



LEETON
SHIRE COUNCIL

**AUDIT, RISK AND
IMPROVEMENT CHARTER**

SEPTEMBER 2018

DOCUMENT AUTHORISATION

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| RESPONSIBLE OFFICER | Governance and Corporate Planning Coordinator | | | | |
| REVIEWED BY | Director Corporate and Community | | | | |
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REVIEW OF THIS CHARTER

This Charter will be reviewed every four (4) years, following the election of a new Council or as required in the event of legislative changes. The Charter may also be changed as a result of other amendments that are to the advantage of Council and in the spirit of this Charter. Any amendment to the Charter must be by way of a Council Resolution.

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1. What is this Charter for?

The Audit, Risk and Improvement Committee (Committee) is to provide independent assurance and assistance to Leeton Shire Council (Council) on risk management, control, governance, and external accountability responsibilities as well as for the purposes of quality assurance and continuous improvement. This Charter sets out the framework in which the Committee will operate.

2. Who does this Charter apply to?

This Charter applies to all Councillors and Council employees as well as the independent members of the Audit, Risk and Improvement Committee. It is also to be referenced as a guidance document by Subject Matter Experts (SMEs) contracted to undertake the internal audit functions in accordance with the Committee's adopted workplan.

3. Committee Structure and Tenure

The Committee will consist of:

Members (voting)

Two (2) Councillors – one voting and one non-voting (to act as alternate if required).

Minimum Two (2) and up to three (3) Independent external members (not a member of the Council) one of which will be appointed as an Independent chair of the committee.

Attendee (non-voting)

Relevant Internal Auditor/s (SMEs);

Director, Corporate & Community; and

Governance and Corporate Planning Coordinator (Internal Audit Coordinator)

Invitees (non-voting) for specific Agenda items

Representatives of the external auditor.

Other officers may attend by invitation as requested by the Committee or General Manager.

All Councillors (other than Committee Members) are welcome to attend meetings as observers.

The independent external members will be appointed for the term of Council, after which they will be eligible for extension or re-appointment.

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

4. Outcomes

This Charter is based on the guidelines issued by the Chief Executive of the Office of Local Government pursuant to s. 23A of the *Local Government Act 1993* and is consistent with best practice. It is intended to add value and drive the qualities of effective local government; being openness, transparency and accountability. The Committee helps Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

5. Authority of Committee

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

- Obtain any information it needs from any employee or external party (subject to their legal obligations to protect information).
- Discuss any matters with the external auditor or other external parties (subject to confidentiality considerations).
- Request the attendance of any employee or councillor at Committee meetings.
- Obtain external legal or other professional advice considered necessary to meet its responsibilities.

6. Roles and Responsibilities

The Committee is advisory and 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:

6.1 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.

6.2 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.

6.3 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;

6.4 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.

6.5 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 approve the plan.
- 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 bi-annually.

6.6 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.

6.7 Responsibilities of Members

Members of the Committee are expected to:

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

7. Reporting

Annually, Internal Audit will provide a performance report 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.

8. Administrative Arrangements

8.1 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 Committee may meet annually with the Internal Audit Coordinator and/or SMEs contracted to undertake internal audit functions in the absence of other staff.

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 Committee Charter.

8.2 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 Committee may also request the General Manager or any other employees to participate for certain agenda items, as well as the external auditor.

8.3 Secretariat

The Committee has appointed the Business Support Officer – Corporate and Community to provide secretariat support to the Committee. The Secretariat will ensure that 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 of the meeting will record all voting details for each item resolved by the Committee.

Minutes shall be approved by the Chair and circulated to each member within three weeks of the meeting being held. Minutes of the meeting will be published by Council subject to any confidentiality requirements relating to particular items in accordance with the *Local Government Act, 1993*.

8.4 Public comment and media statements

All public comments and media statements representing Leeton Shire Council must be approved by the General Manager and/or The Mayor

8.5 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 of 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 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.

8.6 Induction

New members will receive relevant information and briefings on their appointment to assist them to meet their Committee responsibilities, specifically in relation to Code of Conduct and Protected Disclosures training.

8.7 Assessment Arrangements

The Chair of the Committee, in consultation with the Council, will establish performance measures for the Committee and implement measurement, feedback, reporting and review mechanisms relating to those measures.

Additionally, the Chair 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 Senior Management and any other relevant stakeholders, as determined by the Chair.

The review will also be included in the Committee's annual report to Council.

8.8 Remuneration

Independent Chairs of the Audit, Risk and Improvement Committee will receive a stipend of up to \$2500 plus disbursements when attending Committee meetings. Independent Committee members will participate on a voluntary basis.

8.9 Review of Audit Committee Charter

At least once every four years the Audit, Risk and Improvement Committee will review this Committee Charter. The Audit, Risk and Improvement Committee will recommend any changes to this Committee Charter to the elected Council for endorsement.

8.10 Vacancy

If for any reason a vacancy in the Committee membership occurs, the position(s) shall be filled in accordance with this Charter and Council's appointment of Committee member processes.

9. Related Documents

- Local Government Act 1993
- Local Government (General) Regulation 2005
- Leeton Shire Council Code of Conduct
- Accounting Procedures
- Borrowing and Use of Loan Funds
- Code of Meeting Practice
- Complaints Handling
- Debt Management Rates Sundry Debtors
- Delegations of Authority
- Donations/Assistance and Sponsorship Policy
- Fees and Charges
- Finance – Investments
- Finance – Private Works
- Finance – Revotes
- Finance Supplementary Budget Allocations
- Financial Hardship
- Gifts and Benefits
- Internal Reporting
- Local Preference Policy
- Payment of Expenses & Provision of Facilities to Mayor & Councillors Policy
- Pensioner Concessions
- Privacy Management Plan
- Procurement Manual
- Regulatory Activities – Enforcement and Prosecution
- Risk Management Policy