
**NARROMINE SHIRE COUNCIL
ORDINARY MEETING BUSINESS PAPER – 12 JULY 2023
REPORTS OF COMMITTEES**

1. REPORT OF THE INTERNAL AUDIT COMMITTEE

The minutes of the Internal Audit Committee Meeting held on 26 June 2023 at the Narromine Shire Council Chambers are attached, together with the relevant documentation for endorsement by Council (**See Attachment No. 1**)

RECOMMENDATION

That the recommendations from the minutes of the Internal Audit Committee Meeting held on 26 June 2023 be adopted.

**MINUTES OF THE NARROMINE SHIRE COUNCIL INTERNAL AUDIT COMMITTEE
MEETING HELD IN COUNCIL CHAMBERS ON MONDAY 26 JUNE 2023**

PRESENT: Neil Maltby (Chair) – Independent External Member, Grahame Marchant – Independent External Member, Cr Adine Hoey NSC, Jane Redden - General Manager NSC, Barry Bonthuys - Director Finance & Corporate Strategy NSC, Marion Truscott - Director Governance NSC and Sally McDonnell (Minute Taker)

Via Teams – Martin Townsend – Jardine Lloyd Thompson, Alex Hardy and Nya Murefu - Prosperity Advisor Group,

1. WELCOME

The Chair welcomed everyone to the Narromine Shire Council Internal Audit Committee meeting and declared the meeting open at 12.01pm.

2. APOLOGIES

Nil

3. DISCLOSURES OF INTEREST

Nil

4. CONFIRMATION OF PREVIOUS MINUTES – 24 FEBRUARY 2023

RECOMMENDED Neil Maltby/Grahame Marchant that the Minutes of the Narromine Shire Council Internal Audit Committee Meeting held 24 February 2023 be adopted as a true and correct record of the meeting.

Alex Hardy and Nya Murefu- Prosperity Advisor Group joined the meeting at 12.02pm

5. INSURANCE ARRANGEMENTS – PRESENTATION FROM JARDINE LLOYD THOMPSON

Martin Townsend from Jardine Lloyd Thompson provided a detailed presentation in relation to Council's insurance arrangements, current market conditions, global events and impacts, the Statewide Mutual model, coverage of members and pricing comparison.

It was noted that claims benchmarking and board risk initiatives are available through the Statewide Mutual member centre.

A copy of the presentation will be circulated following the meeting.

Martin Townsend – Jardine Lloyd Thompson left the meeting at 12.44pm

6. INTERIM MANAGEMENT LETTER

Alex Hardy – Prosperity Advisor Group provided comment to the Committee in relation to the Interim Management Letter. No significant findings were highlighted.

The Interim Management Letter will be made available in the coming weeks, along with feedback in relation to the Proforma Financial Statements.

**MINUTES OF THE NARROMINE SHIRE COUNCIL INTERNAL AUDIT COMMITTEE
MEETING HELD IN COUNCIL CHAMBERS ON MONDAY 26 JUNE 2023**

6. INTERIM MANAGEMENT LETTER (Cont'd)

The General Manager advised that there are resourcing constraints in the Finance and Corporate Strategy department.

It was reiterated that if management consider Council may not meet the legislative deadline to lodge the financial reports, it should consider making an application to the Minister for Local Government for an extension as soon as possible.

Alex Hardy and Nya Murefu- Prosperity Advisor Group left the meeting at 1.02pm

7. BUSINESS ARISING FROM MINUTES**Items from the Director Governance****7.1 Action Plan – Draft Guidelines Risk Management and Internal Audit for Local Government in NSW**

RECOMMENDED Neil Maltby/Grahame Marchant that the Audit, Risk and Improvement Committee Action Plan be noted.

7.2 Report on Project Management

RECOMMENDED Neil Maltby/Grahame Marchant that a report detailing how Council undertakes its project management will be prepared and presented to the next Internal Audit Committee meeting.

7.3 Alliance of Western Councils – Shared Services

The General Manager advised that option of shared services has been discussed with some member Councils of the Alliance however at this stage there is no capacity for this approach. It is therefore recommended that Council continues to operate its Internal Audit Committee and Internal Audit Services independently.

RECOMMENDED Neil Maltby/Grahame Marchant that the verbal update from the General Manager be noted.

Items from the Director Finance and Corporate Strategy**7.4 Revised Corporate Credit Card Policy**

RECOMMENDED Neil Maltby/Grahame Marchant that the revised Corporate Credit Card Policy as presented be accepted by the Committee prior to final endorsement by Council.

7.5 Proforma Financial Statements

RECOMMENDED Neil Maltby/Grahame Marchant that it be noted that the Proforma Financial Statements have been reviewed and accepted.

**MINUTES OF THE NARROMINE SHIRE COUNCIL INTERNAL AUDIT COMMITTEE
MEETING HELD IN COUNCIL CHAMBERS ON MONDAY 26 JUNE 2023**

8. REPORT TO INTERNAL AUDIT COMMITTEE

8.1 ARIC Terms of Reference

RECOMMENDED Neil Maltby/Grahame Marchant that the draft Internal Audit, Risk and Improvement Committee Terms of Reference be accepted for endorsement by Council.

8.2 Internal Audit Charter

RECOMMENDED Neil Maltby/Grahame Marchant that the draft Internal Audit Charter be accepted for endorsement by Council.

8.3 Head of Outsourced Internal Audit Function

RECOMMENDED Neil Maltby/Grahame Marchant that the information be noted.

8.4 External Provider

RECOMMENDED Neil Maltby/Grahame Marchant that the Committee endorses the Request for Quotation with any quotations received to be considered by the Committee.

8.5 Implementation of Recommendations/Corrective Actions

RECOMMENDED Graham Marchant/Neil Maltby that the information be noted in relation to the progress with implementation of the Committee's recommendations.

8.6 Legislative Compliance/Breach Reporting

RECOMMENDED Neil Maltby/Grahame Marchant that the Committee notes there are no identified legislative compliance breaches to be reported to date.

8.7 Compliance Monitoring – Office of Local Government Circulars

RECOMMENDED Neil Maltby/Grahame Marchant that the Committee notes the actions taken to date in relation to the recent Circulars issued by the Office of Local Government.

8. 12-Month Forward Meeting Agenda

Director Governance advised that a draft 12-Month Forward Meeting Agenda had been provided to the Chair for consideration. The draft will be circulated to the Committee members following the meeting.

**MINUTES OF THE NARROMINE SHIRE COUNCIL INTERNAL AUDIT COMMITTEE
MEETING HELD IN COUNCIL CHAMBERS ON MONDAY 26 JUNE 2023**

10. ANY OTHER BUSINESS

Nil

11. DATE OF NEXT MEETING

The next Internal Audit Committee meeting will be held on Monday, 4 September 2023 at 12 noon.

12. CONCLUSION OF MEETING

The Chair thanked all members for attending.

There being no further business the meeting concluded at 1.39pm.

The Minutes (pages 1 to 4) were confirmed at a meeting held on the day of _____ 2023, and are a full and accurate record of proceedings of the meeting held on 26 June 2023.

CHAIR



CORPORATE CREDIT CARD POLICY

Version	Created/updated by	Adopted by Manex	Review Period
1	Chief Financial Officer	9 December 2013	2 Years
2	Chief Financial Officer	18 November 2015	2 Years
3	Director Finance & Corporate Strategy	19 March 2018	4 years
4	Director Finance & Corporate Strategy	Presented to Internal Audit Committee 25 March 2019 Adopted by Council 10 April 2019	4 years
5	Director Finance & Corporate Strategy	Presented to Internal Audit Committee 26 June 2023 Adopted by Council xx xxx xx	4 years

Narromine Shire Council – Corporate Credit Card Policy

1. PURPOSE

The purpose of Council's Corporate Credit Card Policy is to establish good governance to facilitate the responsible issue and use of Corporate Credit Cards by Council Councillors and Employees and to mitigate associated risks of misuse.

2. SCOPE & AUTHORITY

This policy and procedures apply to the use of Corporate Credit Cards by Councillors and Employees of Narromine Shire Council in accordance with the Local Government Act 1993.

3. POLICY STATEMENT

- 3.1 Corporate Credit Cards in some instances are often necessary for the purchasing of goods and services.
- 3.2 Corporate Credit Cards have been implemented to allow Council to transact its business in a more efficient manner and at the same time provide Council, Councillors and employees with a more convenient method to meet costs they incur on Council's behalf.
- 3.3 Corporate Credit Cards will be recognised as a valuable tool for the efficient and effective operation of Council's daily business and not as a benefit assigned to specific individuals.
- 3.4 The use of Corporate Credit Cards will create savings in staff administration time in matters such as arranging transport, accommodation and registration for attendance at conferences and workshops.
- 3.5 The use of Corporate Credit Cards will also reduce the number of creditor creations that are required for one-off purchases.
- 3.6 Credit cards must be subject to appropriate controls to protect Council funds, maintain the integrity of governance processes and maintain public confidence in Council's operations.

4. POLICY DETAILS

4.1 Issuing of Corporate Credit Cards

- 4.1.1 The General Manager has the delegated authority to authorise the issuing of Corporate Credit Cards to employees.
- 4.1.2 Once approved the application must be signed by the cardholder and two (2) signatories to Council's bank accounts.
- 4.1.3 Corporate Credit Cards will only be issued when it is established that the anticipated usage of the card is warranted.
- 4.1.4 The cardholder shall acknowledge and accept the conditions of use of the Narromine Shire Council Corporate Credit Card and shall be advised of any limits (dollar thresholds) applicable to the card. **Refer Attachment 1: Corporate Credit Cardholder Agreement**
- 4.1.5 Each corporate credit card issued will be in accordance with financial delegation as authorised by the General Manager.

