

ATTACHMENTS DISTRIBUTED UNDER SEPARATE COVER

**CCL 25/06/2024 - AUDIT, RISK AND IMPROVEMENT
COMMITTEE CHARTER AND INTERNAL
AUDIT CHARTER**

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| 8.8 Attachment A: | Audit, Risk and Improvement Committee Charter |
| 8.8 Attachment B: | Internal Audit Charter |
| 8.8 Attachment C: | Tracked changes - Audit, Risk and Improvement Committee Charter |
| 8.8 Attachment D: | Tracked changes - Internal Audit Charter |

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Audit, Risk and Improvement Committee Charter

July 2024

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City of
Newcastle

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1 Introduction

- 1.1 City of Newcastle (**CN**) has established an Audit, Risk and Improvement Committee (**Committee**) in compliance with section 428A of the Local Government Act 1993, the Local Government (General) Regulation 2021 and the Office of Local Government's Guidelines for risk management and internal audit for local government in NSW. These terms of reference set out the Committee's objectives, authority, composition and tenure, roles and responsibilities, reporting and administrative arrangements.

2 Objective

- 2.1 The objective of the Committee is to provide independent assurance to CN by monitoring, reviewing and providing advice about the CN's governance processes, compliance, risk management and control frameworks, external accountability obligations and overall performance.

3 Independence

- 3.1 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 CN with robust, objective and unbiased advice and assurance.
- 3.2 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 CN. The Committee will provide independent advice to the CN that is informed by the CN's internal audit and risk management activities and information and advice provided by staff, relevant external bodies and subject matter experts.
- 3.3 The Committee must always ensure it maintains a direct reporting line to and from the CN's internal audit function and act as a mechanism for internal audit to report to the elected Council and the CEO on matters affecting the performance of the internal audit function.

4 Authority

- 4.1 CN authorises the Committee, for the purposes of exercising its responsibilities, to:
- access any information it needs from the CN
 - use any CN resources it needs
 - have direct and unrestricted access to the CEO and senior management of the CN
 - seek the CEO's permission to meet with any other CN 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 CN's procurement policies.
- 4.2 Information and documents pertaining to the Committee are confidential and are not to be made publicly available. The Committee may only release CN information to external parties that are assisting the Committee to fulfil its responsibilities with the approval of the CEO, 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.

5 Composition and tenure

- 5.1 The Committee consists of:
- an independent chairperson;
 - two independent members who have voting rights,
 - one non-voting Councillor member; and
 - one non-voting Councillor observer.
- 5.2 The chairperson, members and Councillor observer are appointed by resolution of the elected Council.
- 5.3 All Committee members must meet the independence and eligibility criteria prescribed under the Local Government (General) Regulation 2021.
- 5.4 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 chairperson of the Committee. Members who have served an eight-year term (either as a member or as chairperson) must have a two-year break from serving on the Committee before being appointed again. To preserve the Committee's knowledge of the CN, ideally, no more than one member should retire from the Committee because of rotation in any one year.
- 5.5 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.
- 5.6 Prior to approving the reappointment or extension of the chairperson's or an independent member's term, the elected Council is to undertake an assessment of the chairperson's or Committee member's performance. Reappointment of the chairperson or a Committee member is also to be subject to that person still meeting the independence and eligibility requirements prescribed under the Local Government (General) Regulation 2021.
- 5.7 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 CN, the environment in which CN operates, and the contribution that the Committee makes to CN. 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 CN's financial reporting responsibilities to be able to contribute to the Committee's consideration of CN's annual financial statements.

6 Role

- 6.1 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 CN regarding the following aspects of the CN'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 CN, and
 - internal audit.

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- 6.2 The Committee must also provide information to the CN for the purpose of improving the CN's performance of its functions.
 - 6.3 The Committee's specific audit, risk and improvement responsibilities under section 428A of the Act are outlined in Schedule 1.
 - 6.4 The Committee will act as a forum for consideration of the CN's internal audit function and oversee its planning, monitoring and reporting to ensure it operates effectively.
 - 6.5 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.
 - 6.6 The Committee is directly responsible and accountable to the elected Council 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 CN rests with the elected Council and the CEO.
 - 6.7 The responsibilities of the Committee may be revised or expanded in consultation with, or as requested by, the elected Council from time to time.

7 Responsibilities of members

Independent members

- 7.1 The chairperson and members of the Committee are expected to understand and observe the requirements of the Office of Local Government's Guidelines for risk management and internal audit for local government in NSW. Members are also expected to:
 - a) make themselves available as required to attend and participate in meetings
 - b) contribute the time needed to review and understand information provided to it
 - c) apply good analytical skills, objectivity and judgement
 - d) act in the best interests of CN
 - e) 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
 - f) maintain effective working relationships with the CN
 - g) have strong leadership qualities (chairperson)
 - h) lead effective Committee meetings (chairperson), and
 - i) oversee the CN's internal audit function (chairperson).

Councillor members

- 7.2 To preserve the independence of the Committee, the Councillor member of the Committee is a non-voting member. Their role is to:
 - a) relay to the Committee any concerns the elected Council may have regarding CN and issues being considered by the Committee
 - b) provide insights into local issues and the strategic priorities of the CN that would add value to the Committee's consideration of agenda items
 - c) advise the elected Council (as necessary) of the work of the Committee and any issues arising from it, and
 - d) assist the elected Council to review the performance of the Committee.
- 7.3 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.

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- 7.4 The Councillor member must conduct themselves in a non-partisan and professional manner. The Councillor member 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.
- 7.5 If the Councillor member engages in such conduct or in any other conduct that may bring the Committee and its work into disrepute, the chairperson of the Committee may recommend to CN that the Councillor member be removed from membership of the Committee. Where CN does not agree to the Committee chairperson's recommendation, CN must give reasons for its decision in writing to the chairperson.

8 Conduct

- 8.1 Committee members are required to comply with the CN's Code of Conduct (Code).
- 8.2 Complaints alleging breaches of the CN's Code by a Committee member will be dealt with in accordance with CN's Procedures for the Administration of the Code of Conduct. The CEO must consult with the elected Council before taking any disciplinary action against an independent Committee member in response to a breach of CN's Code.

9 Conflicts of interest

- 9.1 Once a year, Committee members must provide written declarations to CN 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 CN's Code and must also complete and submit returns of their interests as is required by CN's Code.
- 9.2 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.

10 Standards

- 10.1 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 current Australian risk management standard.

11 Work plans

- 11.1 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 strategic work plan must be adopted by resolution of the elected Council at the start of the Council term.
- 11.2 The Committee may, in consultation with the elected Council, vary the strategic work plan at any time to address new or emerging risks. The elected Council 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.
- 11.3 The Committee must also develop an annual work plan, in consultation with the elected Council, to guide its work, and the work of the internal audit function over the forward

year.

- 11.4 The Committee may, in consultation with the elected Council, vary the annual work plan to address new or emerging risks. The elected Council 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.
- 11.5 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.

12 Assurance reporting

- 12.1 The Committee must regularly report to the CN 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 CN or the achievement of the CN's goals and objectives.
- 12.2 The Committee will provide an update to the elected Council and the CEO of its activities and opinions after every Committee meeting.
- 12.3 The Committee will provide an annual assessment to the elected Council and the CEO on the Committee's work and its opinion on how the CN is performing.
- 12.4 The Committee will provide a comprehensive assessment every council term of the matters listed in Schedule 1 to the elected Council and the CEO.
- 12.5 The Committee may at any time report to the elected Council or the CEO on any other matter it deems of sufficient importance to warrant their attention. The Lord Mayor and the chairperson of the Committee may also meet at any time to discuss issues relating to the work of the Committee.
- 12.6 Should the elected Council require additional information, a request for the information may be made to the chairperson by resolution. The chairperson is only required to provide the information requested by the elected Council where the chairperson is satisfied that it is reasonably necessary for the elected Council 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.

13 Annual Attestation

- 13.1 CN's annual reports must contain an attestation statement signed by the CEO on compliance with the requirements prescribed in the Regulation relating to the membership and operations the Committee, its risk management framework and internal audit function.
- 13.2 The CEO must consult with the chairperson of the Committee on the content of the attestation statement and must consider the chairperson's views when preparing the statement.
- 13.3 If the Committee chairperson disagrees with the content of the attestation statement prepared by the CEO, they may prepare their own attestation statement and submit this to the Departmental Chief Executive.

14 Meetings

- 14.1 The Committee will meet at least four times per year, including a special meeting to review the CN's financial statements. A committee meeting and the special meeting may occur on the same day or an additional special meeting may be held at the discretion of the Committee.
- 14.2 The Committee can hold additional meetings when significant unexpected issues arise,

or if the chairperson is asked to hold an additional meeting by a Committee member, the CEO or the elected Council.

- 14.3 Committee meetings can be held in person, by telephone or videoconference. Proxies are not permitted to attend meetings if a Committee member cannot attend.
- 14.4 A quorum will consist of a majority of independent voting members. Where the vote is tied, the chairperson has the casting vote.
- 14.5 The chairperson 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.
- 14.6 The Lord Mayor, CEO and the Internal Audit Coordinator will 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 chairperson can request the CN's Executive Director Corporate Services & Chief Financial Officer, Enterprise Risk Manager, Executive Leadership Team member, any Councillor(s), any employee/contractor 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.
- 14.7 Observers have no voting rights and can be excluded from a meeting by the chairperson at any time.
- 14.8 The Committee can hold closed meetings whenever it needs to discuss confidential or sensitive issues with only voting members of the Committee present.
- 14.9 The Committee must meet separately with the Internal Audit Coordinator and CN's External Auditor at least once each year.

15 Dispute resolution

- 15.1 Members of the Committee and CN'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.
- 15.2 In the event of a disagreement between the Committee and the CEO or other senior managers, the dispute is to be resolved by the elected Council.
- 15.3 Unresolved disputes regarding compliance with statutory or other requirements are to be referred to the Departmental Chief Executive of the Office of Local Government in writing.

16 Secretariat

- 16.1 The CEO 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 chairperson at least one week before the meeting and ensure that minutes of meetings are prepared and maintained. Minutes must be approved by the chairperson and circulated within two weeks of the meeting to each member.

17 Resignation and dismissal of members

- 17.1 Where the chairperson 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 one month written notice to the chairperson and the elected Council prior to their resignation to allow CN to ensure a smooth transition to a new chairperson or Committee member.
- 17.2 The elected Council can, by resolution, terminate the appointment of the chairperson or an independent Committee member before the expiry of their term where that person

has:

- a) breached CN's Code
- b) performed unsatisfactorily or not to expectations
- c) declared, or is found to be in, a position of a conflict of interest which is unresolvable
- d) been declared bankrupt or found to be insolvent
- e) experienced an adverse change in business status
- f) been charged with a serious criminal offence
- g) been proven to be in serious breach of their obligations under any legislation, or
- h) experienced an adverse change in capacity or capability.

17.3 The position of a Councillor member on the Committee can be terminated at any time by the elected Council by resolution.

18 Review arrangements

18.1 At least once every council term, the elected Council must review or arrange for an external review of the effectiveness of the Committee.

18.2 These terms of reference must be reviewed annually by the Committee and once each council term by the elected Council. Any substantive changes are to be approved by the elected Council.

