



BACKGROUND

The Northern Sydney Local Health District has established the Internal Audit unit by authority of the Chief Executive and Board, as a key component of the Organisation's governance framework.

The mission of Internal Audit is to enhance and protect organisational value by providing stakeholders with risk-based, objective and reliable assurance, advice and insight.

This Charter provides the framework and authority for the performance of the Internal Audit function in the Organisation and has been approved by the Chief Executive, on the advice from the Board Audit and Risk Committee.

Chief Audit Executive describes the person in the senior position responsible for managing Internal Audit of an organisation. At the Northern Sydney Local Health District, this is the Director Internal Audit.

1. PURPOSE OF INTERNAL AUDIT

Internal Audit 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 processes.¹

Internal Audit provides an independent and objective review and advisory service to:

- provide assurance to the Board, and Chief Executive, and the Board Audit and Risk Committee, that the Organisation's financial and non-financial controls, designed to manage the Organisation's risks and achieve the entity's objectives, are operating in an efficient, effective, economical and ethical manner; and
- assist management in improving the Organisation's business performance.

2. INDEPENDENCE

Internal Audit is required to be independent and objective, with independence essential to its effectiveness. Internal Audit has no direct authority or responsibility for the activities it reviews. Internal auditors must have an impartial, unbiased attitude and avoid any conflicts of interest.

The Internal Audit function has no responsibility for developing or implementing procedures or systems and does not prepare records or engage in original line processing functions or activities (except in carrying out its own functions).

¹ As defined by the International Standards for the Professional Practice of Internal Auditing (IIA) (2017). Where relevant, sections of this Charter also incorporate other elements of the International Standards for the Professional Practice of Internal Auditing.



Where the Chief Audit Executive may be responsible for a non-audit activity, there are independence safeguards in place:

- when responsible for non-audit activities, the Chief Audit Executive is not performing Internal Audit duties when managing or performing those activities; and
- review of non-audit activities must be managed and performed independently of the Chief Audit Executive and reported direct to the Board Audit and Risk Committee.

3. CONFLICTS OF INTEREST

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. A conflict of interest exists 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 must not provide audit services for work for which they have been responsible within the last two years.

When engaging internal audit service providers, the Chief Audit Executive shall take steps to identify, evaluate the significance, and manage any perceived, potential or actual conflict of interest that may impinge upon internal audit work.

Instances of perceived, potential or actual conflict of interest by Internal Audit staff and service providers shall immediately be reported to the Chief Audit Executive and the Chair of the Audit Committee.

4. REPORTING LINES

All Internal Audit staff and service providers report to the Chief Audit Executive, who reports:

- functionally for operations to the Board Audit and Risk Committee through the chair.
- administratively to the Chief Executive.

The Chief Audit Executive has direct access to the Chief Executive to discuss audit and risk issues when required.

Functional reporting involving the Board Audit and Risk Committee includes, but is not limited to:

- reviewing and endorsing the Internal Audit Charter
- endorsing decisions regarding appointment and removal of the Chief Audit Executive, including remuneration
- contributing to the review of the performance of the Chief Audit Executive
- reviewing and endorsing the Internal Audit Plan, and any changes to the plan

