

ITEM 4

IMPLEMENTATION OF THE OFFICE OF LOCAL GOVERNMENT RISK MANAGEMENT AND INTERNAL AUDIT FOR LOCAL GOVERNMENT GUIDELINES

The Office of Local Government (OLG) has released the final version of the Guidelines “*Risk Management and Internal Audit for Local Government in NSW*”. The Guidelines require each council to have an independent internal audit function that reports to the audit, risk and improvement committee and is consistent with current international standards for internal audit.

Local Government (General) Regulation 2021 also now require each council to adopt via resolution an internal audit charter and Audit, Risk and Improvement Committee (ARIC) Terms of Reference to guide how the ARIC and internal audit will operate at the council. It is a requirement that these documents are consistent with the approved Model Internal Audit Charter and ARIC Terms of Reference contained in the OLG Guidelines.

Council has an existing Internal Audit Charter and ARIC Terms of Reference which had been reviewed against the draft OLG guidelines in 2022 and 2023. The approved guidelines are largely consistent with the previous versions.

RECOMMENDATION

- 1 The Internal Audit Charter be adopted by Council.
- 2 The Audit Risk and Improvement Committee Terms of Reference be adopted by Council.
- 3 The current terms of appointment for Councillor Tania Brown and Councillor Dom Figliomeni as members of the Audit Risk and Improvement Committee conclude on 30 June 2024.
- 4 Council appoint a Councillor as a non-voting Councillor observer to the Audit Risk and Improvement Committee for the period from 1 July 2024 to 13 September 2024.

REPORT AUTHORISATIONS

Report of: Todd Hopwood, Manager Customer and Business Integrity
Authorised by: Renee Campbell, Director Corporate Services - Connected + Engaged City

ATTACHMENTS

- 1 Draft Internal Audit Charter
- 2 Audit Risk and Improvement Committee - Draft Terms of Reference

BACKGROUND

The Office of Local Government (OLG) has released the “*Risk Management and Internal Audit for Local Government in NSW*”. The Guideline outlines minimum requirements for how Councils carryout and engage Internal Auditors, Audit Risk and Improvement Committees and provides minimum requirements for a Risk Management Framework.

PROPOSAL

Council has an existing Internal Audit Charter and ARIC Terms of Reference which had been reviewed against the draft OLG guidelines in 2022 and 2023. The approved guidelines are largely consistent with the previous versions on which the current Internal Audit Charter and ARIC Terms of Reference have been modelled, however there are a small number of changes that will require Council to adopt updated versions of the Charter and Terms of Reference to ensure compliance with the Guideline and Regulations.

ARIC Terms of Reference

The most significant change between the draft and final approved version of the OLG Guidelines is related to Councillor Membership of the ARIC.

The Guidelines along with the *Local Government (General) Regulation 2021* now prescribes under s216C that only one Councillor, who must not be the Mayor, can be appointed to the ARIC. This position is now prescribed as an observer only and is not a voting member.

As the Guidelines and revised Regulations come into force from 1 July 2024, the current terms of appointment for Councillors Tania Brown and Dom Figliomeni as members of the ARIC will conclude on 30 June 2024.

Council will need to resolve to appoint a Councillor as a non-voting Councillor observer to the ARIC for the period from 1 July 2024 to 13 September 2024, noting that local government elections are held on 14 September 2024.

If more than one Councillor wishes to nominate for the Councillor observer position a vote will be required to be undertaken at the council meeting to determine the Councillor representative. Clause 11.5 of Council's adopted Code of Meeting Practice stipulates that voting in an election at a Council meeting, other than an election for Deputy Lord Mayor, is to be by open means such as by voice or a show of hands.

Other significant changes to the existing terms of reference to ensure compliance with the Guidelines and Regulation include:

- Removal of requirements around the NSW Audit and Risk Committee Independent Chairs and Members Prequalification Scheme. This is no longer applicable to Local Government Authorities.
- Eligibility requirements are now prescribed under the *Local Government Regulation 2021* which has been noted in the Terms of Reference. It should be noted, all current members meet eligibility requirements.

Internal Audit Charter

The final guidelines had minimal changes to the draft version in relation to the internal audit function and the internal audit charter. Some changes to the existing internal audit charter are required to ensure compliance with the Guidelines and Regulation, these include:

- Small wording changes to place a greater emphasis on ethics and accountability.
- The strengthening of requirements around the consideration of ARIC's four-year workplan.
- Strengthening of the wording around independence of internal audit from management.
- Strengthening of wording around the requirements to follow International Standards of Professional Practice as issued by the Institute of Internal Auditors.
- Removal of requirement for the reasons for the dismissal of the Internal Audit Function head to be reported to Council.
- An acknowledgement that the Internal Audit Coordinator can be excluded from the ARIC meeting at any time.