Schedule 1- Responsibilities of the Committee

1 Audit

Internal audit

- Provide overall strategic oversight of internal audit activities
- Act as a forum for communication between the elected Council, Chief Executive Officer, senior management, the internal audit function and external audit
- Coordinate, as far as is practicable, the work programs of internal audit and other assurance and review functions
- Review and advise CN:
 - on whether CN is providing the resources necessary to successfully deliver the internal audit function
 - if CN is complying with internal audit requirements, including conformance with the International Professional Practices Framework
 - if CN's internal audit charter is appropriate and whether the internal audit policies and procedures and audit/risk methodologies used by CN are suitable
 - of the strategic four-year work plan and annual work plan of internal audits to be undertaken by CN's internal audit function
 - if CN's internal audit activities are effective, including the performance of the internal audit coordinator and the internal audit function
 - of the findings and recommendations of internal audits conducted, and corrective actions needed to address issues raised
 - of the implementation by CN of these corrective actions
 - on the appointment of the internal audit coordinator and external providers, and
 - if the internal audit function is structured appropriately and has sufficient skills and expertise to meet its responsibilities

External audit

- Act as a forum for communication between the elected Council, Chief Executive Officer, senior management, the internal audit function and external audit
- Coordinate as far as is practicable, the work programs of internal audit and 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 to the elected Council and/or Chief Executive Officer on action taken on significant issues raised in relevant external audit reports and better practice guides

2 Risk

Risk management

Review and advise CN:

- if CN's has in place a current and appropriate risk management framework that is consistent with the Australian risk management standard
- whether CN is providing the resources necessary to successfully implement its risk management framework
- whether CN's risk management framework is adequate and effective for identifying and managing the risks CN faces, including those associated with individual projects, programs and other activities
- if risk management is integrated across all levels of CN and across all processes, operations, services, decision-making, functions and reporting
- of the adequacy of risk reports and documentation, for example, CN'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 CN has taken steps to embed a culture which is committed to ethical and lawful behaviour
- if there is a positive risk culture within CN and strong leadership that supports effective risk management
- of the adequacy of staff training and induction in risk management
- how CN's risk management approach impacts on CN's insurance arrangements
- of the effectiveness of CN'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 CN:
 - whether CN's approach to maintaining an effective internal audit framework, including over external parties such as contractors and advisors, is sound and effective
 - whether CN 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 CN'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 CN of the adequacy and effectiveness of CN's compliance framework, including:

- if CN has appropriately considered legal and compliance risks as part of CN's risk management framework

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- how CN 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 CN of the adequacy and effectiveness of CN's fraud and corruption prevention framework and activities, including whether CN has appropriate processes and systems in place to capture and effectively investigate fraud-related information.

Financial management

Review and advise CN:

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

Governance

Review and advise CN regarding its governance framework, including the [council's/joint organisation'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

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- 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

3 Improvement

Strategic planning

Review and advise CN:

- of the adequacy and effectiveness of CN's integrated, planning and reporting (IP&R) processes
- if appropriate reporting and monitoring mechanisms are in place to measure progress against objectives, and
- whether CN is successfully implementing and achieving its IP&R objectives and strategies.

Service reviews and business improvement

- Act as a forum for communication and monitoring of any audits conducted by external bodies and the implementation of corrective actions (for example, NSW government agencies, Commonwealth government agencies, insurance bodies)
- Review and advise CN:
 - If CN 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 CN can improve its service delivery and CN's performance of its business and functions generally

Performance data and measurement

Review and advise CN:

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

DOCUMENT CONTROL

Document title	Audit, Risk and Improvement Committee Charter
Document owner	Chief Executive Officer
Document expert/writer	Internal Audit Coordinator
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Guideline or Procedure owner	NIL
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Category	Governance
Details of previous versions	Version 1 ('Audit and Risk Committee Constitution') adopted by Council on 16 March 2010 Version 2 (Audit and Risk Committee Charter) adopted by Council on 9 October 2012 Version 3 (Audit and Risk Committee Charter) adopted by Council 25 November 2014 Version 4 (Audit and Risk Committee Charter) adopted by Council 27 February 2018
Keywords	Audit, Assurance, Risk Management, Corporate Governance, Committee, Internal Audit
Relevant Newcastle 2040 Theme/s	Achieving Together
Relevant legislation/codes (reference specific sections)	This Policy supports CN's compliance with the following legislation: <i>Local Government Act 1993 (NSW)</i> <i>Local Government (General) Amendment (Audit, Risk and Improvement Committees) Regulations 2023</i> Office of Local Government Risk Management and Internal Audit Guidelines for local government in NSW (<i>November 2023</i>)
Other related documents	Enterprise Risk Management Framework and related documents CN's Code of Conduct Media Policy
Related forms	Confidentiality Deed Disclosure of Interest Return
Required on website	Yes

Internal Audit Charter

July 2024

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1 Introduction

- 1.1 City of Newcastle (CN) has established the Internal Audit Function as a key component of CN's governance and assurance framework, in compliance with the *Local Government (General) Regulation 2021* and the Office of Local Government's *Guidelines for risk management and internal audit for local government in NSW*. This charter provides the framework for the conduct of the Internal Audit Function in CN and has been approved by the Governing Body taking into account the advice of CN's Audit, Risk and Improvement Committee.
- 1.2 The Audit, Risk and Improvement Committee has been established by the elected Council and has an advisory role. Its terms of reference are defined in Audit, Risk and Improvement Committee (Committee) Charter. The elected Council has oversight of the Internal Audit function at CN.
- 1.3 This Charter provides the framework and authority for performance of internal audit activities at CN.
- 1.4 Chief Audit Executive describes the person responsible for effectively managing all aspects of the Internal Audit function and ensuring the quality performance of internal audit services in accordance with the 'Global Internal Audit Standards' issued by the Institute of Internal Auditors. The Chief Audit Executive is accountable to the elected Council for the Internal Audit function's implementation of and conformance with requirements of this Charter. At CN, the Chief Audit Executive is the Internal Audit Coordinator.
- 1.5 The 'Global Internal Audit Standards' requires Internal Audit functions to have an Internal Audit Mandate and an Internal Audit Charter – this document captures both requirements.

2 Purpose of internal audit

- 2.1 Internal audit is an independent, objective assurance and consulting activity designed to add value and improve organisation's operations. It helps organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes¹.
- 2.2 Internal audit provides an independent and objective review and advisory service to provide advice to the Governing Body, CEO and Audit, Risk and Improvement Committee about CN's governance processes, risk management and control frameworks and its external accountability obligations. It also assists CN to improve its business performance.

3 Independence

- 3.1 CN's Internal Audit Function is to be independent of CN so it can provide an unbiased assessment of CN's operations and risk and control activities.
- 3.2 Internal Audit Function reports functionally to CN's Audit, Risk and Improvement Committee on the results of completed audits, and for strategic direction and accountability purposes, and reports administratively to the Executive Manager Legal & Governance to facilitate day-to-day operations. Internal audit activities are not subject to direction by CN and CN's management has no role in the exercise of CN's internal audit activities.
- 3.3 The Audit, Risk and Improvement Committee is responsible for communicating any internal audit issues or information to the Governing Body. Should the Governing Body require additional information, a request for the information may be made to the chairperson by resolution. The chairperson is only required to provide the information

¹ As defined by the Global Internal Audit Standards (2024)
Internal Audit Charter
Version 4 Effective 1 July 2024

requested by the Governing Body where the chairperson is satisfied that it is reasonably necessary for the Governing Body to receive the information for the purposes of performing its functions under the Local Government Act. Individual Councillors are not entitled to request or receive information from the committee.

- 3.4 CEO has delegated his administrative responsibility of Internal Audit Function to Executive Manager Legal and Governance.
- 3.5 The CEO must consult with the chairperson of CN's Audit, Risk and Improvement Committee before appointing or making decisions affecting the employment of the Internal Audit Coordinator.
- 3.6 Where the chairperson of CN's Audit, Risk and Improvement Committee has any concerns about the treatment of the Internal Audit Coordinator, or any action taken that may compromise their ability to undertake their functions independently, they can report their concerns to the Governing Body.
- 3.7 The Internal Audit Coordinator is to confirm at least annually to the Audit, Risk and Improvement Committee the independence of internal audit activities from CN.

4 Authority

- 4.1 All Internal Audit work is undertaken under the authority of the Audit, Risk and Improvement Committee.
- 4.2 CN 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 Coordinator considers necessary for the Internal Audit Function to undertake its responsibilities and engagements listed in the Forward Internal Audit Plan.

5 Confidentiality

- 5.1 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 Coordinator and individual internal audit staff are responsible and accountable for maintaining the confidentiality of the information they receive when undertaking their work.
- 5.2 All internal audit documentation is to remain the property of CN, including where internal audit services are performed by an external service provider.
- 5.3 Information and documents pertaining to the Internal Audit Function are not to be made publicly available. The Internal Audit Function may only release CN information to external service provider that are assisting the Internal Audit Function to undertake its responsibilities, 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 Conflict of Interests and Impairment of Objectivity

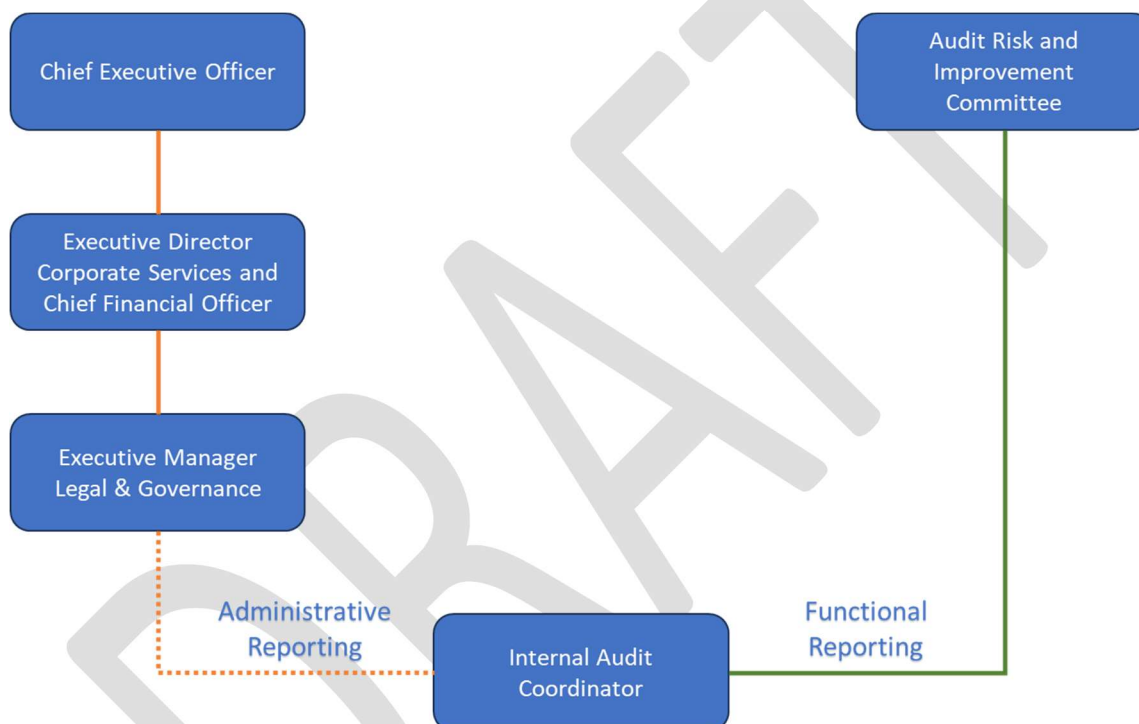
- 6.1 Conflict of interest is a situation in which an internal auditor, who is in a position of trust, has a competing professional or personal interest. Such competing interests can make it difficult to fulfil duties impartially. A conflict of interest exists even if no unethical or improper act results. A conflict of interest can create an appearance of impropriety that can undermine confidence in the internal auditor, the internal audit function and the profession. A conflict of interest could impair an individual's ability to perform his or her duties and responsibilities objectively.
- 6.2 Internal auditors are not to provide audit services for work for which they may previously have been responsible. The Institute of Internal Auditors provides guidance on this point

and suggests a period of one year, but each instance should be carefully assessed.

- 6.3 When engaging internal audit service providers, the Internal Audit Coordinator will take steps to identify, evaluate the significance, and manage any perceived, potential or actual conflict of interest that may impinge upon internal audit work performed by a service provider. Where an internal audit service provider may be requested to provide a non-internal audit service by another business area, prior written permission of the Internal Audit Coordinator is required before the service provider can be engaged.
- 6.4 Instances of perceived, potential or actual conflict of interest by Internal Audit staff and service providers shall immediately be reported to the Internal Audit Coordinator and the Audit, Risk and Improvement Committee Chair.

7 Reporting Arrangement of Internal Audit Function

7.1 Internal audit function is positioned in CN as follows:



- 7.2 All Internal Audit service providers report to the Internal Audit Coordinator, who reports:
- a) Functionally for operations to the Committee through the Chair.
 - b) Administratively to the Executive Manager Legal & Governance.
- 7.3 Functional reporting involves the Committee:
- a) Reviewing and approving the Internal Audit Charter.
 - b) Approving decisions regarding appointment and removal of the Internal Audit Coordinator, including remuneration.
 - c) Assessing Internal Audit Coordinator's performance.
 - d) Reviewing and approving the Internal Audit Plan, and any changes to the plan.
 - e) Reviewing reports on the results of audits, audit-related activities, audit team capability, audit performance, and other important matters.
 - f) Monitoring Internal Audit compliance with standards, together with quality and improvement arrangements.
 - g) Meeting privately with the Internal Audit Coordinator at least once each year without the Chief Executive Officer or other management present (in camera section).

