

Internal Audit Charter

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Introduction

The Commissioner has established the Internal Audit function (within Internal Audit & Business Analysis) as a key component of the AFP's governance framework.

This charter provides the framework for the conduct of the Internal Audit function in the AFP and has been approved by the Commissioner on the advice of the Audit Committee.

Purpose of Internal Audit

Internal Audit provides an independent and objective review and advisory service to:

- provide assurance to the Commissioner that the AFP's financial and operational controls designed to manage the organisation's risks and achieve the entity's objectives are operating in an efficient, effective and ethical manner, and
- assist management in improving the entity's business performance.

Independence

Independence is essential to the effectiveness of the Internal Audit function.

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.

Internal Audit reports functionally to the Audit Committee. The Chief Audit Executive (Manager Internal Audit & Business Analysis) is accountable to the Commissioner and also reports through an Administrative Delegation (National Manager Policy & Governance) to the Chief Operating Officer.

The Chief Audit Executive has direct access to the Commissioner, and the Chair and other members of the Audit Committee. The external members shall meet annually with the Manager of Internal Audit and Business Analysis in private session to seek assurances about the independence of Internal Audit and they may make whatever report they deem appropriate as a consequence to that meeting.

Authority and confidentiality

Subject to compliance with AFP security policies, 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 Internal Audit to meet its responsibilities.

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 individual

Internal Audit staff are responsible and accountable for maintaining the confidentiality of the information they receive during the course of their work.

Under its legislation, the Australian National Audit Office has access to all relevant AFP documents including Internal Audit reports.

Roles and responsibilities

In the conduct of its activities, Internal Audit 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 following areas:

Audit activities including audits with the following orientation:

Compliance

- compliance with legislative requirements, Australian Government and AFP policies and procedures including assurance in respect of the Certificate of Compliance;
- the adequacy and effectiveness of internal financial and operational controls including IT system controls;
- the recording, control and use of entity assets, and

Performance improvement

- the efficiency, effectiveness, and ethical conduct of the entity's business systems and processes.

Advisory services

Internal Audit can advise AFP management on a range of matters including:

New programmes, systems and processes

- providing advice on the development of new programmes and processes and/or significant changes to existing programmes and processes including the design of appropriate controls.

Audit support activities

Internal Audit is also responsible for:

- assisting the Audit Committee to discharge its responsibilities;
- providing secretarial support to the Audit Committee;
- monitoring the implementation of agreed recommendations;
- disseminating across the entity better practice and lessons learnt arising from its audit activities; and
- managing the audit function.

Scope of Internal Audit activity

Internal Audit reviews cover all programmes and activities of the AFP 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. These may include reviews of the:

- extent of compliance with legislative requirements and other directions and instructions;
- design, development, implementation, and operation of systems, procedures, processes and controls, whether manual or computer based;
- reliability and accuracy of information available for decision making and accountability purposes;
- adequacy of protection afforded public funds and assets; and
- efficient, effective and ethical use of resources.

Standards

Internal Audit activities will be conducted in accordance with the Australian Public Service and supporting AFP values, policies and procedures.

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;
- Standards relevant to Internal Audit issued by the Australian Society of Certified Practising Accountants and the Institute of Chartered Accountants in Australia; and
- The Statement on Information Systems Auditing Standards issued by the Information Systems and Control Association.

These standards are listed in the order of the preference to apply should there be any conflict between them.

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;

- maintain their technical competence through a programme of professional development; and
- exercise due professional care in performing their duties.

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.

External audit will have full and free access to all Internal Audit plans, working papers and reports.

Internal Audit will provide a liaison and coordination point for the ANAO for all performance audits conducted by them.

Planning

The Chief Audit Executive will prepare, for the Audit Committee's consideration, an internal strategic audit plan and an annual program in a form agreed with the Committee.

Reporting

The Chief Audit Executive will report to each meeting of the Audit Committee on:

- audits completed;
- progress in implementing the strategic plan and annual audit program; and
- the status of the implementation of agreed internal and external audit, Parliamentary Committee and other relevant external body recommendations where the associated risk is high or critical.

Internal audit will also report to the Audit Committee at least once annually on the overall state of internal controls in the AFP and any systemic issues requiring management attention based on the work of internal audit and other assurance providers.

Administrative arrangements

Any change to the position of the Chief Audit Executive, will be approved by the Commissioner. The Audit Committee will be consulted as part of the process.

The Chief Audit Executive will arrange for a periodic, independent review of the efficiency and effectiveness of the operations of the Internal Audit function at least every five years.

Review of the charter

This charter will be reviewed at least annually by the Audit Committee. Any substantive changes will be formally approved by the Commissioner on the recommendation of the Audit Committee.

UNCLASSIFIED

Arising from internal and external audit reports, Parliamentary Committee reports and other external bodies such as the Management Advisory Committee, the Australian Public Service Commission and the Ombudsman.

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