
Bradfield Development Authority

Objective ID: A9010732

Collaborative Shared Arrangement Internal Audit Charter

Bradfield Development Authority
Advanced Manufacturing Research Facility Pty Limited
(ACN 666 543 979)

October 2024

nsw.gov.au/bradfield-development-authority



Document control

Document Type(s) (Tick all boxes that apply)	<input type="checkbox"/> Policy <input type="checkbox"/> Procedures <input type="checkbox"/> Guideline <input checked="" type="checkbox"/> Charter <input type="checkbox"/> Framework	
Policy category	Governance and Risk	
Responsible Business Unit	Governance, Audit & Risk	
Document Owner	Director Governance, Audit & Risk	
Publication	<input type="checkbox"/> Not for publication <input checked="" type="checkbox"/> Intranet	<input checked="" type="checkbox"/> BDA website <input type="checkbox"/> Other: (please specify)
<p>* The <u>Government Information (Public Access) Act 2009</u> (the GIPA Act) requires that all of the Department's current policy documents be made available on this website (unless there are overriding public interest <u>reasons</u> why that should not be done). BDA Legal Branch can provide advice.</p>		

Document approval

Version	Objective ID	Name & Position	Signatures	Date	Effective Date
1	A8690954	Endorsed by ARC Chair Approved by the BDA and AMRF Boards)	On file	21/12/2023 20/02/2024	20/02/2024
1.1	A9010732	Endorsed by ARC Chair Approved by the BDA and AMRF Boards)			

Document version control

Version	Objective ID	Status	Date	Prepared By	Comments
1	A8492929	Final	21/12/2023	Virginia Tinson	New Charter
1.1	A9010732	Final	26/08/2024	Virginia Tinson	Charter reviewed and rebranded from WPCA to BDA

Review date

The Authority will review this Charter annually.

Contents

1.	Introduction.....	4
2.	Purpose	4
3.	Independence	5
4.	Authority and Confidentiality	6
5.	Role and Responsibilities	6
6.	Scope of Internal Audit Activity	7
7.	Standards	8
8.	Relationship With External Audit	8
9.	Planning	8
10.	Reporting	8
11.	Administrative Arrangements	9
12.	Internal Audit Guide and Continuous Improvement.....	9
13.	Review of the Charter.....	9
14.	Endorsement and Approval of Charter	10

1. Introduction

The following Accountable Authorities have entered into a Shared Arrangement Agreement and have established a Collaborative Shared Audit and Risk Committee (ARC) in compliance with NSW Treasury Policy TPP20-08 *Internal Audit and Risk Management Policy for the General Government Sector (TPP20-08)*.

Entity	Accountable Authority
The Bradfield Development Authority (BDA)	BDA Board
The Advanced Manufacturing Research Facility Pty Limited (AMRF)	AMRF Board

For the purpose of this Charter, these organisations will herein be referred to collectively as “the participating entities”.

An Internal Audit function has been established within BDA as a key component of its governance framework. This internal audit function, via the Shared Arrangement Agreement, provides internal audit services to all participating entities.

This Internal Audit Charter (**Charter**) is based on the Model Internal Audit Charter (Annexure A) per TPP20-08 and sets out the purpose, independence, authority, responsibilities, and administrative arrangements of the Internal Audit function across the participating entities.

2. Purpose

Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve the operations of the participating entities and assist in achieving business objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.¹

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

- To provide assurance to the Accountable Authority and the ARC that the financial and operational controls, designed to manage risks and achieve objectives, are operating in an efficient, effective, and ethical manner; and
- To assist management in improving business performance.

¹ As defined by the International Standards for the Professional Practice of Internal Auditing (IIA) (2017). Where relevant, sections of this Charter also incorporate other elements of the International Standards for the Professional Practice of Internal Auditing.

3. Independence

Independence is essential to the effectiveness of the Internal Audit function. Internal Audit activity shall be independent, and internal auditors shall be objective in performing their work. Internal auditors shall have an impartial, unbiased attitude and avoid any conflicts of interest.