- h) Making enquiries of the Internal Audit Coordinator to determine any scope or budget limitations that may impede the execution of Internal Audit responsibilities.
- 7.4 Administrative reporting to the Chief Executive Officer includes:
- a) Internal Audit resources and annual budget.
 - b) Provision of corporate services to Internal Audit including office accommodation, technology and equipment.
 - c) Human resource administration.
- 7.5 The Internal Audit Coordinator will meet regularly with the Executive Manager Legal & Governance. Right of direct access to the Chief Executive Officer by the Internal Audit Coordinator is preserved for any time the Internal Audit Coordinator believes it to be warranted.

8 Role

- 8.1 The Internal Audit Function is to support CN's Audit, Risk and Improvement Committee to review and provide independent advice to CN in accordance with section 428A of the *Local Government Act 1993*. This includes conducting internal audits of CN and monitoring the implementation of corrective actions.
- 8.2 The Internal Audit Function is to also play an active role in:
- a) developing and maintaining a culture of accountability and integrity
 - b) facilitating the integration of risk management into day-to-day business activities and processes, and
 - c) promoting a culture of high ethical standards.
- 8.3 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 CN functions or activities (except in carrying out its own functions).
- 8.4 Internal Audit will support CN by:
- a) Reviewing achievement of objectives.
 - b) Assessing if decisions are properly authorised.
 - c) Evaluating the reliability and integrity of information.
 - d) Ensuring assets are safeguarded.
 - e) Assessing compliance with laws, regulations, policies and contracts.
 - f) Considering the efficiency, effectiveness, economy and ethics of business activities.
 - g) Reviewing opportunities for fraud and corruption.
 - h) Following-up previous audits to assess whether remedial action has been effectively implemented.
 - i) Providing forward-looking internal audit services.
 - j) Looking for better ways of doing things and sharing these insights within CN.

9 Reporting to the Audit Committee

- 9.1 The Internal Audit Coordinator will report to the Committee on:
- a) Overall performance of Internal Audit, including performance measures agreed with the Committee.
 - b) Internal audit work completed.
 - c) Progress implementing the forward internal audit plan.
 - d) Common themes emerging from internal audit engagements.
 - e) Where appropriate, assessments of individual functions or business units derived

from more than one engagement.

- f) Implementation status of internal audit, external audit, and other relevant external and regulatory body recommendations.
- g) Achievements via an annual report to summarise work and achievements for the year, to demonstrate value delivered, and to provide an opinion on the overall state of internal controls and systemic issues identified.
- h) Annual assertion on Internal Audit independence and compliance with internal audit standards.

9.2 Annual statement of assurance addressing performance of governance, risk management and control processes across the organisation. The Internal Audit Coordinator will also report:

- a) Any disagreement with senior management or other stakeholders on the scope, findings, or other aspects of an engagement that may affect the ability of the internal audit function to execute its responsibilities.
- b) Any incidents where independence may have been impaired, and the actions or safeguards employed to address the impairment.
- c) Other matters as outlined in this Charter.

10 Nature and Scope of Work

10.1 The scope of internal audit work embraces the wider concept of corporate governance and risk, recognising that controls exist in organisations to manage risks and promote effective and efficient governance and performance. Internal audit services may include:

- a) Assurance Services – Services through which internal auditors perform objective assessments to provide assurance. Examples of assurance services include compliance, financial, operational / performance and technology engagements. Internal auditors may provide limited or reasonable assurance, depending on the nature, timing and extent of procedures performed.
- b) Advisory Services – Services through which internal auditors provide advice to an organisation's stakeholders without providing assurance or taking on management responsibilities. The nature and scope of advisory services are subject to agreement with relevant stakeholders. Examples include advising on the design and implementation of new policies, processes, systems and products / providing forensic services / providing training / facilitating discussions about risks and controls. 'Advisory services' are also known as 'consulting services'.

10.2 Internal Audit will offer internal audit work as follows:

- a) Audits with a compliance, financial or operational performance improvement focus.
- b) Management requested services where business areas may request internal audit services, usually in response to an issue or an emerging risk.
- c) Multi-stage audits at key project milestones.
- d) Continuous auditing of controls using technology.

10.3 The scope and coverage of Internal Audit work is not limited in any way and may cover any activity, operation and program, including those of subsidiary, controlled and associated organisations.

11 Professional Standards

11.1 Internal Audit will govern itself by adherence to mandatory guidance contained in the 'International Professional Practices Framework' (IPPF) and 'Global Internal Audit Standards' issued by the Institute of Internal Auditors (IIA). This includes internal audit work performed by service providers.

12 Resourcing

- 12.1 The Internal Audit Coordinator must advise the Committee if internal audit resources are not sufficient for Internal Audit to fulfil its responsibilities. Any assessment of the Internal Audit operational budget is to be supported by appropriate and objective analysis and benchmarking.
- 12.2 Should resources be insufficient, the Internal Audit Coordinator must provide the Committee with options to address the shortfall.
- 12.3 In consultation with the Committee, the service provider will be selected through periodic market testing that applies good practice probity principles focused on competence, skills and knowledge against a set of pre-determined criteria including independence and objectivity.

13 Responsibilities of Internal Audit Coordinator

- 13.1 CN's Internal Audit Function is to be led by a member of CN's staff with sufficient skills, knowledge and experience to ensure it fulfils its role and responsibilities to CN and the Audit, Risk and Improvement Committee. The Internal Audit Coordinator must be independent, impartial, unbiased and objective when performing their work and free from any conflicts of interest.
- 13.2 Responsibilities of the Internal Audit Coordinator include:

Internal Audit Function

- a) maintain a high performing Internal Audit function
- b) managing the day-to-day activities of the Internal Audit Function
- c) managing CN's internal audit budget
- d) supporting the operation of CN's Audit, Risk and Improvement Committee

Internal Audit Planning

- e) develop a strategic and annual workplan (including risk-based forward internal audit plan) that considers Council's risks and issues, including those identified by management, and submit the plan to the Audit Risk and Improvement Committee for review and approval
- f) ensure strategic and annual workplan is adopted by the Governing Body at the start of council term.
- g) ensure changes to the internal audit plan are approved by the Committee in consultation with the Governing Body.

Internal Audit Engagements

- h) approving internal audit project plans, conducting or supervising audits and assessments and providing independent advice to the Audit, Risk and Improvement Committee
- i) implementing the Audit, Risk and Improvement Committee's annual work plan and four-year strategic work plan
- j) acting as a liaison between the external service provider and the Audit, Risk and Improvement Committee
- k) produce a written balanced final communication for each audit containing a conclusion against the engagement objective, positive commentary on what is working well, and improvement actions.
- l) include proposed management actions are included in audit reports, identifying a

- responsible person and realistic timetable for completion.
- m) reviewing and forwarding audit reports by the external service provider to the Audit, Risk and Improvement Committee
 - n) contract management and oversight of external service providers.
 - o) ensuring CN's internal audit activities comply with the Office of Local Government's *Guidelines for risk management and internal audit for local government in NSW*, and Global Internal Audit Standards.

Audit Actions

- p) Establish a system to monitor progress by management to implement internal audit and external audit improvement actions, together with recommendations contained in reports by other relevant external and regulatory bodies.
- q) Obtain regular management updates on progress to implement audit actions.
- r) Follow-up and obtain evidence that audit actions are effectively implemented by management before recommending closure to the Committee.

14 Internal Audit Function

- 14.1 Members of the Internal Audit Function are responsible to the Internal Audit Coordinator.
- 14.2 Individuals that perform internal audit activities for CN must have:
 - a) an appropriate level of understanding of CN's culture, systems and processes
 - b) the skills, knowledge and experience necessary to conduct internal audit activities in CN
 - c) effective interpersonal and communication skills to ensure they can engage with CN staff effectively and collaboratively, and
 - d) honesty, integrity and diligence.

15 Performing internal audit activities

- 15.1 The work of the Internal Audit Function is to be thoroughly planned and executed. CN'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.
- 15.2 The committee must also develop an annual work plan to guide the work of the internal audit function over the forward year.
- 15.3 All internal audit activities are to be performed in a manner that is consistent with relevant professional standards including the International Professional Practice Framework of Internal Auditing issued by the Institute of Internal Auditors and Australian Risk Management Standard.
- 15.4 The Internal Audit Coordinator 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 Executive Manager.
- 15.5 The Internal Audit Coordinator is to establish an ongoing monitoring system to follow up CN's progress in implementing corrective actions.
- 15.6 The CEO, in consultation with the Audit, Risk and Improvement Committee, is to develop and maintain policies and procedures to guide the operation of CN's Internal Audit Function.
- 15.7 The Internal Audit Coordinator 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.

16 Management Obligations

- 16.1 A Single Point of Contact (SPOC) will be nominated as the management owner of each audit.
- 16.2 Management and staff are obligated to professionally and constructively contribute to internal audit work, and implementation of audit actions in response to improvement opportunities and recommendations contained in internal audit reports.
- 16.3 Management to provide management responses and proposed audit actions which should contain:
 - a) Agreed, partially agreed or not agreed
 - b) If not agreed, why not.
 - c) Action to be taken
 - d) Responsible person
 - e) Timing
 - f) Interim control arrangements to be relied upon where there is a long lead time, such as waiting to close-out an audit action through implementation of a technology solution
- 16.4 In exceptional circumstances, a longer time period for management responses may be agreed between the Internal Audit Coordinator and SPOC.
- 16.5 **First Implementation date:** Internal Audit Coordinator will hold meetings to discuss actions. Executive Managers are responsible for overseeing audit actions. Updates on actions or request for extension to 2nd implementation date should be provided to the Internal Audit Coordinator 4 weeks prior to Audit & Risk Committee meetings in which they are first becoming due.
- 16.6 **Second Implementation date:** 6 weeks before reaching the second implementation date, Internal Audit Coordinator will meet with the responsible Executive Manager to discuss causes of delays or if any support is required with the audit actions. The Executive Manager may request for an extension to 3rd implementation date. The responsible Executive Manager to attend and discuss the outstanding audit actions at the next Governance & Risk (Executive) Committee Meeting (GREC). GREC may request the responsible Executive Manager to present at the next Committee meeting.
- 16.7 **Third Implementation date:** 6 weeks before reaching the third revised due date, the Executive Manager Legal & Governance and Internal Audit Coordinator will meet with the responsible Executive Director and Executive Manager to discuss causes of delays or if any support is required with the audit actions. Any audit actions that are not implemented within 3rd implementation date will be reported as overdue to GREC and the Committee. Executive Manager to attend and discuss the outstanding audit actions at the next Governance & Risk (Executive) Committee Meeting (GREC). GREC may request the responsible Executive Manager to present at the next Committee meeting.
- 16.8 **Overdue audit action(s):** Executive Director and Executive Manager will develop an action plan to close the audit action at the earliest. The plan will be actively tracked by Executive Manager Legal & Governance and Internal Audit Coordinator. Executive Manager to attend and discuss the progress of action plan around the overdue audit actions at the next Governance & Risk (Executive) Committee Meeting (GREC). GREC may request the responsible Executive Manager to present at the next Committee meeting.
- 16.9 Where management seeks to accept a risk from an audit recommendation, a 'management acceptance of risk' process is to be completed that considers approved risk appetite and submit it to the Committee for review and approval.

17 Quality Assurance and Improvement Program

- 17.1 The Internal Audit Coordinator is responsible for developing and maintaining a quality assurance and improvement program that includes:
- a) Ongoing internal assessments.
 - b) Annual internal self-assessment against the 'Global Internal Audit Standards'.
 - c) Performance measures agreed by the Audit, Risk and Improvement Committee.
 - d) Annual assertion to the Audit, Risk and Improvement Committee on compliance with 'Global Internal Audit Standards'.
 - e) Independent external assessments performed at least once every council term by a qualified, independent assessor or assessment team from outside the organisation.
- 17.2 Internal audit is encouraged to develop and maintain mutually beneficial relations with counterparts in other organisations, thought leaders, relevant professional bodies and networks with a view to:
- a) Exchanging information on internal audit good practice.
 - b) Exchanging information on emerging corporate governance, risk management and assurance matters.

