

Internal Audit Charter

City and Environment Directorate



ACT
Government

City and Environment

Acknowledgement of Country

The City and Environment Directorate acknowledges the Ngunnawal people as traditional custodians of the ACT and recognise any other people or families with connection to the lands of the ACT and region.

We respect the Aboriginal and Torres Strait Islander people, particularly our Aboriginal and Torres Strait Islander staff, and their continuing culture and contribution they make to the Canberra region and the life of our city.

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Internal Audit Charter

City and Environment Directorate

Introduction

The Internal Audit function is established by the authority of the City and Environment Directorate's Director-General, with its responsibilities defined in this Internal Audit Charter (Charter) approved by the Director-General on endorsement of the Audit Committee.

This Charter has been prepared in accordance with the ACT Government Framework for Internal Audit Committee and Function.

The Audit Committee has been established by the Director-General as an oversight and advisory body. Its terms of reference, documenting its role and authority, are defined in the Audit Committee Charter. The Audit Committee acts to support the Director-General to provide oversight of the Internal Audit function.

This Charter provides the framework and authority for performance of internal audit activities at the City and Environment Directorate. Consistent with the 'Global Internal Audit Standards' this document details the internal audit function's authority, role and responsibility (mandate) as well as its organisational position, reporting relationships, scope of work, and range of services.

Chief Audit Executive describes the person responsible for effectively managing all aspects of the Internal Audit function and ensuring the quality performance of internal audit services in accordance with the 'Global Internal Audit Standards' issued by the Institute of Internal Auditors. The Chief Audit Executive is accountable to the Director-General for the Internal Audit function's implementation of and conformance with requirements of this Charter. At the City and Environment Directorate, this role is undertaken by the Head of Internal Audit.

Throughout this Charter, the term 'Internal Auditors' encompasses the Head of Internal Audit, Internal Audit Staff and the Internal Audit Service Provider, unless otherwise described in the relevant context.

Purpose

Internal auditing strengthens the organisation's ability to create, protect and sustain value by providing the Audit Committee and management with independent, risk-based and objective assurance, advice, insight and foresight.

Internal auditing enhances the organisation's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

Authority

Internal Auditors are authorised to have reasonable and appropriate access to all functions, premises, assets, personnel, records, and other documentation and information necessary to enable the CED Internal Audit Function to fulfil its responsibilities in line with its approved internal audit plan.

Confidentiality

All records, documentation and information accessed while undertaking internal audit work are to be used solely for the performance of these activities. Internal Auditors are responsible and accountable for maintaining the confidentiality of the information they receive during their work.

All internal audit documentation and work papers remain the property of the City and Environment Directorate, including where internal audit services are provided by service providers.

Independence

Internal Audit is required to be independent, and Internal Auditors are required to be objective.

The CED Internal Audit Function has no direct authority or responsibility for the activities it reviews. The CED Internal Audit Function has no responsibility for management of business activities, or for development or implementation of operational systems or procedures. The Head of Internal Audit is authorised to use their own professional judgement in determining how internal audit services will be delivered.

Where the Head of Internal Audit may be responsible for a non-audit activity the following independence safeguards are in place:

- When responsible for non-audit activities, the Head of Internal Audit is not performing Line 3 internal audit duties when managing or performing those activities.
- Any internal audits in areas related to the Head of Internal Audit's non audit responsibilities will be outsourced to a service provider, with an alternate executive appointed as Head of Internal Audit to manage and oversee the internal audit. The alternate Head of Internal Audit will report the results of the internal audit directly to the Audit Committee.
- The alternate Head of Internal Audit will also have responsibilities for monitoring the implementation and closure of any actions related to these audits.
- Periodic independent review of safeguards effectiveness.
- The Head of Internal Audit must provide an annual declaration to the Audit Committee as to whether the independence or objectivity of the Head of Internal Audit has been impacted in any way during the preceding year.

Conflict of Interests and Impairment of Objectivity

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. Such competing interests can make it difficult to fulfil duties impartially. 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.

When engaging internal audit service providers, the Head of Internal Audit 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 performed by an internal audit service provider. Where an internal audit service provider may be requested to provide a non-internal audit service by another business area, prior written permission of the Head of Internal Audit is required before the service provider can be engaged.

Instances of perceived, potential or actual conflict of interest by Internal Auditors shall immediately be reported to the Head of Internal Audit and the Audit Committee Chair.

