AUDIT, RISK & IMPROVEMENT COMMITTEE TERMS OF REFERENCE

Wentworth Shire Council has established an audit, risk and improvement committee (the committee) in compliance with section 428A of the *Local Government Act 1993* and clauses of the *Local Government (General) Regulation 2005*. 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's 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 provide Council with robust, objective and unbiased advice and assurance.

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

The Committee must at all times 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 general manager on matters affecting the performance of the internal audit function.

Authority

Council authorises the Committee, for the purposes of exercising its role and responsibilities, to:

- Access any information it needs from the Council;
- Use any Council resource it needs as relevant to its function;
- 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 as relevant to its function;
- Request the attendance of any employee at committee meetings; and
- Obtain external legal or other professional advice considered necessary to meet it responsibilities.

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 will consist of:

<u>Members</u>

- Independent external member (not a member of the Council to be the chairperson)
- Independent external member (not a member of the Council)
- Independent external member (not a member of the Council)
- Councillor (non-voting and cannot be the mayor)

The Council is to appoint the Chair and members of the Committee. The Chair is counted as one member of the Committee. Current committee members are:

Rosanne Kava	Independent chair
Caroline Smith	Independent member
Di Schmidt	Independent member
Cr Brian Beaumont	Councillor member

All committee members are to meet the independence and eligibility criteria prescribed in the *Guidelines for risk management and internal audit for local councils in NSW.*

Members will be appointed for a four-year period. Members can be reappointed for a 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 Chair) must have a two-year break from serving on the Committee before being appointed again. To preserve the Committee's knowledge of Council, ideally, no more than one member should leave the Committee because of rotation on any one year.

Specific member terms and conditions are to be disclosed 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 committee 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 and members is also to be subject to the individual still meeting independence and eligibility requirements.

Members of the Committee are to possess and maintain a broad range of skills, knowledge and experience relevant to the operations, governance and financial management of Council. The environment in which 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's financial reporting responsibilities to be able to contribute to the Committee's consideration of Council's annual financial statements.

Role

In accordance with section 428A of the *Local Government Act 1993*, the role of the Committee is to review and provide independent advice to the Council regarding the following aspects of the Council's 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 Council's performance of its functions.

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

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

The Committee will have no power of direction over external audit or the manner in which the external audit is planned or 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 of the Council 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 of the Council and the General Manager.

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

Responsibilities of members

Independent members

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 councils 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 interest 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's internal audit function (Chair).

Councillor member

To preserve the independence of the Committee, the councillor member of the Committee is a non-voting member. Their role is to:

- ✓ Relay to the Committee any concerns the governing body may have regarding the Council and issues being considered by the Committee;
- ✓ Provide insights into local issues and the strategic priorities of the Council that would add value to the Committee's consideration of agenda items;
- ✓ Advise the governing body (as necessary) of the work of the Committee and any issues arising from it; and
- ✓ Assist the governing body 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.

The councillor member of the Committee must conduct themselves in a non-partisan and professional manner. The councillor member of the Committee must not engage in any conduct that seeks to politicise the activities of the Committee or the internal audit function or that could be seen to do so.

If the councillor member of the Committee engages in such conduct or in any other conduct that may bring the Committee and its work into disrepute, the Chair of the Committee may recommend to the Council, that the councillor member be removed from membership of the Committee. Where the Council does not agree to the Committee Chair's recommendation, the Council must give reasons for its decision in writing to the Chair.

Conduct

Independent committee members are required to comply with the Council's code of conduct and be held to the same ethical, behavioural and conduct standards as officials of the Council.

Complaints or 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 disciplinary action against an independent committee member in response to a breach of the Council's Code of Conduct.

Conflicts of interest

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

Committee members and observers must declare any pecuniary or non-pecuniary conflicts of interest that they may have at the start of each meeting, before discussion of the relevant agenda item or issue, and when the issue arises. Where committee members and observers are deemed to have a pecuniary or a significant non-pecuniary interest, they are to remove themselves from

Committee deliberations on the issue. Details of any conflicts of interest should also be appropriately minuted.

<u>Standards</u>

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 the current Australian risk management standard where applicable.

Workplans

The work of the Committee is to be thoroughly planned and executed to ensure that all Council activities and functions are reviewed. The Committee must develop a strategic plan every four years to ensure that all matters listed in Schedule 1 are reviewed by the Committee and the internal audit function over each Council term. The strategic plan must be reviewed at least annually to ensure it remains appropriate.

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

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

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 workplan.

