

# Terms of Reference for Bland Shire Council's Audit, Risk and Improvement Committee

## AUTHORISATION

<b>POLICY TYPE:</b> <i>(Council or Operational)</i>	Council
<b>POLICY LOCATION:</b> <i>(eg. Corporate, Engineering, etc.)</i>	Governance and Risk
<b>RESPONSIBLE OFFICER:</b> <i>(by position title)</i>	Director Corporate and Community Services
<b>AUTHORISED BY:</b> <i>(GM or Director Title)</i>	
<b>DATE ADOPTED:</b>	
<b>ADOPTED BY:</b> <i>(Manex or Council)</i>	Council
<b>MINUTE NO:</b> <i>(If required)</i>	
<b>REVIEW DUE DATE:</b>	February 2025
<b>REVISION NUMBER:</b>	1
<b>RELATIONSHIP TO THE COMMUNITY STRATEGIC PLAN</b>	12.1 Monitor and review Council services to confirm they are provided in a professional, timely and friendly manner and are responsive to community needs 12.4 Review and implement Council policies and comply with WH&S and Risk Management requirements

## DOCUMENT HISTORY

<b>VERSION NO.</b>	<b>DATE</b>	<b>DESCRIPTION OF AMENDMENTS</b> <i>Include names of former policies that this policy will replace if applicable</i>	<b>AMENDED BY</b> <i>(Where required)</i>

## REVIEW OF THIS POLICY

This Policy will be reviewed within **one year** from the date of adoption or as required in the event of legislative changes. The Policy may also be changed as a result of other amendment that are to the advantage that Council and in the spirit of this Policy. **Any amendment to the Policy must be by way of a Council Resolution.**

## 1. Purpose:

Bland Shire Council has established an audit, risk and improvement committee in compliance with section 428A of the *Local Government Act 1993*, Division 6A – Auditing and Audit, Risk and Improvement Committees of the *Local Government (General) Regulation 2021* and the Departmental Chief Executive's *Guidelines for risk management and internal audit for local government in NSW*. These terms of reference set out the committee's objectives, authority, composition and tenure, roles and responsibilities, reporting and administrative arrangements.

## 2. Scope:

This policy document applies to all elected representatives and Council employees, including contractors and volunteers.

## 3. Outcomes:

The objective of Council's audit, risk and improvement committee is to provide independent assurance to Bland Shire Council by monitoring, reviewing and providing advice about the Council's governance processes, compliance, risk management and control frameworks, external accountability obligations and overall performance.

## 4. Roles and Responsibilities:

### Independence

The committee is to be independent to ensure it has no real or perceived bias or conflicts of interest that may interfere with its ability to act independently and to provide Bland Shire Council with robust, objective and unbiased advice and assurance.

The committee is to have an advisory and assurance role only and is to exercise no administrative functions, delegated financial responsibilities or any management functions of the Bland Shire Council. The committee will provide independent advice to the Bland Shire Council that is informed by the Council's internal audit and risk management activities and information and advice provided by staff, relevant external bodies and subject matter experts.

The committee must always ensure it maintains a direct reporting line to and from the Council's internal audit function and act as a mechanism for internal audit to report to the governing body and the General Manager on matters affecting the performance of the internal audit function.

### Authority

Bland Shire Council authorises the committee, for the purposes of exercising its responsibilities, to:

- access any information it needs from the Bland Shire Council
- use any Bland Shire Council resources it needs
- have direct and unrestricted access to the General Manager and senior management of the Bland Shire Council
- seek the General Manager's permission to meet with any other Bland Shire Council staff member or contractor
- discuss any matters with the external auditor or other external parties
- request the attendance of any employee at committee meetings, and
- obtain external legal or other professional advice in line with councils' procurement policies.

Information and documents pertaining to the committee are confidential and are not to be made publicly available. The committee may only release Bland Shire Council information to external parties that are assisting the committee 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.

## **Composition and tenure**

The committee consists of an independent chair and two independent members who have voting rights and one non-voting councillor, as required under the *Guidelines for risk management and internal audit for local government in NSW*.

The governing body is to appoint the chair and members of the committee. Current committee members are:

TBC	Independent chair (voting)
TBC	Independent member (voting)
TBC	Independent member (voting)
[name]	Councillor member (non-voting) (if applicable) [cannot be the mayor]

All committee members must meet the independence and eligibility criteria prescribed in the *Guidelines for risk management and internal audit for local government in NSW*.

