

POLICY:-	
Policy Title:	Internal Audit and Risk Management Policy (previously titled: Risk Management Policy)
File reference:	F10/618-06
Date Policy was adopted by Council initially:	20 October 2011
Resolution Number:	391/11
Other Review Dates:	21 April 2016
Resolution Number:	87/16
Current Policy adopted by Council:	15 July 2021
Resolution Number:	116/21
Next Policy Review Date:	2024

PROCEDURES/GUIDELINES:-	
Procedures/Guidelines Title:	New Internal Audit and Risk Management Framework for Local Councils in NSW issued by the Office of Local Government

RESPONSIBILITY:-	
Draft Policy Developed by:	Manager Audit, Risk and Improvement
Committee/s (if any) consulted in the development of this policy::	N/A
Responsibility for implementation:	General Manager
Responsibility for review of Policy:	Director of Finance and Administration

OBJECTIVE

The Internal Audit and Risk Management Policy for Upper Lachlan Shire Council (the Council) seeks to strengthen internal audit, risk management and governance practices across Council by achieving the following key objectives:-

Objective 1:

To establish an independent Audit, Risk and Improvement Committee that adds value to Council.

Objective 2:

To establish a robust risk management framework that accurately identifies and mitigates the risks facing Council operations.

Objective 3:

To establish an effective internal audit function that provides independent assurance to the governing body that the Council is functioning effectively and the internal controls the Council has put into place to manage risk are working as intended.

POLICY

The Internal Audit and Risk Management Policy for Upper Lachlan Shire Council (the Council) is a mandatory policy which has been prepared to support the Council in fulfilling its legislative obligation under the Local Government Act and NSW Regulations by outlining minimum standards for risk management, internal audit and operation of the Audit, Risk and Improvement Committee (ARIC).

The Policy should be read alongside other policy and guideline papers that apply to Internal Audit and Risk Management for Local Councils in NSW, including the new "*Internal Audit and Risk Management Framework for Local Councils in NSW*" issued by the Office of Local Government.

The Council's internal audit function will support the Audit, Risk and Improvement Committee to fulfil its assurance responsibilities through the audit of particular risks, as identified in the internal audit function's work plan. The role of the Council's internal audit function in relation to risk management is to be documented in the Council's Internal Audit Charter.

POLICY REQUIREMENTS

In order to achieve the Policy objectives the Council is required to meet the following core requirements of the Internal Audit and Risk Management Policy:-

POLICY OBJECTIVE	REQUIREMENT
Objective 1: Establish an Independent Audit, Risk and Improvement Committee that adds value to the governing body.	Core Requirement 1: Appoint an independent Audit, Risk and Improvement Committee.
Objective 2: Establish a robust risk management framework that accurately identifies and mitigates the risks facing Council operations.	Core Requirement 2: Establish a risk management framework consistent with the current Australian risk management standards.
Objective 3: Establish an effective internal audit function that provides independent assurance to the governing body that the Council is functioning effectively and the internal controls the Council has put into place to manage risk are working as intended.	Core Requirement 3: Establish an internal audit function mandated by an Internal Audit Charter.
	Core Requirement 4: Appoint internal audit personnel and establish reporting lines.
	Core Requirement 5: Develop an agreed internal audit work program.
	Core Requirement 6: Develop an agreed internal audit methodology to guide how internal audits are performed and reported.
	Core requirement 7: Undertake ongoing monitoring and reporting.
	Core requirement 8: Establish a quality assurance and improvement program.
	Core requirement 9: Establish shared internal audit arrangements.

Requirements for an Attestation Statement

The General Manager shall attest the Council's compliance with the Core Requirements of the Internal Audit and Risk Management Policy in an Attestation Statement published in the Council's annual report, with a copy provided to Office of Local Government on or before 31 December each year.

The General Manager shall self-assess and determine whether the Council has been 'compliant', 'non-compliant' or 'in transition' in relation to each of the Core Requirements of the Internal Audit and Risk Management Policy for the reporting period.

The Independent Chairperson of the Audit, Risk and Improvement Committee is to also sign the attestation statement where he/she agrees that it is a true and accurate reflection of the Council's compliance status against core requirements.

ROLES AND RESPONSIBILITIES

It is the responsibility of all Council's Managers and staff to manage risk. The following table details specific roles and responsibilities of Managers and staff in relation to risk management and internal audit.

Council Official	Responsibility
Councillors	The Councillors have ultimate responsibility and accountability for risk management and internal audit implementation at Council.
General Manager	<ul style="list-style-type: none"> • Approving the Council's risk management plan, risk treatment plans, risk register and risk profile. • Recommending the Council's Internal Audit and Risk Management Policy and risk criteria for the endorsement of the Audit, Risk and Improvement Committee and approval of the governing body of Council. • Overseeing the Council's risk management framework and ensuring it is effectively communicated, implemented and reviewed regularly. • Promoting and championing a positive risk culture. • Ensuring that all Council Managers and staff (permanent, temporary or contract) understand their risk management responsibilities and that these are included in all job descriptions, staff induction programs and performance appraisals. • Annually attesting that Council's risk management framework complies with statutory requirements, and • Approving the Council's implementation of corrective actions recommended by the Council's internal audit function, external audits and the Audit, Risk and Improvement Committee.
Council Department Directors / Executive Management (MANEX)	<ul style="list-style-type: none"> • Developing the Council's Internal Audit and Risk Management Policy. • Determining the Council's risk criteria. • Leading the risk management process - for example, evaluating the Council's internal and external context, identifying, assessing and prioritising risks and developing risk treatment plans and internal controls. • Developing the Council's risk register and risk profile. • Communicating and implementing the Council's Internal Audit and Risk Management Policy and plans across Council. • Advising/reporting on the performance and implementation of the Council's risk management framework to the General Manager, and • Reviewing recommendations for corrective actions from the Manager Audit, Risk and Improvement and Council's internal audit function and determining Council's response.

