



SNOWY MONARO
REGIONAL COUNCIL
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Internal Audit Annual Report 2017/2018



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1 Chair's introduction

This is the annual report of the Snowy Monaro Regional Council Audit, Risk and Improvement Committee (the Committee) and Internal Audit. The report outlines the role and the activities of the Committee and the internal audit function during 2017/2018 and provides an overall opinion on the Council's risk management, control and governance arrangements.

The Snowy Monaro Regional Council Audit, Risk and Improvement Committee (Committee) was established in June 2016. The current charter was adopted by Council in September 2017. The Committee comprises four independent members and one councillor.

The Committee provides independent assurance and assistance to Council in respect to risk management, the control framework, legislative compliance, internal audit and external accountability responsibilities.

The Committee works to an agreed schedule of work to ensure that it achieves its responsibilities as outlined in its charter. This schedule of work includes review of the processes associated with financial statements as well as progressively gaining an understanding of the SMRC risk management practices through presentations from key staff and sighting of policies and procedures.

The committee has issued a standing invitation to the NSW Audit Office, who from July 2016 is the auditor for NSW councils, and monitors council progress in addressing internal and external audit recommendations. The committee has and will continue to monitor the financial statements preparation and audit process under the new arrangements.

The Committee recognises that while significant steps have been and are being taken to merge the three councils, the level of effort required has challenged the council and significantly more effort will be required to ensure that governance arrangement, processes and procedures within the merged council are fully effective. With that in mind, in 2017/2018 the committee initiated several internal audits to provide it with an understanding of the councils control effectiveness. These included a Governance Health Check and a Risk Maturity assessment which indicated that continued improvement is required. These reports and recommended improvements have been accepted by management and will provide both management and the Committee with a baseline against which to monitor improvement.

The Committee relies on the work of the internal audit to provide more in-depth assessment of the council's risk and control environment. Until September 2017, internal audit was provided part time in a shared resourcing arrangement with Yass council. This arrangement ceased because of staffing changes and action is being taken by council to recruit an auditor. This has taken time to resolve and has placed limitations on the committee's effectiveness during 2017/18.

The Committee would like to express its appreciation for the full support and cooperation that it has received from all levels of Council personnel and management in answering questions, facilitating audits and responding to audit concerns. Overall, the Council personnel and management displayed openness in discussion and demonstrated their commitment to sound management practices in the areas reviewed and discussed.

The Committee would also like to commend the work of Ms Marg Nicholls, the Internal Auditor, who demonstrated a professional approach to our activities in managing and implementing the

program. She has continued to support the committee and council before and during its transition to new internal audit arrangements.

Maxwell Shanahan, FCPA, CGEIT, CISA

Chair, Audit, Risk and Improvement Committee

June 2018

2 Audit, Risk and Improvement Committee Report

The Audit, Risk and Improvement Committee (ARIC) does not replace or change management accountability arrangements; it does, however, enhance the governance framework by providing Council and the General Manager with independent assurance and assistance in the areas of risk management, internal control, governance and financial reporting.

An effective committee has the potential to strengthen the control environment (of which it is part) and assist the General Manager and Council to fulfil their stewardship, leadership and control responsibilities.

2.1 Charter

The Audit, Risk and Improvement Committee Charter was resolved by the Council at the Council meeting of 20 September 2017. The Charter provides the authority given to the ARIC and outlines its roles and the responsibilities of the ARIC. Attachment 1.

2.2 Membership

Membership of the Committee comprises four external members and one councillor member with the role of Chair being allocated to an external member.

External member and Chair: Mr Max Shanahan - 8 September 2015 to 8 September 2019

External member: Ms Theresa McKenzie - 8 September 2015 to 8 September 2017
 Mr Peter Cottrell – resigned 7 August 2017
 Mr Miles Pearson – 25 November 2016 to 25 November 2018
 Mr John Barbeler – 18 December 2017 to 17 December 2019
 Mr Adam Vine – 18 December 2017 to 17 December 2019

Council member: Mr Dean Lynch until Mr John Castellari elected at the Council meeting of 26 September 2017

NOTE:

1. Mr Shanahan was offered and accepted an extension to his initial offer to 8 September 2019. Mr Shanahan will need to re-nominate as the position will be re-advertised mid-2019.
2. Mr Pearson may be offered a one year extension at the end of his current term subject to satisfactory performance assessment of his contribution to the Audit, Risk and Improvement Committee.
3. Mr Barbeler may be offered a two year extension at the end of his current term subject to satisfactory performance assessment of his contribution to the Audit, Risk and Improvement Committee.
4. Mr Vine may be offered a one year extension at the end of his current term subject to satisfactory performance assessment of this contribution to the Audit, Risk and Improvement Committee.

In addition, the General Manager Mr Joseph Vescio and the Internal Auditor Mrs Marg Nicholls attends each of the meetings. Invitations are extended to the external auditor and staff as required.

