

Ordinary Meeting

Meeting Date: Tuesday, 17 June, 2025

Location: Council Chambers, City Administrative Building, Bridge Road, Nowra

Attachments (Under Separate Cover)

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Audit, Risk & Improvement Committee Strategic workplan 2025 to 2029

Version number	1.0
ARIC Endorsement (Minute and Date)	May 2025
Council Adoption (Minute and Date)	
Next Review Date:	June 2026
Directorate:	CEO Directorate
Record Number:	D25/168171

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CL25.198 - Attachment 1

1. Background

Shoalhaven City Council (Council) has established an Audit, Risk and Improvement Committee (ARIC) 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*.

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

The *Guidelines for risk management and internal audit for local government in NSW* require Council's ARIC to develop a strategic work plan every four years to ensure that all the matters listed in section 428A of the Local Government Act are reviewed by the committee and considered by the internal audit function when developing their risk-based program of internal audits.

The Section 428A of the Local Government Act 1993 require:
428A Audit, Risk and Improvement Committee

- (1) A council must appoint an Audit, Risk and Improvement Committee.*
- (2) The Committee must keep under review the following aspects of the council's operations--*
 - (a) compliance,*
 - (b) risk management,*
 - (c) fraud control,*
 - (d) financial management,*
 - (e) governance,*
 - (f) implementation of the strategic plan, delivery program and strategies,*
 - (g) service reviews,*
 - (h) collection of performance measurement data by the council,*
 - (i) any other matters prescribed by the regulations.*
- (3) The Committee is also to provide information to the council for the purpose of improving the council's performance of its functions.*

The Guidelines require that ARIC workplan document:

- goals and expected outcomes of the ARIC for the Council term
- key organisational issues and risks faced by the Council and how the committee will review these, and
- key performance indicators to measure progress across the Council term.

2. OBJECTIVES

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

3. GOALS & EXPECTED OUTCOMES

- To provide Council with valuable independent advice to enhance the Council's governance accountability
- To consider and provide feedback on the issues presented as per schedule 1 of the ARIC terms of reference (charter)
- To elevate critical matters to Council and management for their action

4. STRATEGIES

- Strategically develop, and manage the ARIC's work plan each year, and cumulatively over 4 years. Achieve this by ensuring the range of tasks undertaken, and the quality of the work completed, fully meets the endorsed ARIC Terms of Reference (Charter) responsibilities.
- Demonstrate value added by the ARIC to the Council and Council management. This is achieved through the matters considered at the ARIC and the presentation of the Annual ARIC report to Council.
- Integrate risk management into ARIC workplan each quarter.
- Assist the Council to comply with government requirements and community expectations by regularly reviewing, and as appropriate commenting on Council's financial management and performance.
- Optimize the value of the External Audit function through regular updates on the external audit matters and reports received.
- Review and approve 4 yearly internal audit plan annually. Maximize the efficiency of the Internal Audit activities through considering the internal audit matters at each meeting and providing value added feedback.
- Develop productive relationships within the ARIC and with key stakeholders.

5. COUNCIL'S KEY RISKS

The 4-year internal audit plan is one of the key documents which is revised annually and assesses the key risks faced by Council. The 4-year strategic internal audit plan is approved by ARIC each year based on the risk assessment at that time. While reviewing the 4-year internal audit plan, a number of factors are considered. Some of them are Enterprise Risk Register information, JLT Public Sector risk reports, Audit Office publications, ICAC publications and stakeholder inputs.

The financial risks are also captured through the consideration of the Audit Office Engagement Plan each year.

The top 5 key risks applicable to Council in 2025 are:

- Financial Sustainability
- Project Management
- Assets & Infrastructure
- Cybersecurity
- Climate Change

Further to these risks been included in the internal audit plan, updates on these key risks are considered by the ARIC through the updates received from different Directors.

