

# Upper Lachlan Shire Council

## Internal Audit Charter

Upper Lachlan Shire Council's internal audit function has been established as a key component of Upper Lachlan Shire Council's governance and assurance framework, in compliance with the *Local Government (General) Regulation 2021* as amended by the *Local Government (General) Amendment (Audit, Risk and Improvement Committees) Regulation 2023* (the regulation), and the Office of Local Government's *Guidelines for risk management and internal audit for local government in NSW* (the guidelines).

A shared arrangement for an internal audit function has been entered into between Upper Lachlan Shire Council, Goulburn Mulwaree Council, Yass Valley Council (the participating councils) and Canberra Region Joint Organisation (CRJO) since October 2022 and was an in-house internal audit function until June 2025.

The shared internal audit function from 2025/26 financial year onwards is an outsourced internal audit function with internal audits to be conducted by an external provider shared across CRJO and the participating councils (the shared external IA provider).

Upper Lachlan Shire Council's internal audit function is to be made up of the shared external IA provider, to be engaged and contract managed by CRJO on behalf of the participating councils (CRJO shared contract manager), and the internal audit coordinator appointed by Upper Lachlan Shire Council's CEO. Hereafter in this document referred to as the Upper Lachlan Shire Council internal audit function.

The shared arrangement is to be articulated in a shared arrangements agreement between CRJO and Upper Lachlan Shire Council and must comply with this charter.

This charter provides the framework for the conduct of the Upper Lachlan Shire Council internal audit function and has been approved by the Upper Lachlan Shire Council taking into account advice of Upper Lachlan Shire Council's Audit, Risk and Improvement Committee (the ARIC).

## Purpose of internal audit

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve Upper Lachlan Shire Council's operations. It helps Upper Lachlan Shire Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes<sup>1</sup>.

Internal audit provides an independent and objective review and advisory service to provide advice to Upper Lachlan Shire Council, its CEO and the ARIC about Upper Lachlan Shire Council's governance processes, risk management and control frameworks and its external accountability obligations. It also assists Upper Lachlan Shire Council to improve its business performance.

---

<sup>1</sup> As defined by the International Standards for the Professional Practice of Internal Auditing (2017)  
Adopted – 18 September 2025

## Independence

Upper Lachlan Shire Council's internal audit function is to be independent of the Upper Lachlan Shire Council so it can provide an unbiased assessment of the Upper Lachlan Shire Council's operations and risk and control activities.

The Upper Lachlan Shire Council internal audit function reports functionally to the ARIC on the results of completed audits and for strategic direction and accountability purposes, and reports administratively to the Upper Lachlan Shire Council CEO to facilitate day-to-day operations.

Internal audit activities are not subject to direction by the Upper Lachlan Shire Council and Upper Lachlan Shire Council's management has no role in the exercise of the Upper Lachlan Shire Council's internal audit activities.

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

The Upper Lachlan Shire Council CEO has appointed the Chief Financial Officer as its internal audit coordinator, as generally described in the regulation (internal audit coordinator). Some functions of the internal audit coordinator, relating to engagement and contract management of the shared external IA provider, are to be undertaken by the CRJO shared contract manager as set out in the shared arrangements agreement.

The Upper Lachlan Shire Council CEO must consult with the ARIC chairperson before appointing or making decisions affecting the employment of the internal audit coordinator. If the internal audit coordinator is dismissed, the Upper Lachlan Shire Council CEO must report the reason(s) for the dismissal to the Upper Lachlan Shire Council.

Where the ARIC chairperson has any concerns about the treatment of the internal audit coordinator, or any action taken that may compromise their ability to undertake their functions independently, they can report their concerns to the Upper Lachlan Shire Council.

The internal audit coordinator is to confirm at least annually to the ARIC the independence of internal audit activities from Upper Lachlan Shire Council.

