

# Internal Audit Charter

The Chief Executive Officer (CEO) has established the Internal Audit Function as a key component of IPART's governance framework.

This Internal Audit Charter provides the governance framework for the internal audit function at IPART and has been approved by the CEO considering the advice of the Audit and Risk Committee (ARC). This Charter must be read in conjunction with IPART's Internal Audit Manual and the Audit and Risk Committee (ARC) Charter.

## 1 Objective

The objective of internal Audit is to enhance and help protect organisational value by providing risk-based and objective assurance, advice and insight.

Internal audit is designed to add value and improve an agency'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<sup>a</sup>.

Internal audit provides an independent review and advisory service to:

- provide assurance to management, the CEO, and the ARC, that IPART'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 IPART's business, financial and operational performance.

## 2 Authority

The Accountable Authority for IPART is the Chairperson of the Tribunal. The Accountable Authority's functions under the GSF Act, which include those relating to TPP20-08 have been delegated to the CEO (refer to Instrument of Delegation of Accountable Authority Functions Under the *Government Sector Finance Act 2018* as at 1 November 2021 (D21/25226)). While this Charter refers to the CEO performing Accountable Authority functions, those functions may still be exercised by the Chairperson.

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<sup>a</sup> Refer to International Professional Practices Framework's definition of [Internal Auditing](#).

## 3 Core Principles

IPART's internal audit function and internal auditors must demonstrate the following core principles<sup>b</sup>:

- Demonstrates integrity
- Demonstrates competence and due professional care
- Is objective and free from undue influence (independent)
- Aligns with the strategic, objectives, and risks of IPART
- Is appropriately positioned and adequately resourced
- Demonstrates quality and continuous improvement
- Communicates effectively
- Provides risk-based assurance
- Is insightful, proactive, and future-focussed
- Promotes organisational improvement.

## 4 Internal Audit Governance

### 4.1 Independence

Independence is essential to the effectiveness of the internal audit function. Internal auditors shall be objective, impartial, display an unbiased attitude and avoid real or perceived 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.

### 4.2 Three Lines Model

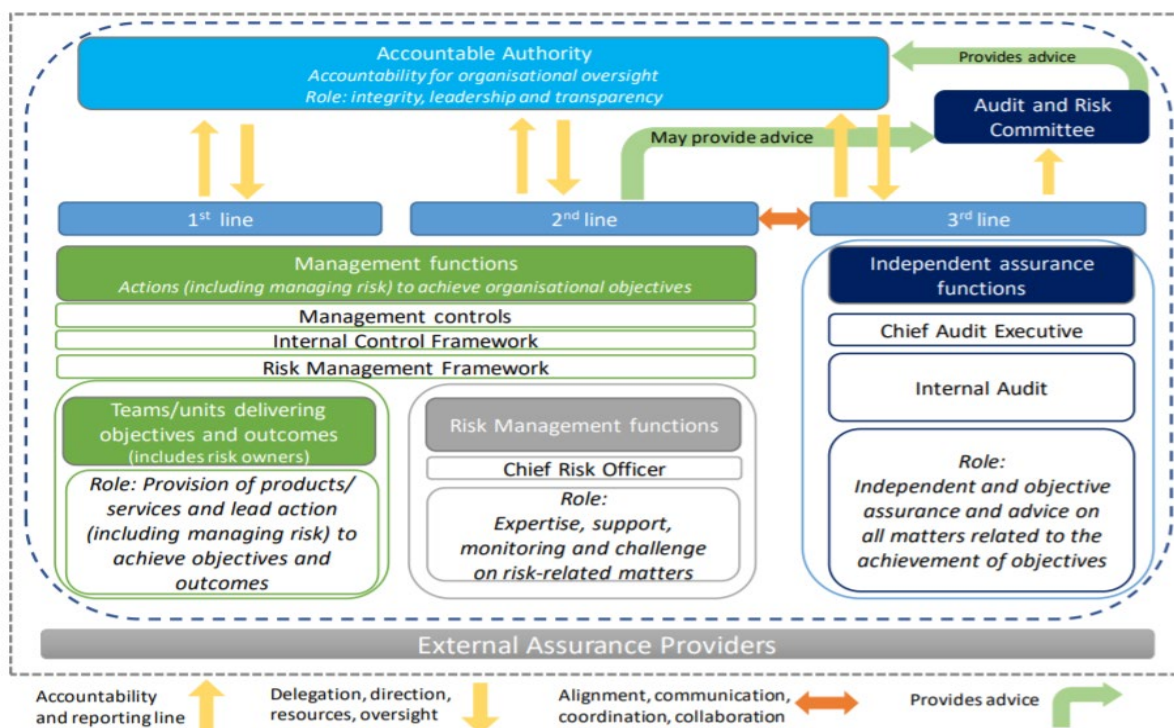
IPART has established a governance structure that adapts the Institute of Internal Auditor's Three Lines Model (see **Figure 1**).<sup>c</sup> The Model is structured to support independence in the assurance and advice provided to the Accountable Authority (delegated to the CEO) on the adequacy and effectiveness of IPART's governance and risk management.