6. MEETING PLANNER

July	August	September	October	November	December	January	February	March	April	May	June
Meeting 1			Meeting 2			Meeting 3			Meeting 4		
<p>In Camera session prior to the meeting (ARIC members, External Auditors and Internal Auditors)</p> <p>Standard Agenda Items</p> <ul style="list-style-type: none"> ▪ Refer below <p>Special Agenda Items</p> <ul style="list-style-type: none"> ▪ Financial Sustainability Update. ▪ AONSW – Interim Management Letter ▪ Finance – Draft Financial Statements, Accounting policies/positions 			<p>Standard Agenda Items</p> <ul style="list-style-type: none"> ▪ Refer below <p>Special Agenda Items</p> <ul style="list-style-type: none"> ▪ Financial Sustainability Update. ▪ AONSW – Final Management Letter ▪ Finance – policies as required. ▪ Strategic Planning – Annual Report to Council. ▪ ARIC self-assessment survey ▪ Voluntary cybersecurity attestation 			<p>In Camera session prior to the meeting (ARIC members, External Auditors and Internal Auditors)</p> <p>Standard Agenda Items</p> <ul style="list-style-type: none"> ▪ Refer below <p>Special Agenda Items</p> <ul style="list-style-type: none"> ▪ In Camera session ▪ Financial Sustainability Update. ▪ AONSW – Client Engagement Plan ▪ Service Review – Report ▪ ARIC annual work plan ▪ ARIC Annual Report to Council. 			<p>Standard Agenda Items</p> <ul style="list-style-type: none"> ▪ Refer below <p>Special Agenda Items</p> <ul style="list-style-type: none"> ▪ Financial Sustainability Update. ▪ AONSW – Update on Progress of audit ▪ Review of internal audit charter ▪ Review of ARIC Charter ▪ Internal Audit – Annual internal audit workplan. 		

Standard Agenda Items – All Meetings		
<p>Welcome and Administrative Items</p> <ol style="list-style-type: none"> 1. Welcome and apologies 2. Acknowledgement of Country 3. Confirmation of minutes 4. Disclosure of interests 5. Business arising from the minutes <p>Audit Office of NSW</p> <ol style="list-style-type: none"> 6. External audit update <p>Finance</p> <ol style="list-style-type: none"> 7. Update on Quarterly Budget Review 8. Finance policies/positions as required. <p>Internal Audit</p> <ol style="list-style-type: none"> 9. Update on Internal Audit Plan 10. Progress on audit actions 11. Internal audit reports 	<p>Cyber Security Arrangements</p> <ol style="list-style-type: none"> 12. Update on the Cyber risks. <p>Risk Management</p> <ol style="list-style-type: none"> 13. Risk management and insurance arrangements update. 14. Emerging matters <p>Governance</p> <ol style="list-style-type: none"> 15. Legislative Compliance Register 16. Emerging matters <p>Report from the Public Officer</p> <ol style="list-style-type: none"> 17. Reports to oversight agencies and related matters. 	<p>Service Reviews and Business Improvement</p> <ol style="list-style-type: none"> 18. Progress on business improvement program <p>Project Risk Reporting</p> <ol style="list-style-type: none"> 19. Directorate reports on projects above \$10M at a Significant Milestone <p>Committee Administration</p> <ol style="list-style-type: none"> 20. Annual workplan (forward plan) 21. General business 22. Emerging risks 23. Next meetings

Special Meeting (October) – Financial Statements		
<p>Welcome and Administrative Items</p> <ol style="list-style-type: none"> 1. Welcome and apologies 2. Acknowledgement of Country 3. Confirmation of minutes 4. Disclosure of interests 	<p>Finance</p> <ol style="list-style-type: none"> 5. Financial Statements 	<p>Audit Office of NSW</p> <ol style="list-style-type: none"> 6. Engagement Closing Report

Annual Reports	End of Council Term Reports	Internal Audit Assessment
<p>Audit, Risk & Committee</p> <p>Annual Report to Council</p> <p>Chief Executive Officer</p> <p>Annual attestations from 2024/25 Annual Reports</p> <ul style="list-style-type: none"> • Audit Risk and Improvement committee • Risk Management • Internal Audit 	<p>Audit and Risk Committee</p> <ul style="list-style-type: none"> • Comprehensive independent assessment of all the matters listed in section 428A of the Local Government Act that have been reviewed during the council term. • Review of the effectiveness of the ARIC in conformance with the International Professional Practice Framework. 	<p>Quality Assessment Internal Audit</p> <ul style="list-style-type: none"> • Independent external assessments performed at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.

7. ANNUAL WORK PLAN

The annual work plan is prepared each year detailing how the ARIC will be discharging its responsibilities as per the ARIC Terms of Reference (Charter). The annual work plan illustrates which matters will be considered at each ARIC meeting. This workplan is reviewed by ARIC annually.

The ARIC work plan is attached.