PLANNING AND POLICY IMPACT

This report contributes to the delivery of Our Wollongong 2032 Goal 4. It specifically delivers on the following:

Community Strategic Plan 2032		Delivery Program 2022-2026
Strategy		Service
4.7	Demonstrate responsible decision-making based on our values, collaboration, and transparent and accountable leadership	Governance and Administration

RISK MANAGEMENT

Risk management is a fundamental component of decision making in all Council activities. All decisions made by Council and its officers need to consider the risks involved in taking those decisions and the impact those decisions will have on the achievement of Council's objectives. Successful implementation of the risk management framework, ably supported by the Internal Audit function and the oversight of the Audit Risk and Improvement Committee will enhance the delivery of all six of our interconnected Community Goals outlined in the Community Strategic Plan.

CONCLUSION

The Internal Audit Charter and revised ARIC Terms of Reference meet the requirements of the OLG guidelines and are recommended for adoption.



INTERNAL AUDIT CHARTER

ADOPTED BY COUNCIL | DATE: XX FEBURARY 2024

Wollongong City Council has established an Internal Audit function as a key component of Council's governance and assurance framework, in compliance with 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*. This charter provides the framework for the conduct of the internal audit function at Wollongong City Council and has been approved by the governing body.

Role

Internal Audit plays an active role in:

- developing and maintaining a culture of accountability and integrity, and
- facilitating the integration of risk management into day-to-day business activities and processes
- promoting a culture of high ethical standards.

Internal Audit has no direct authority for the activities it reviews. Internal Audit has no responsibility for developing or implementing procedures or systems and does not prepare records or engage in Council's functions or activities (except in conducting its own functions).

Internal Audit also plays a role in supporting the Council's Audit, Risk and Improvement Committee (ARIC) in its responsibility to review Council's operations and to provide independent advice to Council on improving performance as per section 428A of the *Local Government Act 1993*. This includes monitoring the conducting of internal audits and monitoring the implementation of corrective actions arising from internal audits.

Purpose of internal audit

Internal audit is an independent, objective assurance activity designed to add value and improve the Council's operations. It helps Council accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.

Internal audit provides an independent and objective review and advice to the governing body, General Manager and the ARIC regarding Council's governance processes, risk management and control frameworks and its external accountability obligations. It also assists the Council to improve Business Performance.

Independence

Council's Internal Audit Function is independent of the Council so it can provide an unbiased assessment of Council's operations and risk and control activities.

The Internal Audit function reports functionally to the Council's ARIC on the results of completed audits, and for strategic direction and accountability purposes, and reports administratively to the General Manager (or their delegate) to facilitate day-to-day operations. Internal audit activities are not subject to direction of the governing body and management has no role in the exercise of the Council's internal audit activities.

The ARIC is responsible for communicating any internal audit issues or information to the governing body. Should the governing body 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 governing body where the Chair is satisfied that it is reasonably necessary for the governing body to receive the information for the purposes of performing its functions under the *Local Government Act 1993*. Individual

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Councillors may not request or receive information from the Committee, General Manager or Internal Audit Coordinator

The General Manager may consult with the Chair of the ARIC before appointing or making decisions affecting the employment of the Internal Audit Coordinator.

Where the Chair of the ARIC has any concerns about treatment or action taken against the Internal Audit Co-ordinator or any action that may compromise their ability to undertake their functions independently, they can report their concerns to the governing body.

The Internal Audit Coordinator is to confirm at least annually to the ARIC that the internal audit activities remain independent of Council.

Authority

Council authorises the Internal Audit function to have full, free and unrestricted access to all functions, premises, assets, personnel, records and other documentation and information that is necessary for internal audit to undertake its responsibilities.

All records, documentation and information accessed while undertaking internal audit activities are to be used solely for the conduct of those activities. The Internal Audit Coordinator and individual internal audit staff or contractors are responsible and accountable for maintaining the confidentiality of the information they receive when undertaking their work.

All internal audit documentation is to remain the property of Council including where internal audit services are performed by an external third-party provider. This includes full workpapers (as opposed to summaries) of each audit which should be provided to the Internal Audit Coordinator within 14 calendar days of the Final Report being issued.

Information and documents pertaining to Internal Audit are not to be made publicly available. The Internal Audit Function may only release council information to external parties that are assisting Internal Audit to undertake 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.

Internal Audit Coordinator

The Internal Audit Coordinator leads Council's internal audit function and has sufficient internal audit, skills, internal audit qualifications, knowledge and experience to ensure they fulfil their role and responsibilities to Council and the ARIC. The Internal Audit Coordinator must be independent, impartial, unbiased and objective when performing their work and free from any conflicts of interest.

