

 NOOSA Council	Council Policy INTERNAL AUDIT
Corporate Plan Reference:	<i>Theme 5: Excellence</i> <i>Objective 5.5: Provide robust and transparent governance systems to build and strengthen community trust, supported by the implementation of an enterprise risk and opportunity management framework</i>
Endorsed by Council:	19 March 2026
Policy Author:	Executive Officer

1. POLICY STATEMENT

Council recognises the relevance of strengthening governance and control systems through the establishment of an efficient and effective internal audit function. This Policy has been formulated to assist Council in meeting its statutory obligations under Section 105 of *Local Government Act 2009* and Section 207 of the *Local Government Regulation 2012*.

2. PURPOSE

The Internal Audit Policy provides the strategic framework for the conduct of the internal audit function within Council and is endorsed by the Audit and Risk Committee.

The internal audit function is part of Council's Governance Framework and provides an independent and objective risk-based view of Council's internal control environment.

Internal audits are to be undertaken in accordance with the Audit Plan and the Internal Audit Terms of Reference (Attachment 1) under the oversight of Council's Audit and Risk Committee.

The internal audit function operates in a manner consistent with the International Standards for the Professional Practice of Internal Auditing, including adherence to the Core Principles for the Professional Practice of Internal Auditing. Council will appoint, and may from time to time vary, the appointment of an internal auditor, who may be a contracted service provider.

3. ROLE OF INTERNAL AUDIT

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

- Provide assurance to the Chief Executive Officer (CEO) and the Audit and Risk Committee that the Council's financial and operating controls designed to manage risks and achieve corporate objectives are operating in an efficient, effective, economical, and ethical manner.
- Assist management in improving our business performance and ensuring Council's operations comply with Council policies and procedures.

The scope of internal audit shall be sufficiently comprehensive to enable effective and regular review of key activities across all areas of Council, including, but not be limited to, the following key areas:

- Audit of Council's activities, processes, control frameworks, compliance obligations and to recommend any business process improvement requirements.
- Advisory services to offer professional objective and independent advice to Council on a range of matters including for new services, systems and processes and risk management.
- Detecting and reporting irregularities so that Council can take action and report such irregularities in accordance with legislative requirements.
- Risk assessment and management, including the identification and assessment of risks – current and emerging - to which Council's operations are exposed.

A risk-based Internal Audit Plan, outlining the scope, objectives, and schedule of audit activities, will be developed and reviewed by the Audit and Risk Committee before being recommended for Council's endorsement. The Audit Plan ensures effective utilisation of audit resources and appropriate coverage of Council systems and operations.

An effective internal audit function will seek to achieve the following outcomes:

- a) Assess and evaluate Council's processes, procedures and internal control environment to assist with the management of strategic and operational risks.
- b) Appraise the relevance, reliability, and integrity of management, business systems, financial and operating records and reports.
- c) Assist the CEO and Council in the effective discharge of their responsibilities by providing them with analyses, appraisals, reports, recommendations, and information concerning the activities reviewed.
- d) Provide advisory services to offer professional objective and independent advice to Council on a range of matters including for new services, systems and processes and risk management.
- e) Undertake risk assessments and risk management activities, including the identification and assessment of risks to which Council's operations are exposed.
- f) Assess compliance with Council policies and procedures, legislative requirements, reporting processes, and best practice standards.
- g) Detect any reporting irregularities so that Council can act and report such irregularities in accordance with legislative requirements.
- h) Provide outcomes that will generally improve practices across Council.
- i) Examine and evaluate operational functions to maximise the economical, efficient, and effective use of all Council resources in the achievement of council's priorities and objectives.

4. INTERNAL AUDIT'S STANDING WITHIN COUNCIL

The responsibility to establish an efficient and effective internal audit function has been delegated by Council to the CEO with oversight by the Audit and Risk Committee.

The internal audit function must be independent, reporting directly to the CEO, and objective in undertaking audit activities. The internal auditor must declare and disclose any Conflict of Interest to Council, including any potential conflict of interest.

The internal audit function may be delivered in-house or outsourced, subject to a review of Council's operational requirements and an evaluation of the most effective and cost-efficient delivery model.

A professional relationship will be maintained with Council's External Auditors. Close liaison will support the cost-effective use of audit resources, ensuring best value to Council.