8. KEY PERFORMANCE INDICATORS

As a baseline, the ARIC will measure its success through the following indicators:

- Biennial ARIC self-assessment to measure performance. This survey will be extended to regular non-voting ARIC meeting attendees. An increasing score is aimed with an action plan to be developed for any improvement required.
- ARIC member's self-reflection on the ARIC's performance against the ARIC Terms of reference (Charter).
- ARIC annual work program is met or exceeded, with consideration for displacement of planned activities caused by non-planned urgent or priority matters.
- Benchmarking with other similar sized or bigger councils.
- Feedback received from Council and the CEO.
- Feedback received from the External Auditor.



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CL25.198 - Attachment 1

ARIC ANNUAL WORK PLAN

REF	ARIC RESPONSIBILITIES AS PER ARIC TERMS OF REFERENCE	ACTIVITY	TYPE OF ACTIVITY	MEETING DATES (Financial Year)			
				Meeting 1	Meeting 2	Meeting 3	Meeting 4
AUDIT							
Internal Audit							
1.1.1	Provide overall strategic oversight of internal audit activities	Progress on IA Plan and IA reports considered at each meeting	A	√	√	√	√
1.1.2	Act as a forum for communication between the governing body, Chief Executive Officer, senior management, the internal audit function and external audit	Ongoing. Processes in place. Communication guideline included in the ARIC Charter	A	√	√	√	√
		In Camera session with Internal Audit		√		√	
1.1.3	Oversee, as far as is practicable, the work programs of internal audit and other assurance and review functions	IA Plan approved by ARIC and progress on IA Plan considered at each meeting	A	√	√	√	√
1.1.4	Review and advise the Council: (i) on whether the Council is providing the resources necessary to successfully deliver the internal audit function (ii) if the Council is complying with internal audit requirements, including conformance with the International Professional Practices Framework (iii) if the Council's internal audit charter is appropriate and whether the internal audit policies and procedures and audit/risk methodologies used by the Council are suitable (iv) of the strategic four-year work plan and annual work plan of internal audits to be undertaken by the Council's internal audit function (v) if the Council's internal audit activities are effective, including the performance of the Chief Internal Auditor and the internal audit function (vi) of the findings and recommendations of internal audits conducted, and corrective actions needed to address issues raised (vii) of the implementation by the Council of these corrective actions (viii) on the appointment of the Chief Internal Auditor and external providers, and (ix) if the internal audit function is structured appropriately and has sufficient skills and expertise to meet its responsibilities	Ongoing monitoring and feedback on the process to the Chief Internal Auditor and Chief Executive Officer	A, I	√	√	√	√
External Audit							
1.2.1	Act as a forum for communication between the governing body, Chief Executive Officer, senior management, the internal audit function and external audit	Ongoing Communications	A	√	√	√	√
		In Camera session with External Audit		√		√	
1.2.2	Oversee as far as is practicable, the work programs of internal audit and external audit	Approve the IA Plan	A			√	
		Progress on IA Plan		√	√	√	√
		Receive and review AO External Audit Engagement Plan					√
		Progress on External Audit Plan		√	√	√	√

ARIC ANNUAL WORK PLAN

REF	ARIC RESPONSIBILITIES AS PER ARIC TERMS OF REFERENCE	ACTIVITY	TYPE OF ACTIVITY	MEETING DATES (Financial Year)			
				Meeting 1	Meeting 2	Meeting 3	Meeting 4
1.2.3	Provide input and feedback on the financial statement and performance audit coverage proposed by external audit and provide feedback on the audit services provided	Receive and review AO External Audit Engagement Plan	A, I				√
1.2.4	Review all external plans and reports in respect of planned or completed audits and monitor council's implementation of audit recommendations	Progress on audit recommendations considered at each meeting	A, I	√	√	√	√
1.2.5	Provide advice to the governing body and/or Chief Executive Officer on action taken on significant issues raised in relevant external audit reports and better practice guides	Ongoing feedback	A	√	√	√	√
RISK							
Risk Management							
2.1.1	Review and advise the Council: (i) if the Council's has in place a current and appropriate risk management framework that is consistent with the Australian risk management standard (ii) whether the Council is providing the resources necessary to successfully implement its risk management framework (iii) whether the Council's risk management framework is adequate and effective for identifying and managing the risks the Council faces, including those associated with individual projects, programs and other activities (iv) if risk management is integrated across all levels of the Council and across all processes, operations, services, decision-making, functions and reporting (v) of the adequacy of risk reports and documentation, for example, the Council's risk register and risk profile (vi) whether a sound approach has been followed in developing risk management plans for major projects or undertakings (vii) whether appropriate policies and procedures are in place for the management and exercise of delegations (viii) if the Council has taken steps to embed a culture which is committed to ethical and lawful behaviour (ix) if there is a positive risk culture within the Council and strong leadership that supports effective risk management (x) of the adequacy of staff training and induction in risk management (xi) how the Council's risk management approach impacts on the Council's insurance arrangements (xii) of the effectiveness of the Council's management of its assets, and (xiii) of the effectiveness of business continuity arrangements, including business continuity plans, disaster recovery plans and the periodic testing of these plans.	Quarterly update on the ERM framework, including the risk registers and insurance arrangements Update on the Business Continuity Plan.	A, I	√	√	√	√
Internal Controls							
2.2.1	Review and advise the Council:	Quarterly update on the Internal Audit work undertaken	A, I	√	√	√	√

