

10.5 DRAFT AUDIT RISK AND IMPROVEMENT COMMITTEE TERMS OF REFERENCE AND INTERNAL AUDIT CHARTER - ATTACHMENTS

Attachment Titles:

1. DRAFT - Audit Risk and Improvement Committee Terms of Reference
2. 2024 -DRAFT - Internal Audit Charter

Attachment 1 - ECM_3234977_v3_DRAFT - Audit Risk and Improvement Committee Terms of Reference - SVC-TofR 006-07 - 20231213

ECM_3234977_v3_DRAFT - Audit Risk and Improvement Committee Terms of Reference - SVC-TofR 006-07 - 20231213 (1).pdf



AUDIT, RISK, AND IMPROVEMENT COMMITTEE Terms of Reference

ToR No: SVC-TofR-006-07

In addition to the Terms of Reference, the committee must abide by the Council Committees Policy and Council Committees Operation Manual.

Snowy Valley's Council has established an audit, risk, and improvement committee in compliance with section 428A of the *Local Government Act 1993*, 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*. These terms of reference set out the committee's objectives, authority, composition and tenure, roles, and responsibilities, reporting and administrative arrangements.

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Objective

The objective of Council's audit, risk and improvement committee is to provide independent assurance to Council by monitoring, reviewing, and providing advice about the Council's governance processes, compliance, risk management and control frameworks, external accountability obligations and overall performance.

Independence

The committee is to be independent to ensure it has no real or perceived bias or conflicts of interest that may interfere with its ability to act independently and to provide Council with robust, objective, and unbiased advice and assurance.

The committee is to have an advisory and assurance role only and is to exercise no administrative functions, delegated financial responsibilities or any management functions of the Council.

The committee will provide independent advice to the Council that is informed by the Council's internal audit and risk management activities and information and advice provided by staff, relevant external bodies, and subject matter experts.

The committee must always ensure it maintains a direct reporting line to and from the Council internal audit function and act as a mechanism for internal audit to report to the governing body and the General Manager on matters affecting the performance of the internal audit function.

Authority

Council authorises the committee, for the purposes of exercising its responsibilities, to:

- access any information it needs from the Council.
- use any Council resources it needs.
- have direct and unrestricted access to the General Manager and senior management of the Council
- seek the General Manager's permission to meet with any Council staff member or contractor.
- discuss any matters with the external auditor or other external parties.
- request the attendance of any employee at committee meetings, and

→ obtain external legal or other professional advice in line with councils' procurement policies. ~~[Detail any prior approval needed or pre-determined budget for costs].~~

Information and documents pertaining to the committee are confidential and are not to be made publicly available. The committee may only release Council information to external parties that are assisting the committee to fulfil 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.

Composition and Tenure

The committee consists of an independent chairperson and 2 [two] independent members who have voting rights and [one non-voting councillor/board member], as required under the *Local Government (General) Regulation 2021*.

The governing body is to appoint the chairperson and members of the committee. Current committee members are:

To Be Determined - (name)	Independent chairperson (voting)
To Be Determined - (name)	Independent member (voting)
To Be Determined - (name)	Independent member (voting)
To Be Determined - (name)	[Councillor/board] member (non-voting) (if applicable) [cannot be the mayor]

All committee members must meet the independence and eligibility criteria prescribed under the *Local Government (General) Regulation 2021*.

Members will be appointed for up to a four-year term. Members can be reappointed for one further term, but the total period of continuous membership cannot exceed eight years. This includes any term as chairperson of the committee. Members who have served an eight-year term (either as a member or as chairperson) must have a two-year break from serving on the committee before being appointed again. To preserve the committee's knowledge of the Council, ideally, no more than one member should retire from the committee because of rotation in any one year.

The terms and conditions of each member's appointment to the committee are to be set out in a letter of appointment. New members will be thoroughly inducted to their role and receive relevant information and briefings on their appointment to assist them to meet their responsibilities.

