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**AUDIT, RISK & IMPROVEMENT  
COMMITTEE**

**CONSTITUTION**

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**INFORMATION ABOUT THIS DOCUMENT  
(INTERNAL USE ONLY)**

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#E2017/17073	15/03/2017	Legislative amendments as per Local Government Amendment Act (Governance and Planning) 2016 (NSW)
#E2017/17073	22/6/2017	Council adopted amended constitution as per the legislative requirements under the Local Government Amendment (Governance and Planning) Act 2016 NSW at its Ordinary Meeting 22 June 2017 (Resolution 17-233)
E2018/71315	27/08/2018	Included information regarding the Committee's responsibilities relating to fraud and corruption prevention, as per recommendation from Council's internal auditors.

***Further Document Information and Relationships***

<b>Related Legislation</b>	Section 355, Local Government Act (1993) Local Government Amendment Act (Governance and Planning) Bill 2016 – Section 428A
<b>Related Policies</b>	Code of Conduct Code of Meeting Practice Business Ethics Policy Work Health Safety Policy
<b>Related Procedures/ Protocols, Statements, documents</b>	Guide to Operations - Advisory Committees

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# Audit, Risk and Improvement Committee

## 1. Authority

This Constitution establishes the authority and responsibilities conferred on the Audit, Risk and Improvement Committee (Committee) by Council and establishes the role of the Committee within Council.

The Committee is an advisory Committee of the Council and does not have executive power or authority to implement actions however, the Committee will at times make recommendations to Council

The role of the Committee is, independently of management, to report to Council and provide appropriate advice and recommendations on matters concerning the good corporate governance of Council including performance improvement and risk management.

The Council and Committee are expected to review the Constitution at least annually. Only Council can amend the Constitution.

## 2. Objectives

The objective of the Committee is to provide professional, independent advice and assistance to Council in assessing the organisation's audit, compliance, risk and improvement performance.

The Committee assists the General Manager and Council to ensure Council maintains legal compliance and adheres to policy directions from the Office of Local Government.

The primary functions of the Committee are to ensure that:

- Business and governance systems and procedures have been established by the Executive Team and are effectively implemented;
- Appropriate risks and exposures are identified and effectively managed;
- A culture of adherence to Council policies and procedures is promoted;
- Identify and implement performance improvement measures and functions;
- Statutory compliance and fraud control is promoted and monitored;
- The audit processes (both internal and external) are effective;
- The external reporting is objective and credible;
- Monitor and review the implementation of the strategic plan, delivery program and strategies; and,
- Service reviews are conducted.

## 3. Duties and Responsibilities

The Committee's duties and responsibilities include, but are not limited to:

### 3.1. Independence

- a) Have unrestricted access to all relevant information for the conduct of audit, including documents and personnel, and have adequate resources in order to fulfil its oversight responsibilities.
- b) Have the right to seek information from the General Manager, Executive Team, elected Councillors and to consult directly with the External Auditor.

- c) External auditor to have the right of access to the Committee.
- d) Circumstances where the Committee may exclude the General Manager from a meeting while it deals with any other matter, if it considers it appropriate to do so in the circumstances of the case, as per section 376 of the Local Government Amendment Act 2016.

### **3.2. Secretariat**

Corporate and Community Services Directorate will provide Secretariat support to the Committee through undertaking tasks including ensuring the agenda for each meeting and supporting papers are circulated at least one week period to the meeting and ensuring minutes are prepared and circulated.

### **3.3. Financial reports**

- a) Review significant accounting, budget and reporting issues and understand their impact on the annual financial reports. These issues include:
  - i. Complex or unusual transactions and highly judgmental areas.
  - ii. Major issues regarding accounting principles and financial statement presentations, including any significant changes in the Council's application of accounting principles.
  - iii. Review and recommend all significant accounting policy changes and consider whether policies reflect appropriate principles and purpose.
- b) Review reports prepared by management setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial report of the Council.
- c) Review and monitor the delivery of Council's Long Term Financial Plan.
- d) Review with management and the external auditor the results of the audit, including any difficulties encountered. This review will include any restrictions on the scope of the independent auditor's activities or on access to requested information, and any significant disagreements with management.

