ROUS
COUNTY COUNCIL

❚ BULK WATER SUPPLY ❚ WEED BIOSECURITY ❚ FLOOD MITIGATION

Rous County Council Internal Audit Charter

A Charter governing the conduct of internal audit

❚ BULK WATER SUPPLY ❚ WEED BIOSECURITY ❚ FLOOD MITIGATION

Version	Purpose and description	Approved by ARIC	Approved by Council
1.0	Following adoption of Rous County Council's Risk and Audit Committee Charter at Council's meeting 18 May 2016, the following changes have been made to the Rous County Council's Internal Audit Charter: - The term of appointment of the Internal Auditor (consultant) from two years to four years. - Manager Governance titles changed to Manager Governance and Human Services. - Finance and Corporate Services Director title change to Manager Corporate and Commercial. - Removal of references to Richmond River County Council and Far North Coast County Council.		N/A
2.0	Review following update of the Audit, Risk and Improvement Committee Charter and to incorporate the following amendments: - Name of Risk and Audit Committee amended to Audit, Risk and Improvement Committee. - Manager Governance and Human Services titles changed to Group Manager People and Performance. - Manager Corporate and Commercial title changed to Group Manager Corporate and Commercial.	15/10/2018	N/A
3.0	Routine review and update (minor).	23/11/2020	N/A
4.0	Review of the current charter based on the model document published by the OLG as part of the risk management guidelines	22/07/2024	

Contents

Background

Interpretation

Council has established the Internal Audit (IA) Program as a key component of its 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 IA Program and has been approved by the governing body taking into account the advice of the Audit, Risk and Improvement Committee ('ARIC').

In this Charter a reference to:

→ 'Council' means Rous County Council ('Rous').
→ 'Internal Audit Coordinator' ('IAC') means the position within Council's organisational structure so designated by the General Manager within the Instrument of Delegation and Designation to Council Staff.

Purpose of internal audit

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve Rous' operations and business performance. It helps Rous accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes[1].

Internal audit provides an independent and objective review and advisory service to provide advice to Rous' governing body, general manager and ARIC about council's governance processes, risk management and control frameworks and its external accountability obligations. It also assists the council to improve its business performance.

Independence

The IA Program is to be independent of Rous so it can provide an unbiased assessment of operations and risk and control activities. Reporting arrangements are as follows:

→ Functionally to the ARIC on the results of completed audits, and for strategic direction and accountability purposes, and
→ Administratively to the General Manager to facilitate day-to-day operations.

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

The ARIC is responsible for communicating any internal audit issues or information to the governing body. Should the governing body require additional information, a request for the information may be made to the ARIC Chairperson by resolution. The ARIC Chairperson is only required to provide the information requested by the governing body where they are satisfied that it is reasonably necessary for the governing body to receive the information for

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[1] As defined by the International Standards for the Professional Practice of Internal Auditing (2017)

the purposes of performing its functions under the Local Government Act. Individual councillors, not appointed to the ARIC, are not entitled to request or receive information from the ARIC.

The General Manager must consult with the ARIC chairperson before appointing or making decisions affecting the employment of the IAC.

Where the ARIC Chairperson has any concerns about the treatment of the IAC, or any action taken that may compromise their ability to undertake their functions independently, they can report their concerns to the governing body.

The IAC and the outsourced internal auditor are to confirm annually to the ARIC the independence of IA Program from the Council.

Authority

Council authorises the IAC to have full, free and unrestricted access to all functions, premises, assets, personnel, records and other documentation and information considered necessary for the IAC and outsourced 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. Any person with internal audit responsibilities (staff or outsourced) are accountable for maintaining the confidentiality of the information they receive.

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

Information and documents pertaining to the IA Program are not to be made publicly available. Council information that is part of the IA Program may only be released to external parties that are assisting in the IA Program for the purposes of undertaking the responsibilities of the program 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 IA Program is to support the ARIC 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 Rous and monitoring the implementation of corrective actions.

