

	<p>Charter</p> <p>Audit, Risk and Improvement Committee</p>	
---	--	--

Table of Contents

Table of Contents	1
Purpose of this charter	2
Introduction	2
Objectives	2
Authority	2
Composition	2
Meetings	3
Responsibilities of members	4
Responsibilities of independent members.....	4
Responsibilities of Councillor members	4
General conduct	4
Reporting and assessment	4
Review of this charter	5
Schedule 1 - Roles and responsibilities	5
1. Internal audit.....	5
2. External audit.....	5
3. Risk management and fraud prevention	5
4. Internal control.....	5
5. Compliance.....	6
6. Financial management	6
7. Governance	6
8. Strategic planning and performance data and measurement	6
9. Service reviews and business improvement	6
10. Reporting responsibilities	6
11. Other responsibilities	6
Controlled Document Information	7

Purpose of this charter

The purpose of this charter is to facilitate the operation of Council's Audit, Risk and Improvement Committee (the committee). The charter is prepared and approved by Lake Macquarie City Council (Council) pursuant to 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 guidelines).

Introduction

The committee is established by Council in accordance with section 428A of the *Local Government Act (1993)* (the LG Act). The committee has an advisory and assurance role only and does not have executive powers or authority over administrative functions, nor delegated financial responsibilities or any management functions of the Council.

The committee's role is to report to Council and provide appropriate advice and recommendations on matters relevant to its charter to facilitate decision making by the organisation in relation to the discharge of its responsibilities.

Objectives

In accordance with section 428A of the LG Act, the role of the committee is to review and provide independent advice to Council regarding the following aspects of Council operations:

- compliance
- risk management
- fraud control
- financial management
- governance
- implementation of the Community Strategic Plan, Delivery Program and strategies
- service reviews
- collection of performance measurement data by the Council
- internal audit.

The committee's specific responsibilities under section 428A of the LG Act are outlined in Schedule 1 to this charter.

Authority

Council authorises the committee to:

- perform activities within this charter as the committee deems relevant and necessary
- review the internal and external auditor's annual audit plans and the outcomes/results of all audits undertaken
- seek any information or advice it requires from Council via the Chief Executive Officer (CEO)
- formally meet with management, and internal and external auditors as necessary
- seek resolution on any disagreements between management and the external audits on financial reporting.

Composition

The committee will comprise of an independent chair, at least two independent members, and one Councillor.

Council will appoint committee members.

The Councillor member is appointed for each term of Council, by Council, or as otherwise determined by Council.

Independent members will be appointed by public expression of interest run by Council's Committee Appointment Panel and must meet the independence and eligibility criteria prescribed in the guidelines. The Committee Appointment Panel is comprised of the Mayor, the CEO and Chief Financial Officer.

The Chair will be an independent member appointed to the role of Chair by the Committee Appointment Panel. The committee is authorised to appoint an Acting Chair, from the independent members, when required.

The members of the committee, taken collectively, will have a broad range of skills and experience relevant to the operations of Council including expertise in accounting or financial management and an understanding of accounting and auditing standards in a local government environment. The Chair in consultation with the CEO and Mayor may invite any other person to assist the deliberations of the committee by attending either for particular items or for entire meetings.

Members will be appointed for up to a four-year term and can be reappointed for one further term providing the total period of continuous membership does not exceed eight years. Reappointment or extension of an independent member is subject to assessment of their performance and compliance with the independence and eligibility requirements.

Independent members will be remunerated at a rate set by Council, taking into consideration the time, inclusive of expenses, commitment and responsibility involved in serving on the committee.

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

Members unable to complete their term or not seeking reappointment should give a minimum eight weeks' notice to the CEO.

Committee membership will be terminated where an independent member ceases to meet eligibility or independence criteria or has:

- breached the Council's Code of Conduct
- performed unsatisfactorily or not to expectations.
- been declared bankrupt or found to be insolvent.
- been proven to be in a serious breach of their obligations under any legislation, or
- declared, or is found to be in, a position of a conflict of interest which is unresolvable.

The position of the councillor member on the committee can be terminated at any time by the elected Council via resolution.

Meetings

The committee will meet at least four times a year, with authority to convene additional meetings as circumstances require. Additional meetings may be called by the Chair or at the request of the CEO.

A quorum will consist of a majority of members.

Committee meetings are closed to the public.

The CEO will facilitate the meetings of the committee and invite members of management, internal and external auditors or others to attend meetings as observers and to provide pertinent information, as necessary. The CEO will appoint Council employee/s to provide secretariat support to the committee.

Meetings can be held in person, by telephone or videoconference.

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 charter over a four-year period, aligned with the Council term.

Meeting agendas will be prepared and provided to members one week before each meeting, along with appropriate briefing materials.