Responsibilities of the Internal Audit Coordinator include:

- contract management
- supporting the operation of Council's ARIC
- managing the internal audit budget.
- ensuring the external provider completes internal audits in line with the ARIC's annual work plan and four-year strategic workplan..
- providing advice and comment on internal audit activities and reports to management and the Internal Audit Provider.
- forwarding audit reports by the external provider to the ARIC.
- acting as a liaison between the external provider and the ARIC.
- monitoring Council's implementation of corrective actions that arise from the findings of audits and reporting progress to the ARIC, and

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- assisting the ARIC to ensure Council's internal audit activities comply with the *Guidelines for Risk Management and Internal Audit for Local Government in NSW*.

The Governance and Risk Manager has been appointed the Internal Audit Coordinator at WCC. Where internal audits are to be undertaken on areas under the control of the Governance and Risk Manager appropriate safeguards will be implemented, including:

- In development of the Internal Audit Plan the Internal Audit Coordinator will not be involved in the decision on areas to audit in the Governance and Risk Unit. This will be decided between the head of the outsourced Internal audit firm and the General Manager.
- The General Manager (or his delegate) will oversee the Internal Audit Process (Terms of Reference through to Final Report) of those audits directly related to areas of the Internal Audit Coordinator's responsibility.
- Any corrective actions identified as part of internal audits related to the Internal Audit Coordinator's areas of responsibility are reviewed by the Manager Governance and Customer Service and sign off as complete will be conducted by General Manager (or his delegate) on receipt of evidence to show adequate implementation.

Internal Audit Provider

Council may contract an external third-party provider to undertake its internal audit activities. To ensure the independence of the external provider, the Internal Audit Coordinator is to ensure the external provider:

- does not conduct any audits on specific Council operations or areas that they have worked on within the last two years.
- is not the same provider conducting Council's external audit.
- is not the auditor of any contractors of Council that may be subject to an internal audit.
- does not have any conflicts of interest with Council and/or its related and affiliated entities or entities it has significant influence over. Examples include members of the of the audit firm sitting on affiliated Board's, Audit Committees, or having close relationships with senior management of Council; and
- can meet Council's obligations under the *Guidelines for Risk Management and Internal Audit for Local Government in NSW*.

The Internal Audit Coordinator must consult, with the ARIC and General Manager regarding the appropriateness of the skills, knowledge and experience of any external provider before they are engaged by Council.

Performing internal audit activities

The work of Internal Audit is to be thoroughly planned and executed.

Council's ARIC must develop a strategic work plan every four years and ensure that the matters listed in Schedule One 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. Internal audit must also develop an annual work plan to guide the work of Internal Audit over the forward year. Both the strategic and annual plans should be reviewed and approved by Council's ARIC.

All internal audit activities are to be performed in a manner that is consistent with the relevant professional standards including the International Standards for the Professional Practice of Internal Auditing, issued by the Institute of Internal Auditors and the current Risk Management Standard.

The Internal Audit Coordinator will:

- Provide the findings and recommendations of internal audits to the ARIC at the next quarterly meeting after the report is finalised. Each report is to include a response from the relevant Senior Manager or

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Director.

- Establish an ongoing monitoring system to follow up Council's progress in implementing corrective actions.
- Develop and maintain policies and procedures to guide the operation of internal audit.
- Ensure that the ARIC is advised at each meeting of the internal audit activities completed during that quarter, progress in implementing the annual work plan and progress made implementing corrective actions.

The General Manager, in consultation with the ARIC, is to develop and maintain policies and procedures to guide the operation of Council's internal audit function.

Conduct

Internal Audit personnel (including any service providers) must comply with Council's Code of Conduct. Complaints about breaches of the code of conduct by internal audit personnel 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's ARIC before any disciplinary action is taken against personnel in the Internal Audit function in response to a breach of the code of conduct. Declarations and management of conflicts of interest will occur in line with the requirements of the Code of Conduct.

Management is not to exert pressure and or attempt to unduly influence Internal Audit staff or the internal audit service provider to change or omit findings of internal audit reports. Such behaviour will be dealt with under the Code of Conduct and reported to the General Manager and/or ARIC. Retribution is strictly prohibited against the internal audit service provider or Council staff member who reports the issue.

Internal Audit will adhere to mandatory guidance contained in the 'International Professional Practices Framework' (IPPF) issued by the Institute of Internal Auditors (IIA):

- 'Core Principles for the Professional Practice of Internal Auditing'.
- 'Definition of Internal Auditing'.
- 'Code of Ethics'.
- 'International Standards for the Professional Practice of Internal Auditing'.

This mandatory guidance constitutes the fundamental requirements for the professional practice of internal auditing and the principles against which to evaluate the effectiveness of Internal Audit performance.

Internal Audit, including service providers, will perform its work in accordance with the IPPF. While the IPPF applies to all internal audit work, technology audits may also apply the Information System Audit and Control Association (ISACA) standards contained in the 'Information Technology Assurance Framework' (ITAF). Where relevant the current Australian risk management standard will be applied.