## Authority

The Upper Lachlan Shire Council authorises the Upper Lachlan Shire Council internal audit function, including the external IA provider managed by the CRJO shared contract manager to have full, free and unrestricted



access to all functions, premises, assets, personnel, records and other documentation and information that the internal audit coordinator considers necessary for the Upper Lachlan Shire Council internal audit function to undertake its responsibilities.

All records, documentation and information accessed while undertaking internal audit activities are to be used solely for the conduct of those activities. The internal audit coordinator, shared external IA provider and CRJO shared contract manager are responsible and accountable for maintaining the confidentiality of the information they receive or view when undertaking their work.

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

Information and documents pertaining to the Upper Lachlan Shire Council internal audit function are not to be made publicly available. The Upper Lachlan Shire Council internal audit function may only release Upper Lachlan Shire Council information to external parties that are assisting the Upper Lachlan Shire Council internal audit function to undertake its responsibilities with the approval of the Upper Lachlan Shire Council CEO, except where it is being provided to an external investigative or oversight agency for the purpose of informing that agency of a matter that may warrant its attention.

## Role

The Upper Lachlan Shire Council internal audit function is to support the ARIC to review and provide independent advice to the Upper Lachlan Shire Council in accordance with section 428A of the Local Government Act 1993. This includes conducting internal audits of Upper Lachlan Shire Council and monitoring the implementation of corrective actions.

The Upper Lachlan Shire Council internal audit function 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 Upper Lachlan Shire Council internal audit function has no direct authority or responsibility for the activities it reviews. The Upper Lachlan Shire Council internal audit function has no responsibility for developing or implementing procedures or systems and does not prepare records or engage in Upper Lachlan Shire Council functions or activities (except in carrying out its own functions).

## Internal Audit Coordinator

### **Outsourced internal audit function**

The Upper Lachlan Shire Council internal audit function is to be led by a member of council's staff, appointed as internal audit coordinator, with sufficient skills, knowledge and experience to ensure it fulfils its role and responsibilities to Upper Lachlan Shire Council and the ARIC.

The internal audit coordinator must be independent, impartial, unbiased and objective when performing their work and free from any conflicts of interest.

Adopted – 18 September 2025



Responsibilities of the internal audit coordinator generally include the following with aspects of the role to be undertaken by the CRJO shared contract manager as set out in the shared arrangements agreement:

- contract management
- managing the internal audit budget
- ensuring the external IA provider completes internal audits in line with the ARIC's annual work plan and four-year strategic work plan
- forwarding audit reports by the external IA provider to the ARIC
- acting as a liaison between the external IA provider and the ARIC
- monitoring Upper Lachlan Shire Council's implementation of corrective actions that arise from the findings of audits and reporting progress to the ARIC, and
- assisting the ARIC to ensure Upper Lachlan Shire Council's internal audit activities comply with the guidelines.

## Dual Responsibilities of the Internal Audit Coordinator

The internal audit coordinator can be assigned other roles and responsibilities in the council provided adequate safeguards are put in place by the council to limit conflicts of interest.

The Chief Financial Officer, as internal audit coordinator, is to remain independent and report functionally to the ARIC in relation to their internal audit responsibilities.

For council responsibilities other than internal audit coordinator responsibilities, the Chief Financial Officer reports functionally through normal reporting lines to the CEO.

Depending on the specific needs and circumstances of the council, safeguards could include:

- any potential issues or conflicts of interest arising from a dual role being formally documented in the ARIC's meeting minutes
- the ARIC endorsing the dual roles
- the CRJO shared contract manager being independent of Upper Lachlan Shire Council
- the internal audit coordinator declaring, to the ARIC, a conflict of interest whenever internal audits are to be conducted by the shared external IA provider in relation to the internal audit coordinator's other roles and responsibilities (i.e. that of the Chief Financial Officer) and the ARIC approving the method/s of managing the conflict of interest, and
- the ARIC including an assessment of the independence and objectivity (for internal audit purposes) of the coordinator of the outsourced internal audit function in their annual assessment report to the Upper Lachlan Shire Council.

