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# **Charter:**

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Audit, Risk and Improvement  
Committee

2020

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## INFORMATION ABOUT THIS DOCUMENT

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| <b>Related Documents</b>                       | Internal Audit Guidelines, NSW Department of Premier and Cabinet (September 2010)                        |

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## 1 Introduction

- 1.1. Liverpool Plains Shire Council (“Council”) has established the Audit, Risk and Improvement Committee (“the Committee”) in accordance with the requirements under section 428A of the *Local Government Amendment (Governance and Planning) Act 2016*.
- 1.2. This Charter sets out the objective, authority, composition, roles and responsibilities, and reporting and administrative arrangements of the Committee. It is based on the Internal Audit Guidelines issued by the Chief Executive of the Office of Local Government in September 2010, and is intended to promote openness, transparency and accountability in Council’s operations.

## 2 Objective

- 2.1. Consistent with section 428A of the *Local Government Amendment (Governance and Planning) Act 2016*, the objective of the Committee is to promote good corporate governance and independent objective assurance and assistance to Council on:
  - (a) Compliance;
  - (b) Risk management;
  - (c) Fraud control;
  - (d) Financial management;
  - (e) Governance;
  - (f) Implementation of the Community Strategic Plan; Delivery Program and strategies;
  - (g) Service reviews;
  - (h) Collection of performance management data by Council; and
  - (i) Any other matters prescribed by the *Local Government (General) Regulation 2005*.

## 3 Authority

- 3.1. The Committee provides an advisory and assurance role only, and does not have an administrative function, delegated financial responsibility, or any management functions.
- 3.2. Council authorises the Committee, within the scope of its role and responsibilities, to:
  - (a) Obtain any information it needs from any employee and/or external party, subject to their legal obligation to protect information;
  - (b) Discuss any matters with the General Manager, external auditor, or other external parties, subject to confidentiality considerations;
  - (c) Request the attendance of any Council employee at Committee meetings;
  - (d) Obtain external legal or professional advice, as considered necessary to meet its responsibilities, at Council’s expense; and
  - (e) Regularly assess the adequacy and effectiveness of Council’s processes and controls for managing its activities and risks.

## 4 Composition

- 4.1. The Committee is to be appointed by resolution of the governing body of Council and shall comprise of five (5) voting members, being:
  - (a) Two (2) Councillor representatives (excluding the Mayor); and
  - (b) Three (3) external independent members.
- 4.2. The two (2) Councillor representatives shall be selected by the governing body of Council.
- 4.3. The three (3) external independent members shall be selected from the NSW Government's *Prequalification Scheme: Audit and Risk Committee Independent Chairs and Members* or through an expression of interest process.
- 4.4. In selecting an independent external member(s), Council will convene a panel comprising the current two (2) Councillor representatives on the Committee, the General Manager, and the Executive Manager Corporate Services, who will be responsible for coordinating the selection process, conducting interviews and recommending a preferred candidate(s).
- 4.5. The selection panel must ensure that the recommended external independent members, taken collectively, have recent and relevant experience in and knowledge of:
  - (a) Accounting or financial management;
  - (b) Audit, including financial audit and performance audit;
  - (c) Performance improvement;
  - (d) Governance and compliance;
  - (e) Risk management and control framework;
  - (f) The broad range of services and activities that Council provides.
- 4.6. In making its recommendation(s) to Council, the selection panel will be required to provide details of the qualifications and experience of all the candidate(s) considered and the basis for their recommendation(s).
- 4.7. The membership of the Committee should always comprise a majority of independent external members over Councillor representatives.
- 4.8. Council must appoint one (1) of the three (3) external independent Committee members as the Chairperson of the Committee for the term of the Committee.
- 4.9. Council must appoint one (1) of the three (3) external independent Committee members as the Deputy Chairperson of the Committee for the term of the Committee. The Deputy Chairperson shall carry out the functions of the Chairperson in the Chairperson's absence.
- 4.10. Independent external members shall be appointed for a term of three (3) years and should not serve more than two (2) terms.

