

# Internal Audit Charter

## Barangaroo Delivery Authority (the Authority)

Document Control

<b>Approved by:</b>	Barangaroo Delivery Authority Board
<b>Date of Approval:</b>	9 December 2015
<b>Review Cycle:</b>	Annually
<b>Reviewed:</b>	29 November 2016
<b>Next Review Date:</b>	November 2017
<b>Officer Responsible:</b>	Chief Audit Executive

---

**Table of Contents**

<b>1</b>	<b>INTRODUCTION.....</b>	<b>3</b>
<b>2</b>	<b>PURPOSE OF INTERNAL AUDIT .....</b>	<b>3</b>
<b>3</b>	<b>INDEPENDENCE.....</b>	<b>3</b>
<b>4</b>	<b>AUTHORITY AND CONFIDENTIALITY.....</b>	<b>4</b>
<b>5</b>	<b>ROLES AND RESPONSIBILITIES .....</b>	<b>5</b>
<b>6</b>	<b>SCOPE OF INTERNAL AUDIT ACTIVITIES .....</b>	<b>6</b>
<b>7</b>	<b>STANDARDS .....</b>	<b>6</b>
<b>8</b>	<b>ENGAGING EXTERNAL SERVICE PROVIDERS .....</b>	<b>7</b>
<b>9</b>	<b>RELATIONSHIP WITH EXTERNAL AUDIT.....</b>	<b>7</b>
<b>10</b>	<b>PLANNING .....</b>	<b>7</b>
<b>11</b>	<b>REPORTING.....</b>	<b>7</b>
<b>12</b>	<b>ADMINISTRATIVE ARRANGEMENTS .....</b>	<b>8</b>
<b>13</b>	<b>REVIEW OF THE CHARTER.....</b>	<b>8</b>

---

## 1 INTRODUCTION

- 1.1 The Authority has decided to outsource its internal audit functions.
- 1.2 A Chief Audit Executive is appointed to oversee those functions as a key component of the Authority's governance framework.
- 1.3 This Charter provides the framework for the conduct of the internal audit function for the Authority and has been approved by the Board of the Authority (**Board**), on the advice of the Audit and Risk Management Committee (**ARMC**).

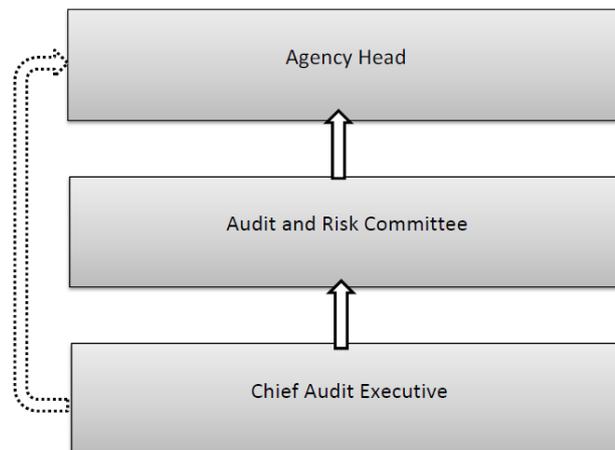
## 2 PURPOSE OF INTERNAL AUDIT

- 2.1 The internal audit function provides an independent, objective assurance and consulting activity. It is designed to add value and improve the Authority's operations. It helps the Authority accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 2.2 Internal audit provides an independent and objective review and advisory service to:
  - assist senior management in improving the Authority's operational performance, and
  - provide assurance to the AMRC and the Board, that the Authority's financial and operational controls are designed and implemented to:
    - manage the Authority's risks
    - achieve its objectives
    - operate in an efficient, effective and ethical manner.

## 3 INDEPENDENCE

- 3.1 Independence is essential to the effectiveness of the internal audit function. Internal audit activity must be independent and internal auditors must be objective in performing their work. Internal auditors must have an impartial, unbiased attitude and avoid any conflicts of interest.
- 3.2 The internal audit function has no direct authority or responsibility for the activities it reviews. Except in carrying out its functions, 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.
- 3.3 The internal audit function is carried out on a day to day basis to the Chief Audit Executive.
- 3.4 The Internal Audit function, through the Chief Audit Executive, has a dual reporting line. The Chief Audit Executive reports:
  - administratively to the Chief Executive Officer to facilitate day to day operations, and
  - functionally to the ARMC on the results of completed audits and for strategic direction and accountability purposes and reports

---

**3.5 THE FOLLOWING REPORTING LINE IS PRESCRIBED:**

- 3.6 Any audit that may be compromised by a conflict in the Chief Audit Executive accountabilities will be outsourced. In these circumstances, the roles usually performed by the Chief Audit Executive during audit assignments will be allocated to a senior member of the management team independent of the area/process being audited.<sup>1</sup>

**4 AUTHORITY AND CONFIDENTIALITY**

- 4.1 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 Chief Audit Executive considers necessary to enable the internal audit function to meet its responsibilities.
- 4.2 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 Chief Audit Executive and individuals involved from the outsourced internal auditors are responsible and accountable for maintaining the confidentiality of the information they receive during the course of their work.
- 4.3 All internal audit documentation is to remain the property of the Authority including where internal audit services are performed by an external third party provider.