Narromine Shire Council – Corporate Credit Card Policy

4.2 Corporate Credit Card Responsibilities

- 4.2.1 The use of corporate credit cards shall not be used to replace or as an alternative to the existing purchasing arrangements Council has in place.
- 4.2.2 Corporate credit cards are to be maintained in a secure manner and guarded against improper use. Credit card details are not to be released to anyone.
- 4.2.3 The Corporate Credit Card is not used by another person without permission of the cardholder. The use of a corporate credit card by another member of staff is permitted so long as the credit card owner signs each month's credit card statement and certifies each month's charges are for business purposes prior to someone with appropriate delegation approving the credit card statement. The credit card authorisation form must be completed for each transaction and provided to the Finance and Corporate Strategy Department for reconciliation and payment purposes. **Refer Attachment 4: Corporate Credit Card Transaction Authorisation Form**
- 4.2.4 The corporate credit card should not be used without having read and understood the Corporate Credit Card Policy.
- 4.2.5 Corporate credit cards are to be used only for Narromine Shire Council official operations and activities; there is no approval given for any private use. In instances where it has been confirmed that a one-off charge was a genuine mistake, it must be notified by the cardholder to the General Manager and reimbursed as a matter of urgency.
- 4.2.6 All documentation regarding a corporate credit card transaction is to be retained by the cardholder and produced as part of the reconciliation procedure.
- 4.2.7 Credit card limits are not to be exceeded.
- 4.2.8 The use of the credit card shall not be tied to any type of reward system that provides the cardholder with any personal benefit or reward e.g., Frequent Flyer, Woolworths Rewards, etc.
- 4.2.9 Corporate credit cards are to be returned to the Director Finance and Corporate Strategy on or before the employee's termination date with a full acquittal of expenses.
- 4.2.10 Purchases are to be for Council purposes only, and not for purchase of goods or services on behalf of other entities. Types of approved Council purchases may include:
- accommodation and travel expenses for Council business (including meal expenses incurred during business trips);
 - conference/seminar fees;
 - online transactions (e.g. to government departments);
 - small transactions (less than \$5,000 incl GST).
- 4.2.11 The corporate credit card should only be used for expenditure that is contained within available budget limits.

Narromine Shire Council – Corporate Credit Card Policy

4.3 Reconciliation procedures

4.3.1 Monthly reconciliations of the credit card purchases are to be completed within seven (7) days of the date of the corporate credit card statement being issued to the cardholder.

4.3.2 Transactions will be supported by a GST invoice stating the type of goods/services purchased, amount of goods/services purchased and the price paid for the goods/services. The tax invoice/receipt shall meet the requirements of the Goods and Services Tax Act 1999 to enable a GST rebate to be applied.

Note: A credit card receipt or EFTPOS receipt that does not include itemised purchase details is NOT a tax invoice and is not evidence of a transaction for GST purposes

4.3.3 A completed credit card authorisation form for all transactions shall be submitted to the Finance and Corporate Strategy Department (see 4.2.3 above) with the following information:

- a succinct explanation of why the expense was incurred and the name of the supplier.
- a general ledger/work order number for costing purposes.

4.3.4 If the credit card holder cannot produce a receipt for a Council expense and seeks payment to be made, then the credit card holder is to provide a statutory declaration to confirm that the expenditure is of a Council business nature prior to the payment being made. **Refer Attachment 2: Statutory Declaration**

4.3.5 The cardholder shall sign and date the credit card statement with supporting documentation attached and forward the documents to the Finance and Corporate Strategy Department for processing.

4.4 Review of Corporate Credit Card Use

4.4.1 The staff member's supervisor shall review and approve the monthly expenditure undertaken by each cardholder. All receipts and documentation will be reviewed and any expenses that do not appear to represent fair and reasonable business expenses shall be referred to the Director Finance and Corporate Strategy.

4.4.2 On a monthly basis, the Director Finance and Corporate Strategy will review the individual corporate credit card limit, usage patterns and missing receipts, internal controls and risk management relating to the corporate credit card usage.

4.4.3 Credit card expenditure and supporting documentation must be kept and available as part of the internal and external audit process of Council's finances.

4.5 Review of Credit Card Limits

Credit limits are to be reviewed annually for all cardholders. If there is a request for a variation to the monthly limit, a business case will need to be provided to the General Manager for consideration.

Narromine Shire Council – Corporate Credit Card Policy

4.6 Withdrawal of Credit Cards

In the event that a cardholder's entitlement to a Corporate Credit Card has been terminated for reasons such as:

- (i) termination of employment;
- (ii) re-assignment to another position within Council;
- (iii) failure to comply with the conditions of this Policy; or
- (iv) any other reasons as determined by the General Manager.

Refer Attachment 3: Corporate Credit Card Termination of Use Advice Form

4.7 Procedures for Lost, Stolen and Damaged Cards

- 4.7.1 If a card is lost, stolen or damaged, the person responsible for the card shall immediately notify the card provider regardless of the time or day discovered. The cardholder must also advise the Finance and Corporate Strategy Department as soon as practicable. The cardholder will also be required to complete a Statutory Declaration Form (Attachment 2) and forward it to the Director Finance and Corporate Strategy prior to replacement action being carried out.
- 4.7.2 Advice of a damaged card is to be provided to the Director Finance and Corporate Strategy who will arrange a replacement card.

4.8 Restrictions

- 4.8.1 Corporate credit cards are not to be used for personal expenses, or expenses incurred by other organisations, under any circumstances. A Council credit card cannot be used for travel, food and beverages for accompanying partners on business trips.
- 4.8.2 Normal procurement practices, where Council has accounts with suppliers, must be followed by officers in accordance with the Council's procurement policy. However, it is noted that at times (e.g., outside normal business hours, in cases of emergencies etc.), the use of a credit card use may be required.
- 4.8.3 Corporate credit cards should only be used for purchases of fuel for Council vehicles when Council's contracted fuel supplier is not available. Staff should use their vehicle fuel card for normal fuel purchases.
- 4.8.4 The use of corporate credit cards for "services of a dubious nature" is expressly prohibited. "Services of a dubious nature" are defined as any goods or services that might bring the Council into disrepute e.g., firearm ammunition, weapons, explosives, etc.
- 4.8.5 Use of corporate credit cards for purchases over the internet should be restricted to trusted and secure sites only.
- 4.8.6 The cardholder will be personally liable for any purchasing that cannot be shown to be related to the business of Council.

Narromine Shire Council – Corporate Credit Card Policy

- 4.8.7 All IT hardware/software, licensing, equipment, mobile phones and cameras are to be purchased through the IT department only. This will ensure compatibility with current and future software and hardware systems. The IT department will be able to determine whether they are capable of effecting support and maintenance for any purchases of IT items.
- 4.8.8 Corporate credit cards shall not be used for obtaining cash from any source.
- 4.8.9 Purchases exceeding \$5,000 (incl GST) should not be made with a credit card unless the required number of quotes has been sought in accordance with the Council's procurement policy.
- 4.8.10 Purchases should not be made with a credit card if the order may require amendments/cancellation. If this is the case, a Purchase Order should be issued for the purchase of the goods.

4.9 Entitlement to be Issued with a Council Corporate Credit Card

Entitlement to a Council Corporate Credit Card shall be determined in writing by the General Manager, but will normally be limited to:

- Mayor
- General Manager
- Department Directors;
- Managers of operational areas of Council business requiring a level of delegated purchasing capability.

4.10 Controls on Purchases

The use of Corporate Credit Cards is subject to Council and the Bank controls, policies and procedures.

The Director Finance and Corporate Strategy will perform reviews on individual Corporate Credit Cardholder's Statements to ensure that the Corporate Credit Card Policy is being adhered to and will table the review at Council's Internal Audit Committee. The review report will be accompanied by a summary of each Council position that has a credit card, the annual usage and average monthly spend for each card.

Failure to comply with the conditions as detailed within this Policy may result in the cardholder's entitlement to a Corporate Credit Card being revoked and disciplinary action being taken.

4.11 Disputed Transactions

Council is responsible for paying all accounts on the monthly corporate credit card statements and the bank will debit this amount from Council's bank account at the end of each month on the due date.

When a dispute occurs:

The cardholder should attempt to correct the situation with the merchant. If unable to correct the situation, the cardholder will need to contact the Director Finance and Corporate Strategy, who will then contact the financial institution to help resolve the matter.

Narromine Shire Council – Corporate Credit Card Policy

4.11 Disputed Transactions (Cont'd)

The financial institution can assist with resolving some disputes with merchants, particularly those involving duplicated charges, non-receipt of goods ordered or credits not processed after refund vouchers have been issued.

4.12 Corporate Credit Card Misconduct

Failure to comply with the conditions as detailed within this Policy may result in the cardholder's entitlement to a Corporate Credit Card being revoked and disciplinary action being taken in accordance with the Narromine Shire Council's Code of Conduct.

5. Review

The Corporate Credit Card Policy will be reviewed every four years.

