

# CHARTER

## AUDIT RISK AND IMPROVEMENT COMMITTEE (ARIC)



### AUDIT RISK AND IMPROVEMENT COMMITTEE (ARIC) CHARTER

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| <b>CHARTER</b>          | Audit Risk and Improvement Committee (ARIC) |
| <b>STATUS</b>           | External                                    |
| <b>BUSINESS PROGRAM</b> | Finance + Corporate Strategy                |
| <b>DOCUMENT ID</b>      | 569236                                      |

#### 1. OBJECTIVE

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

In addition, the purpose and function of this Committee is to provide relevant advice with a view to ensuring that there is an adequate and effective system of internal control throughout Council and to assist in the operation and implementation of the Internal and External Audit Plans

#### 2. AUTHORITY

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.
- Appoint the representatives to the Committee, as per the parameters and procedures outlined in section 3 of this Charter

#### 3. COMPOSITION & TENURE

The members of the Committee, taken collectively, will have a broad range of skills and experience relevant to the operations of Hunters Hill 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.

The Committee will consist of:



### 3.1 Members (voting):

- ☐ Three (3) independent external members (one to be the chairperson).

A quorum is achieved with two members present.

### 3.2 Attendee (non-voting)

- ☐ General Manager
- ☐ Head of Internal Audit
- ☐ Other staff as requested by the General Manager.

The External Auditor, appointed by the Audit Office of NSW, is invited to all meetings.

A copy of the committee business paper will also be circulated to all Councillors.

## 4. ROLES & 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 Council complies with relevant risk management standards.
- ☐ 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. Ensure that these risks are considered when formulating Internal Audit planning.
- ☐ 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.
- Seek assurance from management and Internal Audit that risk management processes are operating effectively.
- Review the fraud control plan and be satisfied that there are appropriate processes and systems in place to capture and effectively investigate fraud related information.

### 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.
- 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.
- Consider the adequacy of internal audit resources to carry out its responsibilities, including completion of the approved Internal Audit Plan.
- Ensure and support the independence of the internal audit function.
- Make recommendations for inclusion and/or prioritising projects in the 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.
- Make recommendations to commission audits of any kind, whether to be conducted by the Internal Auditor or otherwise.
- Monitor the implementation of internal audit recommendations by management.
- Periodically review the Audit, Risk & Improvement Committee Charter every 2 years 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.
- Review the proposed audit scope and approach, with particular respect to coordination of audit effort with internal 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 Hunters Hill 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.

Any Committee member or General Manager may at least 24 hours prior to the meeting inform the Chair of an item in addition to the agenda of the forthcoming meeting that in their opinion should be discussed in confidential session. If the Chair considers the item to be within the charter of the committee and that it should be confidential, the Chair will circulate all members of the Committee a broad description of the item in the name of the Chair. The Committee will then confirm at the meeting that the item should be discussed in confidential session.

#### **4.8 Selection of Members**

The selection criteria and process for the appointment of the independent external members shall ordinarily be as follows:

- i) The Committee shall seek nominations from persons interested in being appointed to the available position. All nominees who satisfy the conditions of this charter shall be eligible for appointment
- ii) The eligible persons will be determined by a merit process by the General Manager who shall make recommendations to the Council. Following receipt of recommendations from the General Manager, the Committee may appoint the independent external member by making a direct appointment based on merit subject to endorsement of the appointment from Council.



### 4.9 Term of Office

- i) The independent external members (including the position of Chair) will be appointed for the term of two years, after which they will be eligible for extension or re-appointment following a formal review of their performance.
- ii) Voting shall be undertaken in accordance with section 8 of this Charter, except that the independent external member seeking reappointment may not vote on the reappointment and will be deemed to be absent for the vote for the purpose of section 5 of this Charter.
- iii) The maximum number of terms an independent external member can sit on the committee without the need for further nominations is 2 terms. The maximum number of terms a Chair can serve on the committee without the need for further nominations is 1 term.

