



AUDIT, RISK AND IMPROVEMENT COMMITTEE CHARTER

July 2017



Wyong Office: 2 Hely St / PO Box 20 Wyong NSW 2259 | **P** 02 4350 5555

Gosford Office: 49 Mann St / PO Box 21 Gosford NSW 2250 | **P** 02 4325 8222

E ask@centralcoast.nsw.gov.au | **W** www.centralcoast.nsw.gov.au | ABN 73 149 644 003

Audit, Risk and Improvement Committee
Charter

AUTHORITY	NAME & TITLE
AUTHOR	James Taylor, Section Manager Governance
MANAGER	Shane Sullivan, Unit Manager Governance and Business Services
GROUP LEADER	Brian Glendening, Executive Manager Governance
CHIEF EXECUTIVE OFFICER	Rob Noble, Chief Executive Officer

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Introduction

Good corporate governance of Central Coast Council ("Council") promotes effective and efficient delivery services to the Central Coast community with honesty and integrity.

The Audit, Risk and Improvement Committee ("Committee") has an important role in the governance framework of Council by providing Council with independent oversight, objective assurance and monitoring of Council's audit processes, internal controls, external reporting, risk management activities, compliance of and with Council's policies and procedures, and performance improvement activities.

This Charter, which 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, 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.

Rob Noble
Chief Executive Officer
Central Coast Council

Audit, Risk and Improvement Committee Charter

1. Committee Objectives

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

Part 4A of the *Local Government Act 1993* ("the Act") will commence after the adoption of this Charter. When Part 4A of the Act commences the Committee will be under a statutory obligation to 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 the Council, and
- (i) any other matters prescribed by the regulations.

This Charter imposes those obligations on the Committee from the date the Committee commences, prior to the commencement of Part 4A of the Act. 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 General Manager as defined by the Act.

The Council authorises the Committee as a whole (but not individual members of 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 Auditor-General (or contracted agent) and/or external auditor and/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.

This Charter should be reviewed and adopted at least once during each term of Council at an open meeting of Council.

3. Composition and Tenure

3.1 Members (voting)

The Committee will consist of five voting members.

- Two (2) Councillors (or, prior to the first election of Councillors for Council, the Administrator of the Council and a person appointed by the Administrator);
- Three (3) Independent external members (one of whom to be the Chairperson)

Voting at a Committee meeting is to be by open means (such as by voice or by show of hands).

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 shall have accounting or related financial management experience, with understanding of accounting and auditing standards in a public sector environment.

Councillors

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

Independent External Members

The three external members will be appointed, by resolution of the Council, for a term of 3 years after which they will be eligible for extension or re-appointment following a formal review of their performance by Council. The independent external members can also be removed by resolution of Council. The independent members, in aggregate, will have recent and relevant knowledge and experience of:

- Accounting or related Financial management
- Risk management experience
- Auditing experience in a public sector environment
- Performance improvement
- The local government framework
- Council services, activities and operations
- Governance, risk and compliance
- Community services.

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The Chair

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.

If the elected Chair is not present at a meeting of the Committee, the first business of that meeting is for the Committee's voting members to elect a Chair from the independent external members present.

3.2 Attendees (non-voting) for all agenda items

Meetings of the Committee may, at the discretion of the Committee and with the consent of the Chief Executive Officer, be attended by the following Council staff:

- Chief Executive Officer or nominated delegate;
- Chief Financial Officer or nominated delegate;
- Executive Manager Governance or nominated delegate;
- Chief Internal Auditor or nominated delegate; and
- Senior Internal Ombudsman or nominated delegate.

3.3 Invitees (non-voting) for specific agenda items

Representatives of Council's external auditor and other Council Officials may attend Committee meetings by invitation as requested by the Committee.

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.

Members of the Committees must not act in a way that contravenes the Act (which includes compliance with Council's adopted [Code of Conduct](#) and [Code of Meeting Practice](#)) or any other Act. Members of the Committee are also required to comply with other relevant policies and procedures of the Council.

The Chief Executive Officer will ensure that adequate resources are available to allow for the proper functioning of the Committee, including provision of a Committee Support Officer for administrative support. The Committee may also, at Council's expense, request the Chief Executive Officer to obtain such legal, accounting or other professional advice as it reasonably considers necessary for the performance of its duties. The Chief Executive Officer will give appropriate consideration to all such requests.