ARIC ANNUAL WORK PLAN

REF	ARIC RESPONSIBILITIES AS PER ARIC TERMS OF REFERENCE	ACTIVITY	TYPE OF ACTIVITY	MEETING DATES (Financial Year)			
				Meeting 1	Meeting 2	Meeting 3	Meeting 4
	<ul style="list-style-type: none"> (i) whether the Council's approach to maintaining an effective internal audit framework, including over external parties such as contractors and advisors, is sound and effective (ii) whether the Council has in place relevant policies and procedures and that these are periodically reviewed and updated (iii) whether appropriate policies and procedures are in place for the management and exercise of delegations (iv) whether staff are informed of their responsibilities and processes and procedures to implement controls are complied with (v) if the Council's monitoring and review of controls is sufficient, and if internal and external audit recommendations to correct internal control weaknesses are implemented appropriately. 	Progress on audit recommendations considered at each meeting		√	√	√	√
Compliance							
2.3	Review and advise the Council of the adequacy and effectiveness of the Council's compliance framework, including: <ul style="list-style-type: none"> (i) if the Council has appropriately considered legal and compliance risks as part of the Council's risk management framework (ii) how the Council manages its compliance with applicable laws, regulations, policies, procedures, codes, and contractual arrangements, and (iii) whether appropriate processes are in place to assess compliance. 	Reported as part of the ERM update Update on the Legislative Compliance Register	A	√	√	√	√
				√	√	√	√
Fraud and corruption							
2.4	Review and advise the Council of the adequacy and effectiveness of the Council's fraud and corruption prevention framework and activities, including whether the Council has appropriate processes and systems in place to capture and effectively investigate fraud-related information.	Considered in the ERM update	A	√	√	√	√
		Report from Public Officer – closed session		√	√	√	√
		Consider the review of controls on internal audit reports		√	√	√	√
Financial management							
2.5	Review and advise the Council: <ul style="list-style-type: none"> (i) if the Council is complying with accounting standards and external accountability requirements (ii) of the appropriateness of the Council's accounting policies and disclosures (iii) of the implications for the Council of the findings of external audits and performance audits and the Council's responses and implementation of recommendations (iv) whether the Council's financial statement preparation procedures and timelines are sound (v) the accuracy of the Council's annual financial statements prior to external audit, including: 	Consider the IA Reports	A, I	√	√	√	√
		Monitor Progress of audit recommendations		√	√	√	√
		Update on the progress of the Financial Sustainability Review (AEC report)		√	√	√	√
		Quarterly budget review reports with the latest monthly investment report.		√	√	√	√
		Update on the progress of External Audit		√	√	√	√

