

AUDIT, RISK AND IMPROVEMENT COMMITTEE CHARTER

1. Objective

The objective of the Audit, Risk and Improvement Committee is to promote good corporate governance by the provision of independent objective assurance and assistance to the Council on:

- 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
- Any other matters prescribed by regulations.

2. Authority

The Council authorises the Audit, Risk and Improvement Committee, within the scope of its role and responsibilities to:

- 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 General Manager, External Auditor or other external parties (subject to confidentiality considerations).
- c. Request the attendance of any employee at Committee meetings.
- d. Liaise with the General Manager to obtain external legal or other professional advice considered necessary to meet its responsibilities.
- e. Regularly assess the adequacy & effectiveness of Council's processes and controls for managing its activities and risks.

3. Committee Membership

The members of the Committee, taken collectively, will have a broad range of skills and experience relevant to the operations of Council. At least one member of the Committee shall have accounting or related financial Management experience with understanding of accounting and Auditing standards in a public sector environment.

3.1 Member (voting)

- a. **Independent External Members** (not a member of the Council). Three Independent External Members, each appointed for a two year term*, after which they will be eligible for extension or re-appointment following a formal review of their performance. The maximum number of terms that an Independent External Member can serve on the Committee is three consecutive 2 year terms (six years).
- b. The position of **Chairman of the Committee** will be selected from the Independent External Members, as elected by the voting members of the Committee and referred to Council for appointment.
- c. **Two Councillors** appointed by Council. This shall not be the Mayor given the workload and level of commitments anticipated for the Mayor of Cumberland Council. Other councillors are encouraged by way of open invitation to attend the Committee meetings as observers.

3.2 Non Member/Advisors (non-voting)

- General Manager
- Director Finance and Governance
- Executive Manager Corporate Services
- Audit and Risk Management Coordinator
- Internal Audit Service Provider
- Representative of the External Auditor

3.3 Invitees (non-voting) for specific Agenda items

- Officers as requested to attend by the Committee

4. Role and Responsibilities

The Committee has no executive powers, except those expressly provided by the Council and the focus of the Committee should only be on matters of significance and materiality.

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.

Internal Audit Guidelines issued by the Department of Premier and Cabinet shall be referred to from time to time as a means of determining procedures appropriate for the internal audit process at Cumberland Council.

The responsibilities of the Committee, which may be revised or expanded from time to time, are as follows, however 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.

4.1 Compliance

- a. Oversight of Council's governance compliance arrangements in general.
- b. Review the effectiveness of Council's system for monitoring compliance with relevant laws, regulations and government policies.

- c. Consider if legal and compliance risks have been adequately addressed in Council's risk management and general management arrangements.

4.2 Risk Management

- a. 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.
- b. Review whether a sound and effective approach has been followed in developing Strategic Risk Management plans for major projects or undertakings.
- c. Review the impact of the Risk Management Framework on its control environment and insurance arrangements.
- d. 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 Control Framework

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

4.4 External Accountability

- a. Satisfy itself that the Annual Financial Reports and the Annual Report comply with applicable Australian Accounting Standards and supported by appropriate Management sign-off on the statements and the adequacy of internal controls.
- b. Review the External Audit opinion, including whether appropriate action has been taken in response to Audit recommendations and adjustments.
- c. Consider contentious financial reporting matters in conjunction with Council's management and External Auditors.
- d. Review the processes in place designed to ensure financial information included in the annual report is consistent with the signed financial statements.
- e. Satisfy itself there are appropriate mechanisms in place to review and implement, where appropriate, relevant State Government reports and recommendations.
- f. Satisfy itself there is a performance management framework linked to organisational objectives and outcomes.

4.5 Internal Audit

- a. Act as a forum for communication between the Council, the General Manager, Internal Audit and External Audit.
- b. Ensure that Internal Audit coverage and the Internal Audit Plan address the identified major risk areas of Council, and approve the plan.
- c. Consider the adequacy of Internal Audit resources to carry out its responsibilities, including completion of the approved Internal Audit Plan.

