



AUDIT, RISK AND IMPROVEMENT COMMITTEE

TERMS OF REFERENCE

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We're with you

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Introduction

Council has established an Audit, Risk and Improvement Committee (the Committee) in compliance with section 428A of the *Local Government Act 1993*, clause (#tbc) of the *Local Government (General) Regulation 2021* and the Departmental Chief Executive's Guidelines for risk management and internal audit for local government in NSW.

The Committee has been established to promote good governance at Wingecarribee Shire Council, to ensure its goals and objectives are achieved, its operations are performed successfully, it complies with all necessary statutory 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.

These terms of reference set out the Committee's objectives, authority, composition and tenure, roles and responsibilities, reporting, and administrative arrangements.

Objective

The objective of Council's Audit, Risk and Improvement Committee is to provide independent assurance to Council by monitoring, reviewing, and providing advice about Council governance processes, compliance, risk management and control frameworks, external accountability obligations and overall performance.

Independence

The Committee is to be independent to ensure it has no real or perceived bias or conflicts of interest that may interfere with its ability to act independently and to provide Council with robust, objective, and unbiased advice and assurance.

The Committee is to have an advisory and assurance role only and is to exercise no administrative functions, delegated financial responsibilities or any management functions of the Council. The Committee will provide independent advice to the Council that is informed by the Council internal audit and risk management activities and information and advice provided by staff, relevant external bodies, and subject matter experts.

The Committee must always ensure it maintains a direct reporting line to and from the council's internal audit function and act as a mechanism for internal audit to report to the governing body and the General Manager on matters affecting the performance of the internal audit function.

Authority

Council authorises the committee, for the purposes of exercising its responsibilities, to:

- access any information it needs from the Council

- use any Council resources it needs
- have direct and unrestricted access to the General Manager and senior management of the Council
- seek the General Manager's permission to meet with any other Council staff member or contractor
- discuss any matters with the external auditor or other external parties
- request the attendance of any employee at committee meetings, and
- obtain external legal or other professional advice in line with Councils' procurement policies.

With the exception of Committee meeting minutes which are provided to Council, information and documents pertaining to the committee are confidential and are not to be made publicly available. The Committee may only release Council information to external parties that are assisting the committee to fulfil its responsibilities with the approval of the General Manager except where it is being provided to an external investigative or oversight agency for the purpose of informing that agency of a matter that may warrant its attention.

Composition and tenure

The Committee consists of an independent Chair and three (3) independent members who have voting rights.

The governing body is to appoint the Chair and members of the committee. All committee members must meet the independence and eligibility criteria prescribed in the *Guidelines for risk management and internal audit for local government in NSW*.

Members will be appointed for up to a four-year term. Members can be reappointed for one further term, but the total period of continuous membership cannot exceed eight years. This includes any term as Chair of the Committee. Members who have served an eight-year term (either as a member or as Chair) must have a two-year break from serving on the committee before being appointed again. To preserve the Committee's knowledge of the Council, ideally, no more than one member should retire from the Committee because of rotation in any one year.

The terms and conditions of each member's appointment to the Committee are to be set out in a letter of appointment. New members will be thoroughly inducted to their role and receive relevant information and briefings on their appointment to assist them to meet their responsibilities.

Prior to approving the reappointment or extension of the Chair's or an independent member's term, the governing body is to undertake an assessment of the Chair's or Committee member's performance. Reappointment of the Chair or a Committee member is also to be subject to that person still meeting the independence and eligibility requirements.

Members of the Committee must possess and maintain a broad range of skills, knowledge and experience relevant to the operations, governance and financial management of the Council, the environment in which the Council operates, and the contribution that the Committee makes to the Council. At least one member of the Committee must have

accounting or related financial management experience with an understanding of accounting and auditing standards in a local government environment. All members should have sufficient understanding of the Council financial reporting responsibilities to be able to contribute to the committee's consideration of the Council annual financial statements.

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

- 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.

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.

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 the approval of Council.

Appointment and Remuneration

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 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 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.

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 and upon receipt of an invoice.

Role

As required under section 428A of the *Local Government Act 1993* (the Act), the role of the Committee is to review and provide independent advice to the Council regarding the following aspects of the Council 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
- internal audit.

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

The Committee's specific audit, risk and improvement responsibilities under section 428A of the Act are outlined in Schedule 1 to this charter.

The Committee will act as a forum for consideration of the Council internal audit function and oversee its planning, monitoring and reporting to ensure it operates effectively.

The Committee has no power to direct external audit or the way it is planned and undertaken but will act as a forum for the consideration of external audit findings.