2.3 Issues before the Committee

Issues before the Committee during this reporting period included:

- Strategic internal audit program;
- Business processes;
- Status of audits and monitoring the implementation of audit recommendations from current year's audits;
- Audits completed (external and internal);
- Ongoing and miscellaneous matters;
- Enterprise Risk Management Framework;
- Emerging Risks;
- Policy documents;
- Oversight of internal audit function;
- Financial Statements;
- Fraud Control; and
- Dialogue with Audit NSW regarding preparation of external audits under the umbrella of the Audit Office through their contracted external auditor to undertake end of year financial statement audit.

2.4 Attendance register for Audit, Risk and Improvement Committee meetings 2017/2018

Clause 7.1 of the Charter requires the Committee to meet at least four times per year, with one of these meetings to include review and endorsement of the annual audited financial reports and external audit opinion.

The ARIC was scheduled to meet on five occasions for the financial year 2017/2018. The meeting of 7 September 2017 did not have sufficient members for a quorum.

Mr Shanahan attended an ARIC Chairs meeting on 20 April 2018 presented by the Audit Office NSW.

Table 1: ARIC meeting attendance members

Committee members	Title	19 Jul 2017	7 Sep 2017	8 Dec 2017	14 Mar 2018	29 May 2018
Mr Max Shanahan	External member Chair	✓	✓	✓	✓	✓
Mr Peter Cottrell (resigned Aug 17)	External member	✓				
Ms Therese McKenzie (finished early Sep 17)	External member	✓				
Mr Miles Pearson	External member	✓	✓	✓	✓	✓
Mr John Barbeler (from Dec 17)	External member				✓	✓
Mr Adam Vine (from Dec 17)	External member				✓	✓
Administrator Mr Dean Lynch (to Sep 17)	Council member	✓				
Cr John Castellari (from Dec 17)	Council member			✓	✓	✓

Table 2: ARIC meeting attendance non members

Non-Voting members	Title	19 Jul 2017	7 Sep 2017	8 Dec 2017	14 Mar 2018	29 May 2018
Mr Joseph Vescio	General Manager		✓		✓	✓
Ms Marg Nicholls	Internal Auditor (casual)	✓	✓	✓	✓	✓
Ms Janine Hudson	Executive Assistant to General Manager	✓	✓	✓	✓	
Ms Lisa McKenzie	Administration Officer Innovation and Business Development					✓

Table 3: ARIC meeting attendance guests

Guests	Title	19 Jul 2017	7 Sep 2017	8 Dec 2017	14 Mar 2018	29 May 2018
Mr Brad Bohun	Crowe Horwath				✓	
Mr Chan Chow	Crowe Horwath	✓				
Ms Iliada Bolton	Executive Manager Innovation and Business Development	✓		✓	✓	
Ms Jacqueline Sullivan	Acting Chief Financial Officer			✓	✓	
Ms Jaqueline Chadwick	Finance Manager		✓			
Ms Jo-Anne Mackay	Chief Financial Officer		✓			
Ms Lawrissa Chan	Audit Office NSW	✓			✓	
Mr Luke O'Sullivan	Group Manager People and Culture					✓
Mr Mark Adams	Group Manager Economic Development & Tourism			✓		
Mr Matt Payne	Financial Accountant	✓				✓
Mr Peter Cannizzaro	Director Corporate & Community Services	✓	✓	✓	✓	✓
Mr Peter Smith	Director Environment & Sustainability			✓		

*Attendance only for the presentation of relevant report not entire duration of meeting

3 Internal Audit Report

3.1 Overview

This is the second report of the Snowy Monaro Regional Council (SMRC) Internal Audit function, summarising the internal audit activities for the period 1 July 2017 to 30 June 2018. The internal audit function operated as a shared services between Yass Valley Council and Snowy Monaro Regional Council until mid-September 2017. In October 2017, Council employed the services of an internal auditor on a casual basis as it undertook recruitment for a Senior Internal Auditor. This process took an extended period as the initial advertisement in early January did not attract suitable candidates. The position was reviewed retitled from internal auditor to Senior Internal Auditor and with increased remuneration.

3.1.1 Resources

- One internal auditor (Casual basis)
- Limited administrative support

3.1.2 Audits completed in the reporting period

- 1 audits completed
- 0 audit in progress
- 13 recommendations

3.1.3 Governance and administration

- Maintain internal audit function, the operation of which is consistent with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.
- Support an independent Audit, Risk and Improvement Committee including recruitment of independent members.
- Administration and writing of quarterly reports and the annual internal audit report

3.2 Internal Audit function

3.2.1 Internal Audit Work

Internal audit's overall audit objective is to provide an opinion which is positive and reasonable. Positive means that our opinion will be based on seeing evidence of adequate action. Reasonable means that there will be sufficient evidence underpinning our opinion to make it reliable. However, systems and processes audited or reviewed cannot be entirely guaranteed to be error free.

