
AUDIT, RISK AND IMPROVEMENT COMMITTEE

1. INTRODUCTION

- 1.1 Port Stephens Council (Council) has established an audit, risk and improvement committee (the Committee) in compliance with section 428A of the Local Government Act 1993, the Local Government (General) Regulation 2021 and the Office of Local Government's Guidelines for risk management and internal audit for local government in NSW. These terms of reference set out the committee's objectives, authority, composition and tenure, roles and responsibilities, reporting and administrative arrangements.

2. OBJECTIVE

- 2.1 The objective of the committee is to provide independent assurance by monitoring, reviewing, and providing advice about the Council's governance processes, compliance, risk management and control frameworks, external accountability obligations and overall performance.

3. INDEPENDENCE

- 3.1 The Committee is an independent body to ensure it has no real or perceived bias or conflicts of interest that may interfere with its ability to act independently and to provide robust, objective and unbiased advice and assurance.
- 3.2 The Committee is to have an advisory and assurance role only and is to exercise no administrative functions, delegated financial responsibilities or any management functions of the Council. The Committee will provide independent advice to Council that is informed by the internal audit and risk management activities and information and advice provided by staff, relevant external bodies and subject matter experts.
- 3.3 The Committee must always ensure it maintains a direct reporting line to and from the Council's internal audit function and act as a mechanism for internal audit to report to the Council and the General Manager on matters affecting the performance of the internal audit function.
- 3.4 The Head of Internal Audit is referred to as the Chief Audit Executive within the International Professional Practice Framework, including standards, and the Internal Audit Coordinator within the OLG Regulations and Guidelines. At Council, the Head of Internal Audit is the Governance Section Manager.

4. AUTHORITY

- 4.1 Council authorises the Committee, for the purposes of exercising its role and responsibilities, to:
- a) access any information it needs from Council
 - b) reasonable use of any Council resources it needs
 - c) have direct and unrestricted access to the General Manager and senior management of Council
 - d) seek the General Manager's permission to meet with any other Council staff member or contractor
 - e) discuss any matters with the external auditor or other external parties
 - f) request the attendance of any employee at committee meetings, and
 - g) obtain external legal or other professional advice in line with Councils' procurement policies subject to prior approval from the General Manager.
- 4.2 Information and documents pertaining to the Committee are confidential and are not to be made publicly available. The committee may only release information to external parties that are assisting the committee to fulfil its responsibilities with the approval of the General Manager, except where it is being provided to an external investigative or oversight agency for the purpose of informing that agency of a matter that may warrant its attention.

5. COMPOSITION AND TENURE

- 5.1 The committee consists of an independent chair and two independent members who have voting rights and one non-voting councillor, as required under the Local Government (General) Regulation 2021.
- 5.2 The Council is to appoint the chair and members of the Committee. Current Committee members are:

Deborah Goodyer	Independent chair (voting)
Frank Cordingley	Independent member (voting)
Paul Dunn	Independent member (voting)
Cr Leah Anderson	Councillor member (non-voting)

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- 5.3 All Committee members must meet the independence and eligibility criteria prescribed under the Local Government (General) Regulation 2021.
- 5.4 Members will be appointed for up to a four-year term. Members can be reappointed for one further term, but the total period of continuous membership cannot exceed eight years. This includes any term as chair of the committee. Members who have served an eight-year term (either as a member or as chair) must have a two-year break from serving on the committee before being appointed again. To preserve the Committee's knowledge of the Council, ideally, no more than one member should retire from the committee because of rotation in any one year.
- 5.5 The terms and conditions of each member's appointment to the Committee are to be set out in a letter of appointment. New members will be thoroughly inducted to their role and receive relevant information and briefings on their appointment to assist them to meet their responsibilities.
- 5.6 Prior to approving the reappointment or extension of the chair's or an independent member's term, the Council is to undertake an assessment of the chair's or committee member's performance. Reappointment of the chair or a committee member is also to be subject to that person still meeting the independence and eligibility requirements prescribed under the Local Government (General) Regulation 2021.
- 5.7 Members of the committee collectively must possess and maintain a broad range of skills, knowledge, and experience relevant to the operations, governance and financial management of council, the environment in which council operates, and the contribution that the Committee makes to Council. At least one member of the committee must have accounting or related financial management experience with an understanding of accounting and auditing standards in a local government environment. All members should have sufficient understanding of Council's financial reporting responsibilities to be able to contribute to the Committee's consideration of the annual financial statements.