6. Relevant Legislation and Council Policies

- Local Government Act 1993
- Council's Fraud Control Policy
- Council's Procurement Policy
- Council's Code of Conduct

DRAFT

Narromine Shire Council – Corporate Credit Card Policy

ATTACHMENT 1

CORPORATE CREDIT CARD ACKNOWLEDGEMENT & CONDITIONS OF USE

To the General Manager

I (card holder's name) acknowledge receipt of a Narromine Shire Council Corporate Credit Card and acknowledge that I:

- (i) am aware of my responsibilities and duties as a Corporate Credit Cardholder under Procurement Policy and Corporate Credit Card Policy.
- (ii) will only use the Corporate Credit Card within the approved financial limits and for approved business purposes.
- (iii) am aware that transactions made with the card are subject to authorisation and audit procedures.
- (iv) will reimburse Council for the cost of purchases that are deemed not for the use of Council, or Council related business.
- (v) will keep the card safe from unauthorised use at all times.
- (vi) will return the card to the Director Finance and Corporate Strategy:
 - (a) on request of the General Manager;
 - (b) prior to my assuming duties in another position within Council; or
 - (c) on termination of employment with Council;
 - (d) within a reasonable period of time once it has been deemed by the General Manager that I no longer require a Corporate Credit Card.
- (vii) will advise the Director Finance and Corporate Strategy and the Bank customer service department immediately I am aware that the Corporate Credit Card has been lost, mislaid, stolen or misused.
- (viii) will use other means available for purchases when efficient and appropriate to do so rather than use the Corporate Credit Card.
- (ix) will provide tax invoices for all transactions listed on each monthly statement.
- (x) any breach of the Corporate Credit Card policy may result in disciplinary action in accordance with the LG State Award and relevant Council Policies as well as credit card cancellation.
- (xi) will not use the card for cash advances or cash withdrawals.

.....
Corporate Credit Card Holder's
signature

.....
General Manager's
signature

Date.....

Date.....

Statutory Declaration
OATHS ACT 1900, NSW, NINTH SCHEDULE

I, of
[name of declarant] *[residence]*

do hereby solemnly declare and affirm that the following transactions were incurred in the course of official Council business:

Purchase Date	Name of Supplier	Description of Item	Price (excl GST) \$	GST \$	Price (incl GST) \$	Nature and Purpose of Transaction	Reason for No Supporting Documentation
Example 12.02.2017	Regional Express	Return airfare from Dubbo to Sydney	81.82	8.18	90.00	LGNSW Conference	Receipt was misplaced at conference

(the facts to be stated according to the declarant's knowledge, belief, or information, severally)

And I make this solemn declaration, as to the matter, according to the law in this behalf made – and subject to the punishment by law provided for any wilfully false statement in any such declaration.

Declared at: on
[place] *[date]*

.....
[signature of declarant]

in the presence of an authorised witness, who states:

I, a
[name of authorised witness] *[qualification of authorised witness]*

certify the following matters concerning the making of this statutory declaration by the person who made it:

.....
[signature of authorised witness]

.....
[date]

Narromine Shire Council – Corporate Credit Card Policy

ATTACHMENT 3

CORPORATE CREDIT CARD TERMINATION OF USE ADVICE

This form is to be completed and forwarded to the Director Finance and Corporate Strategy.

The Corporate Credit Card with all supporting documentation for any outstanding transactions must be returned with this form when the use of the Corporate Credit Card is terminated by the General Manager.

Cardholder Details

Cardholder's name:

Position:

Account number:

Cardholder's signature:

Acknowledgement of Receipt by Director Finance and Corporate Strategy

I declare that the Corporate Credit Card and relevant items have been forfeited.

Signature Date.....

**NARROMINE SHIRE COUNCIL
CREDIT CARD TRANSACTION AUTHORISATION FORM**

REQUESTING OFFICER			
CARHOLDER'S NAME			
SUPPLIER DETAILS			
ENTER DETAILS OF PURCHASE	<p>.....</p> <p>.....</p> <p>.....</p>		
AMOUNT OF PURCHASE	\$	Date of purchase	
WORK ORDER DETAILS			
	Amount Ex GST	GST	Amount Inc GST
WO: W	\$	\$	\$
WO: W	\$	\$	\$
WO: W	\$	\$	\$
WO: W	\$	\$	\$

ACKNOWLEDGEMENT BY REQUESTING OFFICER

I acknowledge and agree to the following conditions upon requesting the above payment to be processed via Corporate Credit Card.

1. I have read and agree to the Corporate Credit Card Policy and all of its procedures.
2. I understand that individual purchasing limits apply and that the requested transaction is not above my authorised spending limit.
3. I will retain all original supporting documentation that meets the requirements of a Tax Invoice for presentation to the relevant authorising officer.

.....
REQUESTING OFFICER'S SIGNATURE

.....
CARDHOLDER'S SIGNATURE

REQUEST DATE

AUTHORISATION DATE

Strengthening local government

Office of Local Government

GUIDELINE ON THE USE AND MANAGEMENT OF CREDIT CARDS

UNDER SECTION 23A OF THE *LOCAL GOVERNMENT ACT 1993*

September 2021

ADAPTED FROM NSW TREASURY
POLICY AND GUIDELINES PAPER
TPP-21-02 "USE AND MANAGEMENT
OF NSW GOVERNMENT PURCHASING
CARDS", FEBRUARY 2021



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Introduction

The *Local Government Act 1993* (section 8B) and the *Local Government (General) Regulation 2021* (clause 209) require all councils to establish effective internal control mechanisms for financial management, expenditure and accounting records.

The Guideline on the Use and Management of Credit Cards (the Guidelines), established under section 23A of the *Local Government Act 1993* (LG Act), support these legislative responsibilities and provide specific sector-wide guidance on how to establish effective controls in relation to credit card use and management. They are based on the NSW Treasury guidelines that apply to state agencies.

The Guideline suggests a minimum framework for the use and management of credit cards to ensure that risks associated with their use and management are minimised. The guidance in this document applies equally to the use of Purchase Cards (PCards) and Virtual Cards (VCards) where councils use these facilities.

It provides councils, county councils and joint organisations with the necessary information to put in place internal controls surrounding the establishment, management, review and maintenance of a credit card policy and related procedures. It also seeks to reinforce the responsibilities of council officers when exercising functions in relation to sound financial management.

The Guideline is structured in two parts: core responsibilities and operational guidance. The two core responsibilities and associated actions provide the foundation upon which councils should shape their credit card policy. Operational guidance expands on these actions using a risk-based approach and includes advice on both the management of a credit card program and the responsibilities of individual cardholders.

The use and management of credit cards by councils is an important element of council operations and internal controls that must be included in each council's risk management framework and regularly reviewed as part of the audit, risk and improvement committee's and internal audit function's four-yearly strategic work program¹.

From June 2022, each council (including county councils and joint organisations) in NSW will be required under section 428A of the LG Act to appoint an audit, risk and improvement committee to review the council's financial management, statutory compliance and fraud and corruption controls.

Each council will also be required under the *Local Government (General) Regulation 2021* to establish and operate an effective risk management framework and internal audit function to support the work of these committees.

¹ The Guidelines for Risk Management and Internal Audit for Local Councils in NSW will provide more information about councils' statutory requirements in relation to audit, risk and improvement committees, risk management and internal audit. They will be made available at www.olg.nsw.gov.au

Part A
Developing
a Credit Card
Policy

Core Responsibilities

These core responsibilities are considered fundamental to establishing and maintaining an effective and efficient credit card policy and related procedures that ensures expenditure is always carried out in the public interest. Supporting each of these core responsibilities is a list of suggested actions that, when implemented together, will establish a minimum framework for the use and management of credit cards.

1 Core responsibility 1

The General Manager is ultimately responsible for the proper management and administration of credit cards within the council.

- 1.1 The General Manager shall ensure that an internal approval process is established for council officers and councillors (the Cardholder) to obtain and use credit cards. This should be consistent with the requirements of the Card Issuer.
 - the council is not exceeding its total borrowing limit or budget limits by issuing the credit card to the Cardholder.
- 1.2 The council's internal approval process should ensure the following before a credit card is provided to a Cardholder:
 - the Cardholder has the appropriate financial and operational delegations to incur expenditure on behalf of the council
 - the Cardholder has appropriate credit card limits set (monthly spend limit, transaction limit, and (only if deemed necessary for the smooth conduct of council business) ability for cash withdrawal determined and, if so, these limits include a cash withdrawal monthly limit and cash withdrawal transaction limit)
- 1.3 The General Manager shall establish and implement a Credit Card Policy as well as procedures to support the credit card policy appropriate to the size of the council. As a minimum, the credit card policy and related procedures should address:
 - roles and responsibilities relating to credit card use, management and administration. This may include Credit Cards, Purchasing Cards (PCards)², Virtual Cards (VCards)³, Fuel Cards, Store Cards and CabCharge.⁴,
 - requirements for approval, issuance of credit cards and closure of accounts,
 - criteria for eligibility to obtain a credit card,

2 Purchasing card (Pcard) refers to a credit card issued by the Card Issuer (generally a bank, building society or credit union) which is used by Cardholders to engage in transactions relating to the purchase of goods and services on behalf of the organisation. Pcards are also known as corporate cards, government cards and procurement cards.

3 Virtual card (vCard) refers to a credit card that is not issued as a physical card, rather a 16-digit number provided to the supplier for use in card-not-present transactions. The vCard card is not linked to a Cardholder but is established in the council's name (with one or many users). To protect the card security, typically one card is created for use with a single supplier (Merchant).

4 Note that some credit facilities, such as fuel cards, may be covered under different corporate policies, such as a vehicle management policy. If this is the case, noting this in the credit card policy is recommended and the principles outlined in this Guideline should be reflected in these associated policies.

