



Upper Hunter Shire Council

AUDIT, RISK AND IMPROVEMENT COMMITTEE CHARTER

Adopted by Council 26 November 2018



1. PURPOSE AND OBJECTIVES

The Audit, Risk & Improvement Committee Charter sets out the role, composition, authority, responsibilities and operation for the Upper Hunter Shire Council Audit, Risk & Improvement Committee.

The objective of the Audit, Risk & Improvement Committee ("Committee") is to provide independent assurance and assistance to Upper Hunter Shire Council on risk management, internal control, governance and external accountability procedures.

The Committee is to receive performance measurement data relating to the implementation of the Council strategic plan, delivery program and other strategies.

In addition, the purpose and function of this Committee is to ensure 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. ROLE AND RESPONSIBILITIES

- i. The role of the Audit Committee is to oversight risk, compliance, external accountability and the internal control environment on behalf of Council.
- ii. The Committee is to provide information to the Council for the purpose of improving the Council's performance of its functions.
- iii. The Committee has no executive powers, except those expressly provided by the Council.
- iv. 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.
- v. The responsibilities of the Committee may be revised or expanded by Council from time to time.

Specifically, the Audit Committee's responsibilities are:

2.1 Risk Management – oversight Council's risk management arrangements and review whether or not:

- i. Council complies with relevant risk management standards.
- ii. 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.
- iii. A sound and effective approach has been followed in developing strategic risk management plans for major projects or undertakings.
- iv. A sound and effective approach has been followed in establishing business continuity planning arrangements, including if plans have been tested periodically.
- v. Review the impact of the risk management framework on its control environment and insurance arrangements.

2.2 Control Framework - review whether or not:

- i. Management has adequate and effective internal controls in place, including over external parties such as contractors and advisors.
- ii. Management has in place relevant policies and procedures, and if these are periodically reviewed and updated.
- iii. Appropriate processes are in place to assess if policies and procedures are complied with.
- iv. Appropriate policies and procedures are in place for the management and exercise of



delegations.

- v. Management has taken steps to embed a culture which is committed to ethical and lawful behaviour.

2.3 External Accountability:

- i. Being satisfied 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.
- ii. Reviewing the External Audit opinion, including whether or not appropriate action has been taken in response to audit recommendations and adjustments.
- iii. Considering contentious financial reporting matters in conjunction with Council's management and External Auditors.
- iv. Reviewing the processes in place designed to ensure financial information included in the annual report is consistent with the signed financial statements.
- v. Being satisfied that there are appropriate mechanisms in place to review and implement, where appropriate, relevant State Government reports and recommendations.
- vi. Satisfy itself there is a performance management framework linked to organisational objectives and outcomes

2.4 Legislative Compliance:

- i. Determine if management has appropriately considered legal and compliance risks as part of risk assessment and management arrangements.
- ii. Review the effectiveness of the system for monitoring compliance with relevant laws, regulations and associated government policies.

2.5 Performance Measurement:

- i. Identifying and recommending to the General Manager Council services or business processes that may benefit from review through the Committee's exercise of its functions.
- ii. Ensure, principally through the audit function, that the systems of performance measurement and reporting are adequate and robust and addressed routinely in internal audit plans.
- iii. Review and monitor the implementation of the strategic plan, delivery program & operational strategies

2.6 Internal Audit:

It is proposed that Council will outsource the Internal Audit function to a suitably qualified audit firm. Internal Auditors should perform internal audit reviews in accordance with the accepted Institute of Internal Auditors (IIA) Standards and the IIA Code of Ethics for performance standards, practices and guidelines. This includes:

- i. planning the audit
- ii. defining the audit scope
- iii. identifying sufficient, reliable, relevant, and useful information to achieve the audit's objectives
- iv. identifying and evaluating the risks
- v. analysis and evaluation of controls
- vi. maintaining proper records of the audit and evidence collected and analysed
- vii performing tests



- viii. making recommendations
- ix. discussing audit results with relevant staff and management and the Committee

2.7 External Audit:

- i. Review the proposed audit scope and approach, with particular respect to coordination of audit effort with internal audit.
- ii. Act as a forum for communication between the Council, General Manager, senior management, Internal and External Audit.
- iii. 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.
- iv. Review all external plans and reports in respect of planned or completed external audits, and monitor management's implementation of audit recommendations.
- v. Consider significant issues raised in relevant External Audit reports and better practice guides, and ensure appropriate action is taken.