ARIC ANNUAL WORK PLAN

REF	ARIC RESPONSIBILITIES AS PER ARIC TERMS OF REFERENCE	ACTIVITY	TYPE OF ACTIVITY	MEETING DATES (Financial Year)			
				Meeting 1	Meeting 2	Meeting 3	Meeting 4
	<ul style="list-style-type: none"> a. management compliance/representations b. significant accounting and reporting issues c. the methods used by the Council to account for significant or unusual transactions and areas of significant estimates or judgements d. appropriate management signoff on the statements 	Review the draft financial statements for quality and completeness or ask key questions on their preparation prior to referral for audit.		√			
	(vi) if effective processes are in place to ensure financial information included in the Council's annual report is consistent with signed financial statements	Review Finance position papers		√			
	(vii) if the Council's financial management processes are adequate	Review of the draft management representation letter		√			
	(viii) the adequacy of cash management policies and procedures	Consider AO Engagement Closing Report		√			
	(ix) if there are adequate controls over financial processes, for example: <ul style="list-style-type: none"> 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 	Consider the Final Management Letter from the AO			√		
	(x) if policies and procedures for management review and consideration of the financial position and performance of the Council are adequate						
	(xi) if the Council's grants and tied funding policies and procedures are sound.						
Governance							
2.6	Review and advise the Council regarding its governance framework, including the Council's: <ul style="list-style-type: none"> (i) decision-making processes (ii) implementation of governance policies and procedures (iii) reporting lines and accountability (iv) assignment of key roles and responsibilities (v) committee structure (vi) management oversight responsibilities (vii) human resources and performance management activities (viii) reporting and communication activities (ix) information and communications technology (ICT) governance, and (x) management and governance of the use of data, information and knowledge 	Update on Cybersecurity arrangements	A, I	√	√	√	√
		Legislative Compliance Register		√	√	√	√
		Quarterly updates on Policy reviews		√	√	√	√
IMPROVEMENT							
Strategic Planning							
3.1	Review and advise the Council: <ul style="list-style-type: none"> (i) of the adequacy and effectiveness of the Council's integrated, planning and reporting (IP&R) processes (ii) if appropriate reporting and monitoring mechanisms are in place to measure progress against objectives, and (iii) whether the Council is successfully implementing and achieving its IP&R objectives and strategies. 	Update on Council's integrated planning and reporting processes	A, I				√

ARIC ANNUAL WORK PLAN

REF	ARIC RESPONSIBILITIES AS PER ARIC TERMS OF REFERENCE	ACTIVITY	TYPE OF ACTIVITY	MEETING DATES (Financial Year)			
				Meeting 1	Meeting 2	Meeting 3	Meeting 4
Service reviews and business improvement							
3.2	(i) 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) (ii) Review and advise the Council: a) If the Council has robust systems to set objectives and goals to determine and deliver appropriate levels of service to the community and business performance b) if appropriate reporting and monitoring mechanisms are in place to measure service delivery to the community and overall performance, and c) how the Council can improve its service delivery and the Council's performance of its business and functions generally	Consider any audits conducted on Council by External agencies.	A, I	√	√	√	√
		Receive update on the Business Improvement Program		√	√	√	√
Performance data and measurement							
3.3	Review and advise the Council: (i) if the Council has a robust system to determine appropriate performance indicators to measure the achievement of its strategic objectives (ii) if the performance indicators the Council uses are effective, and (iii) of the adequacy of performance data collection and reporting.	Planned – Consider update on the DPOP actions and KPI development process	A, I				√
OTHER							
	Review and advise on any risks and governance issues on major capital projects (projects above \$10M at significant milestones)	Consider Directorate reports on projects above \$10M at significant Milestone	A, I	√	√	√	√
		Provide listing of all active capital projects above \$10M				√	
	ARIC Terms of Reference	Review ARIC Terms of Reference	A				√
	Annual Self-Assessment of the ARIC	Planned survey of ARIC performance and reported to Council in the Annual Report from ARIC.	I		√		

Notes:

Definition for 'TYPE OF ACTIVITY'

'A' – Areas under ARIC's review and advice.

'I' – ARIC's review of and advice regarding these areas may assist in leading to improvements in efficiency and effectiveness of Council's processes, systems and controls to better achieve its strategic and operational objectives.

Enterprise Risk Management is a Standing Agenda Item at each ARIC meeting. Topics covered at the ARIC meetings over time will provide a comprehensive overview of Council's ERM framework.



Internal Audit Charter

Version number	12.0
ARIC Endorsement (Minute and Date)	13-07 May 2024-2025
Council Adoption (Minute and Date)	MIN24.303 03 June 2024
Next Review Date:	June 2025 <u>2026</u>
Directorate:	CEO Directorate
Record Number:	D24/242837

Shoalhaven City Council – Internal Audit Charter

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Shoalhaven City Council – Internal Audit Charter

1. Introduction

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

2. Purpose of internal audit

~~Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the Council's operations. It helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes¹.~~

~~Internal audit provides an independent and objective review and advisory service to provide advice to the governing body, Chief Executive Officer and audit, risk and improvement committee about the Council's governance processes, risk management and control frameworks and its external accountability obligations. It also assists the Council to improve its business performance.~~

~~Internal auditing strengthens the Council's ability to create, protect, and sustain value by providing the Council, Chief Executive Officer and ARIC with independent, risk-based, and objective assurance, advice, insight, and foresight. Internal auditing enhances Council's:~~

- ~~• Successful achievement of its objectives.~~
- ~~• Governance, risk management, and control processes.~~
- ~~• Management of external accountability obligations~~
- ~~• Decision-making and oversight.~~
- ~~• Reputation and credibility with its stakeholders.~~
- ~~• Ability to serve the public interest.~~

The scope of Internal Audit work embraces the wider concept of corporate governance and risk, recognising that controls exist in the Council to manage risks and promote effective and efficient governance and performance.