- credit limits, thresholds and restrictions,
 - restrictions, including on prohibited items and supplier merchant blocks,
 - the types of payments that are to be procured via an alternative method to ensure consistency with other corporate policies (for example, via a purchase order or established council supply contracts),
 - Cardholder training requirements,
 - requirements for transaction acquittal, including independent reconciliation of the General Manager and Mayor's credit cards as well as the responsible accounting officer / Chief Financial Officer or any other officer that can approve payments for credit card expenditure, and guidance for staff on how to escalate concerns,
 - requirements for reconciliation and approval (taking into consideration segregation of duties),
 - transaction dispute processes agreed with Card Issuer,
 - best practice for Cardholders to ensure the security of credit cards,
 - the process for reporting lost or stolen credit cards with Card Issuer,
 - infraction, issues management and account cancellation,
 - reporting fraud and corruption processes,
 - software management (including user access and security),
 - Cardholder security digital records management, and
 - processes for the review and continuous improvement of the council's credit card policy.
- 1.4 The council should ensure there is an accessible and up-to-date record of all authorised Cardholders (a Credit Card Register⁵) with approval records from the appropriate line manager as well as the credit card Program Administrator (see section 4.2), authorising the card issuance and credit limit.
 - 1.5 The General Manager should maintain an accessible record of the council's credit card program borrowing limit and aggregate credit limit of individual credit cards currently issued, (as well as PCard, Fuel Card, Store Card, Cabcharge and VCard limits where applicable). This may be combined with the Credit Card Register.
 - 1.6 The General Manager should undertake appropriate actions to not exceed the council's total program borrowing limit and may wish to adjust the credit card program total program borrowing limit to meet the ongoing needs of the council.
 - 1.7 The General Manager should ensure that a direct debit facility is implemented with the Card Issuer for the automatic payment of monthly credit card accounts in full to eliminate any late payment fees and interest charges.
 - 1.8 The General Manager should ensure that the risks associated with the council's credit card program are subject to a risk assessment as part of the council's risk management framework to ensure identified risk treatments remain adequate or are properly remedied in a timely manner. See section 5.3 for further information.

⁵ A Register may consist of retained credit card applications in a single file; a separate register; and/or a function report provided online by the Card Issuer.

2 Core responsibility 2

Cardholders understand and are accountable for the responsible use of credit cards.

- 2.1 Cardholders must use credit cards for business purposes only and in a manner compliant with council's credit card policy and related procedures.
- 2.2 In relation to using their credit cards, Cardholders are responsible for:
- complying with the terms and conditions of the Card Issuer,
 - the safety and security of their card, card details and other requirements,
 - knowing the administrative conditions of their card and account, including relevant limits, thresholds and restrictions,
 - ensuring that the credit limits are not exceeded (purchases must not be split to negate single transaction limits),
 - obtaining and retaining all relevant documentation for all transactions. The Australian Tax Office (ATO) stipulates that all transactions above \$82.50 must have a tax invoice for GST purposes. It is recommended that all credit card transactions be substantiated, where possible, with an official tax receipt regardless of the amount, and
 - the timely acquittal of transactions, ensuring the time given is no greater than the time stipulated by the financial institution to log a dispute over errant transactions.
- 2.3 Cardholders should notify the Card Issuer directly in the following circumstances to reduce the risk of fraudulent transactions occurring:
- the loss or theft of the credit card, immediately regardless of whether it is a working day or weekend, and/or
 - awareness that an unauthorised transaction has occurred, at time of occurrence or at end of month reconciliation (whichever is the earliest).
- 2.4 Cardholders or their line manager should notify the credit card Program Administrator the next working day or as soon as practicable in the following circumstances:
- cessation of employment with the council,
 - a change in the Cardholder's substantive role,
 - a change in the nature of the Cardholder's responsibilities that no longer require the Cardholder to use a credit card (whether or not this includes a change in their substantive role),
 - a change to the operational or financial delegation limits that are associated with the Cardholder's role,
 - a prolonged leave of absence from performing their role (the council's credit card policy should advise what time period is considered a prolonged absence but is usually considered any absence longer than 8 weeks),
 - the credit card has been suspended or cancelled,
 - the loss or theft of the credit card, or
 - on awareness that an unauthorised transaction has occurred, at time of occurrence or at end of month reconciliation (whichever is the earliest).

Part B
Operational
Guidance

This Operational Guidance builds on the above core responsibilities by assisting councils to develop and tailor their credit card policy and related procedures to their size, complexity and risk profile, and provides Cardholders with information to help them understand their responsibilities.

3 Risk Management

3.1 A council's credit card policy and related procedures should seek to manage risks specific to the use of credit cards as part of the council's overall risk management framework. There are, however, particular risks associated with the use and administration of credit cards that will need to be identified and managed. Examples include:

- the risk of inappropriate use and waste (defined as any uneconomical, inefficient or ineffective use of resources, authorised or unauthorised, which results in a serious and substantial loss of public funds or resources),
- the potential for transaction and/or accounting errors (e.g. duplication of payments), and
- the application of inappropriate purchase methods (e.g. directly purchasing an item or service on credit card without assessment of any contract terms, rather than seeking to negotiate appropriate contract terms and conditions).

3.2 Risk is defined as the impact of uncertainty on objectives. In the context of credit cards, this risk will largely relate to those aspects of the use and management of credit cards

that could affect a council's overall financial position and ongoing financial management. However, risks arising from the use and administration of credit cards can also affect other objectives including those associated with procurement, service delivery and/or reputation.

- 3.3 One of the most significant risks associated with credit card administration and use that can adversely affect a number of objectives is fraud. The Independent Commission Against Corruption (ICAC) provides some examples of the potential fraud risks associated with credit cards⁶ including:
- a Cardholder charging personal expenses to the council credit card,
 - a Cardholder and a client colluding to misuse a council credit card,
 - a Cardholder using the card's personal identification number to withdraw cash for their own or another's benefit,
 - a Cardholder falsifying, destroying or damaging receipts and other records, and
 - one or more council officers colluding for improper benefit – for example, the Cardholder colluding with another council officer whose role is to check expenditure.

⁶ For further information on corruption prevention as it relates to credit cards, see <https://www.icac.nsw.gov.au/prevention/corruption-prevention-advice-topics/credit-cards>

3.4 While a number of risk types, together with specific examples of risks associated with credit cards have been provided here, it is important that councils engage in a structured risk assessment as part of their overall risk management framework to ensure that they are able to identify and assess the particular risks in relation to the use and administration of credit cards in their organisation. It is important not to rely only on previous experience to identify risks associated with credit card use. This is where it is useful when reviewing risk management strategies to involve key stakeholders including Cardholders, merchants and the Card Issuer.

Councils should also seek to keep up to date with new or emerging risks, especially those associated with the application of new technologies or during times of organisational change. Additionally, councils should endeavour to share their knowledge and experience with other councils, for example through joint organisations, in order to continually improve their management of these risks.

Councils should also refer to various audit reports of the Audit Office of NSW⁷ and other jurisdictions⁸ that have undertaken audit or assurance work relating to the use of credit cards to familiarise themselves with areas of concern that may be relevant to their organisational context.

4 Preventative Controls

Preventative controls are those designed to prevent errors and irregularities from occurring. Some examples of preventative controls for credit cards include:

4.1 Policies and Procedures

Setting out a council's expectations in a clear and well communicated credit card policy and related procedures is fundamental to the establishment of a strong control environment. Supporting procedures establish and standardise behaviours and help council officers, Cardholders and others to understand and fulfil their obligations.

Councils should consider the appropriate level of guidance required to ensure that their credit card policy expectations are understood and met by all council officers, Cardholders and other stakeholders. This may include, for example, supporting procedures on:

- card issue, transfer, and cancellation. Action to address damaged, lost or stolen cards should also be clearly described,
- routine review of issued cards, specifically to verify that credit cards are issued to staff with an identified business requirement and appropriate financial delegation (to purchase goods or services on behalf of the council) and to ensure that each Cardholder is still the appropriate recipient of a card,
- independent periodic monitoring and review of credit card use, management and overall performance across the council (see section 5.3 for suggested timeframes and further information),

⁷ For example, the 'Report on Local Government 2019': <https://www.audit.nsw.gov.au/our-work/reports/report-on-local-government-2019> and 'Credit card management in Local Government': <https://www.audit.nsw.gov.au/our-work/reports/credit-card-management-in-local-government>

⁸ Refer to Australian National Audit Office reports such as <https://www.anao.gov.au/work/performance-audit/defences-management-credit-and-other-transaction-cards>

- the applicable billing cycle and standardising the approval, acquittal and authorisation of transactions,
- processes for transacting via internet, phone or in person with a credit card, including any mandatory or prohibited methods of transacting,
- the retention of appropriate supporting documentation (including electronic documentation) to be retained in connection with the use of credit cards. This should include information about actions to be taken where the appropriate supporting documentation is unavailable or has been misplaced, or for unusual transactions that might require more than standard supporting documentation,
- allowable uses of the credit card and supporting staff to address unrecognised transactions, discrepancies, errors or inadvertent misuse and procedures for following up issues with merchants and/or the Card Issuer,
- secure storage and security of cards,
- user access to, and security requirements on, administration systems and applications supporting the credit card program, and
- confidentiality and security surrounding the use of credit card and related data, specifically accessing, retaining and sharing of card and cardholder details or other transaction details.

4.2 Nominating a Program Administrator

Councils should nominate the role of Primary Program Administrator (PA) and back-up Program Administrator to act as a central point of contact for Cardholders, Merchants, and the Card Issuer. PAs undertake certain functions within the Card Issuer's Administration System not accessible to other council staff including Cardholders. A nominated PA should be a council officer with relevant skills and experience to undertake the role.

The responsibilities of Program Administrators may include:

- supporting the development, review, implementation and communication of the council's Credit Card Policy and procedures
- receiving completed and approved Cardholder applications and submitting applications to the Card Issuer
- ensuring that Cardholders and approvers have completed reconciliation processes in a timely manner
- liaising with the Card Issuer about the administration of cards, including issuance, changing of limits, thresholds and restrictions, and cancellations
- liaising with the Card Issuer regarding the Card Issuer's Administration System.

4.3 Credit Card Limits and Restrictions

Limits and restrictions should be set for each Cardholder. In setting these the council should consider:

- the responsibilities of the role or position held by the Cardholder,
- the level of current expenditure of the Cardholder (subject to total program borrowing limit of the council),
- the types of expenditures made by the Cardholder, and
- ensuring consistency with other corporate policies.