18 Evaluation of Performance

- 18.1 CN adopts balanced scorecard approach to evaluate performance of Internal Audit function. The scorecard comprises of four elements and key performance indicators under each element.
- 18.2 Qualitative inputs to the scorecard are received through internal audit customer feedback survey conducted after each internal audit engagement, annual internal audit leadership survey conducted after end of every financial year and annual satisfaction survey to all members of the Audit, Risk and Improvement Committee.
- 18.3 Quantitative inputs to the scorecard are received through forward internal audit plan, internal audit budget progress report and audit action progress report.
- 18.4 Below is the balance scorecard adopted by CN to evaluate the performance of internal audit function:

Element	Key Performance Indicator	Mechanism	Source	Target
Partnering with the Audit, Risk and Improvement Committee	Expectations of Audit, Risk and Improvement Committee	Annual satisfaction survey to all members of the Audit, Risk and Improvement Committee to be issued in August of every year. The survey will indicate the level of satisfaction with quality, type and volume of information presented and reported.	Annual satisfaction survey to all members of the Audit, Risk and Improvement Committee	Rating 3.5 out of 5
	Percentage of forward internal audit plan complete	Number of audits completed and reported to the audit committee as per the annual workplan.	Forward internal audit plan	85%
Supporting Senior Management	Client satisfaction goal	Annual client satisfaction survey to be issued in August every year to CN's executive leadership and Service Unit Managers involved in engagements during the year.	Annual internal audit leadership survey conducted after end of every financial year	Rating 3.5 out of 5

Element	Key Performance Indicator	Mechanism	Source	Target
	Audit action tracking	Develop system to monitor implementation of audit actions and meet follow-up timelines	Audit action follow-up mechanism Audit action progress report	In Place
Managing Internal Audit Processes	Performance against the internal audit financial budget	Actual expenditure against the approved financial operating budget including quarterly updates to the budget.	Budget vs actual financial report	95%
	Availability of current and relevant Internal audit charter, ARIC charter, Strategic & annual workplan and Internal audit manual	Periodic review of internal audit reference materials to ensure the most up-to-date versions are available on OnePlace intranet.	Internal audit charter, ARIC charter, Strategic & annual workplan and Internal audit manual	100%
	Compliance with OLG guidelines and Global Internal Audit Standards	External quality assessment conducted once every council term	Quality assessment report	Assessed at "Managed" level or above

19 Relationship with other Assurance Activities

19.1 CN uses the 3 Lines integrated assurance model to allocate responsibilities for risk management and control, recognising that:

- a) Line 1 – Management has ownership, responsibility and accountability for assessing, controlling and mitigating risks.
- b) Line 2 – Risk management facilitates and monitors implementation of effective risk management practices by management and assists risk owners in reporting adequate risk-related information up and down the organisation.
- c) Line 3 – Internal audit will, through a risk-based approach, provide assurance to the Audit Committee and management on how effectively CN assesses and manages its risks, including the manner in which the first and second lines operate. Internal auditing does not absolve management and staff from any of their risk management and control responsibilities.

19.2 Internal Audit will establish and maintain an open relationship with the external auditor and other assurance providers. Internal Audit will plan its activities to ensure adequacy of overall assurance coverage and to minimise duplication of assurance effort across CN.

20 Conduct

20.1 Internal audit personnel must comply with CN's code of conduct. Complaints about breaches of CN's code of conduct by internal audit personnel are to be dealt with in accordance with the CN's Code. The CEO must consult with CN's Audit, Risk and Improvement Committee before any disciplinary action is taken against the Internal Audit Coordinator in response to a breach of CN's code of conduct.

20.2 Internal auditors must also comply with the Code of Ethics for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

21 Audit, Risk and Improvement Committee meetings

21.1 The Internal Audit Coordinator will attend Audit, Risk and Improvement Committee meetings as an independent non-voting observer. The Internal Audit Coordinator can

be excluded from meetings by the committee at any time.

21.2 The Internal Audit Coordinator must meet separately with the Audit, Risk and Improvement Committee at least once per year.

21.3 The Internal Audit Coordinator can meet with the chairperson of the Audit, Risk and Improvement Committee at any time, as necessary, between committee meetings.

22 External audit

22.1 Internal and external audit activities will be coordinated to help ensure the adequacy of overall audit coverage and to minimise duplication of effort.

22.2 Periodic meetings and contact between internal and external audit shall be held to discuss matters of mutual interest and to facilitate coordination.

22.3 External audit will have full and free access to all internal audit plans, working papers and reports.

23 Dispute resolution

23.1 Internal Audit Function should maintain an effective working relationship with CN 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.

23.2 In the event of a disagreement between the Internal Audit Function and CN, the dispute is to be resolved by the CEO and/or the Audit, Risk and Improvement Committee. Disputes between the Internal Audit Function and the Audit, Risk and Improvement Committee are to be resolved by the Governing Body.

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

24 Review arrangements

24.1 CN'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 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 Governing Body.

24.2 This charter is to be reviewed annually by the committee and once each council term by the Governing Body. Charter also to be reviewed if significant change occurs. The changes may include but are not limited to following circumstances:

- a) A notable change in the Global Internal Audit Standards.
- b) A significant acquisition or reorganization within the organization.
- c) Significant changes in the board and/or senior management.
- d) Significant changes to the organization's strategies, objectives, risk profile, or the environment in which it operates.
- e) New laws or regulations that may affect the nature and/or scope of internal audit services.

24.3 Any substantive changes are to be approved by the Governing Body.

25 Further information

25.1 For further information on CN's internal audit activities, contact Internal Audit Coordinator.

Reviewed by Internal Audit Coordinator

[sign and date]

Reviewed by chairperson of CN's Audit, Risk and Improvement Committee

[sign and date]

Reviewed by CEO

[sign and date]

Reviewed by CN in accordance with a resolution of the Governing Body

[resolution reference]

[date]

DRAFT

Schedule 1 – Internal audit function responsibilities

1 Audit

1.1 Internal audit

- a) Conduct internal audits as directed by CN's Audit, Risk and Improvement Committee.
- b) Implement CN's annual and four-year strategic internal audit work plans.
- c) Monitor the implementation by CN of corrective actions.
- d) Assist CN to develop and maintain a culture of accountability and integrity.
- e) Facilitate the integration of risk management into day-to-day business activities and processes.
- f) Promote a culture of high ethical standards.

1.2 External audit

- a) Provide input and feedback on the financial statement and performance audit coverage proposed by external audit and provide feedback on the audit services provided.
- b) Review all external plans and reports in respect of planned or completed audits and monitor CN's implementation of audit recommendations.
- c) Provide advice on action taken on significant issues raised in relevant external audit reports and better practice guides.

2 Risk

2.1 Risk management

Review and advise based on observations made during internal audit engagements:

- a) if CN's has in place a current and appropriate risk management framework that is consistent with the Australian risk management standard
- b) whether CN's risk management framework is adequate and effective for identifying and managing the risks CN faces, including those associated with individual projects, programs and other activities
- c) if risk management is integrated across all levels of CN and across all processes, operations, services, decision-making, functions and reporting
- d) of the adequacy of risk reports and documentation, for example, CN's risk register and risk profile
- e) whether a sound approach has been followed in developing risk management plans for major projects or undertakings
- f) whether appropriate policies and procedures are in place for the management and exercise of delegations
- g) if CN has taken steps to embed a culture which is committed to ethical and lawful behaviour
- h) if there is a positive risk culture within CN and strong leadership that supports effective risk management
- i) of the adequacy of staff training and induction in risk management
- j) how CN's risk management approach impacts on CN's insurance arrangements
- k) of the effectiveness of CN's management of its assets, and
- l) of the effectiveness of business continuity arrangements, including business continuity plans, disaster recovery plans and the periodic testing of these plans.

2.2 Internal controls

Review and advise based on observations made during internal audit engagements:

- a) whether CN's approach to maintaining an effective internal audit framework, including over external parties such as contractors and advisors, is sound and effective
- b) whether CN has in place relevant policies and procedures and that these are periodically reviewed and updated
- c) whether appropriate policies and procedures are in place for the management and exercise of delegations
- d) whether staff are informed of their responsibilities and processes and procedures to implement controls are complied with
- e) if CN's monitoring and review of controls is sufficient, and
- f) if internal and external audit recommendations to correct internal control weaknesses are implemented appropriately.

2.3 Compliance

Review and advise based on observations made during internal audit engagements of the adequacy and effectiveness of CN's compliance framework, including:

- a) if CN has appropriately considered legal and compliance risks as part of CN's risk management framework
- b) how CN manages its compliance with applicable laws, regulations, policies, procedures, codes, and contractual arrangements, and
- c) whether appropriate processes are in place to assess compliance.

2.4 Fraud and corruption

- a) Review and advise based on observations made during internal audit engagements of the adequacy and effectiveness of CN's fraud and corruption prevention framework and activities, including whether CN has appropriate processes and systems in place to capture and effectively investigate fraud-related information.

2.5 Financial management

Review and advise based on observations made during internal audit engagements:

- a) if CN is complying with accounting standards and external accountability requirements
- b) of the appropriateness of CN's accounting policies and disclosures
- c) of the implications for CN of the findings of external audits and performance audits and CN's responses and implementation of recommendations
- d) if there are adequate controls over financial processes, for example:
 - a. appropriate authorisation and approval of payments and transactions
 - b. adequate segregation of duties
 - c. timely reconciliation of accounts and balances
 - d. review of unusual and high value purchases
- e) if policies and procedures for management review and consideration of the financial position and performance of CN are adequate
- f) if CN's grants and tied funding policies and procedures are sound.

2.6 Governance

Review and advise based on observations made during internal audit engagements of the adequacy of CN governance framework, including CN's:

- a) decision-making processes
- b) implementation of governance policies and procedures
- c) reporting lines and accountability
- d) assignment of key roles and responsibilities
- e) management oversight responsibilities
- f) human resources and performance management activities
- g) reporting and communication activities
- h) information and communications technology (ICT) governance, and
- i) management and governance of the use of data, information and knowledge.

3 Improvement

Facilitate reporting to the Audit, Risk and Improvement Committee

3.1 Strategic planning

- a) CN's integrated, planning and reporting (IP&R) processes
- b) reporting and monitoring mechanisms are in place to measure progress against objectives, and
- c) whether CN is implementing and achieving its IP&R objectives and strategies.

3.2 Service reviews and business improvement

- a) service delivery and CN's performance of its business and functions generally

3.3 Performance data and measurement

- a) performance indicators and periodic reporting.

DOCUMENT CONTROL

Document title	Internal Audit Charter
Document owner	Chief Executive Officer
Document expert/writer	Internal Audit Coordinator
Associated Guideline or Procedure Title	NIL
Guideline or Procedure owner	NIL
Prepared by	Legal & Governance
Approved by	Council
Date approved	To be completed by Legal & Governance
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Keywords	Audit, Assurance, Risk Management, Corporate Governance, Committee, Internal Audit
Relevant Newcastle 2040 Theme/s	Achieving Together
Relevant legislation/codes (reference specific sections)	This Policy supports CN's compliance with the following legislation: <i>Local Government Act 1993 (NSW)</i> <i>Local Government (General) Amendment (Audit, Risk and Improvement Committees) Regulations 2023</i> Office of Local Government Risk Management and Internal Audit Guidelines for local government in NSW (<i>November 2023</i>) Global Internal Audit Standards
Other related documents	Enterprise Risk Management Framework and related documents CN's Code of Conduct Media Policy
Related forms	Confidentiality Deed Disclosure of Interest Return
Required on website	Yes

Audit, Risk and Improvement Committee Charter

July 2024

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City of
Newcastle

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1 Introduction

- 1.1 City of Newcastle (CN) has established an Audit, Risk and Improvement Committee (Committee) in compliance with section 428A of the Local Government Act 1993, the Local Government (General) Regulation 2021 and the Office of Local Government's Guidelines for risk management and internal audit for local government in NSW. These terms of reference set out the Committee's objectives, authority, composition and tenure, roles and responsibilities, reporting and administrative arrangements.

