

Purpose and Scope

This document establishes the framework for the conduct of the Internal Audit function within ANSTO.

Introduction

The Board of the Australian Nuclear Science and Technology Organisation (ANSTO) has established the Internal Audit function as a key component of ANSTO's governance, performance and accountability framework.

This charter, prepared in accordance with the *International Standards for the Professional Practice of Internal Auditing* published by the Institute of Internal Auditors (IIA), outlines the purpose, authority and responsibility of the Internal Audit function within ANSTO, and has been approved by the ANSTO Board on the advice of the Risk and Audit Committee.

The Chief Risk and Assurance Officer is responsible for the overall strategic and operational management of the Internal Audit function in accordance with the Internal Audit Charter and applicable professional practice standards.

Purpose of Internal Audit

The primary purpose of the Internal Audit function is to provide the ANSTO Board and Chief Executive Officer (through the Risk and Audit Committee) with independent and objective assurance and consulting services that assist the Board in meeting its obligations and responsibilities under the *Australian Nuclear Science and Technology Organisation Act 1987 and Public Governance, Performance and Accountability Act 2013*.

The Internal Audit function discharges this responsibility by bringing a systemic, disciplined and independent approach to the evaluation and improvement of ANSTO's governance, performance reporting, risk and compliance management arrangements, and systems of internal control.

Responsibility of Internal Audit Activity

The scope of the ANSTO Internal Audit function encompasses all financial and non-financial functions, systems, programs, projects, activities and processes as identified by the Chief Risk and Assurance Officer¹, across ANSTO.

The Chief Risk and Assurance Officer will ensure that the scope and coverage of Internal Audit's assurance activities are defined within a strategic (long term) internal audit plan that is to be used to help prepare annual Internal Audit work plans. The Chief Risk and Assurance Officer will also ensure that assurance activities undertaken by Internal Audit recognise and are coordinated, as far as practical, with the activities of other roles and functions within ANSTO, and bodies 'external' to ANSTO, that conduct targeted reviews, inspections or audits.

¹ The Chief Risk and Assurance Officer will establish and maintain the Internal Audit 'assurance universe' that will be used to guide the development of strategic and annual Internal Audit work plans.

Internal Audit Independence and Objectivity

The independence of the Internal Audit function is essential and requires the function to be free from conditions that threaten its ability to carry out its responsibilities in an unbiased manner. The independence of the Internal Audit function will be achieved through the following governance arrangements:

- the Chief Risk and Assurance Officer shall report, for administrative² purposes only, to the Chief Executive Officer;
- the Chief Risk and Assurance Officer has direct and unrestricted access to the Chair and other members of the ANSTO Risk and Audit Committee and the Chair of the ANSTO Board;
- the Chief Risk and Assurance Officer shall report functionally to the Risk and Audit Committee on matters critical to the performance and independence of the Internal Audit function;
- the Risk and Audit Committee will:
 - review the Internal Audit Charter and recommend to the ANSTO Board the approval thereof;
 - review annual Internal Audit work plans (and the associated internal audit budget / resource plan) and recommend to the ANSTO Board the approval thereof;
 - provide feedback for the annual performance assessment of the Chief Risk and Assurance Officer with input from the Chief Executive Officer;
 - review and endorse decisions concerning the appointment and removal of the Chief Risk and Assurance Officer;
 - receive reports from the Chief Risk and Assurance Officer on the adequacy of Internal Audit resources, the performance of the Internal Audit function and other matters that the Chief Risk and Assurance Officer determines are necessary, including the annual confirmation of the internal audit activity's organisational independence;
- scheduled meetings, and ad hoc where required, will be held between the Chief Risk and Assurance Officer and the Chair of the Risk and Audit Committee without other parties being present;
- the Chief Risk and Assurance Officer³ will determine the scope and objectives of specific engagements, the methods used to conduct an engagement and the reporting of engagement results; and
- Internal Audit staff have no responsibility for developing or implementing procedures or systems and do not perform line management functions or duties⁴ except those that relate to the management and operation of the Internal Audit function.

Internal Audit Authority and Confidentiality

The Internal Audit function is authorised to conduct specific Internal Audit assignments / engagements and other tasks under the authority of the Chief Executive Officer and the Risk and Audit Committee.

