Internal Audit

Policy Number:	**GOV-18**
Responsible Department(s):	**Governance**
Other Relevant Policies:	**Risk Management Policy** **Fraud, Corruption, Misconduct and Maladministration Policy** **Public Interest Disclosure Policy** **Work Health Safety and Return to Work Policy** **Information Management Policy**
Other Relevant Procedure(s):	Nil
Procedures superseded by this procedure	**Internal Audit Policy, 25 February 2025, Item 12.10, 77/25**
Approved by:	**Council**
Date of Approval	**25 November 2025**
Effective From:	**26 November 2025**
Next Review:	**At the end of the Council term (November 2026) or as required by legislation or changed circumstances**

Version Control

Version:	Effect Date:	Description of Changes:	Approver:
1.0	*01/03/2014*	*New Policy*	*SPDPC - Res 3/14*
1.1	*27/06/2017*	*Minor amendments to achieve consistency with Council policy template and updated nomenclature*	*SPDPC – Res SP21/17*
2.0	*24/05/2022*	*Minor amendments to achieve consistency with nomenclature changes and with the Council policy template*	*Council - Res 132/22*
3.0	*25/02/2025*	*Replacement of "Mayor" with "Deputy Mayor" in clause 4.2.5, as per the requirements of resolution 430/24.*	*Council – Res 77/25*
4.0	*25/11/2025*	1. Replacement of "Deputy Mayor" with "Mayor" in clause 4.2.5, as per the revocation of Part 3(h) of Resolution 430/24, as provided for by Resolution 402/25. 2. Minor change to clause 3.2 to correct an error. 3. New template	*Council – Res 402/25*

Internal Audit

Adelaide Hills COUNCIL

1. INTRODUCTION

1.1 Internal controls are essential to assist the Council to carry out its activities in an efficient and orderly manner to achieve its objectives, to ensure adherence to legislation and council policies, to safeguard the Council's assets, and to secure the accuracy and reliability of council records

1.2 This policy includes a definition of internal audit as it applies to the Council, a set of internal audit principles and states the responsibilities for Council Members, the Audit Committee, the Leadership team and the Governance Department.

2. POLICY STATEMENT

2.1 The Council is committed to maintaining a robust and integrated Governance Framework that assures stakeholders that it is pursuing its objectives and fulfilling its responsibilities with due diligence and accountability.

2.2 A fundamental component of this Framework is the operation of an objective assurance function that evaluates the adequacy and effectiveness of the systems of internal control within the Council.

2.3 The purpose of this Policy is, through the establishment of an internal audit function, to support better decision-making through a good understanding of the adequacy and effectiveness of the systems of internal controls to mitigate Council's risks.

3. DEFINITIONS

3.1 Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve the Council's operations. It helps the Council accomplish objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes1.

3.2 The Executive Governance Officer is responsible for the management of the internal audit function within Council. Internal audits are to be conducted by suitably qualified and experienced personnel and may be insourced, cosourced or outsourced.

4. POLICY PRINCPLES

4.1 The principles of the Council's approach to internal audit are:

4.2 <u>Independence</u>

4.2.1 Independence is essential to the effectiveness of the internal audit function.

4.2.2 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 as noted below). The work of internal audit does not in any way relieve managers of their responsibilities for the development, implementation and maintenance of management control systems in their areas.

4.2.3 The Executive Governance Officer is responsible, on a day to day basis, for the internal audit function of Council. In achieving operational independence of the internal audit function the CEO has ensured that the Executive Governance Officer has dual reporting lines.

4.2.4 These reporting lines require that the Executive Governance Officer must:

- report administratively to the CEO to facilitate day to day operations of the internal audit function and
- report to the Audit Committee for strategic direction and accountability of the internal audit function.

4.2.5 The Executive Governance Officer has direct access to the Mayor, the Presiding Member of the Audit Committee and the CEO. Periodic 'in camera' meetings may be held between the Executive Governance Officer and the Audit Committee.

