

## Introduction

The Secretary has established the Internal Audit Branch as a key component of the Ministry of Health’s governance framework.

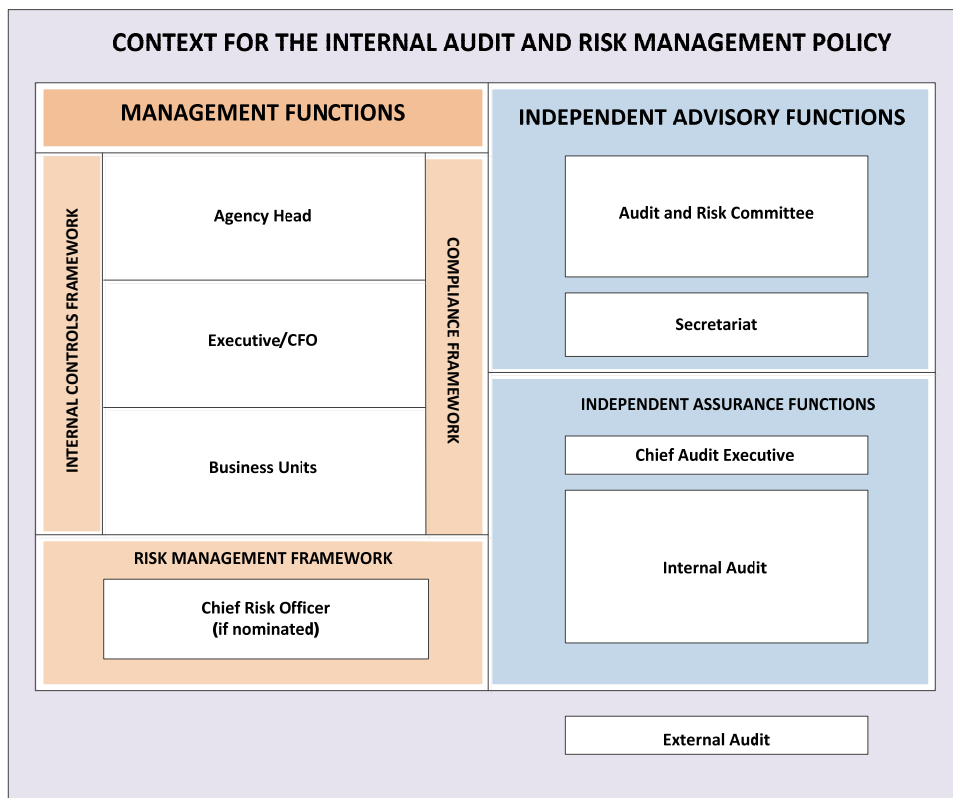
This charter provides the framework for the conduct of the Ministry’s internal audit function. The charter has been approved by the Secretary on the advice of the Risk Management & Audit Committee (RMAC).

## Context

Within the Ministry’s governance framework, the internal audit and risk management functions have separate reporting lines, but work together to ensure effective audit and risk management practices for the organisation.

These responsibilities, involve:

- Internal audit function, which has a dual reporting line to the RMAC and the Secretary.
- Risk management function, which reports to the Secretary through the Deputy Secretary, Governance, Workforce and Corporate, are responsible for providing the RMAC with necessary reports to provide the information and foundation for the RMAC to fulfil its obligations regarding risk management.



## Purpose of internal audit

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation'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.

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

- provide assurance to the Secretary, NSW Health, and the Ministry of Health's Risk Management and Audit Committee, that the Ministry of Health'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. 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, except in carrying out its own functions.

The internal audit function is responsible on a day to day basis to the Director, Internal Audit Branch, who is the Chief Audit Executive for the Ministry.

The internal audit function, through the Director, Internal Audit Branch, reports functionally to the RMAC on the results of completed audits, and for strategic direction and accountability purposes, and reports administratively to the Secretary, to facilitate day to day operations.

The following reporting line is prescribed:



## 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 Director, Internal Audit Branch considers necessary to enable the internal audit function to meet its responsibilities.<sup>1</sup>

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 Director, Internal Audit Branch 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 Ministry of Health [the audited agency], 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, through consultation with and advice to the Ministry's Legal and Regulatory Services, 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:

#### ***Risk Management***

- Evaluate the effectiveness, and contribute to the improvement, of risk management processes.
- Provide assurance that risk exposures relating to the organisation'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; and
- Assess whether the information technology governance of the organisation sustains and supports the organisation's strategies and objectives.

<sup>1</sup> Subject to any overriding legislative restrictions on information.

### **Compliance**

- Compliance with applicable laws, regulations and Government policies and directions.

### **Performance improvement**

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

### **Advisory services**

The internal audit function can advise the Ministry of Health'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.

#### *Risk management*

- Assisting management, through advice to the Ministry's Legal and Regulatory Services, 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 organisation manages fraud risk.
- Assisting management to investigate fraud, identify the risks of fraud and develop fraud prevention and monitoring strategies.
- Develop, implement and maintain a fraud and corruption control framework to prevent, detect and manage fraud and corruption.

### **Audit support activities**

The Ministry's Internal Audit Branch is also responsible for:

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

### **Scope of internal audit activity**

Internal audit reviews may cover all programs and activities of the Ministry of Health 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.

### **Standards**

Internal audit activities will be conducted in accordance with this Charter, the Internal Audit and Risk Management Policy for the General Government Sector, 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
- be skilled in dealing with people and communicating audit, risk management and related issues effectively; 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 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 Risk Management and Audit Committee.

### **Reporting**

The Director, Internal Audit Branch will report to each meeting of the RMAC on:

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

The internal audit function will also report progressively to the RMAC and at least annually on the overall state of internal controls in the Ministry of Health and any systemic issues requiring management attention based on the work of the internal audit function and other assurance providers.



The Director, Internal Audit Branch will provide a report to the Deputy Secretary on any relevant risks which may need to be considered for inclusion in the Ministry's Risk Management Framework or Risk Register.

#### **Administrative arrangements**

Any change to the role of the Director, Internal Audit Branch will be approved by the Secretary in consultation with the RMAC.

The Director, Internal Audit Branch 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 RMAC who will provide advice to the Secretary on those results.

#### **Review of the charter**

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