

Internal Audit Charter

Local Government Act 2009

1. Charter Statement

The Internal Audit function is an independent and objective review and advisory service, established within Council to provide assurance to the Audit and Risk Committee and management that Council's controls are designed to manage Council's risks and achieve objectives by operating in an efficient, effective and ethical manner.

2. Principles

The Internal Audit Unit's mandate and responsibilities are established and governed in accordance with section 105 of the *Local Government Act 2009* and section 207 of the *Local Government Regulation 2012*, which require each local government to establish an efficient and effective internal audit function.

This charter establishes and defines the extent of authority and responsibilities conferred on the Internal Audit Unit by Council and explains the role of the Internal Audit function as it applies to the Townsville City Council.

3. Scope

The scope of responsibilities of the Internal Audit Unit under this Charter includes the operations and activities of the Townsville City Council and its controlled entities. This charter sets out the purpose, authority, responsibilities, reporting and administrative arrangements associated with Council's Internal Audit Unit. This charter applies to all Council activities and workers.

4. Responsibility

The Chief Executive Officer and management are responsible for ensuring that the charter contained herein is understood and adhered to by all personnel.

5. Definitions

Council Activities - means all the activities and entities of the Council.

Internal Auditing - As defined in The Institute of Internal Auditors International Professional Practices Framework (IPPF), "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 process."

Internal Audit Staff - includes employees within the Internal Audit Unit, who report to the Senior Internal Auditor.

Manager - an individual responsible for overseeing and coordinating specific functions, departments, teams or projects within Townsville City Council.

Workers - includes employees, contractors, volunteers and all others who perform work on behalf of Council.

All other definitions are as per the *Local Government Act 2009* and associated sub-ordinate legislation.

6. Charter

6.1. Introduction

The Audit and Risk Committee has been established by Townsville City Council under the *Local Government Act 2009* and is governed by the Audit and Risk Committee terms of reference. The Audit and Risk Committee acts for the Townsville City Council in monitoring and reviewing the Internal Audit function and the effectiveness and objectivity of the functions internal auditors as set out in this Charter.

The term Chief Audit Executive (CAE) describes the person responsible for effectively managing all aspects of the Internal Audit function and for ensuring quality performance of internal audit services in accordance with the 'Global Internal Audit Standards' issued by the Institute of Internal Auditors (IIA). The CAE is accountable to Townsville City Council through the Audit and Risk Committee for the Internal Audit function's implementation of and conformance with requirements of this Charter. At Townsville City Council, the position assigned the CAE role is the Senior Internal Auditor.

The 'Global Internal Audit Standards' requires Internal Audit functions to have an Internal Audit Mandate and an Internal Audit Charter - this document captures both requirements.

6.2. Vision

Internal Audit is recognised as professional, integral to Council delivering on its vision for growth and is viewed as a trusted advisor to key stakeholders.

6.3. Purpose / Objective

Internal Audit is an independent, objective assurance and advisory activity that seeks to add value and improve Council's operations. The primary objectives of the Council's Internal Audit Unit are to evaluate Council's systems of internal control in order to provide assurance to Council, Executive Management and the Audit and Risk Committee that:

- Council is achieving its goals and objectives efficiently, effectively and in an ethical manner;
- financial and operating information produced is accurate, timely and complete;
- there is compliance with relevant laws, regulations and other external requirements and with Council policies, directives and other internal requirements; and,
- Council's assets and liabilities are competently managed and protected against loss or other negative consequences.

The Internal Audit Unit assists management and Council in the effective discharge of their responsibilities by furnishing them with analyses, appraisals, recommendations, counsel and information concerning the activities reviewed and by promoting effective control at reasonable cost.

6.4. Authority

The Internal Audit Unit is authorised to review all areas of Council and to have full, free, and unrestricted access to all Council's activities, records (either manual or electronic), property, and personnel. Council activities include entities over which Council has a direct management or sponsorship of control.

All employees shall cooperate fully by making available any material and information requested by Internal Audit.