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The responsibilities of the Committee may be revised or expanded by the Council from time to time. The Committees responsibilities are in accordance with Part 4A of the Act, even if that Part 4A has not commenced operation:

- (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 the Council,
- (i) any other matters prescribed by the regulations.

The Committee is also to provide information to the Council for the purpose of improving the Council's performance of its functions.

The following defined responsibilities are in accordance with the OLG model charter for Audit Committees as set out in the [Internal Audit Guidelines](#) issued by the Chief Executive of OLG in September 2010 and to meet the future requirement that will be imposed by Part 4A of the Act.

4.1 Risk Management

Risk management is an essential part of effective corporate governance. It is defined as "the culture, processes and structures that are directed towards realising potential opportunities whilst managing adverse effects."([Risk Management – Principles and Guidelines](#) ISO 31000:2009(E)). Enterprise Risk Management is the holistic management of all risks within Council, not just insurable risks or work health and safety.

The Committee is responsible for:

- Reviewing 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;
- Reviewing whether a sound and effective approach has been followed in developing strategic risk management plans for major projects or undertakings;
- Reviewing the impact of the risk management framework on its control environment and insurance arrangements;
- Reviewing whether a sound and effective approach has been followed in establishing business continuity planning arrangements, including whether plans have been tested periodically;
- Reviewing whether a sound and effective approach has been established in relation to technological related risks issues that present a threat to the operations of Council;
- Considering, and recommending to the Chief Executive Officer, improvements in relation to Council activities, systems and processes; and

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- Reviewing whether Council processes and procedures result in an efficient and effective allocation of resources, and accountability and transparency.

4.2 Control Framework

The Committee is responsible for:

- Reviewing whether management has adequate internal controls in place, including over external parties such as contractors and advisors;
- Reviewing whether management has in place relevant policies and procedures, and these are periodically reviewed and updated;
- Progressively reviewing whether appropriate processes are in place to assess compliance with policies and procedures;
- Reviewing the annual performance of Council against the key performance indicators documented in the Operational Plan, and providing advice to the Chief Executive Officer on the adequacy of Council's performance against these indicators;
- Reviewing whether appropriate policies and procedures are in place for the management and exercise of delegations; and
- Reviewing whether management has taken steps to embed a culture which is committed to ethical and lawful behaviour.

4.3 External Accountability

The Committee is responsible for:

- Satisfying 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;
- Review the external audit opinion, including whether 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;
- Satisfying itself there are appropriate mechanisms in place to review and implement, where appropriate, relevant State Government reports and recommendations; and
- Satisfying itself there is a performance management framework linked to organisational objectives and outcomes.

4.4 Legislative Compliance

The Committee is responsible for:

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

4.5 Internal Audit

The Committee is responsible for:

- Acting as a forum for communication between the Council, Chief Executive Officer, Senior Management, Internal Audit, External Audit and Internal Ombudsman;
- Reviewing 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;
- Monitoring the 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;
- Meeting at least annually, with the Chief Internal Auditor "in-camera" without the presence of management; and
- Giving advice to the Chief Executive Officer on the appointment and remuneration of the Chief Internal Auditor and the Internal Audit team (if applicable).

4.6 External Audit

The Committee is responsible for:

- 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;
- Meeting at least annually, with the Auditor General (or contract agent) "in-camera" without the presence of management; and
- Consider significant issues raised in relevant external audit reports and better practice guides, and ensure appropriate action is taken.

4.7 Responsibilities of Members

All members of the Committee are expected to:

- Have a high level of personal integrity and ethics, as well as acting honestly and in good faith;
- Perform their duties in a manner that engenders public trust in the integrity, objectivity, and impartiality of the Committee;
- Comply with this Charter;
- Have strong interpersonal skills;
- Have strong skills in oral and written communication;
- Broadly be aware of and understand the relevant legislative and regulatory requirements appropriate to Central Coast Council, particularly as these pertain to individual matters under consideration by the Committee;
- Contribute the time needed to study and understand the papers provided, and to devote to their responsibilities as a Committee Member;
- Apply good analytical skills, objectivity and with good judgment;
- Express opinions frankly and ask questions that go to the fundamental core of issues;
- Pursue independent lines of enquiry when required;
- Review the risks, progress, controls, finances and performance surrounding major projects;
- Have an understanding of management principles required recognising and evaluating the materiality and significance of deviations from good business practices;
- Have an appreciation of fundamental concepts in areas such as accounting, economics, commercial law, taxation, finance, quantitative methods and IT; and
- Assist the Council and the Chief Operating Officer with the formulation of Finance, Audit and related policies and procedures.

