



ACT
Government

Transport Canberra
and City Services

Internal Audit Charter

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1.0 Introduction

1.1 Purpose

The Director-General is responsible for the internal audit function of the Transport Canberra and City Services Directorate (TCCS). The Internal Audit Charter provides the framework, professional standards and guidelines for the conduct of Internal Audit in the Directorate.

This charter sets out how TCCS will meet its obligations and/or demonstrate compliance with the ACT Government Internal Audit Framework, as produced by the Chief Minister, Treasury and Economic Development Directorate (CMTEDD), in addition to maintaining best practice under the international standards for auditing produced by the Institute of Internal Auditors.

1.2 The purpose of the internal audit function

Internal Audit is undertaken to provide a comprehensive value-added compliance, assurance and performance service to the Director-General, and the directorate.

1.3 Relationship to other documents

This Charter is a companion to the TCCS Audit Committee Charter, which defines the role, composition, authority, responsibilities and operation of the TCCS Audit Committee and is prepared in accordance with the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing (Standards).

1.4 Scope

This document is intended for TCCS staff to provide authoritative advice and guidance on the conduct of internal audits. This includes what to expect from the audit process and to remind staff of their obligations. The Charter is valid across all parts of the Directorate, given the importance of audit in providing assurance for operational and managerial practice in the Directorate.

This Charter reflects the directorate's position in relation to observance of, and compliance with, all relevant polices, practices and executive direction, including:

- *Public Sector Management Act 1994*;
- *Financial Management Act 1996*;
- Director-General Instructions;
- TCCS Risk Management Framework and Plan.

The charter applies to all TCCS employees and others engaged to represent the Directorate, when carrying out their official duties.

1.5 Role of the internal audit function

TCCS has adopted the Institute of Internal Auditors (IIA) definition of internal auditing, which is:

"...an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an agency accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."

The internal audit function includes the examination and evaluation of the adequacy, effectiveness and efficiency of the system of internal control, and the performance of management in an independent and professional manner. Internal audit is not intended to develop or promote particular procedures or

systems or engage in processing functions, but auditors may suggest system development options and other business improvements.

1.5.1 Authority and access

Section 9 of the *Public Sector Management Act 1994* 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.

Section 31 of the *Financial Management Act 1996* prescribes the responsibilities of the Director-General for efficient and effective financial management of the Directorate.

This necessitates that all Directorate operations are conducted in accordance with the requirements of the Legislative Assembly, proper accounts and records are maintained and adequate controls are established over the assets and liabilities of the Directorate.

Within TCCS, the Chief Audit Executive engages external audit service providers under the ACT Whole of Government Internal Audit Services contract. Internal audit personnel are provided with access to all relevant books, files, documents, statistical records, correspondence, personnel and electronic records in addition to all premises and storage facilities.

1.5.2 Independence

Independence is essential to the effectiveness of internal auditing. The Chief Audit Executive monitors and reports to:

- the Audit Committee through the Chair on Committee operations; and
- the Director-General on administrative matters related to the operation of the Committee.

The Chief Audit Executive must confirm at least annually to the Director-General and to the Audit Committee the Directorate's independence of the internal audit activity.

If independence or objectivity is impaired 'in fact' or 'appearance', the details of the impairment must be disclosed. Impairment under the Standards includes, but is not limited to, personal conflict of interest, scope limitations, restrictions on access to records, personnel, properties and resource limitations such as funding.

Where the person occupying the role of Chief Audit Executive may be responsible for operational activities that are the subject of Audit, the Directorate has independence safeguards in place:

- the Chief Audit Executive is not the Chief Audit Executive for internal audit activities which are performed in those areas under the Chief Audit Executive's operational control; and
- review of those operational activities must be managed and reported independently of the Chief Audit Executive through the Audit Committee. In the absence of the Chief Audit Executive, oversight of internal audit must be undertaken by a TCCS Deputy Director-General.

The Directorate will observe further safeguards to ensure the independence of the audit function and manage any conflicts or perceptions of conflicts or undue influence.

These further safeguards could include (but not be limited to) the involvement of completely independent ACT Public Service executive staff outside TCCS, to review or comment on input to sensitive audit activities. In particular, this is to manage the potential tension between the Chief Audit Executive having ultimate responsibility for both the internal audit function and operational responsibilities as the Chief Operating Officer.

