

Audit, Risk and Improvement Committee Terms of Reference

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1. Objectives

The Audit, Risk and Improvement Committee (the Committee) has been established to promote good governance at Wingecarribee Shire Council.

Good governance of Council ensures its goals and objectives are achieved, its operations are performed successfully, it complies with all necessary legal and other requirements, and it uses its resources responsibly with accountability. It also helps Council to promote confidence with stakeholders and adapt and function in changing and uncertain environments.

The *Local Government Amendment (Governance and Planning) Act 2016* (the Amending Act) was proclaimed on 30 August 2016. Some parts of the Amending Act have not commenced, however when Part 4A (section 428A(2)) of the *Local Government Act 1993* (the Act) commences the Committee will be under a statutory obligation to keep under review the following aspects of 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.

Internal audit will be a matter prescribed by the regulations.

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

The Terms of Reference imposes the obligations above on the Committee from the date the Committee commences, prior to the commencement of Part 4A of the Act. Given the broaden scope of the committee objectives transitional arrangements will need to be in place.


The Committee is an independent advisory Committee that assists Council to fulfil its oversight responsibilities.

2. Authority

The Committee is established in accordance with Council's authority granted by section 355 of the Act. The Committee has no executive powers, except those expressly provided by Council.

In carrying out its responsibilities, the Committee must at all times recognise that primary responsibility for management of Council rests with Council and the General Manager as defined by the Act.

Council authorises the Committee as a whole (but not individual members of the Committee) within the scope of its role and responsibilities as follows and to report any action undertaken in the meeting minutes:

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- 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 NSW Auditor-General (or contracted agent) and/or external auditor and/or other external parties (subject to confidentiality considerations).
 - c) request the attendance of any employee or Councillor at Committee meetings.
 - d) obtain external legal or other professional advice considered necessary to meet its responsibilities. The engagement and payment of costs for that advice is subject to the prior approval by the General Manager.

The Committee does not have decision making authority, the power to bind Council, nor the power to incur expenditure, subject to clause 2(d).

3. Composition and Tenure

The Committee is to be appointed by Council.

3.1 Voting Members

The Committee will consist of three (3) independent external voting members, one (1) of whom is the Chair of the Committee. Councillors are ineligible to sit on the Committee.

The Voting members, in aggregate, will have recent and relevant knowledge of:

- a) Accounting or related Financial management
- b) Risk management experience
- c) Auditing experience in a public sector environment
- d) Performance improvement
- e) The local government framework
- f) Council services, activities and operations
- g) Governance, risk and compliance
- h) Community services.

Council will be required to ensure that the Committee as a collective body has the appropriate mix of skills, knowledge and experience to successfully implement its terms of reference and add value to Council.

At least one member of the Committee should have accounting or financial management experience with an understanding of accounting and auditing standards in a local government context.

Each individual should also have sufficient time to devote to their responsibilities as an Audit, Risk and Improvement Committee member.

Changes to the Committee composition and tenure will be by approval of Council.

Audit, Risk and Improvement Committee members and the Chair are to serve a three to five-year term. A member's term cannot exceed eight years and the Chair's term cannot exceed five years.



3.2 Council Staff Attendees (non-voting)

Staff may attend meetings at the request and discretion of the Chair.

3.3 External Attendees (non-voting)

The NSW Auditor-General, as Council's external auditor, or their representative, is to be invited to each committee meeting as an independent non-voting observer and can choose whether to attend. The Committee can also exclude the external auditor if needed.

Council's appointed internal audit firm will also be invited to attend the Committee meeting. The Committee can also exclude the external auditor if needed.

The Committee may meet with Council's appointed Internal Audit and external auditor in the absence of management on at least one occasion per year.

3.4 Chair of the Committee

The Chair of the Audit, Risk and Improvement Committee is to act as the interface between the Committee and the General Manager, the Committee and Council.

Council can appoint the Chair for one term only for a period three (3) to five (5) years. The Chair's term can be extended but any extension must not cause the total term of the Chair to exceed five years.

3.5 Independent Member Appointment Process

Independent members will be requested to nominate their services through an expression of interest process. Appointment will be made by Council resolution, taking into account the appropriate experience and qualifications of the nominees.

Independent members will not be required to reside in the Wingecarribee Local Government Area.

The three independent members are eligible for extension or re-appointment up to a maximum of eight years of continual service, subject to a formal review of their performance. Appointments must be made so that there is a phased replacement of each of the three Independent external members to ensure continuity in the Committee.