### 4.10 Vacancy

In the case of resignation from the committee by an independent external member, the Committee is to appoint another independent external member as soon as is practicably possible in accordance with the process set out in 4.8, but no later than one month prior to the next meeting, with the intent that there are always two independent external members on the committee.

## 5. CHAIRPERSON

- i) An independent external member acts as Chair of the Committee for the full term of office as per 4.9 of this charter.
- ii) In the case of resignation by the Chair, the Committee will elect a new Chair following the appointment of the third independent member.
- iii) In the absence of the appointed Chair, one of the other independent external members shall serve as the Chair for the period of absence of the duly nominated Chair.

Note that this role is an administrative role only with no authority to act or direct action on behalf of the Committee/Council.

## 6. CODE OF CONDUCT

All members of the Committee are to abide by Hunters Hill Council's Code of Conduct.

Each member of the Committee shall be provided with a copy of the Code of Conduct.

Council is committed to responsible corporate governance, including compliance with laws and regulations governing Related Party Transactions.



### 7. REPORTING

At the first Committee meeting of the calendar year, 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 calendar 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.

### 8. DECISION MAKING/DELIVERABLES

- i) 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
- ii) 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
- iii) Between meetings the Chair may circulate to members by email specific proposals for adoption by the Committee. Members shall be given a set time – at least 5 (five) days – in which to reply to indicate their agreement with a particular proposal
- iv) 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 in the minutes at the commencement of the next meeting.

### 9. ADMINISTRATIVE ARRANGEMENTS

#### 9.1 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 Committee Charter.



The Committee is able to meet separately with each of the internal auditor and the external auditor without the presence of management on at least one occasion per year.

The Chair shall set the timing and agenda of the meetings.

### **9.2 Attendance at Meetings and Quorums**

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

The Head of Internal Audit will be invited to attend each meeting unless requested not to do so by the Chair of the Committee. The Committee may also request the Responsible Accounting Officer or any other employees to participate for certain agenda items, as well as the external auditor. The Chair may also convene a meeting with the exclusion of management.

### **9.3 Secretariat**

The Committee has appointed the corporate department to provide administrative support to the Committee. This will include ensuring that the agenda for each meeting and supporting papers are circulated, at least one week before the meeting, and that the 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.

### **9.4 Conflicts of Interest**

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.

### **9.5 Induction**

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

### **9.6 Assessment of Committee Performance**

- i) The Chair will initiate a review of the performance of the Audit Committee at least once every two years





- ii) The review will be conducted on a self-assessment basis using a standardised evaluation format such as a survey (unless otherwise determined by the Chair), with appropriate input from management and any other relevant stakeholders, such as the General Manager, Directors, Internal Auditor and External Auditor. When reviewing the Committee's performance, the Chair should be satisfied that an effective, comprehensive and complete service is being provided. It will be presented to Council for its review.

### **9.7 Review of Audit, Risk & Improvement Committee Charter**

At least once every two years the Committee will review this Charter.

## **10. CHANGES TO THE CHARTER**

The Committee will endorse any changes to this Charter and will recommend the approval of these amendments to Council.

# CHARTER

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### VERSION CONTROL TABLE

| Date      | Version | Res. No.        | Key Changes  | Author |
|-----------|---------|-----------------|--|--------|
| 24-Sep-18 | v.1     | 315/18          | Adopted by Council OM 4340 Resolution 135/13<br><br>Amended by Council OM 4448 held 24 September 2018 Resolution 315/18  |        |
| 27-Sep-19 | v.2     | Minor amendment | 3.4 REVIEW OF ARIC CHARTER<br><br>RESOLVED on the motion of Clr Collins, seconded Mr Robertson<br><br>That clause 3.1 of the ARIC charter be amended to provide for one Councillor as a voting member in addition to the external members. |        |
| 21-Feb-22 | v.3     | 022/22          | Council resolved Committees of Council following the local government elections. One (voting) Councillor has been removed from the composition of the Committee.   |        |
| 16-May-22 | v.4     | 082/22          | Recommendation to expand independent members from 2 to 3 members.  |        |