Internal Audit will work with the Investigation Unit where required to assess any suspected situation involving improper activity or non-compliance with applicable policies, plans, procedures, laws or regulations, of which they have knowledge.

It is the policy of Council that all audit activities remain free of influence by any organisational elements. This will include such matters as scope of audit programs, the frequency and timing of examinations, and the content of audit reports. The Senior Internal Auditor is required to report any major restrictions on the scope of the internal audit work, impairments to the unit's functions, resourcing issues and any conflicts of interest to the Chief Executive Officer and the Audit and Risk Committee.

6.5. Confidentiality

All records, documentation and information accessed in the course of undertaking internal audit work are to be used solely for the performance of these activities. Internal Audit Staff and service providers are responsible and accountable for maintaining the confidentiality of the information they receive during the course of their work.

All Internal Audit documentation and work papers remain the property of Townsville City Council, including where Internal Audit services are provided by service providers under a co-sourced or outsourced model.

6.6. Independence and Objectivity

Maintaining appropriate independence and objectivity is essential to the effectiveness of the Internal Audit function. Accordingly, the Internal Audit Unit will maintain operational and managerial independence from the functions and activities it reviews.

Internal auditors have no direct responsibility or authority over any of the activities reviewed.

Internal auditors should not develop or install procedures, prepare records, make management decisions, or engage in any other activity which could be reasonably construed to compromise their independence and objectivity. However, in connection with the complementary objectives of this audit function the Internal Audit Unit will recommend policies and procedures for review by appropriate management and may provide advice as appropriate.

The operation of the Internal Audit function does not in any way discharge the responsibility that any officer or employee of Council has in the ongoing effectiveness and efficiency of Council's system of internal control.

The Senior Internal Auditor is authorised to use their own professional judgement in determining how internal audit services will be delivered.

The strength of Internal Audit comes from being independent of Management and for this reason the Senior Internal Auditor is not responsible for any non-audit activities (for example risk management or investigations). Should a situation arise where the Senior Internal Auditor is required to undertake non-audit activities the following independence safeguards are to be in place;

- Any review of the non-audit activities and the subsequent follow up of actions arising from the review must be carried out independently of the Senior Internal Auditor and reported directly to the Audit and Risk Committee.
- The Senior Internal Auditor's annual independence and objectivity declarations should include any effects from the non-audit activities.

6.7. Conflicts of Interest and Impairment of Objectivity

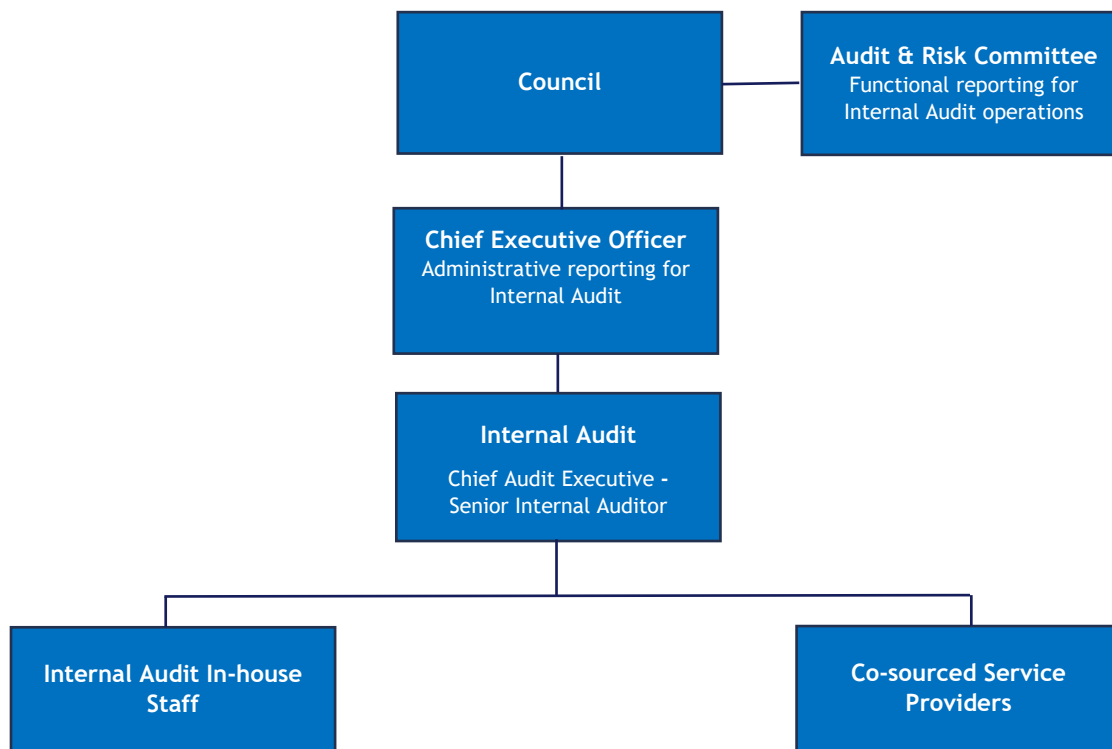
Conflict of interest is a situation in which an internal auditor, who is in a position of trust, has a competing professional or personal interest. Such competing interests can make it difficult to fulfil duties impartially. A conflict of interest can exist even if no unethical or improper act results. A conflict of interest can create an appearance of impropriety that can undermine confidence in the internal auditor, the Internal Audit function and the profession. A conflict of interest could impair an individual's ability to perform his or her duties and responsibilities objectively.

