

Audit Risk and Improvement Committee

Terms of Reference

Record No: 17/13884

Version No: 6



Table of Contents

Federation Council Audit Risk and Improvement Committee	4
Terms of Reference	4
Adopted by Federation Council on 28/06/2022	4
1. Committee objective	4
2. Background.....	4
3. Independence.....	5
4. Definitions	5
5. Authority	5
6. Composition and Tenure	6
6.1 Members (voting).....	7
6.2 Attendees (non-voting)	7
6.3 Invitees (non-voting) for specific Agenda items	7
7. Role.....	7
8. Responsibilities of members	8
8.1 Independent members	8
8.2 Councillor member.....	8
8.3 Conduct	9
8.4 Conflicts of interest.....	9
8.5 Standards	9
9. Work Plans.....	9
10. Assurance reporting	10
11. Administrative Arrangements	10
11.1 Meetings (Frequency, Attendance, & Quorum)	10
11.2 Dispute resolution.....	11
11.3 Secretariat.....	12
11.4 Resignation and dismissal of members.....	12
12. Review arrangements.....	12

12.1	Review of Audit Risk and Improvement Committee.....	12
12.2	Review of Committee Terms of Reference	12
12.3	Biennial Review of Internal Auditors	13
13.	Measuring success.....	13
14.	Induction of new members	13
15.	Register of Audit Risk and Improvement Committee Members	14
15.1	Independent Members	14
15.2	Council Representatives.....	14
16.	Schedule of Changes & Amendments	14
	Attachment A: Schedule of Responsibilities for the 'Audit Risk and Improvement Committee' (The Committee)...	16

Federation Council Audit Risk and Improvement Committee

Terms of Reference

Adopted by Federation Council on 28/06/2022

Federation Council has established an audit, risk and improvement committee in compliance with section 428A of the *Local Government Act 1993* and the *Local Government (General) Regulation 2021*. These terms of reference set out the Committee's objectives, authority, composition and tenure, roles and responsibilities, reporting and administrative arrangements.

1. Committee objective

The objective of Federation Council's audit, risk and improvement committee is to provide independent assurance to Federation Council by monitoring, reviewing and providing advice about the Council's governance processes, compliance, risk management and control frameworks, external accountability obligations and overall performance.

2. Background

Federation Council held its first Internal Audit (Audit Risk and Improvement Committee) on 7 September 2017 with an independent internal auditor being appointed for a period of three years until May 2020.

The inaugural Councillor delegates (Cr. Miegel and Cr. Wales) were endorsed on 19 December 2017.

Council elections scheduled for September 2020 were postponed until 4 December 2021 with new Cr Representatives elected for the next 12 months following their swearing in on 23 December 2021.

Independent Committee members were appointed in 2017. Due to Covid 19 and delayed Council elections, and following a review of the independent members performances, their terms have been extended by agreement until 2022.

The maximum (8 year) term for each of the independent members will expire in August 2025.

Following advice from the Office of Local Government (OLG) that the draft Guidelines for the Risk Management and Internal Audit for Local Government in NSW have been approved, a proposal has been put to Council to further extend these terms to meet the new requirement to have a third independent member as of 1 July 2024 and enable adequate transfer of knowledge and experience.

The proposed terms are that

- an extension be offered to the current Chair of the ARIC Committee until 31 August 2025,
- an extension to be offered to the 2nd independent member until 30 June 2024 (they will be ineligible as at 30 June 2024).
- an additional member to be appointed in 2023, and
- a replacement 2nd independent member be appointed to commence from July 2024.

A new Internal Auditor was appointed in February 2021 until 30 June 2024 following an EOI process.

3. 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 have an advisory and assurance role only and is to exercise no administrative function, delegated financial responsibilities or any management functions of the Council. The Committee will provide independent advice to Council that is informed by the internal audit and risk management activities and information and information and advice provided by Council staff, relevant external bodies 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 the general manager on matters affecting the performance of the internal audit function.

4. Definitions

Audit Risk and Improvement Committee – Membership consists of a minimum of two independent external members and one Councillor providing oversight and monitoring of the Council's audit **processes**, including the Council's internal control **activities**. This oversight includes internal and external reporting, risk management activities, internal and external audit, and compliance.

The appointment of an Audit Risk and Improvement Committee facilitates this by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes in line with the Office of Local Government Internal Audit Guidelines and Part 4A of the Local Government Amendment (Governance and Planning) Act 2016.

Chief Audit Executive - The Director Corporate and Community Services is appointed as Chief Audit Executive at Federation Council as defined in The International Standards for the Professional Practice of Internal Auditing (Standards) issued by the Institute of Internal Auditors.