Members will be appointed for up to a four-year term. Members can be reappointed for one further term, but the total period of continuous membership cannot exceed eight years. This includes any term as chair of the committee. Members who have served an eight-year term (either as a member or as chair) must have a two-year break from serving on the committee before being appointed again. To preserve the committee's knowledge of the Bland Shire Council, ideally, no more than one member should retire from the committee because of rotation in any one year.

The terms and conditions of each member's appointment to the committee are to be set out in a letter of appointment. New members will be thoroughly inducted to their role and receive relevant information and briefings on their appointment to assist them to meet their responsibilities.

Prior to approving the reappointment or extension of the chair's or an independent member's term, the governing body is to undertake an assessment of the chair's or committee member's performance. Reappointment of the chair or a committee member is also to be subject to that person still meeting the independence and eligibility requirements.

Members of the committee must possess and maintain a broad range of skills, knowledge and experience relevant to the operations, governance and financial management of the Bland Shire Council, the environment in which the Bland Shire Council operates, and the contribution that the committee makes to the Bland Shire Council. At least one member of the committee must have accounting or related financial management experience with an understanding of accounting and auditing standards in a local government environment. All members should have sufficient understanding of the Council's financial reporting responsibilities to be able to contribute to the committee's consideration of the Council's annual financial statements.

Bland Shire Council, as a member of an Alliance of six Councils within the Riverina Region, intends to share its chair with the ARICs of the remaining Alliance Councils being Coolamon, Cootamundra-Gundagai, Junee, Lockhart and Temora.

The role of the Chair will be to provide independent assurance and assistance on the governance, risk control and compliance frameworks for each of the Councils.

While each Council will have its own separate committee, it is anticipated that the appointed chair will preside over all six committees.

The appointment of Chair, to commence from 1 July 2024, will be undertaken in accordance with the Office of Local Government's: Guidelines for Risk Management and Internal Audit for Local Government in NSW (the Guidelines).

## **Role**

As required under section 428A of the *Local Government Act 1993* (the Act), the role of the committee is to review and provide independent advice to the Bland Shire Council regarding the following aspects of the Council's operations:

- compliance
- risk management
- fraud control
- financial management
- governance
- implementation of the strategic plan, delivery program and strategies
- service reviews
- collection of performance measurement data by the Bland Shire Council, and
- internal audit.

The committee must also provide information to the Bland Shire Council for the purpose of improving the Council's performance of its functions.

The committee's specific audit, risk and improvement responsibilities under section 428A of the Act are outlined in Schedule 1 to this charter.

The committee will act as a forum for consideration of the Council's internal audit function and oversee its planning, monitoring and reporting to ensure it operates effectively.

The committee has no power to direct external audit or the way it is planned and undertaken but will act as a forum for the consideration of external audit findings.

The committee is directly responsible and accountable to the governing body for the exercise of its responsibilities. In carrying out its responsibilities, the committee must at all times recognise that primary responsibility for management of the Bland Shire Council rests with the governing body and the General Manager.

The responsibilities of the committee may be revised or expanded in consultation with, or as requested by, the governing body from time to time.

## **Responsibilities of members**

### **Independent members**

The chair and members of the committee are expected to understand and observe the requirements of the *Guidelines for risk management and internal audit for local government in NSW*. Members are also expected to:

- make themselves available as required to attend and participate in meetings

- contribute the time needed to review and understand information provided to it
- apply good analytical skills, objectivity and judgement
- act in the best interests of the Bland Shire Council
- have the personal courage to raise and deal with tough issues, express opinions frankly, ask questions that go to the fundamental core of the issue and pursue independent lines of inquiry
- maintain effective working relationships with the Bland Shire Council
- have strong leadership qualities (chair)
- lead effective committee meetings (chair), and
- oversee the Council's internal audit function (chair).

## **Councillor members**

To preserve the independence of the committee, the Councillor member of the committee is a non-voting member. Their role is to:

- relay to the committee any concerns the governing body may have regarding the Bland Shire Council and issues being considered by the committee
- provide insights into local issues and the strategic priorities of the Bland Shire Council that would add value to the committee's consideration of agenda items
- advise the governing body (as necessary) of the work of the committee and any issues arising from it, and
- assist the governing body to review the performance of the committee.

