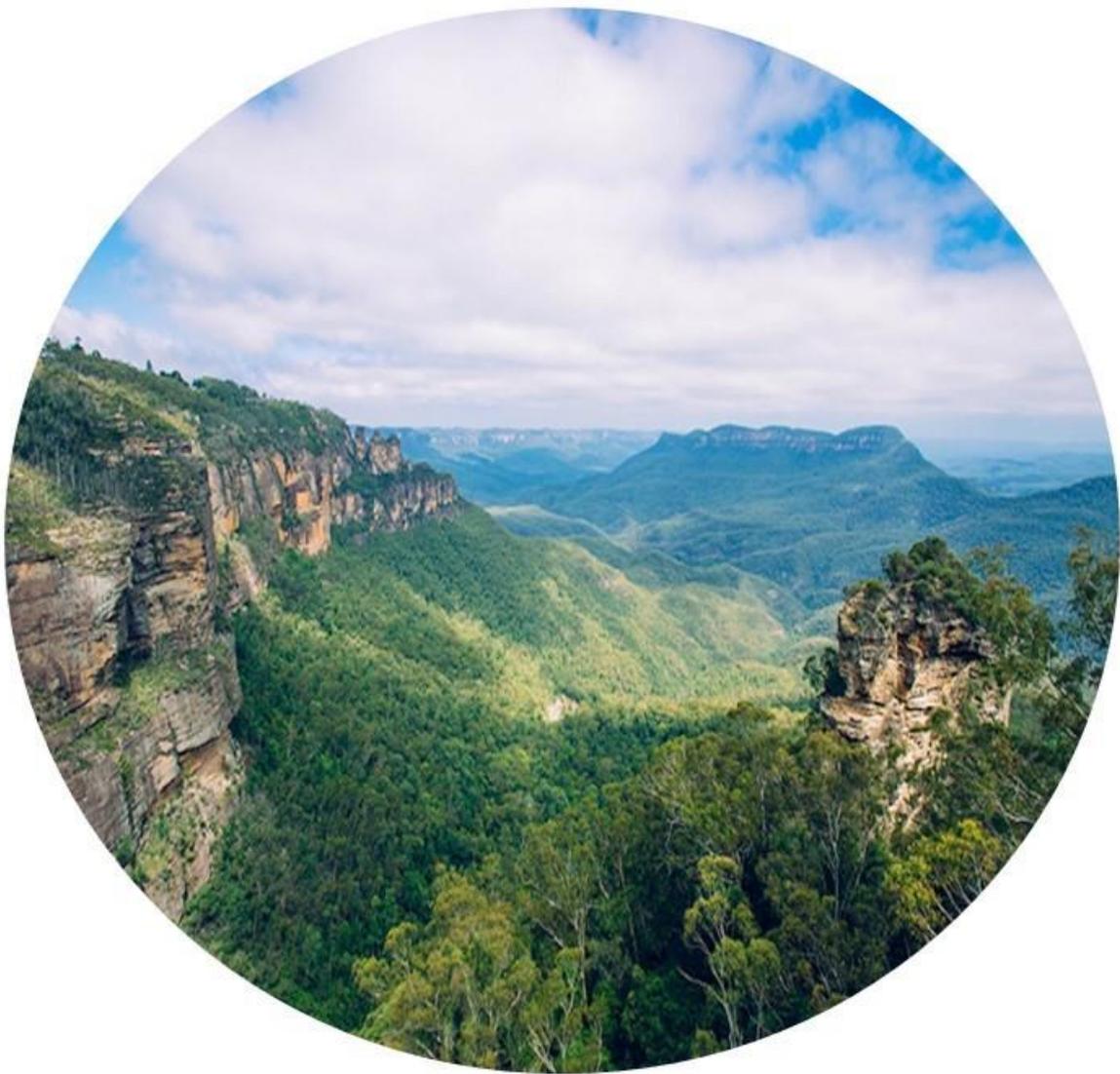


# Audit and Risk Committee Model Charter



## CONTROLLED DOCUMENT

Reference	Date of adoption/revision	Review by the Audit & Risk Committee	Council Approval
Audit Committee Charter 2010	10 August 2010	Not Applicable	10 August 2010 (Minute No. 348)
Audit Committee Charter 2012	23 April 2012	1 March 2012	23 April 2012 (Minute No. 151)
Audit and Risk Committee Charter	14 August 2019	September/October 2019	TBD