Prior to approving the reappointment or extension of the chairperson's or an independent member's term, the governing body is to undertake an assessment of the chairperson's or committee member's performance. Reappointment of the chairperson or a committee member is also to be subject to that person still meeting the independence and eligibility requirements prescribed under the *Local Government (General) Regulation 2021*.

Members of the committee must possess and maintain a broad range of skills, knowledge, and experience relevant to the operations, governance and financial management of the Council, the environment in which the Council operates, and the contribution that the committee makes to the Council. At least one member of the committee must have accounting or related financial management experience with an understanding of accounting and auditing standards in a local government environment. All members should have sufficient understanding of the Council financial reporting responsibilities to be able to contribute to the committee's consideration of the Council annual financial statements.

Role

As required under section 428A of the *Local Government Act 1993* (the Act), the role of the committee is to review and provide independent advice to the Council regarding the following aspects of the Council operations:

- compliance
- risk management
- fraud control
- financial management
- governance
- implementation of the strategic plan, delivery program and strategies
- service reviews
- collection of performance measurement data by the Council and
- internal audit.

The committee must also provide information to the Council for the purpose of improving the performance of its functions.

The committee's specific audit, risk, and improvement responsibilities under section 428A of the Act are outlined in Schedule 1 to these terms of reference.

The committee will act as a forum for consideration of the Council's internal audit function and oversee its planning, monitoring, and reporting to ensure it operates effectively.

The committee has no power to direct external audit or the way it is planned and undertaken but will act as a forum for the consideration of external audit findings.

The committee is directly responsible and accountable to the governing body for the exercise of its responsibilities. In carrying out its responsibilities, the committee must, at all times recognise that primary responsibility for management of the Council rests with the governing body and the General Manager.

The responsibilities of the committee may be revised or expanded in consultation with, or as requested by, the governing body from time to time.

Responsibilities of Members**Independent members**

The chairperson and members of the committee are expected to understand and observe the requirements of the Office of Local Government's *Guidelines for risk management and internal audit for local government in NSW*. Members are also expected to:

- make themselves available as required to attend and participate in meetings.
- contribute the time needed to review and understand information provided to it.
- apply good analytical skills, objectivity, and judgement.
- act in the best interests of the Council
- have the personal courage to raise and deal with tough issues, express opinions frankly, ask questions that go to the fundamental core of the issue and pursue independent lines of inquiry.
- maintain effective working relationships with the Council.
- have strong leadership qualities (chairperson)
- lead effective committee meetings (chairperson), and
- oversee the Council internal audit function (chairperson).

SVC-TofR-006-07

Audit, Risk and Improvement Committee Terms of Reference

Page 3 of 12

Adopted: 23/11/2017

Reviewed: 17/06/2021

Councillors

To preserve the independence of the committee, the Councillor member of the committee is a non-voting member.

Their role is to:

- relay to the committee any concerns the governing body may have regarding the Council and issues being considered by the committee.
- provide insights into local issues and the strategic priorities of the Council that would add value to the committee's consideration of agenda items.
- advise the governing body (as necessary) of the work of the committee and any issues arising from it, and
- assist the governing body to review the performance of the committee.

Issues or information the councillor member raises with or provides to the committee must relate to the matters listed in Schedule 1 and issues being considered by the committee.

The Councillor member of the committee must conduct themselves in a non-partisan and professional manner. The Councillor member of the committee must not engage in any conduct that seeks to politicise the activities of the committee or the internal audit function or that could be seen to do so.

If the Councillor member of the committee engages in such conduct or in any other conduct that may bring the committee and its work into disrepute, the chairperson of the committee may recommend to the Council, that the Councillor member be removed from membership of the committee. Where the Council does not agree to the committee chairperson's recommendation, the Council must give reasons for its decision in writing to the chairperson.

Conduct

Independent committee members are required to comply with the Council code of conduct.

Complaints alleging breaches of the Council code of conduct by an independent committee member 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 the governing body before taking any disciplinary action against an independent committee member in response to a breach of the Council code of conduct.