Issues or information the councillor member raises with or provides to the committee must relate to the matters listed in Schedule 1 and issues being considered by the committee.

The Councillor member of the committee must conduct themselves in a non-partisan and professional manner. The Councillor member of the committee must not engage in any conduct that seeks to politicise the activities of the committee or the internal audit function or that could be seen to do so.

If the Councillor member of the committee engages in such conduct or in any other conduct that may bring the committee and its work into disrepute, the chair of the committee may recommend to the Bland Shire Council, that the Councillor member be removed from membership of the committee. Where the Bland Shire Council does not agree to the committee chair's recommendation, the Bland Shire Council must give reasons for its decision in writing to the chair.

## **Conduct**

Independent committee members are required to comply with the Council's code of conduct.

Complaints alleging breaches of the Council's code of conduct by an independent committee member 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 governing body before taking any disciplinary action against an independent committee member in response to a breach of the Council's code of conduct.

## **Conflicts of interest**

Once a year, committee members must provide written declarations to the Bland Shire Council stating that they do not have any conflicts of interest that would preclude them from being members of the committee. Independent committee members are 'designated persons' for the purposes of the Council's code of conduct and must also complete and submit returns of their interests.

Committee members and observers must declare any pecuniary or non-pecuniary conflicts of interest they may have in a matter being considered at the meeting at the start of each meeting or as soon as they become aware of the conflict of interest. Where a committee member or observer declares a pecuniary or a significant non-pecuniary conflict of interest, they must remove themselves from committee deliberations on the issue. Details of conflicts of interest declared at meetings must be appropriately minuted.

## **Standards**

Committee members are to conduct their work in accordance with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors and Australian risk management standards, where applicable.

## **Work plans**

The work of the committee is to be thoroughly planned and executed. The 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 may, in consultation with the governing body, vary the strategic work plan at any time to address new or emerging risks. The governing body may also, by resolution, request the committee to approve a variation to the strategic work plan. Any decision to vary the strategic work plan must be made by the committee.

The committee must also develop an annual work plan to guide its work, and the work of the internal audit function over the forward year.

The committee may, in consultation with the governing body, vary the annual work plan to address new or emerging risks. The governing body may also, by resolution, request the committee to approve a variation to the annual work plan. Any decision to vary the annual work plan must be made by the committee.

When considering whether to vary the strategic or annual work plans, the committee must consider the impact of the variation on the internal audit function's existing workload and the completion of pre-existing priorities and activities identified under the work plan.

## **Assurance reporting**

The committee must regularly report to the Bland Shire Council to ensure that it is kept informed of matters considered by the committee and any emerging issues that may influence the strategic direction of the Bland Shire Council or the achievement of the Council's goals and objectives.

The committee will provide an update to the governing body and the General Manager of its activities and opinions after every committee meeting.

The committee will provide an annual assessment to the governing body and the General Manager on the committee's work and its opinion on how the Bland Shire Council is performing.

The committee will provide a comprehensive assessment every council term of the matters listed in Schedule 1 to the governing body and the General Manager.

The committee may at any time report to the governing body or the General Manager on any other matter it deems of sufficient importance to warrant their attention. The Mayor and the chair of the committee may also meet at any time to discuss issues relating to the work of the committee.

Should the governing body require additional information, a request for the information may be made to the chair by resolution. The chair is only required to 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. Individual Councillors are not entitled to request or receive information from the committee.

## **Administrative arrangements**

### **Meetings**

The committee will meet at least four times per year, including a special meeting to review the Council's financial statements.

The committee can hold additional meetings when significant unexpected issues arise, or if the chair is asked to hold an additional meeting by a committee member, the General Manager or the governing body.

Committee meetings can be held in person, by telephone or videoconference. Proxies are not permitted to attend meetings if a committee member cannot attend.

A quorum will consist of a majority of independent voting members. Where the vote is tied, the chair has the casting vote.

The chair of the committee will decide the agenda for each committee meeting. Each committee meeting is to be minuted to preserve a record of the issues considered and the actions and decisions taken by the committee.