5. STANDARDS

The Internal Audit function will be conducted in accordance with relevant professional standards including:

- Standards for the Professional Practice of Internal Auditing, including the Global Internal Audit Standards effective on 09/01/25 and Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors including the IIA Code of Ethics.
- Standards relevant to internal audit issued by CPA Australia (CPA) and Chartered Accountants Australia and New Zealand (CA ANZ).
- The Statement on Information Systems Auditing Standards issued by the ISACA.
- Standards issued by Standards Australia and the International Organization for Standardization (ISO), including the Australian and New Zealand Standard on Risk Management AS ISO 31000:2018.

6. INTERNAL AUDIT RESOURCES

The annual budget for the provision of internal audit services is approved by Council as part of the Noosa Shire Council Annual Budget. The CEO may approve additional audit resources on the advice of the Audit and Risk Committee, in accordance with Council policies.

7. SCOPE

This Policy applies to:

- All Council activities, including entities over which Council has direct ownership, management, or financial control; and
- All Council officers, Councillors, contractors, the officers, and Committee members of related entities involved in, or have responsibility for, contributing towards the achievement of Council's objectives.

8. REVIEW

The Internal Audit Policy will be reviewed by the Audit and Risk Committee and endorsed by Council annually, or as required from time to time.

9. RELEVANT LEGISLATION AND POLICIES

- *Local Government Act 2009*
S 105 (1) Each local government must establish an efficient and effective internal audit function
- *Local Government Regulation 2012*
S 207 (1) Internal audit
(1) For each financial year, a local government must—
(a) prepare an internal audit plan; and
(b) carry out an internal audit; and
(c) prepare a progress report for the internal audit; and
(d) assess compliance with the internal audit plan.

S207 (2) A local government's internal audit plan is a document that includes statements about—
(a) the way in which the operational risks have been evaluated; and
(b) the most significant operational risks identified from the evaluation; and
(c) the control measures that the local government has adopted, or is to adopt, to manage the most significant operational risks.
- Audit and Risk Committee Charter
- Enterprise Risk and Opportunity Management Policy

10. DEFINITIONS

Audit and Risk Committee is an advisory Committee of Council established in accordance with section 105(2) of the *Local Government Act 2009* charged with monitoring assurance, oversight, and advice to Council in relation to making recommendations about matters that the Committee considers need action or improvement especially in relation to the Internal Audit Plan and monitoring the progress of management actions.

Code of Ethics means *The Code of Ethics of the Institute of Internal Auditors* and are the principles relevant to the profession and practice of internal auditing and the rules of conduct that describe the behaviour expected on internal auditors. The Code of Ethics applies to all parties and entities that provide internal audit services and functions. The purpose of the Code of Ethics is to promote and ethical culture in the global profession of internal auditing.

Conflict of Interest means any relationship, that is, or appears to be, not in the best interests of the organisation. A conflict of interest would prejudice an individual's ability to perform his or her duties and responsibilities objectively.

Core Principles for the Professional Practice of Internal Auditing means the internal audit function:

- Demonstrates integrity.
- Demonstrates competence and due professional care.
- Is objective and free from undue influence.
- 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.

Council Delegation: Section 105(1) of the *Local Government Act 2009* requires that each local government must establish and efficient and effective internal audit function. In accordance with Section 257 of the *Local Government Act 2009*, Council has resolved to delegate this power to the Chief Executive Officer (refer to Noosa Council’s Register of Delegations).

Independence means the freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner.

Internal Audit refers to an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. Internal audit assists an organisation accomplish its objectives by bringing a systemic disciplined approach to evaluate and improve the effectiveness of risk management, control and good governance processes.

Objectivity means an unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made.

Terms of Reference describes the framework within which the internal audit service is delivered.

Internal Audit Plan Is a document that outlines the scope, objectives, and schedule of an organisation’s internal audit activities.

11. HUMAN RIGHTS STATEMENT

In developing this Policy, the subject matter has been considered in accordance with the requirements of the Queensland Human Rights Act 2019. It is considered that the subject matter does not conflict with any human rights and supports a human rights approach to decision making by Council. Council representatives will endeavor to act and make decisions under this Policy in a manner that is compatible with human rights. In particular, representatives will endeavor to:

- identify relevant human rights which may be affected by the action or decision;
- give proper consideration to the impact of its actions and decisions on human rights;
- and
- ensure that any conduct or decision by Council which limits an individual’s human rights is reasonable and justifiable.

This Policy should be read in conjunction with Council’s Human Rights Policy.