There has been considerable impact to the role of internal audit functions with the mandating of the NSW Audit Office to undertake external audits for local government. This has had a flow on challenge as the Audit Office and their contracted auditor increased their engagement with

internal audit and raising the work load of internal audit. In addition the Audit Office has undertaken performance audits on local government which describes a better practice for local government. Internal Audit continues to have increased dialogue with both the Audit Office and the external auditor.

In May 2018, an internal quality analysis evaluation against the International Standards for the Professional Practice of Internal Auditing (2017) was completed by the internal auditor and presented to Jardine Lloyd Thompson Pty Ltd (JLT) as part of the Risk and Audit Maturity Assessment (RAMA). The self-assessment identified that there were gaps in meeting the IPPF Standards however there were processes in place that, once the internal audit function was fully resourced these gaps would be addressed.

JLT is the appointed Scheme Manager of Statewide Mutual. At the time of writing this draft report a response from JLT had not been returned to Council.

Good audit coverage can be achieved by a combination of strategic, operational and compliance audits. However, as in 2017/2018, the internal audit service had limitation in resourcing including, financial, human and time, internal audit has only been able to give limited coverage with the emphasis on the work required by the Audit, Risk and Improvement Committee. The IAF additionally does not have any budget allocated to it for undertaking of audits beyond the capacity of the incumbent.

3.2.2 Scheduled work against approved Internal Audit Work Plan

Table 4: Internal Audits completed or commenced September 2017/ June 2018

Audit No	Audit Name	Date Final Report	Recommendations
Audit 16-04	Governance Health Check	6 March 2018	13 recommendations CR1: 0; CR2: 13; CR3: 0

3.2.3 Internal Audit Recommendations

All audit recommendations are followed up by the Internal Auditor and actions taken are reviewed. Any overdue recommendations are followed up with the specific Directors.

At each ARIC meeting, outstanding or overdue recommendations are reported and the reasons for the delay provided. Requests for extension to target dates are considered by the Committee.

Additionally, any request for reclassification of a category is also submitted to the Committee for its deliberation.

A good measure of the effectiveness of the audits is the acceptance of recommendations. The Internal Auditor works closely with each of the divisions which are the subject of performance audits and or compliance audits to ensure that recommendations made are practical and balanced.

In issuing the Audit reports, recommendations are classified into three categories

- CR1 – High priority recommendation. Requires addressing within 3 months and is assigned to the appropriate member of the Executive and discussed at Executive meetings.
- CR2 – Medium priority recommendation. Requires addressing within 6 months and is assigned to the appropriate member of the Executive and the relevant manager.
- CR3 – Low priority recommendation. Requires addressing within 12 months and is assigned

to the appropriate manager.

Table 5 Open Internal Audit Recommendations as at 30 June 2018

High Priority Within 3 months to complete	Medium Priority Within 6 months to complete	Low Priority Within 12 months to complete	Total
1	9	-	10

Table 6: Aged Analysis – Open Internal Audit Recommendations as at 30 June 2018

Days Since Report Issued	High Priority Within 3 months to complete	Medium Priority Within 6 months to complete	Low Priority Within 12 months to complete
0 – 90 days	-	-	-
91 – 180 days	-	6	-
181 – 365 days	-	-	-
> 365	1	3	-

3.2.4 Internal Audit Opinion – Internal Controls and Risk

Internal audit is asked by the ARIC and senior management to provide opinions as part of each audit report as well as on the overall adequacy of internal controls and governance arrangements which protect Council from mismanagement and fraud.

In order to achieve this each audit is assessed using the following table:

Table 7: Opinion Rating Table

Opinion Rating Table	
Excellent	Effective control environment with the business area operating efficiently, effectively and economically
Satisfactory	Effective control environment for the audited area
Improvement required	Improvement required to the control environment. Controls may be in place but are not being followed, there are broken controls
Unsatisfactory	Control environment is not effective or is non-existent

Each audit was given an opinion on the adequacy of its internal controls as follows:

- Audit 16-04 Governance Health Check **Improvement Required**

As part of the pre commencement assessment for each audit, internal audit reviewed Council's risk register for risks and treatments identified which would control or reduce the risk for the business unit and its particular activities.

It is the responsibility of Management within each business unit to ensure risks and treatments for their areas are captured under Councils Enterprise Risk Management framework.

In all audits completed during the course of the year there were no relevant risks or controls identified in Council's Risk Register. Internal audit has highlighted potential risks areas relevant to the operations for management consideration.

3.2.5 Chief Audit Executive / Internal Auditor

The Chief Audit Executive (CAE) has eight years' experience setting up and delivering internal audit services to local councils and is professionally accredited through the Institute of Internal Auditors (IIA), an international body for the internal audit profession.