The General Manager, Director Corporate and Community Services and the head of the internal audit function should attend committee meetings as non-voting observers. The external auditor (or their representative) is to be invited to each committee meeting as an independent observer. The chair can request the attendance of other Council staff, Councillors or contractors of the Council and any subject matter expert to attend committee meetings. Where requested to attend a meeting, persons must attend the meeting where possible and provide any information requested. Observers have no voting rights and can be excluded from a meeting by the chair at any time.

The committee can hold closed meetings whenever it needs to discuss confidential or sensitive issues with only voting members of the committee present.

The committee must meet separately with the head of the internal audit function and the Council's external auditor at least once each year.

### **Dispute resolution**

Members of the committee and the Council's management should maintain an effective working relationship 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 committee and the General Manager or other senior managers, the dispute is 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 in writing.

## Secretariat

The General Manager will nominate a staff member to provide secretariat support to the committee. The secretariat will ensure the agenda for each meeting and supporting papers are circulated after approval from the chair at least one week before the meeting and ensure that minutes of meetings are prepared and maintained. Minutes must be approved by the chair and circulated within one week of the meeting to each member.

## Resignation and dismissal of members

Where the chair or a committee member is unable to complete their term or does not intend to seek reappointment after the expiry of their term, they should give four months notice to the chair and the governing body prior to their resignation to allow the Bland Shire Council to ensure a smooth transition to a new chair or committee member.

The governing body can, by resolution, terminate the appointment of the chair or an independent committee member before the expiry of their term where that person has:

- breached the council's code of conduct
- performed unsatisfactorily or not to expectations
- declared, or is found to be in, a position of a conflict of interest which is unresolvable
- been declared bankrupt or found to be insolvent
- experienced an adverse change in business status
- been charged with a serious criminal offence
- been proven to be in serious breach of their obligations under any legislation, or
- experienced an adverse change in capacity or capability.

The position of a Councillor member on the committee can be terminated at any time by the governing body by resolution.

## Review arrangements

At least once every council term, the governing body must review or arrange for an external review of the effectiveness of the committee.

These terms of reference must 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 Council's audit, risk and improvement committee, contact Director Corporate and Community Services on [council@blandshire.nsw.gov.au](mailto:council@blandshire.nsw.gov.au) or by phone (02) 6972 2266.

## 5. Definitions:

List items and provide explanations as to what it means. Remember, not everyone knows what we are talking about!

Also, if there are any acronyms within the document – please spell those out clearly in this section so everyone knows who or what you are referring to.



## 6. Legislation and Supporting Documents:

*Local Government Act 1993 – Section 428A*

*Local Government (General) Regulation 2021 - Division 6A – Auditing and Audit, Risk and Improvement Committees*

*Departmental Chief Executive's Guidelines for risk management and internal audit for local government in NSW*

## 7. Attachments:

Audit Risk and Improvement Committee Charter

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# Draft Internal Audit Charter

Bland Shire Council has established the Audit, Risk and Improvement Committee (ARIC) as a key component of the Council's governance and assurance framework, in compliance with the Departmental Chief Executive's *Guidelines for risk management and internal audit for local government in NSW*. This charter provides the framework for the conduct of internal audit functions at Bland Shire 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 the Council's operations. It helps Bland Shire Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes<sup>1</sup>.

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 Bland Shire to improve its business performance.

## Independence

Council's internal audit function is to be independent of Bland Shire 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 and Community Services to facilitate day-to-day operations. Internal audit activities are not subject to direction by the Bland Shire Council and Council's management has no role in the exercise of the 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 is only required to 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. Individual Councillors are not entitled to request or receive information from the committee.

The General Manager must consult with the chair of the audit, risk and improvement committee before appointing or making decisions affecting the employment of the head of internal audit function. If the head of internal audit function is dismissed, the General Manager must report the reasons for their dismissal to the governing body.

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

Where the chair of the audit, risk and improvement committee has any concerns about the treatment of the head of internal audit function, or any action taken that may compromise their ability to undertake their functions independently, they can report their concerns to the governing body.

The head of internal audit function is to confirm at least annually to the audit, risk and improvement committee the independence of internal audit activities from the Bland Shire Council.

## Authority

Bland Shire Council authorises the internal auditor 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 function considers necessary for the 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. The head of internal audit function 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 Bland Shire Council, including where internal audit services are performed by an external third-party provider.

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

The [head of 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.