Administrative arrangements

Audit, Risk and Improvement Committee (ARIC) meetings

The Internal Audit Coordinator will attend ARIC meetings as an independent non-voting observer. The Internal Audit Coordinator can be excluded from meetings by the Committee at any time.

The Internal Audit Coordinator must meet separately with the independent members of the ARIC at least twice per year.

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The Internal Audit Coordinator can meet with the Chair of the ARIC at any time, as necessary, between committee meetings.

External audit

Internal and external audit activities will be coordinated to help ensure the adequacy of overall audit coverage and to minimise duplication of effort.

Periodic meetings and contact between internal and external audit shall be held to discuss matters of mutual interest and to facilitate coordination. External audit will have full and free access to all internal audit plans and reports.

Dispute resolution

Internal Audit should maintain an effective working relationship with the council and the ARIC and seek to resolve any differences they may have in an amicable and professional way by discussion and negotiation.

In the event of a disagreement between the Internal Audit Function and the council, the dispute is to be resolved by the General Manager and if deemed required, the ARIC. Disputes between Internal Audit and the ARIC are to be resolved by the governing body.

Unresolved disputes regarding compliance with statutory or other requirements are to be referred to the OLG Chief Executive in writing.

Review arrangements

Council's ARIC must review the performance of the Internal Audit function each year and report its findings to the governing body. A strategic review of the performance of the Internal Audit function must be conducted each council term that considers the views of an external party with a strong knowledge of internal audit and reported to the Council.

This charter is to be reviewed annually by the Committee and once each Council term by the governing body. Any substantive changes are to be approved by the governing body.

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Schedule 1 – internal audit function responsibilities

Audit

Internal audit

- Conduct audits as directed by Council's ARIC.
- Implement the Council's annual and four-year strategic internal annual work plans.
- Monitor the implementation of internal audit findings and recommendations.
- Assist Council to develop and maintain a culture of accountability and integrity.
- Facilitate the integration of risk management into day-to-day business activities and processes.
- Promote a culture of high ethical standards.

External audit

- Review all external plans and reports in respect of planned or completed audits and monitor the implementation of audit recommendations.
- Provide advice on action taken on significant issues raised in relevant external audit reports and better practice guides where requested.

Risk

Risk management

Review and advise:

- if a current and appropriate risk management framework is in place that is consistent with the Australian risk management standard.
- whether the risk management framework is adequate and effective for identifying and managing the risks
- if risk management is integrated across all levels of the organisation and across all processes, operations, services, decision-making, functions and reporting
- of the adequacy of risk reports and documentation
- whether a sound approach has been followed in developing risk management plans for major projects or undertakings
- whether appropriate policies and procedures are in place for the management and exercise of delegations. on the adequacy of staff training and induction in risk management
- how the risk management approach impacts on the Council's insurance arrangements
- of the effectiveness of the Council's management of its assets
- if Council has taken steps to embed a culture which is committed to ethical and lawful behaviour.
- if there is a positive risk culture within Council and strong leadership that supports effective risk management.
- of the effectiveness of business continuity arrangements, including business continuity plans, disaster recovery plans and the periodic testing of these plans.

Internal controls

Review and advise:

- whether the approach to maintaining an effective internal audit framework is sound and effective
- whether relevant policies and procedures are in place and that these are periodically reviewed and updated

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- whether appropriate policies and procedures are in place for the management and exercise of delegations
- whether staff are informed of their responsibilities and processes and procedures to implement controls are complied with
- if the monitoring and review of controls within Council is sufficient, and
- if internal and external audit recommendations to correct internal control weaknesses are implemented appropriately.

Compliance

Review and advise of the adequacy and effectiveness of the compliance framework, including:

- if legal and compliance risks have been appropriately considered as part of the risk management framework
- how council manages its compliance with applicable laws, regulations, policies, procedures, codes, and contractual arrangements, and
- whether appropriate processes are in place to assess compliance.

Fraud and corruption

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

Financial management

Review and advise:

- if Council is complying with accounting standards and external accountability requirements
- of the appropriateness of Council's accounting policies and disclosures
- whether council's financial statement preparation procedures and timelines are sound
- if Council's financial management processes are adequate
- the adequacy of cash management policies and procedures
- if there are adequate controls over financial processes, for example:
 - appropriate authorisation and approval of payments and transactions
 - adequate segregation of duties
 - timely reconciliation of accounts and balances
 - review of unusual and high value purchases
- if policies and procedures for management review and consideration of the financial position and performance of Council are adequate

Governance

Review and advise of the adequacy of the governance framework, including:

- decision-making processes
- implementation of governance policies and procedures
- reporting lines and accountability
- assignment of key roles and responsibilities
- management oversight responsibilities
- committee structure
- reporting and communication activities

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- ICT Governance
- management and governance of the use of data, information and knowledge

Improvement

Strategic planning

Review and advise:

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

Service reviews and business improvement

Review and advise:

- if Council has robust systems to set objectives and goals to determine and deliver appropriate levels of service to the community and business performance
- how Council can improve its service delivery
- if Council has a robust system to determine appropriate performance indicators to measure the achievement of its strategic objectives and if the performance indicators it uses are effective.

