



Audit, Risk & Improvement Committee (ARIC) Charter

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PART A – Audit Risk & Improvement Committee (ARIC) Function

1 Introduction

Good corporate governance of the Woollahra Council (“Council”) promotes effective and efficient delivery of services to the Woollahra community with honesty and integrity.

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

2 Purpose of this Charter

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 leading industry practice, 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.

3 Status

The Committee is an advisory committee and has been established by resolution of the Woollahra Municipal Council on 5 September 2011.

4 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 requirements.

The ARIC will in accordance with the principles outlined in Section 428, Part 4A Internal Audit of Local Government Amendment (Governance and Planning) Act 2016¹, keep under review the following aspects of the Council’s operations.

- (a) Compliance
- (b) risk management
- (c) fraud and corruption 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 Council
- (i) any other matters prescribed by the regulations
- (j) internal audit

As part of this objective, the Committee will assess and advise whether there are adequate and effective systems of internal control in place throughout Council and will assist in the implementation of the internal and external audit plans. The Committee is also to provide information to the Council for the purpose of improving the Council’s performance of its functions.

5 Authority

The Committee is established in accordance with Council's authority granted by section 355 of the Act. The Committee has no executive powers and must at all times recognise that primary responsibility for management of Council rests with the Council and the Chief Executive Officer, in accordance with the Act.

The Council authorises the ARIC as a whole (but not individual members of the Committee), within the scope of its role and responsibilities, to:

- i) Obtain information it needs from any employee or external party (subject to their legal obligation to protect information).
- ii) Discuss any matters with the external auditor or other external parties (subject to confidentiality considerations).
- iii) Request the attendance of any employee or Councillor at Committee meetings.
- iv) Request external legal or other professional advice, as considered necessary to meet its responsibilities. The engagement and payment of costs for that advice is subject to the prior approval by the General Manager or Mayor, if appropriate.

6 Roles and Responsibilities

In carrying out its responsibilities, the ARIC must at all times operate having regard to functions of the Council and General Manager as defined by the Local Government Act.

The responsibilities of the ARIC may be reviewed or expanded by the Committee from time to time, subject to adoption by Council.

The ARIC's role will be in accordance with the principles outlined in *Section 428A, Part 4A Internal Audit of Local Government Amendment (Governance and Planning) Act 2016*¹ with particular emphasis on:

- Risk management;
- Internal Audit Function including its reports;
- External Audit;
- Compliance & Governance;
- Fraud and Corruption Prevention Strategy.

Specific details of each element are outlined below.

¹ Approved by, not gazetted

6.1 Risk Management

- i) Review and monitor Council's risk management framework and review its compliance with relevant risk management standards.
- ii) Satisfy itself that 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 and corruption.

6.2 Internal Audit Function

- i) Support the independence of the Internal Audit Function as a management responsibility defined within the Internal Audit Policy.
- ii) Provide advice, when requested, on the appointment of Internal Audit contractors.
- iii) Review and endorse 3 Year Internal Audit Plan and Annual Audit Plan as developed by the Internal Auditor including consideration of the Enterprise Risk Management Plan.
- iv) Review audit reports and consider significant issues identified in audit reports and action taken on issues raised.
- v) Monitor the acceptance and implementation of report recommendations that come to the ARIC.
- vi) Periodically review and endorse to Council the Internal Audit Charter to ensure appropriate organisational structures, authority, access and reporting arrangements are in place.
- vii) Confirm that an independent review on the performance of Internal Audit is conducted at least every five (5) years.
- viii) Periodically review the progress against the 4 Year Internal Audit Plan and Annual Audit Plan.
- ix) Meet at least annually, with the internal audit representative "in-camera" without the presence of management.

6.3 External Audit

- i) 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.
- ii) providing input and feedback on the financial statement and performance audit coverage proposed by external audit, and providing feedback on the external audit services provided;
- iii) Review all significant issues raised in relevant External Audit reports completed and monitor management's implementation of audit recommendations (included in the Management Letter).
- iv) Provide advice to Council on action taken on significant issues raised in relevant external audit reports and better practice guides
- v) Meet at least annually with the external audit representative, "in-camera", without the presence of management.

