

Internal Audit Charter

Wide Bay Hospital and Health Service

Effective from: 1 July 2020

1.0 Purpose

Section 25 of the *Financial and Performance Management Standard 2019* requires Wide Bay Hospital and Health Service's (WBHHS) Internal Audit function to operate under an Internal Audit Charter. The Internal Audit Charter provides the framework within which Internal Audit for WBHHS functions, as well as Internal Audit's objectives, roles and responsibilities.

2.0 Definition and objectives of Internal Audit

Internal Audit: is defined as follows:

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

Source: *International Professional Practices Framework (IPPF)*, The Institute of Internal Auditors Research Foundation. Florida, USA, January 2011, 2013, 2017.

Internal Audit is an important part of WBHHS's governance framework and provides the WBHHS Board through the Audit and Risk Committee with independent and objective assurance evaluating the overall adequacy and effectiveness of WBHHS's governance, risk management and internal controls including whether resources under its control are being managed and used in an efficient, effective and ethical manner. It also assists management in improving WBHHS's business performance.

However Internal Audit does not in any way relieve WBHHS officers of their individual responsibilities for implementing and maintaining effective systems to both monitor and control activities and practices.

The WBHHS Internal Audit function may be conducted by:

- appropriately qualified internal WBHHS audit staff;
- an appropriately qualified external consultant engaged by WBHHS through a State government approved audit panel approved by the Board; or
- other suitable and appropriately qualified external audit provider approved by the Board.

3.0 Independence and objectivity

Internal Audit must be, and must be seen to be, independent of the activities and processes it appraises.

Independence ensures Internal Auditors can perform their duties in an objective manner and can provide impartial and unbiased advice to WBHHS's management, Audit and Risk Committee and Board.

Internal Audit staff have no line responsibility or direct authority for any of the activities or operations they review and are not authorised to implement internal controls, develop or install systems and procedures, prepare records, nor be engaged directly in any activity that would compromise the objectivity of the function.

Internal Audit is accountable to the Audit and Risk Committee for the efficient and effective operation of the Internal Audit function.

Internal Audit has direct access to the Board Chair and the Chair of the Audit and Risk Committee and that Committee's members. Periodic meetings will be held between the Audit and Risk Committee and Internal Audit. Internal Audit reports functionally for operations to the Chair of the Audit and Risk Committee and administratively to the Executive Director Governance.

Internal Auditors must have an impartial, unbiased attitude and avoid any actual, potential or perceived conflict of interest.

4.0 Authority

To fulfil its responsibilities, (subject to strict accountability for confidentiality and safeguarding records and information), Internal Audit is authorised to have free and unrestricted access to all WBHHS functions, premises, assets, personnel, records and other documentation that the Internal Auditor considers necessary to carry out the Internal Audit function.

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. Individual Internal Audit staff are responsible and accountable for maintaining the confidentiality of the information they receive during their work. Internal Audit reports are deemed to be confidential reports of the WBHHS.

Internal Auditors have the authority to seek any information they require to fulfil their responsibilities from any WBHHS officer, employee, consultant or contractor.

WBHHS officers, employees, consultants and contractors are expected to make themselves available to Internal Auditors and provide such information and explanations as are required for the effective conduct of Internal Audit work.

5.0 Scope

The scope of work of the Internal Audit function is to determine whether the governance, risk management and control processes of the WBHHS, are adequate and functioning in a manner to provide a reasonable level of confidence that:

- Significant key risks are appropriately identified and managed;
- Significant financial, managerial, and operating information is accurate, reliable, and timely;
- Employees' actions are in compliance with policies, standards, procedures, and applicable laws;
- Resources (including assets) are acquired economically, used efficiently, and protected adequately;
- Programs, plans, and objectives are achieved;
- Quality and continuous improvement are fostered in WBHHS's control process; and
- Significant legislative or regulatory issues impacting the WBHHS are recognised and addressed properly.

Opportunities for improving management control, financial performance, and the image of the WBHHS may be identified during audits.

6.0 Roles and responsibilities

In the conduct of its activities, Internal Audit will perform its functions in accordance with s 24 of the *Financial and Performance Management Standard 2019* and play an active role in:

- developing and maintaining a culture of accountability and integrity;
- supporting 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.

The responsibilities of Internal Audit include:

- developing an annual Internal Audit Strategic Audit Plan and Annual Audit Plan in consultation with the Audit and Risk Committee, Executive and External Audit (QAO)(also see Section 11);
- conducting Internal Audits in accordance with the approved Internal Audit Strategic Audit Plan and Annual Audit Plan including oversight of, and reporting on the overall quality of the Internal Audit activities and ensuring the timely completion of audit assignments;
- conducting and managing other Internal Audit activities in response to management requests for Internal Audit services for specific business areas in response to an identified issue or emerging risk;
- conducting Internal Audits in accordance with the process set out in **Appendix A** by:
 - providing a copy of draft Internal Audit reports to the accountable person in charge of the audited area and including in the final Internal Audit report, management comments and implementation dates agreed by the accountable person in charge of the audited area;
 - providing final Internal Audit reports to the Executive and Audit and Risk Committee;
 - presenting Internal Audit reports to Executive with a collaborative approach to developing and agreeing management action plans to address risks or deficiencies identified;
- monitoring and tracking the status of Internal Audit recommendations and management corrective actions, and reporting on the status of overdue recommendations to the Executive, the Audit and Risk Committee and Board including the reporting set out in **Appendix B**;
- engaging and fostering strong relationships with stakeholders (such as the Executive, External Audit and independent assurance providers) to ensure they are fully aware of Internal Audit activity progress, to avoid duplication of effort, to enable reliance on assurance activities (as far as allowed under standards) and to avoid disruption to the business caused by multiple assurance activities;
- evaluating the WBHHS systems established to ensure compliance with policies, procedures, laws and regulations that could have a significant impact on the organisation;
- reporting periodically on the Internal Audit activity's purpose, authority, responsibility and performance relative to its plans and deviation from approved Internal Audit plans;
- reporting periodically to the Audit and Risk Committee on all Internal Audit activities including significant risk exposures and control issues, fraud risks, and/or governance issues identified during the course of an Internal Audit;
- assisting, when requested, with an investigation of significant suspected fraudulent activity and notify the Executive and the Audit and Risk Committee of the results;
- evaluating specific operations at the request of the Board or Executive; and

- ensuring that the Internal Audit function is externally reviewed at least every 5 years, by a qualified, independent external review team, and that the results of this external assessment are communicated to the Audit and Risk Committee.

7.0 Audit activities

Internal Audit activities will be conducted in accordance with:

- the WBHHS vision, policy and procedures;
- Queensland Government directives and guidelines and relevant professional principles, standards and code of ethics including those issued by the Institute of Internal Auditors (including the Core Principles for the Professional Practice of Internal Auditing), the Institute of Chartered Accountants in Australia, CPA Australia and standards relevant for the management of control of information systems.

Internal Audit work will normally include, but is not restricted to, the following types of activity:

- *Financial / Compliance:*
 - Compliance with laws, regulations and contracts;
 - Compliance with WBHHS policies and procedures;
 - The adequacy and effectiveness of internal controls, financial, operational, information technology systems and information security;
 - Safeguarding assets; and
 - The recording, control and use of WBHHS assets, and performance improvement.
- *Performance improvement:*
 - The efficiency, effectiveness and ethical conduct of the WBHHS's business systems and processes.
- *Risk Management*
 - Assist by identifying and evaluating significant exposures to risk;
 - Contribute to the improvement of risk management and control systems; and
 - Evaluate risk exposures regarding governance, operations and information systems.

8.0 Advisory services

Where Internal Audit provides consulting services it needs to retain operational independence. WBHHS may accept or reject the advice provided by Internal Audit, implement the advice where considered appropriate, and be accountable for decisions made.

In this respect, Internal Audit can advise WBHHS on a range of matters including (but not limited to):

- *New programs, systems and processes*
 - Providing advice on the development of new programs/projects and processes and/or significant changes to existing programs/projects and processes, including the design of appropriate controls.
 - Multi-stage audits at key project milestones.
- *Risk Management*
 - Assisting management to identify risks and develop risk mitigation and monitoring strategies; and
 - Assessing, monitoring and reporting on the implementation of risk mitigation strategies as part of its annual audit plan.

- *Fraud Control*
 - Assist management to identify the risks of fraud and develop fraud prevention and monitoring strategies.

9.0 Audit support activities

Internal Audit is also responsible for:

- assisting the organisation and Executive with data extracts, test programs or policy/procedure interpretations as required;
- identifying system issues for escalation to Executive;
- assisting the Audit and Risk Committee to discharge their responsibilities including the Audit and Risk Committee's role in monitoring and advising the Board about its Internal Audit function;
- monitoring the implementation of agreed recommendations both from Internal Audit and External Audit reports; and
- managing the audit function including through engagement and management of external audit consultants or providers to assist in performing the Internal Audit function as approved from time to time, having regard to internal resourcing.

10.0 Relationship with External Audit/Other Auditors

Internal Audit activities will be coordinated with External Audit activities to help ensure the adequacy of overall audit coverage and to minimise duplication of effort. External Audit will have access to all Internal Audit plans, working papers and reports.

Internal Audit may also work with other audit/assurance providers (such as Queensland Health Internal Audit) and the Risk and Compliance team.

11.0 Planning

In accordance with s 26 of the *Financial and Performance Standard 2019*, an Internal Audit Strategic Audit Plan and Annual Audit Plan will be developed.

Internal Audit will develop these plans in consultation with relevant Executive and should take account of any specific administrative and operational concerns.

The HSCE will submit the Internal Audit Strategic Plan and Annual Audit Plan to the Audit and Risk Committee for review and consideration and if appropriate, endorsement for Board approval on an annual basis (or as otherwise required). The Board will then review and if appropriate, approve the Internal Audit Strategic Plan and Annual Audit Plan.

Approval of the Internal Audit Strategic Plan and the Annual Audit Plan should, if possible, be prior to the commencement of the "audit year" from 1 October to 30 September. This allows for review of the financial statements in the same financial year.

12.0 Reporting

Internal Audit will report to each meeting of the Audit and Risk Committee through an Internal Audit Progress Report on:

- audits in progress or completed, highlighting key concerns, systemic issues and key recommendations;
- progress in implementing the Internal Audit Strategic Plan and the Annual Audit Plan;
- key changes in legislation that may impact on the Internal Audit Strategic Plan or Annual Audit Plan;
- the status of the implementation of agreed Internal Audit and External Audit recommendations and Parliamentary Committee and other relevant external body recommendations with progress to be reported in accordance with **Appendix B**.¹

Internal Audit will also report to the Audit and Risk Committee on any systemic issues requiring management attention. At least once a year Internal Audit will report to the Audit and Risk Committee on the overall state of internal controls in the WBHHS.

The Audit and Risk Committee reports to the Board.

13.0 Review of the Charter

This Charter will be reviewed annually by the Audit and Risk Committee to ensure it remains consistent with the Audit and Risk Committee's authority, objectives and responsibilities.

All amendments to the Charter will be considered and approved by the Board.

14.0 References/Related Policies

Financial Accountability Act 2009

Financial Accountability Regulation 2019

Financial and Performance Management Standard 2019

Hospital and Health Board Act 2011

International Standards for Professional Practice of Internal Auditing – Institute of Internal Auditors comprising:

- Core Principles for the Professional Practice of Internal Auditing
- Definition of Internal Auditing
- Code of Ethics
- International Standards for the Professional Practice of Internal Auditing

Queensland Treasury Financial Accountability Handbook

Risk and Audit Committee Charter

15.0 Definitions

Term	Definition
ARC	Audit and Risk Committee

¹ .Subject to contractual scope of a contracted IA provider.

