

Item 7: Office of the General Manager

7.1 Audit Risk and Improvement Committee Charter and Committee Members

REPORT BY THE EXECUTIVE MANAGER, PEOPLE AND PERFORMANCE
TO 16 FEBRUARY 2022 ORDINARY MEETING
GOV400098, COR400236

RECOMMENDATION

That Council:

1. **receive the report by the Executive Manager, People and Performance on the Audit Risk and Improvement Committee Charter and Committee Members;**
2. **adopt the amended Audit, Risk and Improvement Committee Charter;**
3. **elect the Council representative to the Audit, Risk and Improvement Committee;**
4. **appoint the alternate Council representative to the Audit, Risk and Improvement Committee; and**
5. **re-appoint John Stuart and John Bentley as the two Independent Committee members to the Audit, Risk and Improvement Committee.**

Executive summary

In accordance with Section 428A of the Local Government Act, a council must appoint an Audit, Risk and Improvement Committee (ARIC) by June 2022. Council's current ARIC Charter requires that the Councillors and independent members will be appointed for the term of the Council and independent members will be eligible for re-appointment.

Disclosure of Interest

Nil

Detailed report

In accordance with Section 428A of the Local Government Act, a council must appoint an Audit, Risk and Improvement Committee by June 2022.

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.

In September 2018 Council adopted an Audit, Risk and Improvement Committee Charter and consequently appointed Council representatives to the Committee. Following an Expression of Interest in October 2018, Council appointed two independent members to the Committee John Bentley and John Stuart, who met the selection criteria and have a broad range of skills and management experience relevant to the Committee and also have a strong local knowledge of the region and Council's operations and services.

The Charter states:

- The Committee shall be appointed for the term of Council within nine calendar months of the Council taking office after an election.
- Council may also dissolve or amend the Committee in anyway by adopting a resolution at any time.

In relation to the term of office of Committee members the ARIC Charter states:

- Councillors and independent members will be appointed for the term of the Council (usually 4 years).
- Independent members will be eligible for re-appointment.

The Charter is due for renewal and attached to this report is an amended Charter with minor changes to reflect changes to position titles.

In August 2021, the NSW Office of Local Government, Department of Planning, Industry and Environment released guidelines for *Risk Management and Internal Audit for Local Councils in NSW*. Councils are required under the Local Government Regulation to comply with these Guidelines when establishing their Audit, Risk and Improvement Committees, Risk Management Framework and Internal Audit functions.

Following the appointment of ARIC by June 2022, Councils will have two years, until June 2024, to comply with the risk management and internal audit requirements under the guidelines and five years to comply with the Audit, Risk and Improvement Committee requirements.

The recommendation to reappoint the independent members to the Committee will ensure that the Committee is able to meet its current meeting schedule and will ensure continuity for the reduced term of the Committee as a result of the shorter Council term. During the next Committee term, Council will work with the Committee to implement any necessary changes required under the guidelines within the prescribed timeframes.

Community Plan implications

Theme	Good Governance
Goal	An effective and efficient organisation
Strategy	Prudently manage risks association with all Council activities

Strategic implications

Council Strategies

The recommendations are supported by Council's Community Plan and Delivery Program that includes strategies to ensure that Council is providing accountable and transparent decision making for the community; pursuing excellence in service delivery; prudently managing risks associated with all Council activities and pursuing efficiencies and ongoing business improvement.

Council Policies

Internal Audit Policy
Audit, Risk and Improvement Committee Charter
Enterprise Risk Management Policy

Legislation

Local Government Act 1993

Financial implications

Council has approved budget in the Operational Plan to fund the activities of the Audit, Risk and Improvement Committee.

Associated Risks

If Council operates without an Audit, Risk and Improvement Committee then it will be in breach of the Local Government Act and there is a greater chance that Council will not have an appropriate level of assurance that internal controls are working effectively to mitigate fraud and other risks throughout the organisation.

MICHELE GEORGE
EXECUTIVE MANAGER, PEOPLE AND
PERFORMANCE

20 January 2022

Attachments: 1. Updated Audit, Risk and Improvement Committee Charter - 2022.