Internal Audit – An independent, objective assurance and consulting activity providing independent assurance over the **internal controls and risk management framework** of the Council. Federation Council has engaged an independent Accountancy firm to carry out its Internal Audit function.

External Audit – Statutory function that provides an opinion on the Council's annual financial reports, as required under Divisions 2 and 3 of the *Local Government Act 1993* to Council and its external stakeholders.

Enterprise Risk Management - Internal audit will identify and evaluate the effectiveness of Council's risk management system and contribute to the improvement of risk management and control systems. The annual Internal Audit plan is developed after consideration of the Council's risk registers and those areas that are high risk to the organisation.

5. 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 resources it needs
- 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
- request the attendance of any employee at committee meetings, and
- obtain external legal or other professional advice in line with Council's procurement policy and delegated authority.

Information and documents pertaining to the Committee are confidential 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.

6. Composition and Tenure

Federation Council's ARIC currently comprises two independent voting members inclusive of the Chair and one voting Councillor member.

The governing body is to appoint the chair and members of the committee. Current committee members are:

Linda MacRae	Independent Chair (voting)
Peter McLean	Independent member (voting)
Cr. Rowena Black	Councillor member (voting)

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 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.

The terms and conditions of each member's appointment to the committee are to be set out 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 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 or a committee member is also to be subject to that person still meeting the 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 the Council's annual financial statements.

6.1 Members (voting)

The governing body is to appoint the Chair and members of the Committee. The Chair is counted as one member of the Committee.

- One Councillor representative formally appointed by Council to coincide with the Mayoral election (an alternate Councillor Representative may be nominated but only attends when necessary due to absence).
- A minimum of two independent external members, one of which is elected as chairperson (skills based appointments).

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

6.2 Attendees (non-voting)

In addition to the members of the Committee, the following attendees are requested to attend all Committee meetings:

- General Manager
- Chief Audit Executive – Director Corporate & Community Services

6.3 Invitees (non-voting) for specific Agenda items

The following are invited to attend Committee meetings:

- Governance Officer
- Senior Executive staff (Manex)
- Representatives of the external auditor
- Representatives of the internal auditor
- Other officers/managers may attend by invitation as requested by the Committee
- External Members appointments may be extended by the Council for no more than eight years consecutively

7. Role

As required under 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 these Terms of Reference. This Schedule is to be reviewed annually, and forms the basis of an 'Annual Work Plan' for the Committee'.

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 has no power to direct external audit or the it is planned and 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 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 and 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.

8. Responsibilities of members

8.1 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 government 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 interests 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).

8.2 Councillor member

To preserve the independence of the Committee, the Councillor member of the Committees 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 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.

8.3 Conduct

Independent committee members are required to comply with the Council's code of conduct.

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

8.4 Conflicts of interest

Once a year, Committee members must provide written declarations to the Council stating that they do not have any conflicts of interest that would preclude them from being members of the Committee.

Independent committee members are 'designated persons' and must also complete and submit returns of interest for the purposes of the Councils Code of Conduct and must also complete and submit returns of their interests.

Committee members and observers must declare any pecuniary or non-pecuniary conflicts of interest that may have in a matter being considered at the meeting at the start of each meeting or as soon as they become aware of the conflict of interest.

Where a committee member or observer declares a pecuniary or a significant non-pecuniary conflict of interest, they must remove themselves from Committee deliberations on the issue. Details of any conflicts of interest must be appropriately minuted.

8.5 Standards

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 current Australian risk management standard ISO 31000, where applicable.

9. Work Plans

The work of the Committee is to be thoroughly planned and executed. The Committee must develop a strategic plan every four years to ensure that the matters listed in Schedule 1 are reviewed by the Committee and considered

by the internal audit function when developing their risk-based program of internal audits. The strategic plan must be reviewed at least annually to ensure it remains appropriate.

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

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

The Committee may, in consultation with the governing body, vary the annual work plan 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 annual work plan. Any decision to vary the annual work plan must be made by the Committee.

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 work plan.

10. Assurance reporting

The Committee must regularly report to the Council to ensure that it 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 general manager of its activities with minutes being submitted after every Committee meeting.

The Chair of the Audit Risk and Improvement Committee will report annually to a Council meeting on the work of the Committee.

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 of Council. 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.

11. Administrative Arrangements

11.1 Meetings (Frequency, Attendance, & Quorum)

The Audit Risk and Improvement Committee will meet at least four times per year, including a special meeting to include review and endorsement of the annual audited financial reports and external audit opinion.

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.

The committee can hold closed meetings whenever it needs to discuss confidential or sensitive issues with only voting members of the committee present.

