

Policy

Title: Internal Audit Charter

Category: Corporate Governance

Date Last Adopted: 24 April 2023

1. Objectives

The objective of this charter is to define the purpose, authority and responsibility of the Internal Audit function.

2. Background

Council's audit activities will be conducted in accordance with Part 8, Division 4 of the *Local Government Act 1993 (Tas)* and the *Local Government (Audit Panels) Order 2014*.

A three-year strategic internal audit plan will be developed for the Council. In addition, an internal audit plan and program will be prepared annually.

Internal audit and external audit are separate functions. Internal audit will have a collaborative and ongoing relationship with external auditors and any other assurance provider to ensure auditing and assurance activities are complementary and there are no significant gaps in the Council's assurance and review framework.

3. Purpose

The purpose of internal audit is to provide Council with independent and objective review and assurance services that will continually improve, add value to Council's operations and business performance, and help prevent fraud.

The activity assists Council in meeting its strategic objectives, by evaluating and improving the effectiveness of Council's risk management, governance, critical business processes, key initiatives and internal control processes.

The internal audit activity provides assurance to the City's Risk and Audit Panel, Council and Executive Leadership Team that key strategic and operational risks, including new and emerging, are identified and managed appropriately. It also serves

as an internal advisory service providing managers with advice and support in relation to compliance, governance, risk and control matters.

4. Authority

Internal audits are undertaken under the authority of the Chief Executive Officer and through the Risk and Audit Panel.

The internal audit function does not have decision making authority or operational authority for the activities it reviews.

Internal audit is conducted in accordance with the internal audit plan. and as such has full and unrestricted access to all functions, premises, assets, personnel, records, systems, information and documentation necessary to enable the function to meet its responsibilities.

5. Responsibility

The City's Risk and Audit Panel responsibilities include to:

- Oversee the coordination of the Council's internal audit program;
- Review and provide relevant advice on the three-year strategic internal audit plan for Council's consideration;
- Review and provide relevant advice on the annual internal audit work plan;
- Receive reports in relation to those audit findings that have an 'Extreme' or 'High' risk rating;
- Monitor management's progress of the implementation of agreed management actions for internal audit findings that have an "Extreme" or "High" risk rating;
- Annually review the performance of the contracted internal audit service provider;
- Review the tender documentation conditions and specifications for the supply of internal audit services; and
- Consider the Chief Executive Officer's recommendation of preferred tenderer and advise the Council on the appointment of internal auditors.

6. Independence and Objectivity

Independence is essential to the effectiveness of internal audit and therefore, internal audit is an independent function at Council and has no responsibility for the activities it reviews. It is not involved in the day-to-day operations of Council.

To ensure independence and objectivity the internal audit function will be outsourced to an appropriately skilled and experienced service provider. The initial Contract Term will be for a maximum period of three years. Two Contract extension options of one year each may be offered to the service provider at Council's discretion. The City will undertake market testing prior to the expiry of the current contract for internal audit

services by way of a public tender process to award a new contract, in order to ensure transparency and accountability.

To be effective, the internal audit function will operate objectively without being influenced or inhibited in undertaking services.

The internal audit service provider must consider any actual, perceived or conflicts of interest prior to commencing work on any internal audit activities.

7. Reporting

The internal audit service provider will report to the Chief Executive Officer and through the Risk and Audit Panel as and when required.

A report will be provided to each Risk and Audit Panel meeting on:

- Internal audit reports completed;
- Status in completing the annual internal audit plan;
- Strategic risk management and suggested improvements to the Council's governance and control environment;
- Any other advisory or compliance activities undertaken.

8. Legislation, Terminology and References

Local Government Act 1993 (Tas)

Audit Act 2008 (Tas)

Integrity Commission Act 2009 (Tas)

Document Control

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