Minutes will be taken at each meeting. Minutes will be approved by the Chair and presented to the subsequent meeting for confirmation.

The committee can hold closed meetings whenever it needs to discuss confidential or sensitive issues with the CEO.

Responsibilities of members

Responsibilities of independent members

Independent members are expected to understand and observe the requirements of the guidelines, and also expected to:

- make themselves available to attend and participate in meetings.
- contribute the time needed to review and understand information provided.
- apply good analytical skills, objectivity and judgement.
- act in the best interests of Council.
- express opinions frankly, ask questions that go to the fundamental core of the issue and pursue independent lines of enquiry.
- maintain effective working relationships with Council.

Responsibilities of Councillor members

The role of the Councillor member is to:

- relay to the committee any concerns the elected Council may have regarding Council and issues being considered by the committee.
- provide insights into local issues and the strategic priorities of Council that would add value to the committee's consideration of agenda items.
- advise the elected Council (as necessary) of the work of the committee and any issues arising from it.
- assist the elected Council to review the performance of the committee.

Issues or information the Councillor member raises with or provides to the committee must relate to the matters listed in Schedule 1 and issues being considered by the committee.

General conduct

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

Committee members must declare any conflict of interest at the start of each meeting or before discussion of a relevant agenda item or topic and, where appropriate, excuse themselves from participating in committee deliberations.

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

Reporting and assessment

The committee will provide an update to the elected Council and the CEO of activities and opinions:

- quarterly, after each regular committee meeting.
- annually on the committee's work and its opinion on how the Council is performing.
- at the end of the Council term, providing a comprehensive assessment of the matters listed in Schedule 1.

Council will undertake an external review of the effectiveness of the committee's performance once each Council term in conformance with the International Professional Practice Framework.

Review of this charter

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

Schedule 1 - Roles and responsibilities

1. Internal audit

- 1.1 Review with management and the internal auditor the charter, activities, and resourcing of the internal audit function.
- 1.2 Review and approve the annual internal audit plan.
- 1.3 Monitor that the internal auditor's annual plan is linked with and covers the material business risks.
- 1.4 Monitor processes and practices to ensure the independence of the internal audit function is maintained.
- 1.5 Review all internal audit reports and provide advice to Council on significant issues identified in audit reports and action to be taken on issues raised, including identification and dissemination of good practice.
- 1.6 Monitor management's implementation of internal audit recommendations.
- 1.7 Periodically review the performance of the internal audit function.

2. External audit

- 2.1 Note the external auditor's proposed audit scope and approach for financial and performance audits, including any reliance on internal auditor activity.
- 2.2 Consider the findings and recommendations of relevant performance audits undertaken by the external auditor and ensure Council implements relevant recommendations.
- 2.3 Monitor processes and practices to ensure the independence of the external audit function is maintained.
- 2.4 Review all external audit reports and provide advice to Council on significant issues identified in audit reports and action to be taken on issues raised, including identification and dissemination of good practice.
- 2.5 Annually review the performance of external audit including the level of satisfaction with the external audit function.
- 2.6 Monitor management's implementation of external audit recommendations.

3. Risk management and fraud prevention

- 3.1 Monitor and provide advice on risk management systems and controls.
- 3.2 Review whether management has in place a current and comprehensive enterprise risk management framework for effective identification and management of Council's business and financial risks.
- 3.3 Review WHS risks and the effectiveness of implementation of Council's Safety Management System
- 3.4 Monitor and provide advice on fraud prevention systems to assist Council in ensuring it has appropriate processes and systems in place to detect, capture and effectively respond to fraud and improper activities.
- 3.5 Monitor and provide advice on systems and controls in relation to cyber security, including strategy, assets protection, testing and recovery.
- 3.6 Assess the impact of Council's risk management approach on Council's insurance arrangements.
- 3.7 Note and consider through regular reporting, information relating to WHS performance and major incidents and near misses; actual and potential fraud activity; legal claims; instances of non-conformance with laws and regulations; proposed changes to accounting policies; material, unusual accounting transactions and adjustments.
- 3.8 Consider whether a sound and effective approach has been followed in establishing Council's business continuity and emergency management planning arrangements, including whether plans have been periodically updated and tested.

4. Internal control

- 4.1 Review whether management's approach to maintaining an effective internal control framework is sound and effective.

This is a controlled document. Before using this document, check it is the latest version by checking it on Council's intranet. Unless otherwise shown, printed or downloaded versions of this document are uncontrolled.

- 4.2 Review whether management has in place relevant policies and procedures, and that these are periodically reviewed and updated.
- 4.3 Review whether appropriate policies and procedures are in place for the management and exercise of delegations.

5. Compliance

- 5.1 Consider whether the appropriate processes are in place to assess compliance with relevant laws and regulations and the results of management's follow up of any instances of non-compliance.
- 5.2 Keep informed of the findings of any examinations by regulatory or integrity agencies (whether related to investigations at Council or other agencies) and monitor management's response to the findings.