Internal auditors are not to provide audit services for work for which they may previously have been responsible. The Institute of Internal Auditors provides guidance on this point and suggests a period of one year, but each instance should be carefully assessed by the Senior Internal Auditor.

When engaging Internal Audit service providers, the Senior Internal Auditor shall take steps to identify, evaluate the significance, and manage any perceived, potential or actual conflicts of interest that may impinge upon Internal Audit work performed by a service provider. Where an Internal Audit service provider may be requested to provide a non-internal audit service by another business area, prior written permission of the Senior Internal Auditor is required before the service provider can be engaged. Instances of perceived, potential or actual conflict of interest by Internal Audit Staff and service providers shall immediately be reported to the Senior Internal Auditor and the Audit and Risk Committee Chair.

6.8. Internal Audit Positioning

Internal Audit is positioned within Townsville City Council as follows:



6.9. Reporting Arrangements

All Internal Audit Staff and service providers report to the Senior Internal Auditor, who reports:

- Functionally for operations to the Audit and Risk Committee through the Chair and
- Administratively to the Chief Executive Officer.

Functional reporting involves the Audit and Risk Committee:

- review and endorsement of the Internal Audit; policy, charter, strategic plan, work plan and any amendments to these plans.
- reviewing reports on the results of internal audit engagements, audit-related activities, audit team capability, audit performance and other important matters.
- monitoring compliance with standards (i.e. the Institute of Internal Auditors attribute and performance standards) together with quality and improvement arrangements.
- meeting privately with the Senior Internal Auditor regularly without management present.
- making enquiries of the Senior Internal Auditor to determine any scope or budget limitations that may impede execution of internal audit responsibilities.
- the Audit and Risk Committee will be provided with prior notice of any proposed changes to the structure of the Internal Audit Unit.
- the Audit and Risk Committee shall receive prior notice of the appointment or termination of the Senior Internal Auditor and/or Internal Auditors. The Chief Executive Officer will

consult the Audit and Risk Committee, via the Committee Chair, in relation to the performance and remuneration of the Senior Internal Auditor.

- Internal Audit shall provide a quarterly progress report to the Audit and Risk Committee. Any findings deemed to be significant in the operation of Council shall be brought to the attention of the Chief Executive Officer and the Audit and Risk Committee immediately.
- Internal Auditors are granted full access to the Audit and Risk Committee for any matter that may compromise the independence and objectivity of the Internal Audit Unit or the auditors within the Unit.
- The Audit Unit will provide specialised support to Audit and Risk Committee as required.
- Internal Audit is to meet with the Audit and Risk Committee on a quarterly basis or more frequently if required by the Committee.

