



# Internal Audit Charter

**DOCUMENT AUTHORISATION**

<b>RESPONSIBLE OFFICER:</b>	CHIEF AUDIT EXECUTIVE (CAE)				
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Reviewed by the Chief Audit Executive

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[sign and date]

Reviewed by Chair of Council's Audit, Risk and Improvement Committee

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## 1. ACKNOWLEDGEMENT OF COUNTRY

Glen Innes Severn Council acknowledges and pays respect to the Ngorabul people as the traditional custodians of this land, their elders past, present and emerging and to Torres Strait Islander people and all First Nations people.

## 2. INTRODUCTION

Glen Innes Severn Council (Council) has established Internal Audit as a key component of Council's governance and assurance framework, in compliance with the Departmental Chief Executive'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 in Council and has been approved by the governing body considering the advice of Council's Audit, Risk and Improvement Committee.

## 3. PURPOSE OF INTERNAL AUDIT

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 process.

*As defined by the International Standards for the Professional Practice of Internal Auditing (2017)*

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

## 4. INDEPENDENCE

Council's 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 the Audit, Risk and Improvement Committee on the 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 Audit, Risk and Improvement Committee 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. Individual Councillors are not entitled to request or receive information from the Committee.

The General Manager must consult with the Chair of Council's Audit, Risk and Improvement Committee before appointing or making decisions affecting the employment

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of the Chief Audit Executive. If the Chief Audit Executive is dismissed, the General Manager must report the reasons for their dismissal to the governing body.

Where the Chair of Council's Audit, Risk and Improvement Committee has any concerns about the treatment of the Chief Audit Executive, or any action taken that may compromise their ability to undertake their functions independently, they can report their concerns to the governing body.

The Chief Audit Executive is to confirm at least annually to the Audit, Risk and Improvement Committee the independence of internal audit activities from Council.

## **5. AUTHORITY**

Council authorises the internal audit function to have full, free and unrestricted access to all functions, premises, assets, personnel, records and other documentation and information that the Chief Audit Executive considers necessary for the internal audit function 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 Chief Audit Executive 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 internal audit are not to be made publicly available. Internal audit may only release Council information to external parties that are assisting the internal audit function 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.

## **6. ROLE**

The internal audit function is to support Council's Audit, Risk and Improvement Committee 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 function 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 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 Council functions or activities (except in carrying out its own functions).

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## 7. HEAD OF INTERNAL AUDIT FUNCTION

Council's internal audit function is to be led by a Council staff member with sufficient skills, knowledge and experience to ensure it fulfils its role and responsibilities to Council and the Audit, Risk and Improvement Committee. The internal audit function must be independent, impartial, unbiased and objective when performing their work and free from any conflicts of interest.

At Glen Innes Severn Council the shared Internal Auditor will be the Chief Audit Executive.

Responsibilities of the Chief Audit Executive include:

- managing the day-to-day activities of the internal audit function;
- managing Council's internal audit budget;
- supporting the operation of Council's Audit, Risk and Improvement Committee;
- approving internal audit project plans, conducting or supervising audits and assessments and providing independent advice to the Audit, Risk and Improvement Committee;
- monitoring Council's implementation of corrective actions that arise from the findings of audits;
- implementing the Audit, Risk and Improvement Committee's annual work plan and four-year strategic work plan;
- managing internal audit personnel and ensuring that they have the skills necessary to fulfil the role and responsibilities of the internal audit function;
- ensuring Council's internal audit activities comply with the Guidelines for risk Management and Internal Audit for Local Government in NSW; and
- contract management and oversight of supplementary external providers (where appropriate).

The Internal Auditor is appointed through a shared arrangement with Tamworth Regional Council. Administratively, the Internal Audit function reports to the Manager of Governance, Risk and Corporate Planning.

## 8. INTERNAL AUDIT TEAM

Members of the internal audit team are responsible to the Chief Audit Executive.

