

LGFA INTERNAL AUDIT CHARTER

Updated: June 2020

Review and Approval: ARC

Purpose of the charter

The purpose of the Internal Audit Charter is to describe the role of the LGFA Internal Audit function. This document sets out the framework that the Internal Audit operates within to evaluate and improve the effectiveness of the LGFA's risk management controls, governance systems and internal processes

Independence

Independence is critical to the effectiveness of the internal audit function. The internal audit function must be seen to be independent to the activities and processes of the LGFA. This ensures that the function can be completed in an objective manner which can then provide impartial information and advice to the risk and audit committee.

The Risk and Compliance Manager (MRC) has responsibility for the Internal Audit function and reports to the CEO and the Chairman of the LGFA Risk and Audit Committee.

It is important to recognise that due to the small staff size of the LGFA, the MRC acts as the Internal auditor for the organisation, as a result, the risk and compliance function and the internal audit function are not completely independent.

Responsibility

The Internal Audit function is responsible for auditing all activities that fall within the overall audit plan. The internal audit includes an examination and evaluation of the adequacy and effectiveness of the LGFA's governance, risk management and internal control processes.

The Risk and Compliance Manager is responsible for the implementation of the Internal Audit function including the planning of the internal audit, conducting the internal audit, reporting the results of the Internal Audit as well as making audit recommendations, as well as, reporting significant risk exposures and control issues identified by the internal audit to the CEO, The Audit and Risk Committee and the Board of directors.

Professionalism

The internal audit activity will adhere to the standards of leading professional practice such as those published by the Institute of Internal Auditors. The internal audit will also be conducted in a professional manner that ensures the confidentiality and safeguarding of all LGFA records and information.

Authority

The Risk and Compliance Manager is authorised to conduct all internal audit activities within the LGFA and is granted unrestricted access to any of the LGFA's records, physical properties and employees that are relevant to carrying out the activities of the Internal Audit. All employees are requested to assist the internal audit activity in fulfilling its roles and responsibilities.

Reporting, Monitoring and Management

To ensure that the Audit and Risk Committee and the Board can monitor and assess the quality and effectiveness of the internal audit function, the Risk and Compliance Manager will be responsible for reporting the periodic results of the internal audit based on the internal audit plan.

The Risk and Compliance Manager will be responsible for managing the follow-up process to ensure that internal audit recommendations have been effectively implemented. In the event that internal audit recommendations are not effectively implemented, the Risk and Compliance Manager will ensure that senior management has fully understood and accepted responsibility for risks of not implementing the audit recommendation.

Internal Audit Plan

The internal audit plan will be developed using a risk based methodology in consultation with LGFA senior management and approved by the Audit and Risk Committee annually. The Internal Audit plan will include all internal audit scripts, the timing of when those scripts will be executed as well as resource requirements.

The internal audit plan will initially be based on the test scripts developed by EY. The plan however will be dynamic in nature and may be changed during the business year if the LGFA's risk profile changes. Any changes to the annual Internal Audit Plan and the rationale for those changes will be clearly communicated to senior management and the Audit and Risk Committee and the Board.

Review of LGFA Internal Audit Charter

The Internal Audit Charter will be reviewed every two years by the Manager, Risk and Compliance to ensure that it remains consistent with the Internal Audit strategy and the LGFA's objectives. Any recommended changes to the Internal Audit Charter will be approved by the Audit and Risk Committee.

Quality Assurance and Improvement Program

The LGFA Internal Audit function should be externally reviewed at least once every three years, or more frequently if warranted by the Audit and Risk Committee. The external review should be conducted by a qualified, independent review team from outside the LGFA.

An Internal Audit Strategy paper on the performance of the internal audit program is to be completed by the Manager, Risk and Compliance for the LGFA Board, in accordance with the approved internal audit plan.

Charter Review

The Internal Audit Charter was reviewed by ARC in August 2018 and June 2020. The next review is scheduled for June 2022.