

ICAC Internal Audit Charter 2021-2022

Introduction

The Chief Executive Officer (CEO), in consultation with the Chief Commissioner, has established Internal Audit as a key component of the Commission's governance framework.

This charter provides the framework for the conduct of the internal audit function in the Independent Commission Against Corruption (ICAC) and has been approved by the CEO taking into account the advice of the Audit and Risk Committee (ARC).

Purpose of internal audit

Internal audit is an independent, objective assurance designed to add value and improve the Commission's operations. It helps the Commission accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes (as defined by the International Standards for the Professional Practice of Internal Auditing 2017).

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

- provide assurance to CEO, and the ARC, that the Commission's financial and operational controls, designed to manage the agency's risks and achieve the entity's objectives, are operating in an efficient, effective, and ethical manner, and
- assist management in improving the Commission's business performance.

Independence

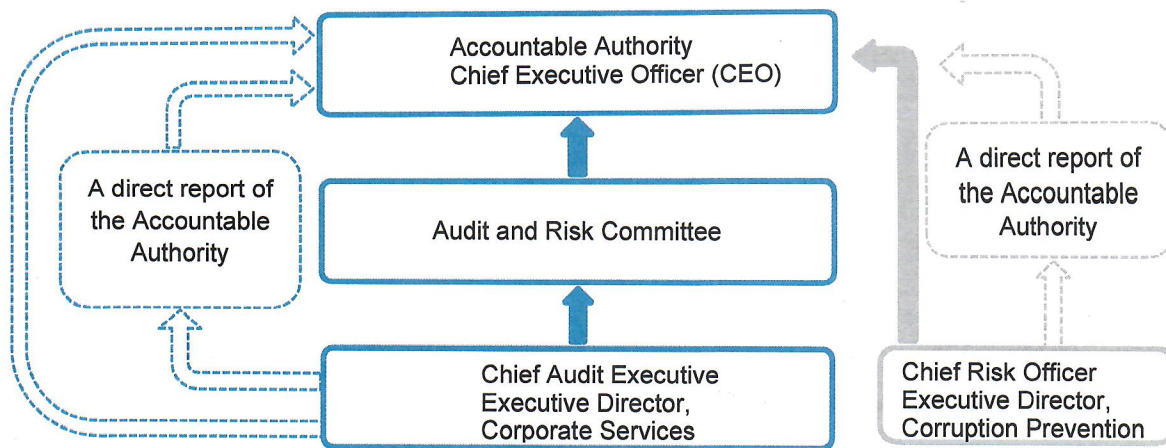
Independence is essential to the effectiveness of the internal audit function. Internal audit activity shall be independent, and internal auditors shall be objective in performing their work. Internal auditors shall have an impartial, unbiased attitude and avoid any conflicts of interest.

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 [except in carrying out its own functions].

The internal audit function is responsible on a day-to-day basis to the Chief Audit Executive (CAE). At the Commission, the role of CAE is held by the Executive Director, Corporate Services.

The internal audit function, through the CAE, reports functionally to the ARC on the results of completed audits, and for strategic direction and accountability purposes, and reports administratively to the CEO to facilitate day to day operations. The CAE has direct access to the CEO to discuss audit and risk issues when required.

The following dual reporting line is prescribed where the dotted line represents the 'administrative' reporting line and the bold line represents the 'functional' reporting line:



*Note: Internal audit is responsible for providing assurance to the Accountable Authority and the Audit and Risk Committee on the effectiveness of the risk management framework. However, all agencies are encouraged to nominate a Chief Risk Officer (CRO) who is responsible for the oversight and promotion of risk management within the agency, designing the agency's risk management framework and for the day-to-day activities of embedding the framework in the agency. The CRO or risk management function should report to either the Accountable Authority or a direct report to the Accountable Authority, such as a member of the executive with responsibility for governance or planning, so that independence of risk management from line management is maintained.

Where there is any possible conflict of interest, (eg an internal audit on a Corporate Services function), the scoping, input and response to the internal audit report, will be managed (or monitored) by either the CEO or the CRO, rather than the CAE.

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 CAE considers necessary to enable the internal audit function to meet its responsibilities, subject to any overriding legislative restrictions on information. When responding to requests, ICAC staff and contractors should cooperate with the internal audit function and must not knowingly mislead the internal audit function or willfully 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 conduct of these activities. The CAE 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 ICAC, including where internal audit services are performed by an external third party provider.

Roles and responsibilities

The internal audit function shall 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) Audit activities including audits with the following orientation:

Internal Control Framework

- provide assurance that an effective internal control framework is operating
- assess quality of internal controls and provide recommendations to strengthen compliance

Risk Management

- evaluate the effectiveness, and contribute to the improvement, of risk management processes
- provide assurance to the CEO and the ARC on the effectiveness of the risk management function and processes
- provide assurance that risk exposures relating to the agency'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
 - cyber security of information and technology resources
- evaluate the design, implementation and effectiveness of the agency's ethics-related objectives, programs and activities
- assess whether the information technology governance of the agency sustains and supports the agency's strategies and objectives.

Compliance

- compliance with applicable laws, regulations and Government policies and directions.

Performance improvement

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

(2) Advisory services

The internal audit function can advise the Commission's management on a range of matters including:

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.

Risk management

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

Fraud and corruption control

- evaluate the potential for the occurrence of fraud and how the agency manages fraud risk
- assisting management to investigate fraud, identify the risks of fraud and develop fraud prevention and monitoring strategies
- develop, implement and maintain a fraud and corruption control framework to prevent, detect and manage fraud and corruption.

Audit support activities

The internal audit function is also responsible for:

- managing the internal audit function
- assisting the ARC to discharge its responsibilities

Sensitive

- monitoring the implementation of agreed recommendations
- disseminating across the entity better practice and lessons learnt arising from its audit activities.

Scope of internal audit activity

Internal audit reviews may cover all programs and activities of the Commission together with associated entities, as provided for in relevant business agreements, memorandum of understanding or contracts. 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 this Charter, the Commission's Risk Management and Internal Audit policies and procedures, the Internal Audit and Risk Management Policy for the General Government Sector, and with relevant professional standards including International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

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. This includes consideration of current activities, trends and emerging issues, to enable relevant advice and recommendations
- 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 CEO will make recommendations to the ARC on the content of the Internal Audit Plan. The CAE will prepare a risk-based annual internal audit work plan in a form and in accordance with a timetable agreed with the ARC.

The CAE will seek input from the ARC on the scope of each internal audit project.

Reporting

The CAE will report to each meeting of the ARC 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 ARC at least annually on the overall state of internal controls in the Commission and any systemic issues requiring management attention based on the work of the internal audit function [and other assurance providers].

Administrative arrangements

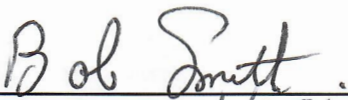
Any change to the role of the CAE [and, where the internal audit function uses an outsourced service delivery model, the external service provider] will be approved by the CEO in consultation with the ARC.

The CAE will arrange for an internal review, at least annually, and a periodic independent review, at least every five (5) years, of the efficiency and effectiveness of the operations of the internal audit function. The results of the reviews will be reported to the ARC who will provide advice to the CEO on those results.

Review of the charter


This charter will be reviewed at least annually by the ARC. Any substantive changes will be formally approved by the CEO, in consultation with the Chief Commissioner, on the recommendation of the ARC.

Reviewed by Chair of Audit and Risk Committee (sign and date)



19/7/2021

Reviewed by Chief Executive Officer (sign and date)



Philip Reed 21/7/2021