Version control:

Version	Reason/ Trigger	Change (Y/N)	Endorsed/ Reviewed by	Date
1.0	New policy		Council	20 November 2014
1.1	Update Policy	Y	Council	27 August 2015
1.2	Update Policy	Y	Council	17 November 2016
1.3	Update Policy	Y	Council	19 October 2017

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1.4	Update Policy	Y	Council	20 December 2018
1.5	Review	Y	Council / A&RCommittee	19 March 2020
1.6	Review	Y	Council / A&RCommittee	18 March 2021
1.7	Review	Y	Council / A&R Committee	17 March 2022
1.8	Review	Y	Council	18 September 2025
1.9	Annual Review	Y	Council	19 March 2026

ATTACHMENT 1

INTERNAL AUDIT TERMS OF REFERENCE

1. Introduction

The Internal Audit Terms of Reference is an attachment to the Internal Audit Policy and supports Noosa Council's Corporate Plan Objective:

5.5 Provide robust governance systems to build and strengthen community trust, supported by the implementation of an Enterprise Risk and Opportunity Management Framework.

and the overall Corporate Plan Theme 5 (Excellence) commitment:

Open and transparent practices will continue to strengthen community confidence and trust with Council.

2. Internal Audit Resourcing

The Internal Audit function will be undertaken by a suitably qualified and experienced internal auditor who may be appointed as a Council employee or be a contracted external service provider appointed through a competitive procurement process in accordance with Council's Procurement Policy. The term of appointment of the internal auditor shall be reviewed by the Chief Executive Officer at least every two years.

The annual budget provision for the Internal Audit function will be determined in the adoption of the Noosa Council Annual Budget.

The internal audit function reports to the Chief Executive Officer who is supported by the Office of the CEO and Mayor in co-ordinating internal audit activities. This includes scheduling internal audits, managing contractual arrangements, liaising with the Internal Auditor, reviewing internal audit documentation and management responses, monitoring progress in the implementation of management actions, and reporting internal audit performance to the Audit and Risk Committee.

3. Scope and Objective of Internal Audit

The internal audit coverage may extend to all areas of the organisation and include financial, accounting, administrative, information management, computing, and other operational activities. The work of the Internal Audit function is to ensure that relevant internal controls are in place throughout all of Council's activities and that risks are effectively managed.

The extent and frequency of internal audits will depend upon varying circumstances, such as the results of previous audits, relative risk associated with activities, materiality, the adequacy of the system of internal control, emerging risks, and available resources.

The objective of the Internal Audit function is to provide Council with independent advice in relation to:

- a) Reviewing and appraising the adequacy and effectiveness of the system of internal controls.
- b) Appraising the relevance, reliability, and integrity of management, financial, and operating data and reports.

- c) Reviewing the systems established to ensure compliance with policies, plans, procedures, statutory requirements, and regulations which could have a significant impact on operations.
- d) Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- e) Appraising the economy, efficiency, and effectiveness with which resources are deployed.
- f) Reviewing operations or programs to ascertain whether results are consistent with Council's established objectives and goals and whether the operations or programs are being carried out as planned.
- g) Monitoring and evaluating governance processes.
- h) Assessing the adequacy of established systems and procedures.
- i) Conducting special assignments and investigations into any matter or activity affecting the probity, interests, and operating efficiency of the organisation.
- j) Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the CEO and/or Audit and Risk Committee.
- k) The improvement and effectiveness of risk management, legal compliance, internal control, and governance systems to provide value and accountability to ratepayers.

4. Internal Audit Model

The internal audit function may be delivered in-house or outsourced to a proficient external provider under a contractual arrangement, independent of Council's operations. The preferred model will be determined by Council in consideration of the most effective and efficient option given Council's operating environment, business needs, risk profile and appetite, and resourcing capacity.

5. Annual Internal Audit Plan

In accordance with Section 207 of the *Local Government Regulation 2012*, Council is required to prepare an Internal Audit Plan for each financial year stating:

- I. the way in which Council's operational risks have been evaluated,
- II. the most significant operational risks identified from the evaluation, and
- III. the control measures that Council has adopted, or is to adopt, to manage the most significant operational risks.

The development of the Internal Audit Plan and forward program will improve audit planning and assist in the effective utilisation of audit resources and risk management. The Internal Audit Plan will be endorsed by Council on the recommendation of the CEO and the Audit and Risk Committee. A risk-based methodology will be used to identify and prioritise potential audit areas and progress of Internal Audit Plan will be reviewed by the Audit and Risk Committee quarterly. If necessary, management, in consultation with the Audit and Risk Committee, may recommend adjustments to the Internal Audit Plan in response to organisational changes that may affect the organisation's risk profile or resource requirements.