Administrative reporting to the Chief Executive Officer includes:

- Internal Audit resources and annual budget.
- Provision of corporate services to Internal Audit including office accommodation, technology and equipment.
- Human resource administration.

The Senior Internal Auditor will meet regularly with the Chief Executive Officer, with meetings scheduled monthly. Right of direct access to the Chief Executive Officer by the Senior Internal Auditor is preserved for any time the Senior Internal Auditor believes it to be warranted.

As Internal Audit is a co-sourced activity with service providers, the service providers nominated contact will report through the Senior Internal Auditor. In limited circumstances, the service providers contact may be granted direct access to the Audit and Risk Committee Chair.

6.10. Role

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

- Developing and maintaining a culture of accountability, integrity and adherence to ethical standards.
- Facilitating the integration of controls and risk management into day-to-day business activities and processes.
- Promoting a culture of cost-consciousness and self-assessment.

Internal Audit will support Townsville City Council by:

- Reviewing achievement of objectives.
- Assessing if decisions are properly authorised.
- Evaluating the reliability and integrity of information.
- Ensuring assets are safeguarded.
- Assessing compliance with laws, regulations, policies and contracts.
- Considering the efficiency, effectiveness, economy and ethics of business activities.
- Reviewing opportunities for fraud and corruption.
- Following-up elements of previous audits (as outlined in the responsibilities section) to assess whether remedial action has been effectively implemented.
- Providing forward-looking Internal Audit services.
- Looking for better ways of doing things and sharing these insights within Townsville City Council.

Management may request ad hoc internal audit services in response to emerging business issues or risks. Internal Audit will attempt to satisfy these requests subject to the assessed level of risk, availability of resources and endorsement of the Audit and Risk Committee. In the case of additional or replacement projects, these should be submitted to Internal Audit using the scoping template for projects.

6.11. Reporting to Audit and Risk Committee

The Audit and Risk Committee supports the Council in exercising their governance responsibilities. The Senior Internal Auditor will report to the Audit and Risk Committee on:

- Overall performance of Internal Audit, including any performance measures agreed with the Audit and Risk Committee.
- Internal Audit work completed.
- Progress implementing the Internal Audit plan.
- Common themes emerging from Internal Audit engagements.
- Where appropriate, assessments of individual functions or business units derived from more than one engagement.
- Implementation status of relevant Internal Audit, External Audit, and other relevant external and regulatory body recommendations in accordance with responsibilities outlined in Section 6.15.
- Achievements via an annual report to summarise work and achievements for the year, to demonstrate value delivered, and to provide an opinion on the overall state of internal controls and systemic issues identified.
- Annual assertion on Internal Audit independence and compliance with Internal Audit standards.
- Annual statement of assurance addressing performance of governance, risk management and control processes across the organisation.

The Senior Internal Auditor will also report:

- Any disagreement with Senior Management or other stakeholders on the scope, findings, or other aspects of an engagement that may affect the ability of the Internal Audit function to execute its responsibilities.
- Any incidents where independence may have been impaired, and the actions or safeguards employed to address the impairment.
- Other matters as outlined in this Charter.

6.12. Nature and Scope of Work

The scope of Internal Audit work embraces the wider concept of corporate governance and risk, recognising that controls exist in organisations to manage risks and promote effective and efficient governance and performance. Internal Audit services may include:

- Assurance Services - Services through which internal auditors perform objective assessments to provide assurance. Examples of assurance services include compliance, financial, operational / performance and technology engagements. Internal auditors may provide limited or reasonable assurance, depending on the nature, timing and extent of procedures performed.

- Advisory Services - Services through which internal auditors provide advice to an organisation's stakeholders without providing assurance or taking on management responsibilities. The nature and scope of advisory services are subject to agreement with relevant stakeholders. Examples include advising on the design and implementation of new policies, processes, systems and products / providing forensic services / providing training / facilitating discussions about risks and controls. 'Advisory services' are also known as 'consulting services'.

