



# AUDIT, RISK and IMPROVEMENT COMMITTEE CHARTER

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### Change History

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1.0	4 July 2016	Tony Gearon	Original Audit and Risk Management Committee Charter
2.0	1 May 2017	Tony Gearon	Committee renamed and Charter revised to comply with S428(A) of the Local Government Amendment (Governance and Planning) Act 2016 No 38.  Introducing role of Auditor General  Clarifying the presentation of Minutes to the Council.

### Related Documents

This document should be read in conjunction with:

- Local Government Act, 1993 – Section 23A
- [Internal Audit Guidelines](#) Sept 2010, NSW Premier and Cabinet – Division of Local Government.
- Local Government Amendment (Governance and Planning ) Act 2016 No 38.

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## 1. Role and Authority

### 1.1 Role

The primary role of the Audit, Risk and Improvement Committee of the Georges River Council (referred to in this Charter as the “Committee” or the “ARIC”) is to advise Council on Audit, Governance, Risk Management, and Business Improvement related matters, policy and strategies, within the Committee’s capabilities and working to an Audit Plan which encourages good Governance, Internal and External Audit and attention to Business Improvement, also providing independent, objective assurance about the effectiveness of Council’s risk mitigation controls.

This Committee is an advisory committee only and it has no authority to expend Council funds or make decisions that are binding on the Council (refer Section 4 Responsibilities of the Audit, Risk and Improvement Committee).

The Committee will fulfil its role by :

- Providing a forum for communication between all stakeholders i.e. the Council, General Manager, Senior Management , Internal and External Audit and contracted agents.
- Ensuring and supporting the independence of the Internal Audit function.
- Monitoring the resources allocated to the Internal Audit function and to make recommendations to the General Manager where required, to ensure that sufficient and appropriate resources are made available.
- Reviewing and endorsing or improving the plans and programmes of annual and longer term risk based Audits, as developed by the Internal Auditor.
- Contributing where possible and appropriate, to the following objectives of the Council, as defined in the Local Government Act S 428A and as amended by the Local Government Amendment (Governance and Planning) Act 2016 No 38 :
  - (a) compliance,
  - (b) risk management,
  - (c) fraud control,
  - (d) financial management,
  - (e) governance,
  - (f) implementation of the strategic plan, delivery program and strategies,
  - (g) service reviews,

- (h) collection of performance measurement data by the council,
  - (i) any other matters prescribed by the regulations.
- providing where possible and appropriate information to the Council for the purpose of improving the Council's performance of its functions.
  - ,
  - Endorsing, reviewing and monitoring the outcomes of the 5 Year Strategic Internal Audit Plan, the Annual Internal Audit plan and the Internal Audit function.
  - Encouraging and assisting Council to meet compliance requests from the Office of the Auditor General.
  - Facilitating and promoting use of thorough and reasonable governance procedures throughout the Georges River Council.
  - Assisting the Internal Audit function to provide independent assurance and assistance to Council, in the effective discharge of its responsibilities in relation to:
    - Risk Management
    - Internal Control
    - Governance
    - External Accountability Responsibilities
    - Financial reporting
    - Compliance with laws and regulations,

Responsibilities of the Committee are further discussed in section four of this Charter.