Internal Audit Positioning

Internal Audit is positioned within the City and Environment Directorate as follows (figure 1):

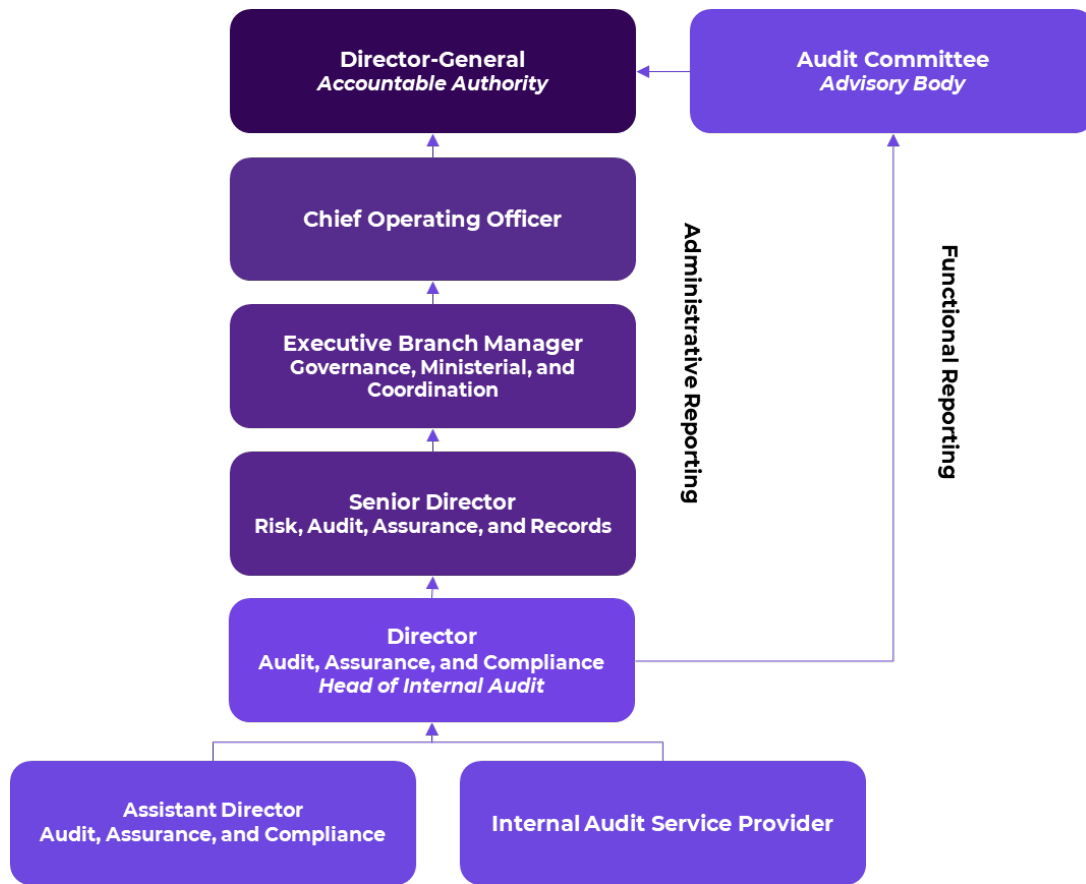


Figure 1: City and Environment Directorate Internal Audit structure

Due to the size or complexity of the organisation, the Director-General has delegated the administrative reporting function to an officer with appropriate seniority, the Chief Operating Officer.

This does not remove the right of direct access of the Head of Internal Audit to the Director-General.

Reporting Arrangements

Internal Auditors report to the Head of Internal Audit, who reports:

- Functionally for operations to the Audit Committee through the Chair.
- Administratively to the Director-General.

Functional oversight of the CED Internal Audit Function by the Audit Committee is defined in the CED Audit Committee Charter (Appendix A).

Administrative reporting to the Director-General includes:

- Provision of sufficient budget to facilitate appropriate resourcing (human and technological) of the internal audit function.

- Provision of corporate services to Internal Audit including office accommodation, technology and equipment.
- Human resource administration.

Right of direct access to the Director-General by the Head of Internal Audit is preserved for any time the Head of Internal Audit believes it to be warranted.

Role

In performance of its activities, Internal Audit 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.
- Promoting a culture of self-assessment.

