

# AUDIT, RISK and IMPROVEMENT COMMITTEE CHARTER



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## 1. INTRODUCTION

Good corporate governance at Narrandera Shire Council (“Council”) ensures and promotes effective and efficient delivery of services to the community, underpinned by honesty, integrity and transparency.

The Audit, Risk and Improvement Committee (“Committee”) has a key role in the governance framework of Council by providing Council with independent oversight, objective assurance and monitoring of Council’s audit processes, internal controls, external reporting, risk management activities, compliance with Council’s policies and procedures, and performance improvement activities.

This Charter is based on the guidelines issued by the Office of Local Government (OLG) in accordance with s.23A of the Local Government Act 1993 (the Act). The Charter is also aligned with best practice, intended to add value and drive effective local government; through openness, transparency and accountability. The Committee assists Council to deliver on its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

## 2. COMMITTEE OBJECTIVES

The objective of the Committee is to provide independent assurance and assistance to the Council on risk management, control, governance, internal audits, organisational performance and external accountability responsibilities.

The Committee’s objectives are supported by obligations under s428A of the Act, for keeping under review the following aspects of the 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 the council, and
- any other matters prescribed by the regulations.

Under the Act the Committee is also to provide information to the Council for the purpose of improving the Council’s performance of its functions.

## 3. AUTHORITY

The Committee is established in accordance with Council’s authority granted by s. 355(d) of the Act. The Committee 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 Act.

The Council authorises the Committee as a whole (but not individual members of the Committee) within the scope of its role and responsibilities, to:

- Obtain any information it needs from any employee or external party (subject to their legal obligations to protect information).
- Discuss any matters with the internal or external auditor and/or other external parties (subject to confidentiality considerations).
- Request the attendance of any employee at Committee meetings.
- Request – via the General Manager – any external legal or other professional advice considered necessary to meet its responsibilities.

This Charter will be reviewed and adopted at least once by each term of Council at an open meeting of Council.

**4. COMPOSITION AND TENURE**

**A. MEMBERS (VOTING)**

The Committee will consist of up to three voting members.

- A Councillor;
- Two independent External Members (one of whom to be the Chairperson)

If any voting is needed at a Committee meeting, it is to be by open means (such as by voice or by show of hands).

The members of the Committee, taken collectively, will have a broad range of skills and experience relevant to their responsibilities as outlined in this Charter. At least one member of the Committee shall have accounting or related financial management experience, with understanding of accounting and auditing standards in a public sector environment.

**i. Councillors**

The Councillor member of the Committee will be appointed by resolution of the Council, as part of the annual committee selection process. The Mayor will not be appointed as the Councillor member. The Council may also resolve to appoint an alternate Councillor member to the Committee to attend meetings in the absence of the Councillor member. The alternate Councillor member will have the same voting rights as the Councillor member being replaced.

**ii. Independent External Members**

Two external members will be appointed, by resolution of the Council, for a term of three years or such additional time as determined by Council, provided that the external members shall retire on a rotation basis in the interests of continuity and succession. The independent external members can also be removed by resolution of Council. In this regard, written notice shall be provided to the member of Council’s intention and an opportunity provided – upon request from the member - to be heard at a Council meeting that is open to the public.

Expressions of Interest as an independent member of the Committee are to be invited by public advertisement and/or written invitation from persons eligible to be members of the Committee as outlined by this Charter. Any such nominations will be received and reviewed by a panel comprising

an existing or outgoing independent Committee member, the Mayor and the General Manager who will prepare a report for Council’s consideration.

The recruitment of those members of the Committee is to be based on merit, and it is important that the selection process used is transparent and accountable. Committee members must decline any request to act as referee to any applicants for vacant positions on the Committee.

Once the independent external member(s) is/are appointed, they will receive a letter of appointment clearly detailing the terms of their appointment and allowance details (as determined in Narrandera Shire’s Councillors Payment of Expenses and Provision of Facilities Policy), as well as a copy of this Charter.

As the Committee members are formally appointed by Council, any changes in membership will be subject to Council’s approval. If and only if any special circumstances exist especially in respect of the collective skills and knowledge of the Committee, Narrandera Council may consider and by a resolution vary the above composition of Committee membership.

If for any reason a vacancy in the Committee membership occurs, the position(s) shall be filled in accordance with this Charter.

**iii. The Chair**

The Chairperson will be elected by the majority of the Committee’s voting members and must be one of the independent external members. Whenever the voting on a motion put to a meeting of the Committee is equal, the Chair of the Committee is to have a casting vote as well as an original vote.

If the elected Chair is not present at a meeting of the Committee, the first business of that meeting is for the Committee’s voting members to elect a Chair from the independent external members present.

