

# Synod Internal Audit Strategy and Framework

## 1. Purpose and overview

The Synod of Victoria and Tasmania's (**Synod**) Internal Audit function provides independent, objective assurance and advisory services designed to add value and improve the Synod's operations. The Internal Audit Strategy (**Strategy**) supports the effective risk-based prioritisation of Internal Audit's limited time and resources to best fulfil its role across the Church and meet the expectations of key stakeholders.

The Strategy outlines the coverage of the internal audit program and the audit models, including the approach and focus of audit activities, adopted for each of the covered entities. It also details the additional responsibilities and activities to be undertaken to support the Internal Audit program and deliver value to the organisation. These include the follow-up of audit actions and analysis of findings to identify and address system and/or root-cause issues.

## 2. Internal audit in the Church

Through its Constitution and Regulations, the Church has established a range of roles and responsibilities for key Synod bodies which it is expected will be fulfilled, in both word and principle. Doing so allows us to continue to offer a welcoming place to engage in the exploration and expression of discipleship and mission. Further, the Church exists within a society that has quite specific expectations of its institutions and organisations. Irrespective of the required response to these responsibilities and expectations, the Church and the Synod seek to operate in a safe, compliant and transparent manner. Thus the engagement in internal audit is about best practice in being the people of God, ensuring fair and transparent practices in the fulfilment of our respective responsibilities.

Our awareness of internal audit and our commitment to the processes set out in this document relate, in part, to our historical and traditional understanding of stewardship. The Church acts as steward of its resources which are to be used for the mission of God and the sustainability of that mission into future generations (in whatever shape or form). Caring for those resources is a duty that we accept as the Synod and as individual members of the Church.

Internal audit is also part of the ongoing engagement as Church operating in a society that has certain legal and moral expectations that we must uphold if we wish to continue to operate within that society.

## 3. Scope

Internal audit activity encompasses the review of all financial and non-financial policies and operations. Internal audit reviews may cover any of the programs and activities of Synod Ministries and Operations (**SMO**), presbyteries, congregations and all of the Synod's associated governance bodies and personnel.

In addition to the above, Internal Audit may perform special reviews requested by the General Secretary or the ARC.

## 4. Policy statement

The Internal Audit function has been established as a key component of the Synod's governance framework. The Synod Internal Audit Charter (**Charter**) provides the framework for the conduct and scope of internal audit activities across the Synod and its related bodies.

The primary purpose of Internal Audit is to provide independent assurance and advisory services to:

- provide assurance to the Synod Standing Committee (**SSC**), through the ARC, and the General Secretary that Synod's financial and operational controls and processes are operating in an efficient, effective, economical and ethical manner; and
- advise management on improving Synod's operations, controls and practices.

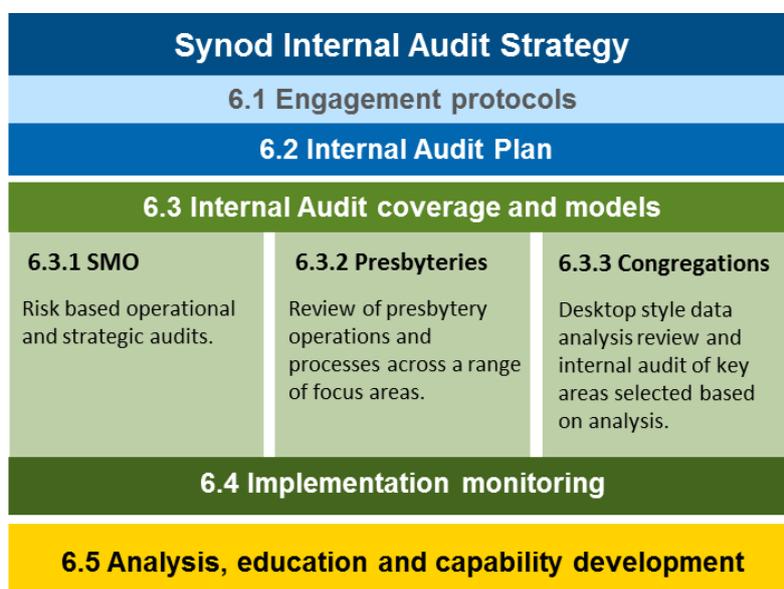
## 5. Roles and responsibilities

The key roles and responsibilities related to internal audit are summarised below.