The Committee is directly responsible and accountable to the governing body for the exercise of its responsibilities. In carrying out its responsibilities, the Committee must at all times recognise that primary responsibility for management of the Council rests with the governing body and the General Manager.

The responsibilities of the committee may be revised or expanded in consultation with, or as requested by, the governing body from time to time.

Responsibilities of members

INDEPENDENT MEMBERS

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

The Chair and members of the Committee are expected to understand and observe the requirements of the Guidelines for risk management and internal audit for local government in NSW. Members are also expected to:

- make themselves available as required to attend and participate in meetings
- contribute the time needed to review and understand information provided to it
- apply good analytical skills, objectivity and judgement
- act in the best interests of the Council
- have the personal courage to raise and deal with tough issues, express opinions frankly, ask questions that go to the fundamental core of the issue and pursue independent lines of inquiry
- maintain effective working relationships with the Council
- have strong leadership qualities (Chair)
- lead effective committee meetings (Chair), and
- oversee the Council internal audit function (Chair).

CONDUCT

Independent committee members are required to comply with Council's Code of Conduct.

Complaints alleging breaches of Council's Code of Conduct by an independent committee member are to be dealt with in accordance with the *Procedures for the Administration of the Model Code of Conduct for Local Councils in NSW*. The General Manager must consult with the governing body before taking any disciplinary action against an independent committee member in response to a breach of Council's Code of Conduct.

CONFLICTS OF INTEREST

Once a year, Committee members must provide written declarations to the Council stating that they do not have any conflicts of interest that would preclude them from being members of the Committee. Independent committee members are considered to be 'designated persons' for the purposes of Council's Code of Conduct and must also complete and submit returns of their interests.

Committee members and observers must declare any pecuniary or non-pecuniary conflicts of interest they may have in a matter being considered at the meeting at the start of each

meeting or as soon as they become aware of the conflict of interest. Where a Committee member or observer declares a pecuniary or a significant non-pecuniary conflict of interest, they must remove themselves from committee deliberations on the issue. Details of conflicts of interest declared at meetings must be appropriately minuted and a conflict of interest form tabled.

STANDARDS

Committee members are to conduct their work in accordance with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors and Australian Standard ISO 31000:2018 *Risk Management - Guidelines* where applicable.

Work plans

The work of the Committee is to be thoroughly planned and executed. The Committee must develop a strategic work plan every four years to ensure that the matters listed in Schedule 1 are reviewed by the committee and considered by the internal audit function when developing their risk-based program of internal audits. The strategic work plan must be reviewed at least annually to ensure it remains appropriate.

The Committee may, in consultation with the governing body, vary the strategic work plan at any time to address new or emerging risks. The governing body may also, by resolution, request the Committee to approve a variation to the strategic work plan. Any decision to vary the strategic work plan must be made by the Committee.

The Committee must also develop an annual work plan to guide its work, and the work of the internal audit function over the forward year.

The Committee may, in consultation with the governing body, vary the annual work plan to address new or emerging risks. The governing body may also, by resolution, request the Committee to approve a variation to the annual work plan. Any decision to vary the annual work plan must be made by the Committee.

When considering whether to vary the strategic or annual work plans, the committee must consider the impact of the variation on the internal audit function's existing workload and the completion of pre-existing priorities and activities identified under the work plan.

Assurance reporting

The Committee must regularly report to the Council to ensure that it is kept informed of matters considered by the Committee and any emerging issues that may influence the strategic direction of the Council or the achievement of Council's goals and objectives.

The Committee will provide an update to the governing body and the General Manager of its activities and opinions after every Committee meeting.

The Committee will provide an annual assessment to the governing body and the General Manager on the Committee's work and its opinion on how the Council is performing.

The Committee will provide a comprehensive assessment every Council term of the matters listed in Schedule 1 to the governing body and the General Manager.

The Committee may at any time report to the governing body or the General Manager on any other matter it deems of sufficient importance to warrant their attention. The Mayor and the Chair of the Committee may also meet at any time to discuss issues relating to the work of the Committee.

Should the governing body require additional information, a request for the information may be made to the Chair by resolution. The Chair is only required to provide the information requested by the governing body where the Chair is satisfied that it is reasonably necessary for the governing body to receive the information for the purposes of performing its functions under the Local Government Act. Individual councillors are not entitled to request or receive information from the Committee.

Administrative arrangements

MEETINGS

The Committee will meet at least four (4) times per year, including a special meeting to review Council's financial statements.

The Committee can hold additional meetings when significant unexpected issues arise, or if the Chair is asked to hold an additional meeting by a Committee member, the General Manager or the governing body.

Committee meetings can be held in person, by telephone or videoconference. Proxies are not permitted to attend meetings if a Committee member cannot attend.