Internal Audit will offer a service catalogue with a range of services including:

- Audits with a compliance, financial or operational performance improvement focus.
- Management requested services where business areas may request internal audit services, usually in response to an issue or an emerging risk.
- Multi-stage audits at key project milestones.
- Continuous auditing of controls using technology.

The scope and coverage of Internal Audit work is not limited in any way and may cover any activity, operation and program, including those of subsidiary, controlled and associated organisations.

Where a specific audit certification is required to be given by an Internal Auditor to satisfy acquittal requirements for special purpose grants, etc., no formal audit report will be issued.

In the event that audit findings warrant reporting, a written communication (i.e. letter, memo, email etc.) to the responsible officer concerned will serve as the official notification of audit findings.

Where matters are referred to the Internal Audit Unit for special consideration and review, Internal Audit shall determine whether a formal Internal Audit report is warranted. Factors affecting such determination would ordinarily include the importance of the review, the results and level of risk associated with audit findings and the extent and timing of resources to be utilised. In the event the matter under review does not warrant a formal audit report, a written communication (i.e. letter, memo, email etc.) to the responsible officer concerned will serve as the official notification of audit findings.

6.13. Professional Standards

Internal Audit will govern itself by adherence to mandatory guidance contained in the 'International Professional Practices Framework' (IPPF) and 'Global Internal Audit Standards' issued by the Institute of Internal Auditors (IIA). This includes Internal Audit work performed by service providers.

6.14. Resourcing

The Senior Internal Auditor must advise the Audit and Risk Committee if Internal Audit resources are not sufficient for Internal Audit to fulfil its responsibilities. Any assessment of the Internal Audit operational budget is to be supported by appropriate and objective analysis and benchmarking.

Should resources be insufficient, the Senior Internal Auditor is to use a consultative, risk-based approach to provide the Audit and Risk Committee with options to address the shortfall.

Where an Internal Audit co-sourced model is adopted as part of the Internal Audit annual planning, a service provider will be selected through Councils procurement approach. This approach will periodically test the market applying good practice probity principles focused on competence, skills

and knowledge against a set of pre-determined criteria including independence and objectivity. The Service Provider appointment will be approved by the Senior Internal Auditor and notified to the Audit and Risk Committee.

6.15. Responsibilities

Senior Internal Auditor responsibilities include, but are not limited to:

Internal Audit

- Establish an efficient and effective Internal Audit function in accordance with s105(1) of the *Local Government Act 2009*.
- Develop and implement a strategy for the Internal Audit function that supports the strategic objectives and success of the organisation.

Internal Audit Planning

The Internal Audit Unit will adopt a consultative, risk-based approach to planning.

Three (3) Year and Annual Internal Audit plans:

- Internal Audit will review the risk profiles for each area within Council and undertake an environmental scan to gain an understanding of key risks to Council to enable more audit attention to be directed to areas of greater risk.
- The environmental scan will consider:
 - Councils enterprise risk and associated control assessment outcomes,
 - risk mitigation activities,
 - relevant audit activities from Federal and State Government audit offices,
 - advice such as white papers, factsheets and reports from professional bodies (i.e. Institute of Internal Auditors, CPA Australia/Chartered Accountants Australia and New Zealand)
 - other Local Government audit activities
 - advice from the Senior Leadership Team/Audit and Risk Committee members.
- The environmental scan will be used for topic development to create a list of possible projects for inclusion in the Internal Audit plan which is to then be prioritised.
- Available resourcing is to be applied to the prioritised listing to determine the number of projects to be delivered as part of the Internal Audit plan. For the projects identified, the area under review and the relevant Senior Leadership Team member will be identified for each project to allow assessment of workload and assignment of responsibility for approved projects.
- The general direction of Council's Internal Audit activities over the medium term is to be documented in a Three (3) Year Internal Audit plan supported by a summary assurance map. This plan and associated summary assurance map shall be reviewed and endorsed by the Audit and Risk Committee.
- A detailed assurance map is to be prepared for Management in partnership with Legal Service's - Governance, Risk and Compliance section which details information provided by the business including; risks, the risk rating for each risk and any entity wide assurance undertaken.
- A draft scoping document is to be prepared to support each project on the plan for Audit and Risk Committee. This document is to be refined and signed as acknowledged by each key Senior Leadership Team member before commencing the project.

