

# **PENRITH** CITY COUNCIL

## **Audit, Risk and Improvement Committee Charter**

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## 1. Introduction

The following Audit, Risk and Improvement Committee ('the Committee') Charter sets out the objective, authority, roles, responsibilities, composition and operation of the Committee.

## 2. Objective

The Audit, Risk and Improvement Committee (the Committee) has been established to promote good corporate governance at Penrith City Council.

Good corporate governance of the Council ensures that the people of Penrith receive the services that they need in an effective and efficient manner, delivered with honesty and integrity.

The objective of the Committee is to provide independent assurance and assistance to Council with respect to the following key areas as per Section 428A of the *Local Government Amendment (Governance and Planning) Bill 2016*:

- compliance
- risk management
- fraud control
- internal control
- financial management
- governance
- implementation of Council's strategic plan, delivery programs and strategies
- service reviews
- collection of performance management data
- other matters prescribed by the regulations, and
- execution of Council functions.

The Committee is an independent advisory Committee that assists the Council to fulfill its oversight responsibilities.

## 3. Authority

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

- Reasonably obtain any information it needs from any employee or external party (subject to their legal obligations to protect information).
- Discuss any matters with the General Manager, external auditor or other external parties (subject to confidentiality considerations).
- Request of the General Manager, the attendance of any employee at Committee meetings.
- Request within the resources allocated by Council, external legal and other professional advice considered reasonably necessary to meet its responsibilities. Such a request should be made through the Chair and the General Manager and will not be unreasonably withheld.
- Provide regular assessments of the adequacy and effectiveness of Council's processes and controls for managing its activities and risks.

#### 4. Composition

The Committee will consist of:

##### **Members: voting**

- Mayor of the day or a Councillor representing the Mayor
- two other Councillors broadly representative of the composition of Council, and
- four external independent members are to be appointed following public advertisement inviting expressions of interest, by a panel (the Committee Appointment Panel) comprised of the Mayor, General Manager, Chief Financial Officer and two external representatives from a Government, Community or professional body.

The members appointed to the Committee will be subject to resolution by the Council.

Wherever possible, the Committee Appointment Panel will aim to ensure that the independent members, in aggregate, have recent and relevant:

- financial and accounting experience
- risk management experience
- performance improvement experience
- community service experience
- local government / public sector experience, and
- legal or governance experience.

One of the independent Committee members will be appointed by the Committee Appointment Panel as the Chair of the Committee. This role is an administrative role only, with no authority to act or direct action on behalf of the Council or other independent members.

One of the independent Committee members will be appointed by the Committee Appointment Panel as the Deputy Chair of the Committee, to carry out the functions of the Chair, in the Chair's absence.

The independent members on the Committee should be remunerated for attending Committee meetings at the remuneration level adopted by Council.

A vacancy for an independent member of the Committee may occur upon the resignation of the member, expiry of a term of appointment as outlined in Section 5 of this Charter, death of the member, failure to attend without cause for three consecutive meetings, or by removal by resolution of Council.

Vacancies for independent members on the Committee will be filled by the Committee Appointment Panel, following public advertisement inviting expressions of interest. This will occur as soon as practically possible and not exceeding the period of two Audit Committee meetings.

Former Council staff and Councillors may be eligible for appointment as an independent member to the Committee following a five year 'break- from- service'. Committee members must decline any request to act as referee to applicants for vacant positions on the Committee.

Committee members are required to have an independence of mind in deliberations and not act as a representative of a particular area of the community or Council. Committee members are required to declare any conflicts of interest that may arise in accordance with this Charter, and may do so in the following ways:

- Annual written declaration (mandatory).
- Verbal declaration during Committee meetings (start of meeting or before discussion of relevant agenda item or topic).

**Attendees: non- voting**

The following members of staff will receive a standing invitation to meetings of the Committee:

- General Manager, or Acting General Manager
- Chief Financial Officer
- Chief Governance Officer
- Chief Operating Officer
- Legal Services Manager
- Risk and Audit Coordinator, and
- Internal Audit and Policy Officer

**Invitees: non - voting**

Other Council staff may be invited by the General Manager or by the Committee, via the General Manager to attend meetings as observers and advisors from time to time.