A quorum will consist of a majority of independent voting members. Where the vote is tied, the Chair has the casting vote.

The Chair of the Committee will decide the agenda for each Committee meeting. Each Committee meeting is to be minuted to preserve a record of the issues considered and the actions and decisions taken by the committee.

The General Manager and the Manager Governance and Corporate Performance should attend committee meetings as non-voting observers. The external auditor (or their representative) is to be invited to each committee meeting as an independent observer. The Chair can request Council's Chief Financial Officer, Senior Managers, any Councillors, any employee/contractor of the Council and any subject matter expert to attend Committee meetings. Where requested to attend a meeting, persons must attend the meeting where possible and provide any information requested. Observers have no voting rights and can be excluded from a meeting by the Chair at any time.

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

The Committee can hold closed meetings whenever it needs to discuss confidential or sensitive issues with only voting members of the Committee present.

The Committee must meet separately with the appointed internal auditor and Council's external auditor at least once each year.

DISPUTE RESOLUTION

Members of the Committee and Council's management should maintain an effective working relationship and seek to resolve any differences they may have in an amicable and professional way by discussion and negotiation.

In the event of a disagreement between the Committee and the General Manager or other senior managers, the dispute is to be resolved by the governing body.

Unresolved disputes regarding compliance with statutory or other requirements are to be referred to the Departmental Chief Executive in writing.

SECRETARIAT

The General Manager will nominate a staff member to provide secretariat support to the Committee. The secretariat will ensure the agenda for each meeting and supporting papers are circulated after approval from the Chair at least one (1) week before the meeting and ensure that minutes of meetings are prepared and maintained. Minutes must be reviewed by the Chair and circulated within two (2) weeks of the meeting to each member.

RESIGNATION AND DISMISSAL OF MEMBERS

Where the Chair or a Committee member is unable to complete their term or does not intend to seek reappointment after the expiry of their term, they should give three (3) months notice to the Chair and the governing body prior to their resignation to allow the Council to ensure a smooth transition to a new Chair or Committee member.

The governing body can, by resolution, terminate the appointment of the Chair or an independent Committee member before the expiry of their term where that person has:

- breached Council's Code of Conduct
- performed unsatisfactorily or not to expectations
- declared, or is found to be in, a position of a conflict of interest which is unresolvable
- been declared bankrupt or found to be insolvent
- experienced an adverse change in business status
- been charged with a serious criminal offence
- been proven to be in serious breach of their obligations under any legislation, or
- experienced an adverse change in capacity or capability.

REVIEW ARRANGEMENTS

At least once every Council term, the governing body must review or arrange for an external review of the effectiveness of the committee.

These terms of reference must be reviewed annually by the Committee and once each Council term by the governing body. Any substantive changes are to be approved by the governing body.

Schedule 1 – Audit, Risk and Improvement Committee responsibilities

Audit

INTERNAL AUDIT

- Provide overall strategic oversight of internal audit activities
- Act as a forum for communication between the governing body, General Manager, senior management, the internal audit function and external audit
- Coordinate, as far as is practicable, the work programs of internal audit and other assurance and review functions
- Review and advise the Council:
 - on whether the Council is providing the resources necessary to successfully deliver the internal audit function
 - if the Council is complying with internal audit requirements, including conformance with the International Professional Practices Framework
 - if the Council's internal audit charter is appropriate and whether the internal audit policies and procedures and audit/risk methodologies used by the Council are suitable
 - of the strategic four-year work plan and annual work plan of internal audits to be undertaken by the Council internal audit function
 - if the Council internal audit activities are effective, including the performance of the head of the internal audit function and the internal audit function
 - of the findings and recommendations of internal audits conducted, and corrective actions needed to address issues raised
 - of the implementation by the Council of these corrective actions

- on the appointment of the head of the internal audit function and external providers, and
- if the internal audit function is structured appropriately and has sufficient skills and expertise to meet its responsibilities

EXTERNAL AUDIT

- Act as a forum for communication between the governing body, General Manager, senior management, the internal audit function and external audit
- Coordinate as far as is practicable, the work programs of internal audit and external audit
- Provide input and feedback on the financial statement and performance audit coverage proposed by external audit and provide feedback on the audit services provided
- Review all external plans and reports in respect of planned or completed audits and monitor council's implementation of audit recommendations
- Provide advice to the governing body and/or General Manager on action taken on significant issues raised in relevant external audit reports and better practice guides

Risk

RISK MANAGEMENT

Review and advise the Council:

- if the Council has in place a current and appropriate risk management framework that is consistent with the Australian risk management standard
- whether the Council is providing the resources necessary to successfully implement its risk management framework
- whether the Council's risk management framework is adequate and effective for identifying and managing the risks the Council faces, including those associated with individual projects, programs and other activities
- if risk management is integrated across all levels of the Council and across all processes, operations, services, decision-making, functions and reporting
- of the adequacy of risk reports and documentation, for example, the Council risk register and risk profile
- whether a sound approach has been followed in developing risk management plans for major projects or undertakings

- whether appropriate policies and procedures are in place for the management and exercise of delegations
- if the Council has taken steps to embed a culture which is committed to ethical and lawful behaviour
- if there is a positive risk culture within the Council and strong leadership that supports effective risk management
- of the adequacy of staff training and induction in risk management
- how the Council's risk management approach impacts on the Council insurance arrangements
- of the effectiveness of the Council's management of its assets, and
- of the effectiveness of business continuity arrangements, including business continuity plans, disaster recovery plans and the periodic testing of these plans.

INTERNAL CONTROLS

Review and advise the Council:

- whether the Council's approach to maintaining an effective internal audit framework, including over external parties such as contractors and advisors, is sound and effective
- whether the Council has in place relevant policies and procedures and that these are periodically reviewed and updated
- whether appropriate policies and procedures are in place for the management and exercise of delegations
- whether staff are informed of their responsibilities and processes and procedures to implement controls are complied with
- if the Council's monitoring and review of controls is sufficient, and
- if internal and external audit recommendations to correct internal control weaknesses are implemented appropriately

COMPLIANCE

Review and advise the Council of the adequacy and effectiveness of the Council's compliance framework, including:

- if the Council has appropriately considered legal and compliance risks as part of the Council risk management framework
- how the Council manages its compliance with applicable laws, regulations, policies, procedures, codes, and contractual arrangements, and

- whether appropriate processes are in place to assess compliance.

FRAUD AND CORRUPTION

Review and advise the Council of the adequacy and effectiveness of the Council's fraud and corruption prevention framework and activities, including whether the Council has appropriate processes and systems in place to capture and effectively investigate fraud-related information.

FINANCIAL MANAGEMENT

Review and advise the Council:

- if the Council is complying with accounting standards and external accountability requirements
- of the appropriateness of the Council's accounting policies and disclosures
- of the implications for the Council of the findings of external audits and performance audits and the Council responses and implementation of recommendations
- whether the Council's financial statement preparation procedures and timelines are sound
- the accuracy of the Council's annual financial statements prior to external audit, including:
 - management compliance/representations
 - significant accounting and reporting issues
 - the methods used by the Council to account for significant or unusual transactions and areas of significant estimates or judgements
 - appropriate management signoff on the statements
- if effective processes are in place to ensure financial information included in the Council annual report is consistent with signed financial statements
- if the Council's financial management processes are adequate
- the adequacy of cash management policies and procedures
- if there are adequate controls over financial processes, for example:
 - appropriate authorisation and approval of payments and transactions
 - adequate segregation of duties
 - timely reconciliation of accounts and balances
 - review of unusual and high value purchases

- if policies and procedures for management review and consideration of the financial position and performance of the Council are adequate
- if the Council's grants and tied funding policies and procedures are sound.

GOVERNANCE

Review and advise the Council regarding its governance framework, including the Council's:

- decision-making processes
- implementation of governance policies and procedures
- reporting lines and accountability
- assignment of key roles and responsibilities
- committee structure
- management oversight responsibilities
- human resources and performance management activities
- reporting and communication activities
- information and communications technology (ICT) governance, and
- management and governance of the use of data, information and knowledge

Improvement

STRATEGIC PLANNING

Review and advise the Council:

- of the adequacy and effectiveness of the Council's integrated, planning and reporting (IP&R) processes
- if appropriate reporting and monitoring mechanisms are in place to measure progress against objectives, and
- whether the Council is successfully implementing and achieving its IP&R objectives and strategies.

SERVICE REVIEWS AND BUSINESS IMPROVEMENT

- Act as a forum for communication and monitoring of any audits conducted by external bodies and the implementation of corrective actions (for example, NSW government agencies, Commonwealth government agencies, insurance bodies)
- Review and advise the Council:
 - If the Council has robust systems to set objectives and goals to determine and deliver appropriate levels of service to the community and business performance
 - if appropriate reporting and monitoring mechanisms are in place to measure service delivery to the community and overall performance, and
 - how the Council can improve its service delivery and the Council performance of its business and functions generally

PERFORMANCE DATA AND MEASUREMENT

Review and advise the Council:

- if the Council has a robust system to determine appropriate performance indicators to measure the achievement of its strategic objectives
- if the performance indicators the Council uses are effective, and
- of the adequacy of performance data collection and reporting.