Expressions of Interest appointment as an independent member of the Committee are to be invited by public advertisement and/or written invitation from persons eligible to be members of the Committee as outlined by this Charter. Any such nominations will be received and reviewed by the Chief Executive Officer who will prepare a report for Council's consideration. The recruitment of those members of the Committee is to be based on merit, and it is important that the selection process used is transparent and accountable.

All Committee members will be appointed by Council. Once the independent external member(s) is/are appointed, they will receive a letter of appointment clearly detailing the terms of their appointment and their award remuneration rates, as well as a copy of this Charter.

Committee members must also decline any request to act as referee to any applicants for vacant positions on the Committee.

5. Reporting

At the first Committee meeting post 30 June each year, the Chief Internal Auditor will provide a performance report to the Committee dealing with:

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

The Committee should report regularly to Council on the internal audit function, on the management of risk and on internal controls as and when required. The Committee may also make recommendations to Council and the Chief Executive Officer.

At a minimum the Committee will report to Council on its activities at least yearly coinciding with the financial year and the annual statement time. The Annual and Three Year Audit Plans will also be submitted to Council as part of the Committee's report to Council. Council may request the Chair of the Committee to address Council and to answer any enquiries about the operation of the Committee. In consultation with the Chair some or all of the Committee's annual report will form part of Council's Annual Report.

6. Administrative arrangements

6.1 Meetings of the Committee

The Committee is bound by Council's adopted [Code of Conduct](#). All Committee meetings must be run fairly and the procedures used should improve decision making and not be used for personal or political advantage. All matters should be considered consistently, fairly, promptly, and on their individual merits.

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

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 determined by resolution of the Committee. Such resolutions do not bind the Council to commit additional resources to the conduct of those meetings unless the Chief Executive Officer or the Council, by resolution, agrees to those additional meetings.

Meetings of the Committee are closed to the public.

6.2 Attendance at meetings and quorums

The quorum for a meeting of the Committee will be the majority of the voting members of the Committee. If it is determined two days prior to the Committee meeting that a quorum will not be achieved, the Committee meeting is to be reconvened to a later date. If for any reason a quorum is not present within half an hour of the scheduled commencement of the meeting, the meeting shall be rescheduled.

A Committee member will be deemed to have relinquished their membership of the Committee if they do not attend two consecutive meetings of the Committee without notice or satisfactory (as determined by the Chair – or in the case of the Chair the majority of the Committee) explanation.

[Section 376 of the Act](#) relevantly provides:

- (2) *The general manager is entitled to attend a meeting of any other committee of the council and may, if a member of the committee, exercise a vote.*
- (3) *However, the general manager may be excluded from a meeting of the council or a committee while the council or committee deals with a matter relating to the standard of performance of the general manager or the terms of the employment of the general manager.*

The Chief Executive Officer may only be excluded from the meeting as set out above or while the Committee deals with a matter relating to the standard of performance of the Chief Executive Officer or the terms of the employment of the Chief Executive Officer.

The Chief Executive Officer will permit the Committee to meet separately with the Chief Internal Auditor and any External Auditor(s) in the absence of management on at least one occasion per year, should the Committee resolve that such meetings are appropriate and necessary.

The Committee may also request any other Council Official to participate in meetings should the Committee deem this necessary. All employees of Council are subject to the direction of the Chief Executive Officer and not the Committee or any of its members. In this regard all correspondence or contact with staff is to be through the Chair of the Committee address to the Chief Executive Officer.

6.3 Secretariat

The Executive Manager, Governance is to ensure adequate Secretariat support to the Committee is provided. The Committee 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, maintained, approved and distributed as required.

6.4 Agendas, Minutes, Internal Audit Reports and Supporting Papers

The agenda for meetings of the Committee will be set by the Chair (in consultation with the Chief Executive Officer and the Chief Internal Auditor) at least two weeks before a meeting. The agenda must specify the time and place at which, and the date on which, the meeting is to be held and the business proposed to be transacted at the meeting. If a Committee member wishes to raise an urgent/late item that is not on the agenda, the Chair shall determine the appropriate manner for dealing with the matter in accordance with Council's adopted [Code of Meeting Practice](#).