Internal Audit services may include:

- Assurance Services – objective examination of evidence for the purpose of providing an independent assessment of risk management, control and governance processes.
- Advisory Services – advisory and related activities, the nature and scope of which are agreed upon with the governing body and/or senior management and the ARIC. Advisory services are intended to add value and improve business operations."

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

Shoalhaven City Council – Internal Audit Charter

Internal Audit will offer a service catalogue, including:

- Internal audit engagements with a compliance, financial or performance improvement focus.
- Management requested services where business areas within the Council may request Internal Audit services, usually in response to an issue or an emerging risk.
- Multi-stage audit engagements at key project milestones.

3. Independence

Council's Internal Audit Department is to be independent of the Council so it can provide an unbiased assessment of the Council's operations and risk and control activities in accordance with *Local Government (General) Regulation (216P Internal audit co-ordinator—the Act, Sch 6, cl 8A)*

The Internal Audit Department reports functionally to the Council's ARIC on the results of completed audits, and for strategic direction and accountability purposes, and reports administratively to the Chief Executive Officer to facilitate day-to-day operations. Internal audit activities are not subject to direction by the Council and the Council's management has no role in the exercise of the Council's internal audit activities.

The ARIC is responsible for communicating any internal audit issues or information to the governing body. Should the governing body require additional information, a request for the information may be made to the ARIC Chair by resolution. The ARIC Chair is only required to provide the information requested by the governing body where the ARIC Chair is satisfied that it is reasonably necessary for the governing body to receive the information for the purposes of performing its functions under the Local Government Act. Individual councillors are not entitled to request or receive information from the committee.

The Chief Executive Officer must consult with the ARIC Chair before appointing or making decisions affecting the employment of the Chief Internal Auditor. If the Chief Internal Auditor is dismissed, the Chief Executive Officer must report the reasons for dismissal to the Council.

Where the Council's ARIC Chair has any concerns about the treatment of the Chief Internal Auditor, or any action taken that may compromise their ability to undertake their functions independently, they can report their concerns to the governing body. The ARIC, through the chair will contribute to the annual performance assessment of the Chief Internal Auditor.

The Chief Internal Auditor is to confirm at least annually to the ARIC on the independence of internal audit activities from the Council.

4. Authority

Council authorises the Internal Audit Department to have full, free and unrestricted access to all functions, premises, assets, personnel, records and other documentation and information that the Chief Internal Auditor considers necessary for the Internal Audit Department to undertake its responsibilities. This is in accordance with *Local Government (General) regulations 216Q Persons exercising internal audit functions—the Act, Sch 6, cl 8A*.

All records, documentation and information accessed while undertaking internal audit activities are to be used solely for the conduct of those activities. The Chief Internal Auditor and individual

Shoalhaven City Council – Internal Audit Charter

internal audit staff are responsible and accountable for maintaining the confidentiality of the information they receive when undertaking their work.

All internal audit documentation is to remain the property of Council, including where internal audit services are performed by an external third-party provider.

Information and documents pertaining to the Internal Audit Department are not to be made publicly available. The Internal Audit Department may only release Council information to external parties that are assisting the Internal Audit Department to undertake its responsibilities with the approval of the Chief Executive Officer, 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. Role

The Internal Audit Department is to support the Council's ARIC to review and provide independent advice to the Council in accordance with section 428A of the *Local Government Act 1993*. This includes conducting internal audits of Council and monitoring the implementation of corrective actions.

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

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

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

Chief Internal Auditor

In-house internal audit function

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

Responsibilities of the Chief Internal Auditor include:

- managing the day-to-day activities of the Internal Audit Department
- managing the Council's internal audit budget
- Coordinating any outsourced audits; acting as a liaison, contract management and oversight of external providers
- supporting the operation of the Council's ARIC
- approving internal audit project plans, conducting or supervising audits and assessments and providing independent advice to the ARIC

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- monitoring the Council's implementation of corrective actions that arise from the findings of audits
- implementing the ARIC's internal audit's annual work plan and four-year strategic work audit plan
- ensuring the Council'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

Internal Audit Team

In-house internal audit team

Members of the Internal Audit Department are responsible to the Chief Internal Auditor.

