

Clarence Valley Council
ANNUAL
INTERNAL AUDIT
PLAN
2024-2025



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1. EXECUTIVE SUMMARY

1.1. Introduction

The Office of the Local Government's Guidelines for Risk Management and Internal Audit for Local Government in NSW requires council's Audit, Risk and Improvement committee (ARIC) to develop an Annual Internal Audit work plan to guide its work over the forward year and to ensure that all the matters listed in section 428A of the Local government Act are reviewed by the committee and internal audit function over each council term.

This annual work plan has been developed by the ARIC in consultation with a wide variety of executives, general manager, internal audit officer and other staff from many sections across Council and it will be adopted by the Council at the start of the council term.

The annual work plan is required to be reviewed and adjusted as necessary through the year in response to any changes to the council's risks or operations.

1.2. Definition

Internal Auditing:

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

1.3. Objectives

The objective of the annual internal audit work plan is to provide independent and objective assurance to management, in relation to the business activities, systems or processes under review that:

- the framework of risk management, internal control and governance is appropriate and operating efficiently and effectively,
- risk to the achievement of the Council's objectives is identified, assessed and managed to a defined acceptable level.

1.4. Resourcing

Internal Audit team

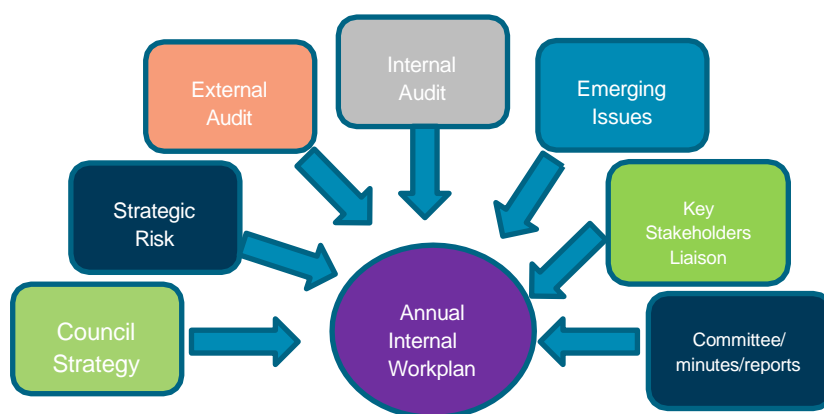
- The team will be led by Council's Internal Audit Officer, supported by Council's General Manager.
- The annual internal workplan will be delivered by the Internal Audit Officer and an outsourced independent internal audit service provider that will be selected through an Expression of Interest process.

1.5. Sources

The sources used to produce this annual internal work plan derived from:

- Council's strategic goals, objectives and priorities from the Community Strategic Plan, Delivery program and Operational Plan
- Council's risk management framework
- Knowledge of operations and internal controls
- Key findings or risks raised in previous internal and external audits
- Business improvement reviews
- External factors, industry trends and emerging issues
- Special requirements from the Executives and the Audit, Risk, and Improvement Committee

Based on the conversations with key stakeholders, review of key corporate documents, and Council's main risks, this annual internal workplan has been developed for the year 2024-2025.



1.6 Scope

The scope of the annual internal workplan specifies cross-functional audits to be undertaken in the following high priority focus areas for the 2024-2025 financial year:

- Drives 24 platform (Transport NSW)
- Hazardous Materials
- Procurement/ Tender / Contract Management process
- Enforcement and Compliance process (issuing orders)

In line with the Terms of Reference of the ARIC, the findings of each audit will be presented at the ARIC meeting following the completion of the audit. Progress against internal audit recommendations will be tracked and a status report presented to the ARIC at each quarterly meeting of the Committee.

Other areas currently under review

- Road Asset Management
- Internal Control process
- Service Reviews (progress)
- Progress status of previous Internal/ external audits

2. STRATEGIC AND OPERATIONAL RISK STATUS (OUT OF APPETITE)

Areas assessed as being of High and Moderate residual risk rating and out of risk appetite accordance to the Council's risk register have been identified for inclusion in the internal audit plan for 2024-2025. These areas are a key focus of our planning for the year to ensure it meets the organisation's assurance needs and contributes to the achievement of their objectives.