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 voting Committee members, including at least one independent member. 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 Chief Audit Executive should attend committee meetings as non-voting observers. The external auditor and internal auditor (or their representatives) are to be invited to each committee meeting as an independent observer.

The Chair can request the Council's Chief Finance Officer or equivalent, head of risk management function or equivalent, senior managers or equivalent, any councillors, any employee/contractor of the Council and any subject matter expert to attend committee meetings. Where requested to attend a meeting, persons 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 head of the internal audit function is required to confirm at least annually to the audit, risk and improvement committee the independence of internal audit activities from the council.

The head of the internal audit function can meet with the Chair at any time, as necessary, between Committee meetings

The Committee must meet separately with both the internal auditor and the Council's external auditor at least once per year.

The Committee can raise any concerns it has that may arise between meetings with the governing body via an additional report where needed. The Chair can also request to meet with the mayor.

11.2 Dispute resolution

Members of the Committee and the 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.

Unresolved disputes regarding compliance with statutory or other requirements are to be referred to the Departmental Chief Executive in writing.

11.3 Secretariat

The **general manager** will nominate a **staff member** 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 one week before the meeting and ensure that minutes of meetings are prepared and maintained. Minutes must be approved by the Chair and circulated within 3 weeks of the meeting to each member.

11.4 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 a minimum of 3 months' notice where possible, to the Chair and governing body prior to their resignation to enable the Council to ensure a smooth transition to a new committee member.

The governing body can, by resolution, terminate the appointment of any Chair or an independent committee member before the expiry of their term where that person has:

- breached the Council's Code of Conduct
- performed unsatisfactorily or not to expectations
- declared, or is found to be in, a position of a conflict of interest which is unresolvable
- been declared bankrupt or found to be insolvent
- experienced an adverse change in business status
- been charged with a serious criminal offence
- been proven to be in a serious breach of their obligations under any legislation, or
- experienced an adverse change in capacity or capability

The position of a councillor member on the Committee can be terminated at any time by the governing body via resolution.

12. Review arrangements

The Chief Audit Executive is to establish a quality assurance and improvement program which includes ongoing monitoring and periodic self-assessments, an annual review and strategic external review at least once each Council term. This is in transition and is required to be **fully implemented by 2024**.

12.1 Review of Audit Risk and Improvement Committee

The Chief Audit Executive will initiate a review of the performance of the Committee at least once every two years. The review will be conducted on a self-assessment basis with appropriate input from management and any other relevant stakeholders.

12.2 Review of Committee Terms of Reference

At least once every four years the Audit Committee will review the ARIC Terms of Reference, unless changes in legislation or Council Policy deem an earlier review is considered necessary.

Council agrees not to approve changes to these Terms of Reference without prior consideration by the Committee.

12.3 Biennial Review of Internal Auditors

The Head of the Internal Audit will initiate a review of the performance of the Internal Auditors at least once every two years. The review will be conducted with appropriate input from management and any other relevant stakeholders. Feedback will be sought from key stakeholders following each internal audit.

13. Measuring success

The purpose of the ARIC is to provide independent assurance to Federation Council by monitoring, reviewing and providing advice about the Council's governance processes, compliance, risk management and control frameworks, external accountability obligations and overall performance.

In order for the Committee to function effectively it is required to carry out activities as required by the Local Government Act and Guidelines and as outlined on the Annual Workplan.

Further to this, the performance of the internal auditors and the committee is assessed at least once every two years.

Further measures have been defined by the committee that will be considered when measuring overall success of the IA function. These relate to good governance, transparency and meeting Councils code of conduct.

The committee has defined success as:

- Committee is compliant with the Guidelines for Risk Management and Internal Audit for Local Government when these are assented and included in *Local Government (General Regulation 2021)*
- Minimum 4 meetings conducted each year including one to review the financial statements
- Workplan activities completed.
- Independent members inducted and committee composition upheld.
- Conflicts of interest are called for and submitted as required.
- Annual disclosures are received annually from independent members.
- Agenda items reflect Committee objective and core activities outlined in workplan.
- Agenda and attachments are circulated within 7 days of meeting date.
- Meeting times/duration is adhered to.
- Draft minutes are circulated to the committee members within 7 days of meeting.
- Minutes are submitted to Council and placed on Council's website once endorsed.
- Disputes are resolved by the governing body of Council as required.

14. Induction of new members

Council will provide a period of induction for new Committee members to include:

- the committee's role, responsibilities and terms of reference
- the business, operations, culture, risks and controls of the Council, and
- the expectations of the Council about their responsibilities and performance.