2.8 Responsibilities of Members - Members of the Committee are expected to:

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

3. MEMBERSHIP OF THE COMMITTEE

3.1 Skills and Experience

- i. The members of the Committee, taken collectively, will have a broad range of skills and experience relevant to the operation of Upper Hunter Shire Council.
- ii. 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.

3.2 Membership of the Committee is by virtue of the appointed position; no delegates of the members are permitted.

3.3 The Committee shall consist of:

- i. Members (voting)
 - 2 Councillors
 - Independent external member (Chair)*
 - Independent external member*
 - Independent external member*

*not a member of the current or previous Council/ staff
- ii. Attendees (non-voting)
 - General Manager
 - Governance and Risk Coordinator
 - Director Corporate Services



- Representative of the External Auditor
- iii. Invitees (non-voting) for specific Agenda items
- Other officers may attend by invitation as requested by the Committee

3.4 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 interviewed by the Committee.
- iii. Following receipt of suitable reference reports, the Committee may appoint the independent external member by:
 - Making a direct appointment based on merit; or
 - Determining the representative by the drawing of lots where there are suitable and complying nominations with equal merit
- iv. In the event of equal votes the Chair shall have the casting vote.

4. TERM OF MEMBERSHIP & REVIEW OF AUDIT COMMITTEE CHARTER

4.1 Term

- i. The independent external members may be appointed for the term of Council, initially for a fixed term of two years, with an option for renewal, or extension up to two years and not to exceed the tenure of Council, after which a new expression of interest process will be run.
- ii. The maximum number of terms an independent external member can sit on the committee without the need for further nominations is 2 terms.

4.2 Vacancy

In the case of resignation from the committee by an independent external member, the committee recommends the appointment of another independent external member as soon as is practicably possible.

4.3 Review of Charter

- i. At least once every two years the Committee will review this Committee Charter to ensure it remains current and reflects the Committee's role and objectives.
- ii. The Committee will approve any changes to this Committee Charter.

5. COORDINATION

The Committee will be coordinated by the Governance and Risk Coordinator. The role of the Internal Auditor is as defined in the Internal Audit Charter.

6. MEETINGS AND QUORUM

6.1 Meetings



- i. The Committee shall 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 as well as review and endorsement of the annual Internal Audit Plan.
- ii. 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.
- iii. Meetings can be held in person, or by telephone.
- iv. 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.
NB: 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.



6.2 Attendance of Non-Members:

- i. The attendance of non-members is subject to invitation by the Chair.
- ii. The Internal Auditor will be invited to attend each meeting unless requested not to do so by the Chair.

6.3 Chairperson

- i. An independent external member acts as Chair of the Committee for the full term of office; i.e. for the term of Council.
- ii. In the case of resignation by the Chair, another current serving independent external member will be appointed as Chair.
- iii. In the absence of the appointed Chair, another current serving independent external member shall serve as the Chair for the period of absence of the duly nominated Chair.
- iv. Note that this role is an administrative role only with no authority to act or direct action on behalf of the Committee/ Council.

6.4 Venue

All Committee meetings will be held in the Scone Administration Building, Upper Hunter Shire Council.

6.5 Conflicts of Interest

- i. 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.
- ii. 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.

6.6 Minutes

- i. The Committee has appointed the Governance and Risk Coordinator as meeting coordinator. Administrative support will be provided with records management and reporting via InfoCouncil. Meetings may be recorded.
- ii. The 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 and maintained.
- iii. Minutes shall be approved by the Chair and circulated to each member within three weeks of the meeting being held.

6.7 Induction

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

6.8 Quorum

A quorum will consist of a majority of Committee members, including at least two independent external members.



6.9 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 and minuted at the commencement of the next meeting.

7. REPORTING

7.1 The Committee shall report at least annually to Council.

7.2 At the first Committee meeting after 30 June each year, the Governance and Risk Coordinator will provide a performance report of:

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

7.3 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. COUNCIL RESOLUTIONS AND AUTHORITY

The Council authorises the Committee, within the scope of its roles 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 Audit 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.