1 Purpose

To comply with the *Local Government Act 2009* (s105) and the Local Government Regulation 2012 (s207) which require each local government to establish an independent, effective and efficient internal audit function to assess and evaluate the control measures that the Hinchinbrook Shire Council has adopted and to manage the risks to which the council's operations are exposed and support local government principles.

2 Scope

This policy, which incorporates the Internal Audit Charter, shall apply to the Internal Auditor, all Councillors, employees and contractors working for Council regardless of whether they are permanent, temporary, full-time, part-time or casual. For the purposes of this policy, the term contractor includes on-hired temporary labour services (agency staff) and sub-contractors and employees subject to or responsible for the various functions of Council's internal audit process.

Internal Audit will function independently from all other operations of the Council and will work under the supervision of the Director Corporate and Community Services. The Internal Audit Charter (below) provides the framework for the conduct of the internal audit activity in Council.

3 Responsibility

Corporate and Community Services will coordinate Internal Audit activities through the Internal Auditor and the Audit and Risk Committee, as per this Policy and Charter.

Management is responsible for ensuring that the recommendations of the Internal Audit are implemented as appropriate throughout Council's processes, plans and work areas. Management is also responsible for ensuring that Staff and Councillors are aware of the internal audit purpose, process and timeframe as appropriate.

The Internal Auditor's primary responsibility is to provide independent and objective advice, assessment and recommendations to management and the Audit and Risk Committee in relation to governance, risk management, financial reporting and internal control matters with an emphasis on 'value adding' to promote a culture of service excellence.

Council employees and representatives are required to provide the internal auditor with documentation and information as requested to assist the audit process. Council staff may be required to participate in meetings to facilitate this.

4 Definitions

CEO refers to Council's Chief Executive Officer

Council refers to Hinchinbrook Shire Council

Councillor refers to an elected official under the *Local Government Act 2009*

Internal Auditor – for the purposes of this Policy, "Internal Auditor" will refer to all involved persons employed or contracted by the agency/business chosen by Council to perform an Internal Audit in accordance with this Policy

5 Policy

Council must ensure it has an Internal Audit function and it's mandate and responsibilities are established and governed in accordance with the *Local Government Act 2009* (the Act) and *Local* Government Regulation 2012 (the Regulations).

The function is 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 and Risk Committee

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.

Council will develop and maintain an Internal Audit Charter (below) setting out the framework for the conduct of the internal audit activity in Council and has been approved by Council on the recommendation of the Audit and Risk Committee.

5.1 Internal Audit Function

The scope of the internal audit function extends to include all departments, programs, sub-programs, functions, funded schemes, interests and entities over which Council has direct management, sponsorship or financial control. Any dispute relating to whether an activity falls within the scope of Council's internal audit function shall be determined by the Chief Executive Officer and may be referred to the Audit and Risk Committee.

In the conduct of its activities, Internal Audit will play an active role in:

- Evaluating the adequacy and effectiveness of the local government's operations;
- Identifying and assessing the risks to which the local government's operations are exposed;
- Ensuring adherence to management policies and directions in order to achieve Council's objectives;
- Developing a work program for all Internal Audit activities of the local government;
- Monitoring the audit matrix presented by officers of Council to the Audit Committee for accuracy and completeness; and
- Attending Audit and Risk Committee Meetings as required.

Audit plans are prepared in accordance with section 207 of the Local Government Regulation 2012 and include statements about:

- The way in which the operational risks have been evaluated;
- The most significant operational risks identified from the evaluation; and
- The control measures that the local government has adopted or is to adopt to manage the most significant operational risks.

Internal Audit will provide progress reports in accordance with section 207 of the Regulation to the Chief Executive Officer and the Audit and Risk Committee identifying;

- A summary of the recommendations stated in the report;
- A summary of the actions that have been taken by the local government in response to the recommendations; and
- A summary of any actions that have not been taken by the local government in response to the recommendations.

5.2 Appointment of Internal Auditor

To facilitate the impartiality and integrity of the audit process, an external auditing agency will generally be sourced by management to conduct the annual Internal Audit. The selection of an Internal Auditor shall occur in accordance with Procurement Policy and legislation requirements. Several auditing agencies may be compared and a selection made based on an assessment of the agencies' local government auditing experience, accreditation (e.g. professional accounting body membership, Institute of Internal Auditors membership), availability, two (2) client references and estimated cost for services. Records of the selection process shall be kept by Council.

6. CHARTER

6.1 Introduction

This Charter sets out the objectives, authority, responsibilities, composition, tenure, reporting and administrative arrangements associated with Council's Internal Audit.