2 Objective

- 2.1 The objective of the Committee is to provide independent assurance to CN by monitoring, reviewing and providing advice about the CN's governance processes, compliance, risk management and control frameworks, external accountability obligations and overall performance.

3 Independence

- 3.1 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 CN with robust, objective and unbiased advice and assurance.
- 3.2 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 CN. The Committee will provide independent advice to the CN that is informed by the CN's internal audit and risk management activities and information and advice provided by staff, relevant external bodies and subject matter experts.
- 3.3 The Committee must always ensure it maintains a direct reporting line to and from the CN's internal audit function and act as a mechanism for internal audit to report to the elected Council and the CEO on matters affecting the performance of the internal audit function.

4 Authority

- 4.1 CN authorises the Committee, for the purposes of exercising its responsibilities, to:
- access any information it needs from the CN
 - use any CN resources it needs
 - have direct and unrestricted access to the CEO and senior management of the CN
 - seek the CEO's permission to meet with any other CN 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 CN's procurement policies.
- 4.2 Information and documents pertaining to the Committee are confidential and are not to be made publicly available. The Committee may only release CN information to external parties that are assisting the Committee to fulfil its responsibilities with the approval of the CEO, 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.

5 Composition and tenure

- 5.1 The Committee consists of:
- an independent chairperson;
 - two independent members who have voting rights ~~and,~~
 - one non-voting Councillor ~~member; and~~
 - ~~one non-voting Councillor observer.~~
- 5.2 ~~The chairperson, members and Councillor observer are appointed by resolution of the elected Council.~~
- 5.3 All Committee members must meet the independence and eligibility criteria prescribed under the Local Government (General) Regulation 2021.
- 5.4 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 chairperson of the Committee. Members who have served an eight-year term (either as a member or as chairperson) must have a two-year break from serving on the Committee before being appointed again. To preserve the Committee's knowledge of the CN, ideally, no more than one member should retire from the Committee because of rotation in any one year.
- 5.5 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.
- 5.6 Prior to approving the reappointment or extension of the chairperson's or an independent member's term, the elected Council is to undertake an assessment of the chairperson's or Committee member's performance. Reappointment of the chairperson or a Committee member is also to be subject to that person still meeting the independence and eligibility requirements prescribed under the Local Government (General) Regulation 2021.
- 5.7 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 CN, the environment in which CN operates, and the contribution that the Committee makes to CN. 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 CN's financial reporting responsibilities to be able to contribute to the Committee's consideration of CN's annual financial statements.

Commented [A1]: CN's Audit & Risk Committee agree that the appointment of a second Councillor observer is appropriate

Commented [A2]: Added to align with OLG's Guidelines for Risk Management and Internal Audit for Local Government

6 Role

- 6.1 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 CN regarding the following aspects of the CN'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 CN, and
 - internal audit.

- 6.2 The Committee must also provide information to the CN for the purpose of improving the CN's performance of its functions.
- 6.3 The Committee's specific audit, risk and improvement responsibilities under section 428A of the Act are outlined in Schedule 1.
- 6.4 The Committee will act as a forum for consideration of the CN's internal audit function and oversee its planning, monitoring and reporting to ensure it operates effectively.
- 6.5 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.
- 6.6 The Committee is directly responsible and accountable to the elected Council 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 CN rests with the elected Council and the CEO.
- 6.7 The responsibilities of the Committee may be revised or expanded in consultation with, or as requested by, the elected Council from time to time.

7 Responsibilities of members

Independent members

- 7.1 The chairperson and members of the Committee are expected to understand and observe the requirements of the Office of Local Government's Guidelines for risk management and internal audit for local government in NSW. Members are also expected to:
 - a) make themselves available as required to attend and participate in meetings
 - b) contribute the time needed to review and understand information provided to it
 - c) apply good analytical skills, objectivity and judgement
 - d) act in the best interests of CN
 - e) 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
 - f) maintain effective working relationships with the CN
 - g) have strong leadership qualities (chairperson)
 - h) lead effective Committee meetings (chairperson), and
 - i) oversee the CN's internal audit function (chairperson).

Councillor members

- 7.2 To preserve the independence of the Committee, the Councillor member of the Committee is a non-voting member. Their role is to:
 - a) relay to the Committee any concerns the elected Council may have regarding CN and issues being considered by the Committee
 - b) provide insights into local issues and the strategic priorities of the CN that would add value to the Committee's consideration of agenda items
 - c) advise the elected Council (as necessary) of the work of the Committee and any issues arising from it, and
 - d) assist the elected Council to review the performance of the Committee.
- 7.3 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.

- 7.4 The Councillor member must conduct themselves in a non-partisan and professional manner. The Councillor member 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.
- 7.5 If the Councillor member engages in such conduct or in any other conduct that may bring the Committee and its work into disrepute, the chairperson of the Committee may recommend to CN that the Councillor member be removed from membership of the Committee. Where CN does not agree to the Committee chairperson's recommendation, CN must give reasons for its decision in writing to the chairperson.

8 Conduct

- 8.1 ~~Independent~~ Committee members are required to comply with the CN's Code of Conduct (Code).
- 8.2 Complaints alleging breaches of the CN's Code by ~~an independent~~ Committee member will be dealt with in accordance with CN's Procedures for the Administration of the Code of Conduct. The CEO must consult with the ~~–elected~~ Council before taking any disciplinary action against an independent Committee member in response to a breach of CN's Code.

Commented [A3]: While Councillors and staff are separately made aware of their obligations under the Code of Conduct, it is appropriate this section on conduct cover all members and observers

9 Conflicts of interest

- 9.1 Once a year, Committee members must provide written declarations to CN 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 CN's Code and must also complete and submit returns of their interests as is required by CN's Code.
- 9.2 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.

10 Standards

- 10.1 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 current Australian risk management standard.

11 Work plans

- 11.1 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 strategic work plan must be adopted by resolution of the elected Council at the start of the Council term.
- 11.2 The Committee may, in consultation with the elected Council, vary the strategic work plan at any time to address new or emerging risks. The elected Council 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.

Commented [A4]: This timing is set down in the Guidelines

- 11.3 The Committee must also develop an annual work plan, in consultation with the elected Council, to guide its work, and the work of the internal audit function over the forward year.
- 11.4 The Committee may, in consultation with the elected Council, vary the annual work plan to address new or emerging risks. The elected Council 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.
- 11.5 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.

12 Assurance reporting

- 12.1 The Committee must regularly report to the CN 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 CN or the achievement of the CN's goals and objectives.
- 12.2 The Committee will provide an update to the elected Council and the CEO of its activities and opinions after every Committee meeting.
- 12.3 The Committee will provide an annual assessment to the elected Council and the CEO on the Committee's work and its opinion on how the CN is performing.
- 12.4 The Committee will provide a comprehensive assessment every council term of the matters listed in Schedule 1 to the elected Council and the CEO.
- 12.5 The Committee may at any time report to the elected Council or the CEO on any other matter it deems of sufficient importance to warrant their attention. The Lord Mayor and the chairperson of the Committee may also meet at any time to discuss issues relating to the work of the Committee.
- 12.6 Should the elected Council require additional information, a request for the information may be made to the chairperson by resolution. The chairperson is only required to provide the information requested by the elected Council where the chairperson is satisfied that it is reasonably necessary for the elected Council 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.

13 Annual Attestation

- 13.1 CN's annual reports must contain an attestation statement signed by the CEO on compliance with the requirements prescribed in the Regulation relating to the membership and operations the Committee, its risk management framework and internal audit function.
- 13.2 The CEO must consult with the chairperson of the Committee on the content of the attestation statement and must consider the chairperson's views when preparing the statement.
- 13.3 If the Committee chairperson disagrees with the content of the attestation statement prepared by the CEO, they may prepare their own attestation statement and submit this to the Departmental Chief Executive.

Commented [A5]: This is an additional section added by CN in support of the OLG's Guidelines for Risk Management and Internal Audit for Local Government

14 Meetings

- 14.1 The Committee will meet at least four times per year, including a special meeting to review the CN's financial statements. A committee meeting and the special meeting may occur on the same day or an additional special meeting may be held at the discretion of the Committee.

Commented [A6]: This additional sentence is intended to give flexibility as whether the special meeting is on a stand alone meeting night or as is the case in election years, the ordinary committee meeting and special meeting are held on the same night

- 14.2 The Committee can hold additional meetings when significant unexpected issues arise, or if the chairperson is asked to hold an additional meeting by a Committee member, the CEO or the elected Council.
- 14.3 Committee meetings can be held in person, by telephone or videoconference. Proxies are not permitted to attend meetings if a Committee member cannot attend.
- 14.4 A quorum will consist of a majority of independent voting members. Where the vote is tied, the chairperson has the casting vote.
- 14.5 The chairperson 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.
- 14.6 The Lord Mayor, CEO and the Internal Audit Coordinator will 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 chairperson can request the CN's Executive Director Corporate Services & Chief Financial Officer, Enterprise Risk Manager, Executive Leadership Team member, any Councillor(s), any employee/contractor 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.
- 14.7 Observers have no voting rights and can be excluded from a meeting by the chairperson at any time.
- 14.8 The Committee can hold closed meetings whenever it needs to discuss confidential or sensitive issues with only voting members of the Committee present.
- 14.9 The Committee must meet separately with the Internal Audit Coordinator and CN's External Auditor at least once each year.

15 Dispute resolution

- 15.1 Members of the Committee and CN'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.
- 15.2 In the event of a disagreement between the Committee and the CEO or other senior managers, the dispute is to be resolved by the elected Council.
- 15.3 Unresolved disputes regarding compliance with statutory or other requirements are to be referred to the Departmental Chief Executive of the Office of Local Government in writing.

16 Secretariat

- 16.1 The CEO 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 chairperson at least one week before the meeting and ensure that minutes of meetings are prepared and maintained. Minutes must be approved by the chairperson and circulated within two weeks of the meeting to each member.

17 Resignation and dismissal of members

- 17.1 Where the chairperson 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 one month written notice to the chairperson and the elected Council prior to their resignation to allow CN to ensure a smooth transition to a new chairperson or Committee member.
- 17.2 The elected Council can, by resolution, terminate the appointment of the chairperson or

an independent Committee member before the expiry of their term where that person has:

- a) breached CN's Code
- b) performed unsatisfactorily or not to expectations
- c) declared, or is found to be in, a position of a conflict of interest which is unresolvable
- d) been declared bankrupt or found to be insolvent
- e) experienced an adverse change in business status
- f) been charged with a serious criminal offence
- g) been proven to be in serious breach of their obligations under any legislation, or
- h) experienced an adverse change in capacity or capability.

17.3 The position of a Councillor member on the Committee can be terminated at any time by the elected Council by resolution.

18 Review arrangements

- 18.1 At least once every council term, the elected Council must review or arrange for an external review of the effectiveness of the Committee.
- 18.2 These terms of reference must be reviewed annually by the Committee and once each council term by the elected Council. Any substantive changes are to be approved by the elected Council.

