



# COMMITTEE CHARTER

## AUDIT, RISK & IMPROVEMENT COMMITTEE

Date adopted by Council	29 March 2021
Minute number	C.03.6
Endorsed by	Council
CM Ref	INT-18963/22
Due for review	At the expiry of the term of the current Council
Responsible officer	Director Corporate Services



## Background

Council operates a number of advisory committees in order to access local expertise and help meet its objectives. By using community members, Council can actively work and connect with the community. The advice provided by committees is invaluable as a consultative and information mechanism.

## Purpose and Objectives

The Audit, Risk & Improvement Committee Charter sets out the role, composition, authority, responsibilities and operation for the Upper Hunter Shire Council Audit, Risk & Improvement Committee.

The objective of the Audit, Risk & Improvement Committee ('Committee') is to provide assurance and assistance to Upper Hunter Shire Council on risk management, internal control, governance and external accountability procedures.

The Committee is to receive performance measurement data relating to the implementation of the Council strategic plan, delivery program and other strategies.

In addition, the purpose and function of this Committee is to ensure that there is an adequate and effective system of internal control throughout Council and to assist in the operation and implementation of the Internal and External Audit Plans.

## Membership

### Skills and Experience

- i. The members of the Committee, taken collectively, will have a broad range of skills and experience relevant to the operation of Upper Hunter Shire Council.
- ii. 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.

Membership of the Committee is by virtue of the appointed position; no delegates of the members are permitted.

The Committee shall consist of:

- i. Members (voting)
  - 2 Councillors, and one alternate Councillor
  - Independent external member (Chair)\*
  - Independent external member\*
  - Independent external member\*

\*not a member of the current or previous Council/staff
- ii. Attendees (non-voting)
  - General Manager
  - Manager Governance & Risk



- Director Corporate Services
  - Representative of the External Auditor
- iii. Invitees (non-voting) for specific Agenda items
- Other officers may attend by invitation as requested by the Committee

### Selection of Members

The selection criteria and process for the appointment of the independent external members shall ordinarily be as follows:

- i. The Council shall seek nominations from persons interested in being appointed to the available position. All nominees who satisfy the conditions of this charter shall be eligible for appointment.
- ii. The eligible persons will be interviewed by the Council.
- iii. Following receipt of suitable reference reports, the Council may appoint the independent external member by:
  - Making a direct appointment based on merit; or
  - Determining the representative by the drawing of lots where there are suitable and complying nominations with equal merit

## Chairperson

- i. An independent external member acts as Chair of the Committee for the full term of office; i.e. for the term of Council.
- ii. In the case of resignation by the Chair, another current serving independent external member will be appointed as Chair.
- iii. In the absence of the appointed Chair, another current serving independent external member shall serve as the Chair for the period of absence of the duly nominated Chair.
- iv. Note that this role is an administrative role only with no authority to act or direct action on behalf of the Committee/ Council.

## Quorum

A quorum will consist of a majority of Committee members, including at least two independent external members.



#### Decision Making/Deliverables

- i. The Committee is expected to make decisions by consensus but if voting becomes necessary then the details of the vote are to be recorded in the minutes.
- ii. Each member of the Committee shall be entitled to one vote only. In the case of an equality of votes on any issue, the Chair shall have the casting vote.
- iii. Between meetings, the Chair may circulate to members by email specific proposals for adoption by the Committee. Members shall be given a set time – at least 5 (five) days – in which to reply to indicate their agreement with a particular proposal.
- iv. A member's failure to respond within the timeframe given shall be taken as a vote against the proposal. Any decision taken by the Committee by email is to be noted and minuted at the commencement of the next meeting.

## Roles and Responsibilities

The role of the Audit Committee is to oversight risk, compliance, external accountability and the internal control environment on behalf of Council.

- ii. The Committee is to provide information to the Council for the purpose of improving the Council's performance of its functions.
- iii. The Committee has no executive powers, except those expressly provided by the Council.
- iv. 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.
- v. The responsibilities of the Committee may be revised or expanded by Council from time to time.

Specifically, the Audit Committee's responsibilities are:

Risk Management – oversight Council's risk management arrangements and review whether or not:

- i. Council complies with relevant risk management standards.
- ii. 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.
- iii. A sound and effective approach has been followed in developing strategic risk management plans for major projects or undertakings.
- iv. A sound and effective approach has been followed in establishing business continuity planning arrangements, including if plans have been tested periodically.
- v. Review the impact of the risk management framework on its control environment and insurance arrangements.



