



**Education**

**Department of Education  
Internal Audit Charter  
December 2020**

# Internal Audit Charter

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The purpose of this Internal Audit Charter is to address the role, responsibilities, authorisation, activities and reporting relationships of the Internal Audit function. The charter should be reviewed on a regular basis to ensure that it is consistent with changes in the financial, risk management and governance arrangements of the agency, and reflects developments in Internal Audit professional practices.

## Introduction

The Secretary has established the Audit Directorate as a key component of the Department of Education's governance framework.

This charter provides the framework for the conduct of the internal audit function in the Department of Education and has been approved by the Secretary taking into account the advice of the Audit and Risk Committee.

## Purpose of internal audit

Internal Audit supports the Department of Education to achieve its objectives, through providing appropriate risk based assurance and advice, fulfilling our primary responsibility as a third line function<sup>1</sup>.

Internal audit provides an independent, objective assurance and consulting services designed to add value and improve 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.

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

- provide assurance to the Secretary, and the Audit and Risk Committee, that the Department of Education's financial and operational controls are designed to manage the organisation's risks and achieve the Department's objectives and are operating in an efficient, effective and ethical manner
- assist management in improving the business performance of the Department of Education.

**Appendix 1** outlines the purpose, vision, enablers and underpinning considerations for the Department's Internal Audit function.

## Mission of Internal Audit

Mission: To enhance and protect organisational value by providing risk-based and objective assurance, advice and insights.

## Core Principles

The Core Principles, taken as a whole, articulate internal audit effectiveness. The internal audit function (and its staff) will possess and demonstrate the Core Principles for the Professional Practice of Internal Auditing<sup>2</sup>:

- Demonstrates integrity
- Demonstrates competence and due professional care
- Is objective and free from undue influence (independent)
- Aligns with the strategies, objectives, and risks of the organisation
- Is appropriately positioned and adequately resourced
- Demonstrates quality and continuous improvement
- Communicates effectively
- Provides risk-based assurance
- Is insightful, proactive, and future-focused
- Promotes organisational improvement

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<sup>1</sup> [Institute of Internal Auditors – 3 Lines Model \(updated\) 2020](#)

<sup>2</sup> As defined by the International Standards for the Professional Practice of Internal Audit (IIA) (2017) and related elements of the Standards which include core principles for the professional practice of internal auditing, code of ethics, definitions in the IPPF and incorporates relevant elements of recommended guidance to align with expected good practice.

## Code of Ethics

The Institute of Internal Auditors Code of Ethics states the principles and expectations governing the behaviour of individuals and organisations in the conduct of internal auditing. The purpose of the Institutes Code of Ethics is to promote an ethical culture in the profession of internal auditing. The Code of Ethics applies to both entities and individuals that perform internal audit services.

The Institute's Code of Ethics extends beyond the Definition of Internal Auditing to include two essential components:

- **Principles** that are relevant to the profession and practice of internal auditing
- **Rules of Conduct** that describe behaviour norms expected of internal auditors. These rules are an aid to interpreting the Principles into practical applications and are intended to guide the ethical conduct of internal auditors.

Internal auditors will apply and uphold the following principles and rules of conduct:

- Integrity
- Objectivity
- Confidentiality
- Competency

## Independence

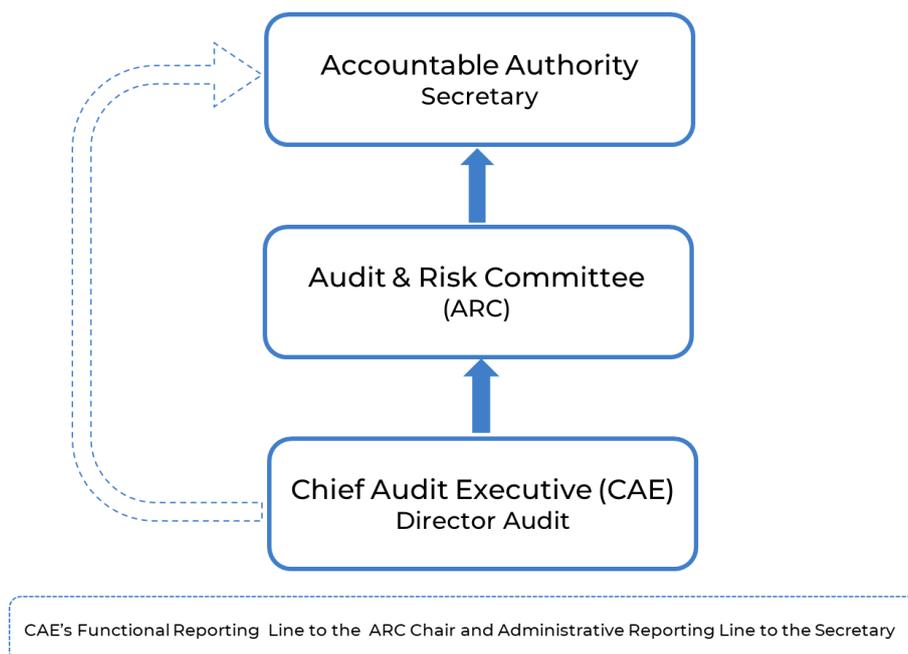
Independence is essential to the effectiveness of the internal audit function. Internal audit activity will be independent, and internal auditors must be objective in performing their work. Internal auditors will have an impartial, unbiased attitude and avoid any conflicts of interest.