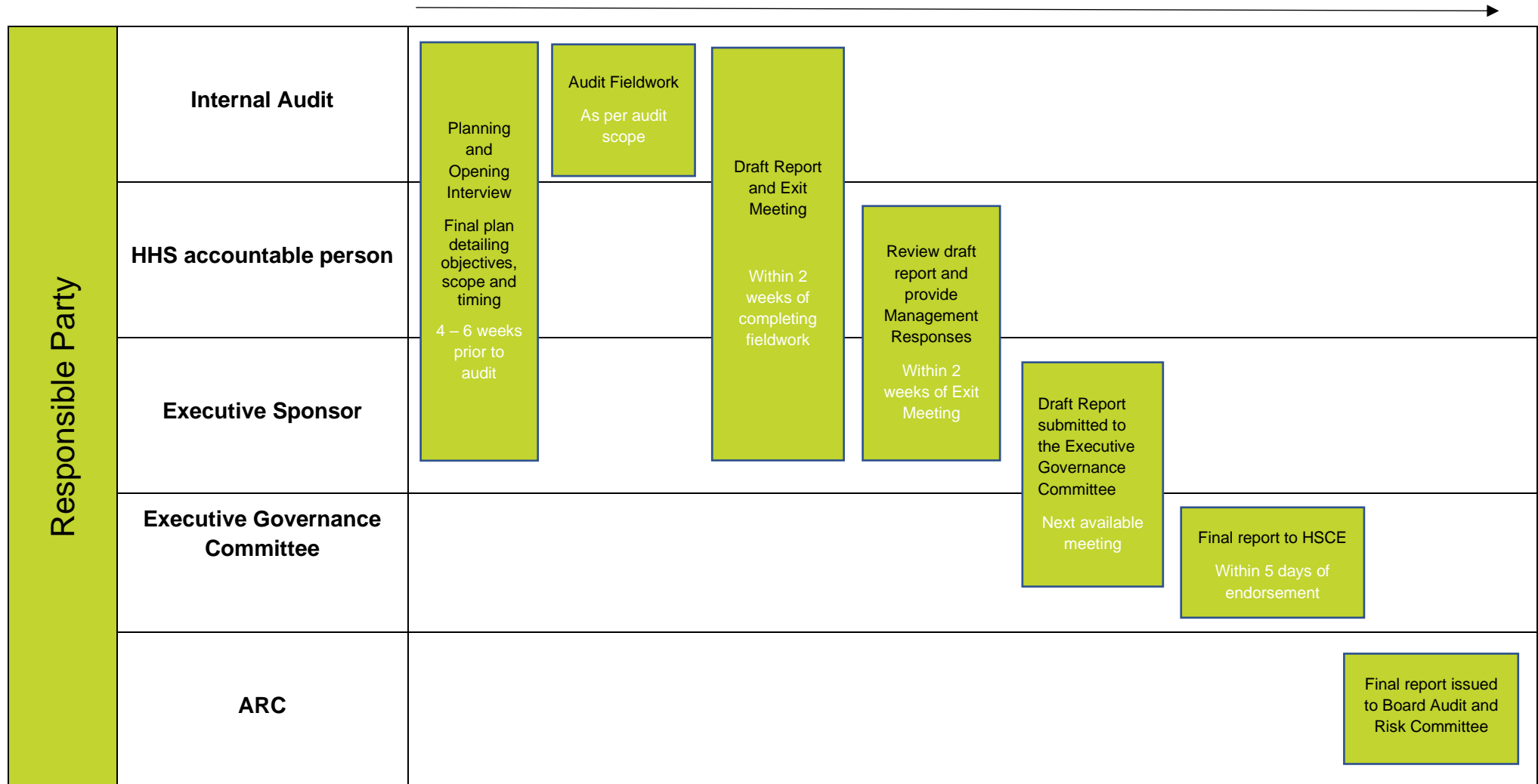
Board	The WBHHS board established in accordance with the <i>Hospital and Health Board Act 2011</i>
Executive	The WBHHS executive management team comprising the HSCE and Executive Directors.
Internal Audit	See definition in Section 2
HSCE	Health Service Chief Executive
QAO	Queensland Audit Office
WBHHS	Wide Bay Hospital and Health Service

16.0 Document History

Date	Nature of Amendment
20 November, 2018	Charter developed as WBHHS specific document, following withdrawal from Internal Audit Hub arrangement. Document reviewed by Audit and Risk Committee. Minor edits completed, Appendix A flowchart added.
5 December, 2018	Submitted to Board for endorsement
26 May, 2020	Review and updating of Charter.
1 July 2020	Board Approval



APPENDIX A: Internal Audit Process





APPENDIX B: Internal Audit Reporting to ARC – Recommendations/Actions

B.1 Reporting details - implementation of Internal Audit recommendations/actions

Quarterly Internal Audit reports will be provided to the Audit and Risk Committee on the status of management implementation efforts for:

- All Internal Audit report recommendations to be considered by the BARC for closure, based on submitted evidence;
- All overdue high priority agreed management actions from Internal Audit report recommendations;
- Overdue medium and low priority agreed management actions where there is also an overdue high priority agreed management actions from the Internal Audit report;
- All medium and low priority agreed management actions >12 months overdue from Internal Audit reports; and
- All overdue agreed management actions from QAO audit reports.

B.2 Extensions of time to complete Internal Audit recommendations/action

At the discretion of the Audit and Risk Committee, extensions of time for implementing Internal Audit recommendations/actions may be approved by the Audit and Risk Committee based on recommendations from the organisation provided there is sufficient justification for the proposed extension of time to implement the recommendation/action in exceptional circumstances. The Audit and Risk Committee shall consider the organisational and risk impact as well as the circumstances and reasons for extension of time in determining whether to approve an extension of time for an Internal Audit recommendation/action.

All approved extensions of time for Internal Audit recommendations/actions must be noted in the next quarterly Internal Audit report to the Audit and Risk Committee with a summary of the reason for approval of extension of time and revised approved timeframe for the recommendation/action.