### **1.2 Authority**

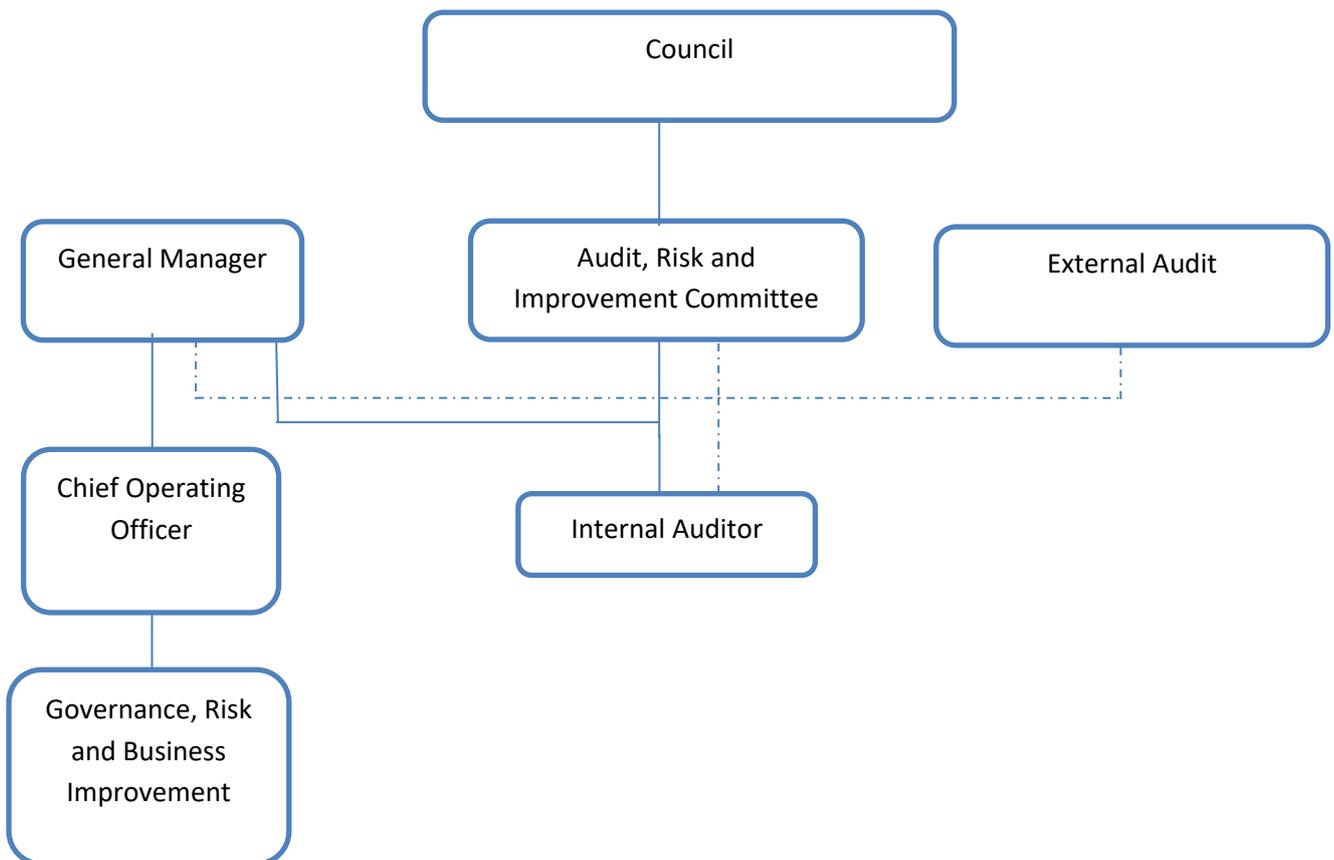
The Council authorises the Committee, within the scope of its role and responsibilities, to:

- a) Obtain any information it needs from any employee or external party (subject to their legal obligations to protect information).
- b) Discuss any matters with the External Auditor, or other external parties (subject to confidentiality considerations).
- c) Request the attendance of any Council employee or Councillor to ARIC meetings.

d) Request external legal or other professional advice, if considered necessary by ARIC, to meet ARIC responsibilities.

### 1.3 Reporting relationships

The NSW Auditor General is the statutory auditor for the Council. Within the Council, the Audit, Risk and Improvement Committee's relationships with the elected Council, other Council Committees and internal reporting and external relationships are represented diagrammatically below;



## 2. Membership, Chairperson and Voting

### 2.1 The membership of the Audit, Risk and Improvement Committee will be as follows:

#### 2.1.1 Voting Members, five (5) persons:

- (i) two Georges River Councillors (when elected) – in the interim 1 former Hurstville and 1 former Kogarah Councillor ; and

- (ii) three independent external members, at least one of whom has financial management expertise and one of whom shall be the Chair.

Current Office of Local Government guidelines discourage the membership of the Mayor.

2.1.2 Non-voting advisors (these persons will ordinarily attend all or relevant parts of the meetings)

- a) General Manager
- b) Service Unit Manager – Governance and Risk
- c) Internal Auditor (Committee Facilitator)

2.1.3 Representative(s) of the Auditor General, a non-voting position.

2.1.4 Other persons

The Audit, Risk and Improvement Committee may request the following persons to attend all or part of the meetings, to present relevant information as required:

- a) Other Council officers.
- b) Representative of the External Auditor.
- c) Other external parties.
- d) Other Councillors may attend as observers, at the discretion of the Chair.

Voting Membership of the Committee can be withdrawn only by resolution of the Council. Council staff will be appointed and removed as required, by the General Manager.

2.1.5 Alternates

The two Councillor members of the Audit, Risk and Improvement Committee shall each have an alternate, nominated by resolution of Council. The alternates can only attend meetings in place of the member, where that member is unable to attend the meeting and has registered an apology.