<b>Synod Standing Committee (SSC)</b>	The SSC is ultimately responsible for ensuring that all Synod bodies have appropriate systems for managing risk and sound internal controls. To support this role, it has established the Property and Operations Committee ( <b>P&amp;O</b> ), and the Audit and Risk Committee ( <b>ARC</b> ) as a sub-committee to this being the delegated body for internal audit.
<b>Audit and Risk Committee (ARC)</b>	The ARC is responsible for providing independent oversight and monitoring of the Synod's risk management systems and internal controls, including oversight of audit programs. The ARC is responsible for the review and approval of internal audit activities and reports and monitoring the implementation of internal audit recommendations.
<b>Synod Internal Audit Team (Internal Audit)</b>	Internal Audit is responsible for coordinating and implementing the Internal Audit Strategy and Internal Audit Plan. Internal Audit advises on governance, risk management and control issues, reporting inadequately addressed risks and ineffective controls and processes to management and the ARC.  Internal Audit functionally reports to the ARC and General Secretary, and operationally reports to the Director-Risk & Insurance— Mission Resourcing Unit.

## 6. Internal Audit Strategy

The Strategy outlines the areas of focus for internal audit activities and how these areas will be addressed and covered by Internal Audit. It sets out how Internal Audit will prioritise assurance activities in consideration of the resources available.



### 6.1 Engagement protocols

To ensure appropriate engagement throughout internal audit activities, standard engagement protocols have been established. This includes the key points of engagement with, and the roles of, key stakeholders throughout the process.

The following diagram presents the four key steps that are generally involved in internal audit activities and the engagement protocols related to these steps.

	Scoping	Fieldwork	Reporting	Tracking
Key steps	<ul style="list-style-type: none"> <li>Development of scope document</li> <li>Confirming timing for audit</li> </ul>	<ul style="list-style-type: none"> <li>Review of available information and documentation</li> <li>Stakeholder interviews</li> <li>Process walkthroughs</li> <li>Testing of controls</li> </ul>	<ul style="list-style-type: none"> <li>Reviewing issues and findings identified</li> <li>Drafting and finalising findings and recommendations</li> <li>Reporting to ARC</li> </ul>	<ul style="list-style-type: none"> <li>Monitoring implementation of agreed actions</li> <li>Reporting on implementation to ARC</li> </ul>
Engagement	<ul style="list-style-type: none"> <li>Identify and consult with key stakeholders</li> <li>Share draft scope for comment and input with primary stakeholders before finalising</li> </ul>	<ul style="list-style-type: none"> <li>Consult relevant stakeholders as required</li> <li>Provide progress updates to primary stakeholder(s) as appropriate and advise of any critical risks identified</li> </ul>	<ul style="list-style-type: none"> <li>Discussion of initial findings with key stakeholders</li> <li>Share draft report for comment with primary stakeholder(s) before finalising</li> </ul>	<ul style="list-style-type: none"> <li>Quarterly check-in on any outstanding recommendations – progress updates to be provided by relevant stakeholder(s)</li> </ul>

Internal audit activities often cross over many different areas and it may not always be practicable to engage and consult with all potential stakeholders for all activities. Internal Audit will use its discretion in determining primary and key stakeholders and the level of engagement appropriate for each audit.

## 6.2 Annual internal audit plan

An Internal Audit Plan (**Plan**) is developed on annual basis providing an overview of the planned audit engagements to be undertaken and the approximate timing of these.

The Plan details how the Strategy will be practically implemented across the audit areas and is subject to approval by the ARC. The Plan includes the audit coverage for the next three years with specific details for the upcoming year, and high level content for the following years.

## 6.3 Internal audit coverage and models

The Synod’s Internal Audit program broadly covers three key areas: SMO; presbyteries and their congregations; and Institutions and other related bodies. The nature and context of internal audit activities in each of these areas varies greatly. Therefore, the objectives, models, and approaches for each of these areas of coverage have been detailed separately below.

### 6.3.1 Synod Ministries and Operations

SMO includes three broad operational areas: Secretariat; equipping Leadership for Mission (**eLM**); and Mission Resourcing Unit (**MRU**). In addition to considering these areas, internal audit will also consider coverage of Synod/SMO governance structures as appropriate.

The diagram below provides an overview of SMO units and streams.

