

# Policy

## **Audit, Risk and Improvement Committee**

### **Charter**

Version 1.10

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# **Audit, Risk and Improvement Committee Charter**

## **Preamble**

This Charter establishes the authority and responsibilities conferred on the Audit, Risk and Improvement Committee by Council and explains the role of the Audit, Risk and Improvement Committee within the Council.

The Audit, Risk and Improvement Committee is an advisory Committee of the Council and does not have executive power or authority to implement actions.

## **1 Objective**

The objective of the Audit, Risk and Improvement Committee (Committee) is to provide independent assurance and assistance to the Tweed Shire Council on risk management, control, governance and external accountability responsibilities.

The Committee's objectives are to review the following aspects of the Council's operations:

- (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.

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

## **2 Authority**

The Council authorises 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 external auditor subject to confidentiality considerations.
- Request the attendance of any employee or Councillor at Committee meetings
- With the concurrence of the General Manager or Mayor, obtain external legal or other professional advice considered necessary to meet its responsibilities

### **3 Composition and Tenure**

The Committee will consist of:

#### **3.1 Members (voting)**

The Committee shall consist of at least four members. Changes to the Committee composition and tenure will be by approval of Tweed Shire Council.

The Committee consists of:

- No less than two and no more than three independent members - appointed by Council; and
- Two Councillors other than the Mayor (or an Administrator).

Council may also appoint an alternate independent member who shall act as an independent member if an independent member is unavailable.

Council may also appoint an alternate Councillor member who shall act as a Councillor member if a Councillor member is unavailable.

The Chair of the Committee will be an independent member elected by a majority vote of the members of the Committee.

All independent members and the alternate independent member will be appointed by Council for a term of up to four years, after which they will be eligible for extension or re-appointment following a formal review of their performance. Due to the postponement of the 2020 local government election, the incumbent independent members may continue as committee members until the 2021 local government election, with a formal performance review to be undertaken at the end of the extended term.

#### **3.2 Attendees (non-voting)**

The General Manager and Internal Auditor shall be available to attend all Committee meetings but are not members of the Committee and do not have voting rights.

#### **3.3 Invitees (non-voting) for specific Agenda items**

- Representatives of the external auditor.
- Other officers may attend by invitation as requested by the Committee.

#### **Independent Member Skills**

Independent members must have appropriate skills and time to fulfil their role on the Committee with at least one member having significant qualifications, experience and skills with financial matters. It is desirable that an independent member has public sector corporate management, legal and risk management qualifications and experience.

#### **Independent Member Appointment Process**

Independent members shall be requested to nominate their services through a public invitation process. Appointment of the independent members and alternate will be made

by Council resolution, taking into account the experience of the nominees and their ability to apply appropriate analytical and strategic management skills.

## **4 Role and Responsibilities**

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 Local Government Act.

The Committee's duties and responsibilities may be revised or expanded by the Council from time to time. The responsibilities of the Committee include, but not necessarily limited to:

### **4.1 Compliance**

- Review whether management has in place relevant policies and procedures, and these are periodically reviewed and updated;
- Progressively review whether appropriate processes are in place to assess whether policies and procedures are complied with;
- Review whether appropriate policies and procedures are in place for the management and exercise of delegations;
- Satisfy itself there are appropriate mechanisms in place to review and implement, where appropriate, relevant State Government reports and recommendations;
- Determine whether management has appropriately considered legal and compliance risks as part of the risk assessment and management arrangements.
- Review the effectiveness of the system for monitoring compliance with relevant laws, regulations and associated government policies.
- Review the process of communicating the Council's Code of Conduct and other corruption resistance controls to personnel, and for monitoring compliance therewith.
- Obtain regular updates from management and the Council's legal representatives regarding compliance matters.
- Provide input and feedback on the financial statements and audit strategy proposed by external audit and provide feedback on the external audit services provided.
- Review all plans and reports of planned or completed external audits, and monitor the implementation of audit recommendations by management.
- Consider significant issues raised in external audit reports and management letters and better practice guides from the Office of Local Government, and ensure appropriate action is taken.