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 except those related to the management of the Audit Directorate's function.

The internal audit function is responsible on a day to day basis to the Director Audit, who is the Chief Audit Executive for the Department<sup>3</sup>.

The internal audit function, through the Chief Audit Executive, reports functionally to the Audit and Risk Committee on the results of completed audits, and for strategic direction and accountability purposes, and reports administratively to the Secretary (Accountable Authority) to facilitate day to day operations. The Chief Audit Executive has direct access to the Secretary to discuss audit and risk issues when required.

The following dual reporting line is prescribed where the dotted line represents the 'administrative' reporting line and the bold line represents the 'functional' reporting line:



<sup>3</sup> All references to the Chief Audit Executive (CAE) refer to the Director Audit who is the Chief Audit Executive for the department.

## Authority and confidentiality

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 the internal audit function to meet its responsibilities<sup>4</sup>. When responding to requests, agency staff and contractors should cooperate with the internal audit function and must not knowingly mislead the internal audit function or wilfully obstruct any audit activity.

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.

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

## Roles and 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, the internal audit function 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.

## Audit Activities

Internal audit activities will include the following areas:

### *Risk Management*

- evaluate the effectiveness, and contribute to the improvement, of risk management processes
- provide assurance that risk exposures relating to the agency'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 the organisation's ethics - related objectives, programs, and activities
- assess whether the information technology governance of the organisation sustains and supports the organisation's strategies and objectives
- *Compliance* - with applicable laws, regulations and Government policies and directions
- *Performance improvement* - efficiency, effectiveness, and economy of the Department of Education's business systems and processes

## Consulting and Advisory services

The internal audit function can advise the Department of Education's management on a range of matters including:

### *New Programs, systems and processes*

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

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<sup>4</sup> Subject to any overriding legislative restrictions on information.

- In conducting such work, internal audit will assess potential benefits to the department as well as any potential conflict of interest that may arise. Such services will be provided only if internal audit has resourced with relevant skills and experience appropriate to the nature and significance of the work undertaken.

#### *Risk management*

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

#### *Fraud and Corruption control*

- assist in the evaluation of the potential for the occurrence of fraud and how the agency manages fraud risk
- assist management to investigate fraud, identify the risk of fraud and develop fraud prevention and monitoring strategies
- collaborate with relevant complementary governance, risk and compliance functions in promoting fraud and corruption prevention strategies, as appropriate to the role of internal audit

### **Audit support activities**

The internal audit function is also responsible for:

- managing the internal audit function
- assisting the Audit and Risk Committee to discharge its responsibilities
- keeping the Audit and Risk Committee informed of emerging trends and successful practices in internal auditing
- monitoring the implementation of agreed recommendations
- disseminating across the Department better practice and lessons learnt arising from its audit activities
- conducting or assisting special assignments on behalf of the Secretary and the Department's Executives into any matter where deemed appropriate for internal audit to undertake such activity on behalf of the Department and notify management and the Audit and Risk Committee of the results, Where potential conflicts of interests exist in undertaking such assignments, the Director, Audit will consult with the ARC Chair
- developing a flexible annual audit plan using an appropriate risk-based methodology, including any risks or control concerns identified by management, and submit that plan to the Audit and Risk Committee for review and approval
- implementing the annual audit plan, as approved, including as appropriate any special tasks or projects requested by management and the Audit and Risk Committee
- periodically providing information on the status and results of the annual audit plan and the sufficiency of the Audit Directorate's resources. This includes ensuring the resources are sufficient in amount and competency, through in-house staff and co-sourcing, to cover the risks in the annual audit plan.