6.4 Compliance & Governance

- i) Satisfy itself that Council has an effective and efficient Compliance and Governance Program and Control Self-Assessment Program in place.
- ii) Satisfy itself that Management has in place appropriate policies and procedures and if these are periodically reviewed and updated.
- iii) Consider processes in place to ensure compliance with procedures, laws, regulations, standards, statutory requirements, and best practice guidelines.
- iv) Review the effectiveness of the system for monitoring compliance with relevant laws, regulations and associated government policies.
- v) Appropriate policies and procedures are in place for the management and exercise of delegations.
- vi) Management has taken steps to embed a culture which is committed to ethical and lawful behaviour, as outlined in Council's Code of Conduct.

6.5 Fraud and Corruption Prevention

- i) Foster a culture of ethics in the organisation that contributes to a culture of healthy questioning, continuous improvement, strategic thinking and informed judgement.
- ii) Review the Council's Fraud and Corruption Prevention Plan and monitor progress.
- iii) Receive reports (and investigations) on fraud and corruption, risks, monitor trends, and monitor the appropriateness of preventative strategies.

6.6 Expectation of Members

Members of the ARIC are expected to:

- i) understand the relevant legislative and regulatory requirements appropriate to 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;
- v) meet the requirements as set out in this Charter; and
- vi) Abide by Council's Code of Conduct in performance of their duties on the Committee.

7 Composition

7.1 Membership of the ARIC is by virtue of the appointed position and no delegates of the members are permitted.

7.2 The ARIC shall consist of adoption by Council):

- i) Members (voting)
 - Three (3) Independent external members, one of which will be Chair
- ii) Attendees (non-voting) – (as required)
 - General Manager
 - Director Corporate Performance
 - Chief Financial Officer
 - Manager Governance & Risk
 - Coordinator Risk & Improvement
 - Internal Auditor
 - External Auditor
- iii) Invitees (non-voting) for specific Agenda items
 - Three (3) non-voting Councillors as observers.
 - Other Councillors may attend as observers at request.
 - Other officers may attend by invitation, as requested by the ARIC or General Manager.

In the absence or resignation of the appointed Chair, the other current serving independent external member shall serve as the Chair for the period of absence of the duly nominated Chair.

7.3 Term of Office and Quorum

- i) The independent external members will be appointed for a four year term ending 30 June following an ordinary Council election, after which they will be eligible for extension or re-appointment following a formal review of their performance.
- ii) The maximum number of terms an independent external member can sit on the ARIC without the need for further nominations is 2 terms up to 8 years in total.
- iii) The maximum period in the position of Chair is 5 years.
- iv) A quorum for the Committee shall be 2.

7.4 Dispute Resolution

Members of the Committee and the Council's management should maintain an effective working relationship and seek to resolve any differences they may have in an amicable and professional way via discussion and negotiation.

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.

Unresolved disputes regarding compliance with statutory or other requirements are to be referred in the first instance to General Manager. If still unresolved disputes are then to be referred to the Mayor. Failing resolution the matter should be referred to the Office of Local Government (OLG) in writing.

7.5 Meetings

- i) The ARIC 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 four (4) Year Internal Audit Plan and Annual Audit Plan.
- ii) At each meeting Internal Audit will provide to the Committee the progress of the annual audit plan against agreed targets and timelines including a follow up report of recommendations that have been implemented in previously completed reviews.
- iii) The ARIC at the Chair's discretion will be given the opportunity to meet on occasion with each of the external and internal auditor without the presence of management.
- 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 ARIC's responsibilities as detailed in this Committee Charter.
- v) The Chair of the Committee is to hold any additional meeting if asked to do so by another Committee member, the Council or the General Manager.
- vi) There must be a well-structured agenda prepared and provided in advance to ARIC Members along with appropriate briefing materials and minutes to record the proceedings.

