

CHARTER OF INTERNAL AUDIT

In this charter the following words and terms have these meanings:

Council	The Mayor and Councillors who have been elected or appointed to civic office
General Manager	Appointed by council and responsible for the operation of the organization and implementation of council's decisions
'The organisation'	All operations and obligations which are the responsibility of the General Manager
Internal Audit	The function which provides internal audit services to Penrith City Council
Internal Auditor	The most senior person employed by the organisation working exclusively within the Internal Audit function
Audit Committee	The advisory committee appointed by Council which assists it on audit, assurance and risk management matters.

BACKGROUND

This charter identifies the purpose, authority and responsibility of Internal Audit. Internal Audit operates on the basis agreed between the General Manager and the Council as described in this Charter. This charter is intended to conform to the Internal Audit Guidelines issued by the Division of Local Government, Department of Premier and Cabinet (DLG). Pursuant to s23A of the Local Government Act, this Charter should not be changed without considering the recommendations of those guidelines. The Charter is approved by the General Manager on the advice of the Audit Committee.

The Internal Audit function must report to the General Manager or such other person as the General Manager delegates this responsibility to. The DLG guidelines recommend that this responsibility be split and that Internal Audit should report functionally to the Audit Committee and administratively to a person such that "the delegation does not directly or indirectly interfere with the ability of the Internal Auditor to conduct an internal audit function free from interference" The guidelines further recommend that the Internal Auditor confirms "at least annually, the organisational independence of the internal audit activity".

PURPOSE

Internal Audit provides an independent and objective advisory service. It is expected that the Internal Audit function will add value by providing information to all levels of management, the Audit Committee and the Council, on the quality of the organisations operations with particular emphasis on risk management, regulatory compliance and systems of control.

It functions by conducting independent appraisals leading to reports on its findings and recommendations, addressed, as appropriate, to:

- The Audit Committee
- The General Manager; and
- All levels of management who need to know and are capable of ensuring that appropriate action is taken.

Internal Audit may use contract personnel or staff seconded from within the organisation to perform audit works, provided such appointments do not impair the objectivity of the audit process. These temporary appointments will be subject to the approval of the General Manager or delegate.

The General Manager requires Internal Audit to function with objectivity and integrity at all times, adhering to the code of ethics and standards of the Institute of Internal Auditors.

Management retains primary responsibility for assessing risks and implementing control systems. The internal Audit activity provides assurance to Management and to the Audit Committee that internal controls are effective and working as intended. The work of Internal Audit does not relieve the staff of Penrith City Council from their accountability to discharge their responsibilities.

AUTHORITY

The Internal Auditor is authorised to direct a comprehensive program of work in the form of reviews, previews, consultancy advice, evaluations, assessments, investigations of functions, processes, controls and governance frameworks in the context of the achievement of business objectives.

For the purpose of its audit work, Internal Audit has unrestricted access at all times to all the records, accounts, files, personnel, property, monies and operations of the organisation with the strict responsibility for safekeeping and confidentiality. Access to data and sensitive information system applications will be on a 'read only' basis.

Objectivity requires an unbiased mental attitude. As such, all Internal Audit staff shall perform their tasks in such a manner that they have an honest belief in their work product, that no significant quality compromises are made and their judgement has not been subordinated to that of others. Internal Audit does not perform line tasks as this would impair its objectivity; neither has it any direct responsibility for, nor authority over, the activities it reviews.

The Internal Auditor has direct access to the Mayor, the General Manager, the external auditors and members of the Audit Committee. This includes an unrestricted authorisation for the Internal Auditor to express any concerns and / or provide professional opinions whether those opinions are supported by Management or not. Any matter that is covered by the Code of Conduct shall be dealt with in accordance with the Code.

Internal Audit shall report:

- primarily to the Audit Committee
- to the General Manager on administrative matters
- to Chief Governance Officer (as the General Manager's delegate) on staffing resourcing and administration of audit, and
- to the Audit Committee Chair as the representative of the Audit Committee when appropriate.

RESPONSIBILITIES

The scope of Internal Audits work aligns with the organisation's objectives and goals.

It includes ascertaining, at all levels of the organisation, that:

- Assets are being safeguarded;

- Opportunities for fraud are minimised;
- Operations are conducted ethically, effectively and efficiently in accordance with the organisations policies and procedures;
- Records and reports of the organisation are accurate and reliable.
- Controls over computer systems are adequate; and
- Relevant laws and regulations are being complied with.

The review of significant computer systems under development, or undergoing change, is also part of Internal Audit responsibilities.

In addition, Internal Audit may perform special reviews requested by the General Manager.

Internal Audit is required to keep the Audit Committee informed of significant matters that relate to its Charter, the extent to which the Committee's recommendations are being adopted and of Internal Audit work. A report is to be provided to the Audit Committee at each of its meetings on progress on the Internal Audit Plan, followup of recommendations, and other relevant matters.

If requested by the Audit Committee to do so, the Internal Auditor shall meet with the Audit Committee without management present.

Internal Audit shall advise the Audit Committee at least annually on performance against objectives, its opinion on the adequacy of this charter (including details of any item requiring updating) and whether there has been any compromise of audit independence since the last report.

Internal Audit shall obtain and forward to the Audit Committee:

- feedback from areas audited including stakeholder satisfaction
- an independent review of Internal Audit at least once every four years

The Internal Auditor shall periodically prepare a multi-year Internal Audit plan in consultation with senior management. The plan should be based on the goals, objectives, and business risks of Council. While the multi-year plan remains in force there shall also be an Annual Internal Audit plan. The plans shall be presented to the Audit Committee for consideration.

Internal Audit is not relieved of its responsibilities in areas of the organisation's business which are subject to review by others but should always assess the extent to which it can rely upon the work of others and co-ordinate its audit planning with other review agencies.

Charter History:

This Charter is document 4545446 in Penrith City Council's Information Management System.

Agreed between General Manager and Audit Committee: 9 October 2013

Endorsed by Council: 21 October 2013

The previous version of this charter is document 4121419