Formal performance reviews of the Independent members will be conducted by the Chair of the Committee. The General Manager, in consultation with the Mayor, will review the performance of the Chair.

3.6 Dismissal of the Chair and Committee Members

The independent members can also be removed by resolution of Council however a reason must be provided for the removal, which may include:

- breached Council's Code of Conduct
- performed unsatisfactorily, or
- declared, or is found to be in, a position of a conflict of interest which is unresolvable.



3.7 Vacancy

If for any reason a vacancy in the Committee membership occurs, the position(s) will be filled in accordance with this Terms of Reference.

4. Roles and Responsibilities

The Committee is to provide an advisory and assurance role only, and is to have no administrative function, delegated financial responsibility or any management functions.

The Committee will be required to give independent advice and assurance to the General Manager and Council on the matters outlined below. The responsibilities of the Committee may be revised or expanded by Council from time to time. The Committee's responsibilities are:

4.1 Internal Audit

Advisory:

- providing overall strategic and executive direction for internal audit activities
- advising the General Manager and governing body of Council of the resources necessary to successfully deliver the internal audit function
- assessing the adequacy and effectiveness of Council's internal audit activities
- acting as a forum for communication between the governing body, General Manager, senior management, the internal audit function and external audit
- overseeing the coordination of audit programs conducted by internal and external audit and other review functions, and
- ensuring Council achieves maximum value from its internal audit activities.


Review:

- the appropriateness of Council's Internal Audit Charter, internal audit policies and procedures
- audit/risk methodologies used
- the findings/recommendations of internal audit activities, particularly recommendations that have been assessed as the most significant according to the risk to Council if they are not implemented
- the effectiveness of corrective actions implemented
- compliance with statutory requirements
- the performance of the internal audit function as part of Council's internal audit quality improvement program, and
- the findings of any external reviews of the internal audit function.

Endorsement of:

- Council's Internal Audit Charter, internal audit strategic four-year plan and annual work plan, ~~and~~

4.2 External Audit



Advisory:

- acting as a forum for communication on external audit issues, and
- advising on the findings of external audits and monitoring the implementation by Council of any recommendations for corrective action.

4.3 Risk Management

Advisory – advising whether:

- Council has provided sufficient resources for risk management and staff are able to carry out their risk management responsibilities
- Council’s risk management framework complies with current Australian risk management standards
- Council’s risk management framework operates effectively and supports the achievement of Council’s strategic goals and objectives
- management has embedded a positive risk management culture
- risk management is fully integrated into all aspects of Council, including decision making processes and operations
- risks are formally considered when developing and implementing all Council policies, programs, projects and other activities, including procurement
- major risks have been identified and assessed by Council and appropriate risk treatments have been implemented that reflect Council’s risk criteria
- risk information is captured and communicated in a timely manner across Council, enabling management and staff to carry out their responsibilities
- there are Council-specific, fit-for-purpose tools, systems and processes to help all those responsible for managing risk to fulfil their responsibilities, and
- Council’s risk management policies, procedures and plans are being complied with.

Review the appropriateness and effectiveness of Council’s:


- risk criteria
- internal control framework
- risk register and risk profile
- risk reports
- risk management framework in relation to its insurance arrangements, and
- business continuity plans and natural disaster plans (including periodic testing).

Endorsement of:

- Council’s risk management policy, risk management plan and risk criteria prior to their approval by the governing body of Council, and
- Council’s risk profile and risk register/s prior to their approval by the General Manager.

4.4 Control Framework

Providing independent assurance on the following internal controls implemented by Council to manage specific categories of risk:



Council's compliance framework - advising whether:

- management has embedded a culture which is committed to lawful and ethical behaviour
- Council has in place necessary policies and procedures and that these are periodically reviewed and updated
- Council is complying with all necessary legislation, regulations, policies and procedures
- management has appropriately considered all legal and compliance risks as part of Council's risk assessment and management arrangements
- delegations are properly managed and exercised, and Council's system for monitoring compliance is effective.

Council's fraud and corruption framework - advising whether:

- Council's fraud and corruption prevention plan and activities are adequate and effective, and
- Council has appropriate processes and systems in place to capture and effectively investigate fraud-related information.