- d. Make recommendations to commission internal audits of any kind, whether to be conducted by the internal audit service provider or otherwise.
- e. 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.
- f. Monitor the implementation of Internal Audit recommendations by management.
- g. Periodically review the Audit, Risk and Improvement Committee Charter to ensure that all structures, authority, access and reporting arrangements remain in place and are adequate;
- h. Participate in the selection of internal audit service providers, as required;
- i. Periodically review the performance of Internal Audit.

4.6 External Audit

- a. Act as a forum for communication between Council, the General Manager, Internal Audit and External Audit.
- b. Review the proposed external audit scope and approach with particular respect to elimination of duplication with Internal Audit.
- c. 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.
- d. Review all external plans and reports in respect of planned or completed external audits, and monitor the implementation of audit recommendations by management.
- e. Consider significant issues and disagreements raised in relevant External Audit reports and better practice guides, and ensure appropriate action is taken.

4.7 Business Improvement

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

4.8 Responsibilities of Members

- a. Members are expected to:
 - Act honestly and in good faith
 - Meet the requirements as set out in this Charter
 - Abide by Council's Code of Conduct in performance of their duties on the Committee
 - Understand the relevant legislative and regulatory requirements appropriate to Council.
 - Contribute the time required to study and understand the business paper provided.
 - Apply good analytical skills, objectivity and good judgment.

- Express opinions frankly, ask specific questions that target the fundamental core of issues and pursue independent lines of enquiry.

5. Reporting

- 5.1 At the first Committee Meeting after 30 June each year, or sooner if practicable, Internal Audit will provide to the Committee a report of:
- a. The performance of the Internal Auditor for the financial year against agreed key performance indicators.
 - b. The approved Internal Audit Plan of work for the previous financial year showing the current status of each audit.
- 5.2 The Chair of the Committee will provide a consolidated Audit, Risk and Improvement Committee Annual Report to Council. The key elements of this report will include:
- a. Meetings held and member attendance
 - b. Overview of the internal audit function
 - c. Overview of the activities of the external auditor
 - d. Overview of the Enterprise Risk Management function
 - e. Overview of general corporate governance arrangements
 - f. Key achievements
 - g. Key action points
 - h. Any other matter deemed to be of sufficient importance.

6. Administrative arrangements

6.1 Meetings

- a. The Committee will meet at least four times per year, 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 in consultation with the General Manager, though other Committee members may make requests to the Chair for additional meetings.
- b. 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 Audit Committee Charter.

6.2 Attendance at Meetings and Quorums

- a. A quorum will consist of a majority of voting Committee members.
- b. Attendance at Committee meetings will be in accordance with part 3 – Committee Membership of this Charter

6.3 Secretariat

- a. Council will provide secretariat support to the Committee. The Secretariat will ensure the agenda for each meeting and supporting papers are circulated, at least one week before the meeting, and ensure minutes of the meetings are prepared and maintained. Minutes shall be approved by the Chair and circulated to each member within three weeks of the meeting being held. The approved draft minutes will be reported to Council quarterly.

6.4 Conflicts of Interest

- a. In accordance with Council's Code of Conduct, all Council officials including Committee members 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. Committee members may make an annual, written declaration of any conflicts of interest.
- b. 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

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

6.6 Assessment Arrangements

- a. The Chair of the Committee will initiate a review of the performance of the Committee at least once every two years. 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 & Improvement Committee Charter

- a. The Audit Risk & Improvement Committee will review this Charter at the commencement of each Council term. The Committee will approve any changes to this Charter and refer the Audit Charter to Council for adoption.

6.8 Payment of Fees to External Independent Members

- a. The General Manager will determine the payment of the Audit Committee independent members based on NSW Government prequalification scheme conditions for Audit Committee Independent Chairs and Members and similarly sized organisations.