7.6 Attendance by ARIC members, Councillors, staff and other invitees at meetings by audio-visual link.

ARIC members, Councillors, staff and other invitees may attend meetings of the Audit, Risk & Improvement Committee (ARIC) by audio-visual link with the approval of the General Manager.

7.7 Secretariat

The General Manager will appoint a Council employee 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 five (5) days before the meeting and ensure that minutes of meetings are prepared and maintained.

Draft Minutes will be circulated within seven (7) days after the ARIC meeting for the purposes of seeking confirmation of the minutes "that they are a true and accurate recording of the meeting". On receipt of confirmation (or amendments) from each Committee member, the Chair will confirm the minutes as formerly being adopted by the ARIC and are ready for presentation to Council. This is to facilitate minutes of the ARIC being submitted to Council as early as possible after the ARIC meeting.

Once Minutes have been confirmed by ARIC Chair they must be submitted to the next Council meeting. An Advising attaching the confirmed minutes that were reported to Council will be submitted to the next ARIC meeting following Council meeting.

8 Code of Conduct and Conflicts of Interest

All members of the Committee are to abide by Council’s Code of Conduct and 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.

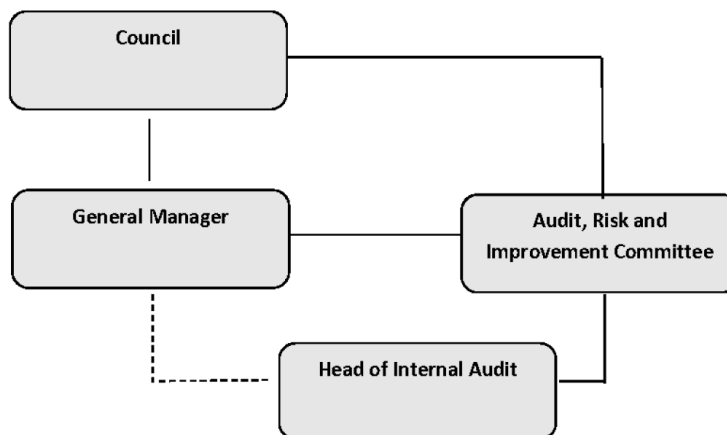
Where members or invitees at Committee meetings are deemed to have a real or perceived conflict of interests, it may be appropriate they be excused from Committee deliberations on the issue where the conflict of interests exists. The final arbiter of such a decision is the Chair of the ARIC.

9 Reporting to Council

The ARIC will report to the Council on a quarterly basis or at other times, if required.

The Diagram below shows the reporting relationship. The dotted line represents the ‘administrative’ reporting line and the bold line represents the ‘functional’ reporting line:

Diagram 1:



10 Induction

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

11 Performance Assessment of the Committee and its members

The Chair of the Committee shall initiate a review of the performance of the Committee at least annually. The review will be conducted on a self-assessment basis (unless otherwise determined by the Chair), with appropriate input from management and any other relevant stakeholders, as determined by the Chair. Following this a review of the Committee will be undertaken by Council on its finding.

12 Review of Audit Risk & Improvement Committee Charter

1. At least once every two years, the ARIC will review its Charter to ensure it remains current and reflects the Committee's role and objectives.
2. The Council is required to approve any changes recommended to this ARIC Charter as and when required.

13 Documentation/References

	HPECM Reference

14 Related Policies and Procedures

	HPECM Reference

Policy Amendments

Date	Responsible Officer	Description
11 June 2021	Manager Business Assurance & Improvement	New Corporate template, update to Charter
6 August 2021	Manager Business Assurance & Improvement	Charter updated to reflect discussion from the A&AC meeting held on 3 August 2021.
23 August 2021	Manager Business Assurance & Improvement	Adopted by Council 23 August 2021.
8 June 2022	Manager Governance & Risk	Charter updated to reflect proposed change to the number of Independent Members and reference nomination of 3 Councillors as non-voting members. Note: Further review of the Charter to be undertaken once OLG releases the new Risk Management and Internal Audit Framework for Local Councils in NSW.