NSW Ministry of Health Internal Audit Charter

Updated June 2026

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NSW GOVERNMENT

The NSW Ministry of Health has established the Internal Audit Branch by authority of the Secretary as a key component of the organisation's governance framework.

The mission of Internal Audit is to enhance and protect organisational value by providing stakeholders with risk-based, objective and reliable assurance, advice and insight.

This Charter provides the framework and authority for the performance of the Internal Audit function of the Ministry of Health and has been approved by the Secretary, on the advice from the Risk Management and Audit Committee.

Chief Audit Executive describes the person in the senior position responsible for managing Internal Audit of an organisation. At the NSW Ministry of Health, this is the Director, Internal Audit.

Purpose of Internal Audit

Internal Audit is an independent, objective assurance and advisory service 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 governance, risk management, and control processes.[1]

The purpose of Internal Audit is to strengthen the Ministry's ability to create, protect, and sustain value by providing RMAC and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

It enhances the organisation's:

- Achievement of strategic and operational objectives
- Governance, risk management, and internal control processes
- Decision-making and oversight capabilities
- Reputation and credibility with stakeholders
- Serve the public interest effectively

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 organisation's financial and non-financial controls, designed to manage the organisation's risks and achieve the entity's objectives, are operating in an efficient, effective, economical and ethical manner; and
- assist management in improving the organisation's business performance.

Internal Audit will perform its work in accordance with the Global Internal Audit Standards. Where the Internal Audit function is unable to conform with any requirement of the Standards, the Director, Internal Audit will document the nature of the non-conformance, outline the reasons and any mitigating actions taken; and report the non-conformance and its impact to the Risk Management and Audit Committee and the Secretary.

Mandate

A core requirement of the NSW Treasury's 'Internal Audit and Risk Management Policy for the General Government Sector' (TPP 20-08), issued in December 2020 requires the establishment and maintenance of an Internal Audit function, as well as the adoption of current standards for professional practice in internal audit.

Authority

The Director, Internal Audit, internal audit staff and service providers 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 considers necessary to enable the internal audit function to meet its responsibilities[2].

When responding to requests, staff and contractors are to cooperate with the internal audit function and must not knowingly mislead

[1] As defined by the International Standards for the Professional Practice of Internal Auditing (IIA) (2024). Where relevant, sections of this Charter also incorporate other elements of the International Standards for the Professional Practice of Internal Auditing.

[2] Subject to any overriding legislative restrictions on information, such as statutory privilege.

the internal audit function or wilfully obstruct any audit activity.

Independence

Internal Audit is required to be independent and objective, with independence essential to its effectiveness. Internal auditors must have an impartial, unbiased attitude and avoid any conflicts of interest.

Internal Audit 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).

Where the Director, Internal Audit may be responsible for a non-audit activity, there are independence safeguards in place:

- when responsible for non-audit activities, the Director, is not performing Internal Audit duties when managing or performing those activities; and
- review of non-audit activities must be managed and performed independently of the Director, Internal Audit and reported directly to the Risk Management and Audit Committee.

Reporting lines

All Internal Audit staff and service providers report to the Director, Internal Audit, who reports:

- functionally for operations to the Risk Management and Audit Committee through the Chair.
- administratively to the Secretary.

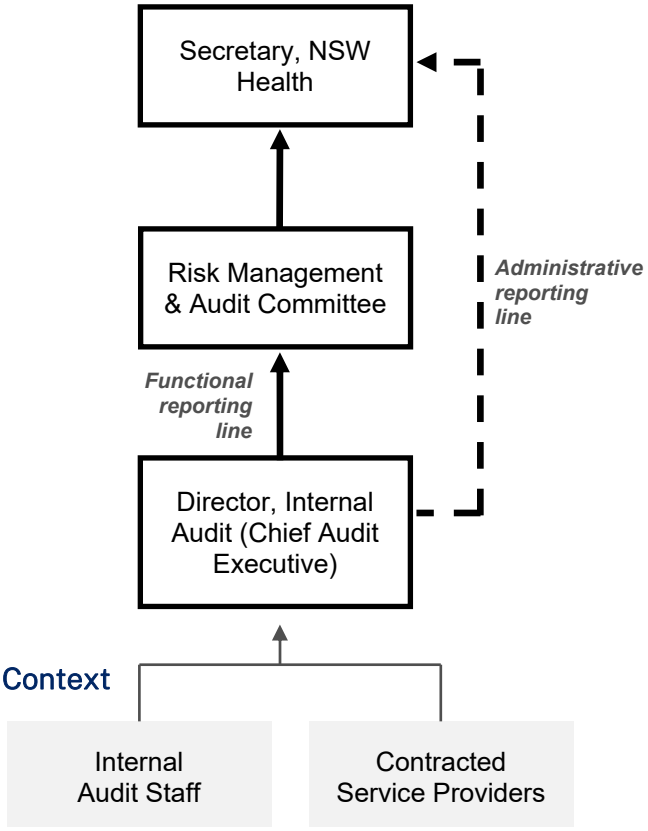
The Director, Internal Audit has direct access to the Secretary to discuss audit and risk issues when required.