6. Financial management

- 6.1 Monitor financial and investment performance, strategic commercial activities and financial sustainability including the Long-Term Financial Plan.
- 6.2 Review the Operational Plan and Budget and consider whether they adequately reflect Council's priorities and are consistent with information known to committee members.
- 6.3 Review the annual financial report and performance report of Council and consider whether it is complete, consistent with information known to committee members, and reflects appropriate accounting principles.
- 6.4 Assess the financial impact of strategic proposals, on budget and planning priorities and on resource and capital allocation.
- 6.5 Review with management and the external auditors all matters required to be communicated to the committee under the Australian Auditing Standards.

7. Governance

- 7.1 Review and advise Council regarding its governance framework.

8. Strategic planning and performance data and measurement

- 8.1 Review the framework for integrated, planning and reporting (IP&R) and the integration of the community's aspirations into Council's vision and long-term strategy.
- 8.2 Review and advise if appropriate reporting and monitoring mechanisms are in place to measure progress and outcomes against objectives including performance data collection and reporting.

9. Service reviews and business improvement

- 9.1 Review and advise if appropriate reporting and monitoring mechanisms are in place to measure service delivery to the community and overall performance.
- 9.2 Provide advice on how Council can improve its service delivery and Council's performance of its business and functions generally.

10. Reporting responsibilities

Provide an update to the elected Council and the CEO of its activities and opinions:

- 10.1 quarterly, after each regular committee meeting.
- 10.2 annually on the committee's work and its opinion on how Council is performing.
- 10.3 following commencement of the guidelines, and prior to the end of each Council term, present an end of term report to a closed session of Council providing a comprehensive assessment on the matters listed in Schedule 1. Internal audit reports and external audit reports will not be made public.

11. Other responsibilities

- 11.1 Assess performance annually, relative to the committee's purpose, duties and responsibilities.
- 11.2 Annually assess the adequacy of the committee charter.
- 11.3 Undertake an external review of committee performance once each Council term.

Controlled Document Information

Authorisation Details

Folder No:	F2004/12078	TRIM Record No:	D11648610
Audience:	External - All of Council and Audit Risk and Improvement Committee members		
Department:	Executive Group		
Officer:	Risk and Compliance Lead - Jane Lulham		
Review Timeframe: Max < 4 years	Annually	Next Scheduled Review Date:	23 October 2025
Authorisation:	Adopted by Council - 14 October 2024 (24SP062)		
Committee Business Paper TRIM No:	D11700052	Authorisation - Committee/Council Adoption Date:	14 October 2024

Related Document Information, Standards & References

Related Legislation:	(Legislation Name) Local Government Act 1993 Local Government (General) Regulation 2021	(Relationship/Context) Overarching guidance on functions of local government.
Related Policies (Council & Internal):	(Policy Name) Code of Conduct Internal Audit Charter Council policies	(Relationship/Context) Policies relevant to aspects of audit, risk management, financial accountability and performance improvement.
Related Procedures, Guidelines, Forms, WHS Modules/PCD's, Risk Assessments, Work Method Statements:	(Document Name)	(Relationship/Context)
Standards COP's & Other References	(Standard, COP or Other References) Guidelines for risk management and internal audit for local government in NSW International Standards for the Professional Practice of Internal Auditing ISO31000:2018 – Risk Management Guidelines	(Relationship/Context) Specific guidance on leading practice relating to the committee.

Definitions

Term / Abbreviation	Definition
OLG	Office of Local Government

Consultation (update for each version created)

Key Departments, Teams, Positions, Meetings:	CEO, Executive, Chief Financial Officer, Internal Auditor, Executive Manager Integrity and Risk, and Audit, Risk and Improvement Committee.
---	---

Version History

Version No	Date Changed	Modified By	Details and Comments
1	25 July 2016	Ross Gilshenan	New document

This is a controlled document. Before using this document, check it is the latest version by checking it on Council's intranet. Unless otherwise shown, printed or downloaded versions of this document are uncontrolled.

2	September 2020	Dwight Graham, Martene Archer & Marilize VanderWesthuizen	Major update: a number of changes to align with: the new proposed change to the Local Government (General) Regulations 2005; the Office of Local Government discussion paper on the proposed regulations; and to realign the terms of independent members.
3	July 2023	Martene Archer & Jane Lulham	Major update to align with the intent of Office of Local Government Guidelines for Risk Management and Internal Audit for Local Government in NSW issued under section 23A of the Local Government Act 1993.
4	October 2024	Martene Archer & Jane Lulham	Annual review. Composition description updated to align with Office of Local Government Guidelines for Risk Management and Internal Audit for Local Government in NSW. Numbering to Schedule 1.