**B. ATTENDEES (NON-VOTING)**

Meetings of the Committee may, at the discretion of the Committee and with the consent of the General Manager, be attended by the following individuals;

- Mayor – as ex officio,
- General Manager or nominated delegate,
- ,
- Other Council employees (for specific agenda items), including the Chief Financial Officer, Chief Operating Officer or nominated delegates
- Internal Auditor or nominated delegate(for specific agenda items), and
- External Auditor or nominated delegate (for specific agenda items).

**5. ROLE**

In addition to the Committee’s objectives as outlined in section 2 the Committee has a number of key responsibilities consistent with those outlined in the OLG model charter for Audit Committees as set out in the *Internal Audit Guidelines* issued by the OLG. These include;

## **A. RISK MANAGEMENT**

Risk management is an essential part of effective corporate governance. It is defined as “the culture, processes and structures that are directed towards realising potential opportunities whilst managing adverse effects.”(*Risk Management – Principles and Guidelines*” ISO 31000:2009(E)). Enterprise Risk Management is the holistic management of all risks within Council, not just insurable risks or work health and safety.

The Committee is responsible for:

- Reviewing whether 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;
- Reviewing whether a sound and effective approach exists for developing strategic risk management plans for major projects or undertakings;
- Reviewing the risks, progress, controls, finances and performance surrounding those major projects;
- Reviewing the impact of the risk management framework on its control environment and insurance arrangements;
- Reviewing whether a sound and effective approach exists for establishing business continuity planning arrangements, including whether plans have been tested periodically;
- Reviewing whether a sound and effective approach has been established in relation to technological related risks issues that present a threat to the operations of Council, and
- Considering, and recommending to the General Manager, improvements in relation to Council risk management approaches, activities, systems and processes

## **B. CONTROL FRAMEWORK**

The Committee is responsible for:

- Reviewing whether management has adequate internal controls in place, including over external parties such as contractors and advisors;
- Reviewing whether management has in place relevant policies and procedures, and these are periodically reviewed and updated;
- Reviewing whether appropriate policies and procedures are in place, including for the management and exercise of delegations;
- Progressively reviewing whether appropriate processes are in place to assess compliance with policies and procedures;
- and
- Reviewing whether management has taken steps to embed a culture which is committed to ethical and lawful behaviour.

## **C. EXTERNAL ACCOUNTABILITY**

The Committee is responsible for:

- Establishing that the annual financial statements are in accordance with applicable Australian Accounting Standards and are supported by appropriate management sign-off on the statements and the adequacy of internal controls;
- Reviewing the external audit opinion, including whether appropriate action has been taken in response to audit recommendations and adjustments;
- Considering contentious financial reporting matters in conjunction with Council’s management and external auditors;

- Reviewing the processes in place designed to ensure financial information included in the annual report is consistent with the signed financial statements;
- Satisfying itself there are appropriate mechanisms in place to review and implement, where appropriate, relevant State Audit Office and Government reports and recommendations;
- Satisfying itself there is a performance management framework linked to organisational objectives and outcomes; and
- Reviewing information on performance of Council against the objectives/actions/indicators documented in the strategic plan, delivery program and operational plan.

#### **D. LEGISLATIVE COMPLIANCE**

The Committee is responsible for:

- Determining whether management has appropriately considered legal and compliance risks as part of risk assessment and management arrangements; and
- Reviewing the effectiveness of the system for monitoring compliance with relevant laws, regulations and associated government policies.

#### **E. INTERNAL AUDIT**

The Committee is responsible for:

- Acting as a forum for communication between the Council, General Manager, Senior Management, Internal Audit and External Audit;
- Reviewing the resourcing for internal audit and Internal Audit Plan, ensure the plan has considered the Risk Management Plan, and approve the plan;
- Considering and advising Council on the adequacy of internal audit resources to carry out its responsibilities, including completion of the approved Internal Audit Plan;
- Reviewing all audit reports and consider significant issues identified in audit reports and action taken on issues raised, including identification and dissemination of better practices;
- Monitoring the implementation of internal audit recommendations by management;
- Periodically reviewing the Internal Audit Charter and
- Periodically reviewing the performance of Internal Audit.

#### **F. EXTERNAL AUDIT**

The Committee is responsible for:

- Providing input and feedback on the financial statement and performance audit coverage proposed by external audit, and provide feedback on the external audit services provided;
- Reviewing all external plans and reports in respect of planned or completed external audits, and monitor the implementation of audit recommendations by management; and
- Considering significant issues raised in relevant external audit reports and better practice guides, and ensure appropriate action is taken.

### **6. COMMITTEE RESPONSIBILITIES**

In carrying out its responsibilities, the Committee must at all times recognise that primary responsibility for financial and other reporting, internal controls, compliance with laws, ethical behaviour, the management of Council, risk management and organisational improvements, rests with the elected Council and the General Manager in accordance with the Act.