The General Manager may provide delegated authority to the Chief Governance Officer, Legal Services Manager, and/or the Risk and Audit Coordinator to invite other staff to attend as observers or advisors from time to time.

The Committee may also invite, via the General Manager, the external auditor or other external parties to provide expert advice, information or presentations from time to time.

**5. Term of Appointment**

The independent members of the Committee will be appointed for a term of four years coinciding with the four-year term of Council. At the end of each term of Council, all positions on the Committee will become vacant and new Committee members will be sought in accordance with Clause 4 of this Charter.

Independent members of the Committee that have served two consecutive terms or eight years, whichever is the greater, will generally not be eligible for reappointment. However, reappointment after two consecutive terms may be allowed at the discretion of the Council and on the advice of the Committee Appointment Panel.

There will be no limitation on the term of Councillor members of the Committee.

The performance of independent members will be subject to performance reviews at the end of each term of appointment. The Chair will review the performance of independent members, and the Mayor, in consultation with the General Manager, will review the performance of the Chair.

The Council may require additional performance reviews of any independent member and must give reasonable notice of that review.

The Council may at its absolute discretion, resolve to remove a member from the Committee at any time but must provide the reasons for that removal.

The removal or suspension of a Councillor or independent member where she/ he is found by the appropriate investigative body to have behaved inappropriately (for example, found to have breached disclosure of interests requirements under the Local Government Act) and/or breached Council's Code of Conduct, following a Code of Conduct investigation, requires a resolution of Council. Formal removal or suspension of a member by Order of NACT or by OLG is not subject to approval of Council.

## **6. Role and Responsibilities**

The Committee has no executive powers except those expressly provided by Council.

The primary responsibility for financial and other reporting, for internal controls, for compliance with laws, for ethical behaviour, and for risk management etc. rests with the General Manager.

The Committee's role is to oversee and monitor risk management, audit, continuous improvement, compliance, external accountability and the internal control environment activities on behalf of Council.

The Committee will serve as an independent and objective party to assist the General Manager and the elected Council in determining whether the organisation complies with relevant laws and standards, including policy directions of the Office of Local Government (OLG) and the Local Government Act 1993 / Local Government Amendment (Planning and Governance) act 2016 in relation to audit, risk and improvement standards.

The Committee will have the following specific responsibilities and functions that may be revised or expanded from time to time:

### **a. Compliance**

Oversee Council's compliance arrangements and:

- Determine if 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.

### **b. Risk Management**

Oversee Council's risk management arrangements and review whether:

- Council complies with relevant risk management principles and guidelines such as AS/NZS ISO 31000 (2009).
- 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.

- A sound and effective approach has been followed in establishing business continuity planning arrangements, including whether plans have been periodically tested.
- A sound and effective approach has been followed in developing strategic risk management plans for major projects or undertakings.
- Risk mitigation strategies are adequate and effective, including insurance arrangements.

**c. Fraud and corruption prevention**

Oversee Council's fraud and corruption prevention arrangements and:

- Review and discuss with management their philosophy with respect to business ethics and corporate conduct, its written code of conduct and the programme it has in place to monitor compliance with that code.
- Monitor the level of and issues raised in relation to Public Interest Disclosures, customer complaints, and internal and external conduct investigations (for example by the Independent Commission Against Corruption).
- Review Council's assessment of the level of exposure to fraud and corruption.
- Receive and review management's strategies and controls to manage fraud and corruption risks.

**d. Internal control framework**

Oversee Council's internal control framework arrangements and review whether:

- Management has adequate internal controls in place, including over external parties such as contractors and advisors.
- Management has in place relevant policies and procedures, and if these are periodically reviewed and updated.
- Appropriate processes are in place to assess compliance with policies and procedures.
- Appropriate policies and procedures are in place for the management and exercise of delegations.
- Management has taken steps to embed a culture which is committed to ethical and lawful behavior.

**e. External accountability, including financial reporting**

Oversee Council's external accountability obligations and:

- Satisfy 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 or not appropriate action has been taken in response to audit recommendations and adjustments in a timely manner.
- 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 that there are appropriate mechanisms in place to review and implement, where appropriate, relevant State Government reports and recommendations.
- Satisfy itself that there is an Integrated Planning & Reporting framework in place, which is in accordance with Local Government guidelines and directives.

