



# **WEDDIN SHIRE COUNCIL**

**POLICY NUMBER: 15.7.3**

**POLICY FOR INTERNAL AUDIT**

**Reviewed: 16 February 2017**

## **POLICY FOR INTERNAL AUDIT (NO. 15.7.2)**

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1. **Title:** Policy for Internal Audit

2. **Number:** Policy Number 15.7.3

3. **Purpose:**

The Internal Audit Policy has been developed in accordance with the Internal Audit Guidelines released by the Division of Local Government in September 2010. These guidelines propose oversight of Council systems and processes through an Internal Audit Committee. The combination of an effective Internal Audit Committee and an internal audit function provide a formal means by which Councillors can obtain assurances that risk management is working effectively.

In addition, the Independent Commission Against Corruption (ICAC) believes that “corruption may flourish in organisations which neglect or undermine the internal audit function”, and in such cases “the organisation will lose the benefit of independent review in ensuring the integrity of systems and procedures”. The ICAC further states the need for internal audit to have the cooperation and support of management, with internal auditors reporting directly to the Chief Executive (*ICAC Report Trips and Traps - Travel in the NSW Public Sector*, February 1994).

4. **Application:**

This policy applies to all aspects of the Council operations, activities, programs and procedures. The Internal Auditor reports administratively to the General Manager and functionally to the Internal Audit Committee. The Internal Audit Committee in turn reports to Council.

5. **Associated legislation and other references:**

Auditing and Assurance Standards Board, Australian Institute of Company Directors, Institute of Internal Auditors, Audit Committees A guide to good practice 2008.

AS/NZS ISO 31000:2009 Risk Management Principles and Guidelines Standards Australia.

Division of Local Government "Internal Audit Guidelines" September 2010.

International Professional Practice Framework (IPPF) 2009, Institute of Internal Auditors.  
[www.iaa.org.au](http://www.iaa.org.au)

New South Wales Local Government Act (1993).

6. **Definitions**

### **Internal Audit**

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

### **Internal Audit Committee**

The committee which provides independent oversight of both the internal audit function, the external audit function and Councils Enterprise Risk Management Program. It provides the council with independent oversight and monitoring of Council's audit and risk management processes including the council's internal controls activities. This oversight includes internal and external reporting, risk management activities, internal and external audit, and compliance. It is not uncommon for the committee charged with these responsibilities to be referred to by other names such as governance and risk management committee; audit and risk management committee; internal audit committee.

### **External Audit**

Refers to the review and certification of the financial reports as per section 415 of the Local Government Act 1993.

### **Enterprise Risk Management**

Is the holistic management of all risks within council, not just insurable risks or Occupational Health and Safety.

## **7. Policy**

7.1 Weddin Shire Council will establish and maintain an Internal Audit function Committee for the following reasons:

- to support good internal governance
- to ensure consistency with other levels of government
- to improve the effectiveness of risk management, control and governance processes
- helps to instil public confidence in an organisation's ability to operate effectively

To meet the above objectives Council will develop and implement relevant Internal Audit plans to support each phase of the Internal Audit function within Council.

## **7.2 Responsibility**

Section 355 in Part 2 of Chapter 12 of the Local Government Act, 1993 states that the General Manager "is generally responsible for the efficient and effective operation of the Council organisation and for ensuring the implementation, without undue delay, of decisions of the Council". Furthermore, the General Manager has the following particular functions:

- a) The day-to-day management of the Council;
- b) The exercise such of the functions of the Council as are delegated by the Council to the General Manager;
- c) To appoint staff in accordance with an organisation structure and resources approved by the Council;
- d) To direct and dismiss staff;
- e) To implement the Council EEO plan;
- f) To ensure that effective measures are taken to secure the effective, efficient and economical management of financial operations within each Group of the Council administration; and
- g) Authorising and recording procedures are established to provide effective control over the Council assets, liabilities, revenue and expenditure and secure the accuracy of the accounting records, including a proper division of accounting responsibilities among the Council staff.

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The Internal Audit (IA) function has been established to assist the Council General Manager in achieving these statutory functions.

### **7.3 Internal Auditor**

- (a) The development of a dynamic comprehensive Audit Policy with relevant associated Policy and supporting programs, for the efficient and effective performance of the internal Audit function;
- (b) The development of annual IA Plans;
- (c) Monitoring management controls to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned and authorised by the Council;
- (d) Monitoring compliance with relevant legislation, Division of Local Government directives and other regulatory instruments;
- (e) Anticipating, identifying, and assessing risks to the assets, activities and interests of the Council;
- (f) The examination and review of major computer-based operations, including any proposal for the acquisition, use or enhancement of computer facilities at the development stage of any such proposal, and the Internal Auditor shall be involved in the development/acquisition of any new major computerised financial system;
- (g) Investigating actual and potential lapses of control and incidents of risk over the financial and other operations and activities of the Council;
- (h) Examining and reviewing the Council performance indicators/measures, and provide guidance in the derivation and implementation of new performance measures and indicators;
- (i) Carrying out any assignment specifically directed by the General Manager or Internal Audit Committee; and
- (j) Making recommendations for the improvement of control, the responses to risk, and the attainment of the Council objectives.

### **7.4 Internal Audit Committee**

An Internal Audit Committee Charter has been established within the Weddin Shire Council to define the function of the Audit Committee in the following areas:

- Objective
- Authority;
- Composition and Tenure;
- Role and Responsibilities;
- Reporting; and
- Administrative arrangements.

### **7.5 Procedure**

The Weddin Shire Council Internal Audit Plan will provide the enabling document for this policy, in addition this policy gives the following authority to any individual formally acting in the Internal Audit Function for Council being;

Authority is vested in the Internal Auditor to enable the internal audit function to be performed efficiently, conveniently and to the satisfaction of the Internal Auditor with every assistance from officers and employees of the Council without any impediment.

For the purpose of performing any internal audit function, the Internal Auditor is authorised, without restriction –

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- (a) To have access to any office, store or other premises or property owned or used by the Council in its operations and activities.
- (b) To have access to, and be presented with, any books, accounts, files, documents or papers pertaining to the operations or activities of the Council and to take copies thereof.
- (c) To have access to any of the Council PC or laptop computers, including the data and other files stored electronically on such computers, network or back-up media, and to:
  - obtain details of any software stored on the computer, network or back-up media, or
  - remove the computer or back-up for analysis (subject to not affecting operational needs), or
  - take electronic or printed copies of data files and/or data stored in or generated from such files.
- (d) For the purpose of counting or inspection, to be presented with any monies, certificates, value documents or other assets of the Council for which a memorandum shall be signed by the Internal Auditor acknowledging receipt; and
- (e) To be supplied with all relevant information and explanations as requested and to be given every assistance in the performance of the duties entrusted.

### **7.6 Training**

Council is committed to the ongoing training and development of staff involved in the Internal Audit function as well as the voting and non voting members of the Weddin Shire Council Internal Audit Committee

### **8. Review and Amendment**

- This policy shall be reviewed by September 2021 and thereafter at four (4) yearly intervals, to ensure it meets all statutory requirements and the needs of Council.
- This policy may be amended or cancelled by Council at any time without prior notice or obligation to any employee.

### **9. Adoption**

- This policy commences as from the date of adoption by Council, being 15 March 2012

### **10. History**

<b>Version</b>	<b>Details</b>
15.7.1	Adopted 15 March 2012
15.7.2	Reviewed 21 February 2013
15.7.3	Reviewed 16 February 2017