- The audit delivery type of each project should be noted in the scoping document.
- Consideration should be given to rotation of projects (through co-sourcing) where Internal Audit has completed audits multiple times.
- At the beginning of each financial year, by reference to the Three (3) Year Audit plan, an Annual Audit plan is prepared and forwarded to the Audit and Risk Committee for review and endorsement.
- The Annual Audit plan will include a variety of projects including financial, information and communication technology, compliance, and operational audits, as required.
- The endorsed plan is to be submitted to Council for approval and the approved projects are to be communicated to the nominated Managers within 30 days.

Any proposed amendments to the approved plan should be submitted to the Audit and Risk Committee for review and endorsement. In the case of additional or replacement projects, these should be submitted using the scoping template for projects.

Internal Audit Engagements

- Internal audit will perform work from the approved Internal Audit plan and produce a written balanced final communication for each audit containing a conclusion against the engagement objective, positive commentary on what is working well, and improvement actions.
- Any co-sourced engagements included in the internal Audit plan are to be managed in accordance with relevant standards issued by the Institute of Internal Auditors including obtaining relevant work papers for Councils records.
- Ensure proposed management actions are included in audit reports, identifying a responsible person from the 3rd tier of management and setting a realistic timetable for completion.

Internal Audit Project Report

- A draft audit report is to be prepared as soon as practicable following the completion of audit activities. Draft reports are to be communicated to the nominated Manager (i.e. General Managers or Managers reporting directly to Directors) responsible for the area subject to review.
- A final audit report will be prepared and issued by the Internal Audit Unit and will include comments and the action plans agreed to by the Manager. Should agreement not be reached on actions to be undertaken, this will be clearly outlined in the report with the proposals by Management and Internal Audit to be noted. In addition, the report will include the terms of reference where applicable, the scope of the work undertaken and standards adopted. Background information and detailed tables and analysis should be included as appendices to the report where relevant.
- The final report will be communicated to the nominated Manager, relevant Director and the Chief Executive Officer and will be supplied to the Audit and Risk Committee via the next available meeting. The report will provide an indication as to whether the person receiving the report should take action or secure action in relation to the report, or solely receive the report for information.
- Internal Auditors may advise the Auditor-General via his Queensland Audit Office representatives (or contracted equivalents), about any audit findings.

Improvement Actions

- Internal Audit is to monitor Management's progress updates for implementing Internal Audit actions with a focus on extreme, high and medium rated risks.
- Evidence lodged by Management in closing out actions in the Performance PLUS - External and Internal Audit Actions Plan should be reviewed for high and extreme risks and sample tested for medium and low rated audit actions to gain assurance of appropriate closure before the outcomes are reported quarterly to the Audit and Risk Committee.

Detection and Reporting Irregularities

- The Internal Audit Unit is not legally or professionally responsible for preventing irregularities (which include fraud, corruption, other illegal acts and errors).
- The responsibility for prevention of irregularities rests with Council and Management through the implementation and continued operations of an adequate internal control system. The Internal Audit Unit is responsible for examining and evaluating the adequacy and the effectiveness of actions taken by Management to fulfil this obligation.
- In exercising due professional care, Internal Auditors should be alert to the possibility of irregularities and those conditions and activities where irregularities are most likely to occur. Due care implies reasonable care and competence, not infallibility, nor extraordinary performance. It requires Internal Auditors to conduct examinations and verifications to a reasonable extent.
- The Internal Audit Unit has a responsibility to report irregularities to the Chief Executive Officer and the Audit and Risk Committee.