Functional reporting involving the Risk Management and Audit Committee includes, but is not limited to:

- reviewing and endorsing the Internal Audit Charter
- endorsing decisions regarding appointment and removal of the Director, Internal Audit including remuneration
- assessing performance of the Director, Internal Audit
- reviewing and endorsing the Internal Audit Plan, and any changes to the plan
- reviewing reports on the results of audits, audit-related activities, audit team capability, audit performance, and other important matters
- monitoring compliance with standards, together with quality and improvement arrangements
- meeting privately with the Director, Internal Audit at least once a year without the Secretary or other management present
- making enquiries of the Director, Internal Audit to determine any scope or budget limitations that may impede the execution of Internal Audit responsibilities; and
- the implementation status of agreed internal and external audit recommendations.

Administrative reporting to the Secretary includes, but is not limited to:

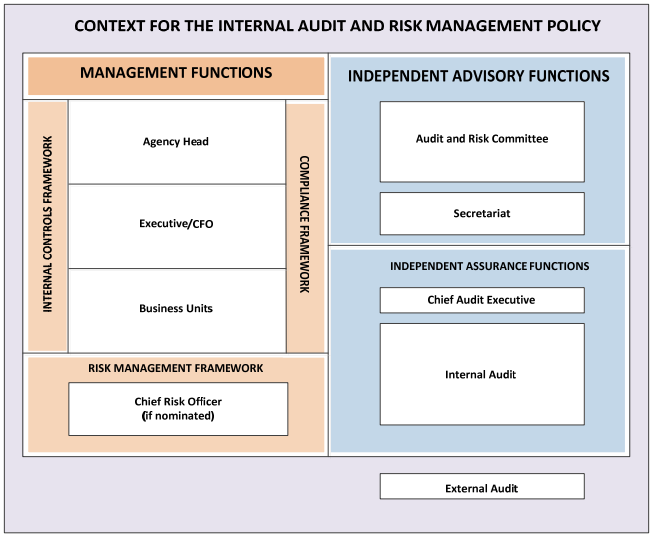
- Internal Audit resources and annual budget
- provision of corporate services to Internal Audit including office accommodation, computers and equipment; and
- human resource administration.



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, People Culture and Governance, 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.



Conflicts of interest

Conflict of interest is a situation in which an internal auditor, who is in a position of trust, has a competing professional or personal interest. A conflict of interest exists even if no unethical or improper act results. A conflict of interest can create an appearance of impropriety that can undermine confidence in the internal auditor, the Internal Audit function, and the profession. A conflict of interest could impair an individual's ability to perform his or her duties and responsibilities objectively. Internal auditors must not provide audit services for work for which they have been responsible for within the last two years.

When engaging external internal audit service providers, the Director, Internal Audit shall take steps to identify, evaluate the significance, and manage any perceived, potential or actual conflict of interest that may impinge upon internal audit work.

Instances of perceived, potential or actual conflict of interest by Internal Audit staff and service providers shall immediately be reported to the Director, Internal Audit and the Chair of the Risk Management and Audit Committee.

All Internal Audit staff are asked to sign the NSW Health's Code of Conduct and to complete a declaration of conflicts of interest annually.

Disagreements with Management

Where disagreements arise between Internal Audit and management regarding audit findings, conclusions, recommendations, or action plans, Internal Audit will seek to resolve such matters through discussion with the relevant management.