Internal Audit Review	Internal audit Review Objective	Assessed Risk	Residual Risk Rating	Within Risk Appetite?	Risk Register
Drives 24 platform (Transport NSW)	Assess compliance with the TFNSW Drives 24 Terms of Access Agreement				N/A
Hazardous Materials	To review council's compliance with the management of hazardous materials	Extreme	Moderate	No - Escalate	Operational
Procurement/ Tender/ Contract Management	Review compliance with the principles, practices and procedures required for the documentation and management of contracts. Assess compliance with the procurement policy and processes. Review the entire procurement process	High	Moderate	No - Escalate	Operational
Enforcement and Compliance (issuing orders)	Review the adequacy and effectiveness of council's compliance framework, legislation, policy, and processes				N/A

2.1 Other Areas Identified for Review by Executives

Current internal areas/processes under review identified by Executives for inclusion in the internal audit plan for 2024-2025.

Internal Audit Review	Scope
Internal controls Process Review	Review the effectiveness of Council's internal controls as per the Strategic Risk Register
Service reviews	Review council's processes and systems to set objectives to deliver appropriate levels of service to the community and business performance

2.2 Additional Reviews for 2024 -2025

Additional areas identified for review and monitor, for inclusion in the internal audit plan for 2024-2025.

Areas/ Service Reviews	Scope
2018-2021 Internal Audit Plan- Progress Reports	Monitor the status of the outstanding actions and the progress reports from the 2018-2021 Internal Audit Plan: <ul style="list-style-type: none"> • Budget Management • Corporate Overheads • Project Management • Grant Management • Contract Management • GIS Mapping
2022-2023 Internal Audit Plan- Progress Reports	<ul style="list-style-type: none"> • Environmental Management System • Budget planning/ preparation
2023-2024 Internal Audit Plan- Progress Reports	<ul style="list-style-type: none"> • On-site Wastewater Management Strategy • Workforce Management • Asset Management (Building and water assets) • Business Continuity Framework
Final Management Letter 2024 (Latest External Audit Management Report)	Monitor and follow up the action plan /responses to the issues listed in the Final Management Letter from the Audit Office
Fraud Control Plan	Review the implementation of the Fraud Control Policy, Fraud Control Plan and strategies to address the issue of fraud control.
Service Reviews	Review Council's services (cost, quality, efficiency and effectiveness) to ensure the services that Council provide are both cost effective, efficient, and meeting community needs.

2.3 Implementation, Communication and Reporting

- Reports will be provided to the ARIC, following the completion of each internal audit review, including full copies of audit reports issued together with progress reports on the implementing of the audit recommendations
- Quarterly reports and updates will be provided to the ARIC of the internal audit activities completed during that quarter, progress in implementing the annual internal audit workplan and progress made implementing outstanding corrective actions
- An annual report will be provided to the ARIC on the progress status of the annual internal audit plan, internal audit activities completed during that year, and updates on the fraud control plan activities and service reviews.
- An annual assessment will be conducted for continuous improvement in internal audit and to identify any emerging issue/risk and any gaps in the strategic direction of the internal audit plan.

3. INTERNAL AUDIT PLAN

Following the assessment of risk, business process reviews were identified in accordance with the internal audit approach discussed in the Strategic Internal Audit Plan. Following further detailed discussions with the internal officer, audit and risk committee and executives, the annual internal audit plan was determined for the year 2024 - 2025.

3.1 Internal Audit Plan 2024-2025

Areas assessed as being of high and moderate residual risk rating are outlined below.

