



Internal Audit Charter

(Board approved 13 April 2012)

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1. Introduction

The Internal Audit Charter outlines the roles and responsibilities of Internal Audit and their relationship to the Audit Committee. In addition, the Charter provides the framework for the conduct of the internal audit function in Queensland Bulk Water Supply Authority and has been approved by the Board on the advice of the Audit Committee

In preparing this Charter regard has been had to the *Financial and Performance Management Standard 2009* (Standard) which sets out certain requirements for an internal audit charter, internal audit planning and reporting by internal audit.

2. Objectives

The objectives of the internal audit function at Queensland Bulk Water Supply Authority are to

- **Provide focussed risk coverage** – develop an internal audit plan that includes the principal risks that Queensland Bulk Water Supply Authority wants assurance about.
- **Integrate approach to risk and control** - coordinate the internal audit compliance and risk assessment work with the other assurance providers within Queensland Bulk Water Supply Authority such as the Queensland Audit Office, the Senior Management Team etc.
- **Foster awareness of risk and control** – encourage a management culture that seeks continual improvement in business processes.
- **Flexibility to respond to events** – respond quickly to changes in the business environment, business risks and organisation priorities.
- **Provide operational efficiency** – be cost effective both in terms of the cost and quality of work performed.
- **Support external auditors** – coordinate with external audit to increase the efficiency of the audit effort.

3. Role

Internal audit supports Queensland Bulk Water Supply Authority's corporate governance framework by providing the Board (through the Audit Committee) with:

- Assurance that Queensland Bulk Water Supply Authority has effective and adequate internal controls in place to support the achievement of its objectives, including the management of risk, and
- Advice with respect to Queensland Bulk Water Supply Authority's internal controls and business processes.

This assurance and advice are review activities which continuously reinforce Management's responsibility for effective internal controls.

Management is responsible for risk management and the operation and enhancement of internal controls. This includes responsibility for implementing the action plans as endorsed by the Audit Committee.

Internal Audit supports Management's business objectives and the Audit Committee's need for overall assurance on the quality, cost effectiveness and consistency of application of internal controls.

4. Scope of Role

The scope of Internal Audit's role is to review, assess and report on:

- The adequacy and effectiveness of the systems of financial, operational, IT and management control and their operation in practice in relation to the financial and business risks to be addressed;
- The extent of compliance with, relevance of, and financial effect of, policies, standards and procedures established by Queensland Bulk Water Supply Authority Board and the extent of compliance with relevant laws and regulations;
- The accuracy, reliability and integrity of financial and other management information and the means used to identify, measure, classify and report such information;
- The integrity of processes and systems, including those under development, to ensure that controls offer adequate protection against error, misstatement, fraud and loss;
- The recording, control and use of Queensland Bulk Water Supply Authority assets;
- The achievement of objectives of major business projects which affect Queensland Bulk Water Supply Authority's principal risks;
- Whether services are provided in a way which is economical and effective to Queensland Bulk Water Supply Authority's customers; and
- The follow-up action taken to remedy weaknesses identified by Internal Audit review, ensuring that good practice is identified and communicated widely.

The Audit Committee reviews the scope and nature of the work of Internal Audit, in particular by the internal audit planning process which is referred to in **section 5** below, and makes recommendations to the Board regarding the adoption of internal audit strategic and operational plans.

5. Responsibility

Internal Audit is responsible for:

Audit planning

- Developing an annual audit plan based on the assessment of financial and business risks, which is aligned with the strategic goals and objectives of Queensland Bulk Water Supply Authority and the key risks facing Queensland Bulk Water Supply Authority;
- Submitting the plan to the Audit Committee for review and recommendation to the Board regarding the adoption of the plan; and
- Developing and implementing an audit program based on the plan, which is flexible enough to meet Queensland Bulk Water Supply Authority's changing business needs, including coordinating resources to carry out the plan and deal with special requests.

Assurance reports

- Providing regular audit reports to Management and the Audit Committee; and
- Providing periodic program management reports to Management and the Audit Committee.

Competence and standards

- Developing and maintaining an appropriately skilled and professional audit team with sufficient knowledge, skills and experience to carry out the plan.

Process improvement

- Working with Management constructively to challenge and improve established and proposed practices and to put forward ideas for process improvement.

Advice

- Providing advice with respect to internal controls and business practices.

6. Independence

For Internal Audit to fulfil its responsibilities it is essential that it is independent of the activities it audits. Internal Audit reports directly to the Audit Committee to which it has unrestricted access and this ensures its independence.

Internal Audit does not perform and is not responsible for management of internal control processes as this impairs its objectivity; does not have any direct responsibility for, or authority over, the activities it reviews and does not audit areas in respect of which it advises.

7. Access and Confidentiality

Internal Audit has unrestricted access to all the records, personnel, property and operations of Queensland Bulk Water Supply Authority required to carry out its role and obligations with due responsibility for safekeeping and confidentiality. Queensland Bulk Water Supply Authority currently out-sources its internal audit function to a consultant and the agreement entered into by Queensland Bulk Water Supply Authority and the consultant contains provisions about managing confidentiality.

8. Reporting

Management

Internal Audit will provide reports to Management on activities reviewed in accordance with the timeframes and protocols agreed by the Audit Committee and Internal Audit from time to time and set out in the Internal Audit Protocol document.

Accounts and Audit Committee

Internal Audit will report regularly on the results of its work to the Audit Committee. Internal Audit is responsible to the Audit Committee for:

- Providing regular assessments of the adequacy and effectiveness of Queensland Bulk Water Supply Authority's risk management policies and procedures and systems of internal control;
- Reporting significant control issues and potential for improving risk management practices and control processes; and
- Periodically providing information on the status and results of the annual audit plan and the sufficiency of Internal Audit resources.

9. Resourcing

Queensland Bulk Water Supply Authority currently out-sources its internal audit function. The terms and conditions for this out-sourcing are documented in a consultancy agreement between Queensland Bulk Water Supply Authority and the consultant. No Queensland Bulk Water Supply Authority staff are involved in conducting internal audits on behalf of the internal auditor.

10. Relationship with External Audit

Internal Audit is independent of and should not duplicate the external audit function. Internal Audit should liaise with the Queensland Audit Office to ensure that duplication of effort is avoided and that work undertaken by either party can be relied upon by the other party wherever possible.

11. Standards

Internal audit activities will be conducted in accordance with the Queensland Public Sector and supporting Queensland Bulk Water Supply Authority values, policies and procedures.

Internal Audit activities will also be conducted in accordance with relevant professional standards including:

- Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors; and
- 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 Australia and the International Standards Organisation.

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;
- Be skilled in dealing with people and communicating audit, risk management and related issues effectively;
- Their technical competence through a program of professional development, and
- Exercise due professional care in performing their duties.

Document Version Control			
Date	Version	Amendments Controlled by	Details of Action and Approval
01.10.10	4.0	T Lake – Corporate Counsel	Major revision approved by the Seqwater Board
13.04.12	5.0	R Wilson-Manager Governance & Compliance	Minor revision approved at 13 April 2012 Seqwater board meeting