## Shared Arrangements

Upper Lachlan Shire Council is part of a shared internal audit arrangement with CRJO and the participating councils.

The independent chair and committee members of Upper Lachlan Shire Council's ARIC are also shared with CRJO, Yass Valley Council and Goulburn Mulwaree Council.



The shared arrangement agreement in place for the ARIC shared membership and previous shared in-house internal audit function will be updated to reflect the new, shared outsourced internal audit function with the participating councils as set out in this charter.

The CRJO shared contract manager needs to be able to:

- manage the contract with the shared external IA provider on behalf of all councils in the shared arrangement
- liaise with the ARIC, internal audit coordinator and CEO
- coordinate the completion of audits by the shared external IA provider in line with the participating councils' ARICs' annual and four-year strategic work plans
- provide audit reports by the external IA provider to the ARIC and CEO and obtain coordinate management responses via the internal audit coordinator
- assist the ARIC to ensure Upper Lachlan Shire Council's internal audit activities comply with the regulation and guidelines, and
- maintain separate and confidential information for each of the participating councils in the shared arrangement.

## Performing internal audit activities

The work of the Upper Lachlan Shire Council internal audit function is to be thoroughly planned and executed. The ARIC must develop a strategic work plan every four years to ensure that the matters listed in Schedule 1 are reviewed by the ARIC and considered by the internal audit coordinator and shared external IA provider 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 ARIC must also develop an annual work plan to guide the work of the Upper Lachlan Shire Council internal audit function over the forward year.

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 current Australian risk management standards.

The CRJO shared contract manager is to provide the findings and recommendations of the shared external IA provider's internal audits to the ARIC at the end of each audit. Each internal audit report is to include a response from the relevant senior management, to be collated by the internal audit coordinator.

The internal audit coordinator is to establish an ongoing monitoring system to follow up Upper Lachlan Shire Council's progress in implementing corrective actions.

The Upper Lachlan Shire Council CEO in consultation with the ARIC, is to develop and maintain policies and procedures to guide the operation of the Upper Lachlan Shire Council internal audit function.

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



## Conduct

The internal audit coordinator must comply with Upper Lachlan Shire Council's code of conduct. Complaints about breaches of Upper Lachlan Shire Council's code of conduct by the internal audit coordinator 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 Upper Lachlan Shire Council CEO must consult with the ARIC chairperson before any disciplinary action is taken against the internal audit coordinator in response to a breach of Upper Lachlan Shire Council's Code of Conduct.

External IA providers must comply with the Code of Ethics for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

## Administrative arrangements

### Audit, risk and improvement committee meetings

The internal audit coordinator will attend the ARIC's meetings as an independent non-voting observer and the internal audit coordinator can be excluded from meetings by the ARIC at any time.

The CRJO shared contract manager will attend the participating councils' ARICs, internal audit section, as an independent non-voting observer. The CRJO shared contract manager can be excluded from meetings by the ARIC at any time.

The internal audit coordinator must meet separately with the ARIC at least once per year.

The internal audit coordinator can meet with the ARIC chairperson at any time, as necessary, between ARIC 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 Upper Lachlan Shire Council internal audit function should maintain an effective working relationship with the Upper Lachlan Shire 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 Upper Lachlan Shire Council internal audit function and the Upper Lachlan Shire Council, the dispute is to be resolved by the Upper Lachlan Shire Council CEO in



conjunction with CRJO shared contract manager and/or the ARIC. Disputes between the Upper Lachlan Shire Council internal audit function and the ARIC are to be resolved by the Upper Lachlan Shire Council.

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

## Review arrangements

The ARIC must review the performance of the internal audit function each year and report its findings to the Upper Lachlan Shire Council. A strategic review of the performance of the Upper Lachlan Shire Council internal audit function must be conducted each Upper Lachlan Shire Council term that considers the views of an external party with a strong knowledge of internal audit and reported to the Upper Lachlan Shire Council and the CEO.

