



ACT
Government

ACT Health

ACT HEALTH DIRECTORATE INTERNAL AUDIT CHARTER

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Review and Authorisation

The Charter is endorsed by the Director-General, ACT Health Directorate.



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A/g Director-General
ACT Health Directorate

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Purpose of the Charter

1. The Internal Audit Charter provides the framework for the conduct of the internal audit function in the ACT Health Directorate (the Directorate). It is consistent with the ACT Health Directorate Audit and Risk Management Committee's (the Committee) purpose and duties as outlined in the Committee's Charter.
2. The Director-General is responsible for the establishment of the internal audit function and has appointed the Executive Branch Manager, Governance and Risk as the Head of Internal Audit. The Internal Audit Charter has been developed, in consultation with the Committee, to provide the broad framework, professional standards and guidelines for the conduct of Internal Audit within the Directorate.

Role of Internal Audit

3. Internal Audit provides an independent and objective review and advisory service to:
 - Provide assurance to the Director-General that the Directorate's financial and operational controls designed to manage the organisation's risks and achieve the Directorate's objectives are operating in an efficient, effective, economical and ethical manner;
 - Assist management in improving the Directorate's business performance; and
 - Provide value added service to management with the aim of strengthening and improving the risk management and control framework through the promulgation of best practice.
4. Internal Audit should not develop or install procedures or systems, prepare records or engage in original line processing functions. This does not exclude auditors from reviewing system development projects or being consulted on existing systems.

Authority and Access

5. Section 9 of the *Public Sector Management Act 1994* (ACT) requires public employees to exercise reasonable care and skill in performing their duties, to act impartially and with probity and to avoid waste and extravagance in the use of Territory property.
6. Section 31 of the *Financial Management Act 1996* (ACT) prescribes the Director-General of a Directorate is accountable to the responsible Minister for the efficient and effective financial management of the public resources for which the Directorate is responsible. This necessitates that all Directorate operations are conducted in accordance with legislative requirements, proper accounts and records are maintained, and adequate controls are established over the assets and liabilities of the Directorate.
7. To assist in this endeavour, the Directorate's practices, procedures and controls must be systematically reviewed and timely assurance provided to management as to the extent that these requirements are being met.

8. Internal auditing is undertaken within the Directorate by the internal audit function, or an external audit firm under contract. Internal audit personnel are entitled to access to all relevant books, files, documents, statistical records, confidential correspondence and electronic records in addition to all premises and storage facilities.
9. All records, documentation and information accessed while undertaking internal audit activities are to be used solely for the conduct of these activities.

Independence

10. Independence is essential to the effectiveness of internal audit. Accordingly, the internal audit function has direct access to the Director-General, the Chair of the Committee, management and staff as required.
11. Internal audit must be independent of the activities audited, and report to the Director-General and the Committee any situations in which a conflict of interest or bias is present or may be reasonably inferred. If at any time the independence or objectivity of internal audit activities are impaired in fact or appearance, the details must be disclosed, addressed and the agreed management strategy documented. This includes personal conflict of interest, scope limitations, restriction on access to records, personnel, properties and resource limitations such as funding, and applies to all ARMC members, employees and external contractors involved in internal audit activities.
12. Internal auditors must refrain from assessing specific operations for which they were previously responsible. Objectivity is presumed to be impaired if a provider provides assurance for an activity they had responsibility for within the previous 12 months.

Annual Internal Audit Program

13. The Committee oversees the internal audit function, annually endorses and reviews both the Strategic Audit Plan, including the annual internal audit program for approval by the Director-General. Any amendments to the program are to be coordinated through the Director, Internal Audit and endorsed by the Committee prior to further approval by the Director-General.
14. The Annual Internal Audit Program (IAP) will be based on an assessment of risk, with particular focus on those functions, processes and activities most prone to significant failure or loss or where the potential for improvement will add greatest value. Further, the program should retain the capacity to conduct any additional or management-initiated audits of a high priority that were reasonably unforeseen.
15. In assessing risk, the following factors will be considered:
 - Matters raised by a Minister or the Director-General,
 - Materiality of moneys processed, or assets held,
 - Public or social sensitivity,
 - New programs or systems implemented,
 - Items significant in terms of Directorate goals,

- Potential stakeholder impact,
- Timing, findings and coverage of previous audits, and
- Areas of risk reported by Directorates in relation to processes and systems and the Auditor-Generals Office in relation to the preparation of financial statements.

