



# **AUDIT, RISK AND IMPROVEMENT COMMITTEE CHARTER**

*Adopted: 30 June 2021*

TRIM 212052.2021

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# AUDIT, RISK AND IMPROVEMENT COMMITTEE CHARTER

**DIRECTORATE:** Office of the CEO

**BUSINESS UNIT:** Audit Risk & Improvement

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## 1. PURPOSE/ OBJECTIVES

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

## 2. INTERPRETATION

For the purpose of this Charter:

- a) "Act" means the *Local Government Act 1993*.
- b) "Committee" means the Audit, Risk and Improvement Committee.
- c) "CEO" means Council's Chief Executive Officer.
- d) "Code" means Code of Meeting Practice'
- e) "Governing Body" means the elected representatives of Council (Councillors).
- f) "Member" means a voting member of the Committee.
- g) "Chief Audit Executive" means the Head of Audit, Risk and Improvement.
- h) "Observer" means the person attends the meeting but has no voting rights.

## 3. AUTHORITY

Liverpool City Council 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 Governing Body of Council, at committee meetings;
- obtain external legal or other professional advice, as considered necessary to meet its responsibilities. The payment of costs for that advice by Council is subject to the prior approval of the Governing Body.

## **4. COMPOSITION AND TENURE**

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 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 shall have accounting or related financial management experience with an understanding of accounting and auditing standards in a public sector environment.

### **4.1 Voting Members**

#### **Governing Body Representatives**

Two Councillors, including the Deputy Mayor, shall be the Council representatives on the Committee. All other Councillors are welcome to attend the meetings, however, they would not have voting rights.

Councillors will be elected by 30 September each year to the Committee for a 12-month period.

#### **Independent Members**

Three (3) independent members. These members will participate equally with others in terms of discussion and debate and will also have voting rights.

Independent members will be appointed for an initial period of three (3) years 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. The total term on the Committee will not exceed eight (8) years.

Current employees of all NSW government sector agencies other than State Owned Corporations cannot serve as members or chair of the Committee.

The changeover of the independent members on the ARIC is staggered with one independent member being replaced or reappointed at a different time to allow for continuity and transfer of corporate knowledge.

The governing body of Council will appoint the chair and members of the Committee on recommendation by the Chief Audit Executive after consultation with the CEO.

#### **Chairperson**

The chair shall be an independent member, appointed for one (1) term only for a period of at least three (3) years, with a maximum period of five (5) years. The term of appointment for the chair can be extended but any extension shall not cause the total term to exceed five (5) years as a chair of the Audit, Risk and Improvement Committee.

If the Chairperson is not present at the time designated for the commencement of a meeting, the first business of the meeting must be the election of an Acting Chairperson to preside at the meeting.

The election of an Acting Chairperson must be conducted by voting members and will be an independent member.

## **4.2 Observers**

The CEO (or delegate), the Chief Financial Officer, the Chief Audit Executive and External Auditors will be observers to the Committee.

All elected members of Council may attend the meetings of the Committee.

Council staff, subject matter experts, stakeholders and community members may be invited to participate in the Committee from time to time, as determined by the Committee as non-voting members.

A Council staff member will attend the meeting to provide administrative and other support to the Committee. Administrative support is provided for the preparation of the agenda, recording of the minutes and distribution of the agenda and business papers.

## **5. ROLES AND RESPONSIBILITIES**

The Committee is an advisory committee of Council and has no executive powers unless authorised by legislation or by a Council resolution.

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

The Committee is able to investigate any activity that is within this charter and is able to seek any Council information (except that which is covered under the *Public Interest Disclosures Act 1994*) from any employee of Council, within the scope of its responsibilities.

The Committee is able to seek independent professional advice.

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

The Committee's responsibilities include:

### **5.1 RISK MANAGEMENT**

- review whether management has in place a current and appropriate risk management framework that is consistent with AS ISO 31000:2018;
- assess and advise on the maturity of Council's risk management framework and risk culture;
- consider the adequacy and effectiveness of the internal control and risk management frameworks by reviewing reports from management, internal audit and external audit, and by monitoring;
- management responses and actions to correct any noted deficiencies;
- review the impact of Council's risk management on its control environment and insurance arrangements;
- review Council's fraud and corruption control framework including the fraud control plan and be satisfied that Council has appropriate processes and systems in place to capture and effectively investigate fraud related information;
- seek assurance from management that emerging risks (including, but not limited to, climate risk and cyber risk) are being identified and addressed;

- seek assurance from management and Internal Audit that risk management processes are operating effectively, and relevant internal control policies and procedures are in place and that these are periodically reviewed and updated;
- review whether a sound and effective approach has been followed in developing risk management plans for major projects, programs or undertakings; and
- review whether a sound and effective approach has been followed in establishing Council's business continuity planning arrangements, including whether disaster recovery plans have been tested periodically.

