

CARRATHOOL SHIRE COUNCIL AUDIT, RISK & IMPROVEMENT COMMITTEE CHARTER

1. OBJECTIVE

This charter prescribes the structure, processes, roles and responsibilities for the Audit, Risk and Improvement committee (ARIC) prior to the implementation of the proposed framework as detailed in the Office of Local Government draft internal audit and risk management framework.

The objective of the Audit, Risk and Improvement Committee (ARIC) is to provide independent assurance and assistance to Carrathool Shire Council on risk management, control, governance, improvement and external accountability responsibilities.

These will include but not limited to:-

- a) Compliance
- b) Risk management
- c) Fraud control
- d) Financial management
- e) Governance
- f) Implementation of the strategic plan, delivery program and strategies, annual operation plan
- g) Service reviews
- h) Collection of performance measurement data by the Council, and
- i) Any other matters prescribed by the regulations.

2. EXERCISE OF AUTHORITY

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 external auditor or other external parties (subject to confidentiality considerations).
- c) Request the attendance of any employee or Councillor at Committee meetings.
- d) Obtain external legal or other professional advice considered necessary to meet its responsibilities.

3. COMPOSITION

The Committee will consist of:

3.1 Members (voting)

- a) Three independent representatives, one of whom will act as chairperson.

3.2 Attendees (non-voting)

- a) General Manager
- b) Corporate Services Co-ordinator
- c) Other Staff by Invitation

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3.3 Invitees (non-voting) for specific Agenda items

- a) Internal auditor
- b) Representatives of the external auditor
- c) Other officers may attend by invitation as requested by the ARIC.

4. ROLE AND RESPONSIBILITIES

The ARIC has no executive powers, except those expressly provided by the Council.

In carrying out its responsibilities, the ARIC must always recognise that primary responsibility for management of Council rests with the Council and the General Manager as defined by the NSW *Local Government Act 1993*.

The responsibilities of the ARIC may be revised or expanded by the Council from time to time. The ARIC's responsibilities are:

4.1 Risk Management

- a) Review 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.
- b) Review whether a sound and effective approach has been followed in developing strategic risk management plans for major projects or undertakings;
- c) Review the impact of the risk management framework on its control environment and insurance arrangements; and
- d) Review whether a sound and effective approach has been followed in establishing business continuity planning arrangements, including whether plans have been tested periodically.

4.2 Control Framework

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

4.3 External Accountability

- a) Satisfy itself the annual financial reports comply with applicable Australian Accounting Standards and supported by appropriate management sign-off on the statements and the adequacy of internal controls.
- b) Review the external audit opinion, including whether appropriate action has been taken in response to audit recommendations and adjustments.

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- c) Consider contentious financial reporting matters in conjunction with Council's management and external auditors.
- d) Review the processes in place designed to ensure financial information included in the annual report is consistent with the signed financial statements.
- e) Satisfy itself 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) Determine whether management has appropriately considered legal and compliance risks as part of risk assessment and management arrangements.
- b) Review the effectiveness of the system for monitoring compliance with relevant laws, regulations and associated government policies.

4.5 Internal Audit

- a) The ARIC will have a role in recommending an Internal Auditor.
- b) Recommend an Internal Audit Program to Council based on the assessment of risks.
- c) Act as a forum for communication between the Council, General Manager, senior management, internal audit and external audit.
- d) Review the internal audit coverage and Internal Audit Plan, ensure the plan has considered the Risk Management Plan, and approve the plan.
- e) Consider the adequacy of internal audit resources to carry out its responsibilities, including completion of the approved Internal Audit Plan.
- f) 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.
- g) Monitor the implementation of internal audit recommendations by management.
- h) Periodically review the Internal Audit Charter to ensure appropriate organisational structures, authority, access and reporting arrangements are in place.
- i) Periodically review the performance of Internal Audit.

4.6 External Audit

- a) Act as a forum for communication between the Council, General Manager, senior management, internal audit and external audit.
- b) Provide input and feedback on the financial statement and performance audit coverage proposed by external audit, and provide feedback on the external audit services provided.
- c) Review all external plans and reports in respect of planned or completed external audits, and monitor the implementation of audit recommendations by management.
- d) Consider significant issues raised in relevant external audit reports and better practice guides, and ensure appropriate action is taken.

4.7 Responsibilities of Members

Members of the ARIC are expected to:

- a) Understand the relevant legislative and regulatory requirements appropriate to Carrathool Shire Council.

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- b) Contribute the time needed to study and understand the papers provided.
- c) Apply good analytical skills, objectivity and good judgment.
- d) Express opinions frankly, ask questions that go to the fundamental core of issues, and pursue independent lines of enquiry.
- e) Comply with the Council's Code of Conduct.

5. REPORTING

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

The minutes of the ARIC meeting will be tabled at the next ordinary Council meeting (or as soon as practicable) and at least annually to the governing body of Council on the management of risk and internal controls.

6. ADMINISTRATIVE ARRANGEMENTS

6.1 Meetings

The ARIC will meet at least four times per year, with one of these meetings to include review and endorsement of the annual audited financial reports and external audit opinion.

The need for any additional meetings will be decided by the Chair of the ARIC, though other ARIC members may make requests to the Chair for additional meetings.

A forward meeting plan, including meeting dates and agenda items, will be agreed by the ARIC each year. The forward meeting plan will cover all ARIC responsibilities as detailed in this Charter.

6.2 Attendance at Meetings and Quorums

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

The Executive Officer will arrange executive assistance to the ARIC. The ARIC may also request other employees to participate for certain agenda items, as well as the external auditor.

The General Manager may attend each meeting but will permit the ARIC to meet separately with the External Auditor in the absence of management on at least one occasion per year.

6.3 Secretariat

The Director of Corporate and Community Services will be responsible for ensuring that the ARIC has adequate secretariat support. 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.

6.4 Fees

Independent members of the ARIC will be entitled to claim a fee for each meeting attended. The fee is set by Council resolution. Claims for fees will be made in accordance with the Councillor Expenses and Facilities Policy. The fees will be reviewed annually.

6.5 Conflict of Interests

Councillors, Council staff and members of Council Committees must comply with the applicable provisions

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of Council's Code of Conduct and Code of Meeting Practice in carrying out the functions as Council officials. It is the personal responsibility of Council officials to comply with the standards in these Codes and regularly review their personal circumstances with these in mind.

ARIC members must declare any conflict of interests 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 ARIC meetings are deemed to have a real or perceived conflict of interest, it may be appropriate they be excused from ARIC deliberations on the issue where the conflict of interest may exist. The final arbiter of such a decision is the Chair of the ARIC.

6.6 Induction

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

6.7 Assessment Arrangements

The Chair of the ARIC will initiate a review of the performance of the ARIC 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.

6.8 Review of Audit Committee Charter

The charter will be reviewed as required to ensure compliance with the proposed internal audit and risk management framework.

7. RELEVANT LEGISLATION AND GUIDANCE

- NSW Local Government Act 1993
- Internal Audit Guidelines (2010) NSW Department Premier and Cabinet, Division of Local Government. [External Link](#)
- Councillor Expenses and Facilities Policy
- Code of Conduct
- A new risk Management and Internal audit framework for Local Councils in NSW- Office of Local government.