

# COUNCIL POLICY

**Policy Name**

Internal Audit Charter

**Abstract**

The Internal Audit Charter defines the purpose, authority and responsibility of the Internal Audit function within Council. It establishes the Internal Auditor's position and outlines the scope of Internal Audit activities.

<b>Dates</b>	Policy or amendment approved	16 April 2025
	Policy or amendment takes effect	19 May 2025
	Policy is due for review (up to 4 years)	19 May 2029
<b>Endorsed by</b>	Audit, Risk & Improvement Committee at its meeting held 4 March 2025	
<b>Approved by</b>	Gunnedah Shire Council at its Ordinary Meeting held on 16 April 2025 Resolution number: 4.4/25	
<b>Policy Custodian</b>	Director Corporate Services	
<b>Relevant to</b>	Councillors, Audit, Risk & Improvement Committee, Internal Audit Coordinator, Internal Auditor	
<b>Superseded Policies</b>	N/A	
<b>Related documents</b>	Terms of Reference for Gunnedah Shire Council Audit, Risk and Improvement Committee	
<b>Related legislation</b>	Local Government (General) Regulation 2021 Guidelines for risk management and internal audit for local government in NSW	

**Contents**

1. Purpose
2. Scope
3. Definitions
4. Policy principles
5. Policy statement
6. Accountability, roles and responsibilities
7. Acknowledgements
8. Version control and change history

## 1. Purpose

Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve Council's 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.

Internal Audit provides an independent and objective review and advisory service to provide advice to Gunnedah Shire Council ('Council'), the 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.

## 2. Scope

Council has established the Internal Audit function ('Internal Audit') as a key component of the Council's governance and assurance framework, in compliance with the *Local Government (General) Regulation 2021* and 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 Internal Audit in Council and has been approved by Council taking into account the advice of Council's Audit, Risk and Improvement Committee ('ARIC').

## 3. Definitions

Term	Meaning
Internal Audit	Independent, objective assurance function designed to improve the effectiveness of risk management, control and governance processes.

## 4. Policy Principles

### 4.1 Independence

Council's Internal Audit 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 Council. Should Council require additional information, a request for the information may be made to the Chairperson by resolution. The Chairperson is only required to provide the information requested by Council where the Chairperson is satisfied that it is reasonably necessary for Council 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 has appointed the Manager Governance and Legal to the role of Internal Audit Coordinator and the Director Corporate Services as alternate. A separate Internal Auditor is engaged by Council to undertake Internal Audit activities.

The General Manager must consult with the Chairperson of Council's ARIC before appointing or making decisions affecting the employment of the Internal Audit Coordinator.

Where the Chairperson of Council's ARIC has any concerns about the treatment of the Internal Audit Coordinator, or any action taken that may compromise their ability to undertake their functions independently, they can report their concerns to Council.

The Internal Audit Coordinator is to confirm at least annually to the ARIC the independence of Internal Audit activities from Council.

## **4.2 Authority**

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

## **5. Policy Statement**

### **5.1 Role**

The Internal Auditor is to support Council's 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 Auditor is to also play an active role in assisting the General Manager and Internal Audit Coordinator to:

- 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 Auditor has no direct authority or responsibility for the activities it reviews. The Internal Auditor 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).

## **5.2 Internal Audit Coordinator**

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

Responsibilities of the Internal Audit Coordinator include:

- 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's 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 Office of Local Government's *Guidelines for risk management and internal audit for local government in NSW*.

## **5.3 Internal Auditor**

Council is to contract an external third-party provider to undertake its Internal Audit activities. To ensure the independence of the external provider, the Internal Audit Coordinator 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, unless directed to by the ARIC
- is not the same provider conducting Council's external audit
- is not the auditor of any contractors of Council that may be subject to an internal audit, and
- can satisfy the requirements of the Office of Local Government's *Guidelines for risk management and internal audit for local government in NSW*.

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

## **5.4 Performing internal audit activities**

The work of Internal Audit is to be thoroughly planned and executed. Council's 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 function 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 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 the current Australian risk management standard.

The Internal Audit Coordinator 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.

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

The General Manager, in consultation with the ARIC, is to develop and maintain policies and procedures to guide the operation of Council's Internal Audit.

The Internal Audit Coordinator is to 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.

## **5.5 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 ARIC before any disciplinary action is taken against the Internal Audit Coordinator in response to a breach of Council's Code of Conduct.

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

## **5.6 Administrative arrangements**

### **5.6.1 Audit, risk and improvement committee meetings**

The Internal Audit Coordinator will attend ARIC meetings as an independent non-voting observer. The Internal Audit Coordinator can be excluded from meetings by the committee at any time.

The Internal Audit Coordinator must meet separately with the ARIC at least once per year.

The Internal Audit Coordinator can meet with the Chairperson of the ARIC at any time, as necessary, between committee meetings.

### **5.6.2 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.

### 5.6.3 Dispute resolution

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 Internal Audit and Council, the dispute is to be resolved by the General Manager and/or the ARIC. Disputes between Internal Audit and the ARIC are to be resolved by Council.

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

### 5.6.4 Review arrangements

The ARIC must review the performance of the Internal Audit function each year and report its findings to Council. A strategic review of the performance of 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 ARIC and once each term by Council. Any substantive changes are to be approved by Council.

## 6. Accountability, roles and responsibility

### 6.1 Policy Custodian

Director Corporate Services

### 6.2 Responsible Officer

Manager Governance & Legal

For further information on Council's Internal Audit activities, contact Council via [council@gunnedah.nsw.gov.au](mailto:council@gunnedah.nsw.gov.au) or by phone (02) 6740 2100.

## 7. Acknowledgements

This Policy is based on the Model Internal Audit Charter for Local Government developed by the Office of Local Government.

## 8. Version Control and change history

Date	Version	Approved by & Resolution No.	Amendment
16 April 2025	1.0	Ordinary Council Resolution 4.4/25	

## Schedule 1 – internal audit function 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's governance framework, including:

- 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
- 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.