Members of the Committees must not act in a way that contravenes the Act in this regard, members

are required to comply with Council's adopted Code of Conduct and Code of Meeting Practice, any other relevant Acts, as well as any other relevant policies and procedures of the Council.

The General Manager will ensure that adequate resources are available to allow for the proper functioning of the Committee. The Committee may also, at Council's expense, request the General Manager to obtain such legal, accounting or other professional advice as it reasonably considers necessary for the performance of its duties. The General Manager will give appropriate consideration to all such requests.

All members of the Committee are expected to:

- Have a high level of personal integrity and ethics, as well as acting honestly and in good faith;
- Perform their duties in a manner that engenders public trust in the integrity, objectivity, and impartiality of the Committee;
- Comply with this Charter;
- Have strong interpersonal skills;
- Have strong skills in oral and written communication;
- Broadly be aware of and understand the relevant legislative and regulatory requirements appropriate to Narrandera Shire Council, particularly as these pertain to individual matters under consideration by the Committee;
- Contribute the time needed to study and understand the papers provided, and to devote to their responsibilities as a Committee Member;
- Apply good analytical skills, objectivity and with good judgment;
- Express opinions frankly and ask questions that go to the fundamental core of issues;
- Have an understanding of management principles required recognising and evaluating the materiality and significance of deviations from good business practices;
- Have recent and relevant knowledge and experience in areas such as;
  - Accounting or related Financial management
  - Risk management experience
  - Auditing experience in a public sector environment
  - Performance improvement
  - The local government framework
  - Council services, activities and operations
  - Governance, risk and compliance
  - Community services.

## 7. REPORTING

Committee proceedings and recommendations will be provided for consideration by the Council in accordance with legislative provisions). At the last Committee meeting prior to 30 June each year, the Internal Auditor will provide a report to the Committee outlining the approved internal audit plan of work for that financial year showing the current status of each audit.

The Committee will provide an annual report on internal audit, risk management and internal control to Council at the conclusion of each financial year. The report will summarise the Committee's activities for the past year, along with the strategic internal audit plan for the forward period (covering the following year and an indicative plan for the further two outyears) Council may request the Chair of the Committee to address Council and to answer any enquiries about the operation of the Committee.

Some or all of the Committee's annual report will form part of Council's Annual Report.

The Committee may also report more regularly to Council on the internal audit function, on the management of risk and on internal controls as and when required. The Committee may also make recommendations to Council and the General Manager.

## **8. ADMINISTRATIVE ARRANGEMENTS**

### **A. MEETINGS OF THE COMMITTEE**

The Committee is bound by Council's Code of Conduct and Code of Meeting Practice. All Committee meetings must be run fairly and the procedures used should ensure effective decision making and not be used for personal or political advantage. All matters should be considered consistently, fairly, promptly, and on their individual merits.

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

The Committee will meet at least four times per year and at least once each quarter. Additional meetings will be convened as required which may include to review and endorse the annual financial reports and external audit opinion.

The need for any additional meetings will be determined by the Chair or by resolution of the Committee. Such resolutions do not bind the Council to commit additional resources to the conduct of those meetings unless the General Manager or the Council, by resolution, agrees to those additional meetings.

Meetings of the Committee are closed to the public.

### **B. ATTENDANCE AT MEETINGS AND QUORUMS**

The quorum for a meeting of the Committee will be the majority of the voting members of the Committee, including at least one independent member. If it is determined two days prior to the Committee meeting that a quorum will not be achieved, the committee meeting is to be reconvened to a later date. If for any reason a quorum is not present within half an hour of the scheduled commencement of the meeting, the meeting shall be rescheduled.

A Committee member will be deemed to have relinquished their membership of the Committee if they do not attend two consecutive meetings of the Committee without notice or satisfactory (as determined by the Chair – or in the case of the Chair the majority of the Committee) explanation.

The Committee will meet separately with the Internal Auditor and/or External Auditor(s) in the absence of management on at least one occasion per year.

The Committee may also request any other Council Official to participate in meetings should the Committee deem this necessary. All employees of Council are subject to the direction of the General

Manager and not the Committee or any of its members. In this regard, all correspondence or contact with staff is to be through the Chair of the Committee addressed to the General Manager.

**C. SECRETARIAT**

The General Manager is to ensure adequate administrative support to the Committee is provided, including preparation and distribution of the agenda and supporting papers for each meeting at least one week before the meeting, and ensuring minutes of the meetings are prepared, maintained, approved and distributed as required.

**D. AGENDAS, MINUTES, INTERNAL AUDIT REPORTS AND SUPPORTING PAPERS**

The agenda for meetings of the Committee will be agreed by the Chair (in consultation with the General Manager and the Internal Auditor) at least one week before a meeting. The agenda must specify the time and place at which, and the date on which, the meeting is to be held and the business proposed to be transacted at the meeting. If a Committee member wishes to raise an urgent/late item that is not on the agenda, the Chair shall determine the appropriate manner for dealing with the matter in accordance with Council's adopted Code of Meeting Practice.

