
Carrathool Shire Council internal audit charter for local government

Carrathool Shire Council (CSC) has established the Carrathool Shire Council Audit, Risk and Improvement Committee (CSC ARIC) as a key component of the Carrathool Shire 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 Audit, Risk and Improvement Committee (ARIC) in the Carrathool Shire Council and has been approved by the governing body taking into account the advice of the Carrathool Shire Council 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 Carrathool Shire Council operations. It helps the Carrathool Shire 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 Carrathool Shire Council governance processes, risk management and control frameworks and its external accountability obligations. It also assists the Carrathool Shire Council to improve its business performance.

Independence

Carrathool Shire Council's ARIC is to be independent of the Carrathool Shire Council so it can provide an unbiased assessment of the Carrathool Shire Council operations and risk and control activities.

Carrathool Shire Council's ARIC reports functionally to the Carrathool Shire Council 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 operations. Internal audit activities are not subject to direction by the Carrathool Shire Council and the Carrathool Shire Council management has no role in the exercise of the Carrathool Shire Council 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 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

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

performing its functions under the Local Government Act. Individual [councillors](#) are not entitled to request or receive information from the committee.

[Detail any delegations made by the general manager regarding their internal audit responsibilities].

The [general manager](#) must consult with the chairperson of the [Carrathool Shire Council](#) audit, risk and improvement committee before appointing or making decisions affecting the employment of the [Council's internal audit coordinator](#).

Where the chairperson of the [Carrathool Shire Council](#) audit, risk and improvement committee has any concerns about the treatment of the [Council's internal audit 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 [Council's internal audit coordinator](#) is to confirm at least annually to the audit, risk and improvement committee the independence of internal audit activities from the [Carrathool Shire Council](#).

Authority

[Carrathool Shire Council](#) authorises the [CSC ARIC](#) to have full, free and unrestricted access to all functions, premises, assets, personnel, records and other documentation and information that the [Council's internal audit coordinator](#) considers necessary for the [CSC ARIC](#) 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 [Council's internal audit coordinator](#) and individual internal audit staff are responsible and accountable for maintaining the confidentiality of the information they receive when undertaking their work.

All internal audit documentation is to remain the property of [Carrathool Shire Council](#), including where internal audit services are performed by an external third-party provider.

Information and documents pertaining to the [CSC ARIC](#) are not to be made publicly available. The [CSC ARIC](#) may only release [Carrathool Shire Council](#) information to external parties that are assisting the [CSC ARIC](#) 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 [CSC ARIC](#) is to support the [Carrathool Shire Council](#) audit, risk and improvement committee to review and provide independent advice to the [Carrathool Shire Council](#) in accordance with section 428A of the *Local Government Act 1993*. This includes conducting internal audits of [Carrathool Shire Council](#) and monitoring the implementation of corrective actions.

The [Carrathool Shire Council ARIC](#) 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.

Carrathool Shire Council ARIC has no direct authority or responsibility for the activities it reviews. Carrathool Shire Council ARIC has no responsibility for developing or implementing procedures or systems and does not prepare records or engage in Carrathool Shire Council functions or activities (except in carrying out its own functions).

Carrathool Shire Council's Internal audit coordinator

Option 1: In-house internal audit function

Carrathool Shire Council CSC ARIC is to be led by a member of Carrathool Shire Council staff with sufficient skills, knowledge and experience to ensure it fulfils its role and responsibilities to the Carrathool Shire Council and the audit, risk and improvement committee. The Council's internal audit coordinator must be independent, impartial, unbiased and objective when performing their work and free from any conflicts of interest.

Responsibilities of the Council's internal audit coordinator include:

- managing the day-to-day activities of the Carrathool Shire Council ARIC
- managing the Carrathool Shire Council internal audit budget
- supporting the operation of the Carrathool Shire Council audit, risk and improvement committee
- approving internal audit project plans, conducting or supervising audits and assessments and providing independent advice to the audit, risk and improvement committee
- monitoring the Carrathool Shire Council implementation of corrective actions that arise from the findings of audits
- implementing the audit, risk and improvement committee's annual work plan and four-year strategic work plan
- ensuring the Carrathool Shire Council internal audit activities comply with the Office of Local Government's *Guidelines for risk management and internal audit for local government in NSW*, and
- contract management and oversight of supplementary external providers (where appropriate).

