

INTERNAL AUDIT TERMS OF REFERENCE

This charter sets out the purpose of the Internal Audit function and the authority and responsibilities of the Manager, Internal Audit.

Role

Internal Audit is part of AHPRA's governance framework and is a service unit established to provide an independent appraisal, advisory and assurance functions for senior management and the Agency Management Committee thereby assisting AHPRA in achieving its mission. Its functions include examining, evaluating and monitoring the adequacy and effectiveness of operational and internal controls established to ensure that AHPRA's activities and operations mitigate risk and secure propriety, economy, efficiency and effectiveness in all areas.

The Internal Audit unit is to assist management at all levels in achieving objectives consistent with AHPRA's corporate plan and to provide detailed assessments as to the efficiency, effectiveness, economy, compliance and financial regularity of AHPRA's operations. Responsibility for internal control rests fully with AHPRA management to ensure that appropriate and adequate arrangements are established.

Organisational Scope

The field of activity of Internal Audit shall include the activities and operations of all departments, organisational and functional units.

The Internal Audit function will be provided by an external accounting firm with demonstrated expertise in the field of internal audit. The firm's partner in charge of the internal audit service will be referred to as Manager, Internal Audit.

Operational Independence

The Finance, Audit & Risk Management Committee will determine the policy framework in which the Manager, Internal Audit is to operate whilst the administrative responsibility for ensuring the performance of tasks is exercised by the Chief Executive Officer. The Manager, Internal Audit has an operational independent status within AHPRA and for that purpose:

- will report directly to the Chief Executive Officer
- shall have access to the Agency Management Committee via Finance, Audit & Risk Management Committee, if required;
- must meet privately at least twice yearly with the Chair of Finance, Audit & Risk Management Committee; and
- must have no executive or managerial powers, authorities, functions or duties except those relating to the management of the internal audit function.

Powers

The Manager, Internal Audit and audit staff:

- have the right of access to all premises of AHPRA and the right to inspect all correspondence, files, records, accounts and all other forms of information held by AHPRA as are necessary for the performance of audit duties; and
- have the right to require all officers of AHPRA to supply such information and explanations as are necessary for the performance of audit duties.

Reporting and approvals

The Manager, Internal Audit reports through the Chief Executive Officer.

The Executive Director – Business Services is organisationally responsible for the successful operation of the internal audit program and therefore works closely with the Manager, Internal Audit and the Finance, Audit & Risk Management Committee to coordinate reviews, reports and management responses.

The Finance, Audit & Risk Management Committee will review and approve the Internal Audit Strategy, the annual Audit & Risk Assessment Plan and more detailed program of reviews to ensure that they are consistent with the audit needs of AHPRA.

The Manager, Internal Audit will present the major findings of internal audit reports and AHPRA management responses to the Finance, Audit & Risk Management Committee on a quarterly basis.

Responsibilities

The Manager, Internal Audit must review AHPRA's risk management plans, financial policies, procedures, records, accounts and plans and appraise the effectiveness by which AHPRA meets its objectives. The Manager, Internal Audit will consider the adequacy of controls necessary in all areas and will seek to confirm that management have taken the necessary steps to achieve these objectives.

This includes:

- reviewing systems and operations and appraising the adequacy of controls including their ability to detect and prevent fraud;
- recommending improvements to systems and procedures;
- advising on appropriate systems of control and other operational matters;
- appraising the extent of compliance with established policies, procedures and plans;
- assessing the accuracy of management information;
- maintaining a continuous review of the income and expenditure;
- being involved in the design, implementation and testing of planned controls when major changes are made to various administrative systems but shall not be responsible for the detailed implementation of such systems; and
- conducting ad hoc and confidential investigations as directed by the Chief Executive Officer and/or the Executive Director - Business Services.

The Manager, Internal Audit will be responsible for providing relevant, reliable and sufficient audit evidence of the adequacy and effectiveness of operational and other control arrangements which will allow management to evaluate the findings and confirm the level of assurance which emerges.

Professional Standards

All internal audit projects must be undertaken with due professional care. In line with standards of professional internal auditing practice the Manager, Internal Audit shall ensure:

- that skills, competence, experience and qualifications are appropriate for the audits being performed;
- that all internal audit projects are properly supervised;
- compliance with all relevant standards and codes of ethics as laid down by the Institute of Internal Auditors and CPA Australia; and
- that all audit staff undertake continuing professional activities and maintain membership of pertinent professional bodies.

Audit Plan - Scope and Coverage

As an aid to managing the audit function and to set priorities, a rolling three year strategic audit plan will be prepared and presented to Finance, Audit & Risk Management Committee annually for comment and approval. In formulating the audit plan and annual work program, the Manager, Internal Audit must consult with key audit customers including members of AHPRA's executive management and heads of departments.

The strategic audit plan must:

- be sufficiently comprehensive so as to identify the auditable areas and activities;
- take into consideration an assessment of risk associated with auditable areas and activities, the internal control environment, results of previous audit and materiality;
- be prepared having regard to achieving an appropriate balance between regularity and efficiency audits;
- provide a schedule of audits to be undertaken with the resources available during the period covered by the plan; and
- allow flexibility to accommodate special tasks and projects if requested by the Chief Executive Officer, Executive Director – Business Services or the Finance, Audit & Risk Management Committee.
- be costed in accordance with any submitted proposal for service.

Performing Internal Audit Reviews

All internal audit projects undertaken must be in accordance with documented audit protocols. These set out the steps which the Manager, Internal Audit agrees to take to ensure that the audit process is mutually beneficial to both Internal Audit and the functions being audited. These audit protocols are amended from time to time in line with internal auditing best practice, changes to auditing standards and customer and Finance, Audit & Risk Management Committee requirements.

External Auditor

Where appropriate and within the context of established plans and to the extent that organisational and professional constraints allow, internal audit projects are undertaken with the view of maximising the efficiencies of the internal and external audit processes and minimising audit duplication.

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