Internal Audit Review	Review Timing	Indicative Scope	Residual Risk Rating	Frequency	2024 - 2025	2025 - 2026	2026 - 2027	2027 - 2028	Hours (approx.)	Audit Approach
Drives 24 platform (Transport NSW)	1 st Quarter	<ul style="list-style-type: none"> - TFNSW Drives 24 Terms of Access Agreement - Personal security Checks - Security Standards - Approved premises - Records, Audit, and Inspection 	N/A	Annual	✓	✓	✓	✓	80	Outsourced
Review of Hazardous Materials	2 nd Quarter	<ul style="list-style-type: none"> - Hazardous Material Management process - Hazardous Material system - PPE/ MSDS/ Training 	Moderate	Every 6 years	✓				94	Outsourced
Procurement/ Tender Process/Contract Management	3 rd / 4 th Quarter	<ul style="list-style-type: none"> - Procurement policy, procedures, and lifecycle - Tender process, templates, and documents/ contract documents - Roles and responsibilities - Delegations and systems 	Moderate	Every 4 years	✓				150	Outsourced
Enforcement and Compliance Process (Issuing orders)	4 th Quarter	<ul style="list-style-type: none"> - Compliance /Enforcement Framework - Legislation, policy, procedures, response timeframes 	N/A		✓				80	Outsourced

Internal Audit Review	Review Timing	Indicative Scope	Residual Risk Rating	Frequency	2024 - 2025	2025 - 2026	2026 - 2027	2027 - 2028	Hours (approx.)	Audit Approach
Road Asset Management	Started 2023-2024 and ongoing	- Policy process, framework, and registers	Moderate	TBC	✓				TBC	Outsourced Audit Office
Internal Controls	3 rd Quarter	- Review the effectiveness of Council's internal controls as per the Strategic Risk Register	N/A	TBC	✓				TBC	In-house
Service Reviews	3 rd Quarter	- Review council's processes and systems to set objectives to deliver appropriate levels of service to the community and business performance	N/A	TBC	✓				TBC	In-house
Fraud Control Plan	3 rd / 4 th Quarter	- Review council's processes and systems to set objectives to deliver appropriate levels of service to the community and business performance	N/A	TBC	✓				TBC	In-house

3.2 Total Internal Audit Hours and Reviews

Description	2024-2025 (hours)	Approach
Internal Audit reviews	404	Outsourced
Internal Audit reviews	TBC	In-house
*Annual Internal Audit Administrative Services	300	In-house
Total approx.	704	

* Annual Internal Audit Administrative Services: Other administrative functions such as:

- Review and updating of the Audit, Risk and Improvement Committee and Internal Audit Charters, terms of reference, the internal audit methodology and processes from time to time
- Ad-hoc internal audits on requests from the General Manager and/or Audit, risk and improvement committee
- Emerging strategic and operational risks and issues will be considered throughout the year and the internal audit plan will be amended if required.
- Personal learning and development.

4. KEY PERFORMANCE INDICATORS (KPIs)

The following KPI's have been established to monitor the performance of the internal audit function and measure its effectiveness and efficiency:

- Percentage of audits completed vs planned audits
- Percentage of unsatisfactory ratings: measures how many audits result in poor or unsatisfactory ratings. This may be an indicator of the control maturity of the organisation.
- Percentage of recommendations implemented by taking corrective action: an indicator of the relevance, credibility, and quality of internal audit.
- Percentage of high-risk audit universe covered each year. How far is internal audit covering the major areas of risk within the organisation.
- Cost savings generated by implementing internal audit recommendations.
- Percentage of recommendations accepted or not. The proportion of recommendations accepted is a measure of the success of internal audit work
- Changes to processes resulting from implementing internal audit recommendations. Measures the level of process improvement generated by internal audit
- Number of training hours per auditor per year. Measures the extent to which auditors are meeting continuing professional development expectations. This is also an indicator of the priority internal audit gives to training.
- Percentage of issues that are open, closed, or past due. May indicate that managers are not taking sufficient action to address recommendations raised by internal audit

5. ATTACHMENTS

- Enterprise Risk Management
- Council's Risk Register
- Risk Appetite Statement
- Internal Audit Charter 2024-2025