

CORPORATE & BUSINESS SYSTEMS

ATTACHMENT A

**ESTABLISHMENT OF AUDIT RISK AND
IMPROVEMENT COMMITTEE**

ORDINARY MEETING

28 FEBRUARY 2018

Audit, Risk and Improvement Committee

1. Committee Objectives

The objective of the Committee is to provide independent assurance and assistance to the Council on risk management, control, governance, internal audits, organisational performance and external accountability responsibilities.

The *Local Government Amendment (Governance and Planning) Act 2016 No 38* (“the Amending Act”) received assent on 30 August 2016. Some parts of the Amending Act have not commenced. When Part 4A of the Act commences the Committee will be under a statutory obligation to 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, and
- 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.

2. Delegated Authority

The Audit, Risk and Improvement Committee has been established under the delegated authority of Council in accordance with Council’s authority granted by section 355 of the Act.

The Committee is advisory in its function and has no authority to direct the General Manager or Council officers. 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 primary responsibility for management of Council rests with the Council and the General Manager as defined by the Act.

The Committee can request that the General Manager provide information, such as policies, procedures and reports to assist them in fulfilling their objectives.

The Council authorises the Committee as a whole (but not individual members of the Committee) within the scope of its role and responsibilities, to:

- Obtain any information it needs from any employee or external party (subject to their legal obligations to protect information).
- Discuss any matters with the Auditor-General (or contracted agent) and/or external auditor and/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.

This Charter should be reviewed and adopted at least once during each term of Council at an open meeting of Council.

3. Composition and Tenure

3.1 The Committee shall comprise of five (voting) members:

Two Councillors are to be appointed to the Committee for a two year term and may be reappointed.

- The Mayor is excluded from being eligible to represent the Council on the Committee.
- Council will also appoint an alternate councillor member to the Committee who will act as a stand-in as required.

Three Independent members are to be appointed to the Committee for either a two or three year term and may be re-appointed.

The independent members, as a collective, will have recent and relevant knowledge and experience of:

- Accounting or related financial management.
- Auditing experience in the public sector.
- Performance Improvement.
- Governance, risk and compliance.
- Knowledge of the local government environment.
- The broad range of activities and services that Council provides.

Members should be appointed with varying tenures to ensure continuity of knowledge and systems is not impacted by change in membership, eg: at least one member appointed for two years and at least one member appointed for a three year term.

Members will be appointed by resolution of Council and may be removed by resolution of council.

3.2 Attendees (Non-voting)

In accordance with section 376(2) of the Local Government Act, the General Manager is entitled to attend Committee meetings, however:

- The General Manager has no voting rights on the Committee.
- The General Manager may be excluded from a meeting, only while the Committee deals with a matter relating to the standard of performance of the General Manager, or the terms of the employment of the General Manager.
- It is recommended that pursuant to the Local Government Act, the General Manager should allow the Committee to meet separately with the internal and external auditor, without the presence of management, on at least one occasion per year.

The Internal Auditor is expected to attend each meeting to present their findings and observations to the Committee.

Incumbents in the following positions are expected to be available to attend the Audit, Risk and Improvement Committee meetings as required by the Chair:

- Manager Governance.
- Manager Finance (CFO).
- Directors of Council.

Other Council officers may attend by invitation as requested by the Chair.

3.3 Chair of the Audit, Risk and Improvement Committee

Council will appoint one of the three independent members as Chair of the Committee.

- The appointment is to be for a two year term.
- A Deputy Chair will be an independent member and be elected by the committee.

3.4 Vacancy

If for any reason a vacancy in the Committee membership occurs, the position(s) shall be filled in accordance with this Charter.

4. Roles and Responsibilities

In carrying out its responsibilities, the Committee must at all times recognise that primary responsibility for financial and other reporting, for internal controls, for compliance with laws, for ethical behaviour, for the management of Council, for risk management and for organisational improvements, rests with the elected Council and the General Manager in accordance with the Act.

Members of the Committees must not act in a way that contravenes the Act (which includes compliance with Council's adopted Code of Conduct and Code of Meeting Practice) or any other Act. Members of the Committee are also required to comply with other relevant policies and procedures of Council.

