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1. PREAMBLE

1.1 Background

- 1.1.1 The Council is committed to providing best value to the community within the framework of fairness, transparency and accountability.
- 1.1.2 Section 125 of the Local Government Act 1999 requires Council to implement and maintain appropriate internal control policies and procedures.

1.2 Purpose

The purpose of internal audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. It helps City of Holdfast Bay accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

1.3 Scope

This policy applies to

- 1.3.1 all of Council’s operations, and
- 1.3.2 Alwyndor’s operations when relevant to a particular Internal Audit Scope.

1.4 Strategic Reference

Culture: Enabling high performance.

2. PRINCIPLES

2.1 Core Principles

- 2.1.1 The Core Principles, taken as a whole, articulate internal audit effectiveness.
- 2.1.2 Internal auditors will possess and demonstrate the Core Principles for the Professional Practice of Internal Auditing:
 - Demonstrates integrity
 - Demonstrates competence and due professional care

- Is objective and free from undue influence (independent)
- Aligns with the strategies, objectives, and risks of the organisation
- Is appropriately positioned and adequately resourced
- Demonstrates quality and continuous improvement
- Communicates effectively
- Provides risk-based assurance
- Is insightful, proactive, and future-focused
- Promotes organisational improvement.

3. INTERNAL AUDIT FUNCTION

- 3.1 Council will appoint an internal auditor.
- 3.2 The internal auditor must comply with relevant professional standards, including the requirements of The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing, and display the highest level of professional objectivity in making balanced assessments of all relevant factors and circumstances.
- 3.3 The internal auditor has no direct authority or responsibility for the activities it reviews. Nor will they implement internal controls, develop procedures, install systems, prepare records or engage in any activity that may impair their independence.
- 3.4 The internal auditor will remain free from interference from the organisation and will be accountable to the Audit Committee.
- 3.5 Subject to compliance with Council's privacy, security and other relevant policies, internal auditors are authorised to have full, free and unrestricted access to all functions, premises, assets, personnel, records and other documentation required to enable their reviews. All such assets are to be used only for the purposes of the review assignment.
- 3.6 Council's approach to internal audit is that there should be no surprises at the conclusion of an assignment. Discussions should be held with management as findings emerge.

4. ROLES AND RESPONSIBILITIES

4.1 *Council*

- 4.1.1 The role of Council is:
- Appoint an internal auditor and manage any relevant contractual matters,
 - Collaborate with the internal auditor to develop the scope of audit activities,
 - Provide information required to complete audit activities,
 - Receive internal audit report, assess recommendations, agree to improvement actions and arrange required approvals,
 - Monitor implementation of agreed actions,
 - Create and maintain a system of reporting on implementation,
 - Create and maintain a procedure for approvals to variations to implementation.

4.2 *Internal Auditor*

- 4.2.1 The role of the internal auditor is:
- To provide assurance that Council's policies, practices and procedures of internal control are effective, implemented and maintained
 - Assess the internal controls based on the criteria set out in the Better Practice Model – Internal Financial Controls for South Australian Councils where relevant, and having regard to Council's Risk Management Framework
 - Assess, prioritise and assist Council to mitigate risks identified in Council's risk registers
 - Provide advice to Council regarding improvement opportunities and best practice
 - Attend and report to the Audit Committee
 - Work with relevant staff to develop the scope of audits to be undertaken
 - Prepare three year audit plan that includes the audits to be undertaken for that period. The plan is to be reviewed annually, including an evaluation of:
 - o The most significant strategic and operational risks
 - o The control measures that Council has adopted or is in the process of adopting to manage these risks
 - o Advice on improvement opportunities and best practice
 - o Assessment of compliance with the audit plan for the past year.
- 4.2.2 The internal auditor is accountable to the Audit Committee for:
- providing annually an assessment, based on the work completed, of the adequacy and effectiveness of Council's processes for controlling its activities and managing its risks in the areas set forth under the mission and scope of work

INTERNAL AUDIT POLICY

- reporting significant issues related to the processes for controlling the activities of City of Holdfast Bay, including potential improvements to those processes, and provide information concerning such issues through resolution
- providing information periodically on the status and results of the annual audit plan and the sufficiency of department resources, and
- coordinating with, and provide oversight of, other control and monitoring functions, including risk management.

4.3 **Audit Committee**

4.3.1 In line with 6.6 of the Audit Committee Terms of Reference, the Audit Committee shall:

- endorse the internal audit program
- receive and review internal audit reports on a regular basis
- review the status of internal audit recommendations
- provide advice and recommendations to Council in relation to internal audit program and matters
- monitor and review the effectiveness of Council's internal audit function
- meet with the Internal Audit Partner at least once a year, without management being present, to discuss any issues arising from the Internal Audits carried out during the year. In addition, the Internal Audit Partner shall be given the right of direct access to the Mayor and the Presiding Member of the Audit Committee
- monitor and review the selection process for the Internal Auditor. Appointment of Internal Auditor is the responsibility of management. If the Internal Auditor resigns, the Audit Committee shall investigate the issues leading to the resignation and decide whether any action is required.

4.3.2 For clarity, the role of the Audit Committee also includes:

- Noting responses to internal audits
- Receiving twice-yearly reports on implementation of internal audit recommendations from administration
- Noting variations to the implementation of actions.

4.4 **Staff**

4.4.1 The role of organisational (Council and Alwyndor) staff is:

- Assist internal auditors in reviews, providing accurate and timely information
- Implement approved and assigned actions in a timely manner,
- Provide updates to Strategy and Governance regarding the implementation of assigned actions, including requesting modifications/extensions if required.

4.5 **Strategy and Governance**

4.5.1 The role of organisational Strategy and Governance is:

- Oversee the Internal Audit function in collaboration with the internal auditor
- Facilitate engagement of the internal auditor
- Liaise with the internal auditor regarding the status of audit recommendations and provide updates as required by the internal auditor
- Maintain relevant policies and procedures
- Create and maintain a register/tracking system, including collecting evidence of completion of recommendations
- Coordinate implementation of the approved annual audit plan including, as appropriate, any special tasks or projects requested by management and the Audit Committee
- Coordinate evaluation and assessment of significant changes to operations and control processes coincident with their development, implementation, and/or expansion
- Coordinate timely management responses to internal audit reports
- Monitor and review implementation of outstanding audit recommendations and report results to Audit Committee
- Facilitate any changes to agreed responses to audit recommendations, including securing relevant authorisations. Changes to target completion dates must be approved by General Manager, Strategy and Corporate in the first instance but in the event of conflicting target completion dates the approval of SLT must be sought. Variations to actions (other than the target date) must be approved by SLT and reported to the Audit Committee for noting.
- Issue twice-yearly reports to the Audit Committee and reporting on the results of internal audit activities
- Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the City of Holdfast Bay at a reasonable overall cost
- Continuous improvement of the internal audit function in collaboration with the internal auditor.

4. REFERENCES

4.1 **Legislation**

4.1.1 *Local Government Act 1999*

4.2 **Other References**

4.2.1 Risk Management Framework

4.2.2 Risk Management Policy