#### **f. Internal Audit**

Oversee Council's internal audit function and:

- Act as a forum for communication between Council, the General Manager, senior management, internal audit and external audit.
- Ensure that the internal audit function is adequately resourced and has appropriate standing within Council.
- Ensure that the Internal Audit Plans (strategic and annual) are linked with and cover the major risks identified in Council's risk profile as per its risk registers, and approve the Plans.
- Promote the co-ordination between management, internal and external auditors.
- Ensure and support the independence of the internal audit function.
- Make recommendations to commission internal audits of any kind, whether to be conducted by the internal auditor or otherwise.
- Review all internal audit reports and consider any significant matters reported and ascertain whether management responses are appropriate.
- Review and discuss the internal auditor's quarterly reports, including year to date progress as per the Internal Audit Plan, significant variations that may have occurred from the approved Internal Audit Plan, and any specific concerns the Internal Auditor may have.
- Monitor remedial action by management of internal audit recommendations made as per Council's recommendations register.
- Periodically review the Internal Audit Charter to ensure appropriate organisational structures, authority, access and reporting arrangements are in place.
- Participate in the selection of external internal audit providers, as required.
- Meet at least once per year with the internal auditor, in closed session, to discuss any issues of concern.

#### **g. External audit**

Oversee Council's external audit function and:

- Act as a forum for communication between Council, the General Manager, senior management, internal audit, and external audit.
- Review the proposed external audit scope and approach, with particular respect to coordination of effort and elimination of duplication 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 audit plans and reports in respect of planned or completed external audits and monitor management's implementation of significant audit recommendations.
- Make recommendations to the General Manager on external audit activities.
- Periodically review the performance of external audit.
- Make recommendations to the General Manager on the appointment and removal of external auditors.
- Meet at least once per year with the external auditor, in closed session, to discuss any issues of concern.

#### **h. Continuous Improvement**

Oversee Council's continuous improvement activities by:

- Reviewing the overall approach and arrangements in place that support management implementing a successful culture of continuous improvement to drive productivity and efficiency gains.
- Monitoring continuous improvement initiatives, programmes, projects etc., including:
  - Organisational / operational reviews.
  - Service reviews.
  - Organisation Planning
  - Development of performance criteria / data requirements and the collection of data for performance reporting against such criteria.
- Reviewing the annual performance of Council against its documented key performance criteria and providing advice to the General Manager on the adequacy of Council's performance against the documented criteria.
- Identifying and recommending to the General Manager Council activities, services, business processes, systems etc. that may benefit from a review, through the Committee's exercise of its functions.

#### **i. Accountability of the Committee and members**

The key requirements are:

- The Committee is accountable for ensuring that it meets the requirements as set out in this Charter.
- All members are accountable to ensure that they abide by the Council code of conduct at all times.
- All members are accountable to ensure that they act in accordance with the conflicts of interest section of this Charter.
- All members of the Committee are individually accountable for:
  - understanding the relevant legislative and regulatory requirements appropriate to Council
  - contributing the time needed to study and understand the papers provided
  - applying good analytical skills, objectivity and good judgment
  - expressing opinions frankly, ask questions that go to the fundamental core of issues, and pursue independent lines of enquiry
  - acting honestly and in good faith
  - actively participating in the work of the Committee
  - performing their duties in a manner that engenders public trust in the integrity, objectivity, and impartiality of the Committee
  - conducting the business of the Committee with the care, diligence and skill appropriate to the role
  - declaring any change in employment status that may give rise to any real or perceived conflict of interest, and
  - complying with the Committee's Charter.

#### **j. Transparency**

The Committee:

- Will provide advice to Management on the public disclosure of records relating to the internal audit function, consistent with relevant legislation such as the *Privacy and Personal Information Protection Act 1998* (PPIPA) and the *Government Information (Public Access) Act 2009* (GIPA), including the redaction of any sensitive information.



- Due to the inherent risks associated with the disclosure of potentially sensitive and/or confidential information, give due consideration to each item presented at a Committee meeting on a merit (case by case) basis.
- In some instances, may recommend the non-release, or delayed release, of a particular report, at least until such time as the findings contained within it are sufficiently managed so as not to jeopardise Council's financial, legal, safety or other risks.
- May seek input or advice from Council's nominated GIPA and PPIPA specialists in relation to any public disclosures.
- Will ensure that generally, all agendas and minutes of Committee meetings will be made publically available subject to privacy and confidentiality considerations.

## **7. Reporting Arrangements**

At the first Committee meeting after 30 June each year, the Risk and Audit Coordinator will provide an internal audit Annual Report. The report will include commentary on the following performance related matters:

- the approved Internal Audit Plan of the previous financial year showing the current status of each audit
- the performance of internal audit for the financial year as measured against agreed key performance indicators
- management's progress with the implementation of internal audit recommendations, and
- the performance of Council-wide service risk assessments, and project-specific risk assessments, in accordance with the Enterprise Risk Management Plan.

The Chair of the Committee will provide a consolidated internal audit Annual Report and Committee Annual Report to Council.

The key elements of the later Report will include details of:

- meetings held and member attendance
- oversight of the internal audit function
- oversight of the activities of the external auditor
- oversight of the enterprise risk management function
- oversight of general corporate governance arrangements
- key achievements
- key action points, and
- any other matters deemed to be of sufficient importance.

Following endorsement, the Committee shall table the Annual Reports to Council in open session, to be presented by the Chair of the Committee.

The minutes of Committee meetings are to be reported quarterly to Council. As the minutes may contain confidential or sensitive information, broader public access will be subject to privacy and confidentiality considerations noted under the Transparency section above.

The Committee may, at any time, consider any other matter it deems of sufficient importance to do so.

## **8. Meeting and Other Arrangements**

The following arrangements will apply:

### **Quorum**

A quorum will consist of a majority of Committee members, including at least one external independent member and one Councillor.

### **Proceedings**

The Committee shall meet at least four times per year (quarterly). If necessary, an additional meeting will be held to review and endorse the annual audited financial reports and external audit opinion.

The need for any additional meetings will be decided by the Chair, although the other Committee members may make requests to the Chair for additional meetings. Meetings will ordinarily be held in person, but can be by telephone or by video conference.

Where, either Internal Audit Plan priorities change between meetings or new urgent issues arise, and where it is not possible to schedule an additional meeting, the Committee will be kept fully informed of all changes via email.

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 Charter.

### **Conflicts of Interest**

Council staff and members of the Committee must comply with the Council Code of Conduct in carrying out their functions as Council officials. It is the personal responsibility of each council official to comply with the standards in the code of conduct and regularly review their personal circumstances with this in mind.

Committee members must complete an annual written declaration of conflict of interest, and 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 that they be excused from deliberations on the issue where the conflict of interest may exist. It is the responsibility of each member and staff member to determine if a conflict of interest exists, the nature of that interest and how they will respond to that interest.

### **Decision Making**

The Committee is expected to make decisions by consensus. However, 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.

Between meetings, the Chair may circulate specific proposals by e-mail to members for adoption by the Committee. Members shall be given a set time – no less than 5 five days – in which to reply to indicate their agreement with a particular proposal. 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 and minuted at the commencement of the next meeting.

As noted in the Role and Responsibilities section of this Charter, the Committee shall meet at least once per year, in closed session, with each of the internal auditors and the external auditor to receive feedback.

### **Secretariat**

Council through the General Manager will provide secretariat support to the Committee in order for it to fulfil its functions.

The Secretariat will ensure the agenda for each meeting and supporting papers are circulated, at least three business days before the meeting, and ensure minutes of the meetings are prepared and maintained.

Minutes shall be circulated to each member within two weeks of the meeting being held and approved at the following Committee meeting.

### **Induction**

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

### **Review internal audit performance**

The Committee will oversee an annual internal review of the performance of the internal audit function (using agreed metrics as set out in the internal audit Charter) and an independent review of the function during its term of office.

### **Review of Committee performance**

The Chair of the Committee shall coordinate a self-assessment of the performance of the Committee on an annual basis. The results of this self-assessment will be included in the Committee Annual Report to Council.

### **Charter review**

Each year, the Committee will review its Charter to ensure it remains current, relevant and accurately reflects the Committee's composition, role and responsibilities.

The Committee will recommend any changes to its Charter. The Council is responsible for adoption of the Charter.

## **9. Document Control**

1. Endorsed by the Audit, Risk and Improvement Committee on 22 February 2017.