Conflicts of interest

Once a year, committee members must provide written declarations to the Council stating that they do not have any conflicts of interest that would preclude them from being members of the committee. Independent committee members are 'designated persons' for the purposes of the Council code of conduct and must also complete and submit returns of their interests.

Committee members and observers must declare any pecuniary or non-pecuniary conflicts of interest they may have in a matter being considered at the meeting at the start of each meeting or as soon as they become aware of the conflict of interest. Where a committee member or observer declares a pecuniary or a significant non-pecuniary conflict of interest, they must remove themselves from committee deliberations on the issue. Details of conflicts of interest declared at meetings must be appropriately minuted.

Standards

Committee members are to conduct their work in accordance with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors and Australian risk management standard, where applicable.

Work plans

The work of the committee is to be thoroughly planned and executed. The 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 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 may, in consultation with the governing body, vary the strategic work plan at any time to address new or emerging risks. The governing body may also, by resolution, request the committee to approve a variation to the strategic work plan. Any decision to vary the strategic work plan must be made by the committee.

The committee must also develop an annual work plan to guide its work, and the work of the internal audit function over the forward year.

The committee may, in consultation with the governing body, vary the annual work plan to address new or emerging risks. The governing body may also, by resolution, request the committee to approve a variation to the annual work plan. Any decision to vary the annual work plan must be made by the committee.

When considering whether to vary the strategic or annual work plans, the committee must consider the impact of the variation on the internal audit function's existing workload and the completion of pre-existing priorities and activities identified under the work plan.

Assurance reporting

The committee must regularly report to the Council to ensure that it is kept informed of matters considered by the committee and any emerging issues that may influence the strategic direction of the Council or the achievement of the Council goals and objectives.

The committee will provide an update to the governing body and the General Manager of its activities and opinions after every committee meeting.

The committee will provide an annual assessment to the governing body and the General Manager on the committee's work and its opinion on how the Council is performing.

The committee will provide a comprehensive assessment every council term of the matters listed in Schedule 1 to the governing body and the Council.

The committee may at any time report to the governing body or the General Manager on any other matter it deems of sufficient importance to warrant their attention. The Chairperson and the chairperson of the committee may also meet at any time to discuss issues relating to the work of the committee.

Should the governing body 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 the governing body where the chairperson 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.

Administrative arrangements**Meetings**

The committee will meet at least 4 times per year, including a special meeting to review the Council financial statements.

The committee can hold additional meetings when significant unexpected issues arise, or if the chairperson is asked to hold an additional meeting by a committee member, the General Manager, or the governing body.

Committee meetings can be held in person, by telephone or videoconference. Proxies are not permitted to attend meetings if a committee member cannot attend.

A quorum will consist of a majority of independent voting members. Where the vote is tied, the chairperson has the casting vote.

The chairperson of the committee will decide the agenda for each committee meeting. Each committee meeting is to be minuted to preserve a record of the issues considered and the actions and decisions taken by the committee.

The General Manager and the Governance Coordinator should attend committee meetings as non-voting observers. The external auditor (or their representative) is to be invited to each committee meeting as an independent observer. The chairperson can request the Council Finance Manager, coordinator Risk and safety, Directors, any Councillors, any employee/contractor of the council and any subject matter expert to attend committee meetings. Where requested to attend a meeting, persons must attend the meeting where possible and provide any information requested. Observers have no voting rights and can be excluded from a meeting by the chairperson at any time.

The committee can hold closed meetings whenever it needs to discuss confidential or sensitive issues with only voting members of the committee present.

The committee must meet separately with the Governance Coordinator and the Council external auditor at least once each year.

Dispute resolution

Members of the committee and the Council's two (2) weeks management should maintain an effective working relationship 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 committee and the General Manager or other senior managers, the dispute is 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 of the Office of Local Government in writing.