Auditing Standards and Requirements

16. Internal audit activities are conducted in accordance with ACT Government requirements and Directorate values, policies and procedures.
17. Audit activities are also conducted in accordance with relevant professional standards, including:
- Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors;
 - Standards relevant to internal audit issued by the Australian Society of Certified Practising Accountants, Chartered Accountants, Australia, New Zealand and the Risk Management Institute of Australasia;
 - The Statement on Information Systems Auditing Standards issued by the Information Systems and Control Association; and
 - Standards issued by Standards Australia and International Standards Organisation.
18. In the conduct of internal audit work, internal auditors shall:
- Comply with professional standards of conduct;
 - Possess the knowledge, skills and technical proficiency essential to the performance of their duties;
 - Be skilled in dealing with people and communication audit, risk management and related issues effectively;
 - Maintain their technical competence through a program of professional development; and
 - Exercise due professional care in performing internal audits.

Audit Process

Selection of Internal Audit Service Provider

19. Internal audit service providers will be engaged in accordance with ACT Whole of Government procurement guidelines, policies and practices.

Timing

20. Audits are to be undertaken as scheduled in the Directorate's IAP. Requests for deferrals to this schedule must be forwarded to the Committee for consideration and approval and coordinated through the Director, Internal Audit. Requests to remove audits from the IAP will require Director-General approval.

Contact Officers

21. The Executive Group Manager responsible for the area being audited will nominate a contact officer before the commencement of the audit (Manager level or above).

Audit Scoping and Planning

22. A scoping document is developed by the Director, Internal Audit in consultation with the relevant business area and considered by the Committee prior to commencement of audit activities.
23. An entry meeting will be held at the beginning of each audit assignment to confirm the scope of the audit and establish work plans which will be attended by a Partner or senior manager of the contracted audit provider, internal audit and the Executive Group Manager responsible for the area being audited.
24. If a difference of opinion exists between the auditor and management of the audited area in relation to the scope, the matter may be referred to the Committee through the Director, Internal Audit.
25. The internal auditor will develop plans for audit assignments in conjunction with the management of the audited areas, considering the overall objectives of the Internal Audit Program, and is expected to provide appropriate depth and detail in the plan as necessary.
26. Audit Plans are to include the following:
 - Reference for audit and type of audit,
 - Audit objective and scope,
 - Methodology or approach,
 - Staff and budget for audit, and
 - Planned commencement and completion dates.
27. Audit plans are to be approved by the Executive Group Manager of the area before commencement of the audit activity. The officer approving the audit plan will be senior to the area being audited and have the appropriate delegation or authority to implement potential audit recommendations.

Audit Resources

28. If the auditor responsible for conducting an audit determines at any time that the resources approved for completion of the audit are insufficient to adequately address the objectives of the audit, a request for additional resources detailing the reasons will be made to the Director, Internal Audit who will in turn refer to the Committee where significant.

Reporting Requirements

29. All audit reports should be clear and concise, identify the important issues, provide practical solutions and add value to the Directorate's operations.
30. The final audit report is to include a summary of recommendations which, where possible, have been agreed with Directorate staff. Each recommendation should include a risk level assessment. Each recommendation in an audit report should also be accompanied by a 'Management Response' which:

- Indicates whether the recommendation is agreed, partially agreed or not agreed;
- Where a recommendation is only partially agreed or not agreed reasons are to be given;
- For each agreed recommendation the management response should identify:
 - The action proposed to be taken,
 - The role responsible for implementation, and
 - The targeted and achievable completion date.

31. All recommendations must be practicable and cost effective in a public service environment. Good practices that are observed and remedial action already taken by the audited business unit should be acknowledged in the audit report.

Draft Report

32. A draft audit report will be provided to the Executive Group Manager and Unit Director and will include the audit objectives, scope and audit opinion based on the outcome of the audit.

33. The Unit Manager is to ensure that written comments on the draft report are provided to the Auditor within ten working days. Where it is deemed beneficial a meeting should be held upon receipt of the draft report to discuss the findings. Any changes agreed at this meeting should be included in the written response.

Final Report

34. The final report, incorporating management's comments and including an executive summary, will be provided to the responsible Executive Group Manager through the Director, Internal Audit, no later than two weeks after the receipt of the management comments and must be quality-assured by a Partner of the relevant audit firm. The final report must be accepted and signed off by the Head of Internal Audit and the Executive Group Manager. The final report will be presented to the Committee at the next available meeting.

Presentation to Committee

35. Unless otherwise agreed, contracted audit providers will attend the Committee meetings to present a summary of the audit findings and report to address questions from members of the Committee. They will be represented at these meetings by either a Partner or senior manager.