## **5.2 FINANCIAL MANAGEMENT AND PERFORMANCE MANAGEMENT**

- assess the policies and procedures for management review and consideration of the financial position and performance of Council including the frequency and nature of that review (including the approach taken to addressing variances and budget risks);
- review the financial statements and provide advice to Council (including whether appropriate action has been taken in response to audit recommendations and adjustments) and recommend their signing by Council 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 appropriately measures and reports on its performance against objectives.

## **5.3 GOVERNANCE, COMPLIANCE AND FRAUD CONTROL**

- determine whether management has appropriately considered legal and compliance risks as part of the Council's risk assessment and management arrangements;
- review the effectiveness of the system for monitoring the Council's compliance with applicable laws, regulations and associated policies;
- seek assurance that the appropriate exercise of delegations is monitored and reviewed;
- seek assurance that changes in key laws, regulations, internal policies and Accounting Standards affecting Council's operations are being monitored at least once a year, and appropriately addressed;
- review Council's process for communicating the code of conduct to staff and seek assurance as to compliance with the code;
- review policies and processes for identifying, analysing and addressing complaints; and
- review whether management has taken steps to embed a culture which is committed to ethical and lawful behavior.

## **5.4 INTERNAL AUDIT**

- review and provide advice to Council 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 risk based and aligned and recommend approval of the plan by Council;
- advise Council on the adequacy of internal audit resources to carry out its responsibilities, including completion of the approved internal audit plan;

- review audit findings and related recommendations, particularly those that have been assessed as a high risk if audit finding recommendations are not implemented;
- provide advice to Council 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 and endorse the internal audit charter including ensuring the appropriate structures, authority, access to senior management and reporting arrangements are in place;
- provide advice to Council on the results of any external assessments of the internal audit function;
- provide advice to Council on the appointment or replacement of the Chief Audit Executive;
- assess the overall effectiveness and evaluate the performance of the Chief Audit Executive and internal audit function; and
- Committee Chair to contribute to the Chief Audit Executive's regular performance review.

## **5.5 EXTERNAL AUDIT**

- act as a forum for communication between the Governing Body, senior management and internal and external audit;
- provide feedback on the financial audit coverage proposed by external audit and be informed of planned performance audit scope prior to their commencement; and
- review all external plans and reports (including management letters) in respect of planned or completed audits and monitor management's implementation of audit recommendations.

## **6. RESPONSIBILITIES OF MEMBERS**

Members of the Committee are expected to understand and observe the requirements of the NSW Audit & Risk Management guidelines for Local Councils. 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; and
- express opinions, frankly, ask questions that go to the fundamental core of the issue and pursue independent lines of enquiry.

## **7. REPORTING**

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

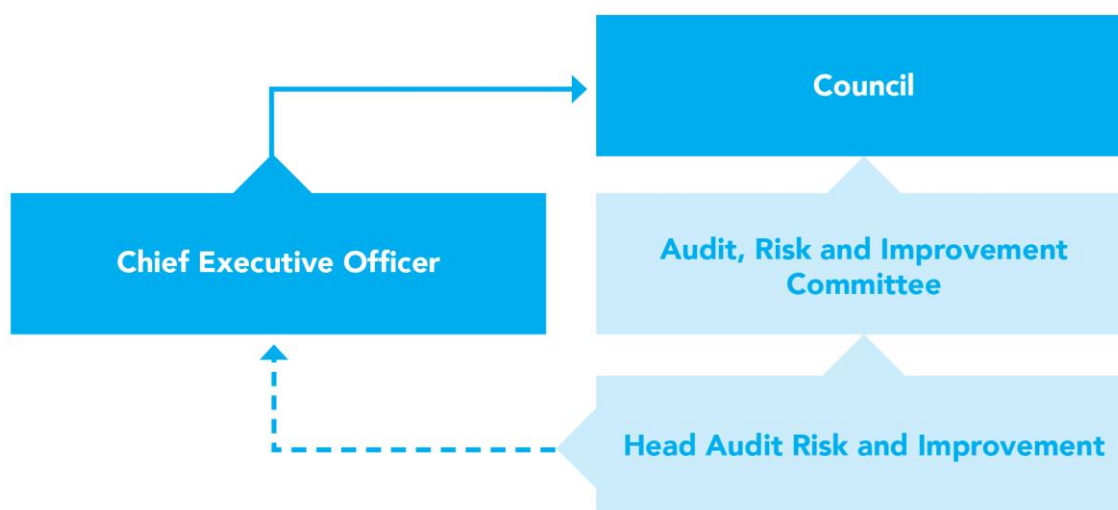
- an overall assessment of the Council's risk, control and compliance framework, including details of any significant emerging risks or legislative changes impacting the Council;
- a summary of the work the Committee performed to fully discharge its responsibilities during the preceding year;
- details 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 assessment of the performance of internal audit.

