INNER WEST

Internal Audit Charter

V2

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Title	Internal Audit Charter (Charter)
Summary	This Charter confirms the framework for the conduct of the Internal Audit functions administered by Governance and Risk department, consistent with the requirements of the Guidelines for Risk Management and Internal Audit for Local Government in NSW.
Document Type	Policy
Relevant Strategic Plan Objective	Strategic Direction 5: Progressive responsive and effective civic leadership.
Legislative Reference	*Local Government Act 1993* *Local Government Regulation 2021* *Guidelines for risk management and internal audit for local government in NSW*
Related Council Documents	Related policies: • Risk Management Policy • Risk Management Procedure • Model Code of Conduct • Fraud and Corruption Control Policy • Fraud and Corruption Control Procedure • Conflict of Interest Policy • Audit, Risk and Improvement Committee Terms of Reference
Version Control	See page 12.

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1   Overview

Council has established the Internal Audit function as a key component of the Council's governance and assurance framework, in compliance with the Local Government (General) Regulation 2021 and the Office of Local Government (OLG) *Guidelines for risk management and internal audit for local government in NSW*. This Charter provides the framework for the conduct of the Internal Audit function in the Council and has been approved by the governing body taking into account the advice of Council's Audit, Risk and Improvement Committee (ARIC).

2   Definitions

In this Charter, the following terms have the following meanings:

Table 1 – Definitions

Term	Meaning
Audit, Risk and Improvement Committee (ARIC)	The committee at Council responsible for the following matters in relation to Internal Audit: • assisting the governing body to identify the resources necessary for the effective functioning of the internal audit function • setting the annual and four-year strategic work plans for the internal audit function, including the audits that will be completed • assessing the findings and recommendations of completed audits and providing the committee's advice and opinion on issues raised to the general manager and governing body of the council • developing the internal audit charter that will guide the work of the internal audit function and how it operates, and • reviewing the performance of the internal audit function.
Council	Inner West Council.
Council Officers	Inner West Council members of staff (including full-time, part-time. casual and contracted staff).
Councillor	Inner West Council elected representative.
Executive Team	Council's Executive team: • General Manager • Director Community

	• Director Corporate • Director Infrastructure • Director Planning • General Counsel.
General Manager	The Council Officer responsible for the following matters in relation to Internal Audit, consistent with their role under the Local Government Act (section 355) to conduct the day-to-day management of the Council, with administrative responsibility for internal audit: • advising the governing body on the resources required for the effective functioning of the internal audit function • ensuring appropriate administrative support is provided to support the work of the internal audit function – for example, access to council's human resources networks, payroll, work health and safety, office facilities and resources, council information etc • ensuring that the internal audit function is appropriately positioned within the council to work with external bodies and internal business units and to fulfil its role and responsibilities • ensuring the internal audit function complies with the International Professional Practices Framework, and • annually attesting, on behalf of the council, that the council is complying with these Guidelines in relation to internal audit. The General Manager has no role in the performance of the internal audit function *(e.g. the conduct of internal audits, the audit techniques used and the reporting of internal audit findings to the audit, risk and improvement committee).*
Internal Audit	Council's internal audit function responsible for providing an independent and objective review and advisory service to the governing body, General Manager and ARIC 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.
LGA	The Inner West Local Government Area.
LG Act	*Local Government Act 1993*

Manager	Any Council Officer who manages, or is in any way responsible for any other Council Officer, Councillor, volunteer or service provider/service partner.
Senior Manager Governance and Risk and Risk and Audit Manager *(herein, collectively termed the "Internal Audit Coordinators")*	The Council Officers responsible for the following: • managing the day-to-day activities of the council's internal audit activities to ensure they add value to council • managing the council's internal audit budget • supporting the operation of the ARIC • approving internal audit project plans, conducting or supervising audits and assessments and providing independent advice to the audit, risk and improvement committee • monitoring the council's implementation of corrective actions that arise from the findings of audits • fulfilling the committee's annual and four-year strategic work plans • ensuring the council's internal audit activities comply with these Guidelines • managing internal audit personnel and ensuring that they have the skills necessary to fulfil the role and responsibilities of the internal audit function (where appropriate), and • contract management and oversight of the outsourced internal audit service provider and any supplementary external providers (where appropriate).
volunteer	A formally recognised, unpaid member of the public who helps provide Council services e.g. Visitor Information Centre/Library.

3   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 the 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 ARIC about the Council's governance processes, risk management and control frameworks and its external

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

accountability obligations. It also assists the Council to improve its business performance.

4 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 ARIC on the results of completed audits and for strategic direction and accountability purposes. The Internal Audit function reports administratively to the General Manager 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 ARIC 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 ARIC Chair by Council 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 LG Act. Individual Councillors are not entitled to request or receive information from the committee.

The General Manager must consult with the Chair of the ARIC before appointing or making decisions affecting the employment of the Internal Audit Coordinators. If dismissed, the General Manager must report the reasons for their dismissal to the governing body.

