

Audit, Risk and Improvement

Committee

Terms of Reference

February 2021

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AUDIT, RISK AND IMPROVEMENT COMMITTEE TERMS OF REFERENCE

Authority

The Audit, Risk and Improvement Committee (the Committee) is advisory to Council and the General Manager and has no executive powers unless such powers are delegated to it by the Council.

The Committee is directly responsible and accountable to the Council for the exercise of its powers and responsibilities.

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

- Require any information it needs from any employee or external party (subject to legal obligations to protect information)
- Discuss any matters with the external auditor or other external parties (subject to confidentiality considerations)
- Request the attendance of any employee or councillor at Committee meetings
- Obtain external legal or other professional advice considered necessary to meet its responsibilities.

Objectives (in accordance with the Community Strategic Plan):

The objective of the Committee is to provide independent assurance and assistance to the Eurobodalla Shire Council on risk management, control, governance and external accountability responsibilities.

As per the Local Government Amendment (Governance and Planning) Bill 2016 (NSW) Schedule 1 Amendment of *Local Government Act 1993* No 30, Part 4A Internal audit;

The Committee must keep under 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.

Membership of the committee

Member/s (Voting)

- Two Councillors
- Three Independent external member/s to be determined by Council.

Attendee (non-voting)

- General Manager or nominee
- Internal Auditor or person responsible
- Chief Financial Officer or nominee
- External Auditor or nominee

Invitee (non-voting) for specific Agenda items

Other officers may attend by invitation as requested by the Committee.

Nomination and Appointment of Independent External Members

Council management will coordinate the advertisement and assessment of the nominations. Management will present to the Committee the individual/s for Committee consideration and endorsement. Management will prepare a report for Council consideration with Committee comments.

The independent external members will be appointed for the term of council, after which they will be eligible for extension or re-appointment following a formal review of their performance.

The members of the Committee, taken collectively, will have a broad range of skills and experience relevant to the operations of Eurobodalla Shire 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.

Reporting Hierarchy

Reports to Council.

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 the primary responsibility for management of Council rests with the Council and the General Manager as defined by the *Local Government Act 1993* (as amended).

The responsibilities of the Committee may be revised or expanded by the Council from time to time.

The Committee's responsibilities are:

Risk Management

- 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,
- 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.

Control Framework

- Review whether management has adequate internal controls in place including over external parties such as contractors and advisors,
- 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,
- Review whether management has taken steps to embed a culture which is committed to ethical and lawful behaviour.

External Accountability

- Satisfy itself the annual financial reports comply with applicable Australian Accounting Standards and supported by appropriate management sign-off on the statements and the adequacy of internal controls,
- 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 auditors,
- Review the processes in place designed to ensure financial information included in the annual report is consistent with the signed financial statements,
- Satisfy itself there are appropriate mechanisms in place to review and implement, where appropriate, relevant State Government reports and recommendations,
- Satisfy itself there is a performance management framework linked to organisational objectives and outcomes.

Legislative Compliance

- Determine whether management has appropriately considered legal and compliance risks as part of risk assessment and management arrangements,
- Review the effectiveness of the system for monitoring compliance with relevant laws, regulations and associated government policies.

Internal Audit

- Act as a forum for communication between the Council, General Manger, senior management, internal audit and external audit,
- Review the internal audit coverage and Internal Audit Plan, ensure the plan has considered the Risk Management Plan, and approve the plan,
- Consider the adequacy of internal audit resources to carry out its responsibilities, including completion of the approved Internal Audit Plan,
- 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,
- Monitor the implementation of internal audit recommendations by management,
- Periodically review the Internal Audit Charter to ensure appropriate organisational structures, authority, access and reporting arrangements are in place,
- Periodically review the performance of Internal Audit.

External Audit

- Act as a forum for communication between the Council, General Manger, senior management, 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 external audit services provided,
- Review all external plans and reports in respect of planned or completed external audits and monitor the implantation of audit recommendations by management,
- Consider significant issues raised in relevant external audit reports and better practice guides and ensure appropriate action is taken.

Responsibilities of Members

Members of the Committee are expected to:

- Understand the relevant legislative and regulatory requirements appropriate to Eurobodalla Shire Council,
- Contribute the time needed to study and understand the papers provided,
- Apply good analytical skills, objectivity and good judgement,
- Express opinions frankly, ask questions that go to the fundamental core of issues and pursue independent lines of enquiry.

Significant Projects

Review the risks, progress, controls, finances and performance surrounding major projects.

Finance Policy

Assist the General Manager with formulation of Finance and related Policy.

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.

Administrative arrangements

Meetings

- The Committee will meet at least four times per year, with one of these meetings to include referral of the draft annual financial reports to the auditor,
- 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 Audit Committee Charter,
- The Committee is bound by Council's Code of Meeting Practice Policy.

Attendance at Meetings and Quorums

- A quorum will consist of a majority of Committee members, including at least one independent member. Meetings can be held in person, by telephone or by video conference.
- The head of Internal Audit 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 Chief Financial Officer or any other employees to participate for certain agenda items, as well as the external auditor.

Secretariat

The General Manager (or Chief Financial Officer) to 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.

Conflicts of Interest

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.

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.

Induction

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

Assessment Arrangements

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 determine by the Chair.

Review of Audit Committee Charter

At least once every two years the Committee will review this Audit, Risk and Improvement Committee Charter. Only the Council can approve any changes to this Charter.

Chair

The Chair will be chosen by majority of the Audit, Risk and Improvement Committee members and must be one of the independent members.

esc.nsw.gov.au/inside-council/council/council-policies/policies/Code-of-Meeting-Practice-policy.pdf