6. ROLE

- 6.1 As required under section 428A of the Local Government Act 1993 (the Act), the role of the committee is to review and provide independent advice to council regarding the following aspects of operations:
- a) internal audit
 - b) compliance
 - c) risk management
 - d) fraud control

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- e) financial management
 - f) governance
 - g) implementation of the strategic plan, delivery program and strategies
 - h) service reviews
 - i) collection of performance measurement data, and
 - j) other relevant matters which may arise.
- 6.2 The Committee must also provide information to Council for the purpose of improving the performance of its functions under the Local Government Act 1993.
- 6.3 The Committee's specific audit, risk and improvement responsibilities under section 428A of the Act are outlined in Schedule 1 to these terms of reference.
- 6.4 The Committee will act as a forum for oversight of the internal audit function including its planning, monitoring and reporting to ensure it operates effectively.
- 6.5 The Committee has no power to direct external audit or the way it is planned and undertaken but will act as a forum for the consideration of external audit findings.
- 6.6 The Committee is directly responsible and accountable to the Council for the exercise of its responsibilities. In carrying out its responsibilities, the Committee must at all times recognise that primary responsibility for management of the Council rests with Council and the General Manager.
- 6.7 The responsibilities of the Committee may be revised or expanded in consultation with, or as requested by, the Council from time to time.

7. RESPONSIBILITIES OF MEMBERS

Independent members

- 7.1 The chair and members of the committee are expected to:
- a) understand and observe the requirements of the Office of Local Government's Guidelines for risk management and internal audit for local government in NSW.
 - b) make themselves available as required to attend and participate in meetings
 - c) contribute the time needed to review and understand information provided to it
 - d) apply good analytical skills, objectivity and judgement
 - e) act in the best interests of Council

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- f) have the personal courage to raise and deal with tough issues, express opinions frankly, ask questions that go to the fundamental core of the issue and pursue independent lines of inquiry
 - g) maintain effective working relationships with the Council
 - h) have strong leadership qualities (chair)
 - i) lead effective committee meetings (chair), and
 - j) oversee the Council's internal audit function (chair).

Councillor member

7.2 To preserve the independence of the Committee, the councillor member of the Committee is a non-voting member. Their role is to:

- a) relay to the Committee any concerns the Council may have regarding the Council and issues being considered by the Committee
- b) provide insights into local issues and the strategic priorities of Council that would add value to the Committee's consideration of agenda items.
- c) advise the Council (as necessary) of the work of the Committee and any issues arising from it, and
- d) assist the Council to review the performance of the Committee.

7.3 Issues or information the councillor member raises with or provides to the Committee must relate to the matters listed in Schedule 1 and issues being considered by the Committee.

7.4 The councillor member of the committee must conduct themselves in a non-partisan and professional manner. The councillor member of the committee must not engage in any conduct that seeks to politicise the activities of the Committee or the internal audit function or that could be seen to do so.

7.5 If the councillor member of the Committee engages in such conduct or in any other conduct that may bring the Committee and its work into disrepute, the chair of the Committee may recommend to the Council, that the Council member be removed from membership of the Committee. Where the Council does not agree to the Committee chair's recommendation, the Council must give reasons for its decision in writing to the chair.

Conduct

7.6 Independent Committee members are required to comply with the Council's code of conduct.

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- 7.7 Complaints alleging breaches of the Council's code of conduct by an independent committee member are to be dealt with in accordance with the Procedures for the Administration of the Model Code of Conduct for Local Councils in NSW. The General Manager must consult with the Council before taking any disciplinary action against an independent committee member in response to a breach of the Council's code of conduct.

