

Internal Audit Strategy

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1. Internal audit and its mandate

Internal auditing is defined in the Institute of Internal Auditor's (IIA) Global Internal Audit Standards as:

An independent, objective assurance and advisory service designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.¹

The Auditor-General has established the internal audit function of the Audit Office as a key component of our governance framework.

The mandate of the Audit Office's internal audit function aligns with requirements of the NSW Treasury policy on Internal Audit and Risk Management Policy for the General Government Sector, which states that the accountable authority of the relevant agency – in our context, the Auditor-General – must establish and maintain an internal audit function that is fit for purpose.

Requirements of the Global Internal Audit standards

The Global Internal Audit Standards require that organisations have an internal audit strategy.

Specifically, Standard 9.2 requires that the Chief Audit Executive (CAE) develop and implement a strategy for the internal audit function that supports the strategic objectives and success of the organization, and aligns with the expectations of the 'board, senior management, and other key stakeholders.' In the context of the Audit Office, this means that this IA Strategy must align with the expectations of the Auditor-General, Office Executive, and the Audit and Risk Committee (ARC).

Standard 9.2 also states that an internal audit strategy must include a vision, strategic objectives, and supporting initiatives for the internal audit function. It should help to guide the internal audit function toward the fulfillment of the internal audit mandate.

2. Vision

The Audit Office vision is that "Our insights inform and challenge government to improve outcomes for citizens" and our purpose is "To help Parliament hold government accountable for its use of public resources". In turn, our vision for the internal audit function is that it is:

A trusted source of insight and assurance to management and those charged with governance about our system of internal control, programs and operations, which in turn supports the Audit Office's accountability for its use of public resources.

3. Governance and reporting framework

The internal audit function, through the CAE, reports functionally to the ARC on the results of completed audits, and for strategic direction and accountability purposes and reports administratively to the Auditor-General to facilitate day-to-day operations. The CAE has direct access to the Auditor-General to discuss audit and risk issues when required.

The CAE will ensure that the internal audit function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the CAE determines that

¹ These standards come into force in January 2025.

independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to the Auditor-General and to the ARC.

The Internal Audit Charter includes further details on the governance and reporting framework around internal audit.

4. Strategic objectives

The internal audit function has four main strategic objectives. These objectives are informed by the themes of the Audit Office Corporate Plan.

i. **We are highly skilled, and we maintain and promote the highest standards of conduct**

Those involved in the management and delivery of the internal audit function possess the relevant skills, qualifications, and specialist knowledge to perform their role. They continue to enhance this knowledge, remaining at the forefront of developments in the internal audit profession and related standards and policies. Our people model the standards of professional and ethical conduct.

ii. **We provide services and deliver work of relevance and impact**

Internal audit work is risk based and targeted, provides insights, and produces objective findings in a clear and professional manner. Our work is trusted to provide assurance, is useful to those charged with governance, and is valued by management. It also provides foresight, and assists management and those chartered with governance in prioritising important areas for focus and enhancement.

iii. **We employ technology to enhance the efficiency and value of our work**

The internal audit function derives value by employing relevant technologies to target and elevate our work, enhance the insight of our findings, and deliver clear, accurate and timely reporting.

iv. **We foster and champion effective engagement with our stakeholders**

The internal audit function actively seeks and engages with stakeholders, valuing and fostering effective two-way communication in the provision of advisory and assurance services. This is particularly important throughout all stages of audit planning, conduct and reporting to support a contextualised understanding of issues, risks and opportunities.

5. Supporting initiatives

Initiatives to support the internal audit strategic objectives are outlined below:

i. **We are highly skilled, and we maintain and promote the highest standards of conduct**

To achieve the objective, we will:

- continue to support the development of internal staff, including knowledge of the internal audit discipline and standards
- actively participate in the broader internal audit industry by engaging with other audit office internal audit functions and the CAE network
- continue to source and engage specialist auditors as required.

ii. **We provide services and deliver work of relevance and impact**

To achieve the objective, we will:

- align with the Audit Office's strategic and operational risks and corporate planning priorities
- proactively manage internal audit processes to deliver insights, reports and advice

- investigate ways to better understand and assess the impact of improvements derived from our work.

iii. We employ technology to enhance the efficiency and value of our work

To achieve the objective, we will:

- explore the use of data analytics to target relevant focus areas
- make better use of technologies to manage information and deliver more insightful reports
- capitalise on the available technology to continually improve the management and reporting of recommendations.

iv. We foster and champion effective engagement with our stakeholders

To achieve the objective, we will:

- ensure a strong focus on strategic matters in our engagement with the Auditor-General, Office Executive, and the ARC
- proactively engage with auditees to identify emerging issues, risks and opportunities, and to ensure the timely consideration of relevant perspectives in the formulation of findings and recommendations
- explore new ways to obtain feedback on the quality and value the internal audit function, and enhance processes so that internal and external assessments drive continuous improvement.

6. Related documents

- Internal Audit Charter which incorporates our internal audit mandate and responsibilities and the standards we will adhere to.
- Internal Audit Program which includes our annual and three-year rolling program of audits, which is responsive and risk-based.
- Internal Audit Manual includes instructions/guidance for how we operationalise our commitments under the internal audit charter.
- Audit Office Corporate plan which outlines the strategic objectives of the Audit Office.
- Quality improvement program which outlines our key requirements and mechanisms for internal and external assessment of our internal audit function at defined intervals.
- ARC annual work program which outlines the key responsibilities for the ARC and sets the schedule for how these will be met each year.

7. Review and approval

The CAE will review this Internal Audit Strategy with the Auditor-General in consultation with the Office Executive. The Auditor-General approves this strategy based on the advice of the ARC.

This document will be reviewed every three years, unless changes in requirements or significant contextual factors warrant an earlier review. Factors that should be taken into account during the review of this Strategy, and in considering whether an earlier review may be warranted, include:

- changes in the Audit Office's organisation strategy, or significant changes in the maturity of its governance, risk management, and control processes
- changes in key Audit Office policies and NSW Government policies that relate to internal audit and risk management, or other relevant laws and/or regulations
- changes the Audit Office's leadership team or the CAE
- results of internal and external assessments of the internal audit function.

Document information

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Document history

Version	Date	Reason for Amendment
1.0	09/01/2025	Initial version

Appendix A – Standard definitions used in this document

Audit Office of NSW used for initial reference in document, thereafter referred to as the Audit Office.

Audit and Risk Committee used for initial reference in document, thereafter referred to as the ARC.

Chief Audit Executive used for initial reference in document, thereafter referred to as the CAE

Staff or staff member includes all Audit Office employees (that is persons employed under the Award conditions or on executive contract), and contingent workers.

Third-parties refers to persons or organisations that supply the Audit Office with products or services, including Audit Service Providers, consultants, and contractors (excluding contingent workers).

Note: third-parties are not members of staff, but may be bound to specific Audit Office policies or other requirements through the relevant contractual arrangement/s.