### **Management responsibility**

Management will provide internal auditors full, free and unrestricted access to all functions, premises, assets, personnel, records, and other documentation and information that is necessary to enable the internal audit function to meet its responsibilities.

Internal audit will keep management updated on expected audits, provide terms of reference for standard audits, discuss major potential issues identified, follow a process of discussing draft reports with management and will seek management responses to issues and recommendations from the responsible Line Executive. Management responses are required to include a timetable for the implementation of actions to address recommendations made.

In normal circumstances, responses to draft audit reports are required within 10 working days of the responsible Executive receiving the draft report. Where responses have not been received within this timeframe, the audit report may be provided to the Audit and Risk Committee and a timetable for the implementation of recommendations will be pursued separately.

Line Executives are responsible for the timely implementation of audit recommendations, and for providing updates to internal audit on the status of outstanding actions for audit recommendations and underlying reasons for any delays if any.

Where management requests a change to the target implementation date for completing audit recommendations, or if actions no longer remain relevant, relevant approvals must be provided alongside the request. These requests must follow the approved escalation pathways and sign offs.

Progress towards the implementation of recommendations and actions is reported quarterly by internal audit to the Audit and Risk Committee.

## **Scope of internal audit activity**

Internal audit reviews may cover all programs and activities of the Department of Education 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, operations and programs.

The review of teaching practice is not normally included in the scope of audit operations. If in any rare and exceptional circumstances, such a need exists, internal audit will ensure that the relevant skills, pedagogical experience and expertise is used.

## **Standards**

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

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. This includes consideration of current activities, trends and emerging issues to enable the provision of relevant advice and recommendations.
- be skilled in dealing with people and communicating audit, risk management and related issues effectively
- 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 and facilitate coordination.

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

## **Planning**

The Chief Audit Executive will prepare a risk-based annual internal audit work plan in a form and in accordance with a timetable agreed with the Audit and Risk Committee.

## **Reporting**

The Chief Audit Executive will report to the Audit and Risk Committee:

- at each meeting, the results of audits completed in the period between the previous and current ARC meetings
- quarterly:
  - status of progress of the Annual Internal Audit Plan
  - implementation status of agreed internal recommendations
  - customer satisfaction and feedback from executive and audit stakeholders/customers
- on an ad hoc basis, the Chief Audit Executive may produce discussion papers on insights and other significant matters

The Chief Audit Executive will provide an Annual Report to the Audit and Risk Committee on behalf of the Internal Audit function. Through this report and any other relevant reporting mechanisms, internal audit will also report to the Audit and Risk Committee on the overall state of internal controls in the Department and any systemic issues requiring management attention based on the work of the internal audit function (and other assurance providers).

## Administrative arrangements

Any change to the role of the Chief Audit Executive (Director Audit) will be approved by the Secretary in consultation with the Audit and Risk Committee.

The Chief Audit Executive 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 Audit and Risk Committee who will provide advice to the Secretary on those results.

## Review of the charter

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

Reviewed for and on behalf of the Department of Education Audit and Risk Committee by:



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Todd Davies

**Chair, Department of Education Audit and Risk Committee**

3 February 2021

Approved for the Department of Education by:



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Mark Scott

**Secretary, Department of Education**

3 February 2021

## INTERNAL AUDIT CHARTER – APPENDIX 1

**Our Purpose:** We support the Department of Education to achieve its objectives, through providing appropriate risk based assurance and advice, fulfilling our primary role as the third line of defence.

**Our Vision:** We aim to be a value adding, high performing and well regarded internal audit function. We seek to focus on the things that matter, in a way that matters and when it matters most in order to protect and enhance value through our work. We communicate with impact to do so.

### Strategic Enablers for DoE IA Vision

Our audit strategy and plan consistently meet the department's needs and is supported by the right tools, methodologies and capabilities

We deliver timely, high quality and impactful reports and insights that make a tangible difference

Our methodologies and audit practices are efficient, sustainable, up to date and aligned to IPPF

We leverage technology and analytics to support audit delivery and planning

Continuous Improvement by design - We have an embedded Quality Assurance and Improvement Program

We collaborate effectively while maintaining our impartiality and independence, we are trusted and we value our stakeholders' views

### Underpinned by:

Team - motivated, equipped to deliver, and cohesive team

Our values: Excellence – Equity – Integrity – Trust – Accountability - Service

Our Department's Code of Conduct and the IIA's Code of Ethics

**Our audit principles:** Integrity-Objectivity-Confidentiality-Competency