
INTERNAL AUDIT POLICY

APPROVALS

POLICY NUMBER	CORP-POL-022	DOC.ID	3585959
CATEGORY	Statutory		
POLICY OWNER	Manager Governance & Corporate Services		
APPROVAL DATE	24 March 2021	RESOLUTION NUMBER	7192

OBJECTIVE

To comply with the *Local Government Act 2009* (s105) and the *Local Government Regulation 2012* (s207) for an internal audit function, to assess and evaluate the control measures that the Isaac Regional Council (Council) has adopted and to manage the risks to which the council's operations are exposed.

To provide independent advice and assurance to the Chief Executive Officer, Directors, Managers and Council that policies, systems and operational procedures meet set standards of effectiveness, efficiency and propriety within all functional areas of the Council as determined by the annual audit plan, which is endorsed by Council's Audit & Risk Committee.

SCOPE

This policy applies to the operations and activities of the Council and its controlled entities.

As an integral part of its strategy to achieve continual improvement and in accordance with section 207 (Internal audit) of the *Local Government Regulation 2012*, Council will be undertaking the functions of Internal Audit. The Governance & Corporate Services Department will coordinate Internal Audit activities through the Council's contracted accounting firm and the Audit and Risk Committee.

The Scope of the Internal Audit activities include, but are not limited to:

- Reviewing the efficiency and effectiveness of council operations;
- Determining the extent compliance with relevant statutes, regulations, directives, delegations and standards;
- Determining the extent to which resources are efficiently and effectively used;
- Reviewing and appraising the effectiveness and appropriateness of controls (including those of a financial and administrative nature);
- Monitoring the adequacy, reliability, integrity and security of accounting and other management information systems;
- Provide a service to council and management to assist them in meeting statutory responsibilities;
- Reporting on the adequacy of systems to ensure compliance with policies, administrative directives, plans, procedures, laws and regulations;
- Identifying major problems and risk exposures;
- Determining and reporting on adequacy, reliability and effectiveness of managerial controls operating within Council; recommending improvements to business processes and controls; and
- Reporting to council on the adequacy and integrity of financial and operational information to safeguard assets.

DEFINITIONS

N/A

POLICY STATEMENT

Council maintains an efficient and effective internal audit function as required by the *Local Government Act 2009* and *Local Government Regulation 2012*.

An internal audit must be carried out each financial year in accordance with section 207 (Internal audit) of the *Local Government Regulation 2012*, a local government must:

- a. prepare an internal audit plan; and
- b. carry out an internal audit plan; and
- c. prepare a progress report for the internal audit; and
- d. assess compliance with the internal audit plan.

A three year Internal Audit Plan, with specific annual Plans will be prepared by Council's contracted accounting firm to be reviewed by the Audit & Risk Committee, with all requirements under the legislation (s207 of the Regulation) to be met.

Internal Audit will function independently from all other operations of the Council and will work under the supervision of the Director Corporate, Governance & Financial Services, facilitated by the Governance & Corporate Services Department.

CHARTER

Purpose

- a. The purpose of internal audit in the Council is to assist all members of management in the effective discharge of their responsibilities through a process of systematic and independent audits.
- b. Audits provide independent advice and assurance to managers that policies, operations, systems and procedures meet appropriate standards of effectiveness, efficiency and propriety.

Objectives

The objectives of internal audit are to provide independent advice and assurance to management that the policies, operations, systems and procedures for which they are responsible:

- a. comply with relevant legislation and standards (compliance)
- b. are carried out with optimum use of resources (economy and efficiency)
- c. achieve the objectives specified in Corporate and Operational Plans (effectiveness).

Scope

- a. The scope of internal audit shall be sufficiently comprehensive to ensure the effective and regular review of all operational, financial and related activities.
- b. Internal audit coverage may extend to all areas of the Council and includes financial, accounting, administrative and operational activities including compliance with Local Government legislation.
- c. The extent and frequency of audits depends upon varying circumstances such as the results of previous audits, relative risk associated with activities, materiality and the adequacy of the system of internal control.

Operating principles

- a. The following operating principles are to be observed to ensure the effectiveness of internal audit:
 - i. Confidentiality

All the work of internal audit will be confidential to the Council management and will not be disclosed to third parties, except for the external auditors.
 - ii. Professionalism

Audits are to be conducted with impartiality and integrity. The Professional Standards of the Australian Society of Certified Practising Accountants, the Statement of Auditing Standards, the Institute of Chartered Accountants in Australia and the Institute of Internal Auditors are to be adhered to.
 - iii. Balance

Audit reports must maintain an equitable balance between the need for efficiency and the need for effective delivery of service to the community.
 - iv. Risks v benefits of control

The need for internal controls and/or quality controls are based on an assessment of risk, potential benefits, and costs of such controls. Control must be adequate but also cost-effective.
 - v. Audit quality control

Internal audit quality control is provided by:
 - a. review of planning and final report stages by the Governance & Corporate Services Manager, Chief Executive Officer and the Audit & Risk Committee
 - b. review of draft reports by relevant employees of the Council. Internal audit must ensure audit assignments are completed by suitably skilled, experienced and competent persons, with a regular review of audit plans, working papers and reports.

Independence

Internal audit has independent and neutral status within the Council and for that purpose:

- a. is directly responsible to the Director Corporate Governance and Financial Services;
- b. has no executive or managerial powers, authorities, functions or duties except those relating to the internal audit function;
- c. is not involved in the day-to-day internal checking system of any Directorate or Department; and
- d. is not responsible for the details, development or implementation of new systems or procedures but should be consulted before such development commences and be advised of approved variations or new developments.

Internal audit process

- a. Planning and audit establishment
 - i. The internal auditors will consult with managers and Directors in developing the forward program of audits based on a preliminary risk evaluation.
 - ii. The annual audit program is drawn from industry best practice in consultation with Directors and forwarded to the Chief Executive Officer or Audit & Risk Committee for approval.
 - iii. Terms of reference for each audit will be discussed and where appropriate agreed with managers. Should any problem arise regarding the scope of audit, the matter should be raised with the Manager Governance & Corporate Services in the first instance for referral to the Director Corporate Governance and Financial Services for consideration.
- b. Report
 - i. Important issues will be discussed with managers during the conduct of the audit.
 - ii. The Governance & Corporate Services Manager will present audit reports to the responsible managers. A copy of the final recommendations of the reports, together with the managers' comments, are forwarded to Audit & Risk Committee.
 - iii. Copies of audit reports will not be released without reference to the responsible manager.
 - iv. Written reports, as required by section 211(1)(c) (Audit & Risk Committee meetings) of the Local Government Regulation 2012, shall be presented. Note: External audit have legal access to all of the Council's documents and therefore have access to management audit reports. Requests by external audit for access to documents will be directed through either the Governance & Corporate Services Manager, Chief Executive Officer or the responsible Director
- c. Follow-up

The Governance & Corporate Services Manager, or delegate, will follow up the progress on the implementation of approved audit recommendations, and advise the appropriate manager, Director and the Chief Executive Officer accordingly.

d. Progress and performance report

The Governance & Corporate Services Manager will review progress and performance in achieving the annual program, and report progress to the Chief Executive Officer and the Audit & Risk Committee.

The Internal audit progress report is a document stating:

- a. The control measures that Council has adopted that were assessed by the internal audit; and
- b. The way in which the internal audit was carried out; and
- c. The observations of the person carrying out the internal audit, including, for example, whether the person considers that the control measures have been successful in managing the risks to which they relate; and
- d. Any recommendations of the person who conducted the audit about:
 - i. Any action that may be taken to improve the success of the control measures; or
 - ii. Alternative control measures that the Council may adopt for managing the risks that the Council's operations are exposed to and the action that may be taken to give effect to the alternative control measures; and
- e. A summary of the Chief Executive Officer's response to the internal audit including:
 - i. The action the Council intends to take in response to the recommendations mentioned in paragraph (d); and
 - ii. When the action is intended to be taken; and
- f. A summary of the actions taken by the local government in response to the recommendations in the internal audit progress reports for the preceding 2 financial years.

Access to information

Internal audit has reasonable access to all relevant information, facilities and employees of the Council. Any plans for change which impact on an audit will be advised to the responsible auditor.

All staff and contractors of Council shall cooperate fully in making available any material or information reasonably requested by internal auditors.

Relationships with departmental managers and employees

Internal audit is an independent function with direct organisational responsibility to the Governance & Corporate Services Manager. Internal audit's primary role is to assist managers to determine the adequacy of management controls and where necessary recommend changes.

Relationships with external auditors

- a. The internal audit function is required to maintain a co-operative working relationship with the nominated external auditors and employees of the Auditor-General's Office.
- b. The Auditor-General's office through the nominated contractors completes an assessment of the Council's annual financial statements and a range of other reviews which they deem necessary.
- c. Close liaison with the external auditors should be maintained so as to ensure co-ordination of audit effort and maximum coverage.
- d. An internal auditor may advise the Auditor-General about an audit finding.

LEGISLATIONS AND RELATED GUIDELINES

- *Local government Act 2009*
- *Local Government Regulations 2012*

REFERENCES

ID	NAME
CORP-POL-021	Audit & Risk Committee Policy
CORP-MISC-070	Audit & Risk Committee Charter