2.1.6 Casual Vacancies.

A casual vacancy caused by the resignation or death of an independent Member, will be filled by undertaking the following process:

(i) Where a casual vacancy occurs, the Internal Auditor / Committee Facilitator will report this matter to the next Committee meeting and record it appropriately in the Minutes, and highlight it in the report to the next available Council Meeting.

(ii) The Internal Auditor / Committee Facilitator will provide a report to the next available Council Meeting regarding the proposed replacement. This report will give consideration to the following options;

(a) The Committee Facilitator will review the original expressions of interest received and will confirm if any of those individuals who previously nominated, are suitable and still prepared to be considered as a member of the Committee. A recommendation may be made, for an appointment by Council resolution.

(b) Where no previous nominations are still appropriate or current, expressions of interest will be called to fill the vacancy, for an appropriate recommendation and appointment by resolution of the Council.

(c) Where a vacancy occurs within 9 months preceding the conclusion of the Term of the current Council, the vacancy will not be filled until after the impending Council election.

(iii) Once endorsed by the Council, a new Member filling a casual vacancy will hold office for the remainder of the term of the Member whom he/she has replaced.

## **2.2 Chairperson**

The Audit, Risk and Improvement Committee will be chaired by one of the Independent, External members, appointed as Chair by the Council. The Chairperson is to have precedence at the meeting and shall determine the order of proceedings, generally as set by the agenda. All comments by members of the Committee and others present, shall be made through the Chairperson. In the absence of the Chairperson, another independent member elected by the Committee, shall chair the meeting.

Council's Code of Meeting Practice shall be used as the reference guide, for any matters pertaining to the Committee meetings, which are not otherwise outlined in this Charter.

### **2.3 Tenure**

The independent, external members will be appointed for a term of three years, with one member in the first term of the Committee being appointed for an initial two years period, so that the triennial spilling and changeover of memberships will allow for continuity and transfer of corporate knowledge, with one member being replaced or reappointed on a different three year cycle to the other two. Members may be eligible for extension of appointments or re-appointment by the Council.

Further to the above provisions, independent membership of the Committee will expire at the end of the financial year in which a Local Government General election takes place. This is to allow the new Council to review the membership and provide for transition to a new membership.

### **2.4 Assessment of Committee performance**

The Chairperson of the Committee will initiate a review of the performance of the Committee every twelve months. This review will consider the performance of individual members of the Committee as well as overall performance. The review will be conducted on the following basis:

- Self-assessment by the Committee

- An assessment by stakeholders with input sought from the Council, the General Manager, the Service Unit Manager Risk and Audit, the Internal Auditor and the External Auditor.

The assessment will be conducted utilising a standardised evaluation format.

The assessment of the performance of the Audit, Risk and Improvement Committee will be presented to Council for its review. Any action proposed that arises from this review can only be taken as a result of a decision of Council.

Further formal reviews of the Audit function will be conducted as required by relevant Standards.

### **2.5 Competencies.**

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

### **2.6 Induction and Training.**

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

### **2.7 Administrative Support.**

The Audit, Risk and Improvement Committee will be provided with administrative support, by the Office of the General Manager.

## **2.8 Responsibilities of Members**

Members of the Committee are expected to:

- a) Understand the relevant legislative and regulatory environment of Audit and Risk Management in NSW Local Government and any particular requirements appropriate to Georges River Council.
- b) Contribute the time needed to study and understand any documentation or papers provided.
- c) Apply high level analytical skills, objectivity and good judgment.
- d) Express opinions frankly, ask questions that go to the fundamental core of issues and pursue independent lines of enquiry.
- e) Abide by the Georges River Council's Code of Conduct.

## **2.9 Committee Facilitator.**

The Committee facilitator is currently the Internal Auditor appointed by the General Manager. The facilitator is responsible for co-coordinating the preparation of agendas, invitations and minutes of the Committee, as well as any presentations from guest speakers.

## **2.10 Voting.**

No formal voting rules apply to ARIC meetings. As the Committee has an advisory role, its decisions or recommendations are made by consensus and no decision or recommendation is deemed to be a decision of the Council, unless the matter is referred to Council for determination. If Committee consensus is not achieved and if required, the matter shall be referred to the Council for determination.

## **2.11 Proxy.**

Voting by proxy is not permitted. Only members in attendance at the meeting, either in person or via live telephone or video conferencing methods, shall be entitled to participate in the decision making process of the Committee. (See also CI 3.6).

