

# **AUDIT AND RISK MANAGEMENT COMMITTEE**

## **CHARTER**



## Contents

<b>1</b>	<b>AUDIT AND RISK MANAGEMENT COMMITTEE PURPOSE</b> .....	<b>3</b>
<b>2</b>	<b>AUTHORITY</b> .....	<b>3</b>
<b>3.</b>	<b>COMPOSITION</b> .....	<b>3</b>
<b>4</b>	<b>TENURE</b> .....	<b>4</b>
<b>5</b>	<b>MEETINGS AND QUORUM</b> .....	<b>5</b>
<b>6</b>	<b>CONFIDENTIALITY</b> .....	<b>5</b>
<b>7</b>	<b>RESPONSIBILITIES</b> .....	<b>5</b>
7.3 (A)	FINANCIAL STATEMENTS.....	6
7.3.(B)	RISK MANAGEMENT.....	6
7.3.(C)	INTERNAL CONTROL .....	6
7.3.(D)	INTERNAL AUDIT.....	7
7.3.(E)	EXTERNAL AUDIT .....	7
7.3.(F)	COMPLIANCE .....	7
7.3.(G)	REPORTING RESPONSIBILITIES.....	8
7.3.(H)	OTHER RESPONSIBILITIES.....	8
7.3.(I)	INDIVIDUAL RESPONSIBILITIES OF MEMBERS.....	8

## **AUDIT AND RISK MANAGEMENT COMMITTEE CHARTER**

### **1 Audit and Risk Management Committee Purpose**

The Audit and Risk Management Committee (ARMC) is an advisory Committee assisting the Council to fulfil its governance and oversight responsibilities. The primary duties and responsibilities of the ARMC are to assist the Council to discharge its responsibilities relating to:

- 1.1 Financial reporting process
- 1.2 Business ethics, policies and practices
- 1.3 Management and internal controls
- 1.4 Monitoring the integrity of the Council's financial reporting practices and finance and accounting compliance
- 1.5 Reviewing internal controls, key corporate risks and all audit related matters
- 1.6 Encouraging continuous improvement of Council's systems and practices
- 1.7 Adoption of the Internal Audit Plan
- 1.8 The Council's process for monitoring compliance with policies, laws and regulations and the Council code of conduct.

### **2 Authority**

2.1 The ARMC is granted delegated authority by Council to carry out its duties and responsibilities as defined in this charter, The ARMC has delegated authority to approve investigations into any matters within its scope of responsibility. It is empowered to:

- 2.1.(a) Resolve any disagreements between management and the auditor regarding financial reporting (subject to confidentiality considerations).
- 2.1.(b) Pre-approve all auditing and non-audit services.
- 2.1.(c) After due consultation with the General Manager, retain independent counsel, accountants, or others to advise the committee or assist in the conduct of an investigation.
- 2.1.(d) Meet with Council management, external auditors, or outside counsel, as necessary.
- 2.1.(e) The Council acknowledges that professional independence and objectivity are key attributes of an efficient and effective ARMC. The Council and General Manager are therefore committed to uphold and guarantee the professional independence and objectivity of the ARMC.

### **3. Composition**

- 3.1 All appointments to the ARMC shall be made by Council.
- 3.2 The ARMC will consist of:
  - 3.2.1 Core Members (voting)

## AUDIT AND RISK MANAGEMENT COMMITTEE CHARTER

- Mayor of the day (or a Councillor nominated by the Mayor as his representative)
  - One Councillor
  - Two independent external members (not member of Council and one to be Chairperson)
- 3.2.2 Attendee (non-voting)
- General Manager
  - Internal Auditor
  - Director responsible for corporate functions
  - One alternate Councillor Delegate who will have voting rights in the absence of the other Councillor.
- 3.2.3 Invitees (non-voting)
- Representatives of the external auditor.
  - Other officers of Council as requested by the ARMC and/or General Manager
- 3.3 In order to maintain independence, and to comply with the recommendations of the Office of Local Government, the ARMC shall elect one of the independent members as its chairperson.
- 3.4 The selection of independent members should be undertaken in a transparent and unbiased manner. This could include calling for expressions of interest from interested persons.

### 4 Tenure

- 4.1 The term of office for an ARMC member shall end on the earlier of:
- (a) the day on which the member resigns from the ARMC
  - (b) in the case of a Councillor, the day on which the Councillor ceases to be a Councillor
  - (c) two years in respect of the independent members or such other term as determined by Council.
  - (d) the day on which the member's appointment is legally terminated by Council.
  - (e) the day on which the member is incapacitated by law from holding such office.
- 4.2 Members are encouraged to serve multiple terms and to plan for an orderly rotation of members so that experienced members will always be serving. The ARMC should make recommendations to Council on membership.
- 4.3 In any event, the appointment of each member of the ARMC will be reviewed at the end of the first year and confirmed for the remaining period subject to satisfactory performance as determined by Council. A member may be eligible for re-appointment to the committee for a continuous period not exceeding eight (8) years.
- 4.4 In considering new independent members for the ARMC, selection shall be influenced by:

- (a) Industry standards for similar committees, particularly relating to the appointment of independents to ARMCs.
- (b) Any guidelines issued by the NSW Government concerning Local Government ARMCs
- (c) The attributes and experience of candidates who respond to Expressions of Interest advertisements for Independent Members.

4.5 The independent members on the ARMC should be remunerated for attending Committee meetings. The remuneration shall be adopted by Council.

## **5 Meetings and Quorum**

- 5.1 The committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require.
- 5.2 A quorum shall not exist unless at least 3 voting members are present:
- 5.3 Members of the ARMC are generally expected to attend each meeting, in person or via tele or video-conference with the approval of the Committee Chairperson.
- 5.4 The ARMC will invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary.
- 5.5 The Committee will hold private meetings with auditors (see below) and executive sessions.
- 5.6 A meeting agenda will be provided in advance to members, along with appropriate briefing materials.
- 5.7 The Chairperson shall determine the agenda for the ARMC in conjunction with Council staff.
- 5.8 Minutes will be prepared and distributed to the ARMC members and to the next Ordinary meeting of the Council, including a report explaining any specific recommendations and key outcomes, if appropriate.
- 5.9 Meetings are to be rescheduled if there is not a quorum. The Council's Internal Auditor will minute proceedings of all meetings.
- 5.10 The chairperson shall endeavour to conduct meetings on a "consensus basis" but formal voting on recommendations shall be required. Each member shall have one vote and a majority of those present shall be required to pass a recommendation. The chairperson shall have a casting vote. The meetings should operate as far as practicable in accordance with the Council's Code of Meeting Practice.

## **6 Confidentiality**

- 6.1 The ARMC will ensure that Committee members comply with all relevant laws and Council's policies regarding confidentiality, privacy and reporting. Committee members shall treat all information received as part of the Committee as confidential and only disclose the content to third parties with the consent of other members of the Committee.

## **7 Responsibilities**

- 7.1 The ARMC has no executive powers, except those expressly provided by Council.
- 7.2 In carrying out its responsibilities, the Committee must at all times recognise that primary responsibility for management of Council rests with the Council and General Manager as defined by the Local Government Act 1993. The Council and General Manager shall ensure that reasonable resources are allocated to providing the ARMC

with the information it needs to discharge its responsibilities.

- 7.3 The responsibilities of the ARMC may be revised or expanded by Council from time to time. The Committee will carry out the following responsibilities:

7.3 (a) Financial Statements

- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements. The ARMC can add value for Councillors and the process by reviewing the audit objectives, timeline and process, settlement of identified issues and the independence of the external auditor. This would be done in consultation with the External Auditor, Internal Auditor and management
- Based on the audit objectives, review with management and the external auditors the results of the audit, timeline and process, settlement of identified issues and the independence of the external auditor. Review the process of the audit, identify unresolved issues.
- Review the audited annual financial statements and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles. Without having conducted its own assessment the ARMC will need to rely on the work of Internal, External Auditor and management representations. Therefore any recommendation to Council would be based on the External Auditors Management Letter and made under a disclaimer that identifies things such as the audit process, access to records, auditor appears to be suitably qualified, had sufficient time to complete, items identified have been resolved to their satisfaction.
- As part of the External Auditors presentation and management representations, review with management and the external auditors all matters required to be communicated to the Committee under generally accepted auditing Standards.
- Understand how management develops interim financial information, and the nature and extent of internal and external auditor involvement.

7.3.(b) Risk Management

- Review whether 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.
- Review whether a sound and effective approach has been followed in developing strategic risk management plans for major projects or undertakings.
- Review the impact of the risk management framework on its control environment and insurance arrangements, and
- Review whether a sound and effective approach has been followed in establishing business continuity planning arrangements, including whether plans have been tested periodically.

7.3.(c) Internal Control

Consider the adequacy and effectiveness of the Council's internal control systems,

incorporating the:

- Reliability and integrity of financial and operational information systems, including information technology security and control
- Effectiveness and efficiency of operations and
- Safeguarding assets
- Compliance with contracts, laws and regulations
- Governance framework
- Understand the scope of internal auditors' review of internal control over financial reporting and obtain reports on significant findings and recommendations, together with management's responses.

7.3.(d) Internal Audit

- Review and recommend approval of the Internal Audit Activity Charter, activities, and staffing, and organisational structure of the internal audit function; and any subsequent changes.
- Have final authority to review and approve the annual audit plan and all major changes to the plan.
- Ensure there are no unjustified restrictions or limitations to the activities of internal audit.
- Review the effectiveness of the internal audit function and objectives, including compliance with The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

7.3.(e) External Audit

- Establish that an appropriate process is in place to give assurance that the Council complies with the Local Government Act requirements for financial reporting and auditing.
- Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit.
- Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the Council, including non-audit services, and discussing the relationships with the auditors.
- Review management's responses to the recommendations in the external auditor's management letter.
- On a regular basis, meet separately with the external auditors to discuss any matters that the Committee or auditors believe should be discussed privately.

7.3.(f) Compliance

- Review the effectiveness of the system for monitoring compliance with laws, regulations and contracts and the results of management's investigation and follow-up of any instances of noncompliance.
- Review the findings of any examinations by regulatory agencies, and any auditor observations.
- Review the process for communicating the code of conduct to Council personnel, and for monitoring compliance therewith.

## AUDIT AND RISK MANAGEMENT COMMITTEE CHARTER

- Liaise with the General Manager to obtain regular updates from management and Council legal counsel regarding compliance matters.
- Review other sections of the annual report and related regulatory filings before release and consider the accuracy and completeness of the information.

### 7.3.(g) Reporting Responsibilities

- Regularly report to the Council about committee activities, issues and related recommendations.
- Provide an open avenue of communication between internal audit, the external auditors, and the Council.
- Report annually to the Council, describing the committee's compositions, responsibilities and how they were discharged, and any other information required by law, including non-audit services.
- Review any other reports the Council issues that relate to Committee responsibilities.

### 7.3.(h) Other Responsibilities

- Perform other activities related to this charter as requested by the Council.
- Institute and oversee special investigations as needed.
- Review and assess the adequacy of the ARMC Charter annually, requesting Council approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
- Confirm annually that all responsibilities outlined in this charter have been carried out.
- Evaluate the committee's and individual members' performance on a regular basis.

### 7.3.(i) Individual Responsibilities of Members

Members of the ARMC are expected to:

- Understand the relevant legislative and regulatory requirements appropriate to Bathurst Regional Council.
- Contribute the time needed to study and understand the papers provided.
- Apply good analytical skills, objectivity and good judgement.
- Express opinions frankly, ask questions that go to the fundamental core of issues, and pursue independent lines of enquiry.
- Declare any conflicts of interest before participating in deliberations on the issue where the conflict of interest exists.
- Attend an induction meeting at which they receive relevant information and briefings on their appointment to assist them to meet their Committee responsibilities.