



muswellbrook shire council

Audit, Risk and Improvement Committee Charter

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Review History:

Version No.	Date changed	Modified by	Amendments made
2	22/02/2018	Melissa Cleary	Amendments to align with current <i>Internal Audit Guidelines – September 2010</i>
3	05/02/2019	Madeleine Brazier	Amendments to align with current <i>Internal Audit Guidelines – September 2010</i> and statutory changes proposed by the Office of Local Government
4	15/12/2020	Melissa Cleary	Adjust review timeframe in authorisation details table from 12/3/22 to 12/3/21 to align with 6.8
5	30/03/2021	Melissa Cleary	RESOLVED on the motion of Crs Woodruff and Eades that: Section 4.5 be amended to state that the Audit Risk and Improvement Committee will:

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			<i>Review the internal audit coverage and Internal Audit Plan, ensure the plan has considered the Risk Management Plan, and <u>endorse the plan for the determination of Council</u>;</i>
6	25/01/2022	Melissa Cleary	Amendments to 3.2 Attendees (non-voting) to align with current org structure and roles

1. Objective

The objective of the Audit, Risk and Improvement Committee (the Committee) is to provide independent review of and advice to Muswellbrook Shire Council on those matters identified in the Audit Plan. These include the following areas:

- | | |
|------------------------|---|
| 1 Compliance | 6 Implementation of IP&R Strategies and Plans |
| 2 Risk Management | 7 Service Reviews |
| 3 Fraud Control | 8 Performance Measurement |
| 4 Financial Management | 9 Business Improvement |
| 5 Governance | 10 External Accountability |

In fulfilling its objective, the ability of the Committee to maintain independent and objective judgement is vital.

The Committee will report to Council and provide independent advice and recommendations on matters relevant to the Audit, Risk and Improvement Committee Charter and the adopted Audit Plan.

2. Authority

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

- Request information required to inform decision making (subject to their legal obligations to protect information and with prior consultation with the General Manager)
- Discuss any matters with the internal and external auditors or other external parties (subject to confidentiality considerations)
- Request information from employees (with approval of the General Manager) or Councillors. They may request these persons to present information at the Committee meetings to assist in understanding any matter under consideration
- Obtain external legal or other professional advice, as considered necessary to meet its responsibilities (in accordance with Council Budget and procurement arrangements and subject to prior consultation with the General Manager)

3. Composition and Tenure

The Committee will consist of:

3.1 Members (voting)

- 1 x Councillor, not being the Mayor
- 2 x Independent External Members (not a member of the Council)

The Chair will be appointed by Council from the Independent External Members (cannot be the Councillor) for either the term of Council or if a casual vacancy arises.

3.2 Attendees (non-voting)

- General Manager, or their delegate
- Deputy General Manager
- Representatives of the Internal Audit firm appointed by Council
- Manager Corporate Services and Chief Financial Officer (Convenor)

- Risk & Insurance Officer (Agenda and minutes)
- Manager Governance

3.3 Invitees (non-voting) for specific Agenda items

- Representatives of the external auditor
- Other officers or Councillors may attend by invitation as requested by the Committee.

The independent external members will be appointed for the term of four (4) years. Council may resolve to appoint an independent external member for consecutive terms.

The members of the Committee, taken collectively, shall have a broad range of skills and experience relevant to the operations of Muswellbrook Shire Council and ideally to the function of internal audit. At least one member of the Committee shall have accounting or related financial management experience, with understanding of accounting and auditing standards in a public sector environment.

Should the Chair be absent, the members present at the meeting will elect an Acting Chair (excluding the Councillor).

3.4 Remuneration

Council may pay a fee to a member of the committee who is not a Councillor or member of Council staff.

The fee paid to members at the date of this Charter is:

[REDACTED]

4. Roles and Responsibilities

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 General Manager as defined by the Local Government Act.