- 4.11. Independent external members shall be appointed by resolution of Council and may be removed by resolution of Council.

## 5 Observers

- 5.1. Observers are permitted to attend meetings of the Committee, however, do not have any voting or membership rights.
- 5.2. The General Manager and Executive Manager Corporate Services shall attend meetings of the Committee, except where excluded by the Committee.
- 5.3. The External Auditor has an open invitation to attend meetings of the Committee as an independent adviser.
- 5.4. The following may attend meetings of the Committee, when invited by the Committee to attend and/or provide information:
  - (a) Council employees and contractors;
  - (b) External experts; and
  - (c) Councillors.

## 6 Role and Responsibilities

- 6.1. The Committee has no executive powers, except those expressly delegated to it by Council. The Committee is directly responsible to Council for the exercise of its responsibilities.
- 6.2. In carrying out its responsibilities, the Committee must at all times recognise that primary responsibility for the management of Council rests with the governing body and the General Manager as defined by the *Local Government Act 1993*.
- 6.3. The *Internal Audit Guidelines* issued by the Division of Local Government, Department of Premier and Cabinet (September 2010) shall be referred to from time to time as a means of determining procedures appropriate for the internal audit process at Council.
- 6.4. The responsibilities of the Committee may be revised or expanded in consultation with, or as requested by, the Council from time to time and include:

### (a) Risk Management

- i. Review 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;
- ii. Review whether a sound and effective approach has been followed in developing strategic risk management plans for major projects or undertakings;
- iii. Review the impact of the risk management framework on its control environment and insurance arrangements; and

- iv. Review whether a sound and effective approach has been followed in establishing business continuity planning arrangements, including whether plans have been tested periodically.

**(b) Control Framework**

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

**(c) External Accountability**

- i. Satisfy itself the annual financial reports comply with applicable Australian Accounting Standards and supported by appropriate management sign-off on the statements and the adequacy of internal controls;
- ii. Review the external audit opinion, including whether appropriate action has been taken in response to audit recommendations and adjustments;
- iii. To consider contentious financial reporting matters in conjunction with council's management and external auditors;
- iv. Review the processes in place designed to ensure financial information included in the annual report is consistent with the signed financial statements;
- v. Satisfy itself there are appropriate mechanisms in place to review and implement, where appropriate, relevant State Government reports and recommendations; and
- vi. Satisfy itself there is a performance management framework linked to organisational objectives and outcomes.

**(d) Legislative Compliance**

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

**(e) Internal Audit**

- i. Act as a forum for communication between the Council, General Manager, senior management, internal audit and external audit;
- ii. Review the internal audit coverage and Internal Audit Plan, ensure the plan has considered the Risk Management Plan, and approve the plan;

- iii. Consider the adequacy of internal audit resources to carry out its responsibilities, including completion of the approved Internal Audit Plan;
- iv. Review all audit reports and consider significant issues identified in audit reports and action taken on issues raised, including identification and dissemination of better practices;
- v. Monitor the implementation of internal audit recommendations by management;
- vi. Periodically review the Internal Audit Charter to ensure appropriate organisational structures, authority, access and reporting arrangements are in place; and
- vii. Periodically review the performance of Internal Audit.

**(f) External Audit**

- i. Act as a forum for communication between the Council, General Manager, senior management, internal audit and external audit;
- ii. Provide input and feedback on the financial statement and performance audit coverage proposed by external audit, and provide feedback on the external audit services provided;
- iii. Review all external plans and reports in respect of planned or completed external audits, and monitor the implementation of audit recommendations by management; and
- iv. Consider significant issues raised in relevant external audit reports and better practice guides, and ensure appropriate action is taken.