Secretariat

The General Manager will nominate a staff member to provide secretariat support to the committee. The secretariat will ensure the agenda for each meeting and supporting papers are circulated after approval from the chairperson at least 1 weeks before the meeting and ensure that minutes of meetings are prepared and maintained. Minutes must be approved by the chairperson and circulated within two (2) weeks of the meeting to each member.

Resignation and dismissal of members

Where the chairperson or a committee member is unable to complete their term or does not intend to seek reappointment after the expiry of their term, they should give six (6) months' notice to the chairperson and the governing body prior to their resignation to allow the Council to ensure a smooth transition to a new chairperson or committee member.

The governing body can, by resolution, terminate the appointment of the chairperson or an independent committee member before the expiry of their term where that person has:

- breached the council's code of conduct.
- performed unsatisfactorily or not to expectations.
- declared, or is found to be in, a position of a conflict of interest which is unresolvable.
- been declared bankrupt or found to be insolvent.
- experienced an adverse change in business status.
- been charged with a serious criminal offence.
- been proven to be in serious breach of their obligations under any legislation, or
- experienced an adverse change in capacity or capability.

The position of a Councillor member on the committee can be terminated at any time by the governing body by resolution.

Review arrangements

At least once every council term, the governing body must review or arrange for an external review of the effectiveness of the committee.

These terms of reference must 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.

Further information

For further information on Council audit, risk, and improvement committee,

contact Governance Coordinator on info@svc.nsw.gov.au by phone 1300 275 782.

Reviewed by chairperson of the audit, risk, and improvement committee.

(signed)

[date]

Reviewed by Council in accordance with a resolution of the governing body.

[signed]

[date]

[resolution reference]

Next review date: 01 July 2028

Schedule 1 – Audit, risk, and improvement committee responsibilities**Internal audit**

- Provide overall strategic oversight of internal audit activities.
- Act as a forum for communication between the governing body, General Manager, senior management, the internal audit function, and external audit
- Coordinate, as far as is practicable, the work programs of internal audit and other assurance and review functions.
- Review and advise the Council.
 - on whether the Council is providing the resources necessary to successfully deliver the internal audit function
 - if the Council is complying with internal audit requirements, including conformance with the International Professional Practices Framework
 - if the Council internal audit charter is appropriate and whether the internal audit policies and procedures and audit/risk methodologies used by the Council are suitable
 - of the strategic four-year work plan and annual work plan of internal audits to be undertaken by the Council internal audit function
 - if the Council internal audit activities are effective, including the performance of the internal audit coordinator and the internal audit function.
 - of the findings and recommendations of internal audits conducted, and corrective actions needed to address issues raised.
 - of the implementation by the Council of these corrective actions
 - on the appointment of the internal audit coordinator and external providers, and
 - if the internal audit function is structured appropriately and has sufficient skills and expertise to meet its responsibilities

External audit

- Act as a forum for communication between the governing body, General Manager, senior management, the internal audit function, and external audit
- Coordinate as far as is practicable, the work programs of internal audit and 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 to the governing body and/or General Manager on action taken on significant issues raised in relevant external audit reports and better practice guides.

Risk Management

Review and advise the Council.

- if the Council has in place a current and appropriate risk management framework that is consistent with the Australian risk management standard
- whether the Council is providing the resources necessary to successfully implement its risk management framework
- whether the Council] risk management framework is adequate and effective for identifying and managing the risks the Council faces, including those associated with individual projects, programs, and other activities.
- if risk management is integrated across all levels of the Council] and across all processes, operations, services, decision-making, functions, and reporting.

- of the adequacy of risk reports and documentation, for example, the Council 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 the Council has taken steps to embed a culture which is committed to ethical and lawful behaviour
- if there is a positive risk culture within the Council and strong leadership that supports effective risk management
- of the adequacy of staff training and induction in risk management
- how the Council risk management approach impacts on the Council insurance arrangements
- of the effectiveness of the Council 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 the Council.