This charter is to be reviewed annually by the ARIC and once each Upper Lachlan Shire Council term by the Upper Lachlan Shire Council. Any substantive changes are to be approved by the Upper Lachlan Shire Council.

## Further information

For further information on Upper Lachlan Shire Council's internal audit activities, contact the Chief Financial Officer as the appointed internal audit coordinator.

Reviewed by chairperson of Upper Lachlan Shire Council's ARIC

[sign and date]  21/09/25

Reviewed by Upper Lachlan Shire Council Chief Executive Officer

[sign and date]  18/9/2025

Reviewed and adopted by Upper Lachlan Shire Council in accordance with a resolution of the Upper Lachlan Shire Council.

[sign and date]  
157/25   
Mayor Paul Culhane 18/9/25

## Schedule 1 – internal audit function responsibilities

The below general internal audit function responsibilities apply across the participating councils' internal audit functions inclusive of the shared external IA provider. For specific roles and responsibilities of the shared outsourced internal audit function, refer to the roles and responsibilities matrix developed by CRJO in conjunction with the participating councils in August 2025.

### Audit

#### Internal audit

- Conduct internal audits as directed by the ARIC.
- Implement Upper Lachlan Shire Council's annual and four-year strategic internal audit work plans.
- Monitor the implementation by Upper Lachlan Shire Council of corrective actions.
- Assist Upper Lachlan Shire 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 Upper Lachlan Shire 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 Upper Lachlan Shire Council has in place a current and appropriate risk management framework that is consistent with the Australian risk management standard
- whether Upper Lachlan Shire Council's risk management framework is adequate and effective for identifying and managing the risks Upper Lachlan Shire Council faces, including those associated with individual projects, programs and other activities
- if risk management is integrated across all levels of Upper Lachlan Shire Council and across all processes, operations, services, decision-making, functions and reporting
- of the adequacy of risk reports and documentation, for example, Upper Lachlan Shire Council's risk register and risk profile
- whether a sound approach has been followed in developing risk management plans for major projects or undertakings

Adopted – 18 September 2025



- whether appropriate policies and procedures are in place for the management and exercise of delegations
- if Upper Lachlan Shire Council has taken steps to embed a culture which is committed to ethical and lawful behaviour
- if there is a positive risk culture within Upper Lachlan Shire Council and strong leadership that supports effective risk management
- of the adequacy of staff training and induction in risk management
- how Upper Lachlan Shire Council's risk management approach impacts on Upper Lachlan Shire Council's insurance arrangements
- of the effectiveness of Upper Lachlan Shire 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 Upper Lachlan Shire Council's approach to maintaining an effective internal audit framework, including over external parties such as contractors and advisors, is sound and effective
- whether Upper Lachlan Shire 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 Upper Lachlan Shire 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 Upper Lachlan Shire Council's compliance framework, including:

- if Upper Lachlan Shire Council has appropriately considered legal and compliance risks as part of Upper Lachlan Shire Council's risk management framework
- how Upper Lachlan Shire 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 Upper Lachlan Shire Council's fraud and corruption prevention framework and activities, including whether Upper Lachlan Shire Council has appropriate processes and systems in place to capture and effectively investigate fraud-related information.

## Financial management

Review and advise:

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

## Governance

Review and advise of the adequacy of Upper Lachlan Shire Council governance framework, including the Upper Lachlan Shire 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 Upper Lachlan Shire 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 Upper Lachlan Shire Council is successfully implementing and achieving its IP&R objectives and strategies.

### Service reviews and business improvement

Review and advise:

- if Upper Lachlan Shire 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 Upper Lachlan Shire Council can improve its service delivery and the Upper Lachlan Shire Council's performance of its business and functions generally

### Performance data and measurement

Review and advise:

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