The Chief Executive Officer (CEO) of the Blue Mountains City Council has established the Audit and Risk Committee ('the Committee') in compliance with the Internal Audit and Risk Management Policy for the NSW Public Sector.

This Charter<sup>1</sup> sets out the Committee's objectives, authority, composition and tenure, roles and responsibilities, reporting and administrative arrangements.

### Objective

The objective of the Committee is to provide independent assistance to the CEO by monitoring, reviewing and providing advice about the Blue Mountains City Council's governance processes, risk management and control frameworks, and its external accountability obligations.

### Authority

The CEO authorises the Committee, within the scope of its role and responsibilities, to:

- Obtain any information it needs from any employee and/or external party (subject to their legal obligation to protect information);
- Discuss any matters with the external auditor, or other external parties (subject to confidentiality considerations);
- Request the attendance of any employee, including the CEO, at committee meetings; and
- Obtain external legal or other professional advice, as considered necessary to meet its responsibilities. The payment of costs for that advice by the Blue Mountains City Council is subject to the prior approval of the CEO.

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<sup>1</sup> This Audit and Risk Charter is the version of the Model charter set out in NSW TPP 15-03 *Internal Audit and Risk Management Policy for the NSW Public Sector*.

## Composition and tenure

The Committee will consist of at least three (3) members, and no more than five (5) members.

Members will be appointed for an initial period no less than three (4) years, coinciding with the Council election cycle and not exceeding five (5) years, after which they will be eligible for extension or re-appointment for a further term(s) subject to a formal review of their performance (noting that the total term on the Committee will not exceed eight (8) years).

The independent members are appointed by the CEO, following a merit based selection process, and are eligible for an honorarium and expenses at the discretion of the CEO. The non-independent members are appointed by the elected councillors, and are not remunerated.

The CEO will appoint the chair from the pool of independent members. The chair must be appointed for one (1) term only for a period of at least four (4) years, with a maximum period of five (5) years. The term of appointment for the chair can be extended but any extension must not cause the total term to exceed five (5) years as a chair of the Audit and Risk Committee.

Current employees of all NSW government sector agencies, other than State Owned Corporations cannot serve as members or chairs of an Audit and Risk Committee.

The members should collectively develop, possess and maintain a broad range of skills and experience relevant to the operations, governance and financial management of the Blue Mountains City Council, the environment in which the Council operates and the contribution that the Committee makes to the 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 public sector environment.

## Roles and responsibilities

The Committee has no executive powers.

The Committee is directly responsible and accountable to the CEO for the exercise of its responsibilities. In carrying out its responsibilities, the Committee must at all times recognise that primary responsibility for management of the Council rests with the CEO.

The responsibilities of the Committee may be revised or expanded in consultation with, or as requested by, the CEO from time to time.

The Committee's responsibilities are to:

#### Risk management

- Review whether management has in place a current and appropriate risk management framework that is consistent with AS/NZS ISO 31000:2009;
- Review risk management plans and provide advice to the CEO;
- Seek assurance from management and Internal Audit that risk management processes are operating effectively;
- Seek assurance from management and Internal audit as to the adequacy and effectiveness of internal controls;
- Review risk reports and provide advice to the CEO;
- Review whether a sound and effective approach has been followed in developing risk management plans for major projects or undertakings;
- Review the impact of the Council's risk management on its control environment and insurance arrangements;
- Review the Council's fraud control plan and be satisfied that the Council has appropriate processes and systems in place to capture and effectively investigate fraud related information; and
- Review whether a sound and effective approach has been followed in establishing the Council's business continuity planning arrangements, including whether disaster recovery plans have been tested periodically.