Individuals that perform internal audit activities for Council must have:

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

6. Performing internal audit activities

The work of the Internal Audit Department is to be thoroughly planned and executed. The Council's ARIC must develop a strategic work plan every four years to ensure that the matters listed in Schedule 1 are reviewed by the committee and considered by the internal audit function when developing their risk-based program of internal audits. The strategic work plan must be reviewed at least annually to ensure it remains appropriate.

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

The four-year internal audit plan and the annual plan should be reviewed and approved by Council's ARIC.

All internal audit activities are to be performed in a manner that is consistent with relevant professional standards including the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors and Australian risk management standard.

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

The Chief Internal Auditor is to establish an ongoing monitoring system to follow up Council's progress in implementing corrective actions.

The Chief ~~Executive Officer~~ Internal Auditor, in consultation with the ARIC, is to develop and maintain policies and procedures to guide the operation of the Council's Internal Audit Department.

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The Chief Internal Auditor is to ensure that the ARIC is advised at each of the committee's meetings of the internal audit activities completed during that quarter, progress in implementing the annual work plan and progress made implementing corrective actions.

Quality Assurance and Improvement Program

The Chief Internal Auditor is responsible for developing and maintaining a Quality Assurance and Improvement Program that includes:

- a. Ongoing Internal Assessments including:
 - Supervision and review of internal audits.
 - Collecting feedback from management after each internal audit.
 - Performance assessments of service provider performance.
 - Results of Internal Audit performance measures.
- b. Periodic Internal Assessments to be conducted annually:
 - Review of the Internal Audit Charter for conformance with the Standards.
 - Self-assessment of conformance with the Standards.
- c. External Assessments conducted at least once every four years by a qualified, independent assessor or assessment team from outside Council.

Performance Evaluation

Internal Audit performance will be evaluated and the results reported to the Audit, Risk and Improvement Committee. This will include:

- a. Results of the Quality Assurance and Improvement Program;
- b. Feedback from management of areas where internal audits have been performed; and
- c. Performance of service providers.

Feedback on Internal Audit performance will be sought annually from members of the Audit, Risk and Improvement Committee.

7. Conduct and Standards

Internal audit personnel must comply with the Council's code of conduct. Complaints about breaches of Council's code of conduct by internal audit personnel are to be dealt with in accordance with the *Procedures for the Administration of the Model Code of Conduct for Local Councils in NSW*. The Chief Executive Officer must consult with the Council's ARIC before any disciplinary action is taken against the Chief Internal Auditor in response to a breach of the Council's code of conduct.

Internal Audit will govern itself by adherence to mandatory guidance contained in the 'International Standards for the Professional Practice of Internal Auditing' including the Global Internal Audit Standards (GIAS) issued by the Institute of Internal Auditors (IIA).

This mandatory guidance constitutes the fundamental requirements for the professional practice of internal auditing and the principles against which to evaluate the effectiveness of Internal Audit performance.

Internal Audit, including service providers, will perform their work in accordance with the GIAS. While the GIAS applies to all internal audit work, technology audits may also apply the ISACA

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standards contained in the 'Information Technology Assurance Framework' (ITAF). Where relevant the current Australian risk management standard will be applied.

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

8. Administrative arrangements

Audit, risk and improvement committee meetings

The Chief Internal Auditor will attend ARIC meetings as an independent non-voting observer. The Chief Internal Auditor can be excluded from meetings by the committee at any time.

The Chief Internal Auditor must meet separately with the ARIC at least once per year.

The Chief Internal Auditor can meet with the ARIC Chair at any time, as necessary, between committee meetings.

External audit

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

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

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

Dispute resolution

The Internal Audit Department should maintain an effective working relationship with the Council and the ARIC and seek to resolve any differences they may have in an amicable and professional way by discussion and negotiation.

In the event of a disagreement between the Internal Audit Department and the Council, the dispute is to be resolved by the Chief Executive Officer and/or ARIC. Disputes between the Internal Audit Department and the ARIC are to be resolved by the governing body.