Council's internal audit activity will be conducted by an external business, totally independent to Council, which reports to the Audit and Risk Committee. Audit and Risk Committee will liaise with the internal auditor to develop, manage and review annual internal audit programs. Internal Auditors will be appointed following a competitive process for a fixed term, with a one year option to extend as deemed appropriate.

6.2 Authority and Independence

Internal Audit are authorised to have full, free and unrestricted access to all functions, premises, assets, personnel, records and other documentation and information that the CEO or CFO consider necessary to enable Internal Audit to meet its responsibilities.

Internal Audit has no executive power – it is an advisory function.

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 CEO or CFO and individual Internal Audit Personnel are responsible and accountable for maintaining the confidentiality of the information they receive during the course of their work.

Maintaining appropriate independence is essential to the effectiveness of the internal audit function.

6.3 Objectives, Roles and Key Responsibilities

Internal Audit

- Has a primary responsibility to provide independent and objective advice, assessment and recommendations to management and the Audit and Risk Committee in relation to governance, risk management, financial reporting and internal control matters; and
- Is an independent, advisory, assurance and consulting function that seeks to add value and improve Council's operations.

Internal audit achieves this by:

- Providing a systematic and disciplined approach to the evaluation and improvement of the effectiveness of risk management, internal control, financial reporting and governance processes;
- Providing assurance to Council, Executive Management and the Audit and Risk Committee that key organisational risks are understood and managed appropriately; and
- Providing management with guidance, advice and support in relation to governance, risk and control matters.

Internal audit and the Audit and Risk Committee identify a one year and a three year Internal Audit Plan each year that is subject to ongoing review as circumstances dictate. This Internal Audit Plan is determined after consideration of Council's budget and its various risk 'areas' including, but not limited to:

- Financial risk;
- Legal and governance risk;
- Image and reputational risk;
- Environmental and community risk;
- Public Health risk;
- Workplace Health Safety risk;
- Business Continuity risk;
- Workforce risk;

Internal audit may also be asked to provide specialist advice and guidance to Management on a range of matters including:

- Data analysis;
- Risk and control insights and better practices;
- Participating in Program/Project Steering Committees as specialist advisor;
- Participating in organisational Working Groups and Governance forums;
- Policy establishment and/or review advice;
- Internal control design and cost-effectiveness; and
- Efficiency and performance.

Internal Audit Principles:

Principles are, but not limited to, independence; confidentiality; professionalism; balance; risks versus benefits of control and audit quality control.

6.4 Relationships

External Audit

- Internal Audit will establish and maintain an open relationship with the External Auditors and any other assurance providers; and
- Consistent with the Internal Audit Strategy, Internal Audit will plan its activity to help ensure the adequacy of overall audit coverage and to minimise duplication of assurance effort.

Audit and Risk Committee

- Audit and Risk Committee will work with Internal Audit to endorse an Internal Audit Plan for each financial year, as required by S207 Local Government Regulation 2012;
- Internal Audit will keep the Audit and Risk Committee informed in regard to risk, control, governance, and the coordination and effectiveness of monitoring activities within the scope of the internal audit plan;
- Internal Audit will provide a progress report to each Audit and Risk Committee meeting covering the activities of the Internal Audit; and
- Audit and Risk Committee makes recommendations to Council on the internal audit function. Audit Committee, in conjunction with the CEO, is then responsible for managing the relationship with Internal Audit.

Council Officers

- All Council Officers are responsible for providing Internal Audit with every reasonable request for assistance, explanation and co-operation.

6.5 Other

The Internal Audit Charter will be reviewed biannually by the Audit and Risk Committee to ensure it remains current and relevant. Changes to the Internal Audit Charter are only valid if they are endorsed by the Audit and Risk Committee and subsequently adopted by Council.

During this biannual review, the Internal Audit provider will provide written declarations to the Audit and Risk Committee stating that they:

- Do not have any conflicts of interests and/or material interests that would preclude them from being an Internal Auditor to Council; and
- Have not had any such undeclared conflicts in the preceding year.

7 Legal Parameters

- *Local Government Act 2009*; and
- Local Government Regulation 2012.

8 Associated Documents

- Audit and Risk Committee Policy;
- Audit and Risk Committee Charter;
- Enterprise Risk Management Policy and Registers; and
- Audit and Risk Committee Workplan.

DOCUMENT HISTORY AND STATUS					
Action	**Name**		**Position**	**Signed**	**Date**
Approved by Council	Mary-Anne Uren		CEO		17/7/24
Policy Version	3	**Initial Version Adopted** 26/11/2019	**Current Version Adopted**		24/4/2024
Maintained By	Corporate and Community Services		**Next Review Date**		
File Location	E:\Shared Data\Administration\Change\Policies, Procedures & Forms\02. Current Documents				