Internal Audit will support the City and Environment Directorate by:

- Reviewing achievement of objectives.
- Assessing if decisions are properly authorised.
- Evaluating the reliability and integrity of information.
- Ensuring assets are safeguarded.
- Assessing compliance with laws, regulations, policies and contracts.
- Considering the efficiency, effectiveness, economy and ethics of business activities.
- Reviewing opportunities for fraud and corruption.
- Following-up previous audits to assess whether remedial action has been effectively implemented.
- Providing forward-looking internal audit services.
- Looking for better ways of working and sharing these insights within the City and Environment Directorate.

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 Audit Committee.

Reporting to the Audit Committee

The Audit Committee supports the Director-General in exercising their governance responsibilities. The Head of Internal Audit will report to the Audit Committee on:

- Overall performance of the CED Internal Audit Function, including performance measures agreed with the Audit Committee.
- Internal audit work completed.
- Progress implementing the internal audit plan.
- Common themes emerging from internal audit engagements.
- Where appropriate, assessments of individual functions or business units derived from more than one engagement.
- Implementation status of internal audit, external audit, and other relevant external and regulatory body recommendations.
- Achievements via an annual report to summarise work and achievements for the year, to demonstrate value delivered, and to provide an opinion on the overall state of internal controls and systemic issues identified.
- Annual assertion on Internal Audit independence and compliance with professional standards.
- Annual statement of assurance addressing the performance of governance, risk management and control processes across the organisation.

The Head of Internal Audit will also report:

- Any disagreement with senior management or other stakeholders on the scope, findings, or other aspects of an engagement which may affect the ability of the internal audit function to execute its responsibilities.
- Any incidents where independence may have been impaired, and the actions or safeguards employed to address the impairment.
- Other matters as outlined in this Charter.

Nature and Scope of Work

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 – Services through which internal auditors perform objective assessments to provide assurance. Examples of assurance services include compliance, financial, operational / performance and technology engagements.
- Advisory Services – Services through which internal auditors provide advice to an organisation's stakeholders without providing assurance or taking on management responsibilities. The nature and scope of advisory services are subject to agreement with relevant stakeholders. Examples include advising on the design and implementation of new policies, processes, systems and

products / providing forensic services / providing training / facilitating discussions about risks and controls.

Internal Audit will offer a service catalogue with 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.
- Continuous auditing of controls using technology.

The scope and coverage of Internal Audit work is not limited in any way and may cover any activity, operation and program, including those of subsidiary, controlled and associated organisations.

Professional Standards

The CED Internal Audit Function will govern itself by adherence to mandatory guidance contained in the 'International Professional Practices Framework' (IPPF), 'Global Internal Audit Standards' and 'Topical Requirements' issued by the Institute of Internal Auditors (IIA).

The Head of Internal Audit is accountable for the adherence of internal auditors to these professional standards.

Adherence to Professional Standards will also apply to internal audit work performed by the Internal Auditors.

Resourcing

The Head of Internal Audit must advise the Audit Committee if internal audit resources are not sufficient for the CED Internal Audit Function to fulfil its responsibilities. Any assessment of the Internal Audit operational budget is to be supported by appropriate and objective analysis and benchmarking.

Should resources be insufficient, the Head of Internal Audit must provide the Audit Committee with options to address the shortfall.

The CED Internal Audit Function develops and delivers the internal audit plan through a co-sourced model.

Responsibilities

Head of Internal Audit responsibilities include, but are not limited to:

Internal Audit

- Achieving and maintaining conformance of the CED Internal Audit Function with the Global Internal Audit Standards.

Internal Audit Planning

- Be involved with development of an organisation-wide assurance strategy built on an organisation-wide assurance map.
- Develop and implement a strategy for the internal audit function that supports the strategic objectives and success of the organisation
- Develop a risk-based internal audit plan that considers the City and Environment Directorate objectives and risks, including those identified by management, and submit the plan to the Audit Committee for review and approval.
- Ensure changes to the internal audit plan are approved by the Audit Committee.

Internal Audit Engagements

- Perform internal audit work contained in the approved internal audit plan and produce a written balanced final communication for each audit containing a conclusion against the engagement objective, positive commentary on what is working well, and improvement actions.
- Include agreed (where-ever possible, between internal audit and management) proposed management actions in audit reports, identifying a responsible person and realistic timetable for completion.
- Provide final audit communication to management of the area audited, Director-General and the Audit Committee. Copies may be provided to management of other areas where relevant. Copies may be provided to the external auditor if requested.