Spending Limits

Councils can tailor the spending limits for individual Cardholders. Councils should ensure that spending limits align with its procurement policy. For example, the limit might be set to \$1,000 consistent with a procurement policy that requires a Purchase Order for any transaction greater than \$1,000. Any exceptions should be clearly included in the credit card policy.

It is good practice for councils to set and communicate the following for each Cardholder:

- maximum limits for each monthly billing period
- maximum limits on the amount of any individual transaction.

Cash Withdrawals

It is expected that credit cards will not be used for cash advances or cash withdrawals. For this reason, cards are generally issued with an existing block on cash withdrawals.

Some councils may wish to allow for cash withdrawals in particular circumstances, such as work in rural and remote locations where credit card facilities are not as widely used or when Cardholders are travelling overseas. In those cases, the council will need to manage the cash limits in accordance with internal approval structures. In these instances, it is also good practice for councils to set and communicate the following for each Cardholder:

- maximum transaction limits for cash withdrawals
- maximum monthly limits for cash withdrawal.

Prohibiting 'Purchase Splitting' and certain types of purchases

'Purchase splitting' occurs where Cardholders split one transaction into several purchases in order to avoid exceeding credit limits. This is also known as 'order-splitting' or 'stringing' arrangements. While these types of arrangements will usually be in breach of the terms of use of credit cards, councils should also consider explicitly prohibiting 'purchase splitting' arrangements in its credit card policy and associated procedures. Where a single transaction would exceed a Cardholder's credit limit, alternative payment arrangements (along with appropriate approvals if such a purchase amount is above the person's financial delegation) should be sought. Councils should also look to prohibit the purchase of specific items deemed non-business related or else are covered under alternative purchasing arrangements (refer to risk management at section 3 above).

Merchant Blocks

Banks require suppliers or merchants to have identifying codes based on the type of goods or services they sell. Councils may wish to apply blocks to some merchants based on these identifying codes. This prevents Cardholders from using their credit card to transact with these suppliers or merchants.

4.4 Segregation of Duties

Segregation of duties provides an important mechanism for councils to better prevent and detect errors, fraud and misuse. Credit card expenditure should be subject to independent approval to incur expenditure.

Administration of a credit card program should, where possible, be undertaken by someone who is not a Cardholder. Where a council has limited resources, clearly documented alternative control activities (such as periodic review processes by appropriate council officers) should be implemented instead. In cases where the PA is also a Cardholder, additional controls should be established around the maintenance and reconciliation of the PA's credit card.

4.5 Approvals and Authorisations

As described above, councils should establish an internal approval process for the issuance and use of credit cards. Credit cards should only be issued to individuals who are council employees or on the governing body. Councils are bound by the terms and conditions set by the card issuer and each credit card should be used by the Cardholder only.

While credit cards are assigned to particular individuals, a council's financial and operational delegations will generally refer to roles/positions rather than individuals.

If a Cardholder changes role/position or temporarily acts in a higher position, the continued use of the credit card by that individual, which is likely linked to their previous role/position, should be reviewed, as well as the ongoing appropriateness of any card limits, thresholds or restrictions. Councils should also have processes in place to ensure that credit cards are immediately cancelled upon the cessation of a Cardholder's employment. This should take into account any extended leave a person might take prior to cessation of employment.

4.6 Safety and Security of Credit Cards

Credit cards provide access to council funds. For this reason, the safety and security of the card and its details are paramount to ensuring that a council's resources are not misused or misappropriated. There are various points of interaction between the Cardholder, Council, Merchant and Card Issuer where the credit card and/or card details may be mishandled.

Ongoing Security, Storage and Use of Credit Cards

Councils should make clear to Cardholders their expectations concerning the storage of credit card details. In particular, councils should assess the risks associated with allowing a Cardholder to use their card when travelling overseas.

While credit cards generally have some inbuilt security features, physical security is extremely important and Cardholders should not allow others to undertake transactions on their behalf using their card details.

Furthermore, councils should ensure that Cardholders are aware of card issuer and organisational emergency contact details, including those for the PA, in the event they become aware that the details of the card have been compromised.

Notifying Card Issuer and Council of Loss or Theft

Cardholders should be aware of the process for reporting lost or stolen cards. The Cardholder should immediately notify the Card Issuer (available 24 hours, 7 days per week), as well as their line manager and the Program Administrator. Council should provide all Cardholders with relevant organisational and Card Issuer contact information at the time of issuing the credit card.

'Card-Not-Present' Transactions

There can be additional risks associated with transactions where credit cards are not physically presented, such as in telephone and internet transactions. Councils should consider and address these specific risks in credit card procedures and training.

One of the key risks is the physical separation between the Cardholder and the merchant making it difficult in some circumstances for the Cardholder to verify the identity of the merchant. For all 'card-not-present' transactions, Cardholders should ensure, to the best of their knowledge, that the merchants they are dealing with are known and reputable.

Cardholders using the internet to pay for purchases should ensure that they are familiar with, and adhere to, their organisation's internet use and security policies and procedures. At a minimum, Cardholders should check that the merchant's secure site address starts with <https://> and NOT <http://>. Sites that start with <https://> have an added encrypted transaction layer.

Cardholders will need to ensure they obtain proper records of transactions conducted by mail, telephone or internet to support timely acquittal of transactions. Electronic receipts should be properly stored for ease of access at the time of acquittal.

4.7 Security of Systems, Data and Information

Cardholders, PAs and other stakeholders manage and maintain the credit card program through an integrated web of systems and applications. For those councils that operate an electronic system for the management and reconciliation of credit cards, regular consideration should be given to the impact of cyber security risks to their credit card program and risks related to accessing, storing and sharing credit card-related data and information (including Cardholder personal details, credit card numbers, transaction data). This applies to the extent that it impacts on manual, paper-based systems of credit card management.

PAs or other credit card system users with privileged or administration user system access (such as reporting or capability to manipulate or export data relating to card details, Cardholder details, merchant details, account or billing details or other transaction data) should receive an appropriate level of training and only hold a level of access commensurate with the role they are undertaking, with that access removed when they no longer need to have access. Controls should be put in place to ensure that such officers who have a credit card themselves are subject to independent oversight.

Practices for training and continual user awareness surrounding the use of credit card systems may be beneficial to controlling risks associated with systems use. Also, cyclic reviews (such as quarterly or biannually) of user access, automated updates to user access passwords or codes, and/or two-factor authentication are all examples on the types of controls that could be used.

Further, users should be trained on the appropriate classification, labelling and handling of information along with the Information Protection Principles⁹ when dealing with council financial data and personal information. Councils should provide details on how users can ensure the proper handling and protection of data and information to ensure the basic obligations to protect information councils collect on their own activities and about individuals.

4.8 Training and Induction

Training Cardholders on their responsibilities is an important control that reduces the risk of credit card misuse. Training should provide Cardholders with the knowledge and skills to effectively deliver on their responsibilities and understand their accountability for credit card use. The training should cover all areas of credit card policies and procedures.

Training on, and council's expectations in relation to, credit card use and management, should be provided to Cardholders at induction or before being issued a credit card. In addition, it is recommended that the Cardholder signs a statement of responsibility to acknowledge their responsibilities with respect to the use and management of their credit card.

Training on the proper use of credit cards should also be provided to councillors, ideally as part of their general induction as new councillors that occurs at the start of each council term.¹⁰ Councillors have a responsibility for the sound financial management and sustainability of the council under the *Local Government Act 1993*.

4.9 Ongoing Communications

An ongoing communications program is good practice as it allows councils to:

- reinforce their policies, processes and procedures, including those related to fraud and misconduct
- remind Cardholders of their responsibilities, including timely reconciliation
- update Cardholders and other council officers on changes to policies, processes, procedures or terms and conditions of use
- ensure awareness of various training and support facilities offered to Cardholders and other council officers.

⁹ See: <https://www.ipc.nsw.gov.au/information-protection-principles-ipps-agencies>

¹⁰ For further guidance on how to undertake induction and training for new councillors, visit the OLG website: www.olg.nsw.gov.au

5 Detective Controls

Detective controls are designed to identify and rectify errors and irregularities. Some examples of detective controls that councils may employ include:

5.1 Expenditure Acquittals and Reviews

Acquittal and review of credit card transactions are important detective controls for councils. In the first instance, acquittals will be undertaken by a Cardholder to compare expenditure from advice provided by the Card Issuer to their supporting documentation to ensure that transactions are accurate. This process should be completed as soon as possible and, if possible, within 30 days of advice from the Card Issuer to allow any disputed transactions to be reported to the Card Issuer in a timely manner.

A review of the Cardholder's transactions should also be undertaken by the Cardholder's direct manager. The Cardholder's direct manager (or in the case of the General Manager, the Mayor) is usually the most appropriate person to conduct the review as they will be familiar with relevant credit card policies and guidelines for credit card use and have knowledge of the activities of the Cardholder. However, where the council determines that the direct manager is not the appropriate person to exercise the review, they should nominate another reviewer based on the following considerations:

- seniority of the reviewer relative to the Cardholder
- independence of the reviewer
- knowledge of the Cardholder's activities
- knowledge of the council's credit card policy.

The reviewer will be responsible for forming a view on whether the expenditure incurred was for business purposes and was consistent with the Cardholder's responsibilities and activities. The reviewer should assess whether:

- the expenditure incurred was appropriate for the purpose and reasonable
- the expenditure categorisations align with those allowed by the council
- the appropriate supporting documentation has been attached
- financial systems ledger costings information is correct.

In addition to these processes, council should ensure that there are processes for regular independent reviews of a sample of Cardholder transactions.