Subject to compliance with ANSTO's security policies and applicable privacy considerations, Internal Auditors are authorised to have full, free and unrestricted access to all functions, premises, assets, personnel, records, and other documentation and information that the Chief Risk and Assurance Officer considers necessary to enable Internal Audit to meet its responsibilities.

² Administrative reporting refers to the day-to-day operations of the Internal Audit function and typically includes – accounting, human resource and general administrative tasks not related to the performance and independence of the Internal Audit function.

³ The Chief Risk and Assurance Officer is responsible for the Risk & Internal Audit functions. To minimise any impairment to objectivity, a contracted third-party entity will be engaged to conduct any assurance or management review of an area or function over which the Chief Risk and Assurance Officer has responsibility.

⁴ Where appropriate, Internal Audit will provide advice to management concerning the development of new and revised systems, procedures and policy. This may include drafting policy and process guidelines and instructions for possible adoption by management.

All records, documentation and information accessed in the course of undertaking Internal Audit activities are to be used solely for the conduct of these activities. The Chief Risk and Assurance Officer and individual Internal Audit staff members (including external service providers performing work on behalf of Internal Audit) are responsible and accountable for maintaining the confidentiality of the information they receive during the course of their work. However as employees of ANSTO, the Chief Risk and Assurance Officer and individual Internal Audit staff members retain their obligation to report any matters identified during the course of an audit that breach ANSTO's Code of Conduct, relevant policies and/or legal obligations.

ANSTO management and staff are required to meet all reasonable requests for assistance and cooperation by Internal Audit staff members in the performance of their duties.

The Chief Risk and Assurance Officer may engage the services of persons with specific skills and expertise from within ANSTO, or external to ANSTO, to undertake and/or assist in the performance of Internal Audit assignments.

Internal Audit Role and Services

The primary role of Internal Audit is to provide assurance and consulting services in accordance with the Internal Audit Engagement Methodology (AG-5849) and the Internal Audit Protocol.

Assurance services are defined as – an objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organisation.

Consulting services are defined as – advisory and related client service activities, the nature and scope of which are agreed with the client and which are intended to 'add value' and improve an organisation's governance, risk management, and control processes without the Internal Auditor assuming management responsibility.

Assurance Services

Internal Audit assurance engagements can involve:

- appraising the adequacy and effectiveness of the internal control environment, including information technology system controls, with respect to specific business functions, systems, programs, projects or activities;
- reviewing the adequacy and effectiveness of arrangements established by management to ensure compliance with legislative requirements, Government and ANSTO policies, codes of practice, standards, internal procedures and guidelines etc., and assessing, as appropriate, the extent of compliance therewith;
- assessing the adequacy of risk management activities as they relate to specific business functions, systems, programs, projects or activities;
- reviewing the means of safeguarding physical and intangible assets;
- reviewing the reliability and integrity of financial and non-financial information and data and the means used to accurately and completely identify, capture, classify, record and report such information; and
- appraising the economy, efficiency and effectiveness with which resources are acquired and deployed relative to the achievement of business objectives.

Consulting Services

Internal Audit consulting services can involve:

- providing advice on the development of new systems, projects and processes and/or significant changes to existing systems, projects and processes, including the design of appropriate controls to treat identified risks;
- assisting management to identify risks and develop risk treatment and monitoring strategies as part of ANSTO's Enterprise Risk Management Framework;
- assisting management to identify compliance requirements and develop compliance strategies as part of ANSTO's Compliance Management Framework;

- providing advice aimed at improving ANSTO's governance processes with particular reference to the development of effective fraud and corruption prevention strategies and ethics related policies and guidelines; and
- conducting investigations (and 'fact finding' enquiries) at the request of management concerning allegations or suspicions of misconduct, maladministration, serious waste and fraud.

Follow-up Activities

The Chief Risk and Assurance Officer will establish a follow-up process to monitor and evaluate the adequacy, effectiveness and timeliness of actions taken by management to implement 'agreed' Internal Audit recommendations.

The Chief Risk and Assurance Officer will provide the Risk and Audit Committee with regular reports outlining follow-up actions taken and the implementation status of agreed actions.

Internal Audit Standards

Internal Audit activities will be conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* published by the Institute of Internal Auditors (IIA).