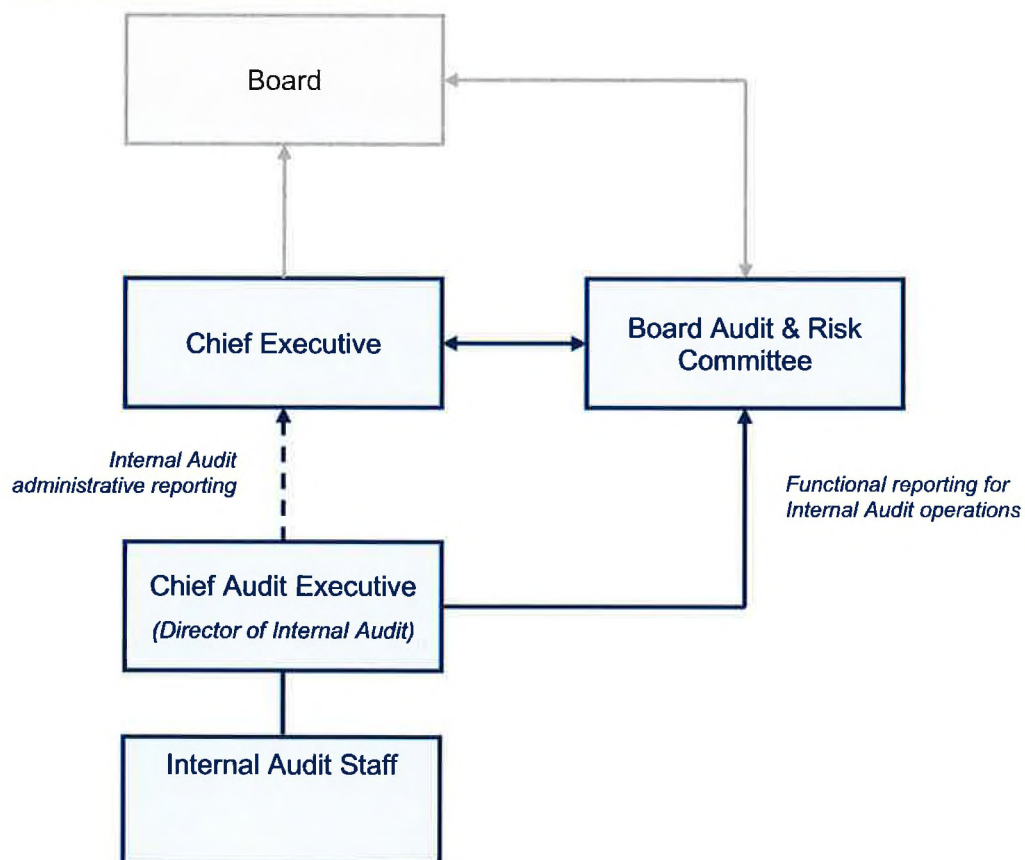


- reviewing reports on the results of audits, audit-related activities, audit team capability, audit performance, and other important matters
- monitoring compliance with standards, together with quality and improvement arrangements
- meeting privately with the Chief Audit Executive at least once a year without the Chief Executive or other management present
- making enquiries of the Chief Audit Executive to determine any scope or budget limitations that may impede the execution of Internal Audit responsibilities; and
- the implementation status of agreed internal and external audit recommendations.

Administrative reporting to the Chief Executive includes, but is not limited to:

- Internal Audit resources and annual budget
- provision of corporate services to Internal Audit including office accommodation, computers and equipment; and
- human resource administration, including the formal and informal performance review of the Chief Audit Executive.

Diagram 1: Reporting Lines for Internal Audit





5. AUTHORITY AND CONFIDENTIALITY

The Chief Audit Executive, Internal Audit staff and service providers are authorised to have full, free and unrestricted access to all functions, premises, assets, personnel, records, and other documentation and information that the Chief Audit Executive considers necessary to enable the Internal Audit function to meet its responsibilities².

When responding to requests, staff and contractors are to cooperate with the internal audit function and must not knowingly mislead the internal audit function or wilfully obstruct any audit activity.

All records, documentation and information accessed in the course of undertaking internal audit activities are to be used solely for the performance of these activities.

The Chief Audit Executive, Internal Audit staff and any 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 is to remain the property of the audited Organisation, including where Internal Audit services are provided by service providers under an outsourced or co-sourced model.

6. ROLES AND RESPONSIBILITIES

The Internal Audit function must evaluate and contribute to the improvement of governance, risk management, and control processes using a systematic and disciplined approach.

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

- developing and maintaining a culture of accountability, integrity and adherence to high ethical standards,
- facilitating the integration of controls and risk management into day-to-day business activities and processes, and
- promoting a culture of value for money and self-assessment.

Management may request 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 Board Audit and Risk Committee.

Internal audit activities will encompass assurance services and audit activities, consulting advisory services and audit support activities.

² Subject to any overriding legislative restrictions on information, such as statutory privilege.



6.1. Assurance Services and Audit Activities

Internal audit activities include audits with the following orientation:

6.1.1. Risk Management

This includes:

- evaluating the effectiveness, and contribute to the improvement, of risk management processes
- providing assurance to the Chief Executive and the Board Audit and Risk Committee on the effectiveness of the risk management framework including the design and operational effectiveness of internal controls
- providing assurance that risk exposures relating to the Organisation's governance, operations, and information systems are correctly evaluated, including:
 - reliability and integrity of financial and non-financial information; and
 - safeguarding of assets
- evaluating the design, implementation and effectiveness of the Organisation's ethics-related objectives, programs and activities
- assessing whether the information technology governance of the Organisation sustains and supports the agency's strategies and objectives.

6.1.2. Compliance

This includes assessing compliance with applicable laws, regulations and Government policies and contracts.

6.1.3. Performance improvement

Internal auditors will consider the efficiency, effectiveness, economy and ethics of business systems and processes.

6.2. Consulting advisory services

The internal audit function can advise management on a range of matters including:

6.2.1. New programs, systems and processes

Internal audit may provide advice on the development of new programs and processes and/or significant changes to existing programs and processes including the design of appropriate controls.

6.2.2. Risk management

Internal audit will assist management to identify risks and develop risk mitigation and monitoring strategies as part of the risk management framework



6.2.3. Fraud control

Internal audit can assist management with fraud control, through:

- evaluating the potential for the occurrence of fraud and how the Organisation manages fraud risk
- assisting management to investigate fraud, identify the risks of fraud and develop fraud prevention and monitoring strategies.