The Internal Audit function has no direct authority or responsibility for the activities it reviews. The Internal Audit function has no responsibility for developing or implementing procedures or systems and does not prepare records or engage in original line processing functions or activities, except in carrying out its own functions.

The Internal Audit function is responsible on a day-to-day basis to the Shared Chief Audit Executive (CAE) / Chief Risk Officer (CRO) for the participating entities. The participating entities agree that the CAE and CRO of the BDA will be the shared CAE and CRO for the participating entities.

The Internal Audit function, through the CAE, reports functionally to the ARC on the results of completed audits and for strategic direction and guidance. The CAE is ultimately accountable to the Accountable Authority of each participating entity. The CAE has direct access to the Accountable Authority of each participating entity and the ARC to discuss audit and risk issues when required.

The following dual reporting line is prescribed where the dotted line represents the ‘administrative’ reporting line, and the bold line represents the ‘functional’ reporting line:



*** Note:** Internal Audit is responsible for providing independent assurance to the Accountable Authority of the participating entities and the ARC on the effectiveness of the risk management framework. The CRO has responsibility for the oversight and promotion of risk management, designing the Risk Management Framework and for the day-to-day activities of embedding the framework.

4. Authority and Confidentiality

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 CAE considers necessary to enable the internal audit function to meet its responsibilities.² When responding to requests, the participating entities' staff and contractors should cooperate with the internal audit function and must not knowingly mislead the Internal Audit function or wilfully obstruct any audit activity.

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 CAE and individual internal audit staff are responsible and accountable for maintaining the confidentiality of the information they receive during the course of their work.

All internal audit documentation is to remain the property of the audited participating entity, including where internal audit services are performed by an external third-party provider.

5. Role and Responsibilities

The Internal Audit function shall evaluate and contribute to the improvement of governance, risk management, and control processes using a systematic and disciplined approach. In the conduct of its activities, the internal audit function will play an active role in:

- Developing and maintaining a culture of accountability and integrity
- Facilitating the integration of risk management into day-to-day business activities and processes
- Promoting a culture of cost-consciousness, self-assessment, and adherence to high ethical standards.

5.1 Audit activities

Audit activities including audits with the following orientation:

Risk Management

- Evaluate the effectiveness, and contribute to the improvement, of risk management processes.
- Provide assurance to the Accountable Authority and the ARC on the effectiveness of the risk management framework including the design and operational effectiveness of internal controls.
- Provide assurance that risk exposures relating to the governance, operations, and information systems are correctly evaluated, including:
 - Reliability and integrity of financial and operational information;
 - Effectiveness, efficiency, and economy of operations; and
 - Safeguarding of assets.
- Evaluate the design, implementation and effectiveness of ethics-related objectives, programs, and activities.
- Assess whether the information technology governance of the participating entity sustains and supports the strategies and objectives.

² Subject to any overriding legislative restrictions on information.

Compliance

- Compliance with applicable laws, regulations and Government policies and directions.

Performance improvement

- The efficiency, effectiveness and economy of the entity's business systems and processes.

5.2 Advisory services

The Internal Audit function can advise the Accountable Authority and management on a range of matters including:

New programs, systems, and processes

- Providing advice on the development of new programs and processes and/or significant changes to existing programs and processes including the design of appropriate controls.

Risk management

- Assisting management to identify risks and develop risk treatment and monitoring strategies as part of the risk management framework.

Fraud and corruption control

- Evaluate the potential for the occurrence of fraud and how the Accountable Authority manages fraud risk.
- Assisting management to investigate fraud, identify the risks of fraud and develop fraud prevention and monitoring strategies.
- Develop, implement and maintain a fraud and corruption control framework to prevent, detect and manage the risk of fraud and corruption.

5.3 Audit support activities

The Internal Audit function is also responsible for:

- Managing the internal audit function
- Assisting the ARC to discharge its responsibilities
- Monitoring the implementation of agreed recommendations
- Disseminating across the entity better practice and lessons learnt arising from its audit activities.