### **4.2 Risk Management**

- Review whether management and/or Council's Enterprise Risk Management Committee 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.

- Review whether a sound and effective approach has been followed in developing strategic risk management plans for major projects or undertakings.
- Review the impact of the risk management framework on its control environment and insurance arrangements.
- Review whether a sound and effective approach has been followed in establishing business continuity planning arrangements, including whether plans have been tested periodically

### **4.3 Fraud control**

- Review whether management has adequate internal controls in place, including over external parties such as contractors and advisors;
- Review and approve the Annual Internal Audit Plan. The Committee must satisfy itself the Plan is risk based and prepared in accordance with 'International Standard ISO31000:2009(E)' Risk Management - Principles and Guidelines, with input from the Enterprise Risk Management Committee, the Executive Management Team, External Audit and Internal Audit.
- It would be expected that the annual Internal Audit Plan would include an allocation of ad hoc audit hours to be available at the discretion of the General Manager. The use of this allocation will be reported to the Audit Committee in the normal course of implementing the Audit Plan.
- Review all internal audit reports and consider significant issues identified in these internal audit reports and action taken on issues raised, including identification and dissemination of better practices.
- Monitor the implementation of internal audit recommendations by management.
- A progress report of the implementation of the approved annual Internal Audit Plan should be presented to each Committee meeting. Variations to the Plan will be the subject of discussion and agreement at the meeting.
- Copies of completed Internal Audit reports will be provided to the External Auditor
- On an annual basis, the Internal Auditor will provide to the Committee a report of:
  - The performance of Internal Audit for the financial year as measured against agreed key performance indicators; and
  - The approved Internal Audit Plan of work for the previous financial year showing the current status of each audit.
- Periodically review the Internal Audit Charter to ensure appropriate organisational structures, authority, access and reporting arrangements are in place to enable the Internal Auditor to undertake their role
- Consider the adequacy of internal audit resources to carry out its responsibilities, including completion of the approved Internal Audit Plan

### **4.4 Financial management**

- Satisfy itself the annual financial statements comply with applicable Australian Accounting Standards and are supported by appropriate management sign-off on those statements and on the adequacy of internal controls.



## 4.5 Governance

- Review whether management has taken steps to embed a culture which is committed to ethical and lawful behaviour.
- Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations together with managements responses.
- Review the external audit opinion, including whether appropriate action has been taken in response to audit recommendations and adjustments.
- To consider contentious financial reporting matters in conjunction with Council's management and external auditor.
- Review the processes in place designed to ensure financial information included in the annual report is consistent with the signed financial statements.
- Act as a forum for communication between the Council, General Manager, senior management, internal audit and external audit.

## 4.6 Implementation of the strategic plan, delivery program and strategies

- Satisfy itself there is a performance management framework linked to organisational objectives and outcomes

## 4.7 Responsibilities of Members

Members of the Committee and an alternate are required to:

- Understand the relevant legislative and regulatory requirements appropriate to Tweed Shire Council.
- Contribute the time needed to study and understand the papers provided.
- Apply good analytical skills, objectivity and good judgement.
- At all times in the discharge of their duties and responsibilities, adhere to Council's Code of Conduct, exercise honesty, objectivity and probity and not engage knowingly in acts or activities that have the potential to bring discredit to the Council.
- Refrain from entering into any activity that may prejudice their ability to carry out their duties and responsibilities objectively and must at all times act in a proper and prudent manner in the use of information acquired in the course of their duties.
- Not use Council information for any personal gain for themselves or their immediate families or any manner that would be contrary to law or detrimental to the welfare of Council.
- Not publicly comment on matters relative to activities of the Committee other than as authorised by Council.
- Provide to Council annually, a written confirmation of compliance with these responsibilities

## 4.8 Local Government Amendment (Governance and Planning) Act 2016

The Committee is bound by the requirements of the Local Government Amendment (Governance and Planning) Act 2016. This legislation lists aspects of Council operations which the Committee must keep under review. Further guidance in

relation to the purpose and scope of the Committees review responsibilities will be provided when the Regulations to support these provisions are released.