6.3. Audit support activities

Internal Audit responsibilities also include, but are not limited to:

- assisting the Board Audit and Risk Committee to discharge its responsibilities
- disseminating across the Organisation better practice and lessons learnt arising from its audit activities.

6.3.1. Internal Audit plan

This includes:

- developing a risk-based internal audit plan that considers Organisation risks and issues, including those identified by management, and submitting the plan to the Board Audit and Risk Committee for review and endorsement.
- ensuring changes to the internal audit plan are endorsed by the Committee.

6.3.2. Internal Audit engagements

This includes:

- performing internal audit work contained in the approved internal audit plan and produce a written report for each audit containing improvement actions.
- ensuring management action plans to implement improvement actions are obtained from management and included in audit reports, including a responsible person and timetable for completion.
- providing final audit reports to management of the area audited, Chief Executive, and the Board Audit and Risk Committee. Copies may be provided to management of other areas where relevant. Copies may be provided to the external auditor if requested.

6.3.3. Improvement actions

This includes:

- establishing a system to monitor progress by management to implement internal audit and external audit improvement actions, together with recommendations contained in reports by other relevant external and regulatory bodies



- ensuring management provides updates to Internal Audit, at least quarterly, on progress to implement management action plans
- follow-up and obtain evidence that management action plans are effectively implemented by management before recommending closure to the Board Audit and Risk Committee.

7. SCOPE OF INTERNAL AUDIT ACTIVITY

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 – objective examination of evidence for the purpose of providing an independent assessment of risk management, control and governance processes.
- Advisory Services – advisory and related client activities, the nature and scope of which are agreed upon with the client and which are intended to add value and improve business operations.

Internal Audit will offer 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 of significant projects, in coordination with other assurance providers.

The scope and coverage of Internal Audit work is not limited in any way, and may cover any Organisation activity, operations and programs, including those of associated organisations.

8. PROFESSIONAL STANDARDS

Internal Audit will govern itself by adherence to mandatory guidance contained in the 'International Professional Practices Framework' (IPPF) issued by the Institute of Internal Auditors (IIA):

- Core Principles for the Professional Practice of Internal Auditing
- Definition of Internal Auditing
- Code of Ethics
- International Standards for the Professional Practice of Internal Auditing.

This mandatory guidance constitutes the fundamental requirements for the professional practice of internal auditing and the principles against which to evaluate the effectiveness of Internal Audit performance. The Chief Audit Executive is responsible for maintaining an



up-to-date risk-based internal audit methodology that aligns with good practices promoted by the internal audit profession.

Internal Audit, including service providers, will perform their work in accordance with the IPPF. While the IPPF will cover the majority of internal audits, technology audits may be performed using ISACA standards contained in the 'Information Technology Assurance Framework' (ITAF).

9. 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. Periodic meetings and contact between internal and external audit shall be held to discuss matters of mutual interest and facilitate coordination. External audit will have full and free access to all internal audit plans, working papers and reports.

10. PLANNING

The Chief Audit Executive will prepare a risk-based annual internal audit work plan in a form and in accordance with a timetable agreed with the Board Audit and Risk Committee.

11. REPORTING

The Chief Audit Executive will report to each meeting of the Board Audit and Risk Committee on:

- audits completed
- progress in implementing the annual audit work plan, and
- the implementation status of agreed internal and external audit recommendations.

The Internal Audit function will also report to the Board Audit and Risk Committee at least annually on the overall state of internal controls in the Organisation and any systemic issues requiring management attention based on the work of the Internal Audit function and other assurance providers.

12. ADMINISTRATIVE ARRANGEMENTS

Any change to the role of the Chief Audit Executive will be approved by the Chief Executive in consultation with the Committee³.

The Chief Audit Executive will arrange for an internal review, at least annually, and a periodic independent review, at least every five years, of the efficiency and effectiveness

³ Once employed, the role and function of the Chief Audit Executive may only be amended following formal approval of the Deputy Secretary.



Northern Sydney
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Internal Audit Charter

of the operations of the Internal Audit function. The results of the reviews will be reported to the Committee who will provide advice to the Chief Executive on those results.

13. REVIEW OF THE CHARTER

This Charter will be reviewed at least annually by the Board Audit and Risk Committee. Any substantive changes will be formally approved by the Chief Executive on the recommendation of the Committee.

14. APPROVAL OF THIS CHARTER

Prepared by:

Jorge Ferreira

Chief Audit Executive

Signed:

Date: 22/03/23

Endorsed by:

Jan McClelland

Chair, Board Audit & Risk
Committee

Signed:

Date: 10/04/23

Approved by:

Lee Gregory

Chief Executive

Signed:

Date: 26.4.23