If a member is unable to attend the meeting, but wishes to be in attendance for discussion of a particular matter, he / she can notify the Chairperson prior to the meeting, to request deferral of the item to a subsequent meeting, or to request that the Chairperson formally indicate the member's view to the Committee, during the discussion on the matter.

The Committee shall decide if a matter is to be deferred to a subsequent meeting, based on the representations made to the Chairperson by the absent member.

## **2.12 Attendance at meetings.**

The attendance by members, at meetings of the Audit, Risk and Improvement Committee shall be recorded. Where a member does not attend and does not provide an apology for 2 consecutive meetings, this will be reported to Council and a determination will be made by Council as to that member's ongoing tenure on the Committee. The record of attendance at meetings by all members, will be presented in Council's Annual report.

## **3. Meetings**

### **3.1 Scheduling of meetings.**

The Audit, Risk and Improvement Committee will meet four (4) times per year, with one of these meetings to include review of the annual audited financial reports and external audit opinion. Another of these meetings will specifically consider the Annual and 5 year Strategic Internal Audit plans.

### **3.2 Additional meetings.**

The Chairperson of the Audit, Risk and Improvement Committee may convene additional meetings if required. Other Committee members may submit requests to the Chairperson for additional meetings.

### **3.3 Forward meeting plan.**

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

### **3.4 Distribution of agendas and working papers.**

The agenda & meeting papers of scheduled meetings of the ARIC shall be circulated to members via the Council's Portal, at least 5 working days prior to a scheduled meeting. Each meeting shall be properly recorded by the taking of minutes.

### **3.5 Conflicts of Interest.**

Committee members must verbally declare to the meeting any conflicts of interest or pecuniary interests at the start of each meeting, or before any discussion of a relevant agenda item or topic. Details of any conflicts of interest should be appropriately minuted and the Chairperson should confirm with the Committee facilitator, that such a record has been made.

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

The Local Government Amendment (Governance and Planning) Act 2016, in Section 440 - Codes of conduct, provides that:

- (2) The Local Government Regulations may provide that the provisions of the model code relating to the disclosure of pecuniary interests are also to apply to the following persons:
  - (a) a member of a committee of a council (including the Audit, Risk and Improvement Committee),
  - (b) an adviser to a council.

Further, The Local Government Act S439AA(4) provides as follows:

Other exclusions:

“A person does not have a pecuniary interest in a matter if the interest is so remote or insignificant that it could not reasonably be regarded as likely to influence any decision the person might make in relation to the matter or if the interest is of a kind specified in a code of conduct as not being required to be disclosed.”

### **3.6 Quorum.**

A minimum of three (3) voting members of the Audit, Risk and Improvement Committee will need to be in attendance to constitute a quorum. Meetings can be held in person or by attendance via telephone or video-conference. (See also CI 2.11)

### **3.7 Public Participation.**

Due to the often confidential nature of the items presented at the meetings, all meetings of the Committee will be closed to the public.

### **3.8 Record keeping.**

The agendas and minutes of the Committee shall be stored as a permanent record of Council, as determined by the General Manager. Any questions by members regarding the minutes are to be referred immediately to the Committee Facilitator and if any error in the minutes is confirmed, the Committee Facilitator shall arrange to make the appropriate changes. Minutes will be completed within 2 weeks of the Committee meeting.

## **4. Responsibilities of the Audit, Risk and Improvement Committee**

The ARIC has no executive powers except those expressly provided by the Council. In carrying out its responsibilities, the Committee must at all times recognise that primary responsibility for management of Council, rests with the Council and the General Manager as defined by the Local Government Act.

In addition to the role outlined under section 1.1 above, the Committee’s responsibilities include an oversight function in the following specific areas, including further responsibilities as defined in the Local Government Amendment (Governance and Planning) Act 2016 No 38 - S 428A :

### **4.1 Risk Management – review whether or not :**

- a) Management has in place a current and comprehensive risk management framework and associated procedures for effective identification and management of business and financial risks, including fraud. These risks must be taken into account when formulating Internal Audit planning.

b) A sound and effective approach has been followed in establishing business continuity planning arrangements, including whether plans have been periodically tested and test results reported.

#### **4.2 Control Framework – review whether or not:**

- a) Management has adequate, appropriate internal controls in place.
- b) Management has in place relevant policies and procedures and these are periodically reviewed and updated.
- c) Appropriate governance processes are in place to assess and document levels of compliance with policies and procedures.
- d) Appropriate policies and procedures are in place for the review, management and exercise of delegations.
- e) Management is taking effective steps to embed a culture, which is committed to good governance, lawful and where possible ethical behaviour.