The principal role is to ensure an internal audit function that is respected and respectful; trusted by its clients; providing a service that is relevant and achieving maximum impact.

3.2.6 Compliance with Standards

The Internal Auditor acts in accordance with the duties and responsibilities set out in the Audit, Risk and Improvement Committee Charter, the Internal Audit Charter, as well as code of conduct expectations as an employee of Council. An Internal Auditor must comply with the Code of Ethics (Integrity, Objectivity, Confidentiality and Competency); Rules of Conduct and International Standards as prescribed in the IIA's International Professional Practices Framework (IPPF).

4 Looking forward

This past year has been one of continuing to embed internal audit into the organisation. However, the limited resources available to undertake the work has meant that full effectiveness of an internal audit function was not able to be achieved.

Having a full time Senior Internal Auditor will provide a considerable improvement in the provision of auditing, consulting and assurance services to the organisation and to the Audit, Risk and Improvement Committee.

Ensuring sufficient budget to provide the effective reviews is essential in giving high level assurance to senior management and the Audit, Risk and Improvement Committee. It is envisage that this IAF will become a better practice activity and meet all expectations of management and the Audit, Risk and Improvement Committee over the coming years.

Marg Nicholls PMIIA
Internal Auditor
June 2018

ATTACHMENT 1 – Audit, Risk and Improvement Committee Charter



AUDIT, RISK and IMPROVEMENT COMMITTEE CHARTER

1. Objective

The Objective of the Audit, Risk and Improvement Committee (Committee) is to provide independent assurance and assistance to Snowy Monaro Regional Council (Council), on risk management, the control framework, legislative compliance, internal audit and external accountability responsibilities.

2. Authority

Council authorises the Committee within the scope of its role and responsibilities through the Chair to:

- Obtain any information it needs from any employee or external party (subject to their legal obligations to protect information)
- Discuss any matters with the external auditor or other external parties (subject to confidentiality considerations)
- Request of the General Manager the attendance of any employee at Committee meetings.
- Obtain external legal or other professional advice considered necessary to meet its responsibilities. Prior discussion must be undertaken with the General Manager who will determine appropriateness of any reimbursement if any by Council.

3. The Snowy Monaro Regional Council Assurance Environment

Snowy Monaro Regional Council has a range of activities to provide assurance to Council, the Committee and the General Manager.

Council uses a 'Combined Assurance – 3 Lines of Defence' model to define their assurance environment:

The 1st Line of Defence originates or initiates risk, and is responsible for managing the risks and having in place mechanisms to demonstrate controls are working effectively.

The 2nd Line of Defence monitors, reviews and tests effectiveness of 1st Line control and management of risks.

The 3rd Line of Defence independently evaluates and gives an opinion on the adequacy and effectiveness of both 1st Line and 2nd Line risk management approaches.

This approach demonstrates how assurance activities co-ordinate to provide assurance to the Council, the Committee, and the General Manager.

At Council this can be illustrated as:

Combined Assurance - 3 Lines of Defence		
1 st Line of Defence	2 nd Line of Defence	3 rd Line of Defence
Management Controls Real-Time Focus	Management of Risk Real-Time Focus + Review of 1 st Line	Independent Assurance Review of 1 st Line and 2 nd Line
Management Controls	Risk Management Governance Regulatory Compliance Work Health Safety Environment	Internal Audit External Audit Office of Local Government
Review governance and compliance Implement improvements	Confirm governance and compliance Recommend improvements	Independently confirm governance and compliance Recommend improvements

4. Composition and Tenure

The Committee will consist

4.1. Voting members

1 x Councillor representative

4 x Independent external members (one of whom is recruited as Chair)

4.2. Non-voting members

General Manager

Internal Audit Manager (Head of Internal Audit)

4.3. Invitees (non-voting) for specific Agenda items

Representatives of the external auditor

Other Council officers may attend by invitation from the Committee through the General Manager.

4.4. Term of membership external appointments

Two external members shall be appointed for a maximum term of four years and two external members shall be appointed for a maximum term of three years and shall be appointed as follows:

- Two external members (one of whom shall be the Chair) shall be appointed for an initial period of two years with an additional two year appointment subject to a satisfactory performance assessment of their contribution to the Audit Committee.
- Two external members shall be appointed for an initial period of two years with an additional one year appointment subject to a satisfactory performance assessment of their contribution to the Audit Committee.

The performance review will be undertaken by the Council representative as Committee member in conjunction with the General Manager

External members may be re-appointed at the end of their tenure following a public advertisement and expression of interest processes

Vacancies shall be filled by public advertisement; an evaluation of candidates and a recommendation for appointment to Council.

4.5. Skills

The external independent members of the Committee, taken collectively, will have a broad range of skills and experience relevant to the operations of Council.

At least one external independent member of the Committee shall have accounting or related financial management experience and an understanding of accounting and auditing in a public sector environment.

At least one external independent member of the Committee shall have internal auditing or related auditing experience.