The IA Program 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 IA Program has no direct authority or responsibility for the activities it reviews.

Internal audit coordinator

Outsourced internal audit function

Rous' IA Program 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 the Council and the ARIC. The IAC must be independent, impartial, unbiased and objective when performing their work and free from any conflicts of interest.

Responsibilities of the IAC 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 implementation of corrective actions that arise from the findings of audits and reporting progress to the ARIC, and

→ assisting the ARIC to ensure internal audit activities comply with the Office of Local Government's *Guidelines for risk management and internal audit for local government in NSW*.

IAC is one of several designations and key accountabilities held by the position/s identified as IAC. This position will also hold key responsibilities (including, but not limited to) leading and overseeing organisational risk management and corporate governance practices.

Rous has a framework in place for the sharing of its ARIC[2]. Any shared arrangements for internal audit will leverage and be incorporated into this framework.

Out-sourced internal audit team

Rous is to contract an external third-party provider to undertake its internal audit activities. To ensure the independence of the external provider, the IAC is to ensure the external provider:

→ does not conduct any audits on specific Rous operations or areas that they have worked on within the last two years

→ is not the same provider conducting Rous' external audit

→ is not the auditor of any contractors of Rous 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*.

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[2] Refer to Council's underlined audit, risk and improvement committee Charter for further details.

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

The external third-party provider:

→ 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).
→ Must attest to its independence, as outlined above, as part of each review conducted under the IA Program.

Performing internal audit activities

The ARIC must develop a strategic work plan every four years to ensure that the matters listed in Schedule 1 are reviewed 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 ARIC 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 IAC 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 management response.

An ongoing monitoring system is to be implemented to follow up progress in implementing corrective actions.

The IAC is to ensure that the ARIC is advised at each Committee meeting of the internal audit activities completed during that quarter (if any), progress in implementing the annual work plan and progress made implementing corrective actions.

Conduct

Internal audit personnel must comply with Rous' Code of Conduct. Complaints about breaches of the Code of Conduct by internal audit personnel are to be dealt with in accordance with the *Procedures for the Administration of the Model Code of Conduct for Local Councils in NSW*. The General Manager must consult with the ARIC before any disciplinary action is taken against the IAC in response to a breach of the Code of Conduct.

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

Administrative arrangement

Audit, risk and improvement committee meetings

The IAC will attend ARIC meetings as an independent non-voting observer. The IAC can be excluded from meetings by the Committee at any time.

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The IAC can meet with the ARIC Chairperson at any time, as necessary, between Committee meetings.

External audit

Internal and external audit activities will be coordinated to help ensure the adequacy of overall audit coverage and to minimise duplication of effort.

Periodic meetings and contact between internal and external audit shall be held to discuss matters of mutual interest and to facilitate coordination.

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

Dispute resolution

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

In the event of a disagreement between the IA Program and the Council, the dispute is to be resolved by the General Manager and/or the ARIC. Disputes between the IA Program and the ARIC are to be resolved by the governing body.

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

Review arrangements

The ARIC 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 IA Program 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 ARIC 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's internal audit activities, contact the Internal Audit Coordinator on governance@rous.nsw.gov.au or by phone on (02) 6623 3800.

Reviewed by Internal Audit Coordinator

[sign and date]

Reviewed by Chairperson, Audit, Risk and Improvement Committee

[sign and date]

Reviewed by General Manager

[sign and date]

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

[sign and date]

[resolution reference]

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 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 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, 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 the 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 the 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 the council's compliance framework, including:

→ if Council has appropriately considered legal and compliance risks as part of the 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 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 Council is complying with accounting standards and external accountability requirements

→ of the appropriateness of the 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:
  - o management compliance/representations
  - o significant accounting and reporting issues
  - o the methods used by the council to account for significant or unusual transactions and areas of significant estimates or judgements
  - o 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:
  - o appropriate authorisation and approval of payments and transactions
  - o adequate segregation of duties
  - o timely reconciliation of accounts and balances
  - o 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 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 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 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.