<p>Manager Audit, Risk and Improvement</p>	<p>Internal Audit</p> <ul style="list-style-type: none"> • Managing the day-to-day direction and performance of the Council's internal audit activities to ensure they add value to Council. • Supporting the operation of the Audit, Risk and Improvement Committee. • Development and review of Council's Internal Audit Plan. • Ensuring the Council's internal audit activities comply with statutory requirements, the IPPF and the Council's needs. • Developing, implementing and reviewing the Council's Internal Audit Charter, policies and procedures, work plans and quality assurance and improvement program. • Providing advice to the Audit, Risk and Improvement Committee and governing body of the Council on the adequacy and effectiveness of the Council's governance frameworks, risk management practices and internal controls. • Confirming the implementation by the Council of corrective actions that arise from the findings of internal audit activities, and • Managing internal audit personnel and ensuring that they have the skills necessary to perform audits and are up to date on current issues affecting the Council and on audit techniques and developments. <p>Internal Audits Program - outsourced</p> <ul style="list-style-type: none"> • Overseeing the service contract and the quality of audits conducted by the external provider (including overseeing the quality assurance and improvement program). • Ensuring that the Council retains control of the strategic direction of internal audit activities. • Reporting to the General Manager and the governing body of the Council on the adequacy and effectiveness of the Council's governance frameworks, risk management practices and internal controls (based on the findings provided by the external provider). • Confirming the Council's implementation of corrective actions that arise from the findings of audits. • Developing policies and procedures that guide the audits conducted by the external provider. • Developing the internal audit annual work plan and strategic plan • Ensuring audit methodologies used by the external provider comply with the IPPF and are accessible to the Council (subject to any licensing restrictions), and • Supporting the operation of the Audit, Risk and Improvement Committee.
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<p>Manager Audit, Risk and Improvement and Assets and Risk Coordinator</p>	<p>Risk Management</p> <ul style="list-style-type: none"> • Supporting the executive management group by coordinating and providing clear and concise risk information, advice and/or reports that can be used in planning and decision-making. • Coordinating the various activities relating to risk management within the Council. • Helping to build a risk management culture within the Council, including facilitating and driving risk management at the strategic and operational level within the Council and ensuring consistency in practice. • Ensuring there are easily accessible systems and processes in place to enable all staff to conveniently undertake risk management in their day-to-day work. • Ensuring risk management processes are applied consistently across the Council. • Organising appropriate staff risk management training and development. • Developing and maintaining a risk reporting framework to enable regular advising/reporting of key risks, and the management of those risks, to the executive management group. • Supporting Council staff with their risk management obligations and providing staff with advice and tools to ensure risk management compliance. • Implementing effective risk management communication mechanisms and information system/s • Establishing and maintaining an ongoing monitoring system to track the risk management activities undertaken within Council and assessing the need for further action. • Assessing risk management information for completeness, accuracy and consistency (for example, risk registers, risk treatment plans), and preparing advice or reports for the Audit, Risk and Improvement Committee and attending Committee meetings.
<p>Council Managers and Team Leaders/ Coordinators</p>	<p>Risk Management</p> <ul style="list-style-type: none"> • Promoting awareness of risks and risk treatments that must be implemented. • Ensuring Council staff are implementing the Council's risk management framework as developed and intended and performing their risk management responsibilities. • Identifying risks that will affect the achievement of the Council objectives. • Establishing and/or implementing specific Council policies, operating and performance standards, budgets, plans, systems and/or procedures to manage risks, and • Monitoring the effectiveness of risk treatment and internal controls.
<p>Council Staff</p>	<p>Risk Management</p> <ul style="list-style-type: none"> • Helping to identify risks in their business unit. • Implementing risk treatment plans within their area of responsibility. • Adhering to Council policies.

	<ul style="list-style-type: none">• Implementing and adhering to standard operating procedures (where applicable), and• Communicating or escalating new risks that emerge to their Manager.
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LEGISLATION

The statutory framework regulating internal audit and risk management in NSW for councils includes:-

Local Government Act 1993 (NSW)

- Section 428A of the Local Government Act
- Section 428B of the Local Government Act
- Section 223 of the Local Government Act
- Section 413 of the Local Government Act
- Section 335 of the Local Government Act
- Section 338 of the Local Government Act
- Section 355 of the Local Government Act
- Section 377 of the Local Government Act
- Section 440 of the Local Government Act
- *Guidelines for NSW Local Government Audit, Risk and Improvement Committees, Risk Management Frameworks and Internal Audit Functions* issued under section 23A of the Local Government Act

Local Government (General) Regulation 2005 (NSW)

- Clause 209 of the Local Government Regulation

Governing standards

- ISO 31000:2009, Risk Management – Guidelines (AS/NZS ISO 31000:2018)
- The Institute of Internal Auditors (2017) International Professionals Practices Framework. International Standards for the Professional Practice of Internal Auditing

Ownership and Approval

Responsibility	Role
Author	Manager of Audit Risk and Improvement
Owner	Director of Finance and Administration
Approver	General Manager

Variation

Council reserves the right to vary or revoke this policy in accordance with changes to Legislation and/or Council Policies and Procedures.