occur:

1. The related information is amended or replaced.
2. Other circumstances as determined from time to time by the CAE.

Notwithstanding the above, this Policy and Charter should be reviewed at intervals of no more than two years and presented to the Council for approval.

7. Responsibilities:

Sponsor	Chief Executive Officer
Business Owner	Executive Manager Governance and Innovation
Policy Owner	Chief Audit Executive
Policy Compliance	Governance and Innovation

8. Changes to Policy:

This Policy is to remain in force until otherwise determined by the Council.

**EVAN PARDON
CHIEF EXECUTIVE OFFICER**

ROCKHAMPTON REGIONAL COUNCIL

INTERNAL AUDIT

CHARTER

10 March 2011

Rockhampton Regional Council

Internal Audit Charter

1.0 Introduction, Role and Purpose:

The Local Government Act 2009 S105 mandates that each local government must establish an internal audit function. According to the Local Government Finance, Plans and Reporting Regulation 2010 S155, Internal Audit is the assessment and evaluation of the control measures to manage the risks to which the local government's operations are exposed. Risks can be defined as the effect on Councils Objectives or Key Outcomes as stated in its Corporate and Operational Plans.

Internal Auditing is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of the Rockhampton Regional Council. It assists the Council in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the economy, efficiency and effectiveness of the organisation's risk management, control, and governance processes.

2.0 Professional Standards:

The Internal Auditing Staff shall govern themselves by adherence to The International Professional Practices Framework which includes the Internal Audit Standards.

3.0 Authority:

The Chief Audit Executive and staff of the internal audit activity (function) are authorised to:

- 3.1 Have unrestricted access to all - functions, records, property, systems and personnel.
- 3.2 Have full and free access to the audit committee and Queensland Audit Office.
- 3.3 Request necessary timely assistance of personnel in units of the organisation where administrative activities or engagement duties are to be performed.

The Chief Audit Executive is authorised to:

- 3.4 Approve, self-initiate and conduct any scheduled or unscheduled engagement, audit program or audit plan review or investigation deemed necessary, including finally approve all internal audit unit reports or communications to the audit committee, and, report significant irregularities to the CEO.
- 3.5 Allocate all resources, set frequencies and timing, select all review subjects or engagements, determine all objectives and scopes of work, apply procedures and techniques, and determine all report content, format or classification, required to complete each engagement.
- 3.6 Enter into contract outside the organisation to obtain co-sourced services or provide specialist assurance and consulting services to other local governments.

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SECTION:

Governance and Innovation

Authority shall not extend to –

- 3.7 Performing management or operational duties for the organisation or its associates.
- 3.8 Initiating or approving accounting transactions external to the internal audit activity.
- 3.9 Directing the activities of any organisation employee external to the internal audit activity, unless budgeted for, specifically assigned to the auditing teams or to otherwise assist the internal auditors, or as part of co-sourcing arrangements.

4.0 Independence

To provide for the independence of the internal audit activity, its personnel shall report to the Chief Audit Executive, who shall report administratively to a level in the organisation with sufficient authority to promote independence and to ensure broad audit coverage, adequate consideration of engagement communications, and appropriate action on engagement recommendations, and, functionally to the Audit Committee of Council. Functional reporting involves the Audit Committee reviewing the scheduled annual risk-based audit plan(s), which function to direct greater audit attention to areas of higher risk, and all completed internal audit reports.

All internal audit activities and processes shall remain free of influence by any element in the organization, including matters of audit selection, objectives, scope, procedures, process, techniques, frequency, timing, or report content, format and classification to permit maintenance of an independent and objective (free from bias and undue management influence) mental attitude necessary in rendering reports.

The selection and scheduling of all engagements including the nature, objectives, scope, approach, resources and timing of every project will be left to the professional judgement of the internal audit function alone (CAE).

Internal Auditors shall have no direct operational responsibility or authority over any of the activities they review. Accordingly, they shall not develop nor install systems or procedures, prepare records, or engage in any other activity which would normally be audited.

5.0 Audit Scope:

The scope of Internal Audit encompasses all areas of the Council (or organization being reviewed) including but not limited to the examination and evaluation of the adequacy and effectiveness of the organization's governance, risk management, system of internal control, structure, activity, operations and the quality, economy, efficiency and effectiveness of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives. Scope includes identifying opportunities for adding value such as improving management control, organisational structure, operations, processes and the organisation's image/reputation or protection of assets and general consulting.

6.0 Audit Planning:

Chief Audit Executive will submit to the CEO and the Audit Committee a summary of the annual audit plan, for the following year. The annual audit plan is to be developed based on a prioritization of the audit universe using a risk-based methodology. Any significant deviation from the annual plan, shall be communicated to senior management and the Audit Committee through periodic activity reports.

Flexibility shall exist for the CAE to approve and make periodic changes to any scheduled or approved audit plans, programs or activities, including unplanned activity based on availability of resources and management assistance / resources to provide optimal audit coverage to the organisation at a reasonable overall cost. For example, adding one new requested audit activity may necessitate deleting one from the approved plan for approximately equivalent days.

Projects requested by the audit committee and management shall be taken into consideration as part of the audit planning process.

The CEO (via written notification) may request the CAE to perform unscheduled engagements (and specify objectives) as deemed justified based on Council's changed risk profile or operational necessity.

7.0 Reporting:

A written report will be prepared by the internal audit function and issued by or through the Chief Audit Executive following the conclusion of each engagement and will be distributed as appropriate. A copy of each audit report will be forwarded to the Chief Executive Officer and the Audit Committee.

The Chief Audit Executive may include in the audit report the auditee's response and corrective action taken or to be taken in regard to the specific observations, findings and recommendations.

In cases where a response or corrective action is not included within the audit report, by the requested date, management of the audited area should respond, in writing, within twenty working days of the date of issue of the Final Audit Report to Internal Audit, and also directly to the audit committee via a separate report.

A full function secretariat will be provided to manage all administrative matters associated with the running of the audit committee – for example, business arising; audit recommendations/findings status reports, including management follow up; members' travel and meeting scheduling and liaison; room bookings; etc.

Internal Auditing shall be responsible for appropriate follow-up reviews and associated audit reports (but not status reporting) on all audit findings and recommendations. All reportable findings will remain in an open issues file for follow up and reporting to the audit committee (as per the FP&R Regulation 2010, S156), maintained by the secretariat, and will remain on file until cleared by the Chief Audit Executive. The CAE will determine the nature, timing and extent of all follow up.

8.0 Periodic Assessment:

The Chief Audit Executive should periodically assess whether the sufficiency of activity resources, purpose, authority, and responsibility, as defined in this charter, continue to be adequate to enable the internal auditing activity to accomplish its objectives. The result of this periodic assessment should be communicated to senior management and the Council.

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A Quality Assurance and Improvement Program will include periodic internal and external assessments as deemed affordable and appropriate. Documents and information given to Internal Auditing during a periodic review will be handled in the same prudent and confidential manner as by those employees normally accountable for them.