Schedule 1- Responsibilities of the Committee

1 Audit

Internal audit

- Provide overall strategic oversight of internal audit activities
- Act as a forum for communication between the elected Council, Chief Executive Officer, senior management, the internal audit function and external audit
- Coordinate, as far as is practicable, the work programs of internal audit and other assurance and review functions
- Review and advise CN:
 - on whether CN is providing the resources necessary to successfully deliver the internal audit function
 - if CN is complying with internal audit requirements, including conformance with the International Professional Practices Framework
 - if CN's internal audit charter is appropriate and whether the internal audit policies and procedures and audit/risk methodologies used by CN are suitable
 - of the strategic four-year work plan and annual work plan of internal audits to be undertaken by CN's internal audit function
 - if CN's internal audit activities are effective, including the performance of the internal audit coordinator and the internal audit function
 - of the findings and recommendations of internal audits conducted, and corrective actions needed to address issues raised
 - of the implementation by CN of these corrective actions
 - on the appointment of the internal audit coordinator and external providers, and
 - if the internal audit function is structured appropriately and has sufficient skills and expertise to meet its responsibilities

External audit

- Act as a forum for communication between the elected Council, Chief Executive Officer, senior management, the internal audit function and external audit
- Coordinate as far as is practicable, the work programs of internal audit and 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 to the elected Council and/or Chief Executive Officer on action taken on significant issues raised in relevant external audit reports and better practice guides

2 Risk

Risk management

Review and advise CN:

- if CN's has in place a current and appropriate risk management framework that is consistent with the Australian risk management standard
- whether CN is providing the resources necessary to successfully implement its risk management framework
- whether CN's risk management framework is adequate and effective for identifying and managing the risks CN faces, including those associated with individual projects, programs and other activities
- if risk management is integrated across all levels of CN and across all processes, operations, services, decision-making, functions and reporting
- of the adequacy of risk reports and documentation, for example, CN'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 CN has taken steps to embed a culture which is committed to ethical and lawful behaviour
- if there is a positive risk culture within CN and strong leadership that supports effective risk management
- of the adequacy of staff training and induction in risk management
- how CN's risk management approach impacts on CN's insurance arrangements
- of the effectiveness of CN'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 CN:
 - whether CN's approach to maintaining an effective internal audit framework, including over external parties such as contractors and advisors, is sound and effective
 - whether CN 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 CN'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 CN of the adequacy and effectiveness of CN's compliance framework, including:

- if CN has appropriately considered legal and compliance risks as part of CN's risk management framework

- how CN 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 CN of the adequacy and effectiveness of CN's fraud and corruption prevention framework and activities, including whether CN has appropriate processes and systems in place to capture and effectively investigate fraud-related information.

Financial management

Review and advise CN:

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

Governance

Review and advise CN regarding its governance framework, including the [council's/joint organisation'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

3 Improvement

Strategic planning

Review and advise CN:

- of the adequacy and effectiveness of CN's integrated, planning and reporting (IP&R) processes
- if appropriate reporting and monitoring mechanisms are in place to measure progress against objectives, and
- whether CN is successfully implementing and achieving its IP&R objectives and strategies.

Service reviews and business improvement

- Act as a forum for communication and monitoring of any audits conducted by external bodies and the implementation of corrective actions (for example, NSW government agencies, Commonwealth government agencies, insurance bodies)
- Review and advise CN:
 - If CN 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 CN can improve its service delivery and CN's performance of its business and functions generally

Performance data and measurement

Review and advise CN:

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

DOCUMENT CONTROL

Document title	Audit, Risk and Improvement Committee Charter
Document owner	Chief Executive Officer
Document expert/writer	Internal Audit Coordinator
Associated Guideline or Procedure Title	NIL
Guideline or Procedure owner	NIL
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Approved by	Council
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Category	Governance
Details of previous versions	Version 1 ('Audit and Risk Committee Constitution') adopted by Council on 16 March 2010 Version 2 (Audit and Risk Committee Charter) adopted by Council on 9 October 2012 Version 3 (Audit and Risk Committee Charter) adopted by Council 25 November 2014 Version 4 (Audit and Risk Committee Charter) adopted by Council 27 February 2018
Keywords	Audit, Assurance, Risk Management, Corporate Governance, Committee, Internal Audit
Relevant Newcastle 2040 Theme/s	Achieving Together
Relevant legislation/codes (reference specific sections)	This Policy supports CN's compliance with the following legislation: <i>Local Government Act 1993</i> (NSW) <i>Local Government (General) Amendment (Audit, Risk and Improvement Committees) Regulations 2023</i> Office of Local Government Risk Management and Internal Audit Guidelines for local government in NSW (<i>November 2023</i>)
Other related documents	Enterprise Risk Management Framework and related documents CN's Code of Conduct Media Policy
Related forms	Confidentiality Deed Disclosure of Interest Return
Required on website	Yes



Internal Audit Charter

July 2024

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City of
Newcastle

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1 Introduction

- 1.1 City of Newcastle (CN) has established the Internal Audit Function as a key component of CN's governance and assurance framework, in compliance with the *Local Government (General) Regulation 2021* and the Office of Local Government's *Guidelines for risk management and internal audit for local government in NSW*. This charter provides the framework for the conduct of the Internal Audit Function in CN and has been approved by the Governing Body taking into account the advice of CN's Audit, Risk and Improvement Committee.
- 1.2 The Audit, Risk and Improvement Committee has been established by the elected Council and has an advisory role. Its terms of reference are defined in Audit, Risk and Improvement Committee (Committee) Charter. The elected Council has oversight of the Internal Audit function at CN.
- 1.3 This Charter provides the framework and authority for performance of internal audit activities at CN.
- 1.4 Chief Audit Executive describes the person responsible for effectively managing all aspects of the Internal Audit function and ensuring the quality performance of internal audit services in accordance with the 'Global Internal Audit Standards' issued by the Institute of Internal Auditors. The Chief Audit Executive is accountable to the elected Council for the Internal Audit function's implementation of and conformance with requirements of this Charter. At CN, the Chief Audit Executive is the Internal Audit Coordinator.
- 1.5 The 'Global Internal Audit Standards' requires Internal Audit functions to have an Internal Audit Mandate and an Internal Audit Charter – this document captures both requirements.

Commented [A1]: All text in blue aligns the internal audit charter with IIA standards and derived from model IIA internal audit charter.

2 Purpose of internal audit

- 2.1 Internal audit is an independent, objective assurance and consulting activity designed to add value and improve organisation's operations. It helps organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes¹.
- 2.2 Internal audit provides an independent and objective review and advisory service to provide advice to the Governing Body, CEO and Audit, Risk and Improvement Committee about CN's governance processes, risk management and control frameworks and its external accountability obligations. It also assists CN to improve its business performance.

3 Independence

- 3.1 CN's Internal Audit Function is to be independent of CN so it can provide an unbiased assessment of CN's operations and risk and control activities.
- 3.2 Internal Audit Function reports functionally to CN's Audit, Risk and Improvement Committee on the results of completed audits, and for strategic direction and accountability purposes, and reports administratively to the Executive Manager Legal & Governance to facilitate day-to-day operations. Internal audit activities are not subject to direction by CN and CN's management has no role in the exercise of CN's internal audit activities.
- 3.3 The Audit, Risk and Improvement Committee is responsible for communicating any internal audit issues or information to the Governing Body. Should the Governing Body require additional information, a request for the information may be made to the chairperson by resolution. The chairperson is only required to provide the information

¹ As defined by the Global Internal Audit Standards (2024)
Internal Audit Charter
Version 4 Effective 1 July 2024

requested by the Governing Body where the chairperson is satisfied that it is reasonably necessary for the Governing Body to receive the information for the purposes of performing its functions under the Local Government Act. Individual Councillors are not entitled to request or receive information from the committee.

- 3.4 CEO has delegated his administrative responsibility of Internal Audit Function to Executive Manager Legal and Governance.
- 3.5 The CEO must consult with the chairperson of CN's Audit, Risk and Improvement Committee before appointing or making decisions affecting the employment of the Internal Audit Coordinator.
- 3.6 Where the chairperson of CN's Audit, Risk and Improvement Committee has any concerns about the treatment of the Internal Audit Coordinator, or any action taken that may compromise their ability to undertake their functions independently, they can report their concerns to the Governing Body.
- 3.7 The Internal Audit Coordinator is to confirm at least annually to the Audit, Risk and Improvement Committee the independence of internal audit activities from CN.

4 Authority

- 4.1 All Internal Audit work is undertaken under the authority of the Audit, Risk and Improvement Committee.
- 4.2 CN 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 Coordinator considers necessary for the Internal Audit Function to undertake its responsibilities and engagements listed in the Forward Internal Audit Plan.

5 Confidentiality

- 5.1 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 Coordinator and individual internal audit staff are responsible and accountable for maintaining the confidentiality of the information they receive when undertaking their work.
- 5.2 All internal audit documentation is to remain the property of CN, including where internal audit services are performed by an external service provider.
- 5.3 Information and documents pertaining to the Internal Audit Function are not to be made publicly available. The Internal Audit Function may only release CN information to external service provider that are assisting the Internal Audit Function to undertake its responsibilities ~~with the approval of the CEO~~, 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.

Commented [A2]: Not practical to get approval from CEO for sharing information with co-source partners each time.

6 Conflict of Interests and Impairment of Objectivity

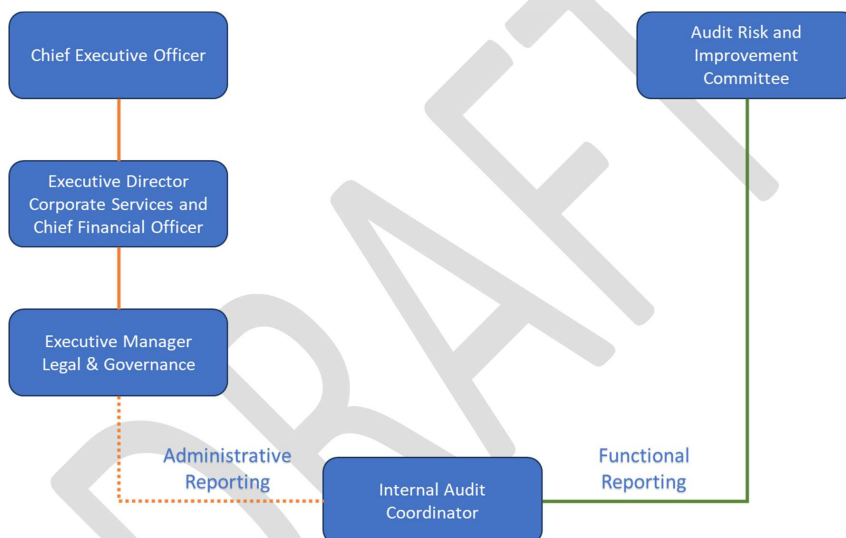
- 6.1 Conflict of interest is a situation in which an internal auditor, who is in a position of trust, has a competing professional or personal interest. Such competing interests can make it difficult to fulfil duties impartially. A conflict of interest exists even if no unethical or improper act results. A conflict of interest can create an appearance of impropriety that can undermine confidence in the internal auditor, the internal audit function and the profession. A conflict of interest could impair an individual's ability to perform his or her duties and responsibilities objectively.
- 6.2 Internal auditors are not to provide audit services for work for which they may previously have been responsible. The Institute of Internal Auditors provides guidance on this point

and suggests a period of one year, but each instance should be carefully assessed.

- 6.3 When engaging internal audit service providers, the Internal Audit Coordinator ~~shall~~will take steps to identify, evaluate the significance, and manage any perceived, potential or actual conflict of interest that may impinge upon internal audit work performed by a service provider. Where an internal audit service provider may be requested to provide a non-internal audit service by another business area, prior written permission of the Internal Audit Coordinator is required before the service provider can be engaged.
- 6.4 Instances of perceived, potential or actual conflict of interest by Internal Audit staff and service providers shall immediately be reported to the Internal Audit Coordinator and the Audit, Risk and Improvement Committee Chair.

7 Reporting Arrangement of Internal Audit Function

7.1 Internal audit function is positioned in CN as follows:



- 7.2 All Internal Audit service providers report to the Internal Audit Coordinator, who reports:
- Functionally for operations to the Committee through the Chair.
 - Administratively to the Executive Manager Legal & Governance.
- 7.3 Functional reporting involves the Committee:
- Reviewing and approving the Internal Audit Charter.
 - Approving decisions regarding appointment and removal of the Internal Audit Coordinator, including remuneration.
 - Assessing Internal Audit Coordinator's performance.
 - Reviewing and approving the Internal Audit Plan, and any changes to the plan.
 - Reviewing reports on the results of audits, audit-related activities, audit team capability, audit performance, and other important matters.
 - Monitoring Internal Audit compliance with standards, together with quality and improvement arrangements.
 - Meeting privately with the Internal Audit Coordinator at least once each year without the Chief Executive Officer or other management present (in camera section).

h) Making enquiries of the Internal Audit Coordinator to determine any scope or budget limitations that may impede the execution of Internal Audit responsibilities.

7.4 Administrative reporting to the Chief Executive Officer includes:

- a) Internal Audit resources and annual budget.
- b) Provision of corporate services to Internal Audit including office accommodation, technology and equipment.
- c) Human resource administration.

7.5 The Internal Audit Coordinator will meet regularly with the Executive Manager Legal & Governance. Right of direct access to the Chief Executive Officer by the Internal Audit Coordinator is preserved for any time the Internal Audit Coordinator believes it to be warranted.

