



northern
beaches
council

Audit, Risk and Improvement Committee Charter

Contents

Introduction	3
1. Committee Objectives	3
2. Authority	3
3. Composition and Tenure.....	4
3.1 Members (voting).....	4
3.2 Attendees (non-voting) for all agenda items.....	5
3.3 Invitees (non-voting) for specific agenda items	5
4. Role and Responsibilities.....	5
5. Reporting Arrangements.....	8
6. Administrative Arrangements	9
7. Document Control.....	11

Introduction

The Northern Beaches Council Audit, Risk and Improvement Committee (Committee) has been established to promote good corporate governance at Northern Beaches Council (Council).

Good corporate governance supports Council's vision of delivering the highest quality service valued and trusted by the community, in an effective and efficient manner.

The Charter is based on the guidelines issued by the Chief Executive of the Office of Local Government pursuant to section 23A of the Local Government Act 1993 and is drafted in consideration of Part 4A of the Local Government Act 1993 as proposed by the Local Government Amendment (Governance and Planning) Act 2016.

1. Committee Objectives

The objective and focus of the Committee is to provide independent assurance and assistance to the Council on risk management, control, governance, internal audits, organisational performance and improvement and external accountability responsibilities.

Pursuant to Part 4A (428A) of the Local Government Amendment (Governance and Planning) Act 2016, 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 Council
- (i) any other matters prescribed by the regulations

As part of this objective, the Committee will ensure that there are adequate and effective systems of internal control in place throughout Council and will assist in the implementation of the internal and external audit plans. The Committee is also to provide information to the Council for the purpose of improving the Council's performance of its functions.

2. Authority

The Committee is established in accordance with Council's authority granted by section 355 of the Act. The Committee has no executive powers, except those expressly provided by the Council. In carrying out its responsibilities, the Committee must at all times recognise that primary responsibility for management of Council rests with the Council and The Chief Executive Officer, in accordance with the Act.

The Council authorises the Committee, within the scope of its role and responsibilities, to:

- express opinions frankly, ask questions that go to the fundamental core of issues, and pursue independent lines of enquiry;
- obtain any information it needs from any employee or external party (subject to their legal obligations to protect information);
- discuss any matters with the Chief Executive Officer, Head of Internal Audit, external auditor or other external parties (subject to confidentiality considerations);
- request the attendance of any employee at Committee meetings; and

- obtain external legal or other professional advice considered necessary to meet its responsibilities.

3. Composition and Tenure

3.1 Members (voting)

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

The Committee membership (voting) shall consist of:

- Three (3) Councillors
- Four (4) Independent external members (one of whom to be the Chairperson)

Only the members can vote on matters raised in the Committee meetings.

Councillors:

The three Councillor members of the Committee will be appointed by resolution of the Council, once every two years. The Council may also resolve to appoint alternative Councillor members to the Committee to attend meetings in the absence of one or more of the three Councillor members. The alternative Councillor members will have the same voting rights as the Councillor member being replaced.

Independent External Members:

The four external members will be appointed, by resolution of the Council, for a term of up to four years after which they will be eligible for extension or re-appointment for one additional term following a formal review of their performance by Council. Due consideration will be given to ensuring the continuity of independent membership as part of this process. The independent external members can also be removed by resolution of Council.

Skills and experience

The independent external members of the Committee, taken collectively, will have a broad range of personal qualities, skills and experience relevant to the operations of the Northern Beaches Council.

At least one member of the Committee will have a strong financial management and/or audit background, with an understanding of accounting and auditing standards in a public sector environment. Legal, governance, risk management, administrative and business management skills and experience are desirable.

Committee members are required to have an independence of mind in deliberations and not act as a representative of a particular area of the community or Council. Committee members are required to declare any conflicts of interest that may arise in accordance with this Charter, and may do so in the following ways:

1. Annual written declaration (mandatory);
2. Verbal declaration during Committee meetings (start of meeting or before discussion of relevant agenda item or topic).

Vacancy

In the case of resignation from the Committee by an independent external member, the Council is to appoint another independent external member as soon as is practicably possible.

Chairperson

The Chair will be elected by the majority of the Committee's voting members and must be one of the independent external members.

Whenever the voting on a motion put to a meeting of the Committee is equal, the Chair of the Committee is to have a casting vote as well as an original vote.

In the case of resignation by the Chair, a suitable Chair shall be selected from the other current serving independent external members on the Committee.

In the absence of the appointed Chair, the remaining current serving independent external members shall elect a Chair for the period of absence of the duly nominated Chair.

This role is an administrative role only with no authority to act or direct action on behalf of the Committee/ Council.

3.2 Attendees (non-voting) for all agenda items

The following Council staff shall attend each meeting as non-voting members:

- Chief Executive Officer
- General Manager - Customer and Corporate
- Executive Manager - Governance and Risk
- Chief Financial Officer
- Head of Internal Audit
- Administration Officer – Internal Audit
- Manager – Insurance and Risk

3.3 Invitees (non-voting) for specific agenda items

Other staff, outsourced Internal Auditors and the External Auditor may also be invited to attend meetings, by the Committee Chair, to address any agenda item.