The Committee must ensure that full and accurate minutes of the proceedings of its meetings are kept. In particular, the Committee Secretariat must ensure that the following matters are recorded (at a minimum) in the minutes:

- a date and time of meetings, attendees and any apologies;
- the endorsement (or otherwise) of the minutes from previous the meeting;
- whether there was business arising from previous minutes;
- notation of reports or correspondence;
- details of each motion moved at a meeting and of any amendments moved to it;
- whether the motion or amendment is passed or lost;
- Committee recommendations;
- items of general business; and
- the time meeting closed, date and venue for next meeting.

Minutes shall be approved by the Chair and circulated to all Committee members and Councillors within three weeks of the meeting being held and are to be confirmed at the next Committee meeting.

All Committee Agendas set by the Chair and Minutes confirmed by the Committee will be recorded in Council's electronic document management system and made publicly available on Council's website. Supporting papers to the agenda considered by the Committee will be made publicly available on Council's website unless the business is of the following kind:

- Personnel matters concerning particular individuals.
- Personal hardship of any resident or ratepayer.
- Information that would, if disclosed, confer a commercial advantage on a person with whom Council is conducting (or proposes to conduct) business.
- Commercial information of a confidential nature that would, if disclosed:
 - prejudice the commercial position of a person who supplied it; or
 - confer a commercial advantage on a competitor of Council; or
 - reveal a trade secret.
- Information that would, if disclosed, prejudice the maintenance of law.
- Matters affecting the security of Council, Council Officials and Council property.
- Advice concerning litigation, or advice that would otherwise be privileged from production in legal proceedings on the grounds of legal professional privilege.
- Information concerning the nature and location of a place or an item of Aboriginal significance on community land.

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If the subject business is of a kind listed above then those documents will be issued under separate cover to the Agenda and are to be treated as confidential. The grounds for restricting public access to documents will be stated in the Agenda along with an explanation provided as to why public access would be, on balance, contrary to the public interest.

6.5 Privacy and Conflicts of Interest

The Committee Charter will comply with Council policies and the Act in relation to confidentiality, privacy and reporting. Members of the Committee will not disclose matters dealt with by the Committee to third parties except with the express approval of the Committee.

A conflict of interest exists where a reasonable and informed person would perceive that members of the Committee could be influenced by a private interest when carrying out their public duty. All members of the Committee must avoid or appropriately manage any conflict of interests. The onus is on members of the Committee to identify a conflict of interest and take the appropriate action to manage the conflict in favour of their public duty. All members of the Committee must comply with Council's [Code of Conduct](#) at all times.

Committee members, attendees, invitees, observers and Council Officials 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 and be dealt with in accordance with Council's adopted [Code of Conduct](#).

Where Committee members, attendees, invitees, observers or Council Officials at Committee meetings are deemed by the Chair (or in the case of the Chair by the majority of the Committee) to have a real or perceived conflict of interest, they will be excused from Committee deliberations and leave the meeting on the issue where the conflict of interest may exist in accordance with Council's adopted [Code of Conduct](#).

6.6 Health and Safety

Council is responsible for providing a safe work environment and gives priority to the health, safety and welfare of Council Officials and of Committee members. Committee members should protect their safety and that of others in the work environment and public areas as required. All safety concerns should be reported immediately to Council Officials.

No one should take part in activities or attend Committee meetings while under the influence of alcohol or other drugs which could impair abilities or cause danger to themselves or others.

6.7 Public comment and media statements

All public comments and media statements representing Central Coast Council must be approved by the Chief Executive Officer.

6.8 Induction

It is a condition of Committee membership that all members undertake [Code of Conduct](#) and Protected Disclosure training. The Executive Manager, Governance will ensure that all new Committee members receive all relevant information, training and briefings on their appointment to assist them to meet their Committee responsibilities.

6.9 Assessment Arrangements

In consultation with the Committee members, 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 Council's Senior Management and any other relevant stakeholders, as determined by the Chair.

The review will also consider and report to Council on this Charter and the Internal Audit Charter, and it is to be included in the Committee's annual report to Council.

6.10 Vacancy

If for any reason a vacancy in the Committee membership occurs, the position(s) shall be filled in accordance with this Charter.

Adopted by Council

Date: 26 July 2017

Endorsed by the Committee

Date: 20 June 2017