#### Control framework

- Review whether management's approach to maintaining an effective internal control framework, including over external parties such as contractors and advisors, is sound and effective;
- Review whether management has in place relevant policies and procedures, and that these are periodically reviewed and updated;
- Determine whether the appropriate processes are in place to assess, at least once a year, whether laws, regulations, policies and procedures are complied with;
- Review whether appropriate policies and procedures are in place for the management and exercise of delegations;
- Consider how management identifies any required changes to the design or implementation of internal controls;
- Review whether management has taken steps to embed a culture which is committed to ethical and lawful behaviour.

- Assess the policies and procedures for management review and consideration of the financial position and performance of the Council including the frequency and nature of that review (including the approach taken to addressing variances and budget risks);
- Review procedures around early close and year-end;
- Review the financial statements and provide advice to the CEO (including whether appropriate action has been taken in response to audit recommendations and adjustments), and recommend their signing by the CEO;
- Satisfy itself that the financial statements are supported by appropriate management signoff on the statements;
- Review cash management policies and procedures;
- Review policies and procedures for collection, management and disbursement of grants and tied funding;
- Review the processes in place designed to ensure that financial information included in the Council's annual report is consistent with the signed financial statements; and
- Satisfy itself that the Council has a performance management framework that is linked to organisational objectives and outcomes.

#### Compliance with applicable laws and regulations

- Determine whether management has appropriately considered legal and compliance risks as part of the Council's risk assessment and management arrangements; and
- Review the effectiveness of the system for monitoring the Council's compliance with applicable laws and regulations, and associated government policies.

#### Internal audit

- Act as a forum for communication between the CEO, senior management and internal and external audit;
- Review and provide advice to the CEO on the internal audit policies and procedures;
- Review the risk based audit methodology;
- Review the internal audit coverage and annual work plan, ensure the plan is based on the Council's risk management plan, and recommend approval of the plan by the CEO;
- Advise the CEO on the adequacy of internal audit resources to carry out its responsibilities, including completion of the approved internal audit plan;
- Oversee the coordination of audit programs conducted by internal and external audit and other review functions;
- Review audit findings and related recommendations that have been assessed as the most significant according to the risk the audit finding represents to the Council if the recommendation(s) related to the finding are not implemented;

- Provide advice to the CEO on significant issues identified in audit reports and action taken on these issues, including identification and dissemination of good practice;
- Monitor management's implementation of internal audit recommendations;
- Review the internal audit charter to ensure appropriate organisational structures, authority, access and reporting arrangements are in place;
- Periodically review the performance of internal audit and the Chief Audit Executive;
- Provide advice to the CEO on the results of any external assessments of the internal audit function;
- Provide advice to the CEO on whether the Chief Audit Executive should be a dedicated role within the Council; and
- Provide advice to the CEO on the appointment or replacement of the Chief Audit Executive and recommend to the CEO the appointment or replacement of external internal audit (i.e. outsourced) service providers.

#### External audit

- Act as a forum for communication between the Council, senior management and internal 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 management's implementation of audit recommendations; and
- Provide advice to the CEO on action taken on significant issues raised in relevant external audit reports and better practice guides.

#### Responsibilities of members

Members of the Committee are expected to understand and observe the requirements of the Internal Audit and Risk Management Policy. Members are also expected to:

- Make themselves available as required to attend and participate in meetings;
- Contribute the time needed to study and understand the papers provided;
- Apply good analytical skills, objectivity and good judgement;
- Abide by the relevant ethical codes that apply to employment within the NSW public sector; and
- Express opinions frankly, ask questions that go to the fundamental core of the issue and pursue independent lines of enquiry.