Synod Ministries and Operations		
Secretariat	eLM	MRU
<ul style="list-style-type: none"> <li>General Secretary</li> <li>Associate General Secretary</li> <li>Moderator</li> <li>Culture of Safety</li> <li>OHS / Safety</li> <li>Legal Services</li> </ul>	<ul style="list-style-type: none"> <li>Education &amp; Formation for Leadership</li> <li>Priorities, Focus and Advocacy</li> <li>Relationship &amp; Connections                             <ul style="list-style-type: none"> <li>UC Camping</li> </ul> </li> <li>Marketing, Functions &amp; Administration</li> </ul>	<ul style="list-style-type: none"> <li>People and Culture</li> <li>IT Service</li> <li>Property Services</li> <li>Risk and Insurance</li> <li>Financial Services</li> <li>Budget &amp; Planning</li> <li></li> </ul>

#### 6.3.1.1 Objectives

The primary objective of internal audit activities within SMO is to provide an independent review of key controls and processes and advise on potential improvements. Activities will focus on operational areas or processes that present high risk to SMO or those that are key to SMO achieving its objectives and strategy.

While individual scopes will be prepared for each audit, these audits will generally include some or all of the below elements:

- Governance, monitoring and oversight (including mechanisms in place to support this)
- Appropriateness and clarity of roles and responsibilities
- Appropriateness and documentation of policies and processes
- Adequacy, operating effectiveness and efficiency of internal controls and processes
- Availability, quality and integrity of information and data
- Compliance with internal and external requirements
- Soft controls (cultural drivers)

### 6.3.1.2 Audit selection and approach

SMO audit engagements will be selected and prioritised using a risk-based methodology with consideration of the below:

- strategic objectives of SMO and related operational unit objectives;
- key risks included on the SMO risk register;
- requests from the General Secretary or ARC;
- consultation with key stakeholders including SLT and workstream owners; and
- consideration of past internal audit and external audit activities, findings and recommendations.

Each SMO audit will require a unique scope to be developed, with key stakeholder input, based on the context and objectives of each audit. Once agreed, the audit will be undertaken in line with the scope and will generally include document review, process walkthroughs, stakeholder interviews and testing of processes and controls as appropriate.

A report will be prepared outlining the findings identified and the agreed management actions to address these issues which will be discussed and agreed with key stakeholders as part of the close-out and reporting process. The report will then be co-tabled to the ARC by Internal Audit and the primary stakeholder for discussion and final approval.

## 6.3.2 Presbyteries and congregations

### 6.3.2.1 Objectives

Internal Audit aims to provide professional expertise to presbyteries and congregations to support them in best fulfilling their financial and non-financial responsibilities and identifying opportunities for improvement.

The below table presents Internal Audit’s focus areas for presbytery and congregations based on insights gained from prior work and key stakeholders, roles and responsibilities, and areas of key risk.

Focus areas for presbytery and congregation reviews	
<b>Governance, strategy and leadership</b>	Composition and structure of governance arrangements and quality and coverage of reporting to support oversight. Strategic planning processes to consider and support the future life of the Church, and related communication and implementation activities. Strategic planning for future leadership and fulfilment of key roles.
<b>Missional planning and resourcing</b>	Missional strategic planning and implementation activities. Variety of missional activities and resources offered to support missional strategy and to meet the expectations/needs of the Church’s community.
<b>Ministry management</b>	Planning and resourcing processes to support ministry placements. Oversight and management of ministry leave uptake, and completion of required professional development and supervision.
<b>Child safety</b>	Implementation of child safety controls and processes based on requirements set by Synod and regulatory requirements. Reporting on child safety controls through ‘Progress Reports’.
<b>Staff and volunteer management</b>	Resourcing of key roles and activities, both paid and volunteer, and ability to fulfil responsibilities with available resources. Utilisation of Synod’s Central Stipends and Payroll Service (CSPS).

<b>Financial management and sustainability</b>	Financial controls and oversight including reporting and audit arrangements. Financial position and sustainability, and strategy and planning in relation to financial management and sustainability. Trust/bequest fund management, including compliance with internal and regulatory requirements related to such funds.
<b>OH&amp;S (Safety)</b>	Implementation and oversight of key OH&S controls and processes. Remediation of prior raised OH&S findings/issues where audit completed in recent years.
<b>Property management</b>	Management and maintenance of properties, including leased properties, in line with requirements set by UCA Regulations and regulatory compliance requirements, including Essential Safety Measures. Use and utilisation of properties and strategic planning for their future use.
<b>External regulatory requirements</b>	Review of compliance with key external requirements other than those covered in other audit areas.