4.2.6 Where the Executive Governance Officer has responsibility for an activity that is scheduled for review, the Audit Committee will ensure that the internal audit assignment will be managed by another employee within Council and the independence of the function is not compromised.

4.3 Authority and Confidentiality

4.3.1 Subject to compliance with Council's security policies, internal auditors are authorised to have full, free and unrestricted access to all functions, premises, assets, personnel, records, and other documentation or information that the Executive Governance Officer or the CEO considers necessary to enable the internal auditors to undertake the audit assignment.

4.3.2 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 Executive Governance Officer is responsible and accountable for maintaining the confidentiality of the information the internal auditors receive during the course of their fieldwork.

4.3.3 Where necessary, Executive Governance Officer may consult with and disclose audit matters to other local government entities, normally this will only occur where these matters affect other entities, or as directed by the Audit Committee or the CEO.

4.4 Standards

4.4.1 Internal audit activities will be conducted in accordance with intent of relevant professional standards deemed appropriate and applicable including:

- International Professional Practices Framework (IPPF) issued by the Institute of Internal Auditors
- Standards relevant to internal audit issued by the Australian Society of Certified Practising Accountants and the Institute of Chartered Accountants in Australia
- The Statement on Information Systems Auditing Standards issued by the Information Systems and Control Association, and
- Standards issued by Standards Australian and the International Standards Organisation.

4.4.2 In the conduct of internal audit work, internal 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 and
- exercise due professional care in performing their duties.

4.5 No Surprises

4.5.1 Council's approach to internal audit is that there should be 'no-surprises' at the conclusion of the audit assignment. To this end, on-going discussions will be held with management as findings emerge and conclusions are developed. At the mid-point of the audit, a formal meeting may be sought with the audit sponsor to discuss the audit and any emerging issues. If necessary, Executive Governance Officer will communicate significant matters of concern to the CEO and/or the Audit and Risk Committee prior to the completion of the final report.

5. SCOPE

5.1 Internal audit reviews cover all programmes and activities of the Council together with associated entities as provided for in relevant business agreements, memorandum of

understanding and contracts. Internal audit activity encompasses the review of all financial and non-financial policies and operations as required.

6. RESPONSIBILITIES

6.1 The Council has ultimate responsibility that appropriate policies, practices and procedures of internal control are implemented and maintained in accordance with s125 of the Local Government Act 1999.

6.2 The **Audit and Risk Committee** is responsible for (as per the Audit Committee Terms of Reference):

6.2.1 monitoring and reviewing the effectiveness of the internal audit function in the in the context of the Council's overall risk management system;

6.2.2 consider and make recommendation on the program of the internal audit function and the adequacy of its resources and access to information to enable it to perform its function;

6.2.3 review all reports on the Council's operations from the internal auditors;

6.2.4 review and monitor management's responsiveness to the findings and recommendations of the internal auditor.

6.3 The **Chief Executive Officer** is responsible for ensuring that an internal audit function is established, implemented and maintained in accordance with this Policy.

6.4 **Employees** are accountable for assisting internal auditors in the conduct of their work through the provision of accurate and timely information to audit requests, providing responses to audit reports and updates on the implementation status of actions arising from audits.

6.5 The **Governance Department** is responsible for the development and continuous improvement of the Council's internal audit systems and processes; the development of internal audit plans, the engagement and management of internal audit providers; the monitoring of the implementation status of audit actions; and reporting to the Chief Executive Officer and Audit Committee regarding the Council's internal audit function.

7. RELATIONSHIP TO RISK MANAGEMENT

7.1 Internal audit provides an independent appraisal of key internal controls within the organisation. These controls are key mitigations of inherent risk and therefore inform the risk management process and the calculation of residual risk.

8. DELEGATION

8.1 The CEO has the delegation to:

- Approve, amend and review any procedures that shall be consistent with this Policy; and
- Make any legislative, formatting, nomenclature or other minor changes to the Policy during the period of its currency.

9. AVAILABILITY OF THE POLICY

9.1 This Policy will be available via the Council's website www.ahc.sa.gov.au.