Assurance Reporting

The Committee must regularly report to the Council to ensure that the Council 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 the 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 meeting.

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

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

The Committee may, at any time report to the governing body or General Manager, on any other matter it deems of sufficient importance to warrant their attention. The Mayor and 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 may only 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

<u>Meetings</u>

The Committee will meet at least four times per year, with one of these meetings to include a review of Council's annual 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 if a member is unable to attend a meeting.

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 head of the internal audit function are to 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 the Council's Chief Financial Officer or equivalent, head of risk management function or equivalent, senior managers, any Councillors, any employee/contractor of the Council and any subject matter experts to attend committee meetings. These individuals must attend and provide any information requested, where possible. Observers have no voting rights and can be excluded from a meeting by the Chair at any time.

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 both the internal audit function and the Councils external auditor at least once per year.

<u>Dispute resolution</u>

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 via 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 of the Council.

Unresolved disputes regarding compliance with statutory or other requirements are to be referred to the Secretary of the Department of Planning, Industry and Environment in writing.

<u>Secretariat</u>

The General Manager will appoint a Council employee/s 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 a week before the meeting and ensure that minutes of meetings are prepared and maintained. Minutes must be approved by the Chair and circulated within a week 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 3 months' notice to the Chair and the governing body prior to their resignation to enable the Council to ensure a smooth transition to a new committee member.

The governing body can terminate via a resolution the engagement of any Chair or independent committee before the expiry of their term where the individual has:

- ✓ Breached the Independence requirements for being a committee member;
- ✓ Breached the Council's Code of Conduct;
- ✓ Performed unsatisfactorily or not to expectations;
- ✓ Been declared bankrupt or found to be insolvent;
- ✓ Experienced an adverse change in business status;
- ✓ 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 a Councillor member on the Committee can be terminated at any time by the governing body via resolution.

Review arrangements

At least once every council term the governing body must conduct an external review of the effectiveness of the Committee.

These terms of reference are to 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.

Further information

For further information on Council's audit, risk and improvement committee contact Council on council@wentworth.nsw.gov.au or by phone 03 5027 5027.

Reviewed by Chair of the audit, risk and improvement committee:

Signed:

Date:

Reviewed by Wentworth Council or in accordance with a resolution of the governing body:

Signed:

Date:

Resolution reference:

Next review date:

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 and other assurances and review functions; and
- ✓ Review and advise the Council:
    - o On whether the Council is providing the resources necessary to successfully deliver the internal audit function;
    - o If the Council is complying with internal audit requirements, including conformance with the International Professional Practices Framework;
    - o 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;
    - o Of the strategic four-year plan and annual work plan of internal audits to be undertaken by the Council's internal audit function;
    - o If Council's internal audit activities are effective, including the performance of the head of internal audit function and the internal audit function;
    - o Of the findings and recommendations of internal audits conducted, and corrective actions needed to address issues raised;
    - o Of the implementation by Council of these corrective actions;
    - o On the appointment of the head of the internal audit function and external providers; and
    - o 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 statements 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; and
- ✓ 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 's 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 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's insurance arrangements;
- ✓ Of the effectiveness of 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 Council's approach to maintaining an effective internal audit framework, including over external parties such as contractors and advisors, is sound and effective;
- ✓ Whether 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's 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 Council is complying with accounting standards and external accountability requirements;
- ✓ Of the appropriateness of Council's accounting policies and disclosures;
- ✓ Of the implications for Council of the findings of external audits and performance audits and Council's response 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:
    - o Management compliance/representations;
    - o Significant accounting and reporting issues;
    - o The methods used by the Council to account for significant or unusual transactions and areas of significant estimates or judgements; and
    - o Appropriate management signoff on the statements.
- ✓ If effective processes are in place to ensure financial information included in the Council's 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:
    - o Appropriate authorisation and approval of payments and transactions;
    - o Adequate segregation of duties;
    - o Timely reconciliation of accounts and balances;
    - o 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; and
- ✓ If Council's grants and tied funding policies and procedures are sound.

Governance

Review and advise the Council regarding its governance framework, including 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 & 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; and
- ✓ Review and advise the Council:
    - o If Council has robust systems to set objectives and goals to determine and deliver appropriate levels of service to the community and business performance;
    - o If appropriate reporting and monitoring mechanisms are in place to measure service delivery to the community and overall performance; and
    - o How the Council can improve its service delivery and the Council's performance of its business and functions generally.

Performance data and measurement

Revise and advise the Council:

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