### 6.3.2.2 Presbytery audit model and approach

Individual reviews of each presbytery will be progressively undertaken on a rotation basis as Internal Audit capacity allows. A standardised review scope and plan for presbyteries will be established based on the identified focus areas to enable consistent reporting and comparison of outcomes between presbyteries.

Reviews will consider both the performance of the presbytery itself in these areas as well as, where relevant, considering how it provides oversight and supports its congregations in these areas.

The reviews will involve a mix of stakeholder interviews, desktop review of relevant documents, and analysis of readily available data. Where possible and as appropriate, reviews will largely be undertaken and completed virtually, however some in-person engagement may occur depending on the context of each presbytery.

A detailed audit report will be prepared outlining the findings identified and the agreed actions to address these issues. These findings and actions will be discussed and agreed with key stakeholders as part of the close-out and reporting process. The report will then be tabled to the ARC by Internal Audit for discussion and final approval.

### 6.3.2.3 Congregation audit model and approach

Internal Audit coverage of congregations will largely be achieved through data analysis based on annual surveys of congregations. Internal Audit may also undertake reviews of specific aspects of congregation operations and processes. Further detail on these models is provided below.

The strategy, model and approach for congregation audits will be subject to ongoing review, and adapted or changed if required to ensure it continues to provide value to the organisation and fulfils Internal Audit's responsibilities.

#### *Annual desktop analysis of congregations*

Internal Audit will undertake an annual review of all congregations covering some aspects of the focus areas for which there is readily available data, largely utilising data from the annual congregation surveys, being the Community Life Return and the Financial Return. Those congregations that do not complete the annual surveys will be noted as exceptions. This will provide insights into how congregations are performing in some of these areas that will be useful to the Synod in general, as well as informing potential internal audit work.

From this analysis, a whole of Synod report will be prepared and tabled to the ARC as an insights report. Additionally, individual presbytery reports will be developed to support presbyteries in their oversight role of congregations. This will enable and empower presbyteries to identify, understand and address risks within the congregations they oversee.

### *Internal Audit of specific aspects of congregation operations and processes*

In addition to broad data analysis, Internal Audit will also seek to undertake detailed audits of specific aspects of congregation operations, based on key risk areas and insights gained from data analysis.

These reviews will be performed as capacity allows and will generally entail deeper analysis of available data, stakeholder interviews and/or sample testing. This will provide a greater level of assurance than data analysis alone. Further, these reviews will support in identifying systemic improvement opportunities to processes and internal controls that may benefit many congregations, rather than focusing on the audit of singular congregations.

### *Detailed audits of individual congregations*

Due to limited resources and capacity, Internal Audit generally will not undertake individual audits of individual congregations unless specifically requested to do so by exception, and with the endorsement of the Chair of the ARC.

## 6.4 Implementation monitoring

To provide oversight and accountability of the implementation of internal audit actions, Internal Audit will monitor the progress of all internal audit actions, reporting to the ARC on those that relate to findings rated 'Moderate' or above.

A formal update report will be provided to the ARC on a quarterly basis providing a status update for overdue actions (based on the original due date reported). Internal Audit is responsible designating the status of an action based on the review of information and evidence provided. Sufficient evidence, based on the risk identified and the requirements of the original finding and recommendation, must be provided for an action to be proposed to close.

## 6.5 Analysis, education and capability development

Internal Audit aims to act as a key agent of change, to provide foresight and serve as a catalyst to achieve improvements to the overall adequacy and effectiveness of processes and controls. As part of broader continuous improvement role, Internal Audit will undertake such as those detailed below.

### 6.5.1 Analysis

Internal audit will periodically review and analyse findings identified across each of the audit areas. This analysis will focus on identifying key themes and systemic issues, seek to understand the potential root-cause(s) of these issues and advise management on potential improvements.

Internal Audit will report its analysis of findings to the ARC, and also work with key stakeholders across the organisation to share insights and suggest improvements.

### 6.5.2 Education and capability development

Capacity and capability refer to the skills, knowledge, structures and ways of working that make an entity effective. Developing capacity and capability means building on existing strengths, and addressing gaps / weaknesses. Education will form a core component of the approach for all audits.

In undertaking audits, Internal Audit will openly engage with stakeholders to understand issues they are facing and provide education and guidance, or connect them with other Synod stakeholders, to support them in carrying out key responsibilities. The discussion of audit findings and agreed actions will also focus on providing education and understanding of the underlying issues and risks.

