

2.18 INTERNAL AUDIT

Responsible Directorate	Corporate Services
Responsible Service Area	Governance
Resolution	May 2024 C2.05.24
Delegation Ref	COM-46 Annual Meeting with Auditor
Procedure Ref	N/A

1. PURPOSE

This policy establishes the internal audit function and framework of the Shire of Mundaring. It defines the purpose, independence, authority and responsibility of internal audit activities.

2. SCOPE

This policy applies to all employees of the Shire, council members, independent committee members, volunteers and contractors.

3. POLICY

3.1. Internal Audit Purpose

The internal audit provides an independent and objective review and advisory service to:

- Provide assurance to Council and the CEO that the Shire's financial and operational controls designed to manage the organisation's risks and achieve its objectives, are operating in an efficient, effective and ethical manner.
- Assist in improving and monitoring the Shire's risk management, internal control and legislative compliance functions.

3.2. Internal Audit Scope

Internal audits may cover any programs and activities of the Shire and encompass the review of all financial and non-financial policies and operations.

The CEO will develop a four-year Internal Audit Plan each financial year, using a risk-based strategy and providing appropriate coverage of the Shire's programs and activities.

The Internal Audit Plan sets the objectives, broad scope, timing and resourcing of the internal audit activity. The Internal Audit Plan will be presented to the Audit and Risk Committee for noting each financial year.

In accordance with its Terms of Reference, the Audit and Risk Committee does not have executive powers or authority to implement actions in areas over which the CEO has legislative responsibility, does not have any

management functions and cannot involve itself in management processes or procedures without the approval of the CEO.

3.3. Internal Audit Independence

Independence is essential to the effectiveness of the internal audit function.

The internal audit function must be, and must be seen to be, independent of the activities and processes it appraises, to ensure it can perform its duties in an objective manner and can provide impartial advice to Council and the CEO.

Internal audits will be performed by independent external contractors appointed consistent with the provisions of the Shire's "Procurement Policy" (1.4).

Internal auditors report to Council through the Audit and Risk Committee and are accountable to the CEO for the efficient and effective operation of the internal audit function.

3.4. Internal Auditors' Authority and Confidentiality

Internal auditors:

- Will have full, free and unrestricted access to any and all of the Shire's records, documentation, premises, physical property and employees as may be required to fulfil their responsibilities.
- Will have the authority to seek any information they require to fulfil their responsibilities from any employee, consultant or contractor associated with the Shire.

Employees are expected to make themselves available and provide such information and explanations as are required for the conduct of internal audit work.

Internal auditors are responsible and accountable for maintaining the confidentiality of the information they receive during the course of their work.

3.5. Internal Auditors' Roles and Responsibilities

The internal audit activity encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the Shire's governance, risk management and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve the Shire's strategic objectives. This may include:

- Evaluating risk exposure relating to achievement of the Shire's strategic objectives.
- Evaluating the reliability and integrity of information and the means used to identify, measure, classify and report such information.
- Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on the organisation.
- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets.

- Evaluating the effectiveness and efficiency with which resources are employed.
- Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are carried out as planned.
- Monitoring and evaluating governance processes.
- Monitoring and evaluating the effectiveness of the Shire's risk management processes.
- Evaluating the quality of performance of external auditors and the degree of coordination with internal audit.
- Providing advice related to governance, risk management and internal control as appropriate.
- Reporting significant risk exposures and internal control issues, including fraud risks and governance issues.
- Evaluating specific operations at the request of Council and the CEO.

3.6. 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.

4. RELATED LEGISLATION

Local Government (Audit) Regulations 1996, regulation 17

Local Government (Financial Management) Regulations 1996

5. RELATED DOCUMENTS

Procurement Policy (1.4)

Risk Management Policy (2.16)

Internal Audit Plan

Audit and Risk Committee Terms of Reference