Internal auditors must be excluded from assessing specific functions for which they were previously operationally responsible. Objectivity is presumed to be impaired if an internal auditor provides assurance services for an activity for which the internal auditor had responsibility for within the previous 12 months.

1.6 Auditors – Role and Process

1.6.1 Internal audit personnel

TCCS uses an *outsourced* audit model where it has engaged a preferred audit service provider listed on the Whole of Government Internal Audit Services panel to provide auditing services for the Directorate. Where particular specialist/technical skills are required, TCCS has the discretion to engage other service providers from within or outside the Whole of Government panel. Audit service providers are responsible for the recruitment and provision of suitably qualified and proficient audit staff and for the professional conduct of these staff. Audit plans must detail all staff undertaking the audit work, their relevant experience, and be approved by the Chief Audit Executive before the commencement of the audit.

Audit service providers are responsible for providing their staff with appropriate resources to carry out the audits while on the Directorate's premises. Subject to authorisation by the Internal Audit Manager, the auditor must advise individual areas, with reasonable notice, of resources required prior to the commencement of each audit assignment. Any difficulties or additional needs should be discussed with the Internal Audit Manager or Chief Audit Executive.

1.6.2 Conflicts of interest

Audit service providers are required to provide assurance (at the commencement of the contractual period) that no conflict of interest exists, or is likely to occur, in relation to the provision of audit services to the Directorate. If, during the conduct of an audit, auditors become aware of a situation in which a conflict of interest or bias is present, or may reasonably be inferred, they must immediately advise the Chief Audit Executive and comply with any requirement issued by that officer to deal with the conflict.

1.6.3 Disclosure of information

Auditors must ensure that all 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 Chief Audit Executive's prior written approval. Information accessed in the course of audits is to be used strictly for audit purposes.

1.6.4 Additional assignments at management request

The Chief Audit Executive should ensure the annual audit program retains a capacity to conduct additional assignments at the request of the Director-General or Chair of the Audit Committee. Additional assignments would generally be of a high priority, such as a forensic audit into possible fraudulent activity. Where additional assignments could impact the achievement of the objectives of the annual audit program, the Chief Audit Executive should advise the Chair of the Audit Committee as soon as possible.

1.7 Auditing Standards and Requirements

The Internal Audit team and the service providers retained for the purposes of carrying out audits on behalf of TCCS shall comply with the following, as relevant to audit engagements:

- *International Standards for the Professional Practice of Internal Auditing, the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics* issued by the Institute of Internal Auditors; and
- *Information Technology Assurance Framework (ITAF)* issued by the Information Systems and Control Association.

Internal auditors are also required to:

- possess the knowledge, skills, and technical proficiency essential to the performance of internal audits;
- be skilled in dealing with people and in communicating audit issues effectively;
- maintain their technical competence through a program of continuing education; and
- exercise due professional care in performing internal audits.

1.8 Annual Audit Program

The Audit Committee oversees the internal audit function and recommends to the Director-General for approval both the strategic audit focus and annual audit work program (known as the Assurance Program) on advice from the Chief Audit Executive.

The Assurance Program draws from the Directorate risk register, assurance map and strategic objectives as well as management-initiated audits; 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.

In assessing risk, the range of factors includes:

- materiality of monies or assets held;
- public or social sensitivity;
- new programs or systems implemented;
- matters relevant to achievement of the Directorate's key priorities;
- timing, findings and coverage of previous audits; and
- matters raised by the Minister or Director-General.

In addition, to ensure adherence to the principles under section 1.5.2 of this Charter (in relation to independence), the Audit Committee is required to consider and provide advice to the Director-General on whether the Assurance Program provides sufficient internal audit coverage of business units and operational areas.

1.9 Chief Audit Executive

The Chief Audit Executive is authorised to direct a comprehensive program of internal audit work in the form of compliance reviews, consultancy advice, evaluations, appraisals, assessments and investigations of functions, processes, controls and governance frameworks in the context of achieving business objectives.

The role of the Chief Audit Executive includes, but is not limited to:

- developing and implementing the annual Assurance Program;
- managing contracts with audit service providers;
- monitoring and reporting on the implementation of audit recommendations;
- overseeing and reporting on fraud control arrangements including the implementation of the fraud and corruption prevention plan;
- maintaining and updating Audit Charters as required;
- organising the TCCS Audit Committee Secretariat; and
- reporting to Senior Management and the Board on the overall performance of the internal audit function, including results of the quality assurance program.

