

<b>Policy Name:</b>	Internal Audit Charter
<b>Status:</b>	Active
<b>Policy number:</b>	66
<b>Version number:</b>	5
<b>Date originally created:</b>	3 March 2010
<b>File reference:</b>	ADM/6182
<b>Compliance Level:</b>	Mandatory
<b>Compliance Detail:</b>	Certain staff
<b>Category:</b>	Governance, personnel, security, finance, operational, technology
<b>Summary</b>	This charter provides the framework for the conduct of the internal audit function in our office
<b>Related Policies:</b>	Internal Audit and Risk Committee Charter, Information Security and Management Policy
<b>Publication Date:</b>	9 September 2014
<b>Review Date:</b>	Annually
<b>Policy Owner:</b>	Chief Audit Executive
<b>Distribution Method:</b>	Committee members to be advised at Audit and Risk Committee meeting.
<b>Superseded Policy Reference:</b>	2010/058049
<b>Public availability:</b>	To be made available on the website and included in the publications guide
<b>Feedback:</b>	Feedback to be provided to the Director Corporate

## **PREFACE**

We aim to be an effective organisation. Having appropriate governance structures including sound risk management and internal audit processes is one way of achieving this.

Internal audits are an integral part of the Ombudsman's corporate governance framework. This charter provides the framework for the conduct of the internal audit function in our office and has been approved by the Ombudsman on the advice of the Audit and Risk Committee.

## **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.

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

- provide assurance to the Ombudsman, Senior Managers and the Audit and Risk Committee, that the NSW Ombudsman's financial and operational controls, designed to manage the organisation's risks and achieve our objectives, are operating in an efficient, effective and ethical manner, and
- assist management in improving our business performance.

## **INDEPENDENCE**

Independence is essential to the effectiveness of the internal audit function. Internal audit activity must be independent, and internal auditors must be objective in performing their work. Internal auditors must have an impartial, unbiased attitude and avoid any conflicts of interest.

The internal audit function has no direct authority or responsibility for the activities it reviews. 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.

The internal audit function is responsible on a day to day basis to the Chief Audit Executive.

The internal audit function, through the Chief Audit Executive, reports functionally to the Audit and Risk Committee on the results of completed audits, and for strategic direction and accountability purposes, and reports administratively to the Ombudsman to facilitate day to day operations.

## **AUTHORITY AND CONFIDENTIALITY**

Internal auditors 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 responsibilities.

All records, documentation and information accessed in the course of undertaking internal audit activities are to be used solely for the conduct of these activities. The Chief Audit Executive and individual internal audit staff are responsible and accountable for maintaining the confidentiality of the information they receive during the course of their work.

All internal audit documentation is to remain the property of the NSW Ombudsman, including where internal audit services are performed by an external third party provider.

## **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 and integrity
- facilitating the integration of risk management into day-to-day business activities and processes, and
- promoting a culture of cost-consciousness, self-assessment and adherence to high ethical standards.

Internal audit activities will encompass the following areas:

### **1. Risk management**

- evaluate the effectiveness of, and contribute to the improvement in, risk management processes
- provide assurance that risk exposures relating to the organisation's governance, operations, and information systems are correctly evaluated, including:
  - reliability and integrity of financial and operational information
  - effectiveness, efficiency and economy of operations, and
  - safeguarding of assets
- evaluate the design, implementation, and effectiveness of the organisation's ethics-related objectives, programs, and activities
- assess whether the information technology governance of the organisation sustains and supports the organisation's strategies and objectives

### **2. Compliance**

- compliance with applicable laws, regulations and policies

### **3. Performance improvement**

- the efficiency, effectiveness, and economy of the entity's business systems and processes.

## **ADVISORY SERVICES**

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

### **1. New programs, systems and processes**

- providing advice on the development of new programs and processes and/or significant changes to existing programs and processes including the design of appropriate controls

### **2. Risk management**

- assisting management to identify risks and develop risk mitigation and monitoring strategies as part of the risk management framework

### **3. Fraud control**

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

## **AUDIT SUPPORT ACTIVITIES**

The internal audit function is also responsible for assisting the Audit and Risk Committee to discharge its responsibilities.

- assisting the Audit and Risk Committee to discharge its responsibilities
- developing the strategic internal audit plan and monitoring progress of internal audit activities against the plan.

## **SCOPE OF INTERNAL AUDIT ACTIVITY**

Internal audit reviews cover all programs and activities of the NSW Ombudsman. Internal audit activity encompasses the review of all financial and non-financial policies and operations.

## **STANDARDS**

Internal audit activities will be conducted in accordance with relevant professional standards including:

- International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors
- Standards issued by Standards Australia and the International Standards Organisation.

In the conduct of internal audit work, internal audit staff will:

- comply with relevant professional standards of conduct
- possess the knowledge, skills and technical proficiency relevant to the performance of their duties
- be skilled in dealing with people and communicating audit, risk management and related issues effectively
- exercise due professional care in performing their duties.

## **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.

## **PLANNING**

The internal auditors in consultation with the Chief Audit Executive will prepare, for the Audit and Risk Committee's consideration, an internal audit annual audit work plan in a form agreed with the Committee.

## **REPORTING**

The Chief Audit Executive will report to each meeting of the 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 Audit and Risk Committee at least annually on the overall state of internal controls within the office and any systemic issues requiring management attention based on the work of the internal audit function.

#### **ADMINISTRATIVE ARRANGEMENTS**

Any change to the position of the Chief Audit Executive or outsourced providers will be approved by the Ombudsman in consultation with the Audit and Risk Committee.

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 of the operations of the internal audit function.

The internal audit provider will meet with the Audit and Risk Committee separately at least once per year.

When the internal auditor provider is present at a meeting of the Audit and Risk Committee, they will be afforded the opportunity to speak with the Committee in camera if there are any issues they would like to raise in private.

#### **REVIEW OF THE CHARTER**

This charter will be reviewed at least annually by the Audit and Risk Committee. Any substantive changes will be formally approved by the Ombudsman on the recommendation of the Audit and Risk Committee.

#### **OMBUDSMAN APPROVAL**

A handwritten signature in black ink, appearing to read "B. Barbour", written in a cursive style.

Bruce Barbour  
**OMBUDSMAN**