**WESTERN DOWNS REGIONAL COUNCIL**

# Internal Audit - Council Policy

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| **Effective Date** | *15 April 2008* |
| **Policy Owner** | *CEO* |
| **Link to Corporate Plan** | *Strategic Priority: Sustainable Organisation* |
| **Review Date** | *01 July 2026* |
| **Related Legislation** | *Local Government Act 2009*<br>*Local Government Regulation 2012* |
| **Related Documents** | *Audit Committee Terms of Reference*<br>*International Professional Practices Framework (IPPF) published by the Institute of Internal Auditors (IIA)* |

| Policy Version | Approval Date | Adopted/Approved |
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| *1* | *15/04/2008* | *Adopted Ordinary Meeting of Council* |
| *2* | *16/09/2015* | *Approved Ordinary Meeting of Council* |
| *3* | *23/01/2019* | *Approved Ordinary Meeting of Council* |
| *4* | *22/06/2022* | *Approved Ordinary Meeting of Council* |
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# Internal Audit - Council Policy

## 1. PURPOSE

This Policy establishes the Internal Audit function and provides the framework for the conduct of internal audit in the Western Downs Regional Council.

## 2. SCOPE

This Policy applies to all activities of the Western Downs Regional Council's internal audit function, Audit Committee and all Council functions and activities referred to in this document.

## 3. POLICY

### 3.1 Policy Statement

The establishment of an efficient and effective internal audit function is a requirement under s.105 of the *Local Government Act 2009.*

The *International Standards for the Professional Practice of Internal Auditing* requires that the purpose, authority, and responsibility of the Internal Audit activity must be formally defined in an Internal Audit Policy, consistent with the *Definition of Internal Auditing,* the *Code of Ethics*, and the *Standards*.

This Policy is a formal definition of internal audit's purpose, authority, and responsibility. The Policy establishes the internal audit position within Council, including the reporting relationships with the Audit Committee and the Chief Executive Officer; authorises access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

The internal audit function will seek to achieve the following outcomes:-

- evaluate the adequacy and effectiveness of Council's processes, procedures, and internal control environment to assist with management of corporate risks;
- appraise the relevance, reliability and integrity of management practices, business systems, financial and operating records, and reports;
- assist the Chief Executive Officer in managing the effective discharge of their legislative responsibilities by providing the Chief Executive Officer with impartial analysis, appraisals, recommendations, and information concerning activities reviewed;
- review compliance with Council policies and procedures and legislative requirements;
- embed a culture of continuous improvement practices across Council; and
- provide outcomes that will generally improve operational effectiveness, efficiency, and economy.

### 3.2 Authority and Confidentiality

Subject to compliance with Council's information security policies and relevant legislative requirements, the internal audit function is authorised to have full, free, and unrestricted access to all functions, premises, assets, personnel, records, and other documentation and information that is considered necessary to enable internal audit to meet its responsibilities.

Internal audit is responsible and accountable for maintaining the confidentiality of the information it receives during its work.

### 3.3 Roles and Responsibilities

Internal audit activities will encompass the following areas:

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### 3.3.1 Governance and Compliance

1) Developing and promoting a culture of accountability and integrity;

2) Reviewing compliance with legislative requirements and Council policies and procedures; and

3) Monitoring the adequacy and effectiveness of internal financial and operational controls including IT system controls.

### 3.3.2 Performance improvement

1) Promoting a culture of cost-consciousness, continuous improvement, self-assessment, and adherence to high ethical standards.

2) Monitoring the efficiency and effectiveness of the Council's business systems and processes; and

3) Working closely with other sections of the Council to facilitate continuous improvement of Council's business processes and systems.

### 3.3.3 Risk management

1) Assisting management to identify risks and develop risk mitigation and monitoring strategies as part of the risk management framework; and

2) Assessing and reporting on the implementation of risk management strategies.

### 3.3.4 Fraud control

Assisting management to identify the risks of fraud and develop fraud prevention and monitoring strategies.

### 3.3.5 Advisory services

Providing advisory and consultancy services to management.

### 3.3.6 Audit support activities

1) Assisting the Audit Committee to discharge its responsibilities;

2) Monitoring the implementation of agreed recommendations;

3) Disseminating across the Council better practice and lessons learnt arising from its audit activities; and

4) Managing the Internal Audit function.

## 3.4 Independence and Objectivity

The internal audit function must be independent, and objectivity must be exercised in the conduct of internal audit work.

Internal audit engagements shall be performed with an unbiased and impartial attitude.

Internal audit shall not be involved in the day-to-day operations of Council.

The internal audit function will be managed by the Customer Support and Governance Manager, through the General Manager (Corporate Services) with reporting to the Chief Executive Officer and the Audit Committee.

## 3.5 Standards

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Internal audit activities will be conducted in accordance with the Council's values, policies, and procedures.

Audit activities will also be conducted in accordance with relevant professional standards including:

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

2) Standards relevant to internal audit issued by the Australian Society of Certified Practising Accountants and the Institute of Public Accountants in Australia.

## 3.6    Planning

Internal audit will adopt an integrated risk-based approach to allocating resources and planning in consultation with management and Council's risk management framework including strategic and operational risks, so that audit attention is directed to areas of higher risk.  The general direction of Council's internal audit activities over the medium term will be documented in a Three-Year Strategic Internal Audit Plan.  The plan will be approved by the CEO and presented to the Audit Committee for consideration and input.

Flexibility shall exist for the CEO to approve and make periodic changes to any scheduled or approved audit plans, programs, or activities. The CEO may request internal audit to perform unscheduled engagements as deemed justified based on Council's changed risk profile or operational necessity.

The Plan will be reviewed annually to consider changing circumstances.

## 3.7    Reporting

Internal audit will report to each meeting of the Audit Committee on:

1) Reports on internal and external audits completed, including observations and recommendations from the audit and management's response to the audit recommendations;

2) Progress in implementing the audit plan; and

3) The status of the implementation of agreed internal and external audit recommendations.

## 3.8    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.

## 4.    ETHICS AND CONFLICTS OF INTEREST

Internal audit must make a declaration of conformance to the Code of Ethics issued by the IIA together with a declaration that there are no conflicts of interest.  Where a conflict of interest occurs, a statement that these have been reported to the relevant officers and are being appropriately managed should be included in the declaration.

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**DEFINITIONS:**

To assist in interpretation, the following definitions shall apply:

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| Internal Audit | Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. |
| IPPF | The International Professional Practices Framework (IPPF) is the conceptual framework that organises authoritative guidance promulgated by the Institute of Internal Auditors (IIA). The IIA provides internal audit professionals worldwide with authoritative guidance organised in the IPPF as mandatory and strongly recommended guidance. |