**(g) Business Improvement**

- i. Review management's approach and implementation of a continuous improvement culture;
- ii. Monitor business improvement initiatives, programmes and projects, including:
  - Organisational reviews;
  - Service delivery reviews;
  - Strategic plans; and
  - Development of performance criteria and the collection of data for performance reporting against those criteria.
- iii. Review the annual performance of Council against its documented key performance criteria;
- iv. Review Council's community survey results and provide advice to the General Manager on the adequacy of Council's performance; and
- v. Identify and recommend activities, processes and systems that may benefit from review.

**(h) Responsibilities of Members**

- i. Members of the Committee are expected to:
  - Understand the relevant legislative and regulatory requirements appropriate to Council;



- Contribute the time needed to study and understand the papers provided;
- Apply good analytical skills, objectivity and good judgment;
- Express opinions frankly, ask questions that go to the fundamental core of issues, and pursue independent lines of enquiry; and
- Comply with Council's Code of Conduct.

## **7 Reporting**

- 7.1. The Committee will provide the minutes of its meetings to the next available meeting of the Council, so that the governing body can consider any recommendations made by the Committee.
- 7.2. The Committee will report regularly, and at least annually, to the governing body of Council on the management of risk and internal controls.
- 7.3. The Committee may, at any time, consider any other matter it deems of sufficient importance to do so. In addition, at any time an individual Committee member may request a meeting with the Chairperson of the Committee.
- 7.4. The Chairperson of the Committee may meet privately with the Internal Auditor and/or External Auditor at any time.

## **8 Administrative Arrangements**

### **Committee Meetings**

- 8.1. The Committee will hold such meetings as the Chairperson shall decide in order to fulfil the Committee's duties, but will not meet less than four (4) times each year, with one of those meetings to be held in November to consider the results of the annual audited financial reports and External Audit opinion.
- 8.2. The need for any additional meetings will be determined by resolution of the Committee. Such resolutions do not bind the Council to commit any additional resources to the conduct of those meetings, unless the Council, by resolution, agrees to those additional meetings.
- 8.3. A forward meeting plan, including meeting dates and proposed agenda items, will be agreed by the Committee each year. The forward meeting plan will cover all Committee responsibilities as detailed in this Charter.
- 8.4. Meetings of the Committee are closed to the public.

### **Meeting Attendance and Quorum**

- 8.5. A quorum will consist of a simple majority of Committee members, including at least two (2) independent external members. Members may attend meetings in person or participate via telephone or web conferencing.

### **Secretariat**

- 8.6. The Executive Manager Corporate Services will ensure secretariat is provided to the Committee. The secretariat will ensure the agenda for each meeting and supporting papers are circulated, at least five (5) business days before the scheduled meeting, and ensure the minutes of the meetings are prepared and maintained. Minutes shall be approved by the Chairperson and circulated to each Committee member within three (3) weeks of the meeting being held. The approved draft minutes will be reported to Council.

### **Conflicts of Interest**

- 8.7. Council Officials, including Councillors, Council staff and members of Council committees, must comply with Council's Code of Conduct in executing their responsibilities. This requirement extends to all members of the Committee.
- 8.8. Committee members must declare and manage any conflicts of interest they may have in matters being considered at meetings of the Committee in accordance with the requirements of Council's Code of Conduct.

### **Induction**

- 8.9. Committee members will receive relevant information and briefings upon their appointment to the Committee to assist them in meeting their Committee responsibilities.

## **9 Assessment and Review**

- 9.1. The Chairperson, in consultation with the General Manager, will initiate a review of the performance of the Committee every two (2) years. The outcomes of this review will be presented to both the Committee and Council.
- 9.2. This Charter is to be reviewed at least once every two (2) years. The review will be undertaken by the Committee, in consultation with the General Manager. In undertaking its review, the Committee must note that the responsibilities of the Committee may only be revised or expanded by resolution of the Council.

## **10 Remuneration**

- 10.1. The three (3) independent external members of the Committee shall be remunerated on a per meeting basis for participating on the Committee at the remuneration level adopted by Council.