



northern
beaches
council

Audit, Risk and Improvement Committee Charter

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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 and with transparency and accountability.

The Committee has an important role in the governance framework by providing Council with independent oversight, objective assurance and monitoring of Council's audit processes, internal controls including fraud and corruption control, external reporting, risk management activities, compliance of and with Council's policies and procedures, governance processes and continuous improvement activities.

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 assess and advise whether 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 and 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:

- (a) obtain any information it needs from any employee or external party (subject to their legal obligations to protect information);
- (b) discuss any matters with the Chief Executive Officer, Head of Internal Audit, external auditor or other external parties (subject to confidentiality considerations);
- (c) request the attendance of any employee at Committee meetings; and

- (d) liaise with the Chief Executive Officer to obtain external legal or other professional advice considered necessary to meet its responsibilities.

3. Composition and Tenure

3.1 Members (voting)

Members of the Committee, taken collectively, will have a broad range of personal qualities, skills and experience relevant to the operations of 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.

Membership of the Committee is by virtue of the appointed position; no delegates of the members are permitted. Only the members can vote on matters raised in the Committee meetings.

The Committee membership (voting) shall consist of:

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

(a) Councillor members:

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.

(b) Independent external members:

The four independent 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.

(c) Chair:

The Chair will be elected by the majority of the Committee's voting members and must be one of the independent external members. The term of the Chair shall be for a period of not less than one year, after which the Chair may be eligible for re-appointment for an additional term following an election by voting Members.

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.

(d) *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.

3.2 Attendees (non-voting)

Council staff, internal audit service providers and external audit representatives may be invited to attend meetings, or part thereof, by the Committee Chair or Chief Executive Officer, to address any Agenda item.

4. Role and Responsibilities

The responsibilities of the Committee may be revised or expanded by Council from time to time. The Committee may, at any time, consider any other matter it deems of sufficient importance to do so. In addition, at any time, an individual Committee member may request a meeting with the Chair of the Committee.

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 (428A) of the Local Government Amendment (Governance and Planning) Act 2016.

4.1 Risk Management

- (a) Assess and advise whether 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 and corruption.
- (b) Assess and advise whether a sound and effective approach has been followed in developing strategic risk management plans for major projects or undertakings.
- (c) Assess and advise on the impact of the risk management framework on its control environment and insurance arrangements, including whether risk mitigation strategies are adequate and effective.
- (d) Assess and advise whether a sound and effective approach has been followed in establishing business continuity planning arrangements, including whether plans have been periodically tested.
- (e) Assess and advise on the adequacy and effectiveness of Council's process and controls for managing its activities and risks.

4.2 Control Framework

- (a) Assess and advise whether management has adequate internal controls in place, including over external parties such as contractors and advisors.
- (b) Assess and advise whether management has in place relevant policies and procedures, and if these are periodically reviewed and updated.
- (c) Progressively assess and advise whether appropriate processes are in place to assess whether policies and procedures are complied with.
- (d) Assess and advise whether appropriate policies and procedures are in place for the management and exercise of delegations.
- (e) Assess and advise whether management has taken steps to embed a culture which is committed to ethical and lawful behaviour.

4.3 External Accountability

- (a) Satisfy itself 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.
- (b) Examine the external audit opinion, and assess and advise whether or not appropriate action has been taken in response to audit recommendations and adjustments.

- (c) Consider contentious financial reporting matters in conjunction with Council's management and external auditors.
- (d) Assess and advise on the processes in place designed to confirm financial information included in the annual report is consistent with the signed financial statements.
- (e) Satisfy itself that there are appropriate mechanisms in place to review and implement, where appropriate, relevant State Government reports and recommendations.
- (f) Satisfy itself there is a performance management framework linked to organisational objectives and outcomes.

4.4 Legislative Compliance

- (a) Consider whether legal and compliance risks have been adequately addressed in Council's risk assessment and management arrangements.
- (b) Assess and advise on the effectiveness of Council's system for monitoring compliance with relevant laws, regulations and associated government policies.

4.5 Internal Audit

- (a) Act as a forum for communication between the Council, Chief Executive Officer, Directors, Internal Audit and External Audit.
- (b) Assess and advise on the internal audit coverage of the Strategic Internal Audit Plan and the Annual Internal Audit Plan, including consideration of the Enterprise Risk and Opportunity Management Strategy, make any recommendations for inclusion and/or prioritising projects and approve the Plan.
- (c) Consider the adequacy of internal audit resources so as to enable the Internal Audit function to fulfil its responsibilities, including completion of the approved Internal Audit Plan.
- (d) Examine all audit reports and consider significant issues identified in audit reports and action taken on issues raised, including identification and dissemination of better practices.
- (e) Monitor the acceptance and implementation of internal audit recommendations by management.
- (f) Periodically assess the Internal Audit Charter to ascertain whether appropriate organisational structures, authority, access and reporting arrangements are in place.
- (g) Periodically assess and advise on the performance of Internal Audit.
- (h) Participate in the selection of internal audit service providers, as required.
- (i) Meet at least annually with the Head of Internal Audit and internal audit service providers, "in-camera", without the presence of management.