Conflicts of interest

- 7.8 Once a year, committee members must provide written declarations to the Council stating that they do not have any conflicts of interest that would preclude them from being members of the Committee. Independent committee members are 'designated persons' for the purposes of the Council's code of conduct and must also complete and submit returns of their interests.
- 7.9 Committee members and observers must declare any pecuniary or non-pecuniary conflicts of interest they may have in a matter being considered at the meeting at the start of each meeting or as soon as they become aware of the conflict of interest. Where a committee member or observer declares a pecuniary or a significant non-pecuniary conflict of interest, they must remove themselves from committee deliberations on the issue. Details of conflicts of interest declared at meetings must be appropriately minuted.

Standards

- 7.10 Committee members are to conduct their work in accordance with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors and [current Australian risk management standard], where applicable.

8. WORK PLANS

- 8.1 The work of the Committee is to be thoroughly planned and executed. The Committee must develop a strategic work plan every four years to ensure that the matters listed in Schedule 1 are reviewed by the Committee and considered by the internal audit function when developing their risk-based program of internal audits. The strategic work plan must be reviewed at least annually to ensure it remains appropriate.
- 8.2 The committee may, in consultation with the Council governing body, vary the strategic work plan at any time to address new or emerging risks. The Council may also, by resolution, request the committee to approve a variation to the strategic

work plan. Any decision to vary the strategic work plan must be made by the Committee.

- 8.3 The Committee must also develop an annual work plan to guide its work over the forward year.
- 8.4 The Committee may, in consultation with the Council, vary the annual work plan to address new or emerging risks. The Council may also, by resolution, request the committee to approve a variation to the annual work plan. Any decision to vary the annual work plan must be made by the Committee.
- 8.5 When considering whether to vary the strategic or annual work plans, the committee must consider the impact of the variation on the internal audit function's existing workload and the completion of pre-existing priorities and activities identified under the work plan.

9. REPORTING TO COUNCIL

- 9.1 The Committee must report to the Council to ensure that it is kept informed of matters considered by the Committee and any emerging issues that may influence the strategic direction of the Council or the achievement of the Council's goals and objectives.

Quarterly (routine) reporting via Minutes of meetings

- 9.2 The Committee will provide an update to the Council and the General Manager of its activities and advice after every committee meeting.

Annual report on Council performance relating to Schedule 1 matters

- 9.3 At the first Committee meeting after 30 June each year, Internal Audit will provide a performance report including:
- a) completion of the approved Internal Audit Plan of work for the previous financial year showing the current status of each audit.
 - b) results of the Quality assurance and improvement program
 - c) conformance with the OLG Regulations and Guidelines to inform the Council attestation statement; and

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- d) the performance of Internal Audit for the financial year as measured against agreed key performance indicators for inhouse and external internal audit providers.

- 9.4 The Committee will provide an annual assessment to the Council and the General Manager on the Committee's work and its opinion on how the Council is performing.

Comprehensive assessment each Council term

- 9.5 The Committee will provide a comprehensive assessment every council term of the matters listed in Schedule 1 to the Council and the General Manager.
- 9.6 The Committee may at any time report to the Council or the General Manager on any other matter it deems of sufficient importance to warrant their attention. The Mayor and the chair of the Committee may also meet at any time to discuss issues relating to the work of the Committee.
- 9.7 Should the Council require additional information, a request for the information may be made to the chair by resolution. The chair is only required to provide the information requested by the Council where the chair is satisfied that it is reasonably necessary for the Council to receive the information for the purposes of performing its functions under the Local Government Act. Individual councillors are not entitled to request or receive information from the Committee.

10. ADMINISTRATIVE ARRANGEMENTS

Meetings

- 10.1 The committee will meet at least 4 times per year, including a meeting to review the financial statements.
- 10.2 The chair may hold additional meetings when significant unexpected issues arise, or if the chair is asked to hold an additional meeting by a committee member, the general manager or the Council.
- 10.3 Committee meetings can be held in person, by telephone or videoconference. Proxies are not permitted to attend meetings if a committee member cannot attend.
- 10.4 A quorum will consist of a majority of independent voting members.
- 10.5 Where the vote is tied, the chair has the casting vote.