[Head of internal audit function] has no direct authority or responsibility for the activities it reviews. [Head of internal audit function] has no responsibility for developing or implementing procedures or systems and does not prepare records or engage in Bland Shire 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 Bland Shire Council's staff with sufficient skills, knowledge and experience to ensure it fulfils its role and responsibilities to the Bland Shire Council and the audit, risk and improvement committee. The head of internal audit function 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 function 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 work plan and four-year strategic work 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 for risk management and internal audit for local government in NSW*.

As the internal audit function will be provided on behalf of the six Audit Alliance Councils, the head of internal audit function will be required to liaise with the general manager and senior staff for the Councils of Bland, Coolamon, Cootamundra-Gundagai, Junee, Lockhart and Temora during the establishment and delivery of each internal audit process.

Bland Shire Council, on behalf of the Audit Alliance, is to contract an external third-party provider to undertake its internal audit activities. To ensure the independence of the external provider, the head of internal audit function 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 Councils' external audit
- is not the auditor of any contractors of the Councils that may be subject to the internal audit, and
- can meet the Councils' obligations under the *Guidelines for risk management and internal audit for local government in NSW*.

The Head of internal audit function must consult with the audit, risk and improvement committees and General Managers regarding the appropriateness of the skills, knowledge and experience of any external provider before they are engaged.

## **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 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 Australian risk management standards.

The contracted internal auditor 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 function is to assist each Council to establish an ongoing monitoring system to follow up 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 processes.

The head of internal audit function 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 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 audit, risk and improvement committee before any disciplinary action is taken against the head of internal audit function] 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 arrangements**

### **Audit, risk and improvement committee meetings**

The head of internal audit function will attend audit, risk and improvement committee meetings as an independent non-voting observer. The head of internal audit function can be excluded from meetings by the committee at any time.

The head of internal audit function must meet separately with the audit, risk and improvement committee at least once per year.

The head of internal audit function can meet with the chair 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**

Name of internal audit function should maintain an effective working relationship with the Bland Shire and Alliance Councils 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 name of internal audit function and Bland Shire Council, the dispute is to be resolved by the general manager and/or the audit, risk and improvement committee. Disputes between the name of internal audit function and the audit, risk and improvement committee are to be resolved by the governing body, that being the elected Council.

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

## **Review arrangements**

The 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 performance of the name of internal audit function 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.

## **1. Further information**

(NB. Sections to be updated following Council endorsement and recruitment to specified positions)

For further information on Council's internal audit activities, contact %%%%%%%%%% on email address or by phone #####

Reviewed by [head of internal audit function]

[sign and date]

Reviewed by chair of Council's audit, risk and improvement committee

[sign and date]

Reviewed by General Manager

[sign and date]

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

[sign and date]

[resolution reference]

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

### **Audit**

#### **Internal audit**

- Conduct internal audits as directed by Bland Shire’s audit, risk and improvement committee.
- Implement the Council’s annual and four-year strategic internal audit work plans.
- Monitor the implementation by the Bland Shire Council of corrective actions.
- Assist the Bland 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 Bland Shire’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 Bland Shire 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 Bland Shire faces, including those associated with individual projects, programs and other activities
- if risk management is integrated across all levels of the Bland Shire 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 the Bland 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 Bland Shire 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 its 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 the Council's approach to maintaining an effective internal audit framework, including over external parties such as contractors and advisors, is sound and effective
- whether the Bland 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 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 Bland Shire Council has appropriately considered legal and compliance risks as part of Council's risk management framework
- how the Bland 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 Council's fraud and corruption prevention framework and activities, including whether the Bland Shire Council has appropriate processes and systems in place to capture and effectively investigate fraud-related information.

## **Financial management**

Review and advise:

- if the Bland Shire Council is complying with accounting standards and external accountability requirements
- of the appropriateness of Council's accounting policies and disclosures
- of the implications for Bland Shire Council of the findings of external audits and performance audits and the 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 Bland 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 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 Bland Shire Council are adequate
- if the Council's grants and tied funding policies and procedures are sound.

## **Governance**

Review and advise of the adequacy of the Bland Shire 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 Councils integrated, planning and reporting (IP&R) processes
- if appropriate reporting and monitoring mechanisms are in place to measure progress against objectives, and
- whether Bland Shire Council is successfully implementing and achieving its IP&R objectives and strategies.

### **Service reviews and business improvement**

Review and advise:

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