### **3.4. Internal control**

- a) Have the right to enquire of the General Manager about significant risks or exposures and assess the policies and procedures being taken to minimise such risks.
- b) Review and consider whether management whether there are adequate controls and risk management procedures in place including over third parties such as contractors or advisors.
- c) Consider the effectiveness of the Council's internal control system, including information technology security and control.
- d) Understand the scope of the external auditors' reviews of internal control over financial reporting, and obtain reports on significant findings and recommendations together with management's responses.
- e) Investigate and report on any weakness in the method or system of control of Council procedures or practices.

- f) Consider and make recommendations on the organisations approach to embedding an approach to compliance, professional and lawful behaviour.

### **3.5. External Audit**

- a) The Committee has 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 as well as management responses.
- b) At the completion of the annual financial statements, the Committee shall meet to review the audited General Purpose Financial Report and the Audit Report before the documents are presented to Council.
- c) The Committee shall provide input and feedback on the financial statements and performance audit proposed by external auditors.
- d) Consider significant issues raised through external audit reports and monitor to ensure appropriate course of action is taken.

### **3.6. Internal Audit**

- a) The Internal Audit function shall be administered through the General Manager, however ultimate reporting responsibility is to the Audit Committee.
- b) Review and approve the Annual Internal Audit Plan. This plan should be risk based and its preparation to the Audit Committee conducted in accordance with input from the Executive Team, External Audit and Internal Audit.
- c) Monitor the progress of the Annual Internal Audit Plan and review all recommendations in audits completed and the General Manager's implementation of recommendations.
- d) Confirm that the systems, processes, operations and functions of Council are subject to internal audit evaluation, risk analysis and improvement highlighted and implemented.

### **3.7. Risk Management & Improvement**

- a) Review Council's risk profile as developed by internal auditors.
- b) The Committee is to progressively review and monitor Councils risk management framework (comprising a policy, guidelines and tools) and identify opportunity for improvement.
- c) The Committee should encourage an attitude of continuous improvement throughout all aspects of business of the organisation.
- d) The Committee, through working with the General Manager, will ensure a comprehensive risk management strategy, including the policy, is applied to manage all significant risks to the organisation.

### **3.8. Compliance**

- a) Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up of any instances of non-compliance.

- b) Review the findings of any examinations by regulatory agencies, and any auditor observations.
- c) Review the process of communicating the Council's Code of Conduct and other corruption resistance controls to personnel, and for monitoring compliance.
- d) Obtain regular updates from management and the Council's legal representatives regarding compliance matters.
- e) Consider whether management has included legal and compliance risks as part of risk assessment and management arrangements undertaken.

### **3.9. Fraud and Corruption Prevention**

Oversee Council's fraud and corruption prevention arrangements and:

- a) Review and discuss with management their philosophy with respect to business ethics and corporate conduct, including Council's Code of Conduct and the programme it has in place to promote and monitor compliance with that code.
- b) Monitor the level of and issues raised in relation to Public Interest Disclosures, customer complaints, and internal and external conduct investigations (for example by the Independent Commission Against Corruption).
- c) Review Council's assessment of the level of exposure to fraud and corruption.
- d) Receive and review management's strategies and controls to manage fraud and corruption risks.

## **4. Membership**

The Committee shall comprise six members, consisting of three councillors and three relevantly qualified external representatives.

### **4.1 Ex-officio members**

Council's General Manager and External Auditor shall be available to attend all Audit Committee meetings but are not members of the Committee and do not have voting rights.

All independent members will be appointed by Council for a term of four years.