Individuals that perform internal audit activities for Council must have:

- an appropriate level of understanding of Council's culture, systems and processes;
  - the skills, knowledge and experience necessary to conduct internal audit activities in Council;
  - effective interpersonal and communication skills to ensure they can engage with Council staff effectively and collaboratively; and
  - honesty, integrity and diligence.
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Glen Innes Severn Council has entered a shared internal audit arrangement with Tamworth Regional Council to undertake the internal audit function. All staff engaged in the shared arrangement will comply with this Charter and all other Policies, Procedures and Codes of Glen Innes Severn Council.

## **9. PERFORMING INTERNAL AUDIT ACTIVITIES**

The work of the internal audit function is to be thoroughly planned and executed. Council's Audit, Risk and Improvement Committee must develop a strategic work plan every four years to ensure that the matters listed in Schedule 1 are reviewed by the Committee and the internal audit function. 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 function over the forward 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 current Australian risk management standard.

The Chief Audit Executive is to provide the findings and recommendations of internal audits to the Audit, Risk and Improvement Committee at the end of each audit. Each report is to include a response from the relevant senior manager.

The Chief Audit Executive is to establish an ongoing monitoring system to follow up Council's progress in implementing corrective actions.

The General Manager, in consultation with the Audit, Risk and Improvement Committee, is to develop and maintain policies and procedures to guide the operation of Council's internal audit function.

The Chief audit Executive is to ensure that the Audit, Risk and Improvement Committee 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.

## **10. CONDUCT**

Internal audit personnel must comply with Council's Code of Conduct. Complaints about breaches of Council's 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 Audit, Risk and Improvement Committee before any disciplinary action is taken against the Chief Audit Executive in response to a breach of Council's 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.

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## 11. ADMINISTRATIVE ARRANGEMENTS

### **Audit, Risk and Improvement Committee Meetings**

The Chief Audit Executive will attend Audit, Risk and Improvement Committee meetings as an independent non-voting observer. The Chief Audit Executive can be excluded from meetings by the Committee at any time.

The Chief Audit Executive must meet separately with the Audit, Risk and Improvement Committee at least once per year.

The Chief Audit Executive can meet with the Chair of the Audit, Risk and Improvement Committee 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**

Internal audit should maintain an effective working relationship with Council and the Audit, risk and Improvement Committee 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 function and Council, the dispute is to be resolved by the General Manager and/or the Audit, Risk and Improvement Committee. Disputes between the internal audit function and the Audit, Risk and Improvement Committee are to be resolved by the governing body.

Unresolved disputes regarding compliance with statutory or other requirements are to be referred to the Departmental Chief Executive in writing.

## 12. VARIATION AND REVIEW

Council's Audit, Risk and Improvement Committee must review the performance of the internal audit function each year and report its findings to the governing body. A strategic review of the performance of the internal audit function must be conducted each council term that considers the views of an external party with a strong knowledge of internal audit and reported to the governing body.

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.

## 13. FURTHER INFORMATION

For further information on Council's internal audit activities, contact the Manager of Governance, Risk and Corporate Planning on [council@gisc.nsw.gov.au](mailto:council@gisc.nsw.gov.au) or by phone on 02 6730 2300.

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## Schedule 1 – Internal Audit Function Responsibilities

### Audit

#### Internal Audit

- Conduct internal audits as directed by Council’s Audit, Risk and Improvement Committee.
- 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 the 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;
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- 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:

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- 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; and
  - 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; and
  - 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; and
- if Council's grants and tied funding policies and procedures are sound.

### **Governance**

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

- decision-making processes;
  - implementation of governance policies and procedures;
  - reporting lines and accountability;
  - assignment of key roles and responsibilities;
  - committee structure;
  - management oversight responsibilities;
  - human resources and performance management activities;
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- reporting and communication activities;
- information and communications technology (ICT) governance; and
- management and governance of the use of data, information and knowledge.

## 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

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 Council's 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.
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