



# Audit, Risk & Improvement

## Committee Charter



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## 1. Purpose

The Bega Valley Audit, Risk and Improvement Committee (The Committee) has been established to promote good corporate governance at Bega Valley Shire as required under the Local Government Amendment Act (Part 4A Internal Audit sub Section 428A). Specifically the Committee will keep under review the following aspects of Council's operations:

- (a) Compliance - refer sections 3.1, 3.3(a), 3.4(a), 3.4(b).
- (b) Risk management - refer sections 3.1(a), 3.1(b) & 3.1 (c).
- (c) Fraud control - refer section 3.1(b).
- (d) Financial management - refer section 3.3(a), 3.6(b).
- (e) Governance - refer section 3.1, 3.2.
- (f) Implementation of the strategic plan, delivery program and strategies- refer section 3.7(a).
- (g) Service reviews- refer section 3.7(c)
- (h) Collection of performance measurement data by the council - refer section 3.7(b).
- (i) Any other matters prescribed by the regulations.

Good corporate governance of Council ensures that the people of the Bega Valley receive the local government services that they need in an effective and efficient manner, delivered with honesty and integrity. The focus of the Committee is to assist Council to improve performance and assist assurance over Council's internal control, financial, risk management and performance improvement activities, which are important elements of good governance.

## 2. Authority

The Committee is an Advisory Committee of Council established by resolution of Council, and will, at times, make recommendations that should be considered by the General Manager and/or the full Council.

## 3. Function of the Committee

The Committee assists the General Manager and the Council to carry out their responsibilities in the areas of audit, risk and organisational improvement. The Committee will maintain professional independence when assessing the organisation's performance in relation to audit, risk and improvement. The role of the Committee is to help assure risk management, compliance, governance, external accountability and the internal control systems in support of Council. The Committee has no executive powers, except those expressly provided by Council and in carrying out its responsibilities, the Committee must at all times recognise that the primary responsibility for management of Council rests with Council and the General Manager as defined by the Local Government Act.

The primary responsibility for financial and other reporting, for internal controls, for compliance with laws, for ethical behaviour, and for risk management rests with the General Manager. The elected Council has the responsibility for oversight of the functions of the General Manager in relation to these activities. The General Manager will ensure that adequate resources are available to allow for the proper functioning of the Committee, including provision of a Committee Support Officer for administrative support.

The following sections outline the specific responsibilities and functions of the Committee:

**3.1 Governance oversight on Council's risk management arrangements**

- a) Council arrangements are consistent with AS/NZS ISO 31000 Risk Management, Principles and guidelines, and any other relevant risk management standards.
- b) Management has effectively implemented a fit for purpose risk management framework, as well as associated procedures for effective assessment and management of business and financial risks, including fraud.
- c) A sound and effective approach has been followed in developing strategic risk management plans for major projects or undertakings.
- d) A sound and effective approach has been followed in establishing business continuity planning arrangements, including whether or not plans have been tested periodically.

**3.2 Governance oversight on Council's control systems**

- a) Management has taken steps to embed a culture which is committed to achieving efficient and effective operations with ethical and lawful behaviour.
- b) Management has adequate and effective internal controls in place, including over external parties such as contractors and advisors.
- c) Management has in place relevant policies and procedures, and if these are periodically reviewed and updated.
- d) Appropriate processes are in place to assess compliance with policies and procedures.
- e) Appropriate policies and procedures are in place for the management and exercise of delegations.

**3.3 Review external accountability**

- a) Procedures are in place to ensure that council's financial statements comply with Australian accounting standards.
- b) Review the procedures in place to ensure that a satisfactory outcome is achieved in respect of compliance coverage of internal controls.
- c) Appropriate action has been taken in response to audit recommendations and adjustments.
- d) The processes in place designed to ensure financial information is provided on a timely basis and to be included in the annual report is consistent with the signed financial statements.
- e) There are appropriate mechanisms in place to review and implement, where appropriate, relevant State Government Audit Office reports and recommendations.

**3.4 Review compliance**

- a) Management has appropriate mechanisms for managing legal and compliance risks as part of risk assessment and management arrangements.
- b) The system for monitoring compliance with relevant laws, regulations and associated government policies is effective.

**3.5 Internal Audit**

- a) Act as a forum for communication between Council, General Manager, Senior Management, as well as the Internal and External Audit functions.
- b) Review and endorse the Internal Audit Program as developed by Internal Audit, including consideration of risk management issues.
- c) Monitor the resources of the Internal Audit function and make recommendations to the General Manager to ensure that the Internal Audit function is sufficiently and appropriately resourced.
- d) Support the independence of the Internal Audit function.

- e) Make recommendations for the inclusion and/ or prioritising of projects in the Internal Audit Plan/s.
- f) Make recommendations to commission audits of any kind.
- g) 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.
- h) Monitor the acceptance and implementation of Internal Audit recommendations by management.
- i) Review the performance of the Internal Audit on an annual basis.
- j) Endorse and periodically review the Audit, Risk and Improvement Charter to ensure appropriate organisational structures, authority, access and reporting arrangements are in place.

### **3.6 External Audit**

- a) Act as a forum for communication between the Council, General Manager and senior management with both the Internal and External Audit functions.
- b) Provide input and feedback on the financial statements and performance audit coverage proposed by the External Auditor, and feedback on the External Audit services provided.
- c) Review all external plans and reports in respect of planned or completed external audits, and monitor management's implementation of audit recommendations.
- d) Consider significant issues arising in relevant reports and better practice guides.

### **3.7 Performance Improvement**

- a) The Committee to be advised of the processes established for the implementation of the strategic plan, delivery program and strategies in order to review Council's accomplishment of agreed undertakings.
- b) The Committee will periodically review Council's mechanisms associated with the collection and reporting of performance measurement data.
- c) The Committee will periodically assess service delivery and make comment on general effectiveness.