- whether the Council approach to maintaining an effective internal audit framework, including over external parties such as contractors and advisors, is sound and effective.
- whether the 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 the Council 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 the Council of the adequacy and effectiveness of the Council compliance framework, including:

- if the Council has appropriately considered legal and compliance risks as part of the Council risk management framework
- how the 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 the Council of the adequacy and effectiveness of the Council fraud and corruption prevention framework and activities, including whether the Council has appropriate processes and systems in place to capture and effectively investigate fraud-related information.

Financial management

Review and advise the Council:

- if the Council is complying with accounting standards and external accountability requirements
- of the appropriateness of the Council accounting policies and disclosures

- of the implications for the Council of the findings of external audits and performance audits and the Council responses and implementation of recommendations
- whether the Council financial statement preparation procedures and timelines are sound
- the accuracy of the Council annual financial statements prior to external audit, including:
 - management compliance/representations
 - significant accounting and reporting issues
 - the methods used by the 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 the Snowy Council annual report is consistent with signed financial statements
- if the Council 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 the Council are adequate
- if the Council grants and tied funding policies and procedures are sound.

Governance

Review and advise the Council regarding its governance framework, including the Council:

- 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 the Council:

- of the adequacy and effectiveness of the Council integrated, planning and reporting (IP&R) processes.
- if appropriate reporting and monitoring mechanisms are in place to measure progress against objectives, and
- whether the 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 the Council:
 - If the 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 the Council can improve its service delivery and the Council performance of its business and functions generally

Performance data and measurement

Review and advise the Council:

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

HISTORY

Version Control No	Development /Amendment	Approval date	Resolution number	Activity log
IAC	8.7.2016			Consolidation of the former Tumbarumba and Tumut Shire Councils Internal Audit committee charters
AR&IC	31.10.2017			
1		23 November 2017	M221/17	Adopted at the Ordinary Council meeting.
2	8.8.2018	23.8.2018		Endorsed by Audit Risk and Improvement Committee
2		27 September 2018	M267/18	Adopted at the Ordinary Council meeting.
3	7.11.2018		ARI 36	Endorsed by Audit Risk and Improvement committee
3		11 December 2018	M352/18	Adopted at the Ordinary Council Meeting.
4		18 April 2019	M77/19	Adopted at the Ordinary Council meeting
5	19.04.2020	06 May 2020	ARI.31	Endorsed by Audit Risk and Improvement Committee

ECM_3234977_v3_DRAFT - Audit Risk and Improvement Committee Terms of Reference - SVC-TofR 006-07 - 20231213 (1).pdf

5		21 May 2020	M101/20	Adopted at the Ordinary Council Meeting
6	20.04.2021	05 May 2021	ARI-27	Endorsed by Audit, Risk, and Improvement
6		17 June 2021	M134/21	Adopted at the Ordinary Council Meeting
7	TBA	01/07/2024	TBA	TBA

Attachment 2 - ECM_3038058_v12_GOV - DRAFT - Internal Audit Charter - SVC-GOV-PR-058-03 - 20231213



Procedure Title	Internal Audit Charter
Procedure Category	Council
Number & Version	SVC-GLV-PR-058-02
Procedure Owner	Coordinator Governance
Approval by	Audit, Risk & Improvement Committee
Effective date	01 July 2024
Date for review	TBA

Snowy Valley’s Council has established the Internal Audit Function as a key component of the Snowy Valley’s Council 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 the Internal Audit Function in the Snowy Valley’s Council and has been approved by the governing body taking into account the advice of the Snowy Valley’s Council’s audit, risk and improvement committee.

Purpose of internal audit

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the Council’s operations. It helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes¹.

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

Independence

Council’s Internal Audit Function is to be independent of the Council so it can provide an unbiased assessment of the Council operations and risk and control activities.

The Internal Audit Function reports functionally to the Council’s audit, risk and improvement committee 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

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operations. Internal audit activities are not subject to direction by the Council and the Council's management has no role in the exercise of the Council's internal audit activities.