## Reporting

The Committee will regularly, but at least once a year, report to the CEO on its operation and activities during the year. The report should include:

- An overall assessment of the Council's risk, control and compliance framework, including details of any significant emerging risks or legislative changes impacting the Council;
- A summary of the work the Committee performed to fully discharge its responsibilities during the preceding year;
- Details of meetings, including the number of meetings held during the relevant period, and the number of meetings each member attended;
- A summary of the Council's progress in addressing the findings and recommendations made in internal and external reports; and
- A summary of the Committee's annual assessment of the performance of internal audit

The Committee may, at any time, report to the CEO any other matter it deems of sufficient importance to do so. In addition, at any time an individual committee member may request a meeting with the CEO.

## Reporting Lines

The Committee must at all times ensure it maintains a direct reporting line to and from internal audit and act as a mechanism for internal audit to report to the CEO on functional matters.

The following reporting line is prescribed:



## Administrative arrangements

### Meetings

The Committee will meet at least four (4) times per year. A special meeting may be held to review the Council's annual financial statements.

The chair is required to call a meeting if requested to do so by the CEO, or another Committee member.

A meeting plan, including meeting dates and agenda items, will be agreed by the Committee each year. The meeting plan will cover all of the Committee's responsibilities as detailed in this charter.

### Attendance at meetings and quorums

A quorum will consist of a majority of Committee members. A quorum must include at least two (2) independent members.

Meetings can be held in person, by telephone or by video conference.

The CEO may attend the meetings of the Audit and Risk Committee. Committee members, if necessary, are able to have in-camera discussions. The Chief Audit Executive, Chief Risk Officer (as relevant), external audit representatives and any other Council representatives may attend Committee meetings, except where the Committee members wish to have in-camera discussions. The Committee may also request the Chief Finance Officer or other employees attend committee meetings or participate for certain agenda items.

The Committee will meet separately with both the internal and external auditors at least once a year.

### Dispute Resolution

Members of the Committee and the Council's management should maintain an effective working relationship, and seek to resolve differences by way of open negotiation. However, in the event of a disagreement between the Committee and management, including the CEO, the chair may, as a last resort, refer the matter to NSW Treasury to be dealt with independently.

### Secretariat

The CEO will appoint a person to provide secretariat support to the Committee.

The Secretariat's functions are as follows:

- Provide the agenda for each meeting to the CEO at least one month prior to the next meeting;
- Put out a call for papers to management and other members at least one month prior to the meeting;
- Papers and final agenda to be reviewed and approved by the CEO no later than ten days before the meeting;
- Papers to be distributed to the Audit and Risk Committee and members no later than one week before the meeting;
- Papers are to be distributed electronically as a single file unless otherwise requested.
- Draft minutes to be completed within one week following to the meeting;
- Draft minutes sent to the CEO for approval;
- Upon receiving the CEO's approval, the draft minutes to be circulated to members for comment and correction;
- Final draft minutes to be circulated to the Audit and Risk Committee by the end of the first month;
- Facilitate the annual review of the Charter and the Committee's performance review (see [Attachment 1](#)); and
- Facilitate ad-hoc administrative tasks with the Committee on behalf of the Council.

#### Conflicts of interest

Once a year the Committee members will provide written declarations to the CEO stating they do not have any conflicts of interest that would preclude them from being members of the Committee.

Committee members must declare any conflicts of interest at the start of each meeting or before discussion of the relevant agenda item or topic. Details of any conflicts of interest should be appropriately minuted.

Where members or observers at Committee meetings are deemed to have a real, or perceived, conflict of interest it may be appropriate that they are excused from Committee deliberations on the issue where a conflict of interest exists.

#### Induction

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

#### Assessment arrangements

The CEO, in consultation with the chair of the Committee, will establish a mechanism to review and report on the performance of the Committee, including the performance of the chair and

each member, at least annually. The review will be conducted on a self-assessment basis (unless otherwise determined by the CEO) with appropriate input sought from the CEO, the internal and external auditors, the Chief Risk Officer (as relevant), management and any other relevant stakeholders, as determined by the CEO.

See [Attachment 1](#) for the Performance Review Self-Assessment.