4. Role and Responsibilities

In carrying out its responsibilities, the Committee must at all times recognise that primary responsibility for financial and other reporting, for internal controls, for compliance with laws, for ethical behaviour, for the management of Council, for risk management and for organisational improvements, rests with the elected Council and the Chief Executive Officer in accordance with the Act.

The role of the Committee is to oversee risk management, organisational improvement, compliance, external accountability and the internal control environment on behalf of Council and to specifically focus on risks associated with the transitional planning and processes relating to amalgamation.

The Committee is an advisory body and has no executive powers, except those expressly provided by Council. Members must at all times recognise that primary accountability for management of Northern Beaches Council rests with the Council and the Chief Executive Officer, as defined by the *Local Government Act 1993*.

The responsibilities of the Committee may be revised or expanded by Council from time to time.

The following defined responsibilities are in accordance with the Office of Local Government model charter for Audit Committees as set out in the Internal Audit Guidelines issued by the Chief Executive of the Office of Local Government in September 2010, with consideration given to the requirements of Part 4A of the Act.

Risk Management

The Committee is responsible for overseeing Council's risk management arrangements and reviewing whether:

- Council complies with relevant risk management standards including AS/NZS ISO 31000 (2009).
- Management has in place a current and comprehensive risk management framework, and associated procedures for effective identification and management of business and financial risks, including fraud.
- A sound and effective approach has been followed in establishing business continuity planning arrangements, including whether plans have been periodically tested.
- A sound and effective approach has been followed in developing strategic risk management plans for major projects or undertakings.
- Risk mitigation strategies are adequate and effective, including insurance arrangements.
- Integrated Performance and Reporting (IP&R) strategies and plans are appropriately implemented to ensure community goals and performance measures are met.

Control Framework

The Committee reviews whether:

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

External Accountability:

The Committee is responsible for:

- Being satisfied that the annual financial reports comply with applicable Australian Accounting Standards and are supported by appropriate management sign-off on the statements and the adequacy of internal controls.
- Reviewing the external audit opinion, including whether or not appropriate action has been taken in response to audit recommendations and adjustments.
- Considering contentious financial reporting matters in conjunction with Council's management and external auditors.
- Reviewing the processes in place designed to ensure financial information included in the annual report is consistent with the signed financial statements.
- Being satisfied that there are appropriate mechanisms in place to review and implement, where appropriate, relevant State Government reports and recommendations.
- Being satisfied that there is an Integrated Planning & Reporting framework in place, which is in accordance with Local Government guidelines / directives.
- Being satisfied that Council is responding effectively to the Office of Premier and Cabinet's reporting regime in relation to its transitional action plans.

Legislative Compliance

The Committee is responsible for:

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

Internal Audit

The Committee is responsible for:

- Acting as a forum for communication between the Council, Chief Executive Officer, Senior Management, Internal Audit and External Audit.
- Reviewing the internal audit coverage and Internal Audit Plan, including consideration of the Enterprise Risk and Opportunity Management Strategy, and approving the plan.
- Making recommendations for inclusion and/or prioritising projects in the Internal Audit Plan.
- Considering the adequacy of Internal Audit resources so as to ensure that the Internal Audit function can fully fulfil its responsibilities, including completion of the approved Internal Audit Plan.
- Reviewing all audit reports and considering significant issues identified in audit reports and action taken on issues raised, including identification and dissemination of better practices.
- Monitoring the acceptance and implementation of Internal Audit recommendations by management.
- Periodically reviewing the Internal Audit Charter to ensure appropriate organisational structures, authority, access and reporting arrangements are in place.
- Periodically reviewing the performance of Internal Audit.
- Participating in the selection and appointment of external service providers, as required.
- Meeting at least annually with the Head of Internal Audit, “in-camera”, without the presence of management.

External Audit

The Committee is responsible for:

- Acting as a forum for communication between the Council, Chief Executive Officer, Senior Management, Internal Audit and External Audit.
- Reviewing the proposed External Audit scope and approach, with particular respect to coordination of effort and elimination of duplication with Internal Audit.
- Providing input and feedback on the financial statements and performance audit coverage proposed by external audit, and provide feedback on the external audit services provided.
- Reviewing all external plans and reports in respect of planned or completed external audits, and monitor management’s implementation of audit recommendations.
- Considering significant issues raised in relevant External Audit reports and better practice guides, and ensure appropriate action is taken.
- Meeting at least annually with the External Auditor, “in-camera”, without the presence of management.

Continuous Improvement

The Committee is responsible for:

- Reviewing the overall approach and arrangements in place that support Management implementing a successful culture of continuous improvement to drive productivity and efficiency gains and to effectively manage risk.