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- 10.6 The chair of the committee will decide the agenda for each committee meeting.
- 10.7 Each committee meeting is to be minuted to preserve a record of the issues considered, key discussions, and the actions and decisions taken by the committee. Where confidentiality of the matters discussed is considered relevant, the minutes may be provided to the Council in a confidential report.
- 10.8 The General Manager and the Head of Internal audit should attend committee meetings as non-voting observers.
- 10.9 The external auditor (or their representative) is to be invited to each committee meeting as an independent observer.
- 10.10 The chair can request the following Council officers and representatives to attend meetings for specific agenda items:
- a) Council's chief finance officer or equivalent,
 - b) head of risk management function or equivalent,
 - c) senior managers or equivalent, i.e. Legal Services, Governance
 - d) any employee/contractor of the council and
 - e) any subject matter expert
- 10.11 Where requested to attend a meeting, persons must attend the meeting where possible and provide any information requested.
- 10.12 Councillors including the Mayor may attend committee meetings on request submitted to the Chair via the General Manager. If permitted to attend they will do so as an observer. Observers have no voting rights and can be excluded from a meeting by the chair at any time.
- 10.13 The Committee can hold closed meetings whenever it needs to discuss confidential or sensitive issues with only voting members of the committee present.
- 10.14 The Committee must meet separately with the Head of internal audit and the external auditor at least once each year.

Dispute resolution

- 10.15 Members of the Committee and Council's management should maintain an effective working relationship and seek to resolve any differences they may have in an amicable and professional way by discussion and negotiation.
- 10.16 In the event of a disagreement between the Committee and the General Manager or other senior managers, the dispute is to be resolved by the Council.
- 10.17 Unresolved disputes regarding compliance with statutory or other requirements are to be referred to the Departmental Chief Executive of the Office of Local Government in writing.

Secretariat

- 10.18 The General Manager will nominate a staff member to provide secretariat support to the committee. The secretariat will ensure the agenda for each meeting and supporting papers are circulated after approval from the chair at least 5 working days before the meeting and ensure that minutes of meetings are prepared and maintained. Minutes must be approved by the chair and circulated within three weeks of the meeting to each member.

Resignation and dismissal of members

- 10.19 Where the chair or a committee member is unable to complete their term or does not intend to seek reappointment after the expiry of their term, they should give [agreed timeframe] notice to the chair and the Council prior to their resignation to allow the Council to ensure a smooth transition to a new chair or committee member.
- 10.20 The Council can, by resolution, terminate the appointment of the chair or an independent committee member before the expiry of their term where that person has:
- a) breached the council's code of conduct
 - b) performed unsatisfactorily or not to expectations
 - c) declared, or is found to be in, a position of a conflict of interest which is unresolvable
 - d) been declared bankrupt or found to be insolvent
 - e) experienced an adverse change in business status
 - f) been charged with a serious criminal offence
 - g) been proven to be in serious breach of their obligations under any legislation, or
 - h) experienced an adverse change in capacity or capability.

- 10.21 The position of a councillor member on the Committee can be terminated/replaced at any time by the Council by resolution.

Review arrangements

- 10.22 The Chair of the Committee will initiate an annual review of the performance of the Committee. The review will be conducted on a self-assessment basis (unless otherwise determined by the Committee), with appropriate input from the General Manager and any other relevant stakeholders, as determined by the Committee.
- 10.23 At least once every Council term, the Council must review or arrange for an external review of the effectiveness of the Committee. (This may be included in the independent external quality assessment of the internal audit function).
- 10.24 These terms of reference must be reviewed annually by the Committee and once each Council term by the Council. Any substantive changes are to be approved by the Council.

11. FURTHER INFORMATION

- 11.1 For further information on Council's Audit, Risk and Improvement Committee, contact Tony Wickham, Council's Governance Section Manager on tony.wickham@portstephens.nsw.gov.au or by phone 02 4988 0187.