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<sup>b</sup> Refer to International Professional Practices Framework's definition of [Core Principles](#).

<sup>c</sup> As IPART is a small agency, staff performing the internal audit function also have other responsibilities (in risk management and, in the case of the CAE, as General Counsel).

Figure 1 – Three Lines Model



Source: TPP20-08 Internal Audit and Risk Management Policy for General Government Sector.

### 4.3 Reporting Line

The internal audit function comprises the Chief Audit Executive (CAE), and co-sourced internal audit team being the Principal Risk Officer and an internal audit service provider (IASP). The internal audit function is responsible on a day-to-day basis to the Chief Audit Executive (CAE), an appointment held by the General Counsel.

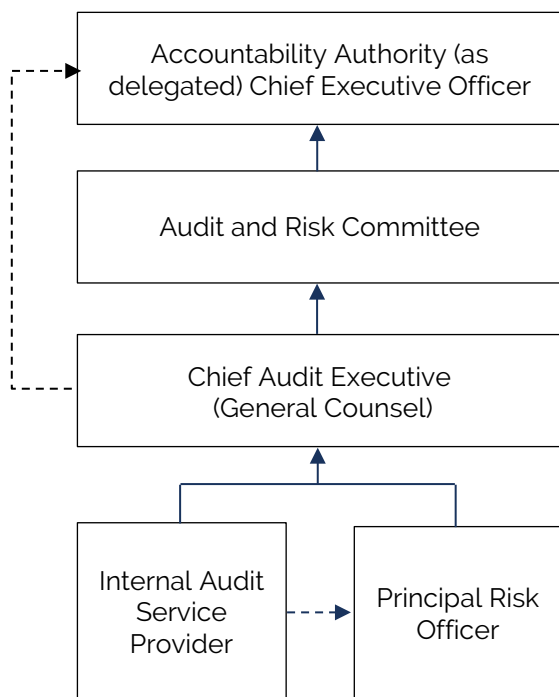
The internal audit function, through the CAE, reports functionally to the ARC on the results of completed audits, and for strategic direction and accountability purposes, and reports administratively to the CEO to facilitate day-to-day operations. The CAE has direct access to the CEO to discuss audit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

Where the person occupying the role of CAE is responsible for a non-audit activity, there are independence safeguards in place:

- The CAE's capacity (in terms of workload) to undertake their role is monitored by the CEO, with regular reporting on the progress of internal audit activities provided to the Executive Leadership Team (ELT) (quarterly), ARC (quarterly, with an annual private meeting), and the Tribunal (biannually or annually (at a minimum)).
- Audit of the non-audit activities the CAE is responsible for must be managed and performed independently of the CAE and reported direct to the ARC.
- The Internal audit function is managed by the Principal Risk Officer (PRO), who reports functionally and administratively to the CAE, and is also responsible for audit support activities, the development and implementation of the risk management framework across IPART.

Figure 2 reflects the CAE's reporting lines, where the solid line represents the CAE's audit 'functional' reporting line to the ARC, and the dotted line represents the 'administrative' reporting line to the CEO.

Figure 2 – IPART Internal Audit Reporting Line



When the General Counsel or the Principal Risk Officer are undertaking non-audit duties, they are not operating in their internal audit roles. In those instances, the functional and administrative reporting line for the General Counsel is to the CEO and not the ARC.