### **4.2 Independent member skills**

Independent members must have appropriate skills and time to fulfil their role on the Committee with skills and experience in the following areas required:

- a) Financial systems, processes and reporting;
- b) Risk Management;
- c) Governance and Compliance; and
- d) Corporate management and performance.

### **4.3 Independent member appointment process**

Independent members shall be requested to nominate their services through a public invitation process. The initial evaluation of potential members will be undertaken by the General Manager, taking into account the experience of the nominees and their ability to apply appropriate analytical and strategic management skills. The General Manager will then nominate selected independent members to Council for approval.

The Chairperson shall be an external member elected by a majority vote by the members of the Committee. The Committee is required to adhere to Council's Code of Conduct and Code of Meeting Practice.

### **4.4 Obligations of members**

Members of the Committee will at all times in the discharge of their duties and responsibilities exercise honesty, objectivity and probity and not engage knowingly in acts or activities that have the potential to bring discredit to the Council.

Members must also refrain from entering into any activity that may prejudice their ability to carry out their duties and responsibilities objectively and must at all times act in a proper and prudent manner in the use of information acquired in the course of their duties. Members must not use Council information for any personal gain for themselves or their immediate families or any manner that would be contrary to law or detrimental to the welfare of the Council.

Further, members must not publicly comment on matters relative to activities of the Committee other than as authorised by Council.

## **5 Powers**

- a) The Committee can propose and/or request that the General Manager conduct investigations into any matters within the Committee's scope of responsibilities.
- b) The Committee may invite ex-officio members, members of the Executive Team, other Council personnel or external parties to attend any meeting and provide pertinent information within the Committee's scope of responsibilities.
- c) The Committee has no line responsibilities for the audit function, except for the Chairperson of the Committee liaising with the General Manager on the establishment of the meeting agenda or discussion on sensitive matters and issues contained in Internal Audit Reports to the Committee.

## **6 Reporting**

- a) The reports of meetings (Minutes) are to be circulated to members of the group within 7 days of the meeting so that members can provide feedback through the Chair on the draft unconfirmed minutes.
- b) Subject to section a) above, the Minutes, recommendations and a status update on the recommendations will be reported to the next Council meeting.
- c) The Committee can at any time consider any other matter it deems of sufficient importance to do so.



## **7 Meetings**

- a) The Committee will meet at least four times per year or more frequently as circumstances require. Matters that must be discussed at a meeting include:
  - i. Review and recommendation of the Annual Internal and External Audit Plan;
  - ii. Review the Annual General Purpose and Special Purpose Financial Reports;
  - iii. Review and assess Internal Audit Progress Reports;
  - iv. Review and assess External Audit management letters;
  - v. Review and monitor Councils Risk Management Framework; and
  - vi. Any other matters within the responsibility of the Committee.
- b) The Chairperson may call a meeting if requested to do so by the General Manager, Committee member, the Internal or the External Auditor.
- c) Minutes will be taken at these meetings, detailing matters discussed and action agreed.
- d) A quorum shall be four Committee members.
- e) If the Chairperson is absent from a meeting, the first business of the meeting will be to elect a Chairperson for that meeting from the independent members present.

## **8 Meeting agenda**

- a) It is the responsibility of the Chairperson of the Committee to set the Committee meeting agenda. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials.
- b) Agenda items for consideration at a Committee meeting can be referred to the Chairperson of the Committee by Council, the General Manager, Committee members, the Internal or External Auditor.

## **9 Assessing Performance**

The Committee shall be subject to a review annually. The review shall be conducted by Council and the General Manager. The conduct of the assessment will be undertaken in accordance with the criteria determined by Council.

## **10 Privacy, Conflict of interest & Code of Conduct**

- a) Committee members must declare any conflict of interest at the start of each meeting or before discussion of a relevant agenda item.
- b) The Committee will comply with Council policies 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 approval of the Committee.
- c) Committee members will act in accordance with Council's Code of Conduct at all times during their appointment to the Committee.