At least one external independent member of the Committee shall have risk management experience.

5. Roles and responsibilities

The Committee has no executive powers but assists the Council by providing independent assurance and assistance to Council on behalf of rate-payers.

The Committee is directly responsible to the 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 Council operations rests with the General Manager.

The responsibilities of the Committee may be revised or expanded in consultation with or as resolved by Council.

The Committee's role includes assisting Council in its governance and exercising of due care, diligence and skill in relation to:

- Internal control systems
- Risk management systems
- Business policies and practices
- Protection of Council's assets
- Compliance with applicable laws, regulations, standards and best practice guidelines
- Understand the relevant legislative and regulatory requirements appropriate to Council;
- Contribute the time needed to study and understand the papers provided;
- Apply good analytical skills, objectivity and good judgment; and
- Express opinions frankly, ask questions that go to the fundamental core of issues, and pursue independent lines of enquiry.

5.1. Risk management

- Review whether management has in place a current and appropriate risk management framework that is consistent with AS/NZS ISO 31000:2009
- Review risk management plans and provide advice to the General Manager
- Seek assurance from management and Internal Audit that risk management processes are

operating effectively

- Seek assurance from management and Internal Audit as to the adequacy and effectiveness of internal controls
- Review risk reports and provide advice to the General Manager
- Review whether a sound and effective approach has been followed in developing risk management plans for major projects or undertakings
- Review the impact of the agency's risk management on its control environment and insurance arrangements
- Review council's fraud control plan and be satisfied that council has appropriate processes and systems in place to capture and effectively investigate fraud related information
- Review whether a sound and effective approach has been followed in establishing council's business continuity planning arrangements, including whether disaster recovery plans have been tested periodically.

5.2. Control framework

- Review whether management's approach to maintaining an effective internal control framework, including over external parties such as contractors and advisors, is sound and effective
- Review whether management has in place relevant policies and procedures and that these are periodically reviewed and updated
- Determine whether the appropriate processes are in place to assess, at least once a year, whether laws, regulations, policies and procedures are complied with
- Review whether appropriate policies and procedures are in place for the management and exercise of delegations
- Consider how management identifies any required changes to the design or implementation of internal controls
- Review whether management has taken steps to embed a culture which is committed to ethical and lawful behaviour.

5.3. External accountability

- Assess the policies and procedures for management review and consideration of the financial position and performance of the agency including the frequency and nature of that review (including the approach taken to addressing variances and budget risks)
- Review procedures around early close and year-end
- Review the financial statements and provide advice to the General Manager (including whether appropriate action has been taken in response to audit recommendations and adjustments), and recommend their signing by the responsible financial officers and Councillors
- Satisfy itself that the financial statements are supported by appropriate management signoff on the statements
- Review cash management policies and procedures
- Review policies and procedures for collection, management and disbursement of grants and tied funding
- Review the processes in place designed to ensure that financial information included in Council's annual report is consistent with the signed financial statements
- Satisfy itself that Council has a performance management framework that is linked to organisational objectives and outcomes.

5.4. Legislative Compliance

- Determine whether management has appropriately considered legal and compliance risks as part of Council's risk assessment and management arrangements

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- Review the effectiveness of the systems for monitoring compliance with applicable laws and regulations and associated government policies

5.5. Internal Audit

- Act as a forum for communications between the General Manager, senior management and internal and external audit
- Review and provide advice to the General Manager on the internal audit policies and procedures
- Review the risk based audit methodology
- Review the internal audit coverage and annual work plan, ensure the plan is based on Council's risk management plan, and recommend approval of the plan
- Advise the General Manager of the adequacy of internal audit resources to carry out its responsibilities, including completion of the approved internal audit plan
- Oversee the coordination of audit programs conducted by internal audit and external audit and other review functions
- Review audit findings and related recommendations that have been assessed as the most significant according to the risk and audit finding represent to Council if the recommendation's related to the finding are not implemented
- Provide advice to the General Manager on significant issues identified in audit reports and action taken on these issues, including identification and dissemination of good practice
- Monitor management's implementation of internal audit recommendations
- Review the internal audit charter to ensure appropriate organisation structures, authority, access and reporting arrangements are in place
- Periodically review the performance of internal audit

5.6. External audit

- Act as a forum for communication between the Council, General Manager, senior management, internal audit and external audit
- Provide input and feedback on the financial statement and performance audit coverage proposed by external audit and provide feedback of the audit services provided
- Review all external plans and reports in respect of planned or completed audits and monitor management's implementation of audit recommendations
- Provide advice to the General Manager on action taken on significant issues raised in relevant external audit reports and better practice guides

5.7. Responsibilities of members

Members of the Committee are expected to:

- Understand the relevant legislative and regulatory requirements appropriate to Snowy Monaro Regional Council;
- Contribute the time needed to study and understand the papers provided;
- Apply good analytical skills, objectivity and good judgment; and
- Express opinions frankly, ask questions that go to the fundamental core of issues, and pursue independent lines of enquiry.

