



INTERNAL AUDIT CHARTER

Adopted 15 May 2024



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Table of Contents

Purpose of Internal Audit.....	3
Independence	3
Authority	4
Manager Governance and Corporate Performance	4
Internal Audit Provider	5
Performing internal audit activities	6
Conduct.....	6
Administrative arrangements	7
Audit, risk and improvement committee meetings.....	7
External audit.....	7
Dispute resolution.....	7
Review arrangements	7
Further information	
Schedule 1 –Internal Audit responsibilities	8
Audit.....	8
Internal audit	8
External audit.....	8
Risk	8
Risk management.....	8
Internal controls.....	9
Compliance	9
Fraud and corruption	10
Financial management.....	10
Governance	11
Improvement	11
Strategic planning	11
Service reviews and business improvement.....	11
Performance data and measurement.....	12

Wingecarribee Shire Council (Council) has established an internal audit function as a key component of Council's governance and assurance framework, in compliance with the Office of Local Government's *Guidelines for risk management and internal audit for local government in NSW*. This charter provides the framework for the conduct of the internal audit function at Council and has been approved by the governing body taking into account the advice of Council's Audit, Risk and Improvement Committee (ARIC).

Purpose of Internal Audit

The Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve Council operations. It helps Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The Internal Audit provides an independent and objective review and advisory service to provide advice to the governing body, General Manager and the ARIC about Council's governance processes, risk management and control frameworks and its external accountability obligations. It also assists Council to improve its business performance.

Independence

The Internal Audit function is to be independent of Council so it can provide an unbiased assessment of Council's operations and risk and control activities.

Internal Audit reports functionally to Council's ARIC on the results of completed audits, and for strategic direction and accountability purposes, and reports administratively to the General Manager to facilitate day-to-day operations. Internal audit activities are not subject to direction by Council and Council's management has no role in the exercise of Council's internal audit activities.

The ARIC is responsible for communicating any internal audit issues or information to the governing body. Should the governing body require additional information, a request for the information may be made to the Chair by resolution. The Chair is only required to provide the information requested by the governing body where the Chair is satisfied that it is reasonably necessary for the governing body to receive the information for the purposes of performing its functions under the *Local Government Act 1993*. Individual Councillors are not entitled to request or receive information from the Committee, General Manager or Manager Governance and Corporate Performance.

The General Manager must consult with the Chair of the ARIC before appointing or making decisions affecting the employment of the Manager Governance and Corporate Performance. If the Manager Governance and Corporate Performance is dismissed, the General Manager must report the reasons for their dismissal to the governing body.

Where the Chair of the ARIC has any concerns about the treatment of the Manager Governance and Corporate Performance or any action taken that may compromise their ability to undertake their functions independently, they can report their concerns to the governing body.

The Manager Governance and Corporate Performance is to confirm at least annually to the ARIC the independence of internal audit activities of Council.

Authority

Council authorises the Internal Audit to have full, free and unrestricted access to all functions, premises, assets, personnel, records and other documentation and information that is necessary for the Internal Audit to undertake its responsibilities.

All records, documentation and information accessed while undertaking internal audit activities are to be used solely for the conduct of those activities. The Manager Governance and Corporate Performance and individual internal audit staff are responsible and accountable for maintaining the confidentiality of the information they receive when undertaking their work.

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

Information and documents pertaining to the Internal Audit are not to be made publicly available. The Internal Audit may only release Council information to external parties that are assisting the Internal Audit to undertake its responsibilities with the approval of the General Manager, except where it is being provided to an external investigative or oversight agency for the purpose of informing that agency of a matter that may warrant its attention.

Role

The Internal Audit is to support the ARIC to review and provide independent advice to Council in accordance with section 428A of the *Local Government Act 1993*. This includes conducting internal audits of Council and monitoring the implementation of corrective actions.

The Internal Audit is to also 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, and
- promoting a culture of high ethical standards.

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

Manager Governance and Corporate Performance

The Manager Governance and Corporate Performance leads Council's outsourced internal audit function and has sufficient skills, knowledge and experience to ensure it fulfils its role and responsibilities to Council and the ARIC. The Manager Governance and Corporate

Performance must be independent, impartial, unbiased and objective when performing their work and free from any conflicts of interest.

Responsibilities of the Manager Governance and Corporate Performance include:

- internal audit contract management
- managing the internal audit budget
- ensuring the external provider completes internal audits in line with the ARIC's annual work plan and four-year strategic work plan
- forwarding audit reports by the external provider to the ARIC
- acting as a liaison between the external provider and the ARIC
- monitoring Council implementation of corrective actions that arise from the findings of audits and reporting progress to the ARIC, and
- assisting the ARIC to ensure Council's internal audit activities comply with the *Guidelines for risk management and internal audit for local government in NSW*.