2.0 Audit Process - Conduct of Audits

2.1 Timing

Audits will be undertaken as scheduled in the approved Assurance Program. Requests for amendments or deferrals to this schedule must be forwarded to the Audit Committee for consideration. Unless explicitly noted otherwise, all audits should be completed within 20 weeks of initiation.

2.2 Contact Officers

The relevant Deputy Director-General or Executive Group Manager shall nominate a contact officer before the commencement of the audit (Senior Director level or above).

2.3 Audit Specification

The Audit Committee, through the Assurance Program, considers and may comment on the proposed scope and objectives of audits. Audit scopes endorsed as part of the Assurance Program will be included in audit task specification for consideration by the Chief Audit Executive.

A meeting will be held at the beginning of each audit assignment to confirm the scope and objectives of the audit and determine the audit methodology. This will be attended by a partner or senior audit manager of the service provider, the Internal Audit Manager and the Chief Audit Executive, as well as the group contact officer/senior director. Other personnel may be co-opted to attend on an as-required basis.

The Auditor will develop a methodology for audit specifications in conjunction with the management of the audited areas. This will take into account the overall objectives of the Assurance Program and is expected to provide appropriate depth and detail in the plan as necessary.

Audit specifications are to include the following:

- reference for the audit and the type of audit;
- the audit objective and scope;
- methodology/approach;
- the staff and budget to complete the audit; and
- the planned commencement and completion dates.

Audit specifications are to be approved by the Audit Sponsor, the Chief Audit Executive and the Internal Audit Manager.

2.4 Audit resources

If the Auditor 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 can be made. This must detail the reasons to the Chief Audit Executive, who may in turn refer the request to the Audit Committee as appropriate. This would be if the provision of additional resources has a material impact on achieving the objectives of the annual Assurance Program.

2.5 Audit access

Divisions are to make available all necessary information, data, facilities and staff, as reasonably required, to enable the successful completion of the audit, within the specified timeframes and within the agreed allocated resources. This can include normal office facilities i.e. desks and chairs, telephone and facsimile facilities, a security cabinet for working papers and photocopying facilities.

2.6 Reporting requirements

All audit reports should be clear and concise, identify the key issues, provide practical solutions and add value to the Directorate's operations.

All reports which highlight deficiencies should be accompanied by a recommended course of action which is practicable and cost effective in a public sector environment. Good practices that are observed and remedial action already taken by the audited business unit should also be acknowledged in the audit report. As a general rule, TCCS expects recommendations which are substantive, few in number (as far as practicable) and implementable.

2.7 Draft report

Within two weeks of the completion of field work, a draft audit report will be provided to the Audit Sponsor and the Internal Audit Manager, and will include the audit objectives, scope and audit opinion based on the outcome of the audit.

The Audit Sponsor is to ensure that written comments on the draft report are provided to the Audit Manager within two weeks. Any necessary approvals of the management comments (including implementation timeframes) are to be gained within this period. 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.

2.8 Final report

The final report, incorporating management responses and including an executive summary, will be provided to the Audit Sponsor through the Chief Audit Executive, no later than two weeks after the receipt of the management comments. Each audit report must be quality-assured and formally signed by a Partner of the relevant audit firm. The Audit Sponsor is required to endorse the final report, before presentation to the Audit Committee.

2.9 Presentation to committee

Audit firms will attend committee meetings as required to present a summary of the audit findings and to address questions from members of the Audit Committee. Firms should be represented at these meetings by either a partner or senior manager or equivalent.

The Audit Sponsor is required to attend the presentation to provide additional information and answer queries from the Committee.

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

2.10 Implementation of recommendations

The Executive of the relevant business area and the action officer/s assigned in audit reports have primary responsibility to lead and be accountable for the implementation of agreed recommendations. Periodically, divisions are requested to provide progress reports to the Audit Committee regarding the implementation of audit recommendations. The business manager/coordinator in the relevant business area will ensure timely facilitation of reports to and the follow up of any queries from the Committee. The Committee evaluates these reports and determines further action if required.