4.6 External Audit

- (a) Act as a forum for communication between the Council, Chief Executive Officer, Directors, Internal Audit and External Audit.
- (b) Examine the proposed external audit scope and approach, and assess and advise on the coordination of effort and elimination of duplication with Internal Audit.
- (c) Provide input and feedback on the financial statements and performance audit coverage proposed by external audit, and provide feedback on the external audit services provided.
- (d) Examine all external plans and reports in respect of planned or completed external audits, and monitor management's implementation of audit recommendations.
- (e) Consider significant issues raised in relevant external audit reports and better practice guides, and assess whether appropriate action is taken by management.
- (f) Meet at least annually with the external audit representative, "in-camera", without the presence of management.

4.7 Continuous Improvement

- (a) Assess and advise on the overall approach and arrangements in place that support management implementing a successful culture of continuous improvement.
- (b) Monitor improvement initiatives, programmes, projects and processes, including, but not limited to:
 - Implementation of the Strategic Plan, Delivery Program and strategies
 - Collection of performance measurement data
 - Service reviews
 - Benchmarking data
- (c) Assess Council's community survey results and provide advice to the Chief Executive Officer on Council's performance and improvement opportunities.

4.8 Governance

Assess and advise on the effectiveness of the organisation's governance arrangements.

4.9 Responsibilities of Members

Members of the Committee are expected to:

- (a) Understand the relevant legislative and regulatory requirements appropriate to Northern Beaches Council
- (b) Contribute the time needed to study and understand the papers involved
- (c) Apply good analytical skills, objectivity and good judgement
- (d) Express opinions frankly, ask questions that go to the fundamental core of issues, and pursue independent lines of enquiry
- (e) Meet the requirements as set out by this Charter; and
- (f) Abide by Council's Code of Conduct in performance of their duties on the Committee.

5. Reporting

5.1 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:

- (a) The approved Internal Audit Plan of the previous financial year showing the current status of each audit.
- (b) The performance of Internal Audit for the financial year as measured against agreed key performance measures.
- (c) Management's progress with the implementation of internal audit recommendations.

At the first Committee meeting of each calendar year, the Chair of the Committee will provide a draft Audit, Risk and Improvement Committee Annual Report to Council, for review and approval by the Committee.

The report will include details and commentary on the following elements relating to the previous calendar year:

- (a) Meetings held and member attendance
- (b) Oversight of the Internal Audit function
- (c) Oversight of the activities of the external auditor
- (d) Oversight of the Enterprise Risk Management function
- (e) Oversight of general corporate governance arrangements

- (f) Key achievements
- (g) Key action points
- (h) Any other matters deemed to be of sufficient importance.

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

Confirmed Minutes of the Committee are to be reported to Council.

6 Administrative Arrangements

6.1 Meetings of the Committee

The Committee shall meet at least four times per year (quarterly). An additional meeting may 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, in consultation with the Chief Executive Officer, 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.

6.2 Attendance at meetings and Quorums

A quorum will consist of a majority of voting Committee members, including at least one independent member. Meetings will ordinarily be held in person, but can be by telephone or by video conference.

Attendance at Committee meetings will be in accordance with Clause 3 of this Charter – Composition and Tenure.

6.3 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.

Draft minutes of ARIC meetings shall be circulated to each member within two weeks of the meeting being held for review prior to being published on Council's website as Unconfirmed. Minutes will be confirmed at the following Committee Meeting.

6.4 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 attendees at Committee meetings are deemed by the Committee to have a real or perceived conflict of interest, it may be appropriate that they be excluded from deliberations on the issue where the conflict of interest may exist.

6.5 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 time-sensitive 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, separately with the Head of Internal Audit, the internal audit service provider and external audit representative to receive feedback.

6.6 Induction

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

6.7 Review of Internal Audit Performance

The Committee will oversee an annual internal review of the performance of the Internal Audit function through the Internal Audit Annual Report and an independent review of the function during its term of office.

6.8 Assessment Arrangements

The Chair of the Committee shall 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 (unless otherwise determined by the Chair), with appropriate input from management and any other relevant stakeholders, as determined by the Chair. The results of this self-assessment will be included in the Committee Annual Report to Council.

6.9 Charter Review

The Committee will review its Charter annually to confirm it remains current, relevant and accurately reflects the Committee's composition, role and responsibilities. The Committee will approve any changes to the Charter and refer the Charter to Council for adoption.

7 Document Control

Version	Date	Adopted 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
1.3	24 September 2019	Council	<ul style="list-style-type: none"> Alignment of Charter to the model Charter provided in the Guidelines issued by the Chief Executive of the Office of Local Government pursuant to section 23A of the Local Government Act 1993. Expanded responsibilities of the Committee aligned to Part 4A (428A) of the Local Government Amendment (Governance and Planning) Act 2016. Administrative amendments to remove instances of duplication and references to transition activities relating to amalgamation and to provide further clarity on the Committee's role and responsibilities. 	Head of Internal Audit

- Next review due August 2020.