11.2 Reviewed by chair of the Audit, Risk and Improvement Committee
[signed] 22 February 2024

11.3 Reviewed by Council in accordance with a resolution of the Council
[signed] 26 March 2024

Minute No. 048

- 11.4 Next review date: March 2028 - 4 years from the date of the resolution above.

Schedule 1 – Audit, risk and improvement committee responsibilities (coverage of functions)

[Note: Further detailed in core requirement 1 and Appendix 2 of the Guidelines for Risk Management and Internal Audit for Local Government in NSW.]

1. Audit

1.1 Internal audit

- a) Provide overall strategic oversight of internal audit activities including:
 - i. Act as a forum for communication between the Council , General Manager, senior management, the internal audit function and external audit
 - ii. Review and provide advice on coordination of the work programs of internal audit and other assurance and review functions (risk management, governance, compliance, service reviews)
 - iii. Review and advise the Council on:
 - iv. whether Council is providing the resources necessary to successfully deliver the internal audit function
 - v. whether Council is complying with internal audit requirements, including conformance with the International Professional Practices Framework
 - vi. whether Council’s internal audit charter is appropriate and the internal audit policies and procedures and audit/risk methodologies used by the Council are suitable
 - vii. details and status of the strategic four-year work plan and annual work plan of internal audits to be undertaken by the Council’s internal audit function
 - viii. whether Council’s internal audit activities are effective, including the performance of the internal audit coordinator and the internal audit function
 - ix. of the findings and recommendations of internal audits conducted, and corrective actions required
 - x. implementation of these corrective actions
 - xi. on the appointment of the Head of internal audit (internal audit coordinator) and external providers, and
 - xii. if the internal audit function is structured appropriately and has sufficient skills and expertise to meet its responsibilities

1.2 External audit

- a) Act as a forum for communication between the Council , General Manager, senior management, the internal audit function and external audit
- b) Review and provide advice on coordination of the work programs of internal audit and external audit
- c) Provide input and feedback on the financial statement and performance audit coverage proposed by external audit and provide feedback on the audit services provided
- d) Review all external plans and reports in respect of planned or completed audits and monitor council's implementation of audit recommendations
- e) Provide advice to the Council and/or General Manager on action taken on significant issues raised in relevant external audit reports and better practice guides.

2. Risk

2.1 Risk management

2.1.1 Review and advise the Council:

- a) if the Council has in place a current and appropriate risk management framework that is consistent with the Australian risk management standard
- b) whether the Council is providing the resources necessary to successfully implement its risk management framework
- c) whether the Council's risk management framework is adequate and effective for identifying and managing the risks the Council faces, including those associated with individual projects, programs, WHS and other activities
- d) if risk management is integrated across all levels of the Council and across all processes, operations, services, decision-making, functions and reporting
- e) of the adequacy of risk reports and documentation, for example, the Council's risk register and risk profile
- f) whether a sound approach has been followed in developing risk management plans for major projects or undertakings
- g) whether appropriate policies and procedures are in place for the management and exercise of delegations
- h) if the Council has taken steps to embed a culture which is committed to ethical and lawful behaviour
- i) if there is a positive risk culture within the Council and strong leadership that supports effective risk management
- j) of the adequacy of staff training and induction in risk management
- k) how the Council's risk management approach impacts on the Council's insurance arrangements

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- l) of the effectiveness of the Council's management of its assets, and
 - m) of the effectiveness of business continuity arrangements, including business continuity plans, disaster recovery plans and the periodic testing of these plans.

2.2 Internal controls

2.2.1 Review and advise the Council

- a) whether the Council's approach to maintaining an effective internal control framework, including over external parties such as contractors and advisors, is sound and effective
- b) whether the Council has in place relevant policies and procedures and that these are periodically reviewed and updated
- c) whether appropriate policies and procedures are in place for the management and exercise of delegations
- d) whether staff are informed of their responsibilities and processes and procedures to implement controls are complied with
- e) if the Council's monitoring and review of controls is sufficient, and
- f) if internal and external audit recommendations to correct internal control weaknesses are implemented appropriately.