There should be an audit trail to record the date of all reconciliations and reviews as well as to verify the identity of the Cardholder and reviewer.

Procedures and controls should also be established over the maintenance and storage of records of credit card reconciliations and other supporting documentation as relevant, and in accordance with council's record keeping obligations.

5.2 Detecting Fraud

Fraud by its nature is more difficult to prevent and detect than unintentional errors and irregularities. As fraud is an intentional act, perpetrators will often take actions to avoid detection. This includes circumventing existing controls. While any system of control cannot entirely eliminate the risk of fraud, it is necessary to identify and assess fraud risks and design controls specifically to mitigate the risk of fraud.

Protecting a council's resources from fraud and monitoring for suspicious activity of staff and/or third parties is not a simple task. While it may be appropriate for councils with large amounts of assets and/or expenditure to engage sophisticated and integrated fraud prevention and detection systems, all councils will benefit from targeted monitoring for fraud risk. This may include monitoring for:

- unusual or unexpected levels of expenditure
- transactions with unusual types of Merchants
- the use of 'suspicious' words, as identified by the council, to identify exceptions
- transactions for non-business items and services
- multiple transactions for the same or similar items or for the same amount
- inconsistency between expense description and merchant code
- consistent late submission of supporting documentation or outstanding reconciliations
- transactions that have occurred on weekends, public holidays or while the Cardholder is on a leave of absence.

However, it should not be assumed that fraud has occurred if an instance listed above is identified. There may be legitimate reasons for any of these occurrences. Rather, the indicators should prompt further inquiry to ensure that they reflect appropriate use of the credit card.¹¹

5.3 Monitoring and Review of Credit Card Controls

Councils should design and implement a credit card monitoring and review schedule as part of its overall risk management framework. This schedule should provide a systematic and continuing assessment of internal controls of the credit card program to ensure that identified and implemented controls remain effective and fit for purpose. This should include testing whether existing controls are operating effectively using techniques such as re-performance, observation or inspection of documentation. Audit logs of the activities of PAs or other credit card system users with privileged or administration user system access should also be kept and reviewed as part of this schedule.

Regular reviews are also necessary to ensure the system of controls continues to effectively and efficiently mitigate credit card risks, because risks will not be static. Reviews with individual self-assessments or like reports being provided to line or senior management for review may include:

- user reviewed or guided self-assessment (based on a checklist or other tool that identifies key controls to be verified)
- line management or PA reviews (based on a defined set of controls to be verified. This may include data mining and analytics or guided assessment)
- independent or third-party reviews, e.g. internal or external audit.

Councils will need to assess the value of employing different monitoring and review methods. A range of frequent, lower cost, risk-based reviews in addition to less frequent major reviews may provide an appropriate level of assurance.

¹¹ For further information about managing fraud generally, see <https://www.audit.nsw.gov.au/our-work/reports/fraud-control-improvement-kit-meeting-your-fraud-control-obligations>. Further information and guidance to prevent fraud and corruption is also available from ICAC: <https://www.icac.nsw.gov.au/prevention>

An adapted version of an example periodic monitoring and review frequency table (Table 1, below) designed by the Australian National Audit Office¹², provides some guidance on the different types of review and monitoring that councils should engage in, and the relevant timeframes.

Table 1: Suggested periodic monitoring and review timetable

Indicative Frequency	Nature of monitoring and review
Ongoing	<ul style="list-style-type: none"> Recording of unusual events (e.g. record instances of reported personal use of credit cards so any recurrence is noted; record Merchants involved in disputed transactions). Assess and act on overdue reconciliations by Cardholders.
6 – 12 months	<ul style="list-style-type: none"> Review credit card use against credit limits for possible adjustments. Review credit cards not used for a significant period to establish if they are still required. Sample testing of transactions with higher risk of misuse (e.g. check whether transactions properly established value-for-money and compliance with guidelines; check whether transactions with duplicated details are Merchant error). Statistical analysis of utilisation patterns (e.g. identify opportunities for centralised procurement of some types of goods). Reconcile Individual Credit Card Application / Statement of Responsibility / Card Statements Issued with the Card Issuer's Card Management Reports.
1 – 4years	<ul style="list-style-type: none"> Internal audit review covering credit cards as appropriate (e.g. processes for issue and return; whether reconciliation and review procedures are being followed). Review expenditure in areas where judgement plays an important role (e.g. travel and meals) in order to assess whether the expenditure is remaining within public expectations.

¹² Australian National Audit Office 2013, Controls over Credit Card Use: Report No. 35 2012-13, Australian National Audit Office, Canberra, viewed 3 June 2021.

5.4 Internal Reporting

Councils should utilise the Card Issuers Administration System to ensure that they are aware of each card issued to Cardholders within the council, including the relevant administrative conditions attached to each card. Managers should receive regular reports on credit card usage within their areas, including inactive accounts (where relevant), to allow for review and any updates to be made to the Credit Card Register.

5.5 Internal Audit

A council's Audit, Risk and Improvement Committee and internal audit function have a key role to play in ensuring the integrity of the systems, policies, processes and procedures in place, and should include a review of credit card controls as part of its four-yearly strategic work program¹³ (See Table 1 above).

6 Other Controls

6.1 Automated Controls

Automated systems can greatly assist councils to ensure timeliness and support a consistent format for processes associated with credit card expenditure, for example, automated statements can be sent to Cardholders or an Expense Management System (EMS) can be utilised for transaction management and acquittal processes.

Councils should remain vigilant, however, to ensure that processes are being properly utilised and that they have clear control objectives and provide an audit trail that can be readily monitored and reviewed.

¹³ Refer to the Guidelines for Risk Management and Internal Audit for Local Councils in NSW issued by the Office of Local Government (www.olg.nsw.gov.au) for more information about audit, risk and improvement committee and internal audit work programs.



NARROMINE SHIRE COUNCIL

AUDIT, RISK AND IMPROVEMENT COMMITTEE

Terms of Reference

Narromine Shire Council (Council) has established an Audit, Risk and Improvement Committee in compliance with section 428A of the *Local Government Act 1993*, the *Local Government (General) Regulation 2021* and the Departmental Chief Executive's *Guidelines for risk management and internal audit for local government in NSW*. These terms of reference set out the Committee's objectives, authority, composition and tenure, roles and responsibilities, reporting and administrative arrangements.

Objective

The objective of Council's Audit, Risk and Improvement Committee (Committee) is to provide independent assurance to Council by monitoring, reviewing and providing advice about Council's governance processes, compliance, risk management and control frameworks, external accountability obligations and overall performance.

Independence

The Committee is to be independent to ensure it has no real or perceived bias or conflicts of interest that may interfere with its ability to act independently and to provide Council with robust, objective and unbiased advice and assurance.

The Committee is to have an advisory and assurance role only and is to exercise no administrative functions, delegated financial responsibilities or any management functions of Council. The Committee will provide independent advice to Council that is informed by Council's internal audit and risk management activities and information and advice provided by staff, relevant external bodies and subject matter experts.

The Committee must always ensure it maintains a direct reporting line to and from Council's internal audit function and act as a mechanism for internal audit to report to the governing body and the General Manager on matters affecting the performance of the internal audit function.

Authority

Council authorises the Committee, for the purposes of exercising its responsibilities, to:

- access any information it needs from Council
- use any Council resources it needs
- have direct and unrestricted access to the General Manager and senior management of Council
- seek the General Manager's permission to meet with any other Council staff member or contractor
- discuss any matters with the external auditor or other external parties
- request the attendance of any employee at Committee meetings, and
- obtain external legal or other professional advice in line with Councils' procurement policies, provided prior approval is obtained from the General Manager.

Information and documents pertaining to the Committee are confidential and are not to be made publicly available. The Committee may only release Council information to external parties that are assisting the Committee to fulfil its responsibilities with the approval of the General Manager, 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.

Composition and tenure

The Committee consists of an independent Chair and two independent members who have voting rights and one non-voting Councillor as required under the *Guidelines for risk management and internal audit for local government in NSW*.

The governing body is to appoint the Chair and members of the Committee.

All Committee members must meet the independence and eligibility criteria prescribed in the *Guidelines for risk management and internal audit for local government in NSW*.

Members will be appointed for up to a four-year term. Members can be reappointed for one further term, but the total period of continuous membership cannot exceed eight years. This includes any term as Chair of the Committee. Members who have served an eight-year term (either as a member or as Chair) must have a two-year break from serving on the Committee before being appointed again. To preserve the Committee's knowledge of Council ideally, no more than one member should retire from the Committee because of rotation in any one year.

The terms and conditions of each member's appointment to the Committee are to be set out in a letter of appointment. New members will be thoroughly inducted to their role and receive relevant information and briefings on their appointment to assist them to meet their responsibilities.

Prior to approving the reappointment or extension of the Chair's or an independent member's term, the governing body is to undertake an assessment of the Chair's or committee member's performance. Reappointment of the Chair or a committee member is also to be subject to that person still meeting the independence and eligibility requirements.

Members of the Committee must possess and maintain a broad range of skills, knowledge and experience relevant to the operations, governance and financial management of Council, the environment in which Council operates, and the contribution that the Committee makes to Council. At least one member of the Committee must have accounting or related financial management experience with an understanding of accounting and auditing standards in a local government environment. All members should have sufficient understanding of Council's financial reporting responsibilities to be able to contribute to the Committee's consideration of Council's annual financial statements.

Role

As required under section 428A of the *Local Government Act 1993* (the Act), the role of the Committee is to review and provide independent advice to Council regarding the following aspects of Council's operations:

- compliance
- risk management
- fraud control
- financial management
- governance
- implementation of the strategic plan, delivery program and strategies
- service reviews
- collection of performance measurement data by Council, and
- internal audit.