Where the Chair of the Council's ARIC has any concerns about the treatment of the Internal Audit Coordinators, or any action taken that may compromise their ability to undertake their functions independently, they can report their concerns to the governing body.

The Internal Audit Coordinators are to confirm at least annually to the ARIC the independence of internal audit activities from the Council.

5 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 Internal Audit Coordinators consider necessary for the Internal Audit function 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 Internal Audit Coordinators, individual internal audit staff and outsourced service providers 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 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 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.

6 Role

The Internal Audit function is to support the Council's ARIC to review and provide independent advice to the Council in accordance with section 428A of the LG Act. 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.

Internal Audit function has no direct authority or responsibility for the activities it reviews.

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).

7 Internal Audit Coordinators

Outsourced internal audit function

Council's Internal Audit function is to be led by members of Council's staff with sufficient skills, knowledge and experience to ensure it fulfils its role and responsibilities to the Council and the ARIC. The Internal Audit Coordinators must be independent, impartial, unbiased and objective when performing their work and free from any conflicts of interest.

Responsibilities of the Internal Audit Coordinators include:

- contract management

- managing the internal audit budget

- ensuring the external provider completes internal audits in line with the ARIC's annual work plan and four-year strategic work plan

- forwarding audit reports by the external provider to the ARIC

- acting as a liaison between the external provider and the ARIC

- monitoring the Council's implementation of corrective actions that arise from the findings of audits and reporting progress to the ARIC, and

- assisting the ARIC to ensure the Council's internal audit activities comply with the Guidelines for risk management and internal audit for local government in NSW.

8   Out-sourced internal audit team

Council is to contract an external third-party provider to undertake its internal audit activities. To ensure the independence of the external provider, the Internal Audit Coordinators are 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 subject to the internal audit, and

- can meet the Council's obligations under the *Guidelines for risk management and internal audit for local government in NSW*.

The Internal Audit Coordinators must consult with the ARIC and General Manager regarding the appropriateness of the skills, knowledge and experience of any external provider before they are engaged by the Council.

9   Performing internal audit activities

The work of the Internal Audit function is to be thoroughly planned and executed. The Council's ARIC 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 AS/NZS ISO 31000 Risk Management (or equivalent as amended from time to time).

The Internal Audit Coordinators will provide the findings and recommendations of internal audits to the ARIC at the end of each audit. Each report will include a response from the relevant senior manager.

The Internal Audit Coordinators will establish an ongoing monitoring system to follow up Council's progress in implementing corrective actions.

The General Manager, in consultation with the ARIC, will develop and maintain policies and procedures to guide the operation of the Council's Internal Audit function.

The Internal Audit Coordinators will ensure that the ARIC 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.

10   Conduct

Internal audit personnel must comply with the Council's Model Code of Conduct. Complaints about breaches of Council's Model 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 ARIC before any disciplinary action is taken against the Internal Audit Coordinators in response to a breach of the Council's Model 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.

11   Administrative arrangements

ARIC meetings

The Internal Audit Coordinators will attend ARIC meetings as independent non-voting observers. The Internal Audit Coordinators can be excluded from meetings by the committee at any time.

The Internal Audit Coordinators must meet separately with the ARIC at least once per year.

The Internal Audit Coordinators can meet with the chair of the ARIC 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 will 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 ARIC 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 Internal Audit function and the Council, the dispute is to be resolved by the General Manager and/or the ARIC. Disputes between the Internal Audit function and the ARIC 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 OLG in writing.

12   Breaches of the Charter

Breaches of this Charter may result in an investigation of the alleged breach in line with relevant Council policies including the Model Code of Conduct.

Any alleged criminal offence or allegation of corrupt conduct will be referred to the relevant external agency.

13   Administrative changes

From time-to-time circumstances may change leading to the need for minor administrative changes to this document. Where an update does not materially alter this document, such a change may be made including branding, Council Officer titles or department changes and legislative name or title changes are considered minor in nature and not required to be formally endorsed.

14   Review of the Charter

The Council's ARIC 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 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 ARIC and once each council term by the Council. Any substantive changes are to be approved by the Council.

Further information

For further information on Council's internal audit activities, contact Council's Internal Audit Coordinators on 02 9392 5000.

15   Version Control – Policy History

This policy will be formally reviewed every three years from the date of adoption or as required.

Governance use only:

Document	Internal Audit Charter	*Uncontrolled Copy When Printed*	
Custodian	Senior Manager Governance and Risk	Version #	Version 2
Adopted By	Council	ECM Document #	38787930
Next Review Date	30 June 2025		

Amended by	Changes made	Date Adopted
Governance and Risk	New Charter	27 September 2016
Governance and Risk	Revised document and aligned to the OLG Model – adopted by Council	9 April 2024

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Schedule 1 – Internal Audit function responsibilities

Audit

Internal audit

- Conduct or commission external service providers to conduct internal audits as directed by the Council's ARIC.