6. Engagement Planning

The Internal Auditor will document a plan for each engagement/audit. The plan is to be endorsed by the Chief Executive Officer and will include the audit's objectives, scope, methodology including key activities to be undertaken, timeframes and deliverables, resource allocations, and an acknowledgement of Council's needs and preferred approach.

In planning the engagement, the Internal Auditor must consider:

- a) The strategies and objectives of the activity being reviewed and how the activity controls its performance.
- b) The significant risks to the activity's objectives, resources and operations, Council's Risk and opportunity Management Framework including Council's risk appetite and risk tolerances, and how the potential impact of risk is kept to an acceptable level.
- c) The adequacy and effectiveness of the activity's governance, risk management and control processes compared to a relevant control framework or model; and
- d) The opportunities for making significant improvements to the activity's governance, risk management, and control processes.

7. Audit Methodology

Internal audits will be conducted in accordance with the Standards for the Professional Practice of Internal Auditing including the Global Internal Audit Standards which came into effect on 09 January 2025.

The audit process will be guided by various methodologies depending on the organisation's needs and objectives:

- a) *Risk-Based Internal Audit (RBIA) methodology* is a strategic approach that prioritises auditing efforts based on the risks that pose the greatest threat to an organisation's objectives. This methodology aligns audit activities with the organisation's strategic goals, focusing resources on areas most likely to impact the success of the organisation.
- b) *Systems or Process-based Internal Audit Methodology* focuses on evaluating the effectiveness and efficiency of organisational processes. This approach ensures that processes are well-designed, properly managed, and aligned with the organisation's strategic goals. By examining each stage of a process, from inception to completion, auditors can identify inefficiencies, non-compliance with established procedures, and opportunities for improvement.
- c) *Compliance Audit Methodology* assesses an organisation's adherence to external regulations, internal policies, and industry standards. This approach ensures that the organisation operates within legal and ethical boundaries, aligning its operations with prescribed norms and requirements. Compliance audits are crucial for maintaining the integrity and reputation of an organisation, as they help identify areas of non-compliance that could lead to legal penalties or reputational damage.

8. Internal Audit Reporting Process

The Internal Audit function is directly responsible to the Chief Executive Officer and will report the results of internal audits to the Chief Executive Officer and Audit and Risk Committee as broadly described hereunder:

- a) Reports will consist of an Executive Summary and a Detailed Audit Report. The reports will incorporate statements as to the objective, scope and nature of the audit, audit conclusions, appropriate recommendations for improvement and associated risk assessments aligned to Council's Risk Rating Criteria and Risk Rating Matrix, and acknowledge good practice and any remedial action in process.
- b) Matters arising during audits, including matters for possible inclusion in reports, will, on completion of the audit, be discussed with the responsible Manager.
- c) Matters resolved at the time of the internal audit will be listed in the issued audit report for transparency.
- d) At the completion of an audit, the Internal Auditor will discuss their findings and recommendations with the appropriate officers to ensure that management agree on the findings and jointly develop any recommendations considered necessary. Recommendations should be developed with regard to the following considerations:
 - Timeframes should be realistic and achievable to ensure there is sufficient time for findings to be considered and to develop appropriate responses.
 - Recommendations should be clearly defined and actionable.
 - Recommendations should contain simple actions and be singularly identified allowing progress to be easily tracked.
 - Dependencies or prerequisite requirements that impact the implementation of recommended actions should be identified.
 - Resourcing and organisational capacity.
- e) For recommendations requiring considerable investment or resources, identify immediate controls or activities that can be implemented to reduce risk until implementation to ensure immediate steps are taken to mitigate risks.
- f) A draft audit report will be provided, and a meeting arranged with the relevant manager/stakeholders to discuss the audit findings. Management responses to the audit recommendations will then be developed and provided to the Internal Auditor within 21 days of the draft report being issued or otherwise as agreed.
- g) The Internal Auditor will issue a final report to the CEO for presentation to the next Audit and Risk Committee meeting. Depending on the timing of Committee Meetings a draft report may be presented for the Committee's information, and to provide an opportunity for the Committee to clarify or provide feedback on information contained within the draft report.
- h) At the request of the Audit and Risk Committee (in consultation with the CEO), the Internal Auditor may be required to provide a report summarising significant issues arising from audits undertaken during the year. The Internal Auditor may also be required to provide independent verification that any high-risk issues have been addressed, and to undertake an assessment of the implementation of audit recommendations. The report may include reference to areas where weaknesses were encountered, suggested remedial measures, and any general observations or recommendations considered appropriate, a summary of management actions taken or not taken in response to audit recommendations, and any recommendations to close management actions.