6. Scope of Internal Audit Activity

Internal Audit reviews may cover all programs and activities of the participating entities together with associated entities, as provided for in relevant business agreements, memorandum of understanding or contracts. Internal audit activity encompasses the review of all financial and non-financial policies and operations.

7. Standards

Internal Audit activities will be conducted in accordance with this Charter, the Internal Audit and Risk Management Policy for the General Government Sector, and with relevant professional standards, including International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

In the conduct of Internal Audit work, Internal Audit staff will:

- Comply with relevant professional standards of conduct.
- Possess the knowledge, skills, and technical proficiency relevant to the performance of their duties. This includes consideration of current activities, trends, and emerging issues, to enable relevant advice and recommendations.
- Be skilled in dealing with people and communicating audit, risk management and related issues effectively.
- Exercise due professional care in performing their duties.

8. Relationship With External Audit

Internal and external audit activities will be coordinated to help ensure the adequacy of overall audit coverage and to minimise duplication of effort.

Periodic meetings and contact between internal and external audit shall be held to discuss matters of mutual interest and facilitate coordination.

External audit will have full and free access to all internal audit plans, working papers and reports.

9. Planning

The CAE will prepare a risk-based annual internal audit work plan in a form and in accordance with a timetable agreed with the ARC.

10. Reporting

The CAE will report to each meeting of the ARC on:

- Audits completed.
- Progress in implementing the annual audit work plan.
- The implementation status of agreed internal and external audit recommendations.
- The internal audit function will also report to the ARC at least annually on the overall state of internal controls and any systemic issues requiring management attention based on the work of the internal audit function and other assurance providers.

11. Administrative Arrangements

Any change to the role of the CAE will be jointly agreed by the Accountable Authority of the participating entities in consultation with the ARC.

The ARC will provide advice to the Accountable Authority of the participating entities on the appointment or replacement of the shared CAE and recommend to the Accountable Authorities the appointment or replacement of external internal audit service providers.

The ARC will also assess the overall effectiveness and evaluate the performance of the CAE and internal audit function with the ARC Chair to contributing to the CAE's regular performance review.

The CAE will arrange for an internal review, at least annually, and a periodic independent review, at least every five (5) years, of the efficiency and effectiveness of the operations of the internal audit function.

The results of the reviews will be reported to the ARC, who will provide advice to the specific Accountable Authority of the participating entities.

12. Internal Audit Guide and Continuous Improvement

The Internal Audit Guide outlines the practices at the participating entities for the management of internal audit (refer **Appendix 1**) and **Appendix 2** outlines the Quality Assurance Program for the continuous improvement and delivery of internal audit activities within the participating entities.

13. Review of the Charter

The Internal Audit Charter will be reviewed at least annually by the ARC, in consultation with the CAE/CRO. Any substantive changes will be formally endorsed by the ARC and approved by the Accountable Authority of the participating entities on the recommendation of the ARC.

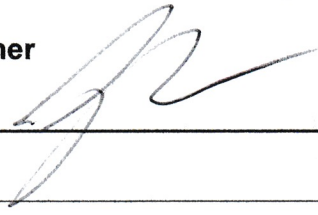
14. Endorsement and Approval of Charter

This Charter was endorsed by:

Chair, Audit and Risk Committee (Collaborative Shared Arrangement)

Greg Fletcher

Signature: _____



Date: _____

23/10/2024

This Charter was approved by each Accountable Authority:

For the Bradfield Development Authority

Board Chair, Bradfield Development Authority

Jennifer Westacott AO

Signature: _____



Date: _____

23 / 10 / 2024

For the Advanced Manufacturing Research Facility Pty Limited

Board Chair, Advanced Manufacturing Research Facility Pty Limited

Ken Morrison

Signature: _____



Date: _____

28/11/2024

Appendix 1 – Internal Audit Guide

The CAE is head of the internal audit function and is accountable for internal audit activity's overall conformance with the IIA Standards.