Option 1: In-house internal audit team

Members of the CSC ARIC are responsible to the Council's internal audit coordinator.

Individuals that perform internal audit activities for Carrathool Shire Council must have:

- an appropriate level of understanding of the Carrathool Shire Council culture, systems and processes
- the skills, knowledge and experience necessary to conduct internal audit activities in the Carrathool Shire Council
- effective interpersonal and communication skills to ensure they can engage with Carrathool Shire Council staff effectively and collaboratively, and

→ honesty, integrity and diligence.

[Details of any dual responsibilities and independence safeguards]

[Details of any shared arrangements]

Performing internal audit activities

The work of the [CSC ARIC](#) is to be thoroughly planned and executed. The [Carrathool Shire Council](#) 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 [Councils Staff](#) 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 [Councils Staff](#) is to establish an ongoing monitoring system to follow up [Carrathool Shire 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 [Carrathool Shire Council CSC ARIC](#).

The [Councils Staff](#) 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 [Carrathool Shire Council](#) code of conduct. Complaints about breaches of [Carrathool Shire 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 [Carrathool Shire Council](#) audit, risk and improvement committee before any disciplinary action is taken against the [Councils Staff](#) in response to a breach of the [Carrathool Shire 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 [Councils Staff](#) will attend audit, risk and improvement committee meetings as an independent non-voting observer. The [Councils Staff](#) can be excluded from meetings by the committee at any time.

The [Councils Staff](#) must meet separately with the audit, risk and improvement committee at least once per year.

The [Councils Staff](#) 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

[CSC ARIC](#) should maintain an effective working relationship with the [Carrathool Shire 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 [CSC ARIC](#) and the [Carrathool Shire Council](#), the dispute is to be resolved by the [general manager](#) and/or the audit, risk and improvement committee. Disputes between the [CSC ARIC](#) 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 [Carrathool Shire 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 [CSC ARIC](#) 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 [Council](#).

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.

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 Carrathool Shire Council audit, risk and improvement committee.
- Implement the Carrathool Shire Council annual and four-year strategic internal audit work plans.
- Monitor the implementation by the Carrathool Shire Council of corrective actions.
- Assist the Carrathool Shire 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 Carrathool Shire Council 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 Carrathool Shire Council has in place a current and appropriate risk management framework that is consistent with the Australian risk management standard
- whether the Carrathool Shire Council risk management framework is adequate and effective for identifying and managing the risks the Carrathool Shire Council faces, including those associated with individual projects, programs and other activities
- if risk management is integrated across all levels of the Carrathool Shire Council and across all processes, operations, services, decision-making, functions and reporting
- of the adequacy of risk reports and documentation, for example, the Carrathool Shire 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 [Carrathool Shire 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 [Carrathool Shire Council](#) and strong leadership that supports effective risk management
- of the adequacy of staff training and induction in risk management
- how the [Carrathool Shire Council](#) risk management approach impacts on the [Carrathool Shire Council](#) insurance arrangements
- of the effectiveness of the [Carrathool Shire 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:

- whether the [Carrathool Shire Council](#) approach to maintaining an effective internal audit framework, including over external parties such as contractors and advisors, is sound and effective
- whether the [Carrathool Shire 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 [Carrathool Shire 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 of the adequacy and effectiveness of the [Carrathool Shire Council](#) compliance framework, including:

- if the [Carrathool Shire Council](#) has appropriately considered legal and compliance risks as part of the [Carrathool Shire Council](#) risk management framework
- how the [Carrathool Shire 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 [Carrathool Shire Council](#) fraud and corruption prevention framework and activities, including whether the [Carrathool Shire Council](#)

has appropriate processes and systems in place to capture and effectively investigate fraud-related information.

Financial management

Review and advise:

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

Governance

Review and advise of the adequacy of the [Carrathool Shire Council](#) governance framework, including the [Carrathool Shire 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:

- of the adequacy and effectiveness of the Carrathool Shire 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 Carrathool Shire Council is successfully implementing and achieving its IP&R objectives and strategies.

Service reviews and business improvement

Review and advise:

- if the Carrathool Shire 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 Carrathool Shire Council can improve its service delivery and the Carrathool Shire Council performance of its business and functions generally

Performance data and measurement

Review and advise:

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