- i) Progress in implementing internal audit actions and any associated issues will be reported to the Audit and Risk Committee in alignment with the Committee's Annual Work Plan.

9. Responsibilities

Council and Chief Executive Officer

Council has delegated the following powers to the Chief Executive Officer Noosa Council:

- S105(1) *LG Act 2009*
Power to establish an efficient and effective internal audit function to the CEO.
- S207 *LG Regulation 2012*
Power to: -
 - (a) prepare an internal audit plan
 - (b) carry out an internal audit
 - (c) prepare a progress report for the internal audit
 - (d) assess compliance with the internal audit plan
 - (e) give the documents referred to in subsection (3) to the Audit and Risk Committee.

Audit and Risk Committee

In accordance with Section 105 (3) of the *Local Government Act 2009*, the Audit and Risk Committee is required to monitor and review the Internal Audit function and the effectiveness and objectivity of Council's internal auditors.

This includes:

- a) Endorsing the Internal Audit Plan.
- b) Reviewing internal audit reports and findings.
- c) Reviewing the status of the follow up and the implementation of recommendations.
- d) Reviewing the Internal Audit Plan, and the extent to which the planned audit scope can be relied upon to detect weaknesses in internal control, risk, fraud, or other illegal acts.
- e) Assessing the performance of the Internal Audit function.
- f) Advising Council about the resourcing requirements for the internal audit function.
- g) Identifying emerging issues and priorities for internal audit.

10. Independence

To be effective, the Internal Audit function must be able to operate without being influenced or restricted when undertaking its responsibilities. For this purpose, the Internal Audit function reports directly to the Chief Executive Officer.

11. Authority

The Internal Auditor, in the course of their duties, has full, free, and unrestricted access to all records, monies, materials, assets, property, and personnel, and is permitted to examine all transactions and review all policies, procedures, and functions of Council. Information acquired by the Internal Auditor during an audit must remain confidential and must not be used for purposes outside the scope of the audit review. All members of management and staff must fully co-operate with the Internal Auditor in relation to matters subject to audit.

The Internal Audit function shall be performed by proficient and experienced auditor/s who hold a level of professional membership as outlined below:

- Ordinary membership or above of the Institute of Internal Auditors in Australia; or
- CPA or above (CPA Australia); or
- CA or above (Chartered Accountants Australia and New Zealand); or
- IPA or above (Institute of Public Accountants)

The Internal Auditor also has direct access to the Chair of the Audit and Risk Committee, as required.

12. Relationship between Internal Audit and External Audit

In accordance with the *Financial Accountability Act 2009*, all Queensland public sector organisations are to be held accountable for the administration of the state's finances, and are subject to a financial audit each financial year. The Queensland Audit Office (external audit) undertakes financial and performance audits relating to Council's financial reports and performance audits which focus on the performance of public sector entities, and how effectively, efficiently, and economically their objectives are being met. The Internal Audit function will collaborate with External Audit with respect to all internal audit engagements conducted, as required, to facilitate the audit coverage and avoid duplication of work. Both the Internal Auditor and External Auditor may approach the Audit and Risk Committee Chairperson directly at any time.

13. Management Actions

The relevant operational Manager is responsible for ensuring that corrective actions arising from recommendations or identified deficiencies reported by the internal auditor and external auditor are completed within the agreed timeframes. The Audit and Risk Committee will monitor the implementation of audit recommendations. Recommendations are considered outstanding until the associated audit actions are marked as 'complete' and the identified deficiency has been rectified.

The progress of implementing recommendations and associated actions is reported to the Audit and Risk Committee in alignment with the Annual Work Plan. If the operational Manager foresees difficulties implementing the recommendations within the agreed time frame, the Manager should advise the relevant Director and the Chief Executive Officer regarding the cause of the delay and obtain approval to the revised implementation schedule. The relevant Director is ultimately responsible for the effective and timely action and responses on all Internal Audit and External Audit observations and recommendations.

14. Evaluation of Internal Audit Performance

The CEO and Audit and Risk Committee will undertake periodic evaluations of the performance of the Internal Audit function. Relevant considerations are:

- Compliance with the revised global Internal Audit Standards (effective from 9/1/25) relating to the importance of having appropriate governance arrangements to enable the internal audit function to be effective.
- How the Internal Audit function has delivered against the Internal Audit Plan and the quality of its testing outcomes.
- The improvements achieved as a result of internal auditing.
- Management's responsiveness to Internal Audit findings and recommendations.
- The level of client satisfaction with the Internal Auditor's performance as determined by a client satisfaction survey to be undertaken at the conclusion of each internal audit.