2.11 Quality assurance controls

Quality assurance controls are established to confirm that the audit function is operating effectively. Audit reports are presented directly to the Audit Committee by the auditors, and are not considered final until accepted by the Committee. The final payment for the audit is not approved until this acceptance occurs.

The Directorate has a quality assurance program to assess the capability and competence of audit service providers on an ongoing basis. Surveys are sent to Divisions following the finalisation of audits to obtain feedback on performance of the auditors and assess the value of the audit. The quality of audit reports is assessed by the Audit Manager and the Audit Committee following every audit.

The Directorate will also periodically schedule a quality assurance audit of the internal audit function to be carried out by an independent reviewer.

2.12 Liaison with external auditors

Internal audit is an important element of the Directorate's internal control system and is subject to regular reviews by the ACT Government Auditor General's Office. The external auditor's assessment of the effectiveness of the internal audit function may influence the depth and level of external audit activities within the Directorate.

Whilst internal and external audit roles are fundamentally different, activities should be coordinated to minimise duplication.

External auditors will be given full access to audit services programs, working papers and reports as required.

A periodic review of internal audit function will be undertaken at least every 5 years.

2.13 Reporting to Audit Committee

The Chief Audit Executive will provide regular updates to the Audit Committee summarising all audit activities undertaken during the preceding period, including:

- status of program including audits completed or in progress;
- outcomes of each audit undertaken;
- requests for alteration to the program;
- independence of the internal audit activity;
- management's response to risk that, in the chief audit executive's judgment, may be unacceptable to the organisation;
- progress on implementation of recommendations; and
- any issues of concern.

The Chief Audit Executive will periodically (typically every three months) update the Audit Committee detailing the performance of the internal audit function in the preceding period, against the work plan, and on the operation and effectiveness of the fraud control arrangements.

The Chief Audit Executive will provide an annual update to the Audit Committee on the performance and or status of:

- the Audit Committee Charter;
- conformance with the Code of Ethics and the standards, and action plans to address any significant conformance issues; and
- internal audit resource requirements.

2.14 Review period

This charter will be reviewed 24 months from date of effect or following a significant change in the services delivered by the TCCS.

3.0 Resources

3.1 Definition of terms

Term	Definition
Audit Sponsor	Senior Executive with primary responsibility of area under audit.
ACTPS	ACT Public Service
Employee	A person employed by the ACTPS to undertake duties within the TCCS. Contractors and consultants engaged to represent the TCCS are also employees.
PSM Act	The <i>Public Sector Management Act 1994</i>
PSM Standards	The <i>Public Sector Management Standards 2016</i>

3.2 Relevant legislation

Legislation	Location
<i>Public Sector Management Act 1994</i>	http://www.legislation.act.gov.au/a/1994-37/default.asp
<i>Financial Management Act 1996</i>	http://www.legislation.act.gov.au/a/1996-22/default.asp
<i>Public Sector Management Standards 2016</i>	http://www.legislation.act.gov.au/di/2016-251/default.asp

3.3 Relevant resources

Policy/Document	Location
Director-General Instructions	Director-General Instructions
GAM-IAP-SOP01 Managing Internal Audits	<u>Objective</u>
GAM-IAP-SOP01.1 Process Map and Engagement Model	<u>Objective</u>
GAM-IAP-SOP01.2 Post-audit report assessment	<u>Objective</u>
GAM-RECC-SOP01 Audit Recommendation SharePoint Site Administration	<u>Objective</u>
GAM-RECC-SOP-1/FS01 Providing Updates on the TCCS Assurance Recommendation Site	<u>Objective</u>
GAM-RECC-SOP01/FS02 Guidance for Updating, Closing or Quarantining Audit Recommendations	<u>Objective</u>
GAM-AC-SOP01 Audit Committee Administration	<u>Objective</u>
ACTPS Integrity Governance Policy 2022	https://www.cmtedd.act.gov.au/_data/assets/pdf_file/0004/2004925/ACTPS-Integrity-Governance-Policy.pdf
ACTPS Integrity Framework 2022	https://www.cmtedd.act.gov.au/_data/assets/pdf_file/0003/2004924/ACTPS-Integrity-Framework.pdf
TCCS Risk Management Framework and Plan	https://actgovernment.sharepoint.com/sites/Intranet-TCCS/SitePages/Risk-Management