Improvement Actions

- Establish a risk-based 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.
- Obtain regular management updates on progress to implement audit actions.
- Follow up and obtain evidence that audit actions are effectively implemented by management before recommending closure to the Audit Committee.

Management Obligations

An Executive Sponsor will be nominated as the management owner of each audit.

Management and staff are obligated to professionally and constructively contribute to internal audit work, and implementation of audit actions in response to improvement opportunities and recommendations contained in internal audit reports.

Management has maximum of 10 working days from when they receive a draft internal audit report to provide management responses and proposed audit actions which should contain:

- Agreed, partially agreed or not agreed.
- If not agreed, why not.
- Action to be taken – these do not need to include lengthy comments or explanations – the action to be taken is all that is required.
- Responsible person.
- Timing.
- Interim control arrangements to be relied upon where there is a long lead time, such as waiting to close-out an audit action through implementation of a technology solution.

In exceptional circumstances, a longer time period for management responses may be agreed between the Head of Internal Audit and Executive Sponsor.

Where formal management responses and proposed audit action have not been received within 10 working days, the internal audit report will be provided to the Audit Committee, with a proposed timetable for audit action implementation to be pursued separately through the Director-General.

Where management responses to an audit recommendation is not considered adequate, the Head of Internal Audit will consult with management of the area audited and attempt to reach a mutually agreeable resolution. If an agreement is not reached, the Head of Internal Audit will refer the matter to the Director-General for a resolution. If an agreement is still not reached, the final arbiter will be the Audit Committee.

The CED Internal Audit Function will request regular updates from management on progress of audit action implementation. Timing will align to Audit Committee meetings.

There is one opportunity for the Executive Sponsor to revise the implementation date should this be necessary due to unexpected delay.

Where an audit recommendation rated high or above is not implemented and closed-out by its due date, the Executive Sponsor may be required to attend the next Audit Committee meeting and present details on why the audit action has not been fully implemented and closed-out, and how the associated risk is being addressed in the interim.

Where management seeks to propose an item for closure or accept a risk from an audit recommendation, a 'close-out' form is to be completed that considers evidence, or the risk appetite, and submit it to the Audit Committee for review and approval.

Quality Assurance and Improvement Program

The Head of Internal Audit is responsible for developing and maintaining a quality assurance and improvement program that includes:

- Internal assessments including ongoing monitoring.
- Performance measures agreed by the Audit Committee.
- Annual internal assessments against the 'Global Internal Audit Standards'.
- Annual assertion to the Audit Committee on compliance with internal audit standards.
- Independent external assessments performed at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.

Internal audit is encouraged to develop and maintain mutually beneficial relations with counterparts in other organisations, thought leaders, relevant professional bodies and networks with a view to:

- Exchanging information on internal audit good practice.
- Exchanging information on emerging corporate governance, risk management and assurance matters.

Evaluation of Performance

The CED Internal Audit Function performance will be evaluated annually and results reported to the Audit Committee. This will include:

- Results of the quality assurance and improvement program.
- Results of Internal Audit performance measures previously approved by the Audit Committee.
- Feedback from management of areas where internal audit work has been performed.
- Feedback from Audit Committee members taken from their annual self-assessment and annual reporting to the Director-General.

Relationship with other Assurance Activities

The City and Environment Directorate uses the 3 Lines integrated assurance model to allocate responsibilities for risk management and control, recognising that:

- Line 1 – Management has ownership, responsibility and accountability for assessing, controlling and mitigating risks.
- Line 2 – Risk management facilitates and monitors implementation of effective risk management practices by management and assists risk owners in reporting adequate risk-related information up and down the organisation.
- Line 3 – Internal auditing does not absolve management and staff from any of their risk management and control responsibilities.

The CED Internal Audit Function will establish and maintain an open relationship with the external auditor (ACT Audit Office) and other assurance providers as required. Internal Audit will plan its activities to ensure adequacy of overall assurance coverage and to minimise duplication of assurance effort across the City and Environment Directorate.

The ACT Audit Office, as the external auditor, has full and free access to all internal audit plans, work papers and reports.

Review of the Charter

This Charter (including the internal audit mandate) will be reviewed annually or when a significant change occurs, with any changes endorsed by the Audit Committee and approved by the Director-General.

Approval of the Charter

Endorsed by the Audit Committee

Via email, Out of Session ([A58752648](#)) 17 December 2025

Approved by the Director-General



6 January 2026