Performance data and Measurement

- If Council has a robust system to determine appropriate performance indicators to measure the achievement of strategic objectives.
- If the performance indicators the Council uses are effective; and
- Of the adequacy of performance data, collection and reporting.

APPROVAL AND REVIEW	
Responsible Division	Office of the General Manager
Date adopted	XX February 2024
Date of previous adoptions	8 May 2023; 4 June 2019
Date of next review	XX March 2027
Responsible Manager	Governance and Risk Manager/Internal Audit Coordinator



AUDIT RISK AND IMPROVEMENT COMMITTEE TERMS OF REFERENCE

Adopted by COUNCIL: [TO BE COMPLETED BY GOVERNANCE]

1. INTRODUCTION

The Wollongong City Council (Council) Audit, Risk and Improvement Committee (the Committee) has been established in accordance with section 428A of the *Local Government Act 1993* and 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, tenure, roles and responsibilities, reporting and administrative arrangements.

2. COMMITTEE OBJECTIVES

The objective of Council's Audit, Risk and Improvement Committee is to provide independent assurance to Council 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 to be independent to ensure it has no real or perceived bias or conflicts of interest that may interfere with its ability to act independently and provide Council with robust, objective and unbiased advice and assurance.
- 3.2 The Committee is to provide an advisory and assurance role only and is to have no administrative function, delegated financial responsibility or any management functions of the Council. The Committee will provide independent advice to the Council that is informed by the Council's internal audit and risk management activities and information and advice provided by Council staff, relevant external bodies and subject matter experts.
- 3.3 The Committee must at all times 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 governing body and General Manager on matters affecting the performance of the internal audit function.

4. AUTHORITY

- 4.1 Council authorises the Committee, for the purposes of exercising of its role and responsibilities, to:
 - access any information it needs from the Council.
 - use any Council resources it needs.
 - have direct and unrestricted access to the General Manager and Executive of the Council.
 - seek the General Manager's permission to meet with any other Council staff member or contractor.
 - discuss any matters with the external auditor or other external parties.
 - request the attendance of any employee at Committee meetings.
 - obtain external legal or other professional advice, as considered necessary to meet its responsibilities in line with Council's procurement policies. Details of any costs incurred shall be included in the annual report of the Chairperson provided to the Council in accordance with clause 7.2.
- 4.2 Information and documents pertaining to the Committee are confidential and are not to be made publicly available. The Committee may only release Council information to external parties that are assisting the Committee to fulfil its responsibilities with the approval of the

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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 one independent voting Chair, two independent voting members and one non-voting Councillor member.
- 5.2 The governing body is to appoint the Chair and members of the Committee. The Chair is counted as one member of the Committee.
- 5.3 All committee members must meet the independence and eligibility criteria prescribed under the *Local Government (General) Regulation 2021*.
- 5.4 The Lord Mayor shall not be a member of the Committee.
- 5.5 Members will be appointed for up to a four-year term. Members can be reappointed for a further term, but the total period of continuous membership cannot exceed eight years and extension is at the discretion of Council. This includes any term as Chair of the Committee. Members who have served an eight-year term (either as member or Chair) must have a two-year break from serving on the Committee before being appointed again.
- 5.6 To preserve the Committee's knowledge of Council, ideally, no more than one member should leave the Committee because of rotation on any one year.
- 5.7 Notwithstanding Clause 5.5, Council may determine that a member serve a term of less than 4 years to ensure that membership renewal dates are staggered so knowledge of the council's operations, financial reporting structure and other important aspects are not lost to the audit, risk and improvement committee when members change.
- 5.8 Specific member terms and conditions are to be disclosed 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 committee responsibilities.
- 5.9 Prior to approving the reappointment or extension of the Chair's or an independent member's term, the governing body is to undertake an assessment of the Chair's or committee member's performance. Reappointment of the Chair and members is also to be subject to the individual continuing to meet independence and eligibility requirements prescribed under the *Local Government (General) Regulation 2021*.
- 5.10 Members of the Committee are to 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 the Council.
- 5.11 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 the Council's financial reporting responsibilities to be able to contribute to the Committee's consideration of the Council's annual financial statements.

6. ROLE

- 6.1 In accordance with section 428A of the Local Government Act 1993, the role of the Committee is to keep under review the following aspects of Council's operations:
 - compliance
 - risk management
 - fraud control
 - financial management
 - governance
 - implementation of the strategic plan, delivery program and strategies
 - service reviews
 - collection of performance measurement data by the Council, and

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- internal audit.