Where internal audits are to be undertaken on areas under the control of the Manager Governance and Corporate Performance, appropriate safeguards will be implemented including:

- In development of the Internal Audit Plan the Manager Governance and Corporate Performance will not be involved in the decision on areas to audit in the Governance and Corporate Performance branch. This will be decided between the head of the outsourced internal audit firm and the General Manager.
- The General Manager will oversee the Internal Audit process (Terms of Reference through to Final Report) of those audits directly related to areas of the Manager Governance and Corporate Performance's responsibility.

Any corrective actions identified as part of internal audits related to the Manager Governance and Corporate Performance's areas of responsibility will be reviewed by the Director Corporate Strategy and Resourcing and sign off as complete will be conducted by the General Manager on receipt of evidence to show adequate implementation.

Internal Audit Provider

Council may contract an external third-party provider to undertake its internal audit activities. To ensure the independence of the external provider, the Manager Governance and Corporate Performance is to ensure the external provider:

- does not conduct any audits on specific Council operations or areas that they have worked on within the last two years
- is not the same provider conducting Council's external audit
- does not have any conflicts of interest with Council and/or its related and affiliated entities or entities it has significant influence over. Examples include members of

the of the audit firm sitting on affiliated Board's, Audit Committees, or having close relationships with senior management of Council

- is not the auditor of any contractors of Council that may be subject to the internal audit, and
- can meet Council's obligations under the *Guidelines for risk management and internal audit for local government in NSW*.

The Manager Governance and Corporate Performance must consult with the ARIC and General Manager regarding the appropriateness of the skills, knowledge and experience of any external provider before they are engaged by Council.

Performing internal audit activities

The work of the Internal Audit is to be thoroughly planned and executed. The ARIC must develop a strategic work plan every four years to ensure that the matters listed in Schedule 1 are reviewed by the Committee and considered by the Internal Audit when developing their risk-based program of internal audits. The strategic work plan must be reviewed at least annually to ensure it remains appropriate.

The Committee must also develop an annual work plan to guide the work of the Internal Audit over the upcoming year.

All internal audit activities are to be performed in a manner that is consistent with relevant professional standards including the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors and *AS ISO 31000:2018 Risk Management – Guidelines*.

The Manager Governance and Corporate Performance is to:

- Provide the findings and recommendations of internal audits to the ARIC at the end of each audit. Each report is to include a response from the relevant senior manager.
- Establish an ongoing monitoring system to follow up Council's progress in implementing corrective actions.
- Develop and maintain policies and procedures to guide the operation of Council's Internal Audit.
- Ensure that the ARIC is advised at each of the Committee's meetings of the internal audit activities completed during that quarter, progress in implementing the annual work plan and progress made implementing corrective actions.

Conduct

Internal Audit personnel including any service providers must comply with Council's Code of Conduct. Complaints about breaches of the Code of Conduct by Internal Audit personnel are to be dealt with in accordance with the *Procedures for the Administration of the Model Code of Conduct for Local Councils in NSW*. The General Manager must consult with

Council's ARIC before any disciplinary action is taken against the Manager Governance and Corporate Performance in response to a breach of Council's Code of Conduct.

Declarations and management of conflicts of interest will occur in line with the requirements of the Code of Conduct.

Internal auditors must also comply with the Code of Ethics for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

Administrative arrangements

AUDIT, RISK AND IMPROVEMENT COMMITTEE MEETINGS

The Manager Governance and Corporate Performance will attend ARIC meetings as an independent non-voting observer. The Manager Governance and Corporate Performance can be excluded from meetings by the Committee at any time.

The Manager Governance and Corporate Performance must meet separately with the ARIC at least once per year.

The Manager Governance and Corporate Performance can meet with the Chair of the ARIC at any time, as necessary, between Committee meetings.

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 to facilitate coordination.

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

DISPUTE RESOLUTION

The Internal Audit should maintain an effective working relationship with Council and the ARIC and seek to resolve any differences they may have in an amicable and professional way by discussion and negotiation.

In the event of a disagreement between the Internal Audit and Council, the dispute is to be resolved by the General Manager and if deemed required the ARIC. Disputes between the Internal Audit and the ARIC are to be resolved by the governing body.

Unresolved disputes regarding compliance with statutory or other requirements are to be referred to the Office of Local Government in writing.

REVIEW ARRANGEMENTS

The ARIC must review the performance of the Internal Audit each year and report its findings to the governing body. A strategic review of the performance of the Internal Audit must be conducted each Council term that considers the views of an external party with a strong knowledge of internal audit and reported to Council.

This charter is to be reviewed annually by the Committee and once each Council term by the governing body. Any substantive changes are to be approved by the governing body.

Schedule 1 –Internal Audit responsibilities

Audit

INTERNAL AUDIT

- Conduct internal audits as directed by Council’s ARIC.
- Implement Council’s annual and four-year strategic internal audit work plans.
- Monitor the implementation by Council of corrective actions.
- Assist Council to develop and maintain a culture of accountability and integrity.
- Facilitate the integration of risk management into day-to-day business activities and processes.
- Promote a culture of high ethical standards.