The Committee must also provide information to Council for the purpose of improving Council's performance of its functions.

The Committee's specific audit, risk and improvement responsibilities under section 428A of the Act are outlined in Schedule 1 to this charter.

The Committee will act as a forum for consideration of Council's internal audit function and oversee its planning, monitoring and reporting to ensure it operates effectively.

The Committee has no power to direct external audit or the way it is planned and undertaken but will act as a forum for the consideration of external audit findings.

The Committee is directly responsible and accountable to the governing body 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 rests with the governing body and the General Manager.

The responsibilities of the Committee may be revised or expanded in consultation with, or as requested by, the governing body from time to time.

Responsibilities of members

Independent members

The Chair and members of the Committee are expected to understand and observe the requirements of the *Guidelines for risk management and internal audit for local government in NSW*. Members are also expected to:

- make themselves available as required to attend and participate in meetings
- contribute the time needed to review and understand information provided to it
- apply good analytical skills, objectivity and judgement
- act in the best interests of Council
- have the personal courage to raise and deal with tough issues, express opinions frankly, ask questions that go to the fundamental core of the issue and pursue independent lines of inquiry
- maintain effective working relationships with Council
- have strong leadership qualities (Chair)
- lead effective Committee meetings (Chair), and
- oversee Council's internal audit function (Chair).

Councillor members (if applicable)

To preserve the independence of the Committee, a Councillor member of the Committee is a non-voting member. Their role is to:

- relay to the Committee any concerns the governing body may have regarding Council and issues being considered by the Committee
- provide insights into local issues and the strategic priorities of Council that would add value to the Committee's consideration of agenda items
- advise the governing body (as necessary) of the work of the Committee and any issues arising from it, and
- assist the governing body to review the performance of the Committee.

Issues or information a Councillor member raises with or provides to the Committee must relate to the matters listed in Schedule 1 and issues being considered by the Committee.

A Councillor member of the Committee must conduct themselves in a non-partisan and professional manner. Councillor member of the Committee must not engage in any conduct that seeks to politicise the activities of the Committee or the internal audit function or that could be seen to do so.

If a Councillor member of the Committee engages in such conduct or in any other conduct that may bring the Committee and its work into disrepute, the Chair of the Committee may recommend to Council, that the Councillor member be removed from membership of the Committee. Where Council does not agree to the Committee Chair's recommendation, Council must give reasons for its decision in writing to the Chair.

Conduct

Independent Committee members are required to comply with Council's code of conduct. Complaints alleging breaches of Council's code of conduct by an independent Committee member 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 General Manager must consult with the governing body before taking any disciplinary action against an independent Committee member in response to a breach of Council's code of conduct.

Conflicts of interest

Once a year, Committee members must provide written declarations to Council stating that they do not have any conflicts of interest that would preclude them from being members of the Committee. Independent Committee members are 'designated persons' for the purposes of the Council's code of conduct and must also complete and submit returns of their interests.

Committee members and observers must declare any pecuniary or non-pecuniary conflicts of interest they may have in a matter being considered at the meeting at the start of each meeting or as soon as they become aware of the conflict of interest. Where a Committee member or observer declares a pecuniary or a significant non-pecuniary conflict of interest, they must remove themselves from committee deliberations on the issue. Details of conflicts of interest declared at meetings must be appropriately minuted.

Standards

Committee members are to conduct their work in accordance with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors and current Australian Risk Management Standards, where applicable.

Work plans

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

The Committee may, in consultation with the governing body, vary the strategic work plan at any time to address new or emerging risks. The governing body may also, by resolution, request the Committee to approve a variation to the strategic work plan. Any decision to vary the strategic work plan must be made by the Committee.

The Committee must also develop an annual work plan to guide its work, and the work of the internal audit function over the forward year.

The Committee may, in consultation with the governing body, vary the annual work plan to address new or emerging risks. The governing body may also, by resolution, request the Committee to approve a variation to the annual work plan. Any decision to vary the annual work plan must be made by the Committee.

When considering whether to vary the strategic or annual work plans, the Committee must consider the impact of the variation on the internal audit function's existing workload and the completion of pre-existing priorities and activities identified under the work plan.

Assurance reporting

The Committee must regularly report to Council to ensure that it is kept informed of matters considered by the Committee and any emerging issues that may influence the strategic direction of Council or the achievement of Council's goals and objectives.

The Committee will provide an update to the governing body and the General Manager of its activities and opinions after every Committee meeting.

The Committee will provide an annual assessment to the governing body and the General Manager on the Committee's work and its opinion on how Council is performing.

The Committee will provide a comprehensive assessment every council term of the matters listed in Schedule 1 to the governing body and the General Manager.

The Committee may at any time report to the governing body or the General Manager on any other matter it deems of sufficient importance to warrant their attention. The Mayor and the Chair of the Committee may also meet at any time to discuss issues relating to the work of the Committee.

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

Administrative arrangements

Meetings

The Committee will meet at least 4 times per year, including a special meeting to review Council's financial statements.

The Committee can hold additional meetings when significant unexpected issues arise, or if the Chair is asked to hold an additional meeting by a committee member, the General Manager or the governing body.

Committee meetings can be held in person, by telephone or videoconference. Proxies are not permitted to attend meetings if a committee member cannot attend.

A quorum will consist of a majority of independent voting members. Where the vote is tied, the Chair has the casting vote.

The Chair of the Committee will decide the agenda for each Committee meeting. Each Committee meeting is to be minuted to preserve a record of the issues considered and the actions and decisions taken by the Committee.

The General Manager and the head of the internal audit function should attend Committee meetings as non-voting observers. The external auditor (or their representative) is to be invited to each Committee meeting as an independent observer. The Chair can request Council's Director Finance and Corporate

Strategy, Directors, any Councillors, any employee/contractor of Council and any subject matter expert to attend Committee meetings. Where requested to attend a meeting, persons must attend the meeting where possible and provide any information requested. Observers have no voting rights and can be excluded from a meeting by the Chair at any time.

The Committee can hold closed meetings whenever it needs to discuss confidential or sensitive issues with only voting members of the Committee present.

The Committee must meet separately with the head of the internal audit function and Council's external auditor at least once each year.

Dispute resolution

Members of the Committee and Council's management should maintain an effective working relationship 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 Committee and the General Manager or other Directors, the dispute is to be resolved by the governing body.

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

Secretariat

The General Manager will nominate a staff member to provide secretariat support to the Committee. The secretariat will ensure the agenda for each meeting and supporting papers are circulated after approval from the Chair at least two weeks before the meeting and ensure that minutes of meetings are prepared and maintained. Minutes must be approved by the Chair and circulated within two weeks of the meeting to each member.

Resignation and dismissal of members

Where the Chair or a committee member is unable to complete their term or does not intend to seek reappointment after the expiry of their term, they should give 2 months' notice to the Chair and the governing body prior to their resignation to allow Council to ensure a smooth transition to a new Chair or committee member.

The governing body can, by resolution, terminate the appointment of the Chair or an independent committee member before the expiry of their term where that person has:

- breached Council's code of conduct
- performed unsatisfactorily or not to expectations
- declared, or is found to be in, a position of a conflict of interest which is unresolvable
- been declared bankrupt or found to be insolvent
- experienced an adverse change in business status
- been charged with a serious criminal offence
- been proven to be in serious breach of their obligations under any legislation, or
- experienced an adverse change in capacity or capability.

The position of a Councillor member on the Committee can be terminated at any time by the governing body by resolution.

Review arrangements

At least once every council term, the governing body must review or arrange for an external review of the effectiveness of the Committee.

These terms of reference must be reviewed annually by the Committee and once each council term by the governing body. Any substantive changes are to be approved by the governing body.

Further information

For further information on Council's Audit, Risk and Improvement Committee, contact the General Manager at mail@narromine.nsw.gov.au or by phone 02 6889 9999.

Reviewed by Chair of the Audit, Risk and Improvement Committee

[signed]

[date]

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

[signed]

[date]

[resolution reference]

Next review date:

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Schedule 1 – Audit, Risk and Improvement Committee responsibilities

Audit

Internal audit

- Provide overall strategic oversight of internal audit activities
- Act as a forum for communication between the governing body, General Manager, senior management, the internal audit function and external audit
- Coordinate, as far as is practicable, the work programs of internal audit and other assurance and review functions
- Review and advise Council:
 - on whether Council is providing the resources necessary to successfully deliver the internal audit function
 - if Council is complying with internal audit requirements, including conformance with the International Professional Practices Framework
 - if Council's Internal Audit Charter is appropriate and whether the internal audit policies and procedures and audit/risk methodologies used by Council are suitable
 - of the strategic four-year work plan and annual work plan of internal audits to be undertaken by Council's internal audit function
 - if Council's internal audit activities are effective, including the performance of the head of the internal audit function and the internal audit function
 - of the findings and recommendations of internal audits conducted, and corrective actions needed to address issues raised
 - of the implementation by Council of these corrective actions
 - on the appointment of the head of the internal audit function and external providers, and
 - if the internal audit function is structured appropriately and has sufficient skills and expertise to meet its responsibilities

External audit

- Act as a forum for communication between the governing body, General Manager, senior management, the internal audit function and external audit
- Coordinate as far as is practicable, the work programs of internal audit and 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 council's implementation of audit recommendations
- Provide advice to the governing body and/or General Manager on action taken on significant issues raised in relevant external audit reports and better practice guides

Risk

Risk management

Review and advise Council:

- if Council has in place a current and appropriate risk management framework that is consistent with the Australian risk management standard
- whether Council is providing the resources necessary to successfully implement its risk management framework
- whether Council's risk management framework is adequate and effective for identifying and managing the risks Council faces, including those associated with individual projects, programs and other activities
- if risk management is integrated across all levels of Council and across all processes, operations, services, decision-making, functions and reporting

- of the adequacy of risk reports and documentation, for example, Council's risk register and risk profile
- whether a sound approach has been followed in developing risk management plans for major projects or undertakings
- whether appropriate policies and procedures are in place for the management and exercise of delegations
- if Council has taken steps to embed a culture which is committed to ethical and lawful behaviour
- if there is a positive risk culture within Council and strong leadership that supports effective risk management
- of the adequacy of staff training and induction in risk management
- how Council's risk management approach impacts on Council's insurance arrangements
- of the effectiveness of 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 Council:

- whether Council's approach to maintaining an effective internal audit framework, including over external parties such as contractors and advisors, is sound and effective
- whether 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 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 Council of the adequacy and effectiveness of Council's compliance framework, including:

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

Financial management

Review and advise Council:

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

- significant accounting and reporting issues
- the methods used by 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 Council's annual report is consistent with signed financial statements
- if 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 Council are adequate
- if Council's grants and tied funding policies and procedures are sound.