Where relevant and appropriate, other⁵ auditing and assurance standards will be referenced as a guide in the conduct of Internal Audit engagements.

In the conduct of Internal Audit work, Internal Audit staff will comply with the *Institute of Internal Auditors Code of Ethics* and the *ANSTO Code of Conduct*. In addition, Internal Audit staff, as well as the Internal Audit activity, will possess and demonstrate the following core principles for the Professional Practice of Internal Auditing⁶:

- demonstrates integrity
- demonstrates competence and due professional care
- is objective and free from undue influence (independent)
- 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

The Chief Risk and Assurance Officer will:

- develop and maintain a Quality Assurance and Improvement Program, based on the IIA Standards, that covers all aspects of the Internal Audit function;
- as part of the Internal Audit quality assurance and improvement program:
 - perform an internal assessment (ongoing monitoring and self-assessment) of the Internal Audit function on an annual basis – the results of this review shall be reported to the Risk and Audit Committee annually; and

⁵ Other relevant Standards include, the Australian Auditing and Assurance Standards issued by the Auditing and Assurance Standards Board and Information Systems Auditing and Assurance Standards issued by the Information Systems and Control Association.

⁶ For an Internal Audit function to be considered effective, all Principles should be achieved.

- arrange for an external assessment (by a qualified and independent reviewer) of the efficiency and effectiveness of the operations of the Internal Audit function at least every five years - the results of this review shall be reported to the Risk and Audit Committee;
- ensure Internal Audit staff possess the knowledge, skills, experience, technical proficiency and professional qualifications deemed necessary to perform Internal Audit activities and engagements; and
- ensure Internal Audit staff maintain their technical competence through a program of continuing professional development.

Internal Audit Relationship with other Assurance Providers

The Chief Risk and Assurance Officer will periodically consult with and monitor the activities of the external auditor and roles and functions established within ANSTO that conduct relevant reviews, audits or inspections. Consistent with the Internal Audit strategic plan and mandate, the Chief Risk and Assurance Officer will prepare an annual Internal Audit assurance work plan in a manner that minimises duplication of assurance effort taking into account the activities of other assurance providers as part of ANSTO's 'combined assurance' model.

The external auditor shall have full and free access to all Internal Audit strategies, plans, working papers and reports.

Internal Audit Planning

Each year the Chief Risk and Assurance Officer in consultation with key stakeholders will prepare and recommend an annual work plan of assurance and advisory engagements for review by the Risk and Audit Committee and approval by the ANSTO Board.

The proposed annual work plan will be prepared in accordance with the Internal Audit Strategic & Annual Engagement Planning Protocol (AG-5848).

The annual work plan will include provision for ad-hoc reviews and investigations, follow-up activities of outstanding action items, Internal Audit administration and professional development requirements, and will take into account resources (financial and non-financial) available to the Internal Audit function.

The Chief Risk and Assurance Officer will table at each meeting of the Risk and Audit Committee, a report outlining progress in implementing the approved work plan.

Any change to the approved work plan will be discussed and agreed with the Chief Executive Officer, and the Chair of the Risk and Audit Committee, and will be ratified by the Risk and Audit Committee.

Internal Audit Reporting

The Chief Risk and Assurance Officer shall ensure a written report is prepared for each Internal Audit engagement that outlines:

- the engagement process (including, review objectives, scope and evaluation criteria);
- findings;
- conclusions / opinions;
- recommendations; and
- management's response to reported findings and recommendations (including implementation responsibility and timeframes).

Finalised Internal Audit reports will be issued to the Chief Executive Officer and the relevant Executive manager and the Risk and Audit Committee Chair.

A summary report that reflects the overall risk assessment ratings of internal audit engagements, the priority of agreed recommendations and a brief explanation of significant findings will also be tabled at the next scheduled meeting of the Risk and Audit Committee. Full Internal Audit Reports will be available to the Committee on request. The Committee shall provide advice to the Board on 'significant' findings that may be identified within Internal Audit reports.

Review of the Charter

The Risk and Audit Committee, in consultation with the Chief Risk and Assurance Officer and the Chief Executive Officer, shall review the Internal Audit Charter on an annual basis to ensure it remains up-to-date, reflects 'best practice' and continues to meet Board and management expectations.

End of Charter