APPROVED FOR SUBMISSION:

BRAD CAM
GENERAL MANAGER



CHARTER

Audit, Risk and Improvement Committee

*A prosperous
and progressive
community*

ADOPTED	REFERENCE/VERSION NO
EMFCOUNCIL MEETING MIN:	REVIEW DATE SEPTEMBER
DATE ADOPTED: 19 SEPTEMBER	FILE NUMBER GOV400066COR400236

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Purpose

The Audit, Risk and Improvement Committee (ARIC) is established to provide the elected Council with advisory assurance in respect of Mid-Western Regional Council's risk profile, management controls and compliance frameworks.

Membership

Voting Members

- One Councillor elected by the Council. All other Councillors are welcome to attend as observers with no voting rights unless appointed as an alternate voting member.
- Two independent members appointed by Council.

Attendees (Non-voting)

- General Manager
 - Executive Manager ~~Human Resources~~ People and Performance
 - ~~Manager Governance~~ Director Community
 - Chief Financial Officer
 - Internal Auditor
 - NSW Audit Office and External Auditor
 - Other officers of Council may attend by invitation as requested by the Committee
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- Councillors and independent members will be appointed for the term of the Council (usually 4 years).
 - Independent members will be eligible for re-appointment.
 - Council will also appoint an alternate Councillor member to the Committee who will act as a stand-in as required.
 - Other ~~councillors~~ Councillors are encouraged by way of open invitation to attend the Committee meetings as observers (non-voting).
 - The Chair of the Committee will be an independent member and be elected by the Committee for a two year term.
 - A Deputy Chairperson will be an independent member and be elected by the committee.
 - Where the Committee is unable to decide who the Chair is to be then the decision will be made by Council.
 - The members of the Committee, taken collectively, will have a broad range of skills and experience relevant to the operations of 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.

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Role of the Committee

The Committee has no delegated powers, except those expressly provided by Council.

The Committee shall:

- Report to Council and provide appropriate advice and recommendations on matters relevant to this Charter.
- Assist Council by 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.
- Specifically the **AIRC-ARIC** should advise the Council on the following matters:
 - Effectiveness of Council's Enterprise Risk Management Framework in terms of identifying and managing Council's financial and business risks.
 - Effectiveness of key controls including policy, procedure and governance processes.
 - Legislative compliance by the organisation.
 - Effectiveness of external accountability mechanisms.
- At all times recognise that the primary responsibility for the management of Council rests with the Council and the General Manager as defined by the Local Government Act.
- Assist Council 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.
- Promote continuous improvement across business processes with a focus on efficiencies and savings.
- The focus of the Committee should only be on matters of significance and materiality.

Responsibilities of the Committee

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.
- Make recommendations on the appointment or removal of the internal auditor.
- Provide strategic advice and guidance to Council **to** identifying, recommending and supporting initiatives that will provide cost savings to Council.
- Co-operatively **engaging-engage** with other relevant bodies to further promote

CHARTER: ~~AUDIT, RISK AND IMPROVEMENT COMMITTEE~~AUDIT, RISK AND IMPROVEMENT COMMITTEE

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efficiencies and continuous improvement across Mid-Western Regional Council.

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 by external audit and the external audit services provided.
- Consider significant issues raised in relevant external audit reports and provide independent advice on appropriate action to be taken.

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,

Members of the committee are encouraged to undertake all relevant training as identified.

Meeting Frequency

- The ARIC will 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.
- The need for any additional meetings will be decided by the Chair of the Committee. Reasons could include:
 - Requirements by the NSW Audit Office
 - 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.

Independence and Access

- The Committee is to liaise closely with senior management and Internal and External Auditors to carry out its responsibilities. Whilst the primary responsibility for financial and other reporting, internal control and compliance with laws, regulations and ethics within Council rests with the General Manager, the Committee will assist the General Manager through its monitoring and review role.
- The Committee will have, subject to the requirements of the Act, access to relevant information associated with its responsibilities.
- Members of the Committee are encouraged to proactively discuss relevant issues with the General Manager, the External Auditor and/or the Internal Auditor as they arise from time to time.
- The full Committee will meet separately with the External Auditor on at least one

occasion each financial year.