The audit, risk and improvement committee are 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 chairperson by resolution. The chairperson is only required to provide the information requested by the governing body where the chairperson 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 chairperson of the Council audit, risk and improvement committee before appointing or making decisions affecting the employment of the Governance Coordinator.

Where the chairperson of the Council audit, risk and improvement committee has any concerns about the treatment of the Governance Coordinator or any action taken that may compromise their ability to undertake their functions independently, they can report their concerns to the governing body.

The Governance Coordinator is to confirm at least annually to the audit, risk and improvement committee the independence of internal audit activities from the Council.

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 Governance Coordinator 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 Governance 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 Audit Function are not to be made publicly available. The Internal Audit Function 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.

Role

The Internal Audit Function is to support the Council audit, risk and improvement committee to review and provide independent advice to the 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:

SVC-GOV-PR-058-03
Internal Audit Charter

Page 2 of 10

Adopted: 06/05/2020
Reviewed:

- 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.

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

Outsourced internal audit function

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

Responsibilities of the Governance Coordinator include:

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

Outsourced internal audit team

Council is to contract an external third-party provider to undertake its internal audit activities. To ensure the independence of the external provider, the Governance 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
- is not the same provider conducting the Council external audit
- is not the auditor of any contractors of the Council that may be subject to the 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 Governance Coordinator must consult with the audit, risk and improvement committee and General Manager regarding the appropriateness of the skills, knowledge and experience of any external provider before they are engaged by the Council.

Performing internal audit activities

The work of the Internal Audit Function is to be thoroughly planned and executed. The 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 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 current Australian risk management standard.

The Governance Coordinator 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 Managers.

The Governance Coordinator to establish an ongoing monitoring system to follow up Council 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 the Council Internal Audit Function.

The Governance Coordinator 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.

Conduct

Internal audit personnel must comply with the Council code of conduct. Complaints about breaches of Council 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 the Council audit, risk and improvement committee before any disciplinary action is taken against the Governance Coordinator in response to a breach of the Council 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 Governance Coordinator will attend audit, risk and improvement committee meetings as an independent non-voting observer. The Governance Coordinator can be excluded from meetings by the committee at any time.

The Governance Coordinator must meet separately with the audit, risk and improvement committee at least once per year.

The Governance Coordinator can meet with the chairperson 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 Function should maintain an effective working relationship with the Snowy Valley's 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 the Snowy Valley's 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 of the Office of Local Government in writing.

Review arrangements

The Council 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.

For further information on Council's internal audit activities, contact Governance Coordinator on info@svc.nsw.gov.au or by 1300 275 782.

Reviewed by [internal audit coordinator]

[sign and date]

Reviewed by chairperson of the [council's/joint organisation's] audit, risk and improvement committee

[sign and date]

Reviewed by [general manager/executive officer]

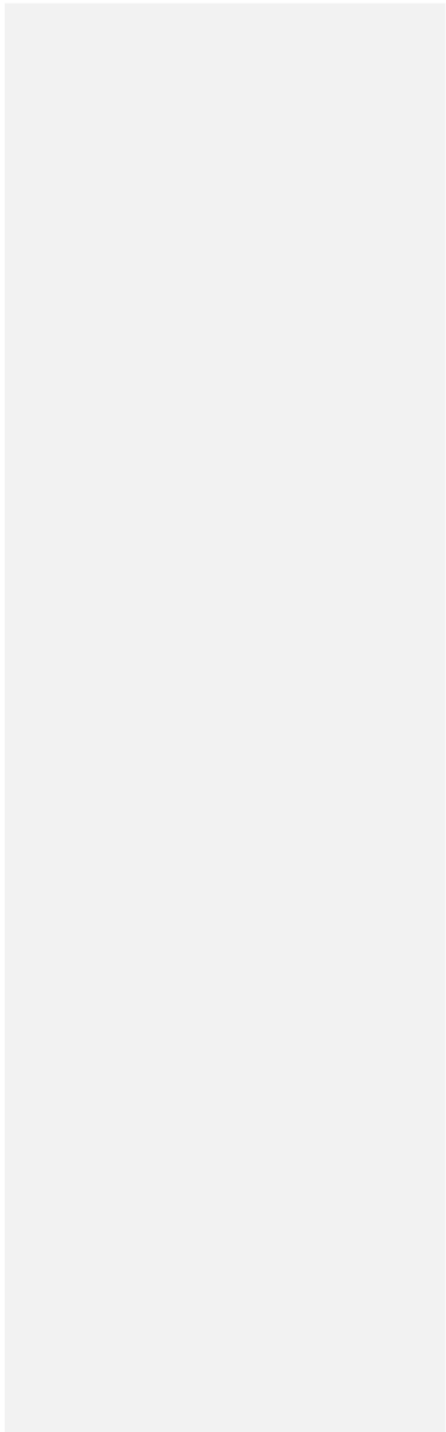
[sign and date]