Council's financial management and external accountability framework – including:

- advising whether Council's financial management processes are adequate
- assessing the policies and procedures for Council management's review and consideration of Council's current and future financial position and performance and the nature of that review (including the approach taken to addressing variances and budget risks)
- advising on the adequacy of early close and year-end review procedures, and
- reviewing Council's financial statements, including:
 - providing input and feedback on Council's financial statements
 - advising whether Council is meeting its external accountability requirements
 - advising whether appropriate action has been taken in response to audit recommendations and adjustments
 - satisfying itself that the financial statements are supported by appropriate management signoff
 - reviewing the 'Statement by Councillors and Management' (made pursuant to s 413(2)(c) of the Act)
 - reviewing the processes in place designed to ensure that financial information included in Council's annual report is consistent with the signed financial statements
 - reviewing cash management policies and procedures
 - reviewing policies and procedures for the collection, management and disbursement of grants and tied funding, and
 - satisfying itself that Council has a performance management framework that is linked to organisational objectives and outcomes.

Council's governance framework – including:

- advising on the adequacy and robustness of the processes and systems that Council has put in place to govern day-to-day activities and decision-making, and
- reviewing whether controls over external parties such as contractors and advisors are sound and effective.



4.5 Strategic Planning

- advising whether Council is achieving the objectives and goals it set out in its community strategic plan and has successfully implemented its delivery program, operational plan and other strategies.

4.6 Service Delivery

- advising how Council is delivering local services and how it could improve its service delivery performance.

4.7 Performance Data and Measurement

- assessing the adequacy of the performance indicators and data Council uses to measure its performance.

4.8 Responsibilities of Committee Members

Members of the Committee are expected to:

- Understand the relevant legislative and regulatory requirements appropriate to Wingecarribee Shire 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.
- Comply with Council's Code of Conduct
- Comply with this Terms of Reference
- Advise of any change in their employment status

5. Reporting

At the first Committee meeting after 30 June each year, Internal Audit will provide a performance report of:

- The performance of Internal Audit for the financial year as measured against agreed key performance indicators.
- The approved Internal Audit Plan of work for the previous financial year showing the current status of each audit.

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 Chair of the Committee.

The Committee will report regularly, and at least annually, to Council on the management of risk and internal controls.



6. Administrative Arrangements

6.1 Meetings

The Committee will meet at least quarterly, with one of these meetings to include review and endorsement of the annual audited 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.

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 Terms of Reference.

6.2 Secretariat, Agenda and Minutes

The Group Manager Corporate and Community is to ensure adequate Secretariat support to the Committee is provided.

The agenda for each Committee Meeting will be circulated at least one week before the meeting. It will include standing items as follows: internal audit, external audit, risk management, compliance, fraud and corruption, financial management and external accountability, governance, strategic planning, service delivery and performance measurement.

Audit, Risk and Improvement Committee meeting minutes are to:

- include a record of attendance, items of business considered, decisions and actions arising
- be approved by the Chair before circulation
- be provided within three weeks of the meeting date to ensure relevant individuals are made aware of any significant issues discussed at the meeting that need to be dealt with.


6.3 Quorum and Attendance

A quorum will consist of a majority of Committee members. Meetings can be held in person, by telephone or by video conference.

6.4 Conflicts of Interest and Privacy

Council staff and members of the Committee must comply with Council's Code of Conduct in carrying out their functions as Council officials. It is the personal responsibility of each Council official to comply with the standards in the Code of Conduct and regularly review their personal circumstances with this in mind.

Committee members must complete an annual written declaration of conflict of interest and 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 that they be excused from deliberations on the issue where the conflict of interest may exist. It is the responsibility of each member and staff member to determine if a conflict of interest exists, the nature of that interest and how they will respond to that interest.

Members of the Committee must not disclose matters dealt with by the Committee to third parties except with the approval of the Committee.

6.5 Induction

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

6.6 Assessment Arrangements

The Committee is to provide an annual assurance report to Council which provides:

- a summary of the work the Committee performed to discharge its responsibilities during the preceding year
- an overall assessment of the following aspects of Council's operations:
 - Internal Audit
 - External Audit
 - Risk Management
 - Control Framework
 - Strategic Planning
 - Service Delivery
 - Performance Data and Measurement

This will ensure that Council receives the committee's independent views about these matters and also enable Council to assess the work of the Committee each year.

6.7 Terms of Reference Review

The Committee Terms of Reference will be reviewed at least once every two years-

7. Remuneration of Independent Committee Members

Voting members of the Audit, Risk and Improvement voting Committee will be entitled to remuneration on the basis of a fee determined by Council.

The fee will include all expenses incurred by the independent committee members in relation to their responsibilities as members of the committee, including travel costs, attendance at inductions, training and personal development opportunities.

The fee will be payable following each meeting of the Committee upon receipt of an invoice.



8. Related Documents

- Wingecarribee Shire Council Code of Conduct
- Wingecarribee Shire Council Procedures for the Administration of the Code of Conduct