6. Reporting

The Committee will regularly, but at least one a year, report to Council on its operation and activities during the year. The report should include:

- An overall assessment of Council's risk, control and compliance framework, including details of

any significant emerging risks or legislative changes impacting Council

- A summary of the work the Committee performed to fully discharge its responsibilities during the preceding year
- Details of meetings, including the number of meetings held during the relevant period and the number of meeting each member attended
- A summary of Council progress in addressing the findings and recommendations made in internal and external reports
- A summary of the Committee's assessment in the performance of internal audit

The Committee's Minutes will be presented to Council for information only through the General Manager's report to Council.

6.1. Reporting Lines

The Committee must at all times ensure it maintains a direct reporting line to and from internal audit and act as a mechanism for internal audit to report to the General Manager on functional matters.

The following reporting line is prescribed:



7. Administrative arrangements

7.1. Meetings

The Committee will meet at least four times per financial year. A special meeting may be held to review Council's financial statements.

The need for any additional meetings will be decided by the Chair of the Committee, though other Committee members or the General Manager may make requests to the Chair for additional meetings.

A forward meeting plan, including meeting dates and agenda items, will be agreed by the Committee each year. The forward meeting plan will cover all Committee responsibilities as detailed in this Charter.

Meetings will follow Councils Code of Meeting practice.

7.2. Attendance at Meetings and Quorums

A quorum will consist of a majority of voting members in attendance.

Meetings can be held in person, by telephone or by video conference.

The Internal Audit Manager will be invited to attend each meeting unless requested not to do so by the Chair of the Committee. The Committee may also request through the General Manager, for other employees to participate for certain agenda items, as well as the external auditor.

The General Manager may attend each meeting but will permit the Committee to meet separately with the Chief Audit Executive in the absence of management on at least one occasion per year.

7.3. Secretariat

The Council will provide secretariat support to the Committee. The Secretariat will ensure the agenda for each meeting and supporting papers are circulated, at least one week before the meeting, and ensure minutes of the meetings are prepared and maintained. Minutes shall be approved by the Chair and circulated to each member and committee observers as appropriate within three weeks of the meeting being held.

7.4. Conflicts of Interest

Councillors, council staff and members of council committees must comply with the applicable provisions of Council's code of conduct in carrying out the functions as council officials.

Committee members must declare any conflicts of interest at the start of each meeting or before discussion of a relevant agenda item or topic. Details of any conflicts of interest should be appropriately minuted.

Where members or invitees at Committee meetings are deemed to have a real or perceived conflict of interest, it may be appropriate they be excused from Committee deliberations on the issue where the conflict of interest may exist. The final arbiter of such a decision is the Chair of the Committee.

7.5. Induction

New members will receive relevant information and briefings on their appointment to assist them to meet their Committee responsibilities.

7.6. Assessment Arrangements

The Chair of the Committee will initiate a review of the performance of the Committee in full at least once every two years.

The review will be conducted on a self-assessment basis (unless otherwise determined by the Chair), with appropriate input from management and any other relevant stakeholders, as determined by the Chair.

7.7. Review of Audit and Risk Committee Charter

At least once every year the Committee will review this Charter. The review will include consultation with the Council.

Any substantive changes to this Charter will be recommended by the Committee and formally approved by Council.

Resolved by Council: 20 September 2017 (ADA144/17)

Noted by Audit, Risk and Improvement Committee 8 December 2017

ATTACHMENT 2 – Annual Code of Ethics and Conflict of Interest Declaration Financial Year 2017–2018 Code of Ethics¹

Principles

Internal auditors are expected to apply and uphold the following principles:

1. Integrity

The integrity of Internal Auditors establishes trust and thus provides the basis for reliance on their judgment.

2. Objectivity

Internal Auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments.

3. Confidentiality

Internal Auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

4. Competency

Internal Auditors apply the knowledge, skills, and experience needed in the performance of internal audit services.

Rules of Conduct

Integrity

Internal Auditors:

Shall perform their work with honesty, diligence, and responsibility.

Shall observe the law and make disclosures expected by the law and the profession.

1.3. Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organisation.

1.4. Shall respect and contribute to the legitimate and ethical objectives of the organisation.

2. Objectivity

Internal Auditors:

2.1. Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organisation.

2.2. Shall not accept anything that may impair or be presumed to impair their professional judgment.

2.3. Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

¹ The International Professional Practices Framework (IPPF) issued by the Institute of Internal Auditors

3. Confidentiality

Internal Auditors:

3.1. Shall be prudent in the use and protection of information acquired in the course of their duties.

3.2. Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation.

4. Competency

Internal Auditors:

4.1. Shall engage only in those services for which they have the necessary knowledge, skills, and experience.

4.2. Shall perform internal audit services in accordance with the International Standards for the Professional Practice of Internal Auditing.