Where a disagreement cannot be resolved, the Director, Internal Audit will:

- document the nature of the disagreement and the respective positions of Internal Audit and management;
- escalate the unresolved matter to the Risk Management and Audit Committee and/or the Secretary, as appropriate; and
- reflect management's position appropriately in the final audit report.

Confidentiality

All records, documentation and information accessed in the course of undertaking internal audit activities are to be used solely for the performance of these activities.

The Director, Internal Audit, internal audit staff and any service providers are responsible and accountable for maintaining the confidentiality of the information they receive during the course of their work.

All Internal Audit documentation and work papers are to remain the property of the Ministry of Health, including where Internal Audit services are provided by service providers under an outsourced or co-sourced model.

Roles and responsibilities

Ethics and Professionalism

The Director Internal Audit will ensure that internal auditors:

- Conform with the Global Internal Audit Standards, including the principles of ethics and professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the organisation and be able to recognise conduct that is contrary to those expectations.
- Report organisational behavior that is inconsistent with the organisation's ethical expectations, as described in applicable policies and procedures.
- Encourage and promote an ethics-based culture in the organization.

Objectivity

The Director Internal Audit will ensure that the internal audit function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the Director Internal Audit determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

Role of Internal Audit

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, integrity and adherence to high ethical standards,
- facilitating, through consultation with and advice to the Ministry on the integration of controls and risk management into day-to-day business activities and processes, and
- promoting a culture of cost-consciousness and self-assessment.

Management may request internal audit services in response to emerging business issues or risks. Internal audit will attempt to satisfy these requests, subject to the assessed level of risk, availability of resources, and endorsement of the Secretary.

Internal audit activities will encompass the following areas:

Assurance services and audit activities

Internal audit activities include audits with the following orientation:

Risk Management

- evaluating the effectiveness, and contribute to the improvement, of risk management processes
- providing assurance to the Secretary and the Risk Management and Audit Committee on the effectiveness of the risk management framework including the design and operational effectiveness of internal controls
- providing assurance that risk exposures relating to the organisation and health system governance, operations, and information systems are correctly evaluated, including:
    - reliability and integrity of financial and non-financial information; and
    - safeguarding of assets
- evaluating the design, implementation and effectiveness of the organisation's ethical objectives, programs and activities
- assessing whether the information technology governance of the organisation sustains and supports the agency's strategies and objectives

Compliance

- assessing compliance with applicable laws, regulations and Government policies and contracts

Performance improvement

- considering the efficiency, effectiveness, economy and ethics of business systems and processes.

Consulting Advisory services

The Internal Audit function can advise 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 Branch, to identify risks and develop risk mitigation and monitoring strategies as part of the risk management framework

Fraud control

- evaluating 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.

Audit support activities

Internal Audit responsibilities also include, but are not limited to:

- assisting the Risk Management and Audit Committee to discharge its responsibilities
- disseminating across the organisation better practice and lessons learnt arising from its audit activities

Internal Audit plan

- developing a risk-based internal audit plan that considers the organisation's risks and issues, including those identified by management, and submitting the plan to the Risk Management and Audit Committee for review and endorsement.
- ensuring changes to the internal audit plan are endorsed by the Committee.

Internal Audit engagements

- performing internal audit work contained in the approved internal audit plan and produce a written report for each audit containing improvement actions.
- ensuring agreed management action plans to implement improvement actions are obtained from management and included in audit reports, including a responsible person and timetable for completion.
- providing final audit reports to management of the area audited, the Secretary, and the Risk Management and Audit Committee. Copies may be provided to management of other areas where relevant. Copies may be provided to the external auditor if requested.

Improvement actions

- establishing a system to monitor progress by management to implement internal audit improvement actions.
- ensuring management provides updates to Internal Audit, at least quarterly, on progress to implement management action plans
- follow-up and obtain evidence that management action plans are effectively implemented by management.

Scope of Internal Audit activity

The scope of internal audit work embraces the wider concept of corporate governance risk, and assurance, recognising that controls exist in organisations to manage risks and promote effective and efficient governance and performance. Internal audit services may include:

- Assurance Services – objective examination of evidence for the purpose of providing an independent assessment of risk management, control and governance processes.
- Advisory Services – advisory and related client activities, the nature and scope of which are agreed upon with the client and which are intended to add value and improve business operations.

