



Burwood^{Inc.1874}

Burwood . Burwood Heights . Croydon . Croydon Park . Enfield . Strathfield

INTERNAL AUDIT CHARTER

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Ownership: Governance & Risk

Introduction

Burwood Council has established the Internal Audit Function as a key component of the council's governance and assurance framework, based on the draft *Guidelines for risk management and internal audit in local councils in NSW*. This Charter provides the framework for the conduct of the Internal Audit Function in council and has been approved by the governing body, taking into account the advice of the 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.¹

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'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 the council so it can provide an unbiased assessment of the council's 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 Director Corporate Services to facilitate day-to-day 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 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 *Local Government Act 1993*. Individual councillors are not entitled to request or receive information from the committee.

The General Manager must consult with the chair of the council's Audit Risk and Improvement Committee before appointing or changing the employment conditions of the Head of Internal Audit. Where dismissal occurs, the General Manager must report to the governing body advising of the reasons why the Head of Internal Audit was dismissed.

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

The Head of Internal Audit 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 Head of Internal Audit considers necessary to enable the Internal Audit Function to fulfil its responsibilities.

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

All records, documentation and information accessed while undertaking internal audit activities are to be used solely for the conduct of these activities. The Head of Internal Audit 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 Burwood 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 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.

Role

The Internal Audit Function 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 *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:

- 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 Internal Audit Function has no direct authority or responsibility for the activities it reviews. The Internal Audit Function 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).

Head of Internal Audit Function

Council's Internal Audit Function 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 Head of Internal Audit must be independent, impartial, unbiased and objective when performing their work and free from any conflicts of interest.

Responsibilities of the Head of Internal Audit include:

- contract management of outsourced internal audit providers
- 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*, including ensuring appropriate secretariat support for that Committee.

The Manager Governance & Risk has been designated as Head of Internal Audit at Burwood Council. This is a role that also oversees governance, insurance, risk, legal and records management services. The role undertakes the functions of Public Officer, Right to Information Officer, Complaints Coordinator, Privacy Contact Officer, Head of Internal Audit and Nominated Disclosures Officer.

Safeguards in place to limit any real or perceived bias or conflicts of interest include:

- any potential issues or conflicts of interest arising from a dual role being formally documented in council's internal audit charter
- where there is an audit being conducted into a service area under the Manager Governance & Risk's responsibility, that Manager will step aside and the General Manager will identify a suitable alternative officer to oversee that audit.
- the committee including an assessment of the independence and objectivity (for internal audit purposes) of the Head of Internal function in their annual assessment report to the governing body about the performance of the internal audit function.

Internal Audit Function

Members of the Internal Audit Function are responsible to the Head of Internal Audit.

Individuals that perform internal audit activities for council must have:

- an appropriate level of understanding of the council's culture, systems and processes the skills, knowledge and experience necessary to conduct internal audit activities in the council
- effective interpersonal and communication skills to ensure they can partner with council staff effectively and collaboratively, and
- honesty, integrity and diligence.

In addition to the Head of Internal Audit, the Internal Audit Function will be administratively supported by other members of the Governance & Risk team. The Internal Audit Function's work will be supported by audits undertaken by external providers. Council will engage external providers from an approved panel of suitable providers, with individual audits allocated following a competitive Request for Quote process. Those external providers will be responsible to the Head of Internal Audit.

To maintain the independence of external providers, the Head of Internal Audit will ensure the external provider:

- does not conduct any audits on specific council operations or area that they have worked on within the last two years (to reduce the risk they will be auditing their own work)
- is not the same auditor conducting the council's external audit
- is not the auditor of any contractors of the council that may be subject to the internal audit, and
- is able to meet the council's statutory internal audit obligations.

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 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 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 the current Australian risk management standard.

The Head of Internal Audit 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 Head of Internal Audit is to establish an ongoing monitoring system to follow up council's 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's Internal Audit Function.

The Head of Internal Audit 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 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 General Manager must consult with the council's Audit Risk and Improvement Committee before any disciplinary action taken against the Head of Internal Audit 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 Head of Internal Audit will attend Audit Risk and Improvement Committee meetings as an independent non-voting observer. The Head of Internal Audit can be excluded from meetings by the committee at any time.

The Head of Internal Audit must meet separately with the Audit Risk and Improvement Committee at least once per year.

The Head of Internal Audit 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

The Internal Audit Function should maintain an effective working relationship with the council and 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 the Internal Audit Function and the 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 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 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 on the performance of the Internal Audit Function and reported to the governing body.

This charter is to be reviewed annually by the Audit Risk and Improvement 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's internal audit activities contact Tanya Whitmarsh on 9911 9910.

Reviewed by Tanya Whitmarsh

[sign and date]

Reviewed by Chair of the council's Audit Risk and Improvement Committee

[sign and date]

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

13 December 2022

Minute Number 186/22

Schedule 1 – Internal audit function responsibilities

Audit**Internal audit**

- Facilitate 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
- 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
- Provide advice on action taken on significant issues raised in relevant external audit reports and better practice guides

Risk**Risk management**

Review and advise:

- on the level of compliance with a 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
- the extent to which 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
- the extent to which council has taken steps to embed a culture which is committed to ethical and lawful behaviour
- the extent to which 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
- 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 controls, 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 robust and appropriately aligned with council's risk assessments and risk appetites
- 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 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.