The following table shows who is responsible for the various internal audit-related tasks. Internal audit function refers to the team/individuals providing support to the CAE with internal audit matters.

Internal Audit Tasks		
Task	Internal audit function	Service Provider
Audit and Risk Committee		
Input into the preparation of ARC agendas and papers.	✓	
Prepare the internal audit summary report for each ARC meeting.		✓
Submission of final internal audit reports to the ARC.	✓	✓
Report to the ARC on the survey results of internal stakeholders following each internal audit.	✓	
Prepare the Internal Audit Issue Tracker report for each ARC meeting	✓	
Attendance at each ARC meeting.	✓	✓ (If material findings from an IA report or at the request of the ARC)
Internal Audit Charter		
Maintain an up-to-date Charter (including the manual), with review of the Charter at least annually and review of the Manual at least every 2 years	✓	
Internal audit planning		
Provide input to the Internal Audit Plan including ongoing monitoring of risks and their application to the Internal Audit Plan	✓	✓
Prepare the Internal Audit Plan, in consultation with the CAE/CRO		✓
Co-ordination of audits across the participating entities to align with internal business schedules and reduce duplication – includes internal audit, external audit, etc.	✓	
Internal audit engagements		
Plan internal audit engagements in consultation with the CAE/CRO, prepare Terms of Reference, and arrange meetings for relevant stakeholders (including CEO and Executive Directors) to discuss internal audit scope.	✓	✓
Approve Terms of Reference	✓	
Conduct internal audit engagements in line with IIA Standards		✓

Task	Internal audit function	Service provider
Attend internal audit meetings with the participating entities staff to ensure a consistent approach across the participating entities, if requested by management	✓	
Prepare draft internal audit reports		✓
Review draft internal audit reports	✓	
Obtain management responses to be included in internal audit reports		✓
Review management responses to internal audits	✓	
Prepare final internal audit reports		✓
Review final internal audit reports	✓	
Issue final internal audit reports	✓	
Distribute Audit Sponsor feedback surveys after each internal audit engagement and collate feedback	✓	
Report feedback/findings to the ARC	✓	
Induct new service provider internal auditors as required	✓	

An Internal Audit Protocol is in place with external service providers. Service providers are required to maintain the confidentiality of the information provided to perform the internal audit services for the participating entities.

Where consulting services or additional work may be allocated to a service provider, an independence declaration will be required from service providers for each instance. The CAE must determine whether a conflict exists and approve any conflict management strategy.

Internal audit service provider performance measures:

Key Performance Indicator	Measure	Target	Frequency	
1. Completion of Internal Audit Plan				
1.1	Complete planned internal audit engagements as per the approved Internal Audit Plan (subject to amendments approved by the ARC)	% of planned internal audit engagements completed within the financial year to an acceptable quality level	100%	Annually
1.2	Completed the approved Internal Audit Plan within the approved Internal Audit budget	% variance from approved budget for the financial year	0%	Annually
2. Implementation of Internal Audit Recommendations				
2.1	Internal audit recommendations accepted by management	% of recommendations accepted by management (subject to internal audit independence being maintained)	90%	Annually
2.2	Monitor the implementation status of audit recommendations by management and report outcomes to the ARC	Updated status obtained from management and reported to the ARC	Status Reports Delivered	Quarterly

Key Performance Indicator	Measure	Target	Frequency	
3. Formal Survey Feedback				
3.1	Results of management feedback surveys following each internal audit engagement	% of survey responses rated good or better (averaged) in relation to value add, usefulness of recommendations, and overall performance	90%	Annually
3.2	Result of annual feedback survey of the members of the ARC	% of survey responses rated good or better (averaged)	90%	Annually
4. Quality				
4.1	Provision of:	Timely delivery of meaningful documents	Consistent with best practice	Annually
(i)	An annual statement on the Internal Audit Quality Assurance and Improvement Program			
(ii)	An opinion on the control framework of the participating entities			
4.2	Result of independent Quality Assessment of Internal Audit in accordance with the 'International Standards for Professional Practice of Internal Auditing'	Positive independent report issued detailing result of the assessment	Consistent with best practice	5-Year

Management and staff must professionally and constructively contribute to internal audit work, and the implementation of action plans in response to audit recommendations.