6.16. Management Obligations

A Senior Leadership Team member (i.e. General Manager level) will be nominated as the management owner of each audit as part of the audit planning approach.

Management and Workers are obligated to professionally and constructively contribute to Internal Audit work and implementation of audit actions in response to improvement opportunities and recommendations contained in Internal Audit reports.

Responding to Draft Internal Audit Reports

- The Manager receiving the draft audit report is afforded a period of ten (10) working days to review the draft report and provide a response. The review will generally involve ensuring the content is factually accurate and reviewing of any observations and findings. The Manager is to communicate the relevant findings to their Director and work with their Director in responding to Internal Audit on the report.
- Responses should note whether the Manager agrees, partially agrees or does not agree with the findings. The review may require consultation with Internal Audit particularly where the Manager partially or does not agree with the findings and consultation may be useful in resolving the differences. The response will indicate what actions have already been taken or are planned in regard to the specific findings in the draft audit report. The timetable for the anticipated completion of these actions will be included. The Internal Audit Unit will escalate to the Chief Executive Officer any reports not responded to within the ten (10) working days allocated.
- Where formal management responses and proposed audit actions have not been received within 15 working days (in total), the Internal Audit report will be provided to the Audit and

Risk Committee, with a proposed timetable for audit action implementation to be pursued separately through the Chief Executive Officer.

- Where management responses to an audit recommendation is not considered adequate, the Senior Internal Auditor will consult with management of the area audited and attempt to reach a mutually agreeable resolution. If agreement is not reached, the Senior Internal Auditor will refer the matter to the Chief Executive Officer for resolution. If agreement is still not reached, the final arbiter will be the Audit and Risk Committee.

In limited circumstances, a longer time period for management responses may be agreed between the Senior Internal Auditor and Manager.

Managing Actions from Audit Reports

- The nominated Manager is responsible for ensuring that corrective actions on findings made or deficiencies reported by auditors (Internal and External) are completed within timeframes outlined in the final audit report.
- All Council external and internal agreed audit actions will be captured and managed via the Council's approved audit issues management platform, External and Internal Audit Actions Plan in the Performance PLUS system.
- The Manager is accountable for ensuring at least quarterly updates on the progress in addressing agreed actions are provided via the External and Internal Audit Actions Plan.
- A progress summary of the whole of Council External and Internal Audit Actions Plan will be presented quarterly to the Audit and Risk Committee by Legal Services Governance, Risk and Compliance section for review. Additionally, the External and Internal Audit Actions Plan will be available for review by the Internal Audit Unit and the Executive Team for the purpose of oversight and progress updates as required.
- In instances where the responsible Manager foresees difficulties in implementing the agreed actions within the agreed time frame (the audit action due date) or where there is a material change proposed to the original agreed audit action, the Manager must propose a change request (and/or extension of due date) to their relevant Director. Where the Director is in support of the proposed change, the Director must recommend the change for approval to the Chief Executive Officer. Any audit action changes, following approval by the Chief Executive Officer, will be informed for noting to the Audit and Risk Committee.
- The Manager is responsible for providing updates to the audit action via the External and Internal Audit Actions Plan (the update must include the cause of delay or material change and a proposed revised implementation schedule). Where an original implementation date is passed, whether approved or not, the audit recommendation cannot be rated to be on track.
- Changes to the audit action (parent action) in the External and Internal Audit Actions Plan will be made by Legal Services - Governance, Risk and Compliance section following the required approval. Any updates and changes to the sub audit actions (child actions) in the Performance PLUS - External and Internal Audit Actions Plan will be made by the assigned owner or the Manager. Upon completion of an agreed action, the Manager must provide a completion update and status change via the External and Internal Audit Actions Plan and provide links to evidence of completion.
- Where an audit recommendation rated high or above is not implemented and closed-out by its due date, the Manager may be required to attend the next Audit and Risk Committee meeting and present details on why the audit action has not been fully implemented and closed-out, and how the associated risk is being addressed in the interim.

