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Internal Audit

Purpose

This Internal Audit Charter establishes Historic Houses Trust of NSW's (HHT) internal audit function, a key component of the Trust's governance framework. It sets out the role, responsibilities, authorisation, activities and reporting relationships of the internal audit function.

Background

The Internal Audit functions of NSW agencies are required to have a charter that is consistent with the content of the 'model charter' contained within TPP15-03 Internal Audit and Risk Management Policy for the NSW Public Sector.

Scope

This Charter applies to the conduct of HHT's internal audit function and every employee, Trustee and Committee Member involved in administering internal audits or governance of the Trust.

CHARTER

1. Introduction

The Trust has established an internal audit function as a key component of its governance framework. This Charter provides the framework for the conduct of the internal audit function in HHT. It has been developed by the Chief Audit Executive (see section 3) endorsed by the Audit & Risk Committee and approved by the Trust.

2. Purpose of internal audit

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve HHT's operations. It helps HHT accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. Internal audit provides an independent and objective review and advisory service to:

- provide assurance to the Executive and the Trust's Audit & Risk Committee that financial and operational controls, designed to manage risks and achieve objectives, are operating in an efficient, effective and ethical manner, and
- assist the Executive in improving business performance.

3. Chief Audit Executive

The Director, Operations & Governance is HHT's Chief Audit Executive (CAE) and is responsible for managing the internal audit function on a day to day basis. The responsibilities of the CAE are set out in this Charter.

4. Independence

Independence is essential to the effectiveness of the internal audit function. Internal audit activity must be independent, and internal auditors must be objective in performing their work. Internal auditors must have an impartial, unbiased attitude and avoid any 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.

To ensure operational independence of the internal audit function, the CAE:

- reports administratively to the Executive Director to facilitate day to day operations of the internal audit function, and
- reports functionally to the Trust's Audit & Risk Committee for strategic direction and accountability of the internal audit function.

5. Authority and confidentiality

Subject to any overriding legislative restrictions on information, 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.

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 CAE and workers involved with any internal audits are responsible and accountable for maintaining the confidentiality of the information they receive during the course of their work.

All internal audit documentation is to remain the property of HHT, including where internal audit services are performed by an external third party provider.

6. Internal Audit 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, 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 categories set out below.

6.1 Audit activities

Audit activities include audits with the following orientation:

Risk Management

- evaluate the effectiveness, and contribute to the improvement, of risk management processes
- provide assurance that risk exposures relating to HHT's governance, operations, and information systems are correctly evaluated, including:
 - reliability and integrity of financial and operational information
 - effectiveness, efficiency and economy of operations, and
 - safeguarding of assets
- evaluate the design, implementation, and effectiveness of HHT's ethics-related objectives, programs, and activities
- assess whether HHT's information technology governance sustains and supports HHT's strategies and objectives.

Compliance

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

Performance improvement

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

6.2 Advisory services

The internal audit function can advise the Executive on a range of matters including:

New programs, systems and processes

- provide advice on the development of new programs and processes and/or significant changes to existing programs and processes including the design of appropriate controls

Risk management

- assist the Executive to identify risks and develop risk mitigation and monitoring strategies as part of the risk management framework

Fraud control

- evaluate the potential for the occurrence of fraud and how the Trust manages fraud risk
- assist the Executive to investigate fraud, identify the risks of fraud and develop fraud prevention and monitoring strategies.

7. Scope of internal audit activity

Internal audit reviews may cover all Trust programs and activities. This may also include the programs and activities of associated entities, where provided for in relevant constitutions, contracts or agreements.

Internal audit activity may encompass the review of all financial and non-financial policies and operations.

8. Standards

Internal audit activities will be conducted in accordance with this Charter and with relevant professional standards including International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

Any person conducting internal audit work 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
- exercise due professional care in performing their duties.

9. 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.

10. Planning

The CAE will prepare a risk-based annual internal audit work plan in a form and in accordance with a timetable agreed with the Trust's Audit & Risk Committee.

11. Reporting

The CAE will report to each meeting of the Audit & Risk Committee on:

- audits completed
- progress in implementing the annual audit work plan, and
- the implementation status of agreed internal and external audit recommendations.

The CAE will also report to the Audit & Risk Committee annually on the overall state of HHT's internal controls and any systemic issues requiring management attention based on the work of the internal audit function.

The CAE also reports administratively to the Executive Director as set out in section 4.

12. Audit support activities

The CAE is also responsible for the following audit support activities:

- managing the internal audit function
- assisting the Audit & Risk Committee to discharge its responsibilities
- monitoring the implementation of agreed recommendations
- disseminating across HHT better practice and lessons learnt arising from its audit activities.

13. Administrative arrangements

Any relevant change to the role of CAE or HHT's external service provider will be approved by the Trust in consultation with the Trust's Audit & Risk Committee. 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 Trust's Audit & Risk Committee who will provide advice to the Trust on those results.

Roles and responsibilities

- Director, Operations & Governance: see sections 3, 4, 5, 10-13.

Delegations

- none

Legislation

- none

Related policies

- Audit & Risk Committee Charter
- Trust Charter

Other related documents

- TPP15-03 Internal Audit and Risk Management Policy for the NSW Public Sector
- AS/NZS ISO 31000:2009 : Risk management: Principles and guidelines

Definitions

- *Historic Houses Trust of NSW/ HHT* means the NSW Statutory Authority Historic Houses Trust of New South Wales
- *Trust* means the Historic Houses Trust of NSW as constituted and defined by the *Historic Houses Act 1980*.
- *Trustee* means a Trustee of the Trust as appointed by the NSW Governor under section 6 of the HHT Act.
- *Worker* means persons employed or engaged by HHT including employees, contractors, volunteers and interns.

Superseded documents

- None

Revision history

| Version | Date issued | Notes | By |
|---------|-------------|-------------|-----------------------|
| 1 | 14/9/2015 | New Charter | Approved by the Trust |

Review date

This Charter will be reviewed bi-annually by the Trust's Audit & Risk Committee. The next review is scheduled for 20 September 2017.

Contact

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