Reviewed by [council/joint organisation] in accordance with a resolution of the governing body

[sign and date]

[resolution reference]

DRAFT



Schedule 1 – internal audit function responsibilities

[Note: each council/joint organisation is to determine the responsibilities of its internal audit function in relation to each matter listed in section 428A of the Local Government Act 1993 and list them in Schedule 1 to the council's/joint organisation's internal audit charter. Suggested responsibilities are provided below and further detailed in core requirement 3 and Appendix 2 of the Guidelines for Risk Management and Internal Audit for Local Government in NSW.]

Audit**Internal audit**

- Conduct internal audits as directed by the Council's audit, risk and improvement committee.
- Implement the Council's annual and four-year strategic internal audit work plans.
- Monitor the implementation by the Council of corrective actions.
- Assist the 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 the Council has in place a current and appropriate risk management framework that is consistent with the Australian risk management standard
- whether the Council's risk management framework is adequate and effective for identifying and managing the risks the Council faces, including those associated with individual projects, programs and other activities
- if risk management is integrated across all levels of the Council and across all processes, operations, services, decision-making, functions and reporting.
- of the adequacy of risk reports and documentation, for example, the 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 the Council has taken steps to embed a culture which is committed to ethical and lawful behaviour
- if there is a positive risk culture within the Council and strong leadership that supports effective risk management
- of the adequacy of staff training and induction in risk management
- how the Council's risk management approach impacts on the Council's insurance arrangements
- of the effectiveness of the 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 the Council's approach to maintaining an effective internal audit framework, including over external parties such as contractors and advisors, is sound and effective
- whether the 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 the 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 the Snowy Valley's Council compliance framework, including:

- if the Council has appropriately considered legal and compliance risks as part of the Council's risk management framework
- how the 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 the Council's fraud and corruption prevention framework and activities, including whether the Council has appropriate processes and systems in place to capture and effectively investigate fraud-related information.

Financial management

Review and advise:

- if the Council is complying with accounting standards and external accountability requirements

SVC-GOV-PR-058-03

Page 8 of 10

Adopted: 06/05/2020

Internal Audit Charter

Reviewed:

- of the appropriateness of the Council's accounting policies and disclosures
- of the implications for the Council of the findings of external audits and performance audits and the Council's responses and implementation of recommendations
- whether the Council financial statement preparation procedures and timelines are sound
- the accuracy of the Council's annual financial statements prior to external audit, including:
 - management compliance/representations
 - significant accounting and reporting issues
 - the methods used by the 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 the Council report is consistent with signed financial statements
- if the 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 the Council are adequate
- if the Council's grants and tied funding policies and procedures are sound.

Governance

Review and advise of the adequacy of the Council governance framework, including the 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
- 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 the 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 the Council is successfully implementing and achieving its IP&R objectives and strategies.

Service reviews and business improvement

Review and advise:

- if the 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 the Council can improve its service delivery and the Council's performance of its business and functions generally

Performance data and measurement

Review and advise:

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