- 6.2 The Committee may provide advice to the Council in relation to any of the matters referenced in 6.1.
- 6.3 The Committee may, if requested, provide advice to the Council in relation to the process for the annual review of performance of General Manager.
- 6.4 The Committee may also provide information to the Council for the purpose of improving Council's performance of its functions.
- 6.5 The Committee's specific audit, risk and improvement responsibilities under section 428A are outlined in Schedule 1 to this Terms of Reference.
- 6.6 The Committee will act as a forum for consideration of the Council's internal audit function and oversee its planning, monitoring and reporting to ensure it operates effectively.
- 6.7 The Committee will have no power of direction over external audit or the manner in which the external audit is planned or undertaken but will act as a forum for the consideration of external audit findings.
- 6.8 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 the governing body and the General Manager. The responsibilities of the Committee may be revised or expanded in consultation with, or as requested by Council from time to time.

7 RESPONSIBILITIES OF MEMBERS

Independent members

- 7.1 The Chair and members of the Committee are expected to understand and observe the requirements of the *Guidelines for risk management and internal audit for local government in NSW*. Members are also expected to:
 - make themselves available as required to attend and participate in meetings.
 - contribute the time needed to review and understand information provided to it
 - apply good analytical skills, objectivity and judgement.
 - act in the best interests of the Council
 - 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.
 - maintain effective working relationships with the Council.
 - have strong leadership qualities (Chair)
 - lead effective committee meetings (Chair), and
 - oversee the Council's internal audit function (Chair).

Specific responsibilities of the chairperson

- 7.2 The chairperson will manage the Committee with the following specific duties and responsibilities:
 - Act as chair, unless absent, at all meetings of the Committee
 - act in an advisory capacity to the General Manager in all matters relating to the Committee.
 - assist the Committee in the discharge of its mandate and responsibilities.
 - Ensure the Committee reviews its Terms of References as required by Section 10
 - Prepare and present regular, and at least annual, reports to the Council on the activities of the Committee and make recommendations as required.
 - Any other duties and responsibilities set by the Council.

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Councillor member

- 7.3 To preserve the independence of the committee, the Councillor member of the committee is a non-voting member. Their role is to:
- relay to the Committee any concerns the governing body may have regarding the Council issues being considered by the Committee.
 - provide insights into local issues and the strategic priorities of the Council that would add value to the Committee's consideration of agenda items.
 - advise the governing body (as necessary) of the work of the Committee and any issues arising from it, and
 - assist the governing body to review the performance of the Committee.
- 7.4 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.
- 7.5 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.
- 7.6 If a 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 Councillor 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

- 7.7 Independent committee members are required to comply with Council's Code of Conduct and be held to the same ethical, behavioural and conduct standards as officials of the council.
- 7.8 Complaints or breaches of 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 governing body before taking any disciplinary action against an independent committee member in response to a breach of the Code of Conduct.
- 7.9 Members of the Committee must be respectful and courteous in all dealings with council staff.

Conflict of interests

- 7.10 Once a year, Committee members will 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' and must also complete and submit returns of interest.
- 7.11 Committee members and observers must declare any pecuniary or non-pecuniary conflicts of interest that may have at the start of each meeting, before discussion of the relevant agenda item or issue, and when the issue arises. Where committee members and observers are deemed to have a pecuniary or a significant non-pecuniary conflict of interest, they are to remove themselves from Committee deliberations on the issue. Details of any conflicts of interest should also be appropriately minuted.

Standards

- 7.12 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 the current Australian risk management standard, where applicable.

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8 WORKPLANS

- 8.1 The work of the Committee is to be thoroughly planned and executed to ensure that all Council activities and functions are reviewed. The Committee must develop a strategic plan every four years to ensure that all matters listed in Schedule 1 are reviewed by the Committee and the internal audit function over each Council term. The strategic plan must be reviewed at least annually to ensure it remains appropriate.
- 8.2 The Committee may, in consultation Council, vary the strategic work plan at any time to address new or emerging risks. The governing body of the Council may also, by resolution, request the Committee to approve a variation to the strategic work plan. However, any decision to vary the strategic work plan must be made by the Committee.
- 8.3 The Committee must also develop an annual workplan to guide its work, and the work of the internal audit function, over the forward year.
- 8.4 The Committee may, in consultation with Council, vary the annual work plan to address new or emerging risks. The governing body of the Council may also, by resolution, request the Committee to approve a variation to the annual work plan. However, 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 workplan.

9 ASSURANCE REPORTING

- 9.1 The Committee may inform the governing body of any emerging issues that may influence the strategic direction of the Council or the achievement of the Council's goals and objectives. The Committee may provide an update to the governing body and General Manager of its activities and opinions after a committee meeting.
- 9.2 The Committee will provide an annual assessment to the governing body and General Manager each year on the Committee's work and its opinion on how Council is performing.
- 9.3 The Committee will provide a comprehensive assessment every council term of all the matters listed in Schedule 1 to the governing body and General Manager.
- 9.4 The Committee may at any time report to the governing body or General Manager on any other matter it deems of sufficient importance to warrant their attention. The Lord Mayor and Chair of the Committee may also meet at any time to discuss issues relating to the work of the Committee.
- 9.5 Should the governing body require additional information, a request for the information may be made to the Chair by resolution. The Chair may only provide the information requested by the governing body where the Chair is satisfied that it is reasonably necessary for the governing body 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 four times per year, and where required, hold a special meeting to review the Council's financial statements.
- 10.2 The Committee can 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 governing body.

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- 10.3 Committee meetings can be held in person, by telephone or videoconference. Proxies are not permitted if a member is unable to attend a meeting.
- 10.4 A quorum will consist of a majority of independent voting members. Where the vote is tied, the Chair has the casting vote.
- 10.5 The Chair of the Committee will be consulted on items for inclusion on the agenda for each committee meeting. Each committee meeting is to be minuted to preserve a record of the issues considered and the actions and decisions taken by the Committee.
- 10.6 The following officers are to attend committee meetings as non-voting observers:
 - Lord Mayor
 - General Manager
 - Director Corporate Services
 - Chief Financial Officer
 - Manager Customer and Business Integrity
 - Governance and Risk Manager/ Internal Audit Coordinator
 - Internal Auditor Partner (Contracted)
- 10.7 The external auditor (or their representative) is to be invited to each committee meeting as an independent observer.
- 10.8 The Chair can request any Councillor, employee/contractor of the council and any subject matter expert to attend committee meetings. These individuals must attend and provide any information requested, where possible. Observers have no voting rights and can be excluded from a meeting by the Chair at any time.
- 10.9 The Committee can hold closed meetings whenever it needs to discuss confidential or sensitive issues with only voting members of the committee present.
- 10.10 The Committee must meet separately with both the internal audit coordinator and the Council's external auditor at least once per year.
- 10.11 The Professional Conduct Coordinator will attend a closed session with no staff or observers present, prior to the commencement of each meeting of the Committee to present a report on all known instances of actual, suspected or alleged fraud affecting Council and how Council responded to such instances. The report must include any changes made to the control environment. The report must also address how Council has fulfilled its fraud reporting obligations in accordance with relevant legislation and regulations.
- 10.12 The Committee members may invite the General Manager to attend closed sessions with the Professional Conduct Coordinator as required.

Dispute resolution

- 10.13 Members of the Committee and Council management should maintain an effective working relationship and seek to resolve differences they may have in an amicable and professional way via discussion and negotiation.
- 10.14 In the event of a disagreement between the Committee and General Manager or other senior managers, the dispute is to be resolved by the governing body of the Council.
- 10.15 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.

Administrative Support

- 10.16 The General Manager will appoint a Council employee to provide administrative support to the Committee. The appointed employee will ensure the agenda for each meeting and supporting papers are circulated at least five calendar days before the meeting and ensure that the minutes of the meeting are prepared and maintained. Minutes must be approved by the Chair and circulated within one week of the meeting to each member. All correspondence and papers provided to the Committee will be in electronic form.

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Resignation and dismissal of members

10.17 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 3 months notice to the Chair and governing body prior to their resignation to enable the Council to ensure a smooth transition to a new committee member.

10.18 The governing body can terminate via resolution the engagement of any Chair or independent committee member before the expiry of their term where the individual has:

- breached the council's Code of Conduct
- performed unsatisfactorily or not to expectations.
- been declared bankrupt or found to be insolvent.
- experienced an adverse change in business status.
- been charged with a serious criminal offence.
- been proven to be in a serious breach of their obligations under any legislation,
- experienced an adverse change in capacity or capability.
- declared, or is found to be in, a position of a conflict of interest which is unresolvable.

10.19 The position of a Councillor member on the Committee can be terminated at any time by the governing body via resolution.

10.20 Permanent independent member vacancies that occur on the Audit, Risk and Improvement Committee will be filled by invitations for Expressions of Interest, in accordance with the *Recruitment of External Members to Committees Policy* for independent members.

Review arrangements

10.21 At least once every Council term the governing body must conduct an external review of the effectiveness of the Committee.

10.22 These terms of reference can be reviewed at any time by the Committee and will be reviewed once each Council term by the governing body. Any substantive changes are to be approved by the governing body.

11 REMUNERATION

11.1 The independent members of the Committee will be entitled to remuneration based on a fee determined by Council.

11.2 The fee will include all expenses incurred by the independent members in relation to their responsibilities as members of the Committee, including travel costs, attendance at inductions, training and personal development opportunities.

11.3 The fee will be payable following each meeting of the Committee, and upon receipt of an invoice.

11.4 In the absence of the Council appointed chairperson at a meeting, the Committee member who chairs the meeting will be paid the usual Committee member fee.

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SCHEDULE 1 – AUDIT, RISK AND IMPROVEMENT COMMITTEE RESPONSIBILITIES

Audit

Internal Audit

- Provide overall strategic oversight of internal audit activities.
- Act as a forum for communication between the governing body, General Manager, senior management, the internal audit function and external audit
- Oversee, as far as is practicable, the work programs of internal audit and assurance and review functions.
- Review and advise the Council:
 - on whether the Council is providing the resources necessary to successfully deliver the internal audit function
 - if the Council is complying with internal audit requirements, including conformance with the International Professional Practices Framework
 - if the Council's Internal Audit Charter is appropriate and whether the internal audit policies and procedures and audit/risk methodologies used by the Council are suitable
 - of the strategic four-year plan and annual work plan of internal audits to be undertaken by the Council's internal audit function
 - if Council's internal audit activities are effective, including the performance of the internal audit coordinator and internal audit function.
 - of the findings and recommendations of internal audits conducted, and corrective actions needed to address issues raised.
 - of the implementation by Council of these corrective actions
 - on the appointment of the internal audit coordinator and external providers, and
 - if the internal audit function is structured appropriately and has sufficient skills and expertise to meet its responsibilities

External Audit

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

Risk

Risk management

Review and advise the Council:

- if the Council has in place a current and appropriate risk management framework that is consistent with the Australian risk management standard
- whether the resources necessary to successfully implement the risk management framework are provided
- whether the Council's risk management framework is adequate and effective for identifying and managing the risks the Council faces, including those associated individual projects, programs and other activities.
- if risk management is integrated across all levels of the Council and across all processes, operations, services, decision-making, functions and reporting.
- of the adequacy of risk reports and documentation, for example, the Council's risk register and risk profile
- whether a sound approach has been followed in developing risk management plans for major

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- projects or undertakings
- whether appropriate policies and procedures are in place for the management and exercise of delegations
- if Council has taken steps to embed a culture which is committed to ethical and lawful behaviour
- if there is a positive risk culture within the Council and strong leadership that supports effective risk management
- of the adequacy of staff training and induction in risk management
- how the Council's risk management approach impacts on the Council's insurance arrangements
- of the effectiveness of Council's management of its assets, and
- of the effectiveness of business continuity arrangements, including business continuity plans, disaster recovery plans and the periodic testing of these plans.

Internal controls

Review and advise the Council:

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

Compliance

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

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

Fraud and corruption

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

Financial management

Review and advise the Council:

- if Council is complying with accounting standards and external accountability requirements
- of the appropriateness of Council's accounting policies and disclosures
- of the implications for Council of the findings of external audits and performance audits and Council's responses and implementation of recommendations
- whether the Council's financial statement preparation procedures and timelines are sound
- the accuracy of the Council's annual financial statements prior to external audit, including:
 - management compliance/representations
 - significant accounting and reporting issues
 - the methods used by the Council to account for significant or unusual transactions and areas of significant estimates or judgements

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- appropriate management signoff on the statements
- if effective processes are in place to ensure financial information included in the Council's report is consistent with signed financial statements
- if the Council's financial management processes are adequate
- the adequacy of cash management policies and procedures
- if there are adequate controls over financial processes, for example:
 - appropriate authorisation and approval of payments and transaction
 - adequate segregation of duties
 - timely reconciliation of accounts and balances
 - review of unusual and high value purchases
- if policies and procedures for management review and consideration of the financial position and performance of the Council are adequate
- if Council's grants and tied funding policies and procedures are sound.

Governance

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

- decision-making processes
- implementation of governance policies and procedures
- reporting lines and accountability
- assignment of key role and responsibilities
- committee structure
- management oversight responsibilities
- human resources and performance management activities
- reporting and communication activities
- information and communications technology (ICT) governance, and
- management and governance of the use of data, information and knowledge

Improvement

Strategic planning

Review and advise the Council:

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

Service reviews and business improvement

- 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)
- Review and advise the Council:
 - if Council has robust systems to set objectives and goals to determine and deliver appropriate levels of service to the community and business performance
 - if appropriate reporting and monitoring mechanisms are in place to measure service delivery to the community and overall performance, and
 - how the Council can improve its service delivery and the Council's performance of its business and functions generally

Performance data and measurement

Review and advise the Council:

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

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SUMMARY SHEET	
Responsible Division	Customer and Business Integrity
Date adopted by Council	XX February 2024
Date of next review	February 2027
Legislative or other requirement for review	<ul style="list-style-type: none"> → Regular review by Committee → Review for adoption by each Term of Council (policy)
Responsible Manager	Governance and Risk Manager