Conflicts of interest are managed as a result of co-sourced internal audit arrangements, through the engagement of an IASP. In other circumstances, a member of the Executive Leadership Team will undertake the CAE role where audits occur within the Legal, Audit and Risk streams of work.

## 5 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<sup>d</sup>. When responding to requests, agency staff and contractors should cooperate with the internal audit representatives and must not knowingly mislead the internal audit function, nor wilfully obstruct any audit activity.

All records, documentation and information accessed while undertaking internal audit activities are to be used solely for the conduct of these activities. The CAE and individual internal audit staff (including IASPs) are responsible and accountable for maintaining the confidentiality of the information they receive during the course of their work.

<sup>d</sup> Subject to any overriding legal or legislative restrictions on information.

All internal audit documentation is to remain the property of IPART, including where internal audit services are performed by a third-party provider.

## 6 Roles and Responsibilities

The internal audit function must 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 three areas set out in sections 6.1 to 6.3.

### 6.1 Internal Audit Activities (including audits with the following orientation)

Audits activities will include audits with the following orientation:

#### 6.1.1 Risk Management

- evaluate the effectiveness, and contribute to the improvement, of risk management processes, internal control and governance processes
- provide assurance to the CEO and the ARC on the effectiveness of the risk management framework including the design and operational effectiveness of internal controls
- provide assurance that risk exposures relating to IPART's governance, operations, and information systems are correctly evaluated, including:
  - reliability and integrity of financial and operational information
  - effectiveness, efficiency and economy of operations
  - safeguarding of assets
- evaluate the design, implementation and effectiveness of IPART's ethics-related objectives, programs, and activities
- assess whether the information technology governance of IPART sustains and supports the organisation's strategies and objectives (including risks arising from cyber-security).

#### 6.1.2 Compliance

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

### 6.1.3 Performance Improvement

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

## 6.2 Advisory services

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

### 6.2.1 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.

### 6.2.2 Risk management

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

### 6.2.3 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.

## 6.3 Audit support activities

The internal audit function is also responsible for:

- assisting the ARC to discharge its responsibilities
- maintaining the ARC Qualifications, Skills and Experience Matrix (D22/4059) (Skills Matrix), which supports IPART's decision-making on succession planning and member selection and appointment
- monitoring the implementation of agreed recommendations
- disseminating across the entity better practice and lessons learnt arising from its audit activities.

## 7 Scope of Internal Audit Activity

Internal audit reviews may cover all programs and activities of IPART 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.

### 7.1 Standards

Internal audit activities will be conducted in accordance with this Charter, TPP20-08 and with relevant professional standards including International Standards for the Professional Practice of Internal Auditing<sup>e</sup> issued by the IIA.

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.

### 7.2 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.

### 7.3 Planning

The CAE will prepare a risk-based annual internal audit plan in a form and in accordance with a timetable agreed with the ARC.

### 7.4 Reporting

The CAE will report to each meeting of the ARC on:

- audits completed
- progress in implementing the annual audit work plan, and

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<sup>e</sup> Institute of Internal Auditors (2017) [International Standard for the Professional Practice of Internal Auditing](#)

- 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 IPART and any systemic issues requiring management attention based on the work of the internal audit function and other assurance providers.

## 7.5 Administrative arrangements

Any change to the role of the CAE and IASP 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.

## 8 Document Management

At least once a year the ARC will review this Charter. This review will include consultation with the CEO. Any substantive changes to this Charter will be recommended by the Committee and formally approved by the CEO.

<b>Title</b>	Internal Audit Charter
<b>Author</b>	Principal Risk Officer
<b>Owner</b>	General Counsel / Chief Audit Executive
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<b>Related Documents</b>	<a href="#">General Sector Finance Act 2018</a> <a href="#">NSW Treasury TPP20-08 Internal Audit and Risk Management for the General Government Sector 2018</a> <a href="#">Institute of Internal Auditors (2017) International Standard for the Professional Practice of Internal Auditing</a> <a href="#">IPART Internal Audit Manual (D17/34900)</a>
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