15. Register of Audit Risk and Improvement Committee Members

15.1 Independent Members

Committee Member	Appointment	Resigned / Term expired	Review date	Date re-appointed	Date re-appointed
Linda MacRae (Chairperson)	01/09/2017		June 2022	December 2020	May 2023
Peter McLean	01/09/2017		June 2022	December 2020	May 2023

15.2 Council Representatives

Committee Member	Appointment	Resigned / Term expired	Review date	Date re-appointed
Cr Rowena Black	23/12/2021 Res 437/21FC		September 2022	
Cr David Longley	23/12/2021 Res 437/21FC		September 2022	
Cr Paul Miegel	19/12/2017 Res 228/17	November 2021	December 2021	
Cr Norm Wales	19/12/2017 Res 228/17	November 2021	December 2021	

16. Schedule of Changes & Amendments

Version	Date	Changes/Amendment
Version 1	21/06/2016	Development of document for Federation Council 16/21973
	15/03/2017	Updated with new logo
	07/06/2017	New policy template applied. Revised committee composition and membership to include Director of Finance and removal of Internal auditor as member and added as an advisory role.
Version 2	29/06/2017	Adopted by Council
	29/1/2018	Updated with Councillor representatives ref 13.2
Version 3	22/02/2019	Updated with additional information on responsibilities of the committee, timing of councillor appointment to coincide with Mayoral election, external member appointments may be up to 3 consecutive terms and inclusion of status of the internal and external audits and any prior work achieved or outstanding being provided to new members of the committee. Addition of Schedule of Responsibilities for the Committee (Attachment A) Change name from "Charter" to "Terms of Reference"
	21/05/2019	Adopted by Council
Version 3.1	05/06/2019	Removed reference to CFO Section 5.2 as this position no longer exists. Replaced with Senior Executive staff and Governance Officer Added recommendations from Audit Office draft recommendation report for 30 June 2019 to Schedule of Responsibilities
Version 4	20/10/2020	Clarified reporting and evaluation requirements in line with proposed changes to the LGA and implementation of Risk Management and Internal Audit Framework for Local Councils in NSW. Terminology updated to reflect that used in Internal Audit Framework. Amended review period to once every two years to coincide with Internal Audit Framework requirement to support alignment with model by Dec 22 Amended review of Committee and review of Internal Auditor to once every two years from annually. Alignment with provisions of new framework to identify transitioning arrangements and timelines for components not yet implemented.

Version 5	28/06/2022	Amended Councillor representatives following Council election, swearing in of candidates and nominations to committees. Amended back to ARIC Terms of Reference from Charter and replicating headings to enable easier referencing for future updates and compliance with minimum requirements. Internal Audit Charter to be updated as separate document. As requirements as part of new Guidelines. Aligned Schedule of Responsibilities and annual meeting plan. Included resignation/termination dates of members in Section 14.1 & 14.2. Changes endorsed by ARIC in May 2022 and by Council in June 2022.
Version 6	16/06/2023	Review by Committee conducted. Included section on measures and updated to reflect Model Terms of reference more closely. Amended review period to once every 4 years. Still requires endorsement by Council resolution once every Council term. Inclusion of the ability for the Committee to hold closed meetings whenever it needs to discuss confidential or sensitive issues with only voting members of the Committee present.

Attachment A: Schedule of Responsibilities for the 'Audit Risk and Improvement Committee' (The Committee)

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 audit and other assurance and review functions
- 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 work plan and annual work plan of internal audits to be undertaken by the Council's internal audit function
 - o if the Council's internal audit activities are effective, including the performance of the head of the 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 the 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 statement 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

→ 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 the 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 the 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 the Council's approach to maintaining an effective internal audit framework, including over external parties such as contractors and advisors, is sound and effective

→ whether the 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 the Council is complying with accounting standards and external accountability requirements
- of the appropriateness of the Council's accounting policies and disclosures
- of the implications for the Council of the findings of external audits and performance audits and the Council's responses 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
 - o appropriate management signoff on the statements
- if effective processes are in place to ensure financial information included in the Council's annual 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
- if the Council's grants and tied funding policies and procedures are sound.

Governance

Review and advise the [Council](#) regarding its governance framework, including the [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 and 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 (for example, NSW government agencies, Commonwealth government agencies, insurance bodies)

→ Review and advise the Council:

- o If the 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

Review and advise the Council:

→ if the Council has a robust system to determine appropriate performance indicators to measure the achievement of its strategic objectives

→ if the performance indicators the Council uses are effective, and

→ of the adequacy of performance data collection and reporting.

NOTE: This is a controlled document. If you are reading a printed copy please check that you have the latest version by checking it on Councils Electronic Document system. Printed or downloaded versions of this document are uncontrolled.