- Implement the Council's annual and four-year strategic internal audit work plans.

- Monitor the implementation by the 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

Collaborate with the Financial Reporting and Control Manager and Chief Financial Officer to:

- 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 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:

- if the Council's 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 the 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 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 the 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 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 the Council is complying with accounting standards and external accountability requirements

- of the appropriateness of the Council's accounting policies and disclosures

- of the implications for the 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 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 the Council's grants and tied funding policies and procedures are sound.

Governance

Review and advise of the adequacy of the Council governance framework, including its:

- 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 and 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.

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Service reviews and business improvement

Review and advise:

- if the 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 the Council has a robust system to determine appropriate performance indicators to measure the achievement of its strategic objectives

- if the performance indicators the Council uses are effective, and

- of the adequacy of performance data collection and reporting.

Schedule 2 – Internal Audit Universe

This schedule provides context to potential audit coverage across the five core business directorates of Inner West Council. The Internal Audit Universe is a living document and planning tool used by Council and its ARIC to ensure areas of potential risk across Council are adequately considered and factored into internal audit planning.

This document is updated not less than yearly as part of forward planning or as structural changes or risk profiles vary. Topics in **bold** are presently assessed as of higher priority.

Inner West Council – Internal Audit Universe

Local Government Audit Area	Local Government Internal Audit Universe	IWC Core Business Directorates				
		General Manager	Community	Corporate	Infrastructure	Planning
Operations	**Records management**			✓		
	Fleet Management				✓	
	Change Management			✓		
	Customer experience		✓	✓		
	Project management governance	✓			✓	✓
	Development Applications					✓
	Waste Management				✓	✓
Strategy & Business Development	**Contract Management**			✓	✓	✓
	Stakeholder Management			✓		
	Council Business Enterprises	✓		✓		
	Management of strategic projects and change	✓		✓	✓	✓
	Social media management		✓	✓		
	Business Continuity Plan			✓		
	Grants & Sponsorships	✓	✓			
	Reconciliation Action Plan	✓	✓			
Asset Management	**Outsourced maintenance**				✓	✓
	Asset planning				✓	✓
	Capital works delivery				✓	
	Facility development & commissioning		✓		✓	✓
	Council Facilities & Infrastructure		✓		✓	✓
Environment & Sustainability	**Environmental management**					✓
	Sustainability Governance			✓		✓
	Emissions					✓
	Green investments commitments			✓		✓
	ESG strategy and reporting					✓
	Human rights / social audit	✓	✓			

Local Government Audit Area	Local Government Internal Audit Universe	IWC Core Business Directorates				
		General Manager	Community	Corporate	Infrastructure	Planning
	Climate Change Readiness Assessment	✓				✓
Finance	Procurement			✓		
	Purchasing & AP			✓		
	Treasury			✓		
	Payroll processes	✓		✓		
	GST Compliance			✓		
	Expense Management			✓		
	Budgeting & forecasts			✓		
	Core financial processes (data analytics driven insights)			✓		
	Financial Management & Sustainability			✓		
People & Culture	Hire to Retire	✓				
	Learning and development	✓				
	Recruitment & Staff attraction	✓				
	Communication	✓				
	Training management	✓				
	Workforce planning & Management	✓				
	Rostering, overtime & relief	✓				
	Temporary & agency staff engagement	✓				
	Diversity & Inclusion	✓				
Work, Health & Safety	WHS framework maturity	✓				
	WHS safety audits	✓				✓
	Safety assurance & critical risks	✓				
	Child Protection	✓	✓			
	Community Wellbeing		✓			
	WHS management system	✓				
	Pandemic/ Disaster	✓		✓		
	Community Safety		✓			
	Community Service delivery		✓			
	Disaster recovery			✓		
	Incident reporting management	✓				
Governance, Risk, Regulatory & Compliance	Assurance mapping			✓		
	Enterprise risk management			✓		
	Legal & regulatory compliance	✓		✓		✓
	Executive & management reporting	✓		✓		
	Fraud and corruption			✓		

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Local Government Audit Area	Local Government Internal Audit Universe	IWC Core Business Directorates				
		General Manager	Community	Corporate	Infrastructure	Planning
	Compliance Framework			✓		
	Conflict of Interest	✓		✓		
	Stakeholder management			✓		
	Business continuity			✓		
	Program management			✓	✓	✓
	Regulatory compliance	✓		✓		
	Civil Liability		✓	✓		
	Confidentiality	✓		✓		
	Governance			✓		
Technology & Cyber	**IT disaster recovery**			✓		
	IT third party management			✓		
	Digital transformation governance			✓		
	Cyber security			✓		
	System integration health-check			✓		
	ICT user access management			✓		
	Privacy			✓		
	IT planning & governance			✓		
	IT change Management			✓		
	Application controls			✓		
	Operational Technology			✓		
	Data Governance			✓		
	Technology One implementation			✓		