- Where management seeks to accept a risk from an audit recommendation, a 'management acceptance of risk' form is to be completed that considers approved risk appetite and submit it as evidence in the External and Internal Audit Actions Plan as part of closure of the action. A list of accepted risks based on these forms are to be reported quarterly to the Audit and Risk Committee for review.

6.17. Quality Assurance and Improvement Program (QAIP)

In order to ensure that the quality of Internal Audit work is consistently maintained at a high standard, Internal Audit should establish and maintain a quality assurance and improvement program. This program is to include:

- Ongoing internal assessments.
- Performance measures agreed with the Audit and Risk Committee.
- Annual internal assessments against the 'Global Internal Audit Standards'.
- Annual assertion to the Audit and Risk Committee on compliance with Internal Audit standards.
- Develop a comprehensive work reporting arrangement.
- Maintain a regular review of audit plans, reports and working papers.
- Maintain an Internal Audit Manual outlining Internal Audit work practices.
- Maintain with the Legal Services - Governance, Risk and Compliance section a post audit survey tool to collect stakeholder feedback and report findings annually to Audit and Risk Committee as part of continuous improvement.
- Maintain effective communication links with the Audit and Risk Committee members, Senior Leadership Team, External Auditors and
- Undertake a Quality Assurance program in accordance with The Institute of Internal Auditors' International Professional Practices Framework (IPPF).

An external independent assessment of the Internal Audit Unit will be undertaken at least every five (5) years in accordance with The Institute of Internal Auditor's Standards. The results of this review will be reported to the Audit and Risk Committee and the Chief Executive Officer.

Internal Audit is encouraged to develop and maintain mutually beneficial relations with counterparts in other organisations, thought leaders, relevant professional bodies and networks with a view to:

- Exchanging information on internal audit good practice.
- Exchanging information on emerging corporate governance, risk management and assurance matters.

6.18. Evaluation of Performance

Internal Audit performance will be evaluated annually and results reported to the Audit and Risk Committee via an annual report. This will include:

- Results of the quality assurance and improvement program.
- Results of any Internal Audit performance measures set by the Audit and Risk Committee.
- Survey feedback from management of areas where Internal Audit work has been performed.
- Feedback will be provided on an ongoing basis from Audit and Risk Committee members.

6.19. Relationship with other Assurance Activities

Townsville City Council uses the 3 Lines integrated assurance model to allocate responsibilities for risk management and control, recognising that:

- Line 1 - Management has ownership, responsibility and accountability for assessing, controlling and mitigating risks.
- Line 2 - Risk Management facilitates and monitors implementation of effective risk management practices by Management and assists Risk Owners in reporting adequate risk-related information up and down the organisation.
- Line 3 - Internal Audit will, through a risk-based approach, provide assurance to the Audit and Risk Committee and Management on how effectively Council assesses and manages its risks, including the manner in which the first and second lines operate. Internal auditing does not absolve Management and Workers from any of their risk management and control responsibilities.

Internal Audit will establish and maintain an open relationship with the Queensland Audit Office and other assurance providers. Internal Audit will plan its activities to ensure adequacy of overall assurance coverage and to minimise duplication of assurance effort across Council.

External audit has full and free access to all internal audit plans, work papers and reports in accordance with the *Local Government Act 2009* and associated regulation.

6.20. Review of the Charter

This Charter will be reviewed annually or when a significant change occurs. Any proposed material changes will be reviewed and endorsed by the Audit and Risk Committee. Recommended changes are made to the Council for adoption.

6.21. Approval of the Charter

Endorsed by:

Audit and Risk Committee
Agenda item number: 12
11 July 2024

Approved by:

Council
Resolution Number: 5
28 August 2024

7. Legal Parameters

Local Government Act 2009
Local Government Regulation 2012

8. Associated Documents

Audit and Risk Committee Policy
Audit and Risk Committee Terms of Reference
Internal Audit Manual
Internal Audit Policy
The Institute of Internal Auditors' International Professional Practices Framework (IPPF)