Management has a maximum of 10 working days unless otherwise agreed with the CAE from when they receive a draft audit report to provide their management responses and action plans for audit recommendations, which should contain:

- Agreed or not agreed.
- If not agreed, why not.
- Action to be taken – these do not need to include lengthy comments or explanations; the action to be taken is all that is required.
- Responsible person.
- Timing.
- Interim control arrangements to be relied upon where there is a long lead time, such as waiting for an ICT solution to close-out an audit recommendation.

Each quarter the CAE will request an update on progress of implementation for every audit recommendation. This will generally align to ARC meetings.

There is one opportunity for the audit sponsor to revise the implementation date should this be necessary due to an unexpected delay. CEO approval from the relevant participating entity must be sought.

Where an original implementation date is passed, whether approved or not, the recommendation cannot be rated to be on track.

Where an audit recommendation rated high or above is not implemented and closed-out by its due date, the audit sponsor will be required to attend the next ARC meeting and present details on why the audit recommendation has not been fully implemented and closed-out, and how the resulting risk is being addressed in the interim.

Appendix 2 - Quality Assurance Improvement Program

Introduction

This Quality Assurance Improvement Program (the **QAIP**) measures the quality of the internal audit function and identifies opportunities for improvement. for the management of internal audit. The QAIP has been developed in accordance with the *International Standards for the Professional Practice of Internal Auditing (IIA Standards)* and the requirements of TPP20-08.

The CAE is responsible for establishing the QAIP.

Quality Assurance Improvement Program

The QAIP comprises internal and external assessment of the internal audit function. The internal assessments include:

- Ongoing monitoring of the performance of the internal audit function; and
- Annual self-assessments.

An external assessment of the internal audit function is undertaken once every five (5) years by a qualified, independent assessor selected in consultation with the ARC. This review considers the participating entities' compliance with and performance against TPP 20-08 and the IIA Standards.

Internal Assessments			
	Internal audit function	Service Provider	Frequency
Ongoing monitoring			
Stakeholder presentations to the ARC on outcome and learnings following IA Report	✓	✓	Following each completed audit
Performance measures (KPIs) undertaken after each audit of select stakeholders – internal surveys measuring customer satisfaction; communication; quality of report and understanding of business / technical proficiency	✓		Following each completed audit
Actual versus budgeted analysis (monitoring metrics)for: <ul style="list-style-type: none"> • Budget versus actual time • Estimate versus actual elapsed time 	✓		Following each completed audit
Assertion of compliance with Internal Auditing Standards		✓	Included in each IA Report
File reviews of internal audit engagements		✓	Ongoing

Instances of non-conformance with the IIA Standards and associated impact are disclosed to the ARC and senior management		✓	Immediately
Internal Assessments			
	Internal audit function	Service Provider	Frequency
Annual Self-Assessments			
Review of Internal Audit Charter	✓		Annually
Reporting on the QAIP's program	✓		Annually
Performance Review of CAE and internal audit function undertaken by ARC Chair and ARC respectively	✓		Annually
Performance Review of internal audit service provider against KPIs (refer to Appendix 1): <ul style="list-style-type: none"> • Completion of the Internal Audit Plan • Implementation of IA recommendations • Formal Survey Feedback • Quality 	✓		Annually
Attestation confirming work conforms with the IIA Standards		✓	Annually
External Assessments			
	Internal audit function	External provider	Frequency
Independent External Quality Assessment of Internal Audit performed at least once every 5 years by an independent assessment team from outside the organisation		✓	5 - Yearly (February 2029)

Bradfield Development Authority

50 Belmore Street Penrith NSW 2750

T: 1800 312 999

W: nsw.gov.au/bradfield-development-authority