EXTERNAL AUDIT

- Provide input and feedback on the financial statement and performance audit coverage proposed by external audit and provide feedback on the audit services provided.
- Review all external plans and reports in respect of planned or completed audits and monitor Council’s implementation of audit recommendations.
- Provide advice on action taken on significant issues raised in relevant external audit reports and better practice guides.

Risk

RISK MANAGEMENT

Review and advise:

- if Council has in place a current and appropriate risk management framework that is consistent with the Australian risk management standard
- whether Council’s risk management framework is adequate and effective for identifying and managing the risks Council faces, including those associated with individual projects, programs and other activities

- if risk management is integrated across all levels of Council and across all processes, operations, services, decision-making, functions and reporting
- of the adequacy of risk reports and documentation, for example, Council's Risk Register and risk profile
- whether a sound approach has been followed in developing risk management plans for major projects or undertakings
- whether appropriate policies and procedures are in place for the management and exercise of delegations
- if Council has taken steps to embed a culture which is committed to ethical and lawful behaviour
- if there is a positive risk culture within Council and strong leadership that supports effective risk management
- of the adequacy of staff training and induction in risk management
- how Council's risk management approach impacts on Council's insurance arrangements
- of the effectiveness of Council's management of its assets, and
- of the effectiveness of business continuity arrangements, including business continuity plans, disaster recovery plans and the periodic testing of these plans.

INTERNAL CONTROLS

Review and advise:

- whether Council's approach to maintaining an effective internal audit framework, including over external parties such as contractors and advisors, is sound and effective
- whether Council has in place relevant policies and procedures and that these are periodically reviewed and updated
- whether appropriate policies and procedures are in place for the management and exercise of delegations
- whether staff are informed of their responsibilities and processes and procedures to implement controls are complied with
- if Council's monitoring and review of controls is sufficient, and
- if internal and external audit recommendations to correct internal control weaknesses are implemented appropriately.

COMPLIANCE

Review and advise of the adequacy and effectiveness of Council's compliance framework, including:

- if Council has appropriately considered legal and compliance risks as part of Council's risk management framework
- how Council manages its compliance with applicable laws, regulations, policies, procedures, codes, and contractual arrangements, and
- whether appropriate processes are in place to assess compliance.

FRAUD AND CORRUPTION

Review and advise of the adequacy and effectiveness of Council's Fraud and Corruption Prevention framework and activities, including whether Council has appropriate processes and systems in place to capture and effectively investigate fraud-related information.

FINANCIAL MANAGEMENT

Review and advise:

- if Council is complying with accounting standards and external accountability requirements
- of the appropriateness of Council's accounting policies and disclosures
- of the implications for Council of the findings of external audits and performance audits and Council's responses and implementation of recommendations
- whether Council's financial statement preparation procedures and timelines are sound
- the accuracy of Council's annual financial statements prior to external audit, including:
 - management compliance/representations
 - significant accounting and reporting issues
 - the methods used by Council to account for significant or unusual transactions and areas of significant estimates or judgements
 - appropriate management signoff on the statements
- if effective processes are in place to ensure financial information included in Council's report is consistent with signed financial statements
- if Council's financial management processes are adequate
- the adequacy of cash management policies and procedures
- if there are adequate controls over financial processes, for example:
 - appropriate authorisation and approval of payments and transactions

- adequate segregation of duties
- timely reconciliation of accounts and balances
- review of unusual and high value purchases
- if policies and procedures for management review and consideration of the financial position and performance of Council are adequate
- if Council's grants and tied funding policies and procedures are sound.

GOVERNANCE

Review and advise of the adequacy of Council governance framework, including Council's:

- decision-making processes
- implementation of governance policies and procedures
- reporting lines and accountability
- assignment of key roles and responsibilities

Improvement

STRATEGIC PLANNING

Review and advise:

- of the adequacy and effectiveness of Council's Integrated, Planning and Reporting (IP&R) processes
- if appropriate reporting and monitoring mechanisms are in place to measure progress against objectives, and
- whether Council is successfully implementing and achieving its IP&R objectives and strategies.

SERVICE REVIEWS AND BUSINESS IMPROVEMENT

- Act as a forum for communication and monitoring of any audits conducted by external bodies and the implementation of corrective actions (for example, NSW government agencies, Commonwealth government agencies, insurance bodies)
- Review and advise:

- if Council has robust systems to set objectives and goals to determine and deliver appropriate levels of service to the community and business performance
- if appropriate reporting and monitoring mechanisms are in place to measure service delivery to the community and overall performance, and
- how Council can improve its service delivery and performance of its business and functions generally.

PERFORMANCE DATA AND MEASUREMENT

Review and advise:

- if Council has a robust system to determine appropriate performance indicators to measure the achievement of its strategic objectives
- if the performance indicators Council uses are effective, and
- of the adequacy of performance data collection and reporting.

WINGECARRIBEE SHIRE COUNCIL
15 May 2024