8 Role

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

8.2 The Internal Audit Function is to also play an active role in:

- a) developing and maintaining a culture of accountability and integrity
- b) facilitating the integration of risk management into day-to-day business activities and processes, and
- c) promoting a culture of high ethical standards.

8.3 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 CN functions or activities (except in carrying out its own functions).

8.4 Internal Audit will support CN by:

- a) Reviewing achievement of objectives.
- b) Assessing if decisions are properly authorised.
- c) Evaluating the reliability and integrity of information.
- d) Ensuring assets are safeguarded.
- e) Assessing compliance with laws, regulations, policies and contracts.
- f) Considering the efficiency, effectiveness, economy and ethics of business activities.
- g) Reviewing opportunities for fraud and corruption.
- h) Following-up previous audits to assess whether remedial action has been effectively implemented.
- i) Providing forward-looking internal audit services.
- j) Looking for better ways of doing things and sharing these insights within CN.

9 Reporting to the Audit Committee

9.1 The Internal Audit Coordinator will report to the Committee on:

- a) Overall performance of Internal Audit, including performance measures agreed with the Committee.
- b) Internal audit work completed.
- c) Progress implementing the forward internal audit plan.
- d) Common themes emerging from internal audit engagements.
- e) Where appropriate, assessments of individual functions or business units derived

from more than one engagement.

- f) Implementation status of internal audit, external audit, and other relevant external and regulatory body recommendations.
- g) Achievements via an annual report to summarise work and achievements for the year, to demonstrate value delivered, and to provide an opinion on the overall state of internal controls and systemic issues identified.
- h) Annual assertion on Internal Audit independence and compliance with internal audit standards.

9.2 Annual statement of assurance addressing performance of governance, risk management and control processes across the organisation. The Internal Audit Coordinator will also report:

- a) Any disagreement with senior management or other stakeholders on the scope, findings, or other aspects of an engagement that may affect the ability of the internal audit function to execute its responsibilities.
- b) Any incidents where independence may have been impaired, and the actions or safeguards employed to address the impairment.
- c) Other matters as outlined in this Charter.

10 Nature and Scope of Work

10.1 The scope of internal audit work embraces the wider concept of corporate governance and risk, recognising that controls exist in organisations to manage risks and promote effective and efficient governance and performance. Internal audit services may include:

- a) Assurance Services – Services through which internal auditors perform objective assessments to provide assurance. Examples of assurance services include compliance, financial, operational / performance and technology engagements. Internal auditors may provide limited or reasonable assurance, depending on the nature, timing and extent of procedures performed.
- b) Advisory Services – Services through which internal auditors provide advice to an organisation's stakeholders without providing assurance or taking on management responsibilities. The nature and scope of advisory services are subject to agreement with relevant stakeholders. Examples include advising on the design and implementation of new policies, processes, systems and products / providing forensic services / providing training / facilitating discussions about risks and controls. 'Advisory services' are also known as 'consulting services'.

10.2 Internal Audit will offer internal audit work as follows:

- a) Audits with a compliance, financial or operational performance improvement focus.
- b) Management requested services where business areas may request internal audit services, usually in response to an issue or an emerging risk.
- c) Multi-stage audits at key project milestones.
- d) Continuous auditing of controls using technology.

10.3 The scope and coverage of Internal Audit work is not limited in any way and may cover any activity, operation and program, including those of subsidiary, controlled and associated organisations.

11 Professional Standards

11.1 Internal Audit will govern itself by adherence to mandatory guidance contained in the 'International Professional Practices Framework' (IPPF) and 'Global Internal Audit Standards' issued by the Institute of Internal Auditors (IIA). This includes internal audit work performed by service providers.

12 Resourcing

- 12.1 The Internal Audit Coordinator must advise the Committee if internal audit resources are not sufficient for Internal Audit to fulfil its responsibilities. Any assessment of the Internal Audit operational budget is to be supported by appropriate and objective analysis and benchmarking.
- 12.2 Should resources be insufficient, the Internal Audit Coordinator must provide the Committee with options to address the shortfall.
- 12.3 In consultation with the Committee, the service provider will be selected through periodic market testing that applies good practice probity principles focused on competence, skills and knowledge against a set of pre-determined criteria including independence and objectivity.

13 Responsibilities of Internal Audit Coordinator

- 13.1 CN's Internal Audit Function is to be led by a member of CN's staff with sufficient skills, knowledge and experience to ensure it fulfils its role and responsibilities to CN and the Audit, Risk and Improvement Committee. The Internal Audit Coordinator must be independent, impartial, unbiased and objective when performing their work and free from any conflicts of interest.
- 13.2 Responsibilities of the Internal Audit Coordinator include:

Internal Audit Function

- a) maintain a high performing Internal Audit function
- b) managing the day-to-day activities of the Internal Audit Function
- c) managing CN's internal audit budget
- d) supporting the operation of CN's Audit, Risk and Improvement Committee

Internal Audit Planning

- e) develop a strategic and annual workplan (including risk-based forward internal audit plan) that considers Council's risks and issues, including those identified by management, and submit the plan to the Audit Risk and Improvement Committee for review and approval
- f) ensure strategic and annual workplan is adopted by the Governing Body at the start of council term.
- g) ensure changes to the internal audit plan are approved by the Committee in consultation with the Governing Body.

Internal Audit Engagements

- h) approving internal audit project plans, conducting or supervising audits and assessments and providing independent advice to the Audit, Risk and Improvement Committee
- i) implementing the Audit, Risk and Improvement Committee's annual work plan and four-year strategic work plan
- j) acting as a liaison between the external service provider and the Audit, Risk and Improvement Committee
- k) produce a written balanced final communication for each audit containing a conclusion against the engagement objective, positive commentary on what is working well, and improvement actions.
- l) include proposed management actions are included in audit reports, identifying a

- responsible person and realistic timetable for completion.
- m) reviewing and forwarding audit reports by the external service provider to the Audit, Risk and Improvement Committee
 - n) contract management and oversight of external service providers.
 - o) ensuring CN's internal audit activities comply with the Office of Local Government's *Guidelines for risk management and internal audit for local government in NSW*, and *Global Internal Audit Standards*.

Audit Actions

- p) Establish a system to monitor progress by management to implement internal audit and external audit improvement actions, together with recommendations contained in reports by other relevant external and regulatory bodies.
- q) Obtain regular management updates on progress to implement audit actions.
- r) Follow-up and obtain evidence that audit actions are effectively implemented by management before recommending closure to the Committee.

14 Internal Audit Function

14.1 Members of the Internal Audit Function are responsible to the Internal Audit Coordinator.

14.2 Individuals that perform internal audit activities for CN must have:

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

15 Performing internal audit activities

15.1 The work of the Internal Audit Function is to be thoroughly planned and executed. CN'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.

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

15.3 All internal audit activities are to be performed in a manner that is consistent with relevant professional standards including the International Professional Practice Framework of Internal Auditing issued by the Institute of Internal Auditors and Australian Risk Management Standard.

15.4 The Internal Audit Coordinator 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 Executive Manager.

15.5 The Internal Audit Coordinator is to establish an ongoing monitoring system to follow up CN's progress in implementing corrective actions.

15.6 The CEO, in consultation with the Audit, Risk and Improvement Committee, is to develop and maintain policies and procedures to guide the operation of CN's Internal Audit Function.

15.7 The Internal Audit Coordinator 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.

16 Management Obligations

- 16.1 A Single Point of Contact (SPOC) will be nominated as the management owner of each audit.
- 16.2 Management and staff are obligated to professionally and constructively contribute to internal audit work, and implementation of audit actions in response to improvement opportunities and recommendations contained in internal audit reports.
- 16.3 Management to provide management responses and proposed audit actions which should contain:
- Agreed, partially agreed or not agreed
 - If not agreed, why not.
 - Action to be taken
 - Responsible person
 - Timing
 - Interim control arrangements to be relied upon where there is a long lead time, such as waiting to close-out an audit action through implementation of a technology solution
- 16.4 In exceptional circumstances, a longer time period for management responses may be agreed between the Internal Audit Coordinator and SPOC.
- 16.5 First Implementation date:** Internal Audit Coordinator will hold meetings to discuss actions. Executive Managers are responsible for overseeing audit actions. Updates on actions or request for extension to 2nd implementation date should be provided to the Internal Audit Coordinator 4 weeks prior to Audit & Risk Committee meetings in which they are first becoming due.
- 16.6 Second Implementation date:** 6 weeks before reaching the second implementation date, Internal Audit Coordinator will meet with the responsible Executive Manager to discuss causes of delays or if any support is required with the audit actions. The Executive Manager may request for an extension to 3rd implementation date. The responsible Executive Manager to attend and discuss the outstanding audit actions at the next Governance & Risk (Executive) Committee Meeting (GREC). GREC may request the responsible Executive Manager to present at the next Committee meeting.
- 16.7 Third Implementation date:** 6 weeks before reaching the third revised due date, the Executive Manager Legal & Governance and Internal Audit Coordinator will meet with the responsible Executive Director and Executive Manager to discuss causes of delays or if any support is required with the audit actions. Any audit actions that are not implemented within 3rd implementation date will be reported as overdue to GREC and the Committee. Executive Manager to attend and discuss the outstanding audit actions at the next Governance & Risk (Executive) Committee Meeting (GREC). GREC may request the responsible Executive Manager to present at the next Committee meeting.
- 16.8 Overdue audit action(s):** Executive Director and Executive Manager will develop an action plan to close the audit action at the earliest. The plan will be actively tracked by Executive Manager Legal & Governance and Internal Audit Coordinator. Executive Manager to attend and discuss the progress of action plan around the overdue audit actions at the next Governance & Risk (Executive) Committee Meeting (GREC). GREC may request the responsible Executive Manager to present at the next Committee meeting.
- 16.9 Where management seeks to accept a risk from an audit recommendation, a 'management acceptance of risk' process is to be completed that considers approved risk appetite and submit it to the Committee for review and approval.

Commented [A3]: Standard ways of working provided in IIA charter. Modified based on CN's ways of working.

17 Quality Assurance and Improvement Program

- 17.1 The Internal Audit Coordinator is responsible for developing and maintaining a quality assurance and improvement program that includes:
- Ongoing internal assessments.
 - Annual internal self-assessment against the 'Global Internal Audit Standards'.
 - Performance measures agreed by the Audit, Risk and Improvement Committee.
 - Annual assertion to the Audit, Risk and Improvement Committee on compliance with 'Global Internal Audit Standards'.
 - Independent external assessments performed at least once every council term by a qualified, independent assessor or assessment team from outside the organisation.
- 17.2 Internal audit is encouraged to develop and maintain mutually beneficial relations with counterparts in other organisations, thought leaders, relevant professional bodies and networks with a view to:
- Exchanging information on internal audit good practice.
 - Exchanging information on emerging corporate governance, risk management and assurance matters.