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

9. Review arrangements

The Council's ARIC must review the performance of the internal audit function each year and report its findings to the governing body. A strategic review of the performance of the Internal Audit Department must be conducted each council term by a qualified external party and reported to the Council by the ARIC that considers the views of an external party with a strong knowledge of internal audit and reported to the Council in accordance with Local Government

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(General) Regulation (216R Audit, Risk and Improvement Committee to oversee and report on internal audit activities—the Act, s 428A(2)(i)).

This charter is to be reviewed annually by the committee and once each council term by the governing body. Any substantive changes are to be approved by the governing body.

For further information on Council's internal audit activities, contact Internal Audit Team on internalaudit@shoalhaven.nsw.gov.au or by phone 1309 293 111.

Reviewed by Chief Internal Auditor

~~13-7~~ May ~~2024~~2025

Reviewed by chairperson of the Council's ARIC

~~13-7~~ May ~~2024~~2025

Reviewed by Chief Executive Officer

~~13-7~~ May ~~2024~~2025

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

03.06.2024

MIN24.303

CL25.198 - Attachment 2

10. SCHEDULE 1: INTERNAL AUDIT FUNCTION RESPONSIBILITIES

The below responsibilities of the Internal Audit Department is limited by the audit work undertaken during the year, scope of the audits, budget and information availability at the time of reviews.

AUDIT

Internal audit

- Conduct internal audits as directed by the Council's audit, risk and improvement committee.
- Implement the Council's annual and four-year strategic internal audit work plans.
- Monitor the implementation by the Council of corrective actions.
- Assist the Council to develop and maintain a culture of accountability and integrity.
- Facilitate the integration of risk management into day-to-day business activities and processes.
- Promote a culture of high ethical standards.

External audit

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

RISK

Risk management

Review and advise:

- if the Council has in place a current and appropriate risk management framework that is consistent with the Australian risk management standard
- whether the Council's risk management framework is adequate and effective for identifying and managing the risks the Council faces, including those associated with individual projects, programs and other activities
- if risk management is integrated across all levels of the Council and across all processes, operations, services, decision-making, functions and reporting
- of the adequacy of risk reports and documentation, for example, the Council's risk register and risk profile
- whether a sound approach has been followed in developing risk management plans for major projects or undertakings
- whether appropriate policies and procedures are in place for the management and exercise of delegations
- if the Council has taken steps to embed a culture which is committed to ethical and lawful behaviour

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- if there is a positive risk culture within the Council and strong leadership that supports effective risk management
- of the adequacy of staff training and induction in risk management
- how the Council's risk management approach impacts on the Council's insurance arrangements
- of the effectiveness of the Council's management of its assets, and
- of the effectiveness of business continuity arrangements, including business continuity plans, disaster recovery plans and the periodic testing of these plans.

Internal controls

Review and advise:

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

Compliance

Review and advise of the adequacy and effectiveness of the Council's compliance framework, including:

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

Fraud and corruption

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

Financial management

Assist the Audit, Risk and Improvement Committee as needed to review and advise:

- if the Council is complying with accounting standards and external accountability requirements
- of the appropriateness of the Council's accounting policies and disclosures
- of the implications for the Council of the findings of external audits and performance audits and the Council's responses and implementation of recommendations
- whether the Council's financial statement preparation procedures and timelines are sound
- the accuracy of the Council's annual financial statements prior to external audit, including:

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- management compliance/representations
- significant accounting and reporting issues
- the methods used by the Council to account for significant or unusual transactions and areas of significant estimates or judgements
- appropriate management signoff on the statements
- if effective processes are in place to ensure financial information included in the Council's report is consistent with signed financial statements
- if the Council's financial management processes are adequate
- the adequacy of cash management policies and procedures
- if there are adequate controls over financial processes, for example:
 - appropriate authorisation and approval of payments and transactions
 - adequate segregation of duties
 - timely reconciliation of accounts and balances
 - review of unusual and high value purchases
- if policies and procedures for management review and consideration of the financial position and performance of the Council are adequate
- if the Council's grants and tied funding policies and procedures are sound.

Governance

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

- decision-making processes
- implementation of governance policies and procedures
- reporting lines and accountability
- assignment of key roles and responsibilities
- committee structure
- management oversight responsibilities
- human resources and performance management activities
- reporting and communication activities
- information and communications technology (ICT) governance, and
- management and governance of the use of data, information and knowledge.

IMPROVEMENT

Strategic planning

Review and advise:

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

Service reviews and business improvement

Review and advise:

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

Performance data and measurement

Review and advise:

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