4.3. Shall continually improve their proficiency and the effectiveness and quality of their services.

Conflict of Interest

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 his or her 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 activity, and the profession. A conflict of interest could impair an individual's ability to perform his or her duties and responsibilities objectively.

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 12 months, but each instance should be carefully assessed.

When engaging internal audit service providers, the Chief Audit Executive shall take steps to identify, evaluate the significance, and manage any perceived or actual conflict of interest that may impinge upon internal audit work.

Instances of perceived or actual conflict of interest by Internal Auditors including service providers shall immediately be reported to the Chair of the Audit Committee.

Declaration

I certify that I have conformed to the Code of Ethics and have no conflicts of interest for the period 1 July 2017 to 30 June 2018.

If an issue arises with my professional behaviour that is not in the spirit of the Code of Ethics, or if a conflict of interest should occur in the coming year 2018 to 2019, I shall immediately report it to the Chair of the Audit, Risk and Improvement Committee.

Marg Nicholls PMIIA

Internal Auditor

June 2018

ATTACHMENT 3 – Internal Audit Charter



Internal Audit Charter

1. Introduction

Snowy Monaro Regional Council (Council) has established its Internal Audit function as a key component of Council's governance framework.

This charter provides the framework for the conduct of the internal audit function at Council and has been approved by Council's Audit, Risk and Improvement Committee.

Internal Audit at Snowy Monaro Regional Council is managed by the Senior Internal Auditor who is the designated Head of Internal Audit / Chief Audit Executive within the organisation. The Head of Internal Audit is the top position within an organisation for internal audit activities, as defined in The International Standards for the Professional Practice of Internal Auditing (Standards) issued by the Institute of Internal Auditors.

2. Purpose of internal audit

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve an organisations operations.

It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, controls and governance processes.

Internal audit provides an independent and objective review and advisory service to:

- Provide assurance to Council and the Audit, Risk and Improvement Committee that Council's financial and operational controls, designed to manage the organisation's risks and achieve the entity's objectives are operating in an efficient, effective and ethical manner;
- Assist management in improving business performance.

3. Authority

Internal Audit, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free and unrestricted access to any and all records, personnel and physical properties relevant to the performance of engagements.

Internal Audit will also have free and unrestricted access to the Senior Executive of Council and the Audit, Risk and Improvement Committee.

4. Independence

Independence is essential to the effectiveness of the internal audit function. Internal audit activity must be independent and internal auditors must be objective in performing their work. Internal auditors must have an impartial, unbiased attitude and avoid any conflicts of interest.

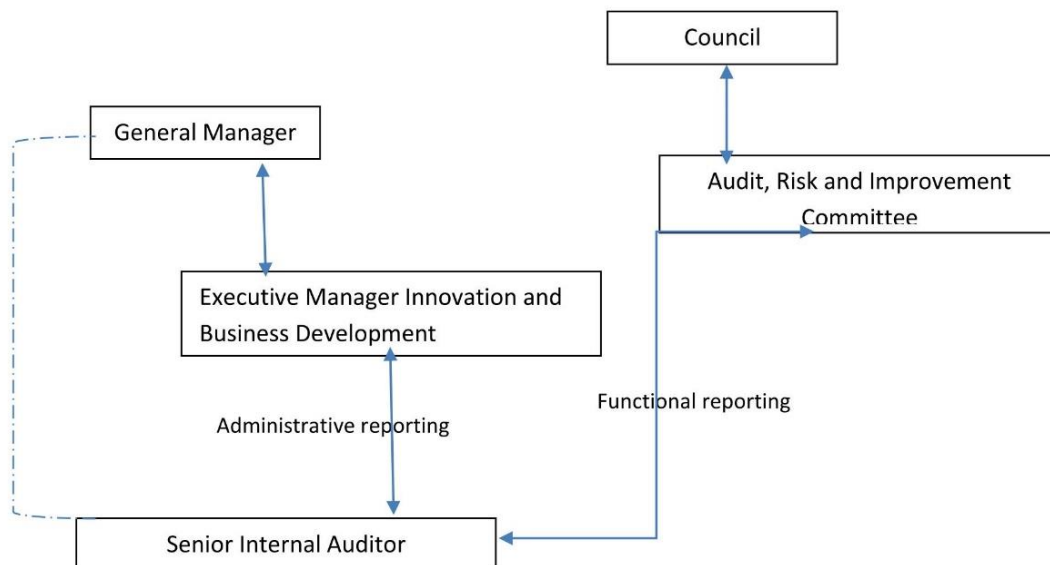
The internal audit authority has no direct authority or responsibility for the activities it reviews. The internal audit function has no responsibility for developing or implementing procedures or

systems and does not prepare records or engage in original line process functions or activities (except in carrying out its own functions).