Control Framework - review whether or not:

- i. Management has adequate and effective internal controls in place, including over external parties such as contractors and advisors.
- ii. Management has in place relevant policies and procedures, and if these are periodically reviewed and updated.
- iii. Appropriate processes are in place to assess if policies and procedures are complied with.
- iv. Appropriate policies and procedures are in place for the management and exercise of delegations.
- v. Management has taken steps to embed a culture which is committed to ethical and lawful behaviour.

External Accountability:

- i. Being satisfied that the annual financial reports comply with applicable Australian Accounting Standards and are supported by appropriate management sign-off on the statements and the adequacy of internal controls.
- ii. Reviewing the External Audit opinion, including whether or not appropriate action has been taken in response to audit recommendations and adjustments.
- iii. Considering contentious financial reporting matters in conjunction with Council's management and External Auditors.
- iv. Reviewing the processes in place designed to ensure financial information included in the annual report is consistent with the signed financial statements.
- v. Being satisfied that there are appropriate mechanisms in place to review and implement, where appropriate, relevant State Government reports and recommendations.
- vi. Satisfy itself there is a performance management framework linked to organisational objectives and outcomes

Legislative Compliance:

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



Performance Measurement:

- i. Identifying and recommending to the General Manager Council services or business processes that may benefit from review through the Committee's exercise of its functions.
- ii. Ensure, principally through the audit function, that the systems of performance measurement and reporting are adequate and robust and addressed routinely in internal audit plans.
- iii. Review and monitor the implementation of the strategic plan, delivery program & operational strategies

Internal Audit:

- i. Act as a forum for communication between the Council, the General Manager and Internal Audit.
- ii. Ensure that Internal Audit coverage and the Internal Audit Plan address the identified major risk areas of Council, and approve the plan.
- iii. Consider the adequacy of Internal Audit resources to carry out its responsibilities, including completion of the approved Internal Audit Plan.
- iv. Make recommendations to commission audits of any kind, whether to be conducted by the internal audit service provider or otherwise.
- v. 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.
- vi. Monitor the implementation of Internal Audit recommendations by management.
- vii. 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. Approve any changes to the charter and refer it to the council for adoption.
- viii. Participate in the selection of internal audit service providers, as required.
- ix. Periodically review the performance Internal Audit.

External Audit:

- i. Review the proposed audit scope and approach, with particular respect to coordination of audit effort with internal audit.
- ii. Act as a forum for communication between the Council, General Manager, senior management, Internal and External Audit.
- iii. 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.
- iv. Review all external plans and reports in respect of planned or completed external audits, and monitor management's implementation of audit recommendations.
- v. 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:

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

## Meetings

Meetings

- i. The Committee shall 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 as well as review and endorsement of the annual Internal Audit Plan.
- ii. The need for any additional meetings will be decided by the Chair, although the other Committee members may make requests to the Chair for additional meetings.
- iii. Meetings can be held in person, or by telephone.
- iv. 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.

NB: Where either Internal Audit Plan priorities change between meetings or new urgent issues arise, and where it is not possible to schedule an additional meeting, the Committee will be kept fully informed of all changes via email.

Attendance of Non-Members:

- i. The attendance of non-members is subject to invitation by the Chair.
- ii. The Internal Auditor will be invited to attend each meeting unless requested not to do so by the Chair.

## Venue

All Committee meetings will be held in the Scone Administration Building, Upper Hunter Shire Council, or remotely via audio-video technology.



## Reporting

The Committee shall report at least annually to Council.

At the first Committee meeting after 30 June each year, the Manager Governance and Risk will provide a performance report of:

- i. The performance of Internal Audit for the financial year as measured against agreed key performance indicators
- ii. 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.

## Council Resolutions and Authority

The Council authorises the Committee, within the scope of its roles 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 external auditor or other external parties (subject to confidentiality considerations).
- Request the attendance of any employee or Councillor at Audit Committee meetings.
- Obtain external legal or other professional advice considered necessary to meet its responsibilities.

## Version History

Version No.	Date	CM Ref	Reason for Review
1	<date>		New Policy