## **4. Responsibilities of Members**

Members of the Committee are expected to:

- a) Understand the relevant legislative and regulatory requirements appropriate to Bega Valley Shire Council.
- b) Contribute the time needed to study and understand the papers provided.
- c) Apply analytical skills, objectivity and sound judgment.
- d) Express opinions frankly, ask questions and pursue independent lines of enquiry.
- e) Undertake annual performance review of Internal Audit

Additional Responsibilities of the Chair:

- a) Review draft minutes of meetings and confirm accuracy within 10 working days from distribution.
- b) Prepare an annual summary report on activities undertaken by the Committee by October each year, to be presented to Council at either a formal Council meeting or at a Councillor workshop.



## 5. Membership of the Audit, Risk and Improvement Committee

The members of the Committee, taken collectively, will have a broad range of skills and experience relevant to its functions. At least one external independent member of the Committee shall have accounting and related financial management experience, as well as an 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 Audit, Risk and Improvement Committee shall consist of:

### 5.1 Members (voting)

- a) Up to two Councillors
- b) A minimum of two and a maximum three independent external members one of whom will be elected Chair <sup>1</sup>

### 5.2 Attendees (non-voting)

- a) General Manager or nominee
- b) Chief Finance Officer
- c) Executive Manager People & Governance
- d) Finance Manager
- e) Risk & Internal Audit Coordinator
- f) Governance Coordinator

### 5.3 Invitees (non-voting) for specific Agenda items

Other officers may attend by invitation as requested by the Committee

### 5.4 Selection of Members

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

- a) The Council shall seek nominations from persons interested in being appointed to the available position.
- b) The eligible persons will be interviewed by a panel that will be chaired by the Mayor or appointed alternate Councillor, and will include the Chair or other alternate existing or outgoing member of the Committee, and a senior management representative
- c) Following receipt of recommendations from the above persons, Council may appoint the independent external members.

### 5.5 Term of Office

The independent external members shall be appointed for a four year term, after which they will be eligible to re-apply for a further term of four years. Subject to any special circumstances determined and agreed by the Council, the maximum number of terms an independent external member can sit on the committee is two terms<sup>2</sup>.

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<sup>1</sup> Not a member of the current or previous Council or staff

<sup>2</sup> This requirement in the interim will be subject to implementation of the new Local Government Act which will see a continuation of the current committee until the legislative changes are successfully implemented.

### **5.6 Vacancy/Absence**

In the case of resignation from the committee by an independent external member, Council will appoint a new independent member following the process outlined in this Charter. In the case of resignation by the Chair, another current serving independent external member will be appointed as Chair. In the absence of the appointed Chair, another current serving independent external member shall be elected by the members to serve as the Chair for the period of absence of the duly nominated Chair.

### **5.7 Code of Conduct**

All members of the Committee are to abide by the Model Code of Conduct for Local Government.

## **6. Conduct of meetings**

The following section relates to how meetings of the Committee will be conducted:

### **6.1 Quorum**

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

### **6.2 Meetings**

The Committee shall meet at least four times a 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. Meetings can be held in person, by telephone or by video conference but preferably face-to-face.

Where internal audit 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 out of session, for example using email.

The Committee may, at any time, consider any other matter it deems of sufficient importance. In addition, at any time an individual Committee member may request a meeting with the Chair of the Committee.

### **6.3 Attendance of Non-Members**

The attendance of non-members is subject to invitation by the Chair. The Contracted Internal Auditor will be invited to attend each meeting unless requested not to do so by the Chair. Attendance by External Audit observers shall also be considered and determined as appropriate.

### **6.4 Conflicts of Interest**

Committee members must declare any conflicts of interest at the start of each meeting or before discussion of a relevant agenda item or topic. Details of any conflicts of interest should be appropriately minuted.

Where members or invitees at Committee meetings are deemed to have a real or perceived conflict of interest, it may be appropriate they be excused from Committee deliberations on the issue where the conflict of interest may exist. The final arbiter of such a decision is the Chair of the Committee.

### **6.5 Minutes**

Secretariat support is provided to the Committee by Council Management. The Secretariat will ensure the agenda for each meeting and supporting papers are circulated, at least one week



before the meeting, and ensure minutes of the meetings are prepared and maintained. Minutes shall be approved by the Chair and circulated to each member within three weeks of the meeting being held.

## 7. Induction

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

## 8. Reporting

The Committee shall present a summary of activities undertaken to Council by October of each year, to be presented at either a formal Council meeting or at a Councillor workshop

## 9. Decision Making / Deliverables

The Committee may make decisions by resolutions, which are to be recorded in the minutes. Each member of the Audit, Risk and Improvement 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.

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.

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.

The Contracted Internal Auditor, External Auditor and Council staff are not voting members of the Committee.

## 10. Assessment of Committee Performance

The Chair will initiate a review of the performance of the Audit, Risk and Improvement Committee at least once every two years. The review will be conducted on a self-assessment basis (unless otherwise determined by the Chair), with appropriate input from management and other relevant stakeholders, as determined by the Chair.

When reviewing the Committee's performance, the Chair should be satisfied that an effective, comprehensive and complete service is being provided.

## 11. Review of the Audit, Risk and Improvement Committee Charter

At least once every two years the Audit, Risk and Improvement Committee will review this Charter to ensure it remains current and reflects roles and objectives. The Audit, Risk and Improvement Committee will endorse any changes to this Charter as appropriate under evolving legislation and regulations to ensure appropriate organisational structures, authority, access and reporting arrangements are in place.

## 12. Remuneration and Expenses

The independent members of the Committee will be entitled to reimbursement for all expenses incurred in relation to their responsibilities as members of the Committee.