36. Where appropriate, a suitable senior representative of the areas responsible for implementation of the audit recommendations (normally the contact officer) will also attend the presentation to provide additional information and answer queries from the Committee as required.

37. An audit report is not considered final until accepted by the Committee.

Auditors – Role and Process

Internal Audit Personnel

38. Contracted audit providers will be responsible for the recruitment and provision of suitably qualified and proficient audit staff and for the professional conduct of these staff.
39. Contracted audit providers are responsible for providing their staff with appropriate computing equipment to carry out audits while on Directorate premises. The auditor must advise the Director, Internal Audit, with reasonable notice, of resources required prior to the commencement of each audit assignment.

Conflict of Interest

40. As per the ACT Whole of Government procurement process, Confidentiality and Conflict of Interest Undertakings must be completed by all specified personnel prior to their initial internal audit assignment. If at a later stage, auditors become aware of a situation in which a conflict of interest or bias is present or may be reasonably be inferred, they must immediately advise the Director, Internal Audit, and comply with any requirement to deal with the conflict situation.

Disclosure of Information

41. Auditors must ensure that all Directorate material and information provided by the Directorate for auditing purposes is treated in a confidential manner and must not disclose or make public any such information or material without the Head of Internal Audit's prior written approval. Information accessed during audits is to be used strictly for audit purposes.

Responsibility of Audited Area

Contact Officer

42. The Director, Internal Audit will facilitate all internal audits. The responsible Executive Group Manager will nominate a senior officer to act as the contact officer for each audit who will facilitate engagement between the area and the auditors.

Access

43. Areas are to make available information, data, facilities and staff as reasonably required enabling the successful completion of the audit, within specified timeframes and within agreed allocated resources. Executive Group Managers are responsible for assuring the currency, accuracy and appropriateness of documentation provided to internal auditors during the conduct of audits.
44. Access can include normal office facilities such as desks, chairs, telephone, a security cabinet for working papers and photocopying facilities.

Reports

45. Upon receipt of the draft report, the contact officer must ensure management comments agreed by the Executive Group Manager are provided to the auditors within ten working days.
46. The final report must be signed by the Executive Group Manager before presentation to the Committee. A nominee will attend the presentation to answer queries and provide additional information as required.

Implementation of Recommendations

47. Executive Group Managers must ensure recommendations from audits are implemented in a timely manner and provide regular progress reports to the Committee. The Committee will evaluate these reports and determine further action if required.

Quality Assurance Program

48. Quality assurance controls will be implemented to provide confirmation that the internal audit function is operating effectively.
 - Surveys will be sent to the Executive Group Managers following finalisation of audit reports to obtain feedback on performance of the auditors, assessed value of the audit and the quality of the report. This information is considered by the internal audit function and provided to the Audit and Risk Management Committee on request.
 - Periodically, an independent review of the efficiency and effectiveness of the operations of the internal audit function will be conducted.

Liaison with External Auditors

49. Internal audit is an important element of the Directorate's internal control system and is subject to regular reviews by the ACT Government Auditor-Generals Office. The external auditor's assessment of the effectiveness of the internal audit function will influence the depth and level of external audit activities within the Directorate.
50. Whilst internal and external audit roles are fundamentally different, activities should be coordinated to minimise duplication.
51. External auditors will be given full access to audit services, programs, working papers and reports.
52. The Director, Internal Audit will monitor performance reports published by the ACT Auditor-General's Office. Where a finding may be relevant to the operations of the Directorate, the Director, Internal Audit will advise the relevant Executive Group Manager. It is the responsibility of the Executive Group Manager to assess the findings and consider whether any actions are required.

Reporting

To the Committee

53. The Director, Internal Audit will provide regular updates to the Committee summarising all audit activities undertaken during the preceding period, including:
- Status of the program including audits completed or in progress,
 - Outcomes of each audit undertaken,
 - Requests for alteration to the program,
 - Progress on implementation of recommendations, and
 - Issues of concern.

To the Director-General and Executive Board

54. Periodically and as required, the Director, Internal Audit will arrange a summary report to the Executive Board of the Audit and Risk Management Committee minutes, progress on implementation of audit recommendations and highlighting of any key decisions.
55. The Chair of the Audit and Risk Management Committee will report to the Director-General as outlined in the *Audit and Risk Management Committee Charter* to discuss the conduct and performance of the Committee and any emerging issues within the Directorate.

Review

56. This Charter will be reviewed at least every two years and updated by the Assistant Director, Internal Audit with changes approved by the Director-General.