#### Review of charter

At least once a year the Committee will review this Charter. This review will include consultation with the CEO.

Any substantive changes to this Charter will be recommended by the Committee and formally approved by the CEO.

## Attachment 1: Audit and Risk Committee Performance Review

The Audit and Risk Committee Charter requires the Chair of the Committee to review the performance of the Committee at least annually.

The review is conducted on a self-assessment basis (unless otherwise determined by the CEO), with appropriate input from management and any other relevant stakeholders, as determined by the CEO.

To all Committee members: Please indicate your response to the following questions on the basis of your experience of the Audit and Risk Committee. If you feel that there is scope for improvement in any area, please add comments after each question or at the end of the survey.

	<b>Please choose a rating:</b>			
	<b>Strongly disagree</b>	<b>Disagree</b>	<b>Agree</b>	<b>Strongly agree</b>
<b>1) The role of the Audit and Risk Committee (ARC) is clearly defined in its Charter?</b>				
<b>2) The ARC operates according to its Charter.</b>				
<b>3) The written and verbal information which I was given during induction provided me with a satisfactory introduction to the work of the ARC.</b>				

Any comments? :	
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**4) To what extent has the ARC fulfilled its obligations in the following key facets as described in its Charter:**

	<b>Area of responsibility</b>	<b>This includes involvement in assessing</b>	<b>Please choose a rating:</b>			
			<b>Not at all</b>	<b>To some extent</b>	<b>Extensively</b>	<b>Fully</b>
<b>4a)</b>	<b>Risk management</b>	Risk management framework, insurance arrangements, business continuity plans, fraud				
<b>4b)</b>	<b>Control framework</b>	Policies, procedures and culture				

<b>4c)</b>	<b>External accountability</b>	Financial report alignment with standards, reviewing external audit option, appropriate performance management frameworks
<b>4d)</b>	<b>Legislative compliance</b>	Effectiveness of the compliance monitoring system, management's consideration of legal and compliance risk
<b>4e)</b>	<b>Internal audit</b>	Internal audit coverage and plan, resourcing levels, implementation of recommendations
<b>4f)</b>	<b>External audit</b>	Input on audit coverage, monitoring of significant issues raised


Any comments? :	
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**5) How confident are you that ARC members are able to use their skills, abilities and experience to participate in the work of the Committee?**

Not at all confident	Not very confident	Confident	Very confident

**6) How confident are you that ARC can obtain any information or advice relevant to its workings or considerations from the:**

<b>6a)</b>	<b>Chair of ARC</b>
<b>6b)</b>	<b>Risk &amp; Internal Audit unit</b>
<b>6c)</b>	<b>Executive Leadership Team</b>

Not at all confident	Not very confident	Confident	Very confident

Any comments? :	
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7) ARC agendas are:

7a)	Received in sufficient time to allow members to give due consideration to the business
7b)	Have provided clear, sufficient, and focussed information
7c)	Made clear what the ARC is being asked to do

Rarely	Sometimes	Usually	Always

Any comments? :	
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8) Minutes of ARC meetings have been:

8a)	Accurate, clear and sufficiently complete
8b)	Received within a reasonable time after meetings

Rarely	Sometimes	Usually	Always

Any comments? :	
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9) The ARC Chair:

9a)	Has conducted meetings efficiently and effectively
9b)	Has ensured that the ARC has devoted about the right amount of time to items on its agendas.
9c)	Created an atmosphere at meetings that has been conducive to open and productive discussion of issues with participation by all members

Rarely	Sometimes	Usually	Always

Any comments? :	
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**10) The working relationship:**

		Less than satisfactory	Satisfactory	Good	Excellent
10a)	Between the Chair and the rest of ARC				
10b)	Between members of the ARC				

Any comments? :	
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11) The membership of the ARC has provided a mix of skills, experience and other attributes which has enabled the Committee to add value to the council's governance	Strongly disagree	Disagree	Agree	Strongly agree

12) Are there any desirable skills, experience or other attributes not provided by the current membership?	Please comment:
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