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

4.1 Risk Management

- 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;
- Review whether a sound and effective approach has been followed in developing strategic risk management plans for major projects or undertakings;
- Review the impact of the risk management framework on its control environment and insurance arrangements; and
- 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

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

4.3 External Accountability

- 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;
- Review the external audit opinion, including whether appropriate action has been taken in response to audit recommendations and adjustments;
- To consider contentious financial reporting matters in conjunction with Council's management and external auditors;
- Review the processes in place designed to ensure financial information included in the annual report is consistent with the signed financial statements;
- Satisfy itself there are appropriate mechanisms in place to review and implement, where appropriate, relevant State Government reports and recommendations;
- Satisfy itself there is a performance management framework linked to organisational objectives and outcomes.

4.4 Legislative Compliance

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

4.5 Internal Audit

- Act as a forum for communication between the Council, General Manager, senior management, internal audit and external audit;
- Review the internal audit coverage and Internal Audit Plan, ensure the plan has considered the Risk Management Plan, and endorse the plan for the determination of Council;
- Consider the adequacy of internal audit resources to carry out its responsibilities, including completion of the approved Internal Audit Plan;
- 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;
- Monitor the implementation of internal audit recommendations by management;
- Periodically review the Internal Audit Charter to ensure appropriate organisational structures, authority, access and reporting arrangements are in place;
- Periodically review the performance of Internal Audit.

4.6 External Audit

- Act as a forum for communication between the Council, General Manager, senior management, 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 external audit services provided;
- Review all external plans and reports in respect of planned or completed external audits, and monitor the implementation of audit recommendations by management;
- 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 Committee are expected to:

- Understand the relevant legislative and regulatory requirements appropriate to Muswellbrook Shire Council;
- Contribute the time needed to study and understand the papers provided;
- Apply good analytical skills, objectivity and good judgement;
- Express opinions frankly, ask questions that go to the fundamental core of the issues, and pursue independent lines of enquiry.

5. Reporting

At the first Committee meeting after 30 June each year, the Internal Auditor will provide a performance report to the Committee of:

- The performance of Internal Audit for the financial year as measured against agreed key performance indicators;
- The approved Internal Audit Plan of work for the previous financial year showing the current status of each audit.

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 Committee will report regularly, 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 Committee 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 Committee, though other Committee 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 Committee each year. The forward meeting plan will cover all Committee responsibilities as detailed in this Audit, Risk and Improvement Committee Charter.

The Committee shall comply with Council's adopted Code of Meeting Practice and Code of Conduct.

6.2 Attendance at Meetings and Quorums

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

The General Manager may attend each meeting but will permit the Committee to meet separately with each of the Chief Audit Executive, Internal Auditor and the External Auditor in the absence of management on at least one occasion per year.

6.3 Voting

The Committee is expected to make decisions by consensus but 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.

6.4 Secretariat

The Manager Corporate Services and Chief Financial Officer will ensure that appropriate secretariat support is provided 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 meeting are prepared and maintained.

Minutes shall be approved by the Chair and circulated to all Committee members within two weeks of the meeting and filed in InfoXpert in accordance with Council's Records Management Policy.

6.5 Conflicts of Interest

Councillors, Council staff and members of Council committees must comply with the applicable provisions of Council's Code of Conduct in carrying out the functions as Council officials. It is the personal responsibility of Council officials to comply with the standards in the Code of Conduct and regularly review their personal circumstances with this in mind.

Committee members must declare any conflict of interest at the start of each meeting or before discussion of a relevant agenda item or topic. Details of any conflict 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.

6.6 Induction

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

6.7 Assessment Arrangements

The Chair of the Committee 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 (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, Risk and Improvement Committee Charter

At least once every two years the Committee will review this Audit, Risk and Improvement Committee Charter and make recommendations on any changes to Council for its determination.

Any changes to the Audit, Risk and Improvement Committee Charter must be approved by Council.

The Audit, Risk and Improvement Committee Charter should also be reviewed and adopted at least once during each term of Council at an open meeting of Council.