



# **Tenterfield Shire Council Internal Audit Charter**

Tenterfield Shire Council has established Internal Audit as a key component of council's governance and assurance framework and in compliance with the *Guidelines for risk management and internal audit in local councils in NSW*. This Charter provides the framework for the conduct of Internal Audit in council and has been approved by the governing body taking into account the advice of 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 a council's operations. It helps a 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 the governing body, Chief Executive Officer and Audit, Risk and Improvement Committee about the 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**

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

Internal Audit reports functionally to 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 Chief Executive Officer 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 the council's internal audit activities.

The Audit, Risk and Improvement Committee is responsible for communicating any internal audit issues or information to the governing body. Should the governing body require additional information, a request for the information may be made to the Chair by resolution. The Chair may only provide the information requested by the governing body where the Chair is satisfied that it is reasonably necessary for the governing body to receive the information for the purposes of performing its functions under the *NSW Local Government Act 1993*. Individual councillors are not entitled to request or receive information from the committee.

The council does not have sufficient resources to appoint a separate Head of Internal Audit. The Chief Executive Officer has delegated day-to-day responsibilities for operation and administration of Internal Audit to Council's Chief Corporate Officer supported by the Manager Customer Service, Governance and Records.

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

The Chief Corporate Officer 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 periodically internal Audit to have full, free and unrestricted access to all functions, premises, assets, personnel, records and other documentation and information that the Chief Corporate Officer considers necessary to enable Internal Audit to fulfil its responsibilities.

All records, documentation and information accessed while undertaking internal audit activities are to be used solely for the conduct of these activities. The Chief Corporate Officer and individual internal audit staff are responsible and accountable for maintaining the confidentiality of the information they receive during their work.

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

Information and documents pertaining to Internal Audit are not to be made publicly available. The Chief Corporate Officer may only release council information to external parties that are assisting Internal Audit to fulfil its responsibilities with the approval of the Chief Executive Officer, 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**

Internal Audit is to support the council's Audit, Risk and Improvement Committee to review and provide independent advice to the council in accordance with section 428A of the *NSW Local Government Act 1993*. This includes conducting internal audits of council and monitoring the implementation of corrective actions.

Internal Audit 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.

## **Head of Internal Audit function**

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 roles and responsibilities to the council and its Audit, Risk and Improvement Committee. The Chief Corporate Officer must be independent, impartial, unbiased and objective when performing their work and free from any conflicts of interest.

Responsibilities of the Chief Corporate Officer 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 plan and four-yearly strategic 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's 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's internal audit activities comply with the *Guidelines on risk management and internal audit in local councils in NSW*.

If any of the internal audit activity presents a potential conflict of interest in areas for which the Chief Corporate Officer may be responsible, Internal Audit, or the external third party provider, would report directly to the Chair of the Audit, Risk and Improvement Committee.

### **Out-sourced Internal Audit team**

Council may contract an external third-party provider to undertake its internal audit activities. To ensure the independence of the external provider, the Chief Corporate Officer 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's external audit
- is not the auditor of any contractors of the council that may be possibly subject to the internal audit, and
- is able to meet the council's obligations under the *Guidelines on risk management and internal audit for local councils in NSW*.

The Chief Corporate Officer must consult with the Audit, Risk and Improvement Committee and Chief Executive Officer 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 Internal Audit is to be thoroughly planned and executed. The council's Audit, Risk and Improvement Committee must develop a strategic plan every four years to ensure that all matters listed in Schedule 1 are reviewed by the Committee and the internal audit function over each council term. The strategic plan must be reviewed at least annually to ensure it remains appropriate. The Committee is to also develop an annual workplan to guide the work of the internal audit function over the forward year. In the development of the strategic and annual plan, the Audit, Risk and Improvement Committee will identify where assurance through the three lines of defence may be obtained by existing controls, other activities and / or through reporting by management which may exclude the need for specific internal audit activity.

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 ISO 31000:2018 Risk Management

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

The Chief Corporate Officer is to establish an ongoing monitoring system to follow up council's progress in implementing corrective actions.

The Chief Executive Officer, in consultation with the Audit, Risk and Improvement Committee, is to develop and maintain policies and procedures to guide the operation of the council's Internal Audit.

The Chief Corporate Officer 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.

The Chief Corporate Officer and the Chair Audit, Risk and Improvement Committee will report to the Audit, Risk and Improvement Committee and through to the Council of the level of audit activity proposed and achievable with available resources against the key risks and priorities identified in the strategic and annual planning process.

## **Conduct**

Internal audit personnel are required to comply with the 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 Chief Executive Officer must consult with the council's Audit, Risk and Improvement Committee before any disciplinary action taken against the Chief Corporate Officer in response to a breach of the council's Code of Conduct.

Internal auditors are also required to 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 following Council officers will attend Audit, Risk and Improvement Committee meetings as non-voting attendees:

- Chief Executive Officer
- Chief Corporate Officer
- Manager Customer Service, Governance and Records
- Manager Finance and Technology
- Manager Human Resources, Workforce Development and Risk
- Executive Assistant
- Other staff attendees deemed appropriate by the Chief Corporate Officer

The following persons may attend Audit, Risk and Improvement Committee meetings as non-voting observers:

- One Councillor, as appointed by the governing body
- External audit (financial) service providers
- NSW Auditor General's Office representatives
- Other observers deemed appropriate by the Chair of the Committee

The Chair of the Committee can request that attendees and observers leave a meeting at any time.

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

The Chief Executive Officer can meet with the Chair of the Audit, Risk and Improvement Committee at any time, as necessary, in 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 service providers should maintain an effective working relationship with the Audit, Risk and Improvement Committee and seek to resolve any differences they may have in an amicable and professional way via discussion and negotiation.

In the event of a disagreement between an Internal Audit service provider and the council, the dispute is to be resolved by the Chief Executive Officer and/or the Audit, Risk and Improvement Committee. Disputes between the Internal Audit service provider and Audit, Risk and Improvement Committee are to be resolved by the governing body of the council.

Unresolved disputes regarding compliance with statutory or other requirements are to be referred to the Secretary of the Department of Planning, Industry and Environment in writing.

### **Review arrangements**

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

### **Further information**

For further information on Tenterfield Shire Council's internal audit activities contact the Manager Customer Service, Governance and Records on [council@tenterfield.nsw.gov.au](mailto:council@tenterfield.nsw.gov.au) or by phone at (02) 6736 6000.

### **Reviewed by the Chief Executive Officer of Tenterfield Shire Council**



Daryl Buckingham  
**Chief Executive Officer**  
16 August 2022

### **Reviewed by Chair of the Tenterfield Shire Council Audit, Risk and Improvement Committee**



Peter Sheville  
**Chair**  
16 August 2022

**Reviewed and adopted in accordance with a resolution of Tenterfield Shire Council**



---

Bronwyn Petrie

**Mayor**

24 August 2022

Res No.22/182

## **Schedule 1 – internal audit function responsibilities**

### **Audit**

#### **Internal audit**

- Conduct internal audits as directed by the council's Audit, Risk and Improvement Committee
- Implement the council's annual and strategic internal audit work plans
- Monitor the implementation by 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, and
- 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, and
- 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 council has taken steps to embed a culture that 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 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 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 council's 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 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 the council's 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's 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 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 & 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 [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 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.