Transparency

The Committee is responsible for:

- Providing advice to Management on the public disclosure of records relating to the Internal Audit function, consistent with relevant legislation (such as The *Privacy and Personal Information Protection Act 1998* and the *Government Information (Public Access) Act 2009*), including the redaction of any sensitive information.
- Giving due consideration to each item presented at a Committee meeting on a merit (case by case) basis, due to the inherent risks associated with the disclosure of potentially sensitive and/or confidential information.
- Making recommendations, where it may be necessary, to not release, or delay the release, of a particular report – at least until such time as the findings contained within it are sufficiently managed so as not to jeopardise Council's financial, legal, safety or other risks.
- Seeking, where necessary, input or advice from Council's nominated GIPA and PPIPA specialists in relation to any public disclosures.
- Considering any privacy and/or confidentiality matters that would prevent Committee minutes from being made publicly available.

5. Reporting Arrangements

At the first Committee meeting after 30 June each year, the Head of Internal Audit will provide an Internal Audit Annual Report. The report will include commentary on the following performance related matters:

- The approved Internal Audit Plan of the previous financial year showing the current status of each audit.
- The performance of Internal Audit for the financial year as measured against agreed key performance indicators.
- Management's progress with the implementation of audit recommendations.

The Chair of the Committee will provide a consolidated Internal Audit Annual Report and Audit, Risk and Improvement Committee Annual Report to Council.

The Committee elements of the report will include details of:

- Meetings held and member attendance
- Oversight of the Internal Audit function
- Oversight of the activities of the External Auditor
- Oversight of the Enterprise Risk Management function
- Oversight of general Corporate Governance arrangements
- Key achievements
- Key action points
- Any other matters deemed to be of sufficient importance.

Following endorsement, the Committee shall table the Annual Reports to Council.

(Note: at any time an individual Committee member may request a meeting with the Chair of the Committee)

Minutes of the Committee are to be reported quarterly to Council. As the minutes may contain confidential/sensitive information, broader public access will be subject to privacy and confidentiality considerations (per page 8 - *Transparency*).

Reporting lines

The Committee must at all times ensure it maintains a direct reporting line to and from Internal Audit and act as a mechanism for Internal Audit to report to the Chief Executive Officer on functional matters.

In addition to the normal process of reporting on work undertaken by Internal Audit, the Head of Internal Audit shall draw to the attention of the Committee all matters that, in the Head of Internal Audit's opinion, warrant reporting in this matter.

The following operational reporting line is prescribed:



6. Administrative Arrangements

Meetings of the Committee

The Committee shall meet at least four times per year (quarterly). If necessary, an additional meeting will be held to review and endorse the annual audited financial reports and external audit opinion.

The need for any additional meetings will be directed by the Chair, although the other Committee members may make requests to the Chair for additional meetings.

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

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 Charter.

Attendance at meetings and Quorums

A quorum will consist of a majority of voting Committee members.

Meetings will ordinarily be held in person, but can be by telephone or by video conference.

Secretariat

Council will provide secretariat support to the Committee.

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 circulated to each member within two weeks of the meeting being held and approved at the following Committee Meeting.

Conflicts of Interest

Council staff and members of the Committee will comply with the Northern Beaches Council Code of Conduct and the Act in relation to confidentiality, privacy and reporting as part of carrying out their functions as council officials. It is the personal responsibility of each council official to comply with the standards in the Code of Conduct and regularly review their personal circumstances with this in mind.

Committee members must complete an annual written declaration of conflicts of interest and 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 that they be excused from deliberations on the issue where the conflict of interest may exist. It is the responsibility of each member and staff member to determine if a conflict of interest exists, the nature of that interest and how they will respond to that interest.

Decision Making

The Committee is expected to make decisions by consensus however, if voting becomes necessary, then the details of the vote are to be recorded in the minutes.

Each member of the Committee shall be entitled to one vote only. In the case of an equality of votes on any issue the Chair shall have the casting vote.

Between meetings the Chair may circulate specific proposals by e-mail to members for adoption by the Committee. Members shall be given a set time – no less than 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.

As noted in the Role & Responsibilities section of this Charter, the Committee shall meet at least once per year, in camera, with each of the Internal Auditor and External Auditor to receive feedback.

Induction

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

Review of Internal Audit Performance

The Committee will oversee an annual internal review of the performance of the Internal Audit function (using those agreed metrics as set out in the Internal Audit Charter), and an independent review of the function during its term of office.

Review of the Committee's Performance

The Chair shall co-ordinate a self-assessment of the performance of the Committee on an annual basis. The results of this self-assessment will be included in the Committee Annual Report to Council.

Charter Review

Within six months of its endorsement, the Committee will review its Charter to ensure it remains current, relevant and accurately reflects the Committee's composition, role and responsibilities. Thereafter the Charter will be reviewed annually.

7. Document Control

Version	Date	Endorsed By	Summary of Changes	Author
1.0	9 August 2016	Council	New Charter	Internal Auditor
1.1	14 November 2017	Audit, Risk and Improvement Committee	Minor administrative amendment to reflect Councillors in membership composition. Committee objectives included as considered in the proposed Local Government Act 1993.	Head of Internal Audit
1.2	26 June 2018	Council		Head of Internal Audit

- Next review due by 14 May 2019.