Reporting

- 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 Plans
 - 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.

Meeting Practice

The ARIC Committee will establish its own meeting practice ensuring meetings are conducted in accordance with the Local Government Act, comply with Council's Policies but are conducive to open debate.

Attendance and Quorum

A quorum will consist of a majority of Committee members. Meetings can be held in person, by telephone or by video conference.

Voting

As the Committee has an advisory role, its recommendations are made by consensus and no recommendation is deemed to be a decision of Council, unless the matter is referred to the Council for determination. If consensus is not achieved and if required, the matter shall be referred to Council for determination.

Chairperson Role

- The Chairperson shall be an Independent Member
- Should the elected Chairperson be absent, the Deputy Chair shall be the Chairperson
- The agenda will be set by the Chairperson in consultation with the General Manager. Items shall be submitted to the nominated secretary 14 days before the next scheduled meeting date.
- If a Committee member wishes to raise an urgent/late item that is not on the agenda, the Chairperson shall determine the appropriate manner for dealing with the matter in accordance with Council's adopted Code of Meeting Practice.

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Administrative Support and Facilitator

Council will ensure appropriate administrative support is available to the Committee. A Facilitator shall be appointed by the General Manager who is responsible for coordinating the preparation of agendas, invitations and minutes of the Committee.

Agenda

The Agenda shall be set by the Chair of the Committee in consultation with the General Manager and will be sent to each member at least one week before each meeting of the Committee, specifying the time and place at which and the date on which the meeting is to be held and the business proposed to be transacted at the meeting.

Minutes

- Minutes of all ordinary/extraordinary Committee meetings will be kept in the Council's Electronic Documents Management System.
- The Facilitator is responsible for recording the minutes, which shall contain:
 - Description of the meeting (i.e. name of Committee, ordinary meeting, etc.), date, time and venue at which the meeting was held.
 - A list of persons present.
 - Notification of endorsement of minutes from previous the meeting.
 - Whether there was business arising from the minutes.
 - Notation of reports or correspondence.
 - Items of general business.
 - Time meeting closed, date and venue for next meeting.
- All minutes must be approved by the Chairperson in consultation with the General Manager and distributed to all members.

Procedure for Changing the Charter

The Charter can only be changed by Council resolution at any time.

The following procedures shall apply for the Committee to propose an amendment of the Charter to Council.

- a) Proposed changes to the Charter shall be submitted to the Committee Facilitator at least 21 days before any Committee meeting so that notice may be given to all members at least 14 days in advance of any meeting.
- b) Proposed changes will require a majority vote of the Committee membership.
- c) Amendments to the Charter will only be effective after a resolution of approval by the Council.

Term of Office

- The Committee shall be appointed for the term of Council within nine calendar months of the Council taking office after an election.
- Council may also dissolve or amend the Committee in anyway by adopting a resolution at any time.

Conflicts of Interest

Committee members must declare any conflict of interest and take appropriate action in accordance with the Code of Conduct at the start of each meeting or before discussion of the relevant agenda item or topic. Details of any conflicts of interest should be appropriately minuted.

Independent members are deemed to be designated persons under Section 441 of The Act and will be required to complete a pecuniary interest return in accordance with Section 449 of the Act.

Induction and Training

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

Vacancy

If for any reason a vacancy in the Committee membership occurs, the position shall be filled by appointment by Council.

Performance

The Chair of the Committee, in consultation with the Mayor and General Manager, will initiate a review of the performance of the Committee every four years.

Confidentiality

Independent members will be required to sign a Declaration of Confidentiality.

Review of the Charter

- This Charter shall be reviewed every four years by Council to ensure it remains current, professional and meets legislative requirements.
- Any Proposed amendments to the Charter can only be implemented following the

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approval by Council.