

Newcastle City Council
Charter

Audit and Risk Committee

February 2018

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| Charter title | Audit and Risk Committee Charter |
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| Prepared by | Internal Audit Coordinator |
| Approved by | Elected Council |
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| Relevant strategic direction | Open and Collaborative Leadership |
| Relevant legislation/codes | <i>Local Government Act 1993 (NSW)</i> <i>Local Government Amendment (Governance and Planning) Act 2016 (s.428A)</i> Division of Local Government Internal Audit Guidelines (September 2010) |
| Related policies/documents | Enterprise Risk Management Framework and related documents Code of Conduct Media Policy Deed of Confidentiality register |
| Related forms | Deed of Confidentiality |

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1 Objective

- 1.1 The objective of the Audit and Risk Committee is to provide independent assurance and assistance to Council on risk management, control, governance and external accountability responsibilities.

2 Interpretation

- 2.1 **Act** means the Local Government Act 1993 (NSW).
- 2.2 **Amendment Act** means the *Local Government Amendment (Governance and Planning) Act 2016* (Sections of this Act are yet to be proclaimed).
- 2.3 **Attendee** means the CEO and Internal Audit Coordinator who attend Audit and Risk Committee meetings but are not Committee members.
- 2.4 **Code of Conduct** means the Code of Conduct adopted by Council as prescribed in the *Local Government Regulation 2005*.
- 2.5 **Audit and Risk Committee Selection Panel (Selection Panel)** shall comprise the CEO and the two Councillor members.
- 2.6 **CEO** means Chief Executive Officer of Newcastle City Council and includes their delegate or authorised representative.
 - 2.6.1 References to the Chief Executive Officer are references to the General Manager appointed under the *Local Government Act 1993* (NSW).
- 2.7 **Council** means the Newcastle City Council and where appropriate includes its administration or any successor council.
- 2.8 **Committee** means the Council's Audit and Risk Committee.
- 2.9 **Committee Member** means those appointed by the Selection Panel or by resolution of Council to be a member of Council's Audit and Risk Committee.
- 2.10 **External Auditor** is any person or organisation appointed by the Auditor General in accordance with s.422 of the Act to review and certify Council's financial reports as per section 415 of the *Act*.
- 2.11 **Internal Audit** means the independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 2.12 **Internal Audit Coordinator** means the Council officer the CEO has appointed to coordinate Council's internal audit function and Audit and Risk Committee.
- 2.13 **Internal Audit Plan** means a risk-based rolling program of internal audits scheduled for a 12 to 36 month period.
- 2.14 **Invitee** means any person invited by the CEO or at the request of the Audit and Risk Committee to attend a meeting only for a specific purpose. Invitees have no voting rights.
- 2.15 **Internal Auditor** means any person or company that has been engaged by Council or directed by the CEO to conduct an internal audit.

- 2.16 **Observer** means any Councillor who attends an Audit and Risk Committee meeting who is not a Voting Councillor member of the Audit and Risk Committee.
- 2.17 **Open Voting** means voting by show of hands using a single non-transferable vote system. This means each voter casts one vote for any resolution.
- 2.18 **Regulations** means the *Local Government (General) Regulation 2005*.
- 2.19 **Risk Management** framework means a set of components that provide the foundations and organisational arrangement for designing, implementing, monitoring, reviewing and continually improving Risk Management throughout the organisation.
- 2.20 **Risk Management Plan** means a scheme within the Risk Management Framework specifying the approach, the management components and resources to be applied to the management of risk.
- 2.21 **Secretary** means the Council officer appointed in accordance with clause 9.2.

Unless stated otherwise, a reference to a clause is a reference to a clause of this Charter.

3 Establishment and dissolution

- 3.1 Council resolved to establish an Audit and Risk Committee and appointed Councillor Members on 19 May 2009.
- 3.2 The Committee may be dissolved by resolution of Council.

4 Authority

Within the scope of its roles and responsibilities, the Committee has the following authority:

- 4.1 The Committee must at all times recognise that primary responsibility for management of Council rests with the Council and the CEO, as provided in the Act.
- 4.2 The Committee has no executive powers and cannot make decisions on behalf of Council. The Committee may provide advice, information and recommendations to Council and Council Management. The Committee is not a committee which has delegated authority to exercise powers under s.355 of the Act, and it is not a special committee as per section 259 of the Regulations.
- 4.3 Neither the Committee nor any of its Members may direct any Council officer in his or her duties but may request the attendance of any employee or councillor at Committee meetings.
- 4.4 The Committee has no power of direction over the external audit or the manner in which the external audit is planned or undertaken.
- 4.5 The Committee by resolution and in accordance with relevant Council policy, may seek to obtain any information it needs from Council or an external party (subject to their legal obligations to protect information).
- 4.6 The Chair of the Committee may, if considered reasonably necessary and in consultation with the CEO, request external legal or professional advice to allow the Committee to meet its responsibilities.

5 Responsibilities

According to the *Amendment Act* (pending proclamation), the Committee must keep under review the following aspects of Council's operations:

- (a) compliance
- (b) risk management
- (c) fraud 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 the council
- (i) any other matters prescribed by the regulations.

In addition, the Committee is to provide information to the Council for the purpose of improving the Council's performance of its functions.

Responsibilities of the Committee in detail are:

5.1 Risk Management

- 5.1.1 Review whether Council has a current and comprehensive risk management framework in place that appropriately identifies and manages business, legal, compliance and financial risks, including fraud.
- 5.1.2 Review whether Council uses a sound and effective approach to develop risk management plans for major projects or undertakings.
- 5.1.3 Review the impact of Council's risk management framework on its control environment and insurance arrangements.
- 5.1.4 Review whether a sound and effective approach is used to establish Council's business continuity plan and that the plan is tested regularly.

5.2 Control Framework

- 5.2.1 Review whether sufficient and adequate internal controls are in place, including controls over external parties such as contractors and consultants.
- 5.2.2 Determine whether Council's internal controls are periodically reviewed and updated, and that a monitoring and reporting system is in place to ensure compliance.
- 5.2.3 Review whether appropriate policies and procedures are in place for the management and exercise of delegations; and
- 5.2.4 Review whether Council management has taken steps to embed a culture throughout the Council organisation which is committed to ethical and lawful behaviour.

5.3 External Accountability

- 5.3.1 Act as a forum for communication between the Council, the CEO, senior management, internal audit, external auditors and the Auditor General.
- 5.3.2 Be satisfied that Council's annual financial reports comply with applicable legislation and Australian accounting standards, and are supported by appropriate management sign-off on Council's financial statements.
- 5.3.3 Review the external audit opinion, including whether appropriate action has been taken in response to audit recommendations and adjustments.

- 5.3.4 Consider contentious financial reporting matters in conjunction with Council's management and external auditors.
- 5.3.5 Review the processes in place to ensure financial information included in the annual report is consistent with the signed financial statements.
- 5.3.6 Satisfy itself there are appropriate mechanisms in place to review and implement, where appropriate, relevant State Government reports and recommendations.
- 5.3.7 Satisfy itself there is a performance management framework linked to organisational objectives and outcomes.
- 5.4 Legislative Compliance
 - 5.4.1 Determine whether management has appropriately considered legal and compliance risks as part of risk assessment and management arrangements.
 - 5.4.2 Review the effectiveness of the system for monitoring compliance risks which form part of risk assessment and management arrangements.
- 5.5 Internal Audit
 - 5.5.1 Review and approve the internal audit coverage and Council's internal audit plan, ensuring it considers the risk management plan.
 - 5.5.2 Consider the adequacy of internal audit resources to carry out internal audit responsibilities, including completion of the approved Internal Audit Plan and make recommendations to the CEO.
 - 5.5.3 Review all audit reports and consider significant issues identified in audit reports and action taken on issues raised, including identification and dissemination of better practices.
 - 5.5.4 Monitor the implementation of internal audit recommendations by management.
 - 5.5.5 Periodically review the internal audit function to ensure appropriate organisational structures, authority, access and reporting arrangements are in place.
 - 5.5.6 Periodically review the performance of Internal Audit.

6 Membership

- 6.1 Membership generally
 - 6.1.1 The Committee will comprise two Councillors, appointed by Council and three Independent Members appointed by the Selection Panel.
 - 6.1.2 The Chair is one of the three Independent Members, appointed by the Selection Panel.
 - 6.1.3 Members of the Committee, taken collectively, will have a broad range of skills and experience relevant to Council operations. At least one member of the Committee shall have accounting or related financial management qualifications and experience, with understanding of accounting and auditing standards in a public sector environment.
 - 6.1.4 Members may not transfer their membership to any other person or to attend on their behalf.

6.2 Responsibility of Members

6.2.1 Members are expected to:

- (a) understand the relevant legislative and regulatory requirements applicable to Council;
- (b) be able to contribute the time needed to study and understand the Committee's business papers; and
- (c) utilise high level analytical skills, objectivity and good judgment.

6.2.2 Membership of any Member of the Committee may be terminated by a decision of the Committee Selection Panel due to the Member's non-attendance at three consecutive meetings of the Committee without:

- (a) prior notification of their non-attendance; and
- (b) the granting of leave by resolution of the Committee; or
- (c) if the Member's conduct is inconsistent with this Charter or the Code of Conduct.

6.3 External Members

6.3.1 CEO will determine membership criteria, including for the Chair. Expressions of interest for external members will be called by any reasonable means which will ensure the role can be accessed by a wide pool of applicants.

6.3.2 The Selection Panel will:

- nominate external members to the Committee; and
- nominate an external member to be Chair of the Committee.

6.3.3 The terms of appointment for external members will be determined by the Selection Panel.

6.3.4 External members, including the Chair, may be eligible for re-appointment by approval of the Selection Panel.

6.3.5 External members will remain members of the Committee until:

- the expiry of their external membership term under clause 6.3.3;
- the Committee is dissolved pursuant to clause 3.2 of this Charter;
or
- Their membership is otherwise terminated.

6.3.6 If an external member resigns or otherwise has their membership terminated, the Selection Panel will nominate a replacement external member to the Committee.

6.3.7 An external member may not be a Councillor or a Council employee.

6.4 Councillor members

6.4.1 Council will call for nominations for Councillor members at the commencement of each Council term.

6.4.2 Council will elect Councillor members by resolution.

6.4.3 Councillor members remain members of the Committee until:

- the expiry of their Councillor membership term;
- the Committee is dissolved pursuant to clause 3.2 of this Charter;

- they resign; or
 - their membership is otherwise terminated.
- 6.4.4 Councillor membership terminates immediately upon a Councillor member no longer being a Councillor.
- 6.4.5 If a Councillor member does not remain on the Committee for the entire Council term, appointment of a replacement Councillor Member must be by resolution of Council.
- 6.4.6 If re-elected to Council, retiring Councillor members are entitled to nominate for re-appointment.
- 6.4.7 The Lord Mayor may not be a member of the Committee.
- 6.5 Other attendees
 - 6.5.1 The following persons may attend any meeting of the Committee, unless requested otherwise by the Committee:
 - (a) CEO
 - (b) Internal Audit Coordinator;
 - (c) Representative from Council's External Auditor
 - (d) Representative from the Audit Office of NSW
 - (e) Invitees for specific agenda items.
 - 6.5.2 Councillors may attend any meeting as an observer by giving notice in advance to the Internal Audit Coordinator. Observers do not have the right to ask questions, participate in discussion or vote on matters before the Committee.
 - 6.5.3 Other Council officers or guests may attend Committee meetings by invitation of the CEO or as requested by the Committee.
- 6.6 Review of Membership
 - 6.6.1 The Selection Panel is responsible for reviewing the performance, tenure and other matters which relate to external members.

7 Meetings

- 7.1 Quorum
 - 7.1.1 A quorum is constituted by attendance of a majority of the Committee members, including at least one external member.
- 7.2 Meetings
 - 7.2.1 The Committee will meet at least four times per year or as resolved by the Committee.
 - 7.2.2 One of these meetings will include review of the annual audited financial reports and external audit opinion.
 - 7.2.3 A forward meeting plan will be agreed by the Committee each year, addressing Committee responsibilities as specified in Clause 5 of this Charter.
 - 7.2.4 Unless otherwise resolved by the Committee, all meetings of the Committee will be closed to the general public.
 - 7.2.5 The Chair will be responsible for keeping order at the meeting.
 - 7.2.6 If the Chair is absent from a Committee meeting, an external member of the Committee will be nominated by the CEO to chair the meeting.

7.3 Separate Meetings

7.3.1 The Committee may resolve to meet separately with each of the Internal Audit Coordinator, the Internal Auditor, and the External Auditor in the absence of other Council officers if requested.

7.3.2 The Chair may agree to meet separately with:

- The CEO
- Any member of the Committee
- Council's internal auditors
- the Internal Audit Coordinator; and
- Council's external auditors.

7.4 Reporting

7.4.1 The Committee will report at least annually to the elected Council on its affairs and the matters it has considered. Reporting will include attendance records.

7.4.2 Internal Audit will report to the Committee regularly on the performance of Internal Audit as measured against agreed performance indicators.

7.4.3 Reporting on the implementation status and progress of audit actions will be a standing agenda item at ordinary Committee meetings.

7.4.4 Internal audit reports will be provided to Council's external auditor to assist them in the course of their work.

7.4.5 The Internal Audit Coordinator may report directly to the Committee after appropriate lines of enquiry and resolution have been pursued.

7.5 Recommendations and resolutions

7.5.1 Recommendations and resolutions of the Committee must be consistent with this Charter.

7.5.2 The Committee is expected to make decisions by Committee members casting a vote either in favour or against any proposed resolution of the Committee.

7.5.3 A resolution approved by a majority of Committee members' votes becomes a resolution of the Committee.

7.5.4 Resolutions are to be recorded in the minutes of the proceedings of Committee meetings.

7.5.5 The CEO (or delegate) may action recommendations as they deem appropriate in accordance with their individual delegations and authorisations.

7.5.6 A report to Council for a decision will be required where recommendations fall outside the functions delegated to the CEO.

7.6 Meeting agendas

7.6.1 The Secretary is responsible for preparation of meeting agendas.

7.6.2 The Secretary will provide notice of meetings, including the agenda and business papers, to members at least five business days prior to the day of the meeting. These may be transmitted electronically.

7.7 Minutes

- 7.7.1 All Committee business shall be appropriately minuted and recorded, including its registration in accordance with Council's Records Management Policy.
- 7.7.2 Draft minutes of a previous Committee meeting are to be reviewed by the Committee members and, if they represent a correct record of the relevant Committee meeting, the Committee may resolve for the confirmed minutes to be signed by the Committee Chair.

8 Conduct by members

8.1 Code of Conduct

- 8.1.1 Council's Code of Conduct applies to Committee Members.
- 8.1.2 Conflicts of Interests must be declared and managed in accordance with the Code of Conduct. A record of a declared conflict of interest in the minutes is sufficient.
- 8.1.3 Significant conflicts of interest must be managed by the Member excluding themselves from the meeting during the discussion of the relevant agenda item. Such exclusion must be recorded in the minutes.

8.2 Public Comment

- 8.2.1 Members are bound by Council's Media Policy.
- 8.2.2 The Chair may make public comment in connection with Committee business. When making a public comment, the Chair should indicate they are speaking on behalf of the Committee and not Council.

8.3 Confidentiality

- 8.3.1 Due to their sensitive nature, items of Committee business remain confidential unless identified otherwise by the Committee.
- 8.3.2 Committee members, attendees, invitees and observers are required to sign a deed of confidentiality, and abide by the terms of Council's Code of Conduct relating to confidentiality.

9 Committee administration

- 9.1 The CEO is responsible for ensuring that the Committee has adequate secretarial support and access to administrative resources.
- 9.2 Secretarial support will be provided by a suitably qualified Council officer who will undertake functions to support the Committee, including:
 - 9.2.1 act as the communication link between the Committee and Council
 - 9.2.2 manage the resources available to the Committee
 - 9.2.3 liaise with the Chair to administer the Committee and its meetings
 - 9.2.4 prepare agendas
 - 9.2.5 maintain the meeting attendance register
 - 9.2.6 prepare and distribute meeting minutes, business papers and correspondence
 - 9.2.7 ensure the provision of Committee governance documents to members (such as this Charter, relevant Council policies, guidelines); and
 - 9.2.8 arrange meeting venues, equipment, and catering as required.

10 Induction

10.1 New Committee members will receive relevant information and briefings at the time of their appointment to assist them to meet their Committee responsibilities.

11 Review of Audit and Risk Committee performance

11.1 The Chair will initiate a review of the Committee's performance at least once every two years.

12 Review of Charter

12.1 This Charter will be reviewed biannually or as required to align with legislation, and may only be amended by resolution of Council.