All members of the Committee are expected to:

- Have a high level of personal integrity and ethics, as well as acting honestly and in good faith;
- Perform their duties in a manner that engenders public trust in the integrity, objectivity, and impartiality of the Committee;
- Comply with this Charter;
- Have strong interpersonal skills;
- Have strong skills in oral and written communication;
- Broadly be aware of and understand the relevant legislative and regulatory requirements appropriate to MidCoast Council;
- Contribute the time needed to study and understand the papers provided, and to devote to their responsibilities as a Committee Member;
- Apply good analytical skills, objectivity and with good judgment;
- Express opinions frankly and ask questions that go to the fundamental core of issues;
- Pursue independent lines of enquiry when required;
- Review the risks, progress, controls, finances and performance surrounding major projects;
- Have an understanding of management principles required recognising and evaluating the materiality and significance of deviations from good business practices;
- Have an appreciation of fundamental concepts in areas such as accounting, economics, commercial law, finance, governance and information technology; and
- Assist the Council and the General Manager with the formulation of relevant policies and procedures.

The Committee is responsible for:

- Reviewing and considering reports on:
 - Audit Plans.
 - Financial Statements.
 - Quarterly Management performance against annual plan.
 - Special Investigations.
 - Reports arising from action items.
 - Audit reports prepared quarterly by the Internal Auditor.
- Providing independent advice to Council on it fulfilling its responsibilities by ensuring that management has an appropriate governance and business framework in place across Council.
- Providing independent advice to Council on it fulfilling its responsibility to ensure that the services and facilities provided by the Council are managed efficiently and effectively.
- Identify strategies to assist with the continuous improvement of the provision of services and facilities to the community and promote continuous improvement across business processes with a focus on efficiencies and savings.

The following defined responsibilities are in accordance with the OLG model charter for Audit Committees as set out in the *Internal Audit Guidelines* issued by the Chief Executive of OLG in September 2010 and to meet the future requirement that will be imposed by Part 4A of the Act.

4.1 Internal Audit

- Act as a forum for communication between the Council, General Manager, senior management, internal audit and external audit.
- Review the scope of the Internal Audit Plan.
- Recommend for approval to Council the Internal Audit Plan after consultation with the General Manager.
- Consider the adequacy of Internal Audit resources/funding to carry out its responsibilities including completion of the approved Internal Audit Plan.
- Monitor the status of planned activities of Internal Audit as set out in the adopted Internal Audit Plan.
- Review audit reports and consider significant issues identified and action taken on issues raised.
- Monitor the implementation of internal audit recommendations by management.
- Monitor and assess the performance and effectiveness of Internal Audit.
- Providing strategic advice and guidance to Council on identifying, recommending and supporting initiatives that will provide cost savings to Council.
- Co-operatively engaging with other relevant bodies to further promote efficiencies and continuous improvement across MidCoast Council.

4.2 External Audit

- Act as a forum for communication between the Council, General Manager, senior management, internal audit and external audit.
- Provide input and feedback on the financial statements and performance audit coverage proposed by external audit, and provide feedback on the external audit services provided.
- Consider significant issues raised in relevant external audit reports and provide independent advice on appropriate action to be taken.

4.3 Enterprise Risk Management

- Provide advice on the adequacy of Council's current risk management framework, and associated procedures for effective identification and management of Council's financial and business risks.

4.4 Legislative Compliance

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

4.5 Responsibility of Chairperson

The committee shall be chaired by an independent member of the Committee, appointed by Council for a period of two years.

The Chair is responsible for:

- Ensuring the agenda is prepared and distributed to members at least one week prior to the meeting.
- Facilitating the effective functioning of the Committee, including managing the conduct, frequency and length of meetings.
- Approving the draft minutes prior to distribution to members within one week of the meeting.
- Reporting to Council on the outcomes of the meetings, seeking to ensure that the information provided is relevant, accurate, timely and sufficient to keep Council appropriately informed of the performance of Council and of any developments that may have a material impact on Council or its performance.
- Provide an annual report to Council, including the information on the Committee's principle activities for the previous year.

4.6 Council resources and support

The General Manager will ensure that adequate resources are available to allow for the proper functioning of the Committee, including provision of a Committee Support Officer for administrative support. The Committee may also, at Council's expense, request the General Manager to obtain such legal, accounting or other professional advice as it reasonably considers necessary for the performance of its duties. The General Manager will give appropriate consideration to all such requests.

5. Reporting

The Committee should report regularly to Council on the internal audit function, on the management of risk and on internal controls as and when required. The Committee may also make recommendations to Council and the General Manager.

The Committee shall report to the Council at the first opportunity (dependant on meeting schedules) after each meeting held.

The Committee may receive and consider reports on:

- Audit Plan.
- Financial statements.
- Quarterly Management performance against annual plan.
- Special Investigations.
- Reports arising from action items.
- Audit reports prepared quarterly by the Internal Auditor.

Each year the Committee Chair will provide an annual report to Council including information on the Committee's principal activities during the year.

At a minimum the Committee will report to Council on its activities at least yearly coinciding with the financial year and the annual statement time. The Annual and Two Year Audit Plans will also be submitted to Council as part of the Committee's report to Council. Council may request the Chair of the Committee to address Council and to answer any enquiries about the operation of the Committee. In consultation with the Chair some or all of the Committee's annual report will form part of Council's Annual Report.

6. Administrative Arrangements

6.1 Meetings of the Committee

The Committee is bound by Council's adopted Code of Conduct. All Committee meetings must be run fairly and the procedures used should improve decision making and not be used for personal or political advantage. All matters should be considered consistently, fairly, promptly, and on their individual merits.

A forward meeting plan for the following year, including meeting dates and agenda items, will be agreed by the Committee in December of each year.

The Committee will meet at least four times per year, with an additional meeting in November each year to consider the results of the annual audited financial reports and external audit opinion.

The need for any additional meetings will be determined by resolution of the Committee. Such resolutions do not bind the Council to commit additional resources to the conduct of those meetings unless the General Manager or the Council, by resolution, agrees to those additional meetings.

Meetings of the Committee are closed to the public.

6.2 Privacy and Confidentiality

The Committee will comply with Council policies and the Act in relation to confidentiality, privacy and reporting. Members of the Committee will not disclose matters dealt with by the Committee to third parties except with the express approval of the Committee.

Members are to declare any potential conflict of interest that may arise in the considerations of the Committee and physically remove themselves from any relevant discussions.

A conflict of interest exists where a reasonable and informed person would perceive that members of the Committee could be influenced by a private interest when carrying out their public duty. All members of the Committee must avoid or appropriately manage any conflict of interests. The onus is on members of the Committee to identify a conflict of interest and take the appropriate action to manage the conflict in favour of their public duty. All members of the Committee must comply with Council's Code of Conduct at all times.

Note: Committee members, attendees, invitees, observers and Council Officials 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 and be dealt with in accordance with Council's adopted Code of Conduct.

Due to the nature and sensitivity of the information provided at the Committee meetings, independent members will be required to sign a Declaration of Confidentiality.

6.3 Quorum

A quorum for attendance shall satisfy the following conditions:

- At least one Council representative; and
- At least two independent representatives.

6.4 Agenda

Items for inclusion at the meeting shall be submitted to the Committee secretary 14 days prior to the next scheduled meeting date.

The Agenda shall be set by the Chair in consultation with the General Manager and will be sent to each Committee member, and any invited guests. The agenda is to be distributed at least one week before each meeting of the Committee.

The External Auditor shall be given notice of meetings and sent an agenda and reports submitted to the Committee unless determined by the Chair and General Manager.

6.5 Minutes

The Committee secretary is responsible for keeping an accurate record of the meeting, including any outcomes of the meeting.

The minutes are to be approved by the Chair and circulated within one week of the meeting. These will be ratified by members in attendance at the following meeting.

The Committee must ensure that full and accurate minutes of the proceedings of its meetings are kept. In particular, the Committee Secretariat must ensure that the following matters are recorded (at a minimum) in the minutes:

- a date and time of meetings, attendees and any apologies;
- the endorsement (or otherwise) of the minutes from previous the meeting;
- whether there was business arising from previous minutes;
- notation of reports or correspondence;
- details of each motion moved at a meeting and of any amendments moved to it;
- whether the motion or amendment is passed or lost;
- Committee recommendations;
- items of general business; and
- the time meeting closed, date and venue for next meeting.
- The minutes of the Committee meetings will be maintained in accordance with Council Record management requirements.

6.6 Media and Public Comment

All public comments and statements to the media representing MidCoast Council must be approved by the General Manager.

6.7 Induction and training

Committee members will receive relevant information and briefings on their appointment to assist them to meet their responsibilities as members of the Audit, Risk and Improvement Committee.

6.8 Work, Health and Safety

Council is responsible for providing a safe work environment and gives priority to the health, safety and welfare of Council Officials and of Committee members. Committee members should protect their safety and that of others in the work environment and public areas as required. All safety concerns should be reported immediately to Council Officials.

7. Assessment and Review

7.1 Assessment

The Chair, in consultation with the Mayor and the General Manager, will initiate a review of the performance of the Committee every two years. The outcomes of this review will be presented to both the Committee and Council.

7.2 Review of the Charter

At least once every three years, this Charter is to be reviewed. The review will be undertaken by the Committee, in consultation with the Mayor, General Manager and representatives of Council.

The responsibilities of the Committee may only be revised or expended by resolution of Council.