#### **4.3 External Accountability :**

- a) Review Auditor General advices, all financial statements and External Audit opinions, including whether appropriate action has been taken in response to audit recommendations and recommended adjustments.
- b) Consider contentious financial reporting matters, in conjunction with Council's management and External Auditors.
- c) Periodically review External Audit plans and reports in respect of planned or completed External Audits, and monitor the implementation of audit recommendations by management.
- d) Consider significant issues raised in relevant Auditor General communications, External Audit reports and any Office of Local Government Better Practice guides and ensure appropriate action is taken.
- e) Meet "in camera" with Audit Office and/or Contract Auditor management, without the presence of management, at least annually.

#### **4.4 Legislative Compliance :**

- a) Determine whether management has used its best endeavours, in appropriately considering legal and compliance risks, as part of risk assessment and management arrangements as recommended in any guidelines provided by the Office of Local Government
- b) Review the effectiveness of systems for monitoring compliance with relevant laws, regulations and associated government policies.

#### **4.5 General Compliance and Business Improvement (S428A LG Act and Local Government Amendment (Governance and Planning) Act 2016 No 38) :**

- a) Implementation of the strategic plan, delivery program and strategies,
- b) Service reviews,
- c) Collection of performance measurement data by the Council,
- d) Any other matters prescribed by law.
- e) provision of general information to the Council, for the purpose of improving the Council's performance of its functions.

#### **4.6 Internal Audit**

- a) Act as a forum for communication between the Council, General Manager, senior management, Internal and External Audit.
- b) At the meeting held prior to the commencement of the ensuing financial year, review the Internal Audit coverage, the annual Internal Audit Plan and the revised 5 year Strategic Internal Audit Plan, ensure the plans have considered the Risk Management Framework and Council's adopted Risk Appetite and endorse the plan.
- c) Consider the adequacy of Internal Audit resources to carry out its responsibilities, including completion of the approved Internal Audit Plan and actioning of the projects identified in that plan.
- d) Review audit reports and consider significant issues identified in audit reports and action taken on issues raised, including identification and dissemination of better practices.
- e) Monitor the implementation of Internal Audit project recommendations, by management.
- f) Review the Internal Audit Charter once every 2 years, ensuring appropriate organisational structures, authority, access and reporting arrangements are in place.
- g) Periodically review the performance of Internal Audit, as required by the Standards.
- h) Meet "in camera" with the Internal Auditor without the presence of management, at least annually.

## 5. Communications & Reporting

### 5.1 Reporting

The Committee shall report back to Council within a six (6) months period following each meeting. Summary reports may be presented to the Council. The report shall provide Council with the following as appropriate and applicable:

- Minutes of each meeting
- All significant issues which can be reported without prejudice to the audit function.

This provision is to permit the implementation of Committee recommendations in a reasonable window of confidentiality, to optimise the effectiveness of Committee actions.

The Committee through the Chairperson, shall also submit and present on an annual basis, a formal report to Council outlining the Committee's major achievements, issues identified and other relevant matters, to a closed session of a Council meeting.

### 5.2 Other reports.

The Committee can also elect to report to Council at other times. Examples of where this may be required, include proposed significant changes to scheduled Audit tasks included in the endorsed Internal Audit plan.

### 5.3 Information requirements of the Audit, Risk and Improvement Committee

The Audit, Risk and Improvement Committee will be presented via the Portal, with the following standing information for each meeting.

- Progress against the adopted, Annual Internal Audit Plan.
- Suggested amendments to the Annual Internal Audit Plan.
- Status of completed Internal Audit reports .
- Status of actions required in previous Minutes of the Committee
- A report outlining any relevant correspondence received from regulatory authorities such as the NSW Auditor General, Independent Commission Against Corruption (ICAC), the NSW Ombudsman's Office, Office of Local Government.
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## **6. Code of Conduct and other Council Policies**

### **6.1 Code of Conduct**

Each Committee member who is not otherwise a Councillor or Council staff member, shall be provided with a copy of Council's adopted Code of Conduct and other related policies that may be applicable to the operation of the Committee.

The conduct of each Committee member is expected to be consistent with the principles outlined in these Council publications.

Members of the Committee are not permitted to speak to the media as representatives of the Committee, unless authorised and approved by Council.

Charter Approved by Council: 1 May 2017.

Review due date: 30 April 2019