In addition to incorporating education into the audit approach, targeted education and training may be undertaken from time to time. Education and training campaigns will be based on insights gained from stakeholders during audits as well finding analysis.

## 7. Independence

Internal Audit has no responsibility for developing, implementing or overseeing or policies, processes or systems and does not perform operational functions and activities. However, Internal Audit may, from time-to-time as required, facilitate, support and guide those responsible for such activities to ensure the effective implementation of audit recommendations. The ability for Internal Audit to remain

independent in undertaking this type of work, or its impact on the independence for future internal audit work, will be a key consideration before performing this work.

Potential conflicts of interests and limitations to the independence of Internal Audit will be explicitly considered and included in all scopes for internal audit engagements. Where possible, controls will be established to ensure independence is maintained. This may involve the exclusion of particular Internal Audit team members or limitations or exclusions to the scope. Where the threat to independence is considered too great, consideration will be given to outsourcing part or all of the engagement in consultation with management and the ARC.

## 8. Related documents

- Internal Audit Charter
- Risk Management Framework Synod Ministries and Operations

## 9. Definitions

Term	Definition
<b>Assurance</b>	The level of confidence that the Synod's financial and operational controls are operating in an efficient, effective, economical and ethical manner
<b>Charter</b>	The internal audit charter is a formal document that defines the internal audit activity's purpose, authority, and responsibility. It establishes the internal audit activity's position within the organisation; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.
<b>Compliance</b>	Adherence to policies, plans, procedures, laws, regulations, contracts, or other requirements. Compliance may relate to either internal or external requirements or responsibilities.
<b>Engagement</b>	A specific internal audit assignment, task, or review activity. An engagement may include multiple tasks or activities designed to accomplish a specific set of related objectives.
<b>Governance</b>	The combination of processes and structures implemented by an entity to inform, direct, manage, and monitor the activities of the organisation toward the achievement of its objectives.
<b>Independence</b>	The freedom from conditions that threaten the ability of Internal Audit to carry out internal audit activities and responsibilities in an unbiased manner.
<b>Institution</b>	Institution means 'Institution' as defined in Regulation 3.7.4.7 (a) (i) that has a direct reporting relationship with the Synod, whether such Institution is incorporated or not. These include Uniting, AgeWell, and Uethical.
<b>Internal audit</b>	An internal audit is the independent review of an entity's systems, policies and processes, and their compliance with relevant internal and external requirements. An internal audit generally evaluates the effectiveness of internal controls and governance mechanisms and provides objective advice to management and the relevant oversight committee on any weaknesses and/or required improvements.
<b>Internal control</b>	Policies and procedures designed to provide reasonable assurance that specific entity objectives will be achieved. It consists of the control environment, risk assessment, control activities, information and communications, and monitoring.
<b>Key Synod body</b>	A key Synod body refers to all the entities and bodies of the Synod of Victoria and Tasmania. These include SMO, presbyteries, congregations and Institutions,
<b>Risk</b>	Risk is the effect of uncertainty on objectives. It is the exposure to the possibility of financial or non-financial loss or gain; any kind of injury, damage or benefit, resulting from a course of action. Losses or gains may be the direct or indirect effect of an event.
<b>Risk management</b>	The overall process of risk identification, risk analysis and risk evaluation.
<b>Synod</b>	The Synod of Victoria and Tasmania and the governance bodies it has established to discharge its responsibilities.

## 10. Document control

**Review cycle:** This document will be subject to a formal review at least every three years.

**Next review date:** October 2024

**Policy Manager:** The Director, Risk Management and Insurance Service is responsible for the management and maintenance of this document.

**Approver:** Audit and Risk Committee

**Document management:** Any minor changes made between review periods should be reflected in the below table, however, only changes of a material nature will require formal review and approval by the approver between formal review periods.

Version	Date	Updated by	Summary of changes	Approval date
1.0	October 2019	Team Leader – Audit and Risk Management	Initial version	1/10/2019
2.0	November 2020	Team Leader – Audit and Risk Management	Updates to align to current practice and organisation needs. <ul style="list-style-type: none"> <li>• Removal of related body monitoring</li> <li>• Change to approach to congregational audits</li> </ul>	1/12/2020
3.0	November 2021	Team Leader – Audit and Risk Management	Simplification and refinement of strategy document Revision of strategy and focus areas for congregation audits	7/12/2021

**Note:** when reviewing this document, the reviewer should ensure the template used is still the most current template for Synod policies and procedures, as found on the Synod intranet. This document is based on the August 2019 template.