## **5 Report to Council**

The Committee will prepare an annual report on the past financial year activities and present it to Council.

## **6 Administrative Arrangements**

### **6.1 Meetings**

The Committee will meet at least four times per year, with one of these meetings to include review of the annual financial reports and external audit opinion.

The need for any additional meetings will be decided by the Chair of the Committee, though other Committee members may make requests to the Chair for additional meetings.

As considered necessary, the Internal or External Auditor should have access to any member of the Committee at a mutually convenient time. Details of any such meetings will be reported to the next normal meeting of the Committee.

A forward meeting plan, 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 Committee Charter.

Minutes will be taken at these meetings, detailing matters discussed and action agreed.

It is the responsibility of the Chair of the Committee to set the Committee meeting agenda. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials not less than 7 days prior to the meeting.

Agenda items for consideration at an Committee meeting can be referred to the Chair of the Committee by Council, the General Manager, and other Committee members, and the Internal Auditor or the External Auditor.

### **6.2 Attendance at Meeting and Quorums**

A quorum will consist of the majority of Committee members, including at least one independent member and one Councillor member. Meetings can be held in person, by telephone or by video conference.

Should an independent or Councillor member be unavailable to attend a meeting, that member is to contact the respective alternate independent or Councillor member to request their attendance, and advise the secretariat accordingly.

The Internal Auditor will be invited to attend each meeting unless requested not to do so by the Chair of the Committee. The Committee may also request the Manager Financial Services or any other employees to participate for certain agenda items, as well as the external auditor.

### **6.3 Secretariat**

The Internal Auditor will provide secretariat support to the Committee. A minutes secretary will be available to record meeting minutes, if required.

The Internal Auditor will ensure the agenda for each meeting and supporting papers are circulated, in accordance with item 6.1. Minutes shall be circulated to each member of the Committee within three weeks of the meeting, and be available to Councillors on request.

### **6.4 Conflict of Interest**

Committee members (including alternates if they are in attendance) 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.

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

### **6.5 Induction**

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

### **6.6 Assessment Arrangements**

The Chair of the Committee will initiate a review of the performance of the Committee at least twice during the appointment of the Committee; at the midpoint and conclusion of the appointment. The review will be conducted on a self-assessment basis (unless otherwise determined by the Chair), with appropriate input from management and any other relevant stakeholders, as determined by the Chair.

### **6.7 Review of Audit, Risk and Improvement Committee Charter**

At least once every two years the Committee will review this Audit, Risk and Improvement Committee Charter.

The Committee will recommend any changes of this Audit, Risk and Improvement Committee Charter to Council for adoption.

## Version History

| <b>Version History</b> |  |                          |
|------------------------|--|--------------------------|
| <b>Version #</b>       | <b>Summary of changes made</b>   | <b>Date changes made</b> |
| 1.0                    | Creation and adoption of Charter   | 7 February 2006          |
| 1.1                    | Reviewed and adopted by Council  | 28 November 2006         |
| 1.2                    | Reviewed and adopted by Council  | 13 November 2007         |
| 1.3                    | Reviewed and adopted by Council<br>Minute No 153                                   | 21 July 2015             |
| 1.4                    | Reviewed and adopted by Council<br>Minute No 580.                                  | 15 August 2010           |
| 1..5                   | Reviewed and adopted by Council<br>Minute No 553                                   | 20 September 2011        |
| 1.6                    | Reviewed and adopted by Council<br>Minute No 489                                   | 18 July 2013             |
| 1.7                    | Reviewed and adopted by Council<br>Minute No C41                                   | 17 September 2015        |
| 1.8                    | Reviewed and adopted by Council<br>Minute No 550                                   | 26 October 2017          |
| 1.9                    | Reviewed and adopted by Council  | 18 June 2020             |
| 1.10                   | Updated Formatting<br>Reviewed as part of Policies Review and no changes required. | 16 June 2022             |
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