

Rous County Council Internal Audit Charter

A Charter governing the
conduct of internal audit

Version	Purpose and description	Approved by ARIC
1.0	<p>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:</p> <ul style="list-style-type: none"> - 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. 	
2.0	<p>Review following update of the Audit, Risk and Improvement Committee Charter and to incorporate the following amendments:</p> <ul style="list-style-type: none"> - 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
3.0	Routine review and update (minor).	23/11/2020

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Part 1: Background

1.1 Interpretation

This Charter is the 'Internal Audit Charter' and should be read in conjunction with the Audit, Risk and Improvement Committee Charter. It is made having regard to the sample Internal Audit Charter contained in the Department of Local Government Guidelines under section 23A of the *Local Government Act 1993*.

In this Charter a reference to 'Council' means Rous County Council.

1.2 Purpose

The Audit, Risk and Improvement Committee is a committee of Rous County Council under section 355 of the *Local Government Act 1993*. The Committee does not have financial delegation.

The Audit, Risk and Improvement Committee Charter requires that the Committee adopt an Internal Audit Charter which outlines, among other things, the expected professional standards to be adhered to and the applicable reporting relationships between the Internal Auditor (consultant), the Audit, Risk and Improvement Committee, the General Manager and Audit Office of NSW contracted external auditor.

This Internal Audit Charter is a formal statement of purpose, authority and responsibility for internal audit. It outlines the legal and operational framework under which Council's internal audit function will operate and it authorises Council staff to facilitate the delivery of the Committee's Internal Audit Plan Services as approved by the Audit, Risk and Improvement Committee.

The mission of internal audit is to provide independent assessment and validation of the effectiveness of internal control frameworks from both a risk mitigation and efficiency viewpoint. It is primarily designed to add value through the continuous improvement of Council's risk management, control and governance processes.

1.3 Role and authority

As provided in the Audit, Risk and Improvement Committee Charter, Rous County Council will engage an internal auditor (consultant) to perform internal audit work for and on behalf of Council. While the internal audit (consultant) reports directly to the Audit, Risk and Improvement Committee, it is coordinated by the Governance Advisor whom is authorised to direct the implementation of the Internal Audit Plan approved by the Audit, Risk and Improvement Committee. For this purpose, the internal audit (consultant) is authorised to have full and unrestricted access to all functions, property, personnel, records, information, accounts, files, monies and other documentation, as necessary for the conduct of their work. Their terms of engagement must include a specific element regarding confidentiality.

1.4 Objectivity, independence, conflict of interest and organisational status

The internal audit (consultant):

- Will perform internal audit activities in such a manner that they have an honest belief in their work product and that no significant quality compromises are made. Further, the internal audit (consultant) undertakes that they will not subordinate their judgment on internal audit matters to that of others. The internal audit (consultant) is not responsible for operational activities on a daily basis, or in the detailed development or implementation of new or changed systems, or for internal checking processes.
- Has independent status within Council and for this purpose is accountable to the Audit, Risk and Improvement Committee and administratively responsible to the General Manager.
- Must remain independent of the activities being audited whereby they must not audit work areas or work which they have previously undertaken or delivered for Council. Whilst the International Standards for the Professional Practice of Internal Auditing ('Standards') provide guidance on this point and allow this to occur after 12 months, each instance should be carefully assessed.

When engaging the internal audit (consultant) Council will take steps to identify, evaluate the significance, and manage any perceived or actual conflicts of interest that may impinge upon internal audit work. The Internal Audit (consultant) has a duty to report to the Governance Advisor any situation where they feel their objectivity may be impaired or where a conflict of interest (perceived or actual) may exist. The Audit, Risk and Improvement Committee must be advised of any such report.

The work of the internal audit (consultant) does not relieve Council staff from their accountability to discharge their responsibilities. All staff are responsible for risk management and the operation and enhancement of internal control. This includes responsibility for implementing remedial action or recommendations endorsed by management following an internal audit.

1.5 Skills and conduct

The internal audit (consultant) must:

1. Possess the knowledge, skills and technical proficiency essential to the performance of internal audits.
2. Be skilled in dealing with people and in communicating audit issues effectively.
3. Maintain their technical competence through a program of continuing education.
4. Exercise due professional care in performing internal audit engagements.
5. Conduct themselves in a professional manner.
6. Conduct their activities in a manner consistent with the Standards and Code of Ethics issued by the Institute of Internal Auditors, Australia including the International

Standards for the Professional Practice of Internal Auditing. The internal audit (consultant) manager or appointed lead assigned to oversee an audit is required to be a member of the Institute of Internal Auditors.