---

<sup>1</sup> Subject to any overriding legislative restrictions on information

---

## 5 ROLES AND RESPONSIBILITIES

5.1 The internal audit function must evaluate and contribute to the improvement of governance, risk management and control processes using a systematic and disciplined approach.

5.2 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 appropriate risk management controls in day-to-day business activities and processes, and
- promoting a culture of cost-consciousness, innovation and adherence to high ethical standards.

5.3 Internal audit activities will encompass the following areas:

**Audit activities** including audits with the following orientation:

### *Risk Management*

- evaluate the effectiveness of, and contribute to the improvement in, risk management processes
- provide assurance that risk exposures relating to the Authority'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
- evaluate the design, implementation and effectiveness of the Authority's ethics-related objectives, programs and activities
- assess whether the information technology governance of the Authority sustains and supports the Authority's strategies and objectives.

### *Compliance*

- compliance with applicable laws, regulations, policies, procedures and contracts.

### *Performance improvement*

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

### **Advisory services**

The internal audit function can advise the Authority'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 mitigation and monitoring strategies as part of the risk management framework.

*Fraud control*

- evaluate the potential for the occurrence of fraud and how the Authority manages fraud risk
- assisting management to investigate fraud, identify the risks of fraud and develop fraud prevention and monitoring strategies.

**Audit support activities**

The internal audit function, specifically the Chief Audit Executive, is also responsible for:

- managing the internal audit function
- assisting the ARMC to discharge its responsibilities
- monitoring the implementation of agreed recommendations
- disseminating across the Authority better practice and lessons learnt arising from its audit activities.

**6 SCOPE OF INTERNAL AUDIT ACTIVITIES**

- 6.1 Internal audit reviews may cover all programs and activities of the Authority together with associated entities, as provided for in relevant business agreements, memoranda of understanding and/or contracts. Internal audit activity encompasses the review of all financial and non-financial policies and operations.

**7 STANDARDS**

- 7.1 Internal audit activities will be conducted in accordance with NSW Treasury Internal Audit and Risk Management Policy for the NSW Public Sector<sup>2</sup> and relevant professional standards including:
- International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors
  - Standards issued by Standards Australia and the International Standards Organisation.
- 7.2 In the conduct of internal audit work, outsourced auditors will:
- comply with relevant professional standards of conduct
  - possess the knowledge, skills and technical proficiency relevant to the performance of their duties
  - be skilled in dealing with people and communicating audit, risk management and related issues effectively
  - exercise due professional care in performing their duties.

---

<sup>2</sup> Currently TPP 15-03

---

**8 ENGAGING EXTERNAL SERVICE PROVIDERS**

- 8.1 The Authority's business model requires that internal audits and related reviews will be provided by external service providers.
- 8.2 In normal circumstances there will be a single service provider. However, even where this is the case, the Authority reserves the right to award individual reviews to other providers as the ARMC sees fit – for example, if a conflict of interest exists or may be perceived, or if the review is deemed to require a specialist. The Audit & Risk Management Committee will always be consulted in such cases.
- 8.3 An external service provider, whether long-term or single-engagement, will be expected to operate according to the Authority's internal audit manual and will be engaged under a formal contract.
- 8.4 When internal audit activity is provided by an external service provider, the Authority retains the responsibility for maintaining an effective internal audit activity.

**9 RELATIONSHIP WITH EXTERNAL AUDIT**

- 9.1 Internal and external audit activities will be coordinated to help ensure the adequacy of overall audit coverage and to minimise duplication of effort.
- 9.2 Periodic meetings and contact between internal and external audit shall be held to discuss matters of mutual interest and facilitate coordination.
- 9.3 External audit will have full and free access to all internal audit plans, working papers and reports.

**10 PLANNING**

- 10.1 The Chief Audit Executive will prepare, for the ARMC's consideration, a long-term Strategic Audit Plan providing for the review of all significant operations of the Authority over a three-year cycle.
- 10.2 Flowing from this will be the preparation of annual work-plans, which will provide more specific direction than the long term plan. The Strategic Plan should be constructed in such a way that gives each annual plan the flexibility to deploy one or two reviews to cover new or emerging issues.
- 10.3 In preparing the plan, the Chief Audit Executive should identify and consider the expectations of senior management, the board and other stakeholders for internal audit opinions and other conclusions.

**11 REPORTING**

- 11.1 The Chief Audit Executive will report to each meeting of the ARMC on:
- audits completed
  - progress in implementing the annual audit work plan, and
  - the implementation status of agreed internal and external audit

recommendations.

- 11.2 The Internal audit function will also report to the ARMC at least annually on the overall state of internal controls in the Authority and any systemic issues requiring management attention based on the work of the internal audit function.

## **12 ADMINISTRATIVE ARRANGEMENTS**

- 12.1 Any change to the person/s or organisation/s carrying out the internal audit function (Chief Audit Executive or the external service provider) will be approved by the Board, on the advice of the ARMC.
- 12.2 The Chief Audit Executive 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 these reviews will be reported to the ARMC who will in turn, provide advice to the Board.

## **13 REVIEW OF THE CHARTER**

- 13.1 This Charter will be reviewed at least annually by the ARMC. Any substantive changes will be formally approved by the Board, on the advice of the ARMC..