18 Evaluation of Performance

- 18.1 CN adopts balanced scorecard approach to evaluate performance of Internal Audit function. The scorecard comprises of four elements and key performance indicators under each element.
- 18.2 Qualitative inputs to the scorecard are received through internal audit customer feedback survey conducted after each internal audit engagement, annual internal audit leadership survey conducted after end of every financial year and annual satisfaction survey to all members of the Audit, Risk and Improvement Committee.
- 18.3 Quantitative inputs to the scorecard are received through forward internal audit plan, internal audit budget progress report and audit action progress report.
- 18.4 Below is the balance scorecard adopted by CN to evaluate the performance of internal audit function:

Element	Key Performance Indicator	Mechanism	Source	Target
Partnering with the Audit, Risk and Improvement Committee	Expectations of Audit, Risk and Improvement Committee	Annual satisfaction survey to all members of the Audit, Risk and Improvement Committee to be issued in August of every year. The survey will indicate the level of satisfaction with quality, type and volume of information presented and reported.	Annual satisfaction survey to all members of the Audit, Risk and Improvement Committee	Rating 3.5 out of 5
	Percentage of forward internal audit plan complete	Number of audits completed and reported to the audit committee as per the annual workplan.	Forward internal audit plan	85%
Supporting Senior Management	Client satisfaction goal	Annual client satisfaction survey to be issued in August every year to CN's executive leadership and Service Unit Managers involved in engagements during the year.	Annual internal audit leadership survey conducted after end of every financial year	Rating 3.5 out of 5

Element	Key Performance Indicator	Mechanism	Source	Target
	Audit action tracking	Develop system to monitor implementation of audit actions and meet follow-up timelines	Audit action follow-up mechanism Audit action progress report	In Place
Managing Internal Audit Processes	Performance against the internal audit financial budget	Actual expenditure against the approved financial operating budget including quarterly updates to the budget.	Budget vs actual financial report	95%
	Availability of current and relevant Internal audit charter, ARIC charter, Strategic & annual workplan and Internal audit manual	Periodic review of internal audit reference materials to ensure the most up-to-date versions are available on OnePlace intranet.	Internal audit charter, ARIC charter, Strategic & annual workplan and Internal audit manual	100%
	Compliance with OLG guidelines and Global Internal Audit Standards	External quality assessment conducted once every council term	Quality assessment report	Assessed at "Managed" level or above

19 Relationship with other Assurance Activities

- 19.1 CN uses the 3 Lines integrated assurance model to allocate responsibilities for risk management and control, recognising that:
- Line 1 – Management has ownership, responsibility and accountability for assessing, controlling and mitigating risks.
 - Line 2 – Risk management facilitates and monitors implementation of effective risk management practices by management and assists risk owners in reporting adequate risk-related information up and down the organisation.
 - Line 3 – Internal audit will, through a risk-based approach, provide assurance to the Audit Committee and management on how effectively CN assesses and manages its risks, including the manner in which the first and second lines operate. Internal auditing does not absolve management and staff from any of their risk management and control responsibilities.
- 19.2 Internal Audit will establish and maintain an open relationship with the external auditor and other assurance providers. Internal Audit will plan its activities to ensure adequacy of overall assurance coverage and to minimise duplication of assurance effort across CN.

20 Conduct

- 20.1 Internal audit personnel must comply with CN's code of conduct. Complaints about breaches of CN's code of conduct by internal audit personnel are to be dealt with in accordance with the CN's Code. The CEO must consult with CN's Audit, Risk and Improvement Committee before any disciplinary action is taken against the Internal Audit Coordinator in response to a breach of CN's code of conduct.
- 20.2 Internal auditors must also comply with the Code of Ethics for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

21 Audit, Risk and Improvement Committee meetings

- 21.1 The Internal Audit Coordinator will attend Audit, Risk and Improvement Committee meetings as an independent non-voting observer. The Internal Audit Coordinator can

be excluded from meetings by the committee at any time.

- 21.2 The Internal Audit Coordinator must meet separately with the Audit, Risk and Improvement Committee at least once per year.
- 21.3 The Internal Audit Coordinator can meet with the chairperson of the Audit, Risk and Improvement Committee at any time, as necessary, between committee meetings.

22 External audit

- 22.1 Internal and external audit activities will be coordinated to help ensure the adequacy of overall audit coverage and to minimise duplication of effort.
- 22.2 Periodic meetings and contact between internal and external audit shall be held to discuss matters of mutual interest and to facilitate coordination.
- 22.3 External audit will have full and free access to all internal audit plans, working papers and reports.

23 Dispute resolution

- 23.1 Internal Audit Function should maintain an effective working relationship with CN 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.
- 23.2 In the event of a disagreement between the Internal Audit Function and CN, the dispute is to be resolved by the CEO and/or the Audit, Risk and Improvement Committee. Disputes between the Internal Audit Function and the Audit, Risk and Improvement Committee are to be resolved by the Governing Body.
- 23.3 Unresolved disputes regarding compliance with statutory or other requirements are to be referred to the Departmental Chief Executive of the Office of Local Government in writing.

24 Review arrangements

- 24.1 CN'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 [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 [Governing Body](#).
- 24.2 This charter is to be reviewed annually by the committee and once each council term by the Governing Body. [Charter also to be reviewed if significant change occurs. The changes may include but are not limited to following circumstances:](#)
 - a) A notable change in the Global Internal Audit Standards.
 - b) A significant acquisition or reorganization within the organization.
 - c) Significant changes in the board and/or senior management.
 - d) Significant changes to the organization's strategies, objectives, risk profile, or the environment in which it operates.
 - e) New laws or regulations that may affect the nature and/or scope of internal audit services.
- 24.3 Any substantive changes are to be approved by the Governing Body.

25 Further information

- 25.1 For further information on CN's internal audit activities, contact Internal Audit Coordinator.

Reviewed by Internal Audit Coordinator

[sign and date]

Reviewed by chairperson of CN's Audit, Risk and Improvement Committee

[sign and date]

Reviewed by CEO

[sign and date]

Reviewed by CN in accordance with a resolution of the Governing Body

[resolution reference]

[date]

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Schedule 1 – Internal audit function responsibilities

1 Audit

1.1 Internal audit

- a) Conduct internal audits as directed by CN's Audit, Risk and Improvement Committee.
- b) Implement CN's annual and four-year strategic internal audit work plans.
- c) Monitor the implementation by CN of corrective actions.
- d) Assist CN to develop and maintain a culture of accountability and integrity.
- e) Facilitate the integration of risk management into day-to-day business activities and processes.
- f) Promote a culture of high ethical standards.

1.2 External audit

- a) Provide input and feedback on the financial statement and performance audit coverage proposed by external audit and provide feedback on the audit services provided.
- b) Review all external plans and reports in respect of planned or completed audits and monitor CN's implementation of audit recommendations.
- c) Provide advice on action taken on significant issues raised in relevant external audit reports and better practice guides.

2 Risk

2.1 Risk management

Review and advise based on observations made during internal audit engagements:

- a) if CN's has in place a current and appropriate risk management framework that is consistent with the Australian risk management standard
- b) whether CN's risk management framework is adequate and effective for identifying and managing the risks CN faces, including those associated with individual projects, programs and other activities
- c) if risk management is integrated across all levels of CN and across all processes, operations, services, decision-making, functions and reporting
- d) of the adequacy of risk reports and documentation, for example, CN's risk register and risk profile
- e) whether a sound approach has been followed in developing risk management plans for major projects or undertakings
- f) whether appropriate policies and procedures are in place for the management and exercise of delegations
- g) if CN has taken steps to embed a culture which is committed to ethical and lawful behaviour
- h) if there is a positive risk culture within CN and strong leadership that supports effective risk management
- i) of the adequacy of staff training and induction in risk management
- j) how CN's risk management approach impacts on CN's insurance arrangements
- k) of the effectiveness of CN's management of its assets, and
- l) of the effectiveness of business continuity arrangements, including business continuity plans, disaster recovery plans and the periodic testing of these plans.

2.2 Internal controls

Review and advise based on observations made during internal audit engagements:

- a) whether CN's approach to maintaining an effective internal audit framework, including over external parties such as contractors and advisors, is sound and effective
- b) whether CN has in place relevant policies and procedures and that these are periodically reviewed and updated
- c) whether appropriate policies and procedures are in place for the management and exercise of delegations
- d) whether staff are informed of their responsibilities and processes and procedures to implement controls are complied with
- e) if CN's monitoring and review of controls is sufficient, and
- f) if internal and external audit recommendations to correct internal control weaknesses are implemented appropriately.

2.3 Compliance

Review and advise based on observations made during internal audit engagements of the adequacy and effectiveness of CN's compliance framework, including:

- a) if CN has appropriately considered legal and compliance risks as part of CN's risk management framework
- b) how CN manages its compliance with applicable laws, regulations, policies, procedures, codes, and contractual arrangements, and
- c) whether appropriate processes are in place to assess compliance.

2.4 Fraud and corruption

- a) Review and advise based on observations made during internal audit engagements of the adequacy and effectiveness of CN's fraud and corruption prevention framework and activities, including whether CN has appropriate processes and systems in place to capture and effectively investigate fraud-related information.

2.5 Financial management

Review and advise based on observations made during internal audit engagements:

- a) if CN is complying with accounting standards and external accountability requirements
- b) of the appropriateness of CN's accounting policies and disclosures
- c) of the implications for CN of the findings of external audits and performance audits and CN's responses and implementation of recommendations
- ~~d) whether CN's financial statement preparation procedures and timelines are sound~~
- ~~e) the accuracy of CN's annual financial statements prior to external audit, including:~~
 - ~~a. management compliance/representations~~
 - ~~b. significant accounting and reporting issues~~
 - ~~c. the methods used by CN to account for significant or unusual transactions and areas of significant estimates or judgements~~
 - ~~d. appropriate management signoff on the statements~~
- ~~f) if effective processes are in place to ensure financial information included in CN's report is consistent with signed financial statements~~

Commented [A4]: The said responsibilities are of FPP

- ~~g) if CN's financial management processes are adequate~~
~~h) the adequacy of cash management policies and procedures~~

Commented [A5]: Responsibility of external auditors

- ~~i)d) if there are adequate controls over financial processes, for example:~~
- a. appropriate authorisation and approval of payments and transactions
 - b. adequate segregation of duties
 - c. timely reconciliation of accounts and balances
 - d. review of unusual and high value purchases
- ~~f)e) if policies and procedures for management review and consideration of the financial position and performance of CN are adequate~~
- ~~k)f) if CN's grants and tied funding policies and procedures are sound.~~

2.6 Governance

Review and advise based on observations made during internal audit engagements of the adequacy of CN governance framework, including CN's:

- a) decision-making processes
- b) implementation of governance policies and procedures
- c) reporting lines and accountability
- d) assignment of key roles and responsibilities
- ~~e) committee structure~~
- ~~f)e) management oversight responsibilities~~
- ~~g)f) human resources and performance management activities~~
- ~~h)g) reporting and communication activities~~
- ~~i)h) information and communications technology (ICT) governance, and~~
- ~~j)i) management and governance of the use of data, information and knowledge.~~

Commented [A6]: Driven by OLG guidelines and responsibility of ARIC and Governing Body

3 Improvement

Facilitate reporting to the Audit, Risk and Improvement Committee

3.1 Strategic planning

Review and advise:

- a) ~~of the adequacy and effectiveness of~~ CN's integrated, planning and reporting (IP&R) processes
- b) ~~if appropriate~~ reporting and monitoring mechanisms are in place to measure progress against objectives, and
- c) whether CN is ~~successfully~~ implementing and achieving its IP&R objectives and strategies.

3.2 Service reviews and business improvement

Review and advise:

- ~~d) if CN has robust systems to set objectives and goals to determine and deliver appropriate levels of service to the community and business performance~~
- ~~e) if appropriate reporting and monitoring mechanisms are in place to measure service delivery to the community and overall performance, and~~
- a) ~~how CN can improve its~~ service delivery and CN's performance of its business and functions generally

Commented [A7]: Responsibility of ARIC and driven by FPP.

3.3 Performance data and measurement

~~Review and advise:~~

- a) ~~if CN has a robust system to determine appropriate performance indicators to measure the achievement of its strategic objectives~~
- b) ~~if the performance indicators CN uses are effective, and of the adequacy of performance data collection and periodic reporting.~~

Commented [A8]: Responsibility of ARIC and driven by FPP.

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DOCUMENT CONTROL

Document title	Internal Audit Charter
Document owner	Chief Executive Officer
Document expert/writer	Internal Audit Coordinator
Associated Guideline or Procedure Title	NIL
Guideline or Procedure owner	NIL
Prepared by	Legal & Governance
Approved by	Council
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Category	Governance
Details of previous versions	Version 1 (Internal Audit Charter) adopted by Internal Audit Committee on 23 May 2002 Version 2 (Internal Audit Charter) adopted by Audit Committee on 1 June 2006 Version 3 (Internal Audit Charter) adopted by Audit Committee 27 February 2014
Keywords	Audit, Assurance, Risk Management, Corporate Governance, Committee, Internal Audit
Relevant Newcastle 2040 Theme/s	Achieving Together
Relevant legislation/codes (reference specific sections)	This Policy supports CN's compliance with the following legislation: <i>Local Government Act 1993</i> (NSW) <i>Local Government (General) Amendment (Audit, Risk and Improvement Committees) Regulations 2023</i> Office of Local Government Risk Management and Internal Audit Guidelines for local government in NSW (<i>November 2023</i>) Global Internal Audit Standards
Other related documents	Enterprise Risk Management Framework and related documents CN's Code of Conduct Media Policy
Related forms	Confidentiality Deed Disclosure of Interest Return
Required on website	Yes