Part 2: Scope of work and methodology

The scope of services provided by the internal audit (consultant) may include but is not limited to:

1. The examination and evaluation of the adequacy and effectiveness of systems of internal control, risk management, governance, and the status of ethical behaviour.
2. Ascertaining conformity with the goals and objectives of the Council.
3. Assessment of the economic and efficient use of resources.
4. The examination of compliance with policies, procedures, plans and legislation.
5. Assessment of the reliability and integrity of information.
6. Assessment of the safeguarding of assets.
7. Any special investigations as directed by the Audit, Risk and Improvement Committee.
8. All activities of the Council, whether financial or non-financial, manual or computerised.

2.1 Internal audit methodology

The internal audit (consultant) will use the most appropriate methodology for each internal audit engagement, depending on the nature of the activity and the pre-determined parameters for the engagement. Generally, internal audits will have regard to the International Professional Practices Framework, Institute of Internal Auditors, and include:

1. Planning.
2. Reviewing and assessing risks in the context of the audit objectives.
3. Examination and evaluation of information.
4. Communicating results.
5. Following up on implementation of audit recommendations.

2.2 Operating principles

Internal audit will conform with industry standards in relation to audit, for example:

1. The Standards and Code of Ethics issued by the Institute of Internal Auditors.
2. Where relevant, the Statement on Information Systems Auditing Standards issued by the Information Systems and Control Association.
3. Relevant auditing standards issued by the Auditing and Assurance Standards Board.

Part 3: Other

3.1 Reporting

The Governance Advisor will submit to the Audit, Risk and Improvement Committee a report summarising all audit activities undertaken during the period preceding a meeting, indicating:

1. Internal audit engagements completed or in progress.
2. Outcomes of each internal audit engagement undertaken.
3. Remedial action taken or in progress.

On completion of each internal audit the internal audit (consultant) will issue a report detailing the objective and scope of the audit, and resulting issues based on the outcome of the audit.

The internal audit (consultant) will seek from the General Manager an agreed and endorsed action plan outlining remedial action to be taken, along with an implementation timetable and person responsible. Responsible officers must, as and when required, provide written responses to management and action plans regarding issues and recommendations contained in internal audit reports.

The work of the internal audit (consultant) is solely for the benefit of Council and is not to be relied on or provided to any other person or organisation, except where this is formally authorised by the Audit, Risk and Improvement Committee.

3.2 Internal audit planning requirements

The internal audit (consultant) is to use a risk-based rolling program of internal audits to establish an annual Internal Audit Plan to reflect a program of audits over a three year period. This approach provides Council with some continuity across the four year appointment term for the internal audit (consultant). It also means that Council can be flexible, dynamic and responsive in order to meet changing needs and priorities.

The internal audit (consultant) must prepare an annual Internal Audit Plan for review and approval by the Audit, Risk and Improvement Committee. The annual Internal Audit Plan will be based on an assessment of the goals, objectives and business risks of Council and take into consideration any special requirements of the Audit, Risk and Improvement Committee and General Manager.

The Governance Advisor, in consultation with the Chairperson of the Audit, Risk and Improvement Committee, has authority to adjust the Internal Audit Plan as a result of receiving special requests from management to conduct reviews that are not on the Plan, for example where an incident has occurred. Any such adjustment is to be reported to the next meeting of the Audit, Risk and Improvement Committee. Such adjustments are subject to budget availability.

3.3 Co-ordination with external audit

The Governance Advisor in cooperation with the Finance Manager will, as necessary, facilitate consultation between the internal audit (consultant) and the Audit Office of NSW contracted external auditor to discuss matters of mutual interest, to co-ordinate audit activity, and to reduce duplication of audit effort.

3.4 Review of the Internal Audit Charter

The Governance Advisor will periodically review the Internal Audit Charter to ensure it remains up-to-date and reflects the current scope of internal audit work.

3.5 Evaluation of internal audit

Performance measures (key performance indicators) against which to evaluate the performance of the internal audit (consultant) will be established and where appropriate incorporated into Council's Integrated Planning and Reporting Framework.

3.6 Review

Changes to this Internal Audit Charter are to be referred to the Audit, Risk and Improvement Committee for approval.