Internal Audit will offer a range of services, including:

- audits with a compliance, financial or operational performance improvement focus
- management requested services where business areas may request internal audit services, usually in response to an issue or an emerging risk
- multi-stage audits at key project milestones of significant projects, in coordination with other assurance providers.

The scope and coverage of Internal Audit work is not limited in any way, and may cover any

Ministry or health system activity, operations and programs.

Communication with the Risk Management and Audit Committee and Executive

The Director Internal Audit will report regularly to the Risk Management and Audit Committee and Executive regarding:

- The internal audit function's mandate.
- The internal audit plan and performance relative to its plan.
- Internal audit budget.
- Significant revisions to the internal audit plan and budget.
- Potential impairments to independence, including relevant disclosures as applicable.
- Results from the quality assurance and improvement program, which include the internal audit function's conformance with The IIA's Global Internal Audit Standards and action plans to address the internal audit function's deficiencies and opportunities for improvement in relation to the standards.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the Risk Management and Audit Committee that could interfere with the achievement of the NSW Ministry of Health's strategic objectives.
- Results of assurance and advisory services.
- Resource requirements.
- Management's responses to risk that the internal audit function determines may be unacceptable.
- Instances where the Director, Internal Audit determines that management has accepted a level of risk that may be unacceptable to the organisation.

Escalation of Unacceptable Risk

Where the Director, Internal Audit determines that management has accepted a level of risk that may be unacceptable to the organisation, the matter will be discussed with senior management.

If the matter is not resolved, the Director, Internal Audit will escalate the matter to the Risk Management and Audit Committee and/or the Secretary for consideration.

Quality Assurance and Improvement Program

The Director Internal Audit will develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program will include external and internal assessments of the internal audit function's conformance with the Global Internal Audit Standards, as well as performance measurement to assess the internal audit function's progress toward the achievement of its objectives and promotion of continuous improvement.

If applicable, the program will assess compliance with laws and regulations relevant to internal auditing. Additionally, where necessary, the assessment will include plans to address deficiencies in the internal audit function and identify opportunities for improvement.

Annually, the Director Internal Audit will communicate with the Risk Management and Audit Committee and senior management about the internal audit function's quality assurance and improvement program, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments. External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside of the NSW Ministry of Health; qualifications must include at least one assessor holding an active Certified Internal Auditor credential.

Global Internal Audit Standards

Internal Audit will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements. The Director Internal Audit will report annually to the Secretary and Risk Management and Audit Committee regarding the internal audit function's conformance with the Standards, which will be assessed through a quality assurance and improvement program.

The mandatory guidance constitutes the fundamental requirements for the professional practice of internal auditing and the principles against which to evaluate the effectiveness of Internal Audit performance. The Director, Internal Audit is responsible for maintaining an up-to-date risk-based internal audit

methodology that aligns with good practices promoted by the internal audit profession.

Internal Audit, including service providers, will perform their work in accordance with the International Professional Practice Framework (IPPF). While the IPPF will cover the majority of internal audits, technology audits may be performed using applicable standards, such as the ISACA standards contained in the 'Information Technology Assurance Framework' (ITAF).

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 Director, Internal Audit 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 will report to each meeting of the Risk Management and Audit Committee on:

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

The Internal Audit function will also report to the Risk Management and Audit Committee 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).

Administrative arrangements

Any change to the role of the Director, Internal Audit will be approved by the Secretary in consultation with the Risk Management and Audit Committee.

Review of the Charter

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

Approval of this Charter

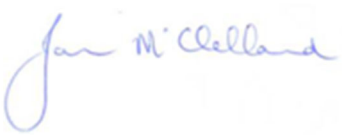
Prepared by:

Date: 26 June 2026

Louise Derley

Director, Internal Audit

Endorsed by:

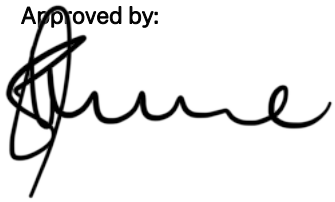


Date: 26 June 2026

Jan McClelland AM

Independent Chair, Risk Management & Audit Committee

Approved by:



Date: 2/7/26

Susan Pearce AM

Secretary, NSW Health