



Internal Audit Charter

Background

Internal Audit has been established within the Far North District Council (FNDC) to provide an independent and objective assurance function to assist the organisation in achieving its strategic goals and objectives. Internal Audit supports and monitors the risk management and internal control activities implemented by management, by evaluating the presence and effectiveness of internal controls and identifying any areas where improvements are required.

This Internal Audit Charter has been based off the Institute of Internal Auditor's Model Charter and made fit for purpose for FNDC.

References

The following should be considered in conjunction with the Internal Audit Charter:

- FNDC Risk Management Policy
- International Standards for Internal Auditors (IIA)
- Local Government Act 2002 and Amendment Act 2014
- Local Government Official Information and Meetings Act 1987
- Public Records Act 2005

Objective

- To provide assurance to Council and the Strategic Leadership Team that FNDC has an independent and objective assurance function, which assists in improving FNDC's operations by testing and reporting on the existence and effectiveness of key controls
- To guide management and staff on the objective, authority, scope and responsibility of the Internal Audit function at FNDC

Professionalism

The internal audit activity will govern itself by adherence to The Institute of Internal Auditors' mandatory guidance including the definition of Internal Auditing, the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing (Standards). This mandatory guidance constitutes principals of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.

The Institute of Internal Auditors' Practice Advisories, Practice Guides and Position Papers will also be adhered to, as applicable, to guide operations. In addition to, the internal audit activity's standard operating procedures manual.

Authority and Responsibility

Internal Audit, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free and unrestricted access to any and all of FNDC records, physical properties and personnel pertinent to carrying out its responsibilities. All employees are requested to assist the internal audit activity in fulfilling its roles and responsibilities.

Independence and Objectivity

The internal audit activity will remain free from interference by any element in the organization including matters of audit selection, scope, procedures, frequency, timing or report content to permit maintenance of a necessary independent and objective mental attitude.

Internal Audit will have no direct operational responsibility or authority over any of the activities audited. Accordingly, it will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair an internal auditor's judgement.

Internal Audit will exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Internal audit will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgements.

Responsibility

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve the organisation's stated goals and objectives. This includes:

- Evaluating risk exposure relating to achievement of the organisation'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 being carried out as planned
- Monitoring and evaluating governance processes
- Monitoring and evaluating the effectiveness of the organisation's risk management processes
- Evaluating the quality of performance of external auditors and the degree of coordination with internal audit
- Performing consulting and advisory services related to governance, risk management and control as appropriate for the organisation
- Reporting periodically on the internal audit activity's purpose, authority, responsibility and performance relative to its plan
- Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Chief Executive Officer or Corporate Committee
- Evaluating specific operations at the request of the Chief Executive Officer or Corporate Committee



Internal Audit Programme of Work

At least annually, Internal Audit will submit to the Chief Executive Officer and the Corporate Committee, an internal audit programme of work for review and approval. The internal audit programme of work will consist of a proposed work schedule as well as internal / external resource requirements for the next financial year. Where appropriate, Internal Audits may be outsourced to a specialist assurance provider as the Risk & Improvement Team budget allows. Any sourcing of external provider will be completed in line with FNDC's Procurement Policy.

The internal audit program of work will be developed by the Internal Auditor and Risk & Improvement Manager and will include input from senior management stakeholders. Internal Audit will review and adjust the program of work, as necessary, in response to changes in the organisation's business, risks, operations, programs, systems, and controls.

Of the internal audit function, the Chief Executive Officer may require capacity for examining areas of the organisation where there are grounds to consider the effectiveness, efficiency or risk management. The Corporate Committee may also require capacity to exercise its governance responsibilities with regards to oversight of FNDC's strategic risk and compliance.

In the setting of and variation to the programme of work, both parties are required to reach mutual agreement.

Where there is any disconnect between the Chief Executive Officer and Corporate Committee requirements for the internal audit function (the Chief Executive Officer from an operational diligence and prudence perspective and the Corporate Committee from a strategic and governance perspective) both parties are required to agree before any deviation from the agreed programme of work can be made.