The Committee may, at any time, report to Council 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 Governing Body.

## 8. REPORTING LINES

The Committee shall 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 on functional matters.

The dotted line represents the 'administrative' reporting line and the bold line represents the 'functional' reporting line:



## 9. ADMINISTRATIVE ARRANGEMENTS

### 9.1 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 Governing Body, or another Committee member.

An 18-month Work Plan, including meeting dates and agenda items, will be reviewed by the Committee on an annual basis. The meeting plan will cover all of the Committee's responsibilities as detailed in this charter.

The remuneration per Independent Chair and Member will be determined and monitored by the Governing Body of Council.

### 9.2 ATTENDANCE AT MEETINGS AND QUORUMS

The quorum for a meeting is three voting members, including one Councillor and two independent members. Meetings can be held in person, by telephone or by video conference.

In the event no Councillor is in attendance within fifteen minutes of the scheduled commencement of a meeting, then any Councillor in fact present shall be deemed to be a Councillor member for the purpose of that meeting and shall be entitled to the same rights of participation as a Councillor elected to the role and where more than one Councillor is so present then the Chairperson shall in the absence of agreement otherwise conduct a vote in such manner as he or she sees fit to determine which Councillor shall be so selected.

Observers or visitors at the meeting do not form part of the quorum.

In the absence of a quorum 15 minutes after the advertised start of the meeting, the Committee members present may discuss the agenda items although any recommendations made will not become formalised until they have been ratified at the next Committee meeting with a quorum present.

Committee members, if necessary, are able to have in-camera discussions. The Chief Audit Executive external audit representatives and any other agency representatives may attend Committee meetings, except where the Committee members wish to have in-camera discussions. The Committee may also request the Chief Financial 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 in-camera.

### **9.3 MEMBERS OF THE PUBLIC**

Meetings of the Committee are not open to members of the public as most matters or business considered may not be disclosed in accordance with the provisions of sections 10A and 10B of the Act. However, the Committee can decide to open the meeting or a part of the meeting to the public, subject to the agreement of the Chairperson, in after consultation with the CEO (or delegate), in circumstances where the confidentiality, privilege or security of information or of a matter are protected from disclosure in accordance with the provisions of sections 10A, 10B and 10C of the Act.

## **10. SECRETARIAT**

The Chief Executive Officer will appoint a person 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 one (1) week before the meeting and ensure the minutes of the meetings are prepared and maintained. Minutes shall be approved by the chair and circulated within [agreed timeframe] of the meeting to each member and committee observers, as appropriate.

## **11. CONFLICTS OF INTEREST**

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

Committee members shall 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 documented in the minutes.



Where members or observers at committee meetings are deemed to have an actual, or perceived, conflict of interest, the Chair (or a quorum of the Committee if the conflict of interest arises from the Chair) may excuse them from Committee deliberations on the issue where a conflict of interest exists.

## **12. MEETINGS PRACTICE AND PROCEDURES**

- 12.1 Unless otherwise specified in this charter, Committee meetings must be conducted in accordance with Council's Code of Meeting Practice.
- 12.2 The Committee must observe the provisions of any other relevant Council policies and procedures.
- 12.3 Minutes of meetings must be kept in accordance with the procedures set out in Council's Code of Meeting Practice.
- 12.4 The minutes of each Committee meeting shall be submitted to the next available Council meeting and confirmed at the following Committee meeting.

## **13. OBSERVING THE CODE OF CONