



WEDDIN SHIRE COUNCIL

POLICY NUMBER: 15.7.4

RISK MANAGEMENT AND INTERNAL AUDIT POLICY

INTRODUCTION.....	5
ROLE OF THE COUNCIL.....	5
ROLE OF THE GENERAL MANAGER	5
AUDIT, RISK AND IMPROVEMENT COMMITTEE	6
RISK MANAGEMENT.....	7
INTERNAL AUDIT.....	7
ANNUAL ATTESTATION STATEMENT	8
EXEMPTIONS	9
MONITORING.....	10
HISTORY	10
APPENDIX 1	11
MODEL INTERNAL AUDIT CHARTER FOR AUDIT, RISK AND IMPROVEMENT COMMITTEE.....	11
PURPOSE OF INTERNAL AUDIT	11
INDEPENDENCE.....	11
AUTHORITY.....	12
ROLE.....	12
[HEAD OF INTERNAL AUDIT FUNCTION].....	13
PERFORMING INTERNAL AUDIT ACTIVITIES.....	14
CONDUCT.....	14
ADMINISTRATIVE ARRANGEMENTS	15
FURTHER INFORMATION	16
APPENDIX 2.....	17
INTERNAL AUDIT FUNCTION RESPONSIBILITIES	17
INTERNAL AUDIT.....	17
EXTERNAL AUDIT	17
RISK MANAGEMENT.....	17
INTERNAL CONTROLS.....	18
COMPLIANCE	18
FRAUD AND CORRUPTION	18
FINANCIAL MANAGEMENT	19
GOVERNANCE	19
IMPROVEMENT.....	20
STRATEGIC PLANNING	20
SERVICE REVIEWS AND BUSINESS IMPROVEMENT	20
PERFORMANCE DATA AND MEASUREMENT	20
APPENDIX 3.....	21
MODEL TERMS OF REFERENCE FOR THE AUDIT, RISK AND IMPROVEMENT COMMITTEE.....	21
OBJECTIVE	21
INDEPENDENCE.....	21
AUTHORITY.....	21
COMPOSITION AND TENURE	22
ROLE.....	23
RESPONSIBILITIES OF MEMBERS.....	24
INDEPENDENT MEMBERS.....	24
COUNCILLOR MEMBER.....	24
CONDUCT.....	25
CONFLICTS OF INTEREST	25

STANDARDS.....	25
WORK PLANS.....	25
ASSURANCE REPORTING.....	26
ADMINISTRATIVE ARRANGEMENTS.....	26
MEETINGS.....	26
DISPUTE RESOLUTION.....	27
SECRETARIAT.....	27
RESIGNATION AND DISMISSAL OF MEMBERS.....	27
REVIEW ARRANGEMENTS.....	28
FURTHER INFORMATION.....	28
APPENDIX 4.....	28
EMPLOYMENT CRITERIA FOR INDEPENDENT COMMITTEE CHAIRS AND INDEPENDENT MEMBERS SELECTION.....	28
ELIGIBILITY CRITERIA FOR COMMITTEE CHAIRS.....	29
ESSENTIAL CRITERIA.....	30
DESIRABLE CRITERIA.....	30
ELIGIBILITY CRITERIA FOR INDEPENDENT COMMITTEE MEMBERS.....	30
ESSENTIAL CRITERIA.....	30
DESIRABLE CRITERIA.....	31
ELIGIBILITY CRITERIA FOR COUNCILLOR MEMBERS.....	31
APPOINTMENT.....	32
LETTER OF APPOINTMENT.....	32
INDUCTION.....	32
MEMBERSHIP TERMS.....	33
VOTING MEMBERS.....	33
COUNCILLOR MEMBERS.....	33
REAPPOINTMENT.....	33
FEES.....	34
SUPERANNUATION.....	34
LEARNING AND DEVELOPMENT.....	34
APPENDIX 5.....	34
MEETINGS.....	34
PROXIES.....	35
QUORUM AND VOTING.....	35
AGENDA.....	35
FORWARD AGENDA.....	35
MEETING AGENDA.....	36
PAPERS.....	36
MINUTES.....	36
ATTENDANCE OF OBSERVERS.....	37
PRIVATE MEETINGS.....	37
CONFIDENTIALITY.....	38
SCHEDULE 1:.....	38
AUDIT, RISK AND IMPROVEMENT COMMITTEE RESPONSIBILITIES.....	38
AUDIT.....	38
INTERNAL AUDIT.....	38
EXTERNAL AUDIT.....	39
RISK.....	39
RISK MANAGEMENT.....	39
INTERNAL CONTROLS.....	40
COMPLIANCE.....	40

FRAUD AND CORRUPTION40
FINANCIAL MANAGEMENT40
GOVERNANCE41
IMPROVEMENT41
STRATEGIC PLANNING41
SERVICE REVIEWS AND BUSINESS IMPROVEMENT42
PERFORMANCE DATA AND MEASUREMENT42

INTRODUCTION

The *Local Government Act 1993* ('Local Government Act'), the Local Government (General) Regulation 2021 ('Local Government Regulation') and these Guidelines require each council in NSW to have:

- an audit, risk and improvement committee that continuously reviews and provides independent advice to the council on how it is functioning and managing risk
- a robust risk management framework that accurately identifies and mitigates the risks facing the council and its operations, and
- an effective internal audit function that provides independent advice as to whether the council is functioning effectively and the council's internal controls to manage risk are working.

The Policy seeks to strengthen risk management and internal audit practices by setting a minimum standard that reflects a 'best practice' approach. The Policy replaces the Guidelines the NSW Government's Internal Audit Guidelines for Local Government in NSW issued in 2010.

The three core requirements outlined in the Guidelines reflect international standards and the recommendations and opinions of internal audit practitioners, councils, councillors, audit, risk and improvement committee members, risk management practitioners, government agencies, experts and community members.

ROLE OF THE COUNCIL

To achieve these guiding principles, the *Local Government Act 1993* (section 223) provides that the role and responsibilities of the governing body include:

- directing and controlling the affairs of the Council in accordance with the *Local Government Act 1993*
- ensuring, as far as possible, the financial sustainability of the Council
- ensuring, as far as possible, that the Council complies with the guiding principles of the *Local Government Act 1993*
- keeping the performance of the Council under review
- making the decisions necessary to ensure the Council properly exercises its regulatory functions, and
- being responsible for ensuring that the Council acts honestly, efficiently and appropriately.

ROLE OF THE GENERAL MANAGER

The *Local Government Act 1993* (section 335) provides that the General Manager is responsible for:

- conducting the day-to-day management of the Council in accordance with the strategic plans, programs, strategies and policies of the Council – this includes establishing the Council's organisational structure and appointing and dismissing Council staff (section 332)
- implementing, without undue delay, the lawful decisions of the Council

- advising the governing body on the development and implementation of the Council's plans, programs, strategies and policies, and
- ensuring that the Mayor and other Councillors are given timely information and advice and the administrative and professional support necessary to effectively discharge their functions.

The Local Government Regulation (section 209) also requires the General Manager to ensure that:

- the Council complies with all legal financial obligations, including the keeping of accounting records
- effective measures are taken to secure the effective, efficient and economical management of financial operations within each division of the Council's administration
- authorised and recorded procedures are established to provide effective control over the Council's assets, liabilities, revenue and expenditure and secure the accuracy of the accounting records, and
- lines of authority and the responsibilities of members of the Council's staff for related tasks are clearly defined.

AUDIT, RISK AND IMPROVEMENT COMMITTEE

The *Local Government Act 1993* (section 428A) requires each Council to establish an audit, risk and improvement committee to continuously review and provide independent advice to the General Manager and the governing body of the Council on:

- whether the Council is complying with all necessary legislation, regulations and other legal requirements
- the adequacy and effectiveness of the Council's risk management framework, fraud and corruption prevention activities, financial management processes, and the Council's financial position and performance
- the Council's governance arrangements
- the achievement by the Council of the goals set out in the Council's community strategic plan, delivery program, operational plan and other strategies
- how the Council delivers local services and how it could improve the performance of its functions more generally
- the collection of performance measurement data by the Council, and
- any other matters prescribed by the Local Government Regulation (including internal audit).

The Local Government Regulation prescribes the following requirements in relation to the membership and operations of Councils' audit, risk and improvement committees:

- Council must by resolution appoint an audit, risk and improvement committee comprising of a Chair and at least two or more other persons as voting members of the committee.
- Council must not appoint a person to be the Chair or a voting member of the Council' audit, risk and improvement committee unless they satisfy the independence and eligibility criteria specified in these Guidelines.
- Council may appoint one Councillor as a non-voting member of its audit risk and improvement committee. Councillors appointed as a non-voting member of an audit,

risk and improvement committee must satisfy the eligibility criteria for Councillor members of committees specified in these Guidelines.

- For the purposes of section 428A(2)(i) of the *Local Government Act 1993*, Councils' audit, risk and improvement committees are to keep under review internal audit activities.
- The Departmental Chief Executive may approve model terms of reference for Councils' audit, risk and improvement committees.
- Council must adopt by resolution, terms of reference for their audit, risk and improvement committees that are consistent with the model terms of reference for committees approved by the Departmental Chief Executive contained in these Guidelines.
- A Council's audit, risk and improvement committee must exercise its functions in accordance with the terms of reference adopted by the Council.
- Council must provide their audit, risk and improvement committee with such access to the General Manager and other senior management staff of the Council, and any information and resources of the Council as may be necessary for the committee to exercise its functions.

RISK MANAGEMENT

The Local Government Regulation prescribes the following requirements in relation to risk management:

- Commencing on 1 July 2024, Councils must adopt and implement a framework for identifying and managing risk that is consistent with the requirements specified by these Guidelines.
- A Council's audit, risk and improvement committee must keep the implementation of the Council's risk management framework under review and provide advice to Council on its implementation.

INTERNAL AUDIT

The Local Government Regulation prescribes the following requirements in relation to internal audit:

- Commencing 1 July 2024, Council must have an internal audit function to keep under review the Council's operations and risk management and control activities.
- Councils' internal audit functions must operate in accordance with the requirements specified in these Guidelines.
- The Departmental Chief Executive may approve a model internal audit charter for Councils to guide the performance of their internal audit function.
- Council must adopt by resolution, an internal audit charter that is consistent with the model internal audit charter approved by the Departmental Chief Executive contained in these Guidelines.
- The Council's internal audit function must be undertaken in accordance with the internal audit charter adopted by the Council.
- Commencing 1 July 2024, Councils' General Managers must appoint a member of staff of the Council to direct and coordinate internal audit activities for the Council.
- Council is not required to appoint a member of staff to direct and coordinate their internal audit activities if the Council has entered into an agreement with other

Councils to share the internal audit function and one of the participating Councils has appointed a member of staff to direct and coordinate internal audit activities on behalf of all the participating Councils.

- A Council's internal audit activities are to be undertaken under the oversight and direction of the Council's audit, risk and improvement committee.
- The member of staff appointed by the General Manager to direct and coordinate internal audit activities is to report to the audit, risk and improvement committee on those activities.
- The member of staff of a Council appointed to direct and coordinate internal audit activities is not to be subject to direction in the performance of internal audit activities by anyone other than the audit, risk and improvement committee.
- All internal audit personnel must have direct and unrestricted access to Council staff, the audit, risk and improvement committee and Council information and resources necessary to undertake their role and responsibilities.
- The General Manager must consult with the Chair of the Council's audit, risk and improvement committee on any decision affecting the employment of the staff member appointed to direct and coordinate the Council's internal audit activities and must consider the Chair's views before making the decision.
- The audit, risk and improvement committee must review the performance and efficacy of the Council's internal audit activities once in each term of the Council and report to the governing body of the Council on the outcome of its review and make recommendations.

ANNUAL ATTESTATION STATEMENT

Commencing with the 2024-2025 annual report, General Managers will be required under the Local Government Regulation to publish an Attestation Statement each year in the Council's annual report indicating whether, during the preceding financial year, the Council's audit, risk and improvement committee, risk management framework and internal audit function complied with these Guidelines.

The Local Government Regulation prescribes the following requirements in relation to Attestation:

- Commencing with the 2024-2025 annual report, the General Manager must cause to be published in the Council's annual report an Attestation Statement in the form specified in these Guidelines on the Council's compliance with the Guidelines with respect to the membership and operations of its audit, risk and improvement committee, its risk management framework and internal audit function.
- The General Manager must consult with the Chair of the Council's audit, risk and improvement committee on the content of the Attestation Statement and must consider the Chair's views when preparing the Statement.
- If the committee Chair disagrees with the content of the Attestation Statement prepared by the General Manager, they may prepare their own Attestation Statement and submit this to the Departmental Chief Executive.

The details of each member of the Council's audit, risk and improvement committee must also be included in the attestation statement.

Attestation operates to ensure that the Council takes independent assurance and risk management seriously and is accountable to the community for how it has implemented these requirements.

As noted above, the Council's compliance status is to be self-assessed by the General Manager, in consultation with the audit, risk and improvement committee.

The General Manager must consider the views of the Chair of the Council's audit risk and improvement committee on the content of the attestation statement when preparing the statement.

If the Chair disagrees with the content of the Attestation Statement prepared by the General Manager, they may prepare their own report and submit this to the Departmental Chief Executive.

EXEMPTIONS

There may be times where Council may not be able to comply with all requirements relating to the audit, risk and improvement committee, risk management framework or internal audit function.

In these circumstances, the Local Government Regulation confers on the Departmental Chief Executive the power to exempt Councils from compliance with a requirement under these Guidelines where the Council or joint organisation requests such an exemption.

The Regulation provides that the Departmental Chief Executive may, on an application by a Council, exempt the Council from compliance with a requirement under these Guidelines for such a period specified by the Departmental Chief Executive where they are satisfied that:

- the Council cannot comply with the requirement because of temporary extenuating circumstances or resourcing constraints that will significantly impact the Council's budget
- the Council cannot enter into an agreement with another Council to share the performance of activities necessary to satisfy the requirement, and
- current or proposed alternative arrangements will achieve outcomes equivalent to the requirement under these Guidelines.

A Council's application to the Departmental Chief Executive for an exemption must be in the form and contain the information specified in these Guidelines.

The Regulation provides that where the Departmental Chief Executive exempts a council from compliance with a requirement under these Guidelines, the council must publish the Departmental Chief Executive's approval of the exemption in their annual report.

A Council is not prevented from applying for a further exemption when a previous exemption expires.

MONITORING

Councils' compliance with the core requirements of the *Local Government Act 1993*, Local Government Regulation and these Guidelines will be monitored by the Office of Local Government.

The NSW Auditor-General may also undertake an assurance role in monitoring Councils' compliance. This may include conducting sector-wide performance audits, or compliance audits of individual councils and undertaking reviews of exemptions granted by the Departmental Chief Executive

HISTORY

Title: Weddin Shire Council Risk Management and Internal Audit Policy		
Department: Environmental Services		
Version	Date	Author
15.7.1	Adopted 15 March 2012	
15.7.2	Reviewed 21 February 2013	
15.7.3	Reviewed 16 February 2017	
15.7.4	Draft	Director Corporate Services to Council
	Adopted 18 May 2023 Resolution 099/23	Adopted by Council
This policy may be amended or revoked at any time and must be reviewed at least three (3) years since its adoption (or latest amendment). The Director Corporate Services will be responsible for the review of this policy. Review of this policy will incorporate relevant legislation, documentation released from relevant state agencies and best practice guideline.		
Review Date: August 2026		
Amendments in the release		
Amendment History	Date	Detail
Annexure Attached: Appendix 1 - Model Internal Audit Charter For Audit, Risk And Improvement Committee Appendix 2 - Internal Audit Function Responsibilities Appendix 3 - Model Terms Of Reference For The Audit, Risk And Improvement Committee Annexure 4 – Employment Criteria for Independent Committee Chairs and Independent Members Selection Annexure 5 - Meetings Schedule 1 – Audit, Risk and Improvement Committee Responsibilities		
Noreen Vu General Manager		

MODEL INTERNAL AUDIT CHARTER FOR AUDIT, RISK AND IMPROVEMENT COMMITTEE

Weddin Shire Council has established the Audit, Risk and Improvement Committee as a key component of the Weddin Shire Council's governance and assurance framework, in compliance with the Departmental Chief Executive's *Guidelines for risk management and internal audit for local government in NSW*.

This charter provides the framework for the conduct of the Audit, Risk and Improvement Committee in the Weddin Shire Council and has been approved by the governing body taking into account the advice of the Weddin Shire Council's Audit, Risk and Improvement Committee.

PURPOSE OF INTERNAL AUDIT

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the Weddin Shire Council's operations. It helps the Weddin Shire Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes¹.

Internal audit provides an independent and objective review and advisory service to provide advice to the governing body, General Manager and Audit, Risk and Improvement Committee about the Weddin Shire Council's governance processes, risk management and control frameworks and its external accountability obligations. It also assists the Weddin Shire Council to improve its business performance.

INDEPENDENCE

Weddin Shire Council's Audit, Risk and Improvement Committee is to be independent of the Weddin Shire Council, so it can provide an unbiased assessment of the Weddin Shire Council's operations and risk and control activities.

The Audit, Risk and Improvement Committee, reports functionally to the Weddin Shire Council's Audit, Risk and Improvement Committee on the results of completed audits, and for strategic direction and accountability purposes, and reports administratively to the General Manager to facilitate day-to-day operations. Internal audit activities are not subject to direction by the Weddin Shire Council and the Weddin Shire Council's management has no role in the exercise of the Weddin Shire Council's internal audit activities.

The Audit, Risk and Improvement Committee 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

¹ As defined by the International Standards for the Professional Practice of Internal Auditing (2017)

under the *Local Government Act 1993*. Individual Councillors are not entitled to request or receive information from the committee.

The General Manager must consult with the Chair of the Weddin Shire Council's Audit, Risk and Improvement Committee before appointing or making decisions affecting the employment of the [head of internal audit function]. If the [head of internal audit function] is dismissed, the General Manager must report the reasons for their dismissal to the governing body.

Where the Chair of the Weddin Shire Council's Audit, Risk and Improvement Committee has any concerns about the treatment of the [head of internal audit function], or any action taken that may compromise their ability to undertake their functions independently, they can report their concerns to the governing body.

The [head of internal audit function] is to confirm at least annually to the Audit, Risk and Improvement Committee the independence of internal audit activities from the Weddin Shire Council.

AUTHORITY

Weddin Shire Council authorises the Audit, Risk and Improvement Committee to have full, free and unrestricted access to all functions, premises, assets, personnel, records and other documentation and information that the [head of internal audit function] considers necessary for the Audit, Risk and Improvement Committee 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 [head of internal audit function] and individual internal audit staff 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 Weddin Shire Council, including where internal audit services are performed by an external third-party provider.

Information and documents pertaining to the Audit, Risk and Improvement Committee are not to be made publicly available. The Audit, Risk and Improvement Committee may only release Weddin Shire Council information to external parties that are assisting the Audit, Risk and Improvement Committee 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.

ROLE

The Audit, Risk and Improvement Committee is to support the Weddin Shire Council's Audit, Risk and Improvement Committee to review and provide independent advice to the Weddin Shire Council in accordance with section 428A of the *Local Government Act 1993*. This includes conducting internal audits of Weddin Shire Council and monitoring the implementation of corrective actions.

The Audit, Risk and Improvement Committee is to also play an active role in:

- developing and maintaining a culture of accountability and integrity

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

Audit, Risk and Improvement Committee has no direct authority or responsibility for the activities it reviews. Audit, Risk and Improvement Committee has no responsibility for developing or implementing procedures or systems and does not prepare records or engage in Weddin Shire Council functions or activities (except in carrying out its own functions).

[HEAD OF INTERNAL AUDIT FUNCTION]

Weddin Shire Council's Audit, Risk and Improvement Committee is to be led by a member of Weddin Shire Council's staff with sufficient skills, knowledge and experience to ensure it fulfils its role and responsibilities to the Weddin Shire Council and the Audit, Risk and Improvement Committee. The [head of internal audit function] must be independent, impartial, unbiased and objective when performing their work and free from any conflicts of interest.

Responsibilities of the [head of internal audit function] include:

- contract management
- managing the internal audit budget
- ensuring the external provider completes internal audits in line with the Audit, Risk and Improvement Committee's annual work plan and four-year strategic work plan
- forwarding audit reports by the external provider to the Audit, Risk and Improvement Committee
- acting as a liaison between the external provider and the Audit, Risk and Improvement Committee
- monitoring the Weddin Shire Council's implementation of corrective actions that arise from the findings of audits and reporting progress to the Audit, Risk and Improvement Committee, and
- assisting the Audit, Risk and Improvement Committee to ensure the Weddin Shire Council's internal audit activities comply with the *Guidelines for risk management and internal audit for local government in NSW*.

Weddin Shire Council is to contract an external third-party provider to undertake its internal audit activities. To ensure the independence of the external provider, the [head of internal audit function] is to ensure the external provider:

- does not conduct any audits on specific Weddin Shire Council operations or areas that they have worked on within the last two years
- is not the same provider conducting the Weddin Shire Council's external audit
- is not the auditor of any contractors of the Weddin Shire Council that may be subject to the internal audit, and
- can meet the Weddin Shire Council's obligations under the *Guidelines for risk management and internal audit for local government in NSW*.

The [head of internal audit function] must consult with the Audit, Risk and Improvement Committee and General Manager regarding the appropriateness of the skills, knowledge

and experience of any external provider before they are engaged by the Weddin Shire Council.

PERFORMING INTERNAL AUDIT ACTIVITIES

The work of the Audit, Risk and Improvement Committee is to be thoroughly planned and executed. The Weddin Shire Council's Audit, Risk and Improvement Committee must develop a strategic work plan every four years to ensure that the matters listed in Schedule 1 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.

The committee must also develop an annual work plan to guide the work of the internal audit function over the forward year.

All internal audit activities are to be performed in a manner that is consistent with relevant professional standards including the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors and ISO 31000.

The [head of internal audit function] is to provide the findings and recommendations of internal audits to the Audit, Risk and Improvement Committee at the end of each audit. Each report is to include a response from the relevant senior manager.

The [head of internal audit function] is to establish an ongoing monitoring system to follow up Weddin Shire Council's progress in implementing corrective actions.

The General Manager, in consultation with the Audit, Risk and Improvement Committee, is to develop and maintain policies and procedures to guide the operation of the Weddin Shire Council's Audit, Risk and Improvement Committee.

The [head of internal audit function] is to ensure that the Audit, Risk and Improvement Committee is advised at each of the committee's meetings of the internal audit activities completed during that quarter, progress in implementing the annual work plan and progress made implementing corrective actions.

CONDUCT

Internal audit personnel must comply with the Weddin Shire Council's Code of Conduct and Procedures Policy. Complaints about breaches of Weddin Shire Council's 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 Weddin Shire Council's Audit, Risk and Improvement Committee before any disciplinary action is taken against the [head of internal audit function] in response to a breach of the Weddin Shire Council's Code of Conduct and Procedures.

Internal auditors must also comply with the Code of Ethics for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

ADMINISTRATIVE ARRANGEMENTS

AUDIT, RISK AND IMPROVEMENT COMMITTEE MEETINGS

The [head of internal audit function] will attend Audit, Risk and Improvement Committee meetings as an independent non-voting observer. The [head of internal audit function] can be excluded from meetings by the committee at any time.

The [head of internal audit function] must meet separately with the Audit, Risk and Improvement Committee at least once per year.

The [head of internal audit function] can meet with the Chair of the Audit, Risk and Improvement Committee 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, working papers and reports.

DISPUTE RESOLUTION

Audit, Risk and Improvement Committee should maintain an effective working relationship with the Weddin Shire Council and the Audit, Risk and Improvement Committee 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 Audit, Risk and Improvement Committee and the Weddin Shire Council, the dispute is to be resolved by the General Manager and/or the Audit, Risk and Improvement Committee. Disputes between the Audit, Risk and Improvement Committee members are to be resolved by Council.

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

REVIEW ARRANGEMENTS

The Weddin Shire Council's Audit, Risk and Improvement Committee 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 Audit, Risk and Improvement Committee 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 Weddin Shire Council.

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

FURTHER INFORMATION

For further information on Weddin Shire Council's internal audit activities, contact [name] on [email address] or by phone [phone number].

Reviewed by [head of internal audit function]

[sign and date]

Reviewed by Chair of the Weddin Shire Council's Audit, Risk and Improvement Committee

[sign and date]

Reviewed by General Manager

[sign and date]

Reviewed by Weddin Shire Council in accordance with a resolution of the governing body

[sign and date]

[resolution reference]

APPENDIX 2

INTERNAL AUDIT FUNCTION RESPONSIBILITIES

INTERNAL AUDIT

- Conduct internal audits as directed by the Weddin Shire Council's Audit, Risk and Improvement Committee.
- Implement the Weddin Shire Council's annual and four-year strategic internal audit work plans.
- Monitor the implementation by the Weddin Shire Council of corrective actions.
- Assist the Weddin Shire 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

- 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 the Weddin Shire Council's implementation of audit recommendations.
- Provide advice on action taken on significant issues raised in relevant external audit reports and better practice guides.

RISK MANAGEMENT

Review and advise:

- if the Weddin Shire Council's has in place a current and appropriate risk management framework that is consistent with the Australian risk management standard
- whether the Weddin Shire Council's risk management framework is adequate and effective for identifying and managing the risks the Weddin Shire Council faces, including those associated with individual projects, programs and other activities
- if risk management is integrated across all levels of the Weddin Shire Council and across all processes, operations, services, decision-making, functions and reporting
- of the adequacy of risk reports and documentation, for example, the Weddin Shire Council's risk register and risk profile
- 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

- if the Weddin Shire 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 Weddin Shire Council and strong leadership that supports effective risk management
- of the adequacy of staff training and induction in risk management
- how the Weddin Shire Council's risk management approach impacts on the Weddin Shire Council's insurance arrangements
- of the effectiveness of the Weddin Shire 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:

- whether the Weddin Shire Council's approach to maintaining an effective internal audit framework, including over external parties such as contractors and advisors, is sound and effective
- whether the Weddin Shire Council has in place relevant policies and procedures and that these are periodically reviewed and updated
- 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 Weddin Shire 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 of the adequacy and effectiveness of the Weddin Shire Council's compliance framework, including:

- if the Weddin Shire Council has appropriately considered legal and compliance risks as part of the Weddin Shire Council's risk management framework
- how the Weddin Shire 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 Weddin Shire Council's fraud and corruption prevention framework and activities, including whether the Weddin Shire Council has appropriate processes and systems in place to capture and effectively investigate fraud-related information.

FINANCIAL MANAGEMENT

Review and advise:

- if the Weddin Shire Council is complying with accounting standards and external accountability requirements
- of the appropriateness of the Weddin Shire Council's accounting policies and disclosures
- of the implications for the Weddin Shire Council of the findings of external audits and performance audits and the Weddin Shire Council's responses and implementation of recommendations
- whether the Weddin Shire Council's financial statement preparation procedures and timelines are sound
- the accuracy of the Weddin Shire Council's annual financial statements prior to external audit, including:
 - management compliance/representations
 - significant accounting and reporting issues
 - the methods used by the Weddin Shire Council to account for significant or unusual transactions and areas of significant estimates or judgements
 - appropriate management signoff on the statements
 - if effective processes are in place to ensure financial information included in the Weddin Shire Council's report is consistent with signed financial statements
 - if the Weddin Shire 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 the Weddin Shire Council are adequate
 - if the Weddin Shire Council's grants and tied funding policies and procedures are sound.

GOVERNANCE

Review and advise of the adequacy of the Weddin Shire Council governance framework, including the Weddin Shire Council's:

- decision-making processes
- implementation of governance policies and procedures
- reporting lines and accountability
- assignment of key roles 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:

- of the adequacy and effectiveness of the Weddin Shire 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 Weddin Shire Council is successfully implementing and achieving its IP&R objectives and strategies.

SERVICE REVIEWS AND BUSINESS IMPROVEMENT

Review and advise:

- if the Weddin Shire 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 Weddin Shire Council can improve its service delivery and the Weddin Shire Council's performance of its business and functions generally.

PERFORMANCE DATA AND MEASUREMENT

Review and advise:

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

MODEL TERMS OF REFERENCE FOR THE AUDIT, RISK AND IMPROVEMENT COMMITTEE

Weddin Shire Council has established an Audit, Risk and Improvement Committee in compliance with section 428A of the *Local Government Act 1993*, section (#tbc) of the *Local Government (General) Regulation 2021* and the Departmental Chief Executive'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 and tenure, roles and responsibilities, reporting and administrative arrangements.

OBJECTIVE

The objective of Weddin Shire Council Audit, Risk and Improvement Committee is to provide independent assurance to Weddin Shire Council by monitoring, reviewing and providing advice about the Weddin Shire Council governance processes, compliance, risk management and control frameworks, external accountability obligations and overall performance.

INDEPENDENCE

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 to provide Weddin Shire Council with robust, objective and unbiased advice and assurance.

The committee is to have an advisory and assurance role only and is to exercise no administrative functions, delegated financial responsibilities or any management functions of the Weddin Shire Council. The committee will provide independent advice to the Weddin Shire Council that is informed by the Weddin Shire Council internal audit and risk management activities and information and advice provided by staff, relevant external bodies and subject matter experts.

The committee must always ensure it maintains a direct reporting line to and from the Weddin Shire Council internal audit function and act as a mechanism for internal audit to report to the governing body and the General Manager on matters affecting the performance of the internal audit function.

AUTHORITY

Weddin Shire Council authorises the committee, for the purposes of exercising its responsibilities, to:

- access any information it needs from the Weddin Shire Council
- use any Weddin Shire Council resources it needs
- have direct and unrestricted access to the General Manager and senior management of the Weddin Shire Council
- seek the General Manager's permission to meet with any other Weddin Shire 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, and
- obtain external legal or other professional advice in line with Councils' procurement policies. Prior approval will be required from the General Manager to ensure there is an appropriate budget.

Information and documents pertaining to the committee are confidential and are not to be made publicly available. The committee may only release Weddin Shire Council information to external parties that are assisting the committee to fulfil 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.

COMPOSITION AND TENURE

The committee consists of an independent Chair and two independent members who have voting rights and one non-voting councillor, as required under the *Guidelines for risk management and internal audit for local government in NSW*.

The governing body is to appoint the Chair and members of the committee. Current committee members are:

[name]	Independent Chair (voting)
[name]	Independent member (voting)
[name]	Independent member (voting)
[name]	Councillor member (non-voting) (if applicable) [cannot be the Mayor]

All committee members must meet the independence and eligibility criteria prescribed in the *Guidelines for risk management and internal audit for local government in NSW*.

Members will be appointed for up to a four-year term. Members can be reappointed for one further term, but the total period of continuous membership cannot exceed eight years. This includes any term as Chair of the committee. Members who have served an eight-year term (either as a member or as Chair) must have a two-year break from serving on the committee before being appointed again. To preserve the committee's knowledge of the Weddin Shire Council, ideally, no more than one member should retire from the committee because of rotation in any one year.

The terms and conditions of each member's appointment to the committee are to be set out 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 responsibilities.

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 or a committee member is also to be subject to that person still meeting the independence and eligibility requirements.

Members of the committee must possess and maintain a broad range of skills, knowledge and experience relevant to the operations, governance and financial management of the Weddin Shire Council, the environment in which the Weddin Shire Council operates, and the contribution that the committee makes to the Weddin Shire Council. 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 Weddin Shire Council's financial reporting responsibilities to be able to contribute to the committee's consideration of the Weddin Shire Council annual financial statements.

ROLE

As required under section 428A of the *Local Government Act 1993* (the Act), the role of the committee is to review and provide independent advice to the Weddin Shire Council regarding the following aspects of the Weddin Shire Council 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 Weddin Shire Council, and
- internal audit.

The committee must also provide information to the Weddin Shire Council for the purpose of improving the Weddin Shire Council performance of its functions.

The committee's specific audit, risk and improvement responsibilities under section 428A of the Act are outlined in Schedule 1 to this charter.

The committee will act as a forum for consideration of the Weddin Shire Council internal audit function and oversee its planning, monitoring and reporting to ensure it operates effectively.

The committee has no power to direct external audit or the way it is planned and undertaken but will act as a forum for the consideration of external audit findings.

The committee is directly responsible and accountable to the governing body 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 Weddin Shire 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, the governing body from time to time.

RESPONSIBILITIES OF MEMBERS

INDEPENDENT MEMBERS

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 Weddin Shire 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 Weddin Shire Council
- have strong leadership qualities (Chair)
- lead effective committee meetings (Chair), and
- oversee the Weddin Shire Council internal audit function (Chair).

COUNCILLOR MEMBER

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 Weddin Shire Council and issues being considered by the committee
- provide insights into local issues and the strategic priorities of the Weddin Shire 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.

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.

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 perceived to do so.

If the 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 Weddin Shire Council, that the Councillor member be removed from membership of the committee. Where the Weddin Shire Council does not agree to the committee Chair's recommendation, the Weddin Shire Council must give reasons for its decision in writing to the Chair.

CONDUCT

Independent committee members are required to comply with the Weddin Shire Council Code of Conduct and Procedures Policy.

Complaints alleging breaches of the Weddin Shire Council Code of Conduct and Procedures 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 Weddin Shire Council Code of Conduct and Procedures.

CONFLICTS OF INTEREST

Once a year, committee members must provide written declarations to the Weddin Shire 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' for the purposes of the Weddin Shire Council Code of Conduct and Procedures Policy and must also complete and submit returns of their interests.

Committee members and observers must declare any pecuniary or non-pecuniary conflicts of interest they may have in a matter being considered at the meeting at the start of each meeting or as soon as they become aware of the conflict of interest. Where a committee member or observer declares a pecuniary or a significant non-pecuniary conflict of interest, they must remove themselves from committee deliberations on the issue. Details of conflicts of interest declared at meetings must be appropriately minuted.

STANDARDS

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 ISO 31000, where applicable.

WORK PLANS

The work of the committee is to be thoroughly planned and executed. The committee must develop a strategic work plan every four (4) years to ensure that the matters listed in Schedule 1 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.

The committee may, in consultation with the governing body, vary the strategic work plan at any time to address new or emerging risks. The governing body may also, by resolution, request the committee to approve a variation to the strategic work plan. Any decision to vary the strategic work plan must be made by the committee.

The committee must also develop an annual work plan to guide its work, and the work of the internal audit function over the forward year.

The committee may, in consultation with the governing body, vary the annual work plan to address new or emerging risks. The governing body may also, by resolution, request the committee to approve a variation to the annual work plan. Any decision to vary the annual work plan must be made by the committee.

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 work plan.

ASSURANCE REPORTING

The committee must regularly report to the Weddin Shire Council to ensure that it is kept informed of matters considered by the committee and any emerging issues that may influence the strategic direction of the Weddin Shire Council or the achievement of the Weddin Shire Council goals and objectives.

The committee will provide an update to the governing body and the General Manager of its activities and opinions after every committee meeting.

The committee will provide an annual assessment to the governing body and the General Manager on the committee's work and its opinion on how the Weddin Shire Council is performing.

The committee will provide a comprehensive assessment every council term of the matters listed in Schedule 1 to the governing body and the General Manager.

The committee may at any time report to the governing body or the General Manager on any other matter it deems of sufficient importance to warrant their attention. The Mayor and the Chair of the committee may also meet at any time to discuss issues relating to the work of the committee.

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 Councillors are not entitled to request or receive information from the committee.

ADMINISTRATIVE ARRANGEMENTS

MEETINGS

The committee will meet at least 4 times per year, (including a special meeting to review the Council's financial statements).

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.

Committee meetings can be held in person, by telephone or videoconference. Proxies are not permitted to attend meetings if a committee member cannot attend.

A quorum will consist of a majority of independent voting members. Where the vote is tied, the Chair has the casting vote.

The Chair of the committee will decide 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.

The General Manager and the [head of the internal audit function] should attend committee meetings as non-voting observers. The external auditor (or their representative) is to be invited to each committee meeting as an independent observer. The Chair can request the Weddin Shire Council Responsible Accounting Officer or equivalent, [head of risk management function or equivalent], [senior managers or equivalent], any Councillors, any employee/contractor of the council and any subject matter expert to attend committee meetings. Where requested to attend a meeting, persons must attend the meeting where possible and provide any information requested. Observers have no voting rights and can be excluded from a meeting by the Chair at any time.

The committee can hold closed meetings whenever it needs to discuss confidential or sensitive issues with only voting members of the committee present.

The committee must meet separately with the [head of the internal audit function] and the Weddin Shire Council external auditor at least once each year.

DISPUTE RESOLUTION

Members of the committee and the Weddin Shire Council management should maintain an effective working relationship 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 committee and the General Manager or other senior managers, the dispute is to be resolved by the governing body.

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

SECRETARIAT

The General Manager will nominate a staff member to provide secretariat support to the committee. The secretariat will ensure the agenda for each meeting and supporting papers are circulated after approval from the Chair at least two (2) weeks before the meeting and ensure that minutes of meetings are prepared and maintained. Minutes must be approved by the Chair and circulated within [agreed timeframe] of the meeting to each member.

RESIGNATION AND DISMISSAL OF MEMBERS

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 two (2) weeks' notice to the Chair and the governing body prior to their resignation to allow the Weddin Shire Council to ensure a smooth transition to a new Chair or committee member.

The governing body can, by resolution, terminate the appointment of the Chair or an independent committee member before the expiry of their term where that person has:

- breached the council's code of conduct
- performed unsatisfactorily or not to expectations
- declared, or is found to be in, a position of a conflict of interest which is unresolvable
- 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 serious breach of their obligations under any legislation, or

- experienced an adverse change in capacity or capability.

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

REVIEW ARRANGEMENTS

At least once every council term, the governing body must review or arrange for an external review of the effectiveness of the committee.

These terms of reference must 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.

FURTHER INFORMATION

For further information on Weddin Shire Council Audit, Risk and Improvement Committee, contact General Manager at mail@weddin.nsw.gov.au or by phone 02 6343 1212.

Reviewed by Chair of the Audit, Risk and Improvement Committee

[signed]

[date]

Reviewed by Weddin Shire Council in accordance with a resolution of the governing body.

[signed]

[date]

[resolution reference]

Next review date: [date]

APPENDIX 4

EMPLOYMENT CRITERIA FOR INDEPENDENT COMMITTEE CHAIRS AND INDEPENDENT MEMBERS SELECTION

The Chair and all independent voting members of audit, risk and improvement committees must be independent to ensure they have no real or perceived bias or conflicts of interest that may interfere with their ability to act independently and can provide the Council with robust, objective and unbiased advice about how the Council is functioning.

Each Council must ensure that the Chair and independent members of the Council's audit, risk and improvement committee meet the following independence criteria.

The Chair and independent voting committee members must not:

- currently be a Councillor of any NSW Council
- be a non-voting representative of the board of the joint organisation
- be a candidate at the last election of the Council
- be a person who has held office in the Council during its previous term
- be currently employed by the Council or joint organisation, or been employed during the last 12 months
- conduct audits of the Council on behalf of the Audit Office of NSW
- have a close personal or business relationship with a Councillor or a person who has a senior role in the council that may lead to a real or perceived conflict of interest
- currently, or within the last three years, provided any material goods or services (including consultancy, legal, internal audit and advisory services) to the Council which directly affect subjects or issues considered by the audit, risk and improvement committee
- be (or have a close family member who is) a substantial shareholder, owner, officer or employee of a company that has a material business, contractual relationship, direct financial interest or material indirect financial interest with the Council or a related entity which could be considered a real or perceived conflict of interest, or
- currently or have previously acted as an advocate of a material interest on behalf of the Council or a related entity which could be considered a real or perceived conflict of interest.

Current staff of Councils may serve as an independent member of another Council's audit, risk and improvement committee but not as its Chair. Current Council staff may only serve on another Council's audit, risk and improvement committee if they meet the independence and eligibility criteria for membership of the committee and their employer is not participating in a shared arrangement with the other Council in relation to the audit, risk and improvement committee or the internal audit function.

General Managers will require the approval of their council under section 353 of the *Local Government Act 1993* before they can serve as an independent member of another Council's audit, risk and improvement committee. Other Council staff will require the approval of their General Manager.

Both the governing body of the Council and the General Manager must ensure that adequate procedures are in place to preserve the independence of the Chair and members of the audit, risk and improvement committee. Likewise, the Chair and members must notify the governing body and/or General Manager if a real or perceived threat to their independence arises.

ELIGIBILITY CRITERIA FOR COMMITTEE CHAIRS

In addition to meeting the independence requirements specified above, the Chair of an audit, risk and improvement committee must satisfy the following minimum eligibility criteria to be appointed as a Chair. Ideally, they will also be able to demonstrate the desirable criteria.

ESSENTIAL CRITERIA

Audit, risk and improvement committee Chairs must demonstrate the following:

- leadership qualities and the ability to promote effective working relationships in complex organisations
- an ability to communicate complex and sensitive assessments in a tactful manner to the head of the Council's internal audit function, senior management and the Mayor and Councillors
- a sound understanding of:
 - the principles of good organisational governance and capacity to understand local government accountability, including financial reporting
 - the business of the Council or the environment in which it operates
 - internal audit operations, including selection and review of the head of the Council's internal audit function, and
 - risk management principles
- extensive senior level experience in governance and management of complex organisations, an ability to read and understand financial statements and a capacity to understand the ethical requirements of government (including potential conflicts of interest)
- functional knowledge in areas such as risk management, performance management, human resources management, internal and external auditing, financial reporting, accounting, management control frameworks, internal financial controls, governance (including planning, reporting and oversight), or business operations
- a capacity to form independent judgements and a willingness to constructively challenge/question management practices and information, and
- a professional, ethical approach to the exercise of their duties and the capacity to devote the necessary time and effort to the responsibilities of the Chair of an audit, risk and improvement committee.

DESIRABLE CRITERIA

Possession of a relevant professional qualification or membership (e.g. Institute of Internal Auditors (IIA), CPA Australia (CPA) and Chartered Accountants Australia and New Zealand (CA)) is desirable.

ELIGIBILITY CRITERIA FOR INDEPENDENT COMMITTEE MEMBERS

In addition to meeting the independence requirements specified above, independent members of an audit, risk and improvement committee must satisfy the following eligibility criteria to be appointed as an independent committee member. Ideally, they will also be able to demonstrate the desirable criteria.

ESSENTIAL CRITERIA

- an ability to read and understand financial statements and a capacity to understand the ethical requirements of government (including potential conflicts of interest)

- functional knowledge in areas such as risk management, performance management, human resources management, internal and external auditing, financial reporting, accounting, management control frameworks, internal financial controls, governance (including planning, reporting and oversight), or business operations
- a capacity to form independent judgements and willingness to constructively challenge/question management practices and information
- a professional, ethical approach to the exercise of their duties and the capacity to devote the necessary time and effort to the responsibilities of an independent member of an audit, risk and improvement committee, and
- preparedness to undertake any training on the operation of audit, risk and improvement committees recommended by the Chair based on their assessment of the skills, knowledge and experience of the independent member.

DESIRABLE CRITERIA

Ideally, independent members of audit, risk and improvement committees should also meet the following criteria, but these are not essential:

- extensive senior level experience in governance and management of complex organisations, and
- possession of a relevant professional qualification or membership (e.g., Institute of Internal Auditors (IIA), CPA Australia (CPA) and Chartered Accountants Australia and New Zealand (CA)).

ELIGIBILITY CRITERIA FOR COUNCILLOR MEMBERS

To be appointed as a non-voting audit, risk and improvement committee member a Councillor must demonstrate the following:

- an ability to read and understand financial statements and a capacity to understand the ethical requirements of government (including potential conflicts of interest)
- a good understanding of one or more of the following: risk management, performance management, human resources management, internal and external auditing, financial reporting, accounting, management control frameworks, internal financial controls, governance (including planning, reporting and oversight), or business operations
- a capacity to form independent judgements and willingness to constructively challenge/question management practices and information
- a professional, ethical approach to the exercise of their duties and the capacity to devote the necessary time and effort to the responsibilities of a Councillor member of an audit, risk and improvement committee, and
- preparedness to undertake any training on the operation of audit, risk and improvement committees recommended by the Chair based on their assessment of the skills, knowledge and experience of the Councillor member.

The Mayor cannot be appointed as a Councillor member of a Council's audit, risk and improvement committee.

APPOINTMENT

Audit, risk and improvement committee Chairs and members are appointed by a resolution of the governing body of the Council.

The governing body should first appoint the Chair of the audit, risk and improvement committee, who is to then assist in the selection and appointment of the other independent committee members.

LETTER OF APPOINTMENT

The appointment of Chairs and members of audit, risk and improvement committees should be formalised in an official letter of appointment signed by the Mayor of the Council.

The letter of appointment should set out the terms and conditions of the appointment including:

- duration of appointment
- role and responsibilities
- timing and location of meetings
- time commitment
- remuneration
- the management of conflicts of interest
- confidentiality
- performance appraisal, and
- termination of appointment.

INDUCTION

Induction of all new audit, risk and improvement committee members is vital to ensure they 'hit the ground running' in their role.

The Chair is to provide a thorough induction to each new member of the audit, risk and improvement committee to ensure they understand:

- the committee's role, responsibilities and terms of reference
- the business, operations, culture, risks and controls of the Council, and
- the expectations of the council about their responsibilities and performance.

This will include providing new members with any background information or documentation necessary to ensure they understand the work of the audit, risk and improvement committee.

It may also be appropriate for more detailed information or presentations to be provided from various senior staff to assist the new member to understand the operations of the council and any key challenges.

New audit, risk and improvement committee members also have an obligation to ensure that they have an appropriate understanding of the council, including its:

- operations, functions, service delivery
- key areas of risk
- internal controls, and
- financial reporting systems.

The Mayor, General Manager and existing Chair (where appropriate) will induct a new Chair.

MEMBERSHIP TERMS

VOTING MEMBERS

The initial term of membership on an audit, risk and improvement committee is four-years.

Audit, risk and improvement committee members can be reappointed for up to one further term but the total period of continuous membership on the committee cannot exceed eight years (two terms). This includes any term as Chair of the committee.

Chairs or members who have served an eight-year term must have a two-year break from serving on the same council's audit, risk and improvement committee before being eligible to be appointed to that council's committee again.

Care is to be taken 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.

COUNCILLOR MEMBERS

The initial term of a councillor member of an audit, risk and improvement committee is four years, coinciding the with term of the council.

The councillor member can be reappointed for another term (i.e. four-years), if re-elected at the council's next ordinary election, but the total period of continuous membership on the committee cannot exceed eight years (two council terms).

The councillor member is to be appointed by the governing body at the first meeting of the council after the ordinary election. The councillor member's term ends at the end of the council term.

REAPPOINTMENT

Prior to approving the reappointment or extension of the Chair or an independent member's term, the governing body of the council must undertake an assessment of the Chair's or committee member's performance.

The council may engage an external reviewer to undertake this assessment if they choose. In undertaking the assessment, the council, or any person appointed to undertake the assessment on behalf of the council, must consult with and consider the views of the Chair

(in the case of the reappointment or extension of the term of a committee member other than the Chair), the General Manager and any councillor member of the committee.

The council, or any person appointed to undertake the assessment on behalf of the council, should also consider whether the person's skills, knowledge and experience align with the council's requirements, as set out in the committee's terms of reference and four-year strategic work plan (see below), to ensure that they continue to add value to the committee.

The reappointment of the Chair or a committee member is also subject to that person still meeting independence and eligibility requirements.

FEES

The fees a council pays to the Chair and independent members of its audit, risk and improvement committee are to be agreed between the council and the Chair or member and reflect the time, commitment and responsibility involved in serving on the committee.

Chairs and members can serve on a committee on a voluntary basis if they choose to.

SUPERANNUATION

Councils are obliged under the Superannuation Guarantee (Administration) Act 1992 to make compulsory superannuation guarantee contributions on behalf of audit, risk and improvement committee Chairs and independent members where they are remunerated.

LEARNING AND DEVELOPMENT

Audit, risk and improvement committee Chairs and members are encouraged to keep informed of current developments and to maintain and develop the skills, knowledge and capabilities necessary to exercise their functions effectively.

APPENDIX 5

MEETINGS

The audit, risk and improvement committee must meet at least quarterly over the course of each year.

The Chair of the audit, risk and improvement committee is to decide the frequency and timing of the committee's meetings and plan them annually in advance to ensure the availability of all members and observers.

Generally, meetings should correspond with major phases of the council's financial reporting, external audit and internal audit cycles.

For example, the audit, risk and improvement committee should meet to review the council's financial statements before they are certified by the council.

Audit, risk and improvement committee meetings should also correspond with meetings of

the governing body, and allow sufficient time between audit, risk and improvement committee meetings and council meetings for the committee to action any items and prepare any reports that are to be provided to the governing body at the council meeting.

Special meetings may be held, if needed, to review the council's financial statements prior to them being submitted to the governing body of the council, or to consider the audit, risk and improvement committee's annual or four-yearly assessments (see below).

Audit, risk and improvement committee meetings can be held in person, by telephone or videoconference.

The audit, risk and improvement 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 or the General Manager.

The governing body can also resolve to request the audit, risk and improvement committee to hold an additional meeting.

Where such a request is made, the Chair can decide whether the additional meeting is required, taking into consideration the issues that the governing body has requested the audit, risk and improvement committee to consider at the meeting.

PROXIES

As audit, risk and improvement committee members are appointed on the basis of their skills, knowledge and personal qualities, proxies are not permitted to attend meetings on behalf of members who are unable to attend.

QUORUM AND VOTING

A quorum consists of a majority of audit, risk and improvement committee independent voting members.

Where the vote is tied, the Chair has the casting vote.

AGENDA

FORWARD AGENDA

The Chair should prepare a 12-month forward meeting agenda to ensure that the audit, risk and improvement committee covers all its responsibilities at the appropriate time of the year.

For example, the forward agenda will set out, at the appropriate meeting, the various internal and external audit reports and management responses to be tabled and discussed.

It will also allocate appropriate time for a review of the progress of the internal audit function against the annual work plan, and to follow-up the implementation of corrective actions.

MEETING AGENDA

The Chair of the audit, risk and improvement committee is to determine the agenda for each committee meeting.

It is recommended that the Chair consult with other committee members, the General Manager, the head of the internal audit function and external auditor prior to setting the agenda so that any urgent issues or risks that arise can be included.

The Chair of the audit, risk and improvement committee is to decide an appropriate timeframe for receiving the final agenda in the lead-up to the meeting.

PAPERS

The audit, risk and improvement committee is to decide in consultation with the General Manager and the head of the internal audit function an appropriate timeframe for receiving papers and other necessary information to support agenda items to be considered at each committee meeting.

MINUTES

Each audit, risk and improvement committee meeting must be minuted to preserve a record of the issues considered and the actions and decisions taken by the committee.

Audit, risk and improvement committee meeting minutes must:

- include a record of attendance
- cover each agenda item and document the discussion held and the outcome of discussions, including any recommendations, action points and/or allocation of tasks to relevant people
- be approved by the Chair before circulation
- be provided to committee members, the governing body of the council, the General Manager, the head of the internal audit function and external auditor
- be provided soon after the meeting date to ensure relevant persons are made aware of any significant issues discussed at the meeting that need to be dealt with. The exact time period is to be determined by the committee and the General Manager.

The minutes must be confirmed as an accurate record of the meeting at the next meeting of the audit, risk and improvement committee.

If any important details have been incorrectly recorded or omitted, they can be discussed and the minutes amended, prior to confirmation at a subsequent meeting.

After the minutes are confirmed as an accurate record of the meeting, they must be signed by the Chair.

All audit, risk and improvement committee members and observers should receive a copy of the minutes of all meetings.

ATTENDANCE OF OBSERVERS

Due to the potentially sensitive nature of the issues to be discussed, audit, risk and improvement committee meetings should not be open to the public.

In addition to audit, risk and improvement committee members, the General Manager and the head of the internal audit function should attend committee meetings as non-voting observers.

The NSW Auditor-General, as council's external auditor, or their representative, is to be invited to each committee meeting as an independent non-voting observer and can choose whether to attend.

The Chair of the audit, risk and improvement committee can request the following people to attend a committee meeting or to meet with the committee to provide additional information relevant to its role:

- council's chief financial officer (or equivalent) given their knowledge of, and responsibility for, council's financial management
- the head of the council's risk management function
- senior managers
- any councillor
- any employee or contractor of the council (with the General Manager's permission), and/or
- any external independent expert or external party whose advice is needed (subject to confidentiality considerations).

These persons must attend meetings where requested and must, as far as is practicable, provide the information requested.

Observers have no voting rights at audit, risk and improvement committee meetings and can be excluded from a meeting by the Chair of the committee at any time where necessary.

PRIVATE MEETINGS

The audit, risk and improvement committee can hold closed meetings whenever it needs to discuss confidential or sensitive issues with only voting members of the committee present.

In addition to attending audit, risk and improvement committee meetings, the committee can meet privately at any time with the head of the internal audit function and/or external auditor without the General Manager present. At least one private meeting must occur annually.

CONFIDENTIALITY

It is at the discretion of the council to decide whether audit, risk and improvement committee agendas, business papers, minutes and other reports are made publicly available.

Given its potential sensitivity, it is recommended that all information pertaining to the audit, risk and improvement committee and internal audit activities is treated as confidential unless otherwise determined by the committee or a resolution of the council.

Councils and audit, risk and improvement committees should also consider the guiding principles of the Government Information (Public Access) Act 2009 and whether it is in the public interest to proactively disclose or release information and whether there is an overriding public interest against doing so.

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
- Coordinate, as far as is practicable, the work programs of internal audit and other assurance and review functions
- Review and advise the Weddin Shire Council:
 - on whether the Weddin Shire Council is providing the resources necessary to successfully deliver the internal audit function
 - if the Weddin Shire Council is complying with internal audit requirements, including conformance with the International Professional Practices Framework
 - if the Weddin Shire Council internal audit charter is appropriate and whether the internal audit policies and procedures and audit/risk methodologies used by the Weddin Shire Council are suitable
 - of the strategic four-year work plan and annual work plan of internal audits to be undertaken by the Weddin Shire Council internal audit function
 - if the Weddin Shire Council internal audit activities are effective, including the performance of the head of the internal audit function and the internal audit function
 - of the findings and recommendations of internal audits conducted, and corrective actions needed to address issues raised
 - of the implementation by the Weddin Shire Council of these corrective actions

- on the appointment of the head of the internal audit function 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
- Coordinate 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 Weddin Shire Council:

- if the Weddin Shire Council has in place a current and appropriate risk management framework that is consistent with the Australian risk management standard
- whether the Weddin Shire Council is providing the resources necessary to successfully implement its risk management framework
- whether the Weddin Shire Council risk management framework is adequate and effective for identifying and managing the risks the Weddin Shire Council faces, including those associated with individual projects, programs and other activities
- if risk management is integrated across all levels of the Weddin Shire Council and across all processes, operations, services, decision-making, functions and reporting
- of the adequacy of risk reports and documentation, for example, the Weddin Shire Council risk register and risk profile
- 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
- if the Weddin Shire 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 Weddin Shire Council and strong leadership that supports effective risk management
- of the adequacy of staff training and induction in risk management

- how the Weddin Shire Council risk management approach impacts on the Weddin Shire Council insurance arrangements
- of the effectiveness of the Weddin Shire Council 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 Weddin Shire Council:

- whether the Weddin Shire Council approach to maintaining an effective internal audit framework, including over external parties such as contractors and advisors, is sound and effective
- whether the Weddin Shire Council has in place relevant policies and procedures and that these are periodically reviewed and updated
- 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 Weddin Shire Council 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 Weddin Shire Council of the adequacy and effectiveness of the Weddin Shire Council compliance framework, including:

- if the Weddin Shire Council has appropriately considered legal and compliance risks as part of the Weddin Shire Council risk management framework
- how the Weddin Shire 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 Weddin Shire Council of the adequacy and effectiveness of the Weddin Shire Council fraud and corruption prevention framework and activities, including whether the Weddin Shire Council has appropriate processes and systems in place to capture and effectively investigate fraud-related information.

FINANCIAL MANAGEMENT

Review and advise the Weddin Shire Council:

- if the Weddin Shire Council is complying with accounting standards and external accountability requirements
- of the appropriateness of the Weddin Shire Council accounting policies and disclosures
- of the implications for the Weddin Shire Council of the findings of external audits and performance audits and the Weddin Shire Council responses and implementation of recommendations

- whether the Weddin Shire Council financial statement preparation procedures and timelines are sound
- the accuracy of the Weddin Shire Council annual financial statements prior to external audit, including:
 - management compliance/representations
 - significant accounting and reporting issues
 - the methods used by the Weddin Shire Council to account for significant or unusual transactions and areas of significant estimates or judgements
 - appropriate management signoff on the statements
- if effective processes are in place to ensure financial information included in the Weddin Shire Council annual report is consistent with signed financial statements
- if the Weddin Shire Council 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 the Weddin Shire Council are adequate
- if the Weddin Shire Council grants and tied funding policies and procedures are sound.

GOVERNANCE

Review and advise the Weddin Shire Council regarding its governance framework, including the Weddin Shire Council:

- decision-making processes
- implementation of governance policies and procedures
- reporting lines and accountability
- assignment of key roles 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 Weddin Shire Council:

- of the adequacy and effectiveness of the Weddin Shire Council integrated, planning and reporting (IP&R) processes
- if appropriate reporting and monitoring mechanisms are in place to measure progress against objectives, and
- whether the Weddin Shire 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 Weddin Shire Council:
 - If the Weddin Shire 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 Weddin Shire Council can improve its service delivery and the Weddin Shire Council performance of its business and functions generally.

PERFORMANCE DATA AND MEASUREMENT

Review and advise the Weddin Shire Council:

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