Governance

Review and advise Council regarding its governance framework, including the:

- 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 Council:

- of the adequacy and effectiveness of 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 Council is successfully implementing and achieving its IP&R objectives and strategies.

Service reviews and business improvement

- Act as a forum for communication and monitoring of any audits conducted by external bodies and the implementation of corrective actions (for example, NSW government agencies, Commonwealth government agencies, insurance bodies)
- Review and advise Council:
 - If 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 Council can improve its service delivery and Council's performance of its business and functions generally

Performance data and measurement

Review and advise Council:

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

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Narromine Shire Council

Internal Audit Charter

Narromine Shire Council has established an Internal Audit Function as a key component of Council's governance and assurance framework, in compliance with the Departmental Chief Executive's *Guidelines for risk management and internal audit for local government in NSW*. This charter provides the framework for the conduct of Council's Internal Audit Function in Council and has been approved by the governing body taking into account the advice of Council's Audit, Risk and Improvement Committee.

Purpose of internal audit

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

Internal audit provides an independent and objective review and advisory service to provide advice to the governing body, General Manager and Audit, Risk and Improvement Committee about Council's governance processes, risk management and control frameworks and its external accountability obligations. It also assists Council to improve its business performance.

Independence

Council's Internal Audit Function is to be independent of Council so it can provide an unbiased assessment of Council's operations and risk and control activities.

Council's Internal Audit Function reports functionally to Council's Audit, Risk and Improvement Committee on the results of completed audits, and for strategic direction and accountability purposes, and reports administratively to the General Manager to facilitate day-to-day operations. Internal audit activities are not subject to direction by Council and Council's management has no role in the exercise of Council's internal audit activities.

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

The General Manager must consult with the chair of Council's Audit, Risk and Improvement Committee before appointing or making decisions affecting the employment of the head of Internal Audit Function. If the head of Internal Audit Function is dismissed, the General Manager must report the reasons for their dismissal to the governing body.

Where the chair of Council's Audit, Risk and Improvement Committee has any concerns about the treatment of the head of Internal Audit Function, or any action taken that may compromise their ability to undertake their functions independently, they can report their concerns to the governing body.

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

The head of Internal Audit Function is to confirm at least annually to the Audit, Risk and Improvement Committee the independence of internal audit activities from Council.

Authority

Council authorises the Internal Audit Function to have full, free and unrestricted access to all functions, premises, assets, personnel, records and other documentation and information that the head of Internal Audit Function considers necessary for the 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 head of Internal Audit Function and individual internal audit staff are responsible and accountable for maintaining the confidentiality of the information they receive when undertaking their work.

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

Information and documents pertaining to the Internal Audit Function are not to be made publicly available. The Internal Audit Function may only release Council's information to external parties that are assisting Council to undertake its responsibilities with the approval of the General Manager, 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 Internal Audit Function is to support Council's Audit, Risk and Improvement Committee to review and provide independent advice to Council in accordance with section 428A of the *Local Government Act 1993*. This includes conducting internal audits of Council and monitoring the implementation of corrective actions.

The Internal Audit 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 Internal Audit Function 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 Council's functions or activities (except in carrying out its own functions).

Head of Internal Audit Function

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

Responsibilities of the head of Internal Audit Function include:

- contract management
- managing the internal audit budget

- ensuring the external provider completes internal audits in line with the Audit, Risk and Improvement Committee's annual work plan and four-year strategic work plan
- forwarding audit reports by the external provider to the Audit, Risk and Improvement Committee
- acting as a liaison between the external provider and the Audit, Risk and Improvement Committee
- monitoring Council's implementation of corrective actions that arise from the findings of audits and reporting progress to the Audit, Risk and Improvement Committee, and
- assisting the Audit, Risk and Improvement Committee to ensure Council's internal audit activities comply with the *Guidelines for risk management and internal audit for local government in NSW*.

Internal audit team

Council is to contract an external third-party provider to undertake its internal audit activities. To ensure the independence of the external provider, the head of Internal Audit Function is to ensure the external provider:

- does not conduct any audits on specific Council operations or areas that they have worked on within the last two years
- is not the same provider conducting Council's external audit
- is not the auditor of any contractors of Council that may be subject to the internal audit, and
- can meet Council's obligations under the *Guidelines for risk management and internal audit for local government in NSW*.

The head of Internal Audit Function must consult with the Audit, Risk and Improvement Committee and General Manager regarding the appropriateness of the skills, knowledge and experience of any external provider before they are engaged by Council.

Performing internal audit activities

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

The Audit, Risk and Improvement Committee must also develop an annual work plan to guide the work of the 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 the current Australian risk management standard.

The head of Internal Audit Function is to provide the findings and recommendations of internal audits to the Audit, Risk and Improvement Committee at the end of each audit. Each report is to include a response from the relevant director.

The head of Internal Audit Function is to establish an ongoing monitoring system to follow up Council's progress in implementing corrective actions.

The General Manager, in consultation with the Audit, Risk and Improvement Committee, is to develop and maintain policies and procedures to guide the operation of Council's Internal Audit Function.

The head of Internal Audit Function is to ensure that the Audit, Risk and Improvement Committee is advised at each of the committee's meetings of the internal audit activities completed during that quarter, progress in implementing the annual work plan and progress made implementing corrective actions.

Conduct

Internal audit personnel must comply with Council's code of conduct. Complaints about breaches of Council's code of conduct by internal audit personnel are to be dealt with in accordance with the *Procedures for the Administration of the Model Code of Conduct for Local Councils in NSW*. The General Manager must consult with Council's Audit, Risk and Improvement Committee before any disciplinary action is taken against the head of Internal Audit Function in response to a breach of Council's code of conduct.

Internal auditors must also 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 head of Internal Audit Function will attend Audit, Risk and Improvement Committee meetings as an independent non-voting observer. The head of Internal Audit Function can be excluded from meetings by the committee at any time.

The head of Internal Audit Function must meet separately with the Audit, Risk and Improvement Committee at least once per year.

The head of Internal Audit Function can meet with the chair of the Audit, Risk and Improvement Committee at any time, as necessary, between committee meetings.

External audit

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

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

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

Dispute resolution

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

In the event of a disagreement between the Internal Audit Function and Council, the dispute is to be resolved by the General Manager and/or the Audit, Risk and Improvement Committee. Disputes between the Internal Audit Function and the Audit, Risk and Improvement Committee are to be resolved by the governing body.

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

Review arrangements

Council's Audit, Risk and Improvement Committee must review the performance of the Internal Audit Function each year and report its findings to the governing body. A strategic review of the performance

of the Internal Audit Function must be conducted each council term that considers the views of an external party with a strong knowledge of internal audit and reported to the governing body.

This charter is to be reviewed annually by the Audit, Risk and Improvement Committee and once each council term by the governing body. Any substantive changes are to be approved by the governing body.

Further information

For further information on Council's internal audit activities, contact Council's General Manager on mail@narromine.nsw.gov.au or by phone 02 6889 9999.

Reviewed by head of Internal Audit Function
[sign and date]

Reviewed by chair of Council's Audit, Risk and Improvement Committee
[sign and date]

Reviewed by General Manager
[sign and date]

Reviewed by Council in accordance with a resolution of the governing body
[sign and date]
[resolution reference]

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Schedule 1 – Internal Audit Function responsibilities

Audit

Internal audit

- Conduct internal audits as directed by Council's Audit, Risk and Improvement Committee.
- Implement Council's annual and four-year strategic internal audit work plans.
- Monitor the implementation by Council of corrective actions.
- Assist 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 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 Council has in place a current and appropriate risk management framework that is consistent with the Australian risk management standard
- whether Council's risk management framework is adequate and effective for identifying and managing the risks Council faces, including those associated with individual projects, programs and other activities
- if risk management is integrated across all levels of Council and across all processes, operations, services, decision-making, functions and reporting
- of the adequacy of risk reports and documentation, for example, Council's risk register and risk profile
- whether a sound approach has been followed in developing risk management plans for major projects or undertakings
- whether appropriate policies and procedures are in place for the management and exercise of delegations
- if Council has taken steps to embed a culture which is committed to ethical and lawful behaviour
- if there is a positive risk culture within Council and strong leadership that supports effective risk management
- of the adequacy of staff training and induction in risk management
- how Council's risk management approach impacts on Council's insurance arrangements
- of the effectiveness of 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 Council's approach to maintaining an effective internal audit framework, including over external parties such as contractors and advisors, is sound and effective
- whether 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 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 Council's compliance framework, including:

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

Financial management

Review and advise:

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

Governance

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

Service reviews and business improvement

Review and advise:

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

Performance data and measurement

Review and advise:

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