Any significant deviation from the approved internal audit program of work will be communicated to the Strategic Leadership Team and the Corporate Committee through periodic activity reports.

Reporting and Monitoring

Following the conclusion of each audit, a written report will be prepared with detailed findings and recommendations. This draft report will be discussed with stakeholders to validate audit findings as well as agree on action plans for improvement recommendations.

Following this consultation, a final audit report will be issued with agreed action plans including identified staff responsible for improvements and agreed timeframes for implementation.

Key findings and recommendations will be reported monthly to the Strategic Leadership Team and bi-monthly to the Corporate Committee through an agreed dashboard reporting method.

Internal Audit will monitor agreed outcomes and, where appropriate, will conduct a re-assessment to confirm any areas for improvement have been adequately addressed.



Quality Assurance and Improvement Program

Internal Audit will align with and maintain compliance with the International Standards of Internal Audit which involves completing internal assessments of the Internal Auditor's conformance with the Definition of Internal Auditing and the *Standards* and an evaluation of whether Internal Audit applies with the Code of Ethics. An external assessment will also be conducted at least once every five years by a qualified, independent assessor or assessment team outside the organisation. Internal Audit will communicate the results of these evaluations to the Chief Executive Officer and the Corporate Committee.

Approved by:

A handwritten signature in blue ink, appearing to be 'R. Coe', written over a horizontal line.

Chief Executive Officer

7 NOV 17

Date

Corporate Committee
(Committee Minutes as approval)

30 NOV 17


Committee Meeting Date

Glossary of Terms Relative to Internal Audit Activities

Term	Definition
Assurance	Objective examination of evidence to provide an independent assessment on governance, risk management and controls
Confidential	Reviewed, written, or acted on in strict privacy or secrecy
Controls	Measure that modifies effect of uncertainty on objectives
Fraud	Any illegal act characterized by deceit, concealment, or violation of trust
Governance	Combination of processes and structures implemented by FNDC to inform, direct, manage, and monitor the activities of the Council toward the achievement of its objectives
Impartial	Not partial or biased; not favouring one side or opinion more than another
Independence	Freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner
Internal Audit	Independent, objective assurance and consulting activity designed to add value and improve FNDC's operations
Objectivity	Unbiased mental attitude that allows the Internal Auditor to perform engagement in such a manner that they believe in their work product and that no compromises are made
Random Selection	Selection of data for audits chosen by chance rather than according to a plan - having no specific pattern, purpose, or objective
Risk Assessment	A systematic and disciplined process of evaluating the uncertainty that may be involved in an activity
Risk Management	Co-ordinated activities to direct and control FNDC with regard to risk
Safeguarding	Something that serves as a protection or defence or that ensures safety
Stakeholder	Person or organisation that can affect, be affected by, or perceive themselves to be affected by a decision or activity
Terms of Reference	Defines the purpose and structure of an audit including objectives and scope as well as responsibilities and communication plan



The FNDC Internal Audit function is supported by the following key documents:

Document	Purpose	Approval
FNDC Internal Audit Charter	States the objective, authority, scope and responsibility of the Internal Audit function at FNDC. Reviewed at least every three years.	CEO and Corporate Committee
FNDC Internal Audit Process	Provides overview of Internal Audit procedure and workflow which is supplemented by the Internal Audit Standard Operating Procedure document. Reviewed at least every three years 	Risk & Improvement Manager
FNDC Internal Audit Programme	A 12 month programme of work detailing risks / topics where Internal Audits are being completed. Input will be sought from SLT, with approval to be sought annually from the CEO and Corporate Committee.	CEO and Corporate Committee
FNDC Internal Audit Dashboard	Provides a one page overview of: <ul style="list-style-type: none"> key findings and recommendations from recent audits including categorisation for identified issues confirmation on progress of previous audit recommendations schedule of completed, current and proposed audits. <p>The dashboard will be used for overall reporting on a monthly basis to SLT and bi-monthly to the Corporate Committee.</p>	SLT / Corporate Committee