2.3 Compliance

2.3.1 Review and advise the Council of the adequacy and effectiveness of the Council's compliance framework, including:

- a) if the Council has appropriately considered legal and compliance risks as part of the Council's risk management framework
- b) how the Council manages its compliance with applicable laws, regulations, policies, procedures, codes, and contractual arrangements, and
- c) whether appropriate processes are in place to assess compliance.

2.4 Fraud and corruption

2.4.1 Review and advise the Council of the adequacy and effectiveness of the Council's fraud and corruption prevention framework and activities, including whether the Council has appropriate processes and systems in place to capture and effectively investigate fraud-related information.

2.5 Governance

2.5.1 Review and advise the Council regarding its governance framework, including the:

- a) decision-making processes

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- b) implementation of governance policies and procedures
 - c) reporting lines and accountability
 - d) assignment of key roles and responsibilities
 - e) committee structure
 - f) management oversight responsibilities
 - g) human resources and performance management activities
 - h) reporting and communication activities
 - i) information and communications technology (ICT) governance, and
 - j) management and governance of the use of data, information, and knowledge

2.6 Financial management

2.6.1 Review and advise the Council:

- a) if the Council is complying with accounting standards and external accountability requirements
- b) of the appropriateness of the Council's accounting policies and disclosures
- c) of the implications for the Council of the findings of external audits and performance audits and the Council's responses and implementation of recommendations
- d) whether the Council's financial statement preparation procedures and timelines are sound
- e) the accuracy of the Council's annual financial statements prior to external audit, including:
 - i. management compliance/representations
 - ii. significant accounting and reporting issues
 - iii. the methods used by the Council to account for significant or unusual transactions and areas of significant estimates or judgements.
- iv. appropriate management signoff on the statements
 - f) if effective processes are in place to ensure financial information included in the Council's annual report is consistent with signed financial statements
 - g) if the Council's financial management processes are adequate
 - h) the adequacy of cash management policies and procedures
 - i) if there are adequate controls over financial processes, for example:
 - i. appropriate authorisation and approval of payments and transactions
 - ii. adequate segregation of duties
 - iii. timely reconciliation of accounts and balances
 - iv. review of unusual and high value purchases

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- j) if policies and procedures for management review and consideration of the financial position and performance of the Council are adequate
 - k) if the Council's grants and tied funding policies and procedures are sound.

3. Improvement

3.1 Strategic planning

3.1.1 Review and advise the Council:

- a) of the adequacy and effectiveness of the Council's integrated, planning and reporting (IP&R) processes
- b) if appropriate reporting and monitoring mechanisms are in place to measure progress against objectives, and
- c) whether the Council is successfully implementing and achieving its IP&R objectives and strategies.

3.2 Service reviews and business improvement

- a) Act as a forum for communication and monitoring of any audits conducted by external bodies and the implementation of corrective actions (for example, NSW government agencies, Commonwealth government agencies, insurance bodies)
- b) Review and advise the Council:
 - i. If the Council has robust systems to set objectives and goals to determine and deliver appropriate levels of service to the community and business performance
 - ii. if appropriate reporting and monitoring mechanisms are in place to measure service delivery to the community and overall performance, and
 - iii. how the Council can improve its service delivery and the Council's performance of its business and functions generally

3.3 Performance data and measurement

3.3.1 Review and advise the Council:

- a) if the Council has a robust system to determine appropriate performance indicators to measure the achievement of its strategic objectives
- b) if the performance indicators the Council uses are effective, and
- c) of the adequacy of performance data collection and reporting.

CONTROLLED DOCUMENT INFORMATION:

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Process owner	Governance Section Manager		
Author	Governance Section Manager		
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Adoption date	26 March 2024		

VERSION HISTORY:

Version	Date	Author	Details	Minute No.
1.0	26 March 2024	ARIC Chairperson	New charter developed in accordance with the OLG Risk Management and Internal Audit for Local Government in NSW Guidelines.	048