

INTERNAL AUDIT CHARTER

Updated in December 2016

Purpose

This Charter sets out the objective, authority, scope and responsibility of internal audit at the Palmerston North City Council.

Objective

Internal Audit is an independent and objective assurance, consulting and risk advisory activity, which aims to assist management to accomplish their objectives and meet their accountabilities. This is done by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.

Access Authorisation

Internal Audit is granted full and complete access to records (manual or electronic), physical property and personnel related to a review. Documents and information given to internal auditors will be handled with the same standard of confidentiality and prudence as that exercised by normally accountable employees.

Independence

Internal Audit will be independent of the activities it audits. This independence is necessary to maintain audit objectivity and integrity. Internal Audit should be given the opportunity to provide input into the development of new key systems and processes. However, designing, installing and operating such systems and processes are not Internal Audit functions. Such activities are generally presumed to impair audit objectivity.

The Senior Internal Auditor has direct access to the Chief Executive and maintains line management relationship with the Chief Financial Officer on a day-to-day basis. The Senior Internal Auditor also has direct access to the Chairperson of the Audit & Risk Committee and vice versa for any matters that they deem are the responsibility of, and relevant to, the elected Council.

The Audit and Risk Committee shall approve the Internal Audit Charter and the Internal Audit Plan.

Internal Audit Scope

Internal Audit examines and evaluates the adequacy, efficiency and effectiveness of the Council's management control structure, including review of the:

- Reliability, timeliness and integrity of financial and operating information, and the processes used to identify, measure and report such information;

- Systems established to ensure compliance with policies, plans, procedures, laws and regulations;
- Means of safeguarding assets and verifying the existence of these assets;
- Effectiveness and efficiency with which operational, financial and administrative procedures are performed;
- Operational results and whether these are consistent with established objectives and standards; and
- Quality of internal systems, policies and procedures.

Internal Audit will undertake the following in fulfilling its responsibilities:

- Adopt a risk-based audit approach.
- Be proactive and forward thinking in approach.
- Design and execute audit plans that reflect both risk and cost effectiveness.
- Provide reports to management that identify control issues and make practical, cost effective recommendations for improvement.
- Follow up on audit issues to assure that identified problems have been resolved.
- Ensure the effectiveness and quality of the internal auditing effort.

Reporting

Internal Audit will issue a written report on completion of each audit review. The report will outline audit findings, recommendations, implementation plans and will include an opinion on management controls.

Prior to issuance of any draft audit report, meetings will be held with relevant management to obtain agreement on the substance and tone of the report. On issuance of the draft audit report the relevant Manager will respond in writing within an agreed timeframe indicating what actions are being taken in support of the recommendations included in the report. A timetable with individual accountabilities will be an integral part of the response.

A final copy of the report, including management responses, will be provided to the relevant Management Team member, the Chief Executive, the Management Team and the Audit and Risk Committee.

The Internal Auditor will submit a six monthly summary report to the Management Team and the Audit and Risk Committee outlining activities, outcomes and findings of the Internal Audit function.

The Internal Auditor will submit an annual report to the Management Team and the Audit & Risk Committee outlining the activities, outcomes and findings of the Internal Audit function in order to provide assurance of the adequacy of internal controls.

Follow Up

The Internal Auditor will routinely follow up on agreed corrective actions based on recommendations made during the preceding year. The Internal Auditor will submit a quarterly report to the Management Team and Audit and Risk Committee outlining any recommendations made that have not been satisfactorily resolved.

Relationship With The External Auditor

The Council is subject to an independent external audit, which aims to provide an opinion on the fairness of information included in the Council's financial statements. The objectives of Internal Audit are different and focus on the effectiveness of systems and the accuracy of management information rather than offering an opinion on the statutory financial statements. However, there is some overlap of work and therefore Internal Audit will coordinate its activities with External Audit to ensure that optimum audit coverage and effectiveness is obtained at an optimal cost.

Internal Audit will also make Internal Audit staff, and any relevant workpapers or reports, available to the External Auditor on request.

Quality Assurance

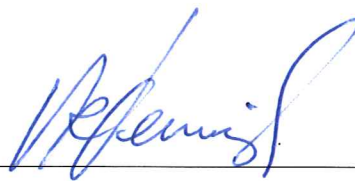
Internal Audit will comply with the Standards for the Professional Practice of Internal Auditing set out by the Institute of Internal Auditors.

Internal Audit will establish and maintain a quality assurance programme to evaluate the operations of Internal Audit. The purpose of this programme is to provide reasonable assurance that audit work conforms to the Standards for the Professional Practice of Internal Auditing. The quality assurance programme will include training, supervision and internal and external reviews.

Signed for and on behalf of Palmerston North City Council by:

Chairman Audit & Risk
Committee (Vaughan
Dennison)

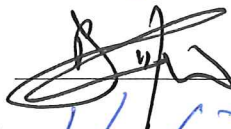
Date



6/3/2017

Chief Executive (Paddy Clifford)

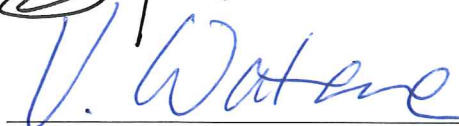
Date



22.2.17

Senior Internal Auditor (Vivian
Watene)

Date



21/2/2017