All Councillors shall receive a copy of the agenda for each meeting. External audit should also be provided with the meeting papers.

Full and accurate minutes of the proceedings of Committee meetings will be maintained by Council management in accordance with the Code of Meeting Practice required of Council Committees. In particular, the following matters should be recorded (at a minimum) in the minutes:

- a date and time of meetings, attendees and any apologies;
- the endorsement (or otherwise) of the minutes from previous the meeting;
- whether there was business arising from previous minutes;
- notation of reports or correspondence;
- motions moved and resolutions agreed;
- Committee recommendations;
- items of general business; and
- the time meeting closed, date and venue for next meeting.

Minutes shall be approved by the Chair and circulated to all Committee members within three weeks of the meeting being held and are to be confirmed at the next Committee meeting. The minutes of each meeting shall also be reported to Council as part of the next available meeting cycle.

All Committee agendas and minutes (once approved) are to be recorded in Council's electronic document management system.

**E. PRIVACY AND CONFLICTS OF INTEREST**

The Committee Charter will comply with Council policies and the Act in relation to confidentiality, privacy and reporting. Members of the Committee will not disclose matters dealt with by the Committee to third parties except with the express approval of the Committee.

A conflict of interest exists where a reasonable and informed person would perceive that members of the Committee could be influenced by a private interest when carrying out their public duty. All members of the Committee must avoid or appropriately manage any conflict of interests. The onus is on members of the Committee to identify a conflict of interest and take appropriate action to manage the conflict in favour of their public duty. All members of the Committee must always comply with Council's Code of Conduct.

Committee members, attendees, invitees, observers and Council Officials must declare any conflicts of interest at the start of each meeting or before discussion of a relevant agenda item or topic. Details of any conflicts of interest should be appropriately minuted and be dealt with in accordance with Council's adopted Code of Conduct.

Where Committee members, attendees, invitees, observers or Council Officials at Committee meetings are deemed by the Chair (or in the case of the Chair by the majority of the Committee) to have a real or perceived conflict of interest, they will be excused from Committee deliberations on the issue where the conflict of interest may exist in accordance with Council's adopted Code of Conduct.

## **F. HEALTH AND SAFETY**

Council is responsible for providing a safe work environment and gives priority to the health, safety and welfare of Council Officials and of Committee members. Committee members should protect their safety and that of others in the work environment and public areas as required. All safety concerns should be reported immediately to Council Officials.

## **G. PUBLIC COMMENT AND MEDIA STATEMENTS**

All public comments and media statements representing Narrandera Shire Council must be approved by the General Manager.

## **H. TRAINING**

It is a condition of Committee membership that all members undertake Code of Conduct and Protected Disclosure training. The General Manager will ensure that all new Committee members receive all relevant information, training and briefings on their appointment to assist them to meet their Committee responsibilities.

## **I. ASSESSMENT ARRANGEMENTS**

The Chairperson with the support of Council management will initiate a review of the performance of the Committee on an annual basis. The review will be conducted on a self-assessment basis (unless otherwise determined by the Chair), having regard to the objectives and responsibilities identified in this Charter. Appropriate input may be sought from Council's Senior Management and any other relevant stakeholders, as determined by the Chair.

The review will also consider and report to Council on this Charter and it is to be included in the Committee's annual report to Council.

## 9. AUTHORISATION

|                             |   |                    |
|-----------------------------|---|--------------------|
| <b>Owner</b>                | <b>Directorate</b>  | Executive Services |
|                             | <b>Responsible Officer</b>  |                    |
| <b>Authorisation</b>        | <p>Adopted Council – Resolution 18/047</p> <p><b>RESOLUTION 18/047</b></p> <p>Moved: Cr Wesley Hall<br/>Seconded: Cr Narelle Payne</p> <ol style="list-style-type: none"> <li>1. That the Minutes of the Audit, Risk and Improvement Committee held on Wednesday 7 March 2018 be received and noted.</li> <li>2. That Council adopt the Audit, Improvement and Risk Committee Charter.</li> <li>3. That Council endorse the allocation of \$2,000 to extend the current engagement of Internal Auditor to perform a risk based strategic internal audit plan for the next 12 months 2018-19 and indicatively for the following two out-years 2019-2021 (and to advance drafting of the AR&amp;IC annual report 2017-18).</li> </ol> <p><b>CARRIED</b></p> |                    |
| <b>Review Date</b>          | August 2021 – or sooner if new OLG or Audit Office best practice models are promulgated   |                    |
| <b>Register</b>             | MagiQ record number - 48037   |                    |
| <b>Record of Amendments</b> |   |                    |
|                             |   |                    |