The internal audit function is responsible on a day to day basis to the Chief Audit Executive.

The internal audit function, through the Chief Audit Executive, reports functionally to the 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 Innovation and Business Development to facilitate day to day operations.

The following reporting line is prescribed.



5. Authority and confidentiality

Internal auditors are authorised to have full, free and unrestricted access to all functions, premises, assets, personnel, records and other documentation and information that the Chief Audit Executive considers necessary to enable the internal audit function to meet its responsibilities.

All records, documentation and information accessed in the course of undertaking internal audit activities are to be used solely for the conduct of these activities. The chief Audit executive and individual internal audit staff are responsible and accountable for maintaining the confidentiality of the information they receive during the course of 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.

6. Roles and responsibilities

The internal audit function must evaluate and contribute to the improvement of governance, risk management and control processes using a systematic and disciplined approach.

In the conduct of its activities, the internal audit function will 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
- Promoting a culture of cost-consciousness, self-assessment and adherence to high ethical standards.

7. Audit activities

Audit activities including audits with the following areas for consideration:

Risk management

- Evaluate the effectiveness and contribute to the improvement of risk management processes
- Provide assurance that risk exposures relating to the organisation's governance, operations, and information systems are correctly evaluated including:
 - Reliability and integrity of financial and operational information
 - Effectiveness, efficiency and economy of operations and
 - Safeguarding of assets
- Evaluate the design, implementation and effectiveness of Council's ethics-related objectives, programs and activities
- Assess whether the information technology governance sustains and supports Council's strategies and objectives

Compliance

- Compliance with applicable laws, regulations and Government policies and directions

Performance improvement

- The efficiency, effectiveness and economy of Council's business systems and processes

8. Advisory services

The internal audit function can advise management on a range of matters including:

New programs; systems and processes

- Providing advice on the development of new programs and processes and /or significant changes to existing programs and processes including the design of appropriate controls.

Risk management

- Assisting management to identify risks and develop risk mitigation and monitoring strategies as part of the risk management framework.

Fraud control

- Evaluate the potential for the occurrence of fraud and how the organisation manages fraud risk
- Assisting management to investigate fraud, identify the risks of fraud and develop fraud prevention and monitoring strategies.

9. Audit support activities

The Chief Audit Executive is also responsible for:

- Managing the internal audit function
- Assisting the Audit, Risk and Improvement Committee to discharge its responsibilities
- Monitoring the implementation of agreed recommendations
- Disseminating across Council, better practice and lessons learnt arising from its audit activities.

10. Scope of internal audit activity

Internal audit reviews may cover all programs and activities of Council together with associated entities, as provided for in relevant business agreements, memorandum of understanding or contracts.

Internal audit activity encompasses the review of all financial and non-financial policies and operations.

11. Standards

Internal audit activities will be conducted in accordance with this charter and with relevant professional standards including International Standards for the professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

In the conduct of internal audit work, internal audit staff will:

- Comply with relevant professional standards of conduct;
- Possess the knowledge, skills and technical proficiency relevant to the performance of their duties;
- Be skilled in dealing with people and communicating audit, risk management and related issues effectively;
- Exercise due professional care in performing their duties.

12. Relationship with external audit

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

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

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

13. Planning

The Chief Audit Executive will prepare a risk-based annual internal audit work plan in a form and in accordance with a timetable agreed with the Audit, Risk and Improvement Committee.

14. Reporting

The Chief Audit Executive will report to each meeting of the Audit, Risk and Improvement Committee on:

- Audits completed;
- Progress in implementing the annual audit work plan;
- The implementation status of agreed internal and external audit recommendations.

The internal audit function will also report to the Audit, Risk and Improvement Committee at least annually on the overall state of internal controls at Council and any systemic issues requiring

management attention based on the work of the internal audit function and other assurance providers.

15. Administrative arrangements

Any change to the role of the Chief Audit Executive and where the internal audit functions uses an outsourced service delivery model; the external service provided will be approved by the General Manager in consultation with the Audit, Risk and Improvement Committee.

The Chief Audit Executive will arrange for an internal review, at least annually, and a periodic independent review, at least every five (5) years, of the efficiency and effectiveness of the operations of the internal audit functions. The results of the reviews will be reported to the Audit, Risk and Improvement Committee who will provide advice to the General Manager on those results.

16. Review of the Charter

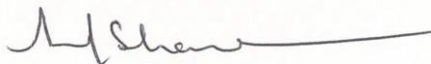
This charter will be reviewed at least annually by the Audit, Risk and Improvement Committee. Any substantive changes will be noted by Council on the recommendation of the Audit, Risk and Improvement Committee.

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Approved by Audit, Risk and Improvement Committee Resolution No: ARIC 48/18

Date of Audit, Risk and Improvement Committee meeting: 14 March 2018

Chair Audit, Risk and Improvement Committee:



Executive Manager Innovation and Business Development:

