



INTERNAL AUDIT CHARTER

Adopted: 30 June 2021

TRIM 212094.2021



INTERNAL AUDIT CHARTER

DIRECTORATE: Office of the CEO

BUSINESS UNIT: Audit Risk & Improvement

1. Introduction

Liverpool City Council has established the Audit, Risk and Improvement unit as a key component of Council's governance framework.

This charter provides the framework for the conduct of the internal audit function in Council and has been approved by Council taking into account the advice of the Audit, Risk and Improvement Committee.

2. Definitions

For the purpose of this Charter:

- a) "Act" means the *Local Government Act 1993*.
- b) "Committee" means the Audit, Risk and Improvement Committee.
- c) "CEO" means Council's Chief Executive Officer.
- d) "Governing Body" means the elected representatives of Council (Councillors).
- e) "CAE" means Council's designated Chief Audit Executive (Head of Audit, Risk and Improvement).
- f) "Observer" means the person attends the meeting but has no voting rights.

3. Purpose of Internal Audit

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve an organisations operations. It helps Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Council has established an Internal Audit team in accordance with the Guidelines issued under Section 23A of the Local Government Act 1993.

Internal audit provides an independent and objective review and advisory service to:

- provide assurance to the Council, and the Audit, Risk and Improvement Committee, that Council financial and operational controls, designed to manage the Council's risks and achieve Council's objectives, are operating in an efficient, effective and ethical manner, and
- assist management in improving the Council's business performance.

Internal Audit is managed by the Head of Audit, Risk and Improvement who is the designated CAE within Council. The HARI is the responsible position within Council for internal audit activities, as defined in the International Standards for the

Professional Practice of Internal Auditing (Standards) issued by the Institute of Internal Auditors.

4. Independence

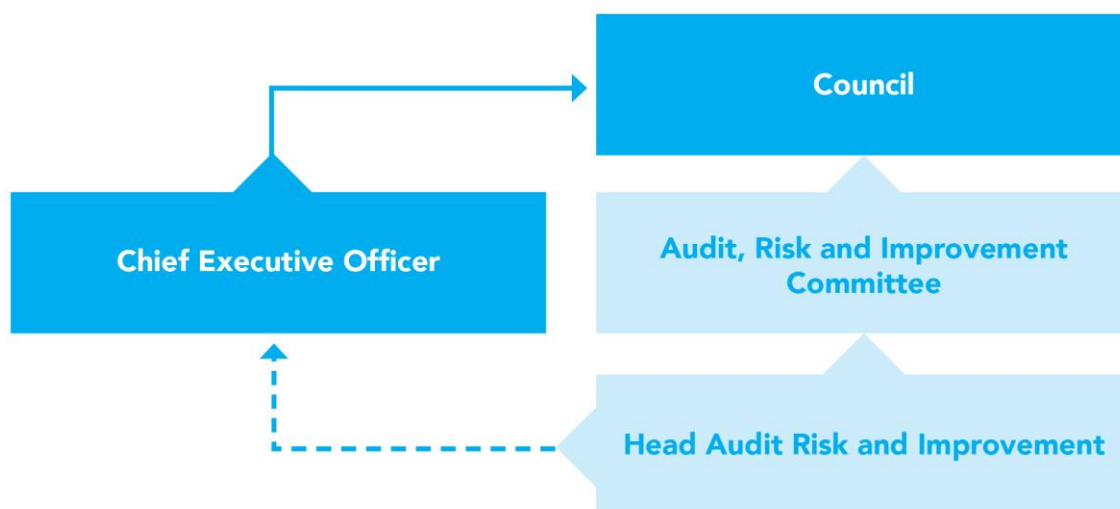
Independence is essential to the effectiveness of the internal audit function. Internal audit activity shall be independent, and internal auditors shall be objective in performing their work. Internal auditors shall have an impartial, unbiased attitude and avoid any conflicts of interest.

The internal audit function has no direct authority or responsibility for the activities it reviews. The internal audit function has no responsibility for developing or implementing procedures or systems and does not prepare records or engage in original line processing functions or activities [except in carrying out its own functions].

The internal audit function is responsible on a day to day basis to the CAE.

The internal audit function, through the CAE, reports functionally to the Audit, Risk and Improvement Committee on the results of completed audits, and for strategic direction and accountability purposes, and reports administratively to the Chief Executive Officer (CEO) to facilitate day to day operations. The CAE has direct access to the CEO to discuss audit and risk issues when required.

The dotted line represents the 'administrative' reporting line and the bold line represents the 'functional' reporting line.



5. Authority and confidentiality

Internal auditors are authorised to have full, free and unrestricted access to all functions, premises, assets, personnel, records, and other documentation and information that the CAE considers necessary to enable the internal audit function to meet its responsibilities.

When responding to requests, Council staff and contractors should cooperate with the internal audit function and must not knowingly mislead the internal audit function or wilfully obstruct any audit activity.

All records, documentation and information accessed in the course of undertaking internal audit activities are to be used solely for the conduct of these activities. The CAE and individual internal audit staff are responsible and accountable for maintaining the confidentiality of the information they receive during the course of their work.

All internal audit documentation is to remain the property of Liverpool City Council.

6. Roles and responsibilities

The internal audit function shall evaluate and contribute to the improvement of governance, risk management, and control processes using a systematic and disciplined approach.

In the conduct of its activities, the internal audit function will play an active role in:

- developing and maintaining a culture of accountability and integrity
- facilitating the integration of risk management into day-to-day business activities and processes and
- promoting a culture of cost-consciousness, self-assessment and adherence to high ethical standards.

Internal audit activities will encompass the following areas:

Audit activities including audits with the following orientation:

- *Risk Management*
 - evaluate the effectiveness, and contribute to the improvement, of risk management processes
 - provide assurance to Council and the ARIC on the effectiveness of the risk management framework including the design and operational effectiveness of internal controls
 - provide assurance that risk exposures relating to the Council's governance, operations, and information systems are correctly evaluated, including:
 - reliability and integrity of financial and operational information
 - effectiveness, efficiency and economy of operations and
 - safeguarding of assets
- *Compliance*
 - compliance with applicable laws, regulations and Government policies and directions.
- *Performance improvement*
 - the efficiency, effectiveness and economy of Council's business systems and processes.

Advisory services

The internal audit function can advise Council's management on a range of matters including:

New programs, systems and processes

- providing advice on the development of new programs and processes and/or significant changes to existing programs and processes including the design of appropriate controls.

Risk management

- assisting management to identify risks and develop risk treatment and monitoring strategies as part of the risk management framework

Fraud and corruption control

- evaluate the potential for the occurrence of fraud and how the Council manages fraud risk
- assisting management to investigate fraud, identify the risks of fraud and develop fraud prevention and monitoring strategies
- assisting management to develop, implement and maintain a fraud and corruption control framework to prevent, detect and manage fraud and corruption.

Audit support activities

The internal audit function is also responsible for:

- managing the internal audit function
- assisting the Audit, Risk and Improvement Committee to discharge its responsibilities
- monitoring the implementation of agreed recommendations
- disseminating across Council better practice and lessons learnt arising from its audit activities.

7. Scope of internal audit activity

Internal audit reviews may cover all programs and activities of the Council. Internal audit activity encompasses the review of all financial and non-financial policies and operations.

8. Standards

Internal audit activities will be conducted in accordance with this Charter, the relevant Internal Audit and Risk Management Framework for Local Council's in NSW and with relevant professional standards including International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

In the conduct of internal audit work, internal audit staff will:

- comply with relevant professional standards of conduct
- possess the knowledge, skills and technical proficiency relevant to the performance of their duties. This includes consideration of current activities, trends and emerging issues, to enable relevant advice and recommendations
- be skilled in dealing with people and communicating audit, risk management and related issues effectively
- exercise due professional care in performing their duties.

9. Relationship with external audit

Internal and external audit activities will be coordinated to help ensure the adequacy of overall audit coverage and to minimise duplication of effort.

Periodic meetings and contact between internal and external audit shall be held to discuss matters of mutual interest and facilitate coordination.

External audit will have full and free access to all internal audit plans, working papers and reports.

10. Planning

The CAE will prepare a risk-based annual internal audit work plan in a form and in accordance with a timetable agreed with the Audit, Risk and Improvement Committee.

11. Reporting

The CAE will report to each meeting of the Audit, Risk and Improvement Committee on:

- audits completed
- progress in implementing the annual audit work plan, and
- the implementation status of agreed internal and external audit recommendations.

The internal audit function will also report to the Audit, Risk and Improvement Committee at least annually on any systemic issues requiring management attention based on the work of the internal audit function.

12. Quality Assurance and Improvement Program

The CAE shall oversee the development and implementation of a quality assurance and improvement program for Internal Audit, to provide assurance that internal audit work conforms to the Standards and is focused on continuous improvement.

The CAE will arrange for an internal review, at least annually, and a periodic independent review, at least every five (5) years, of the efficiency and effectiveness of the operations of the internal audit function. The results of the reviews will be reported to the committee who will provide advice to the elected Council on those results.

13. Administrative arrangements

Any change to the role of the CAE will be approved by the Governing Body of Council in consultation with the Audit, Risk and Improvement Committee.

14. Review of the charter

This charter will be reviewed at least once every two years by the Audit, Risk and Improvement Committee. Any substantive changes will be formally approved by the Governing Body on the recommendation of the Audit, Risk and Improvement Committee.

AUTHORISED BY

Council Resolution

EFFECTIVE FROM

This date is the date the charter was approved by the Council.

VERSIONS

The current and previous version of the Charter should be set out in the following table.

Version	Amended by	Changes made	Date	TRIM Number
1	Council Resolution	Incorporated	22 March 2010	183428.2009
2	Council Resolution	Complete review	17 June 2015	128846.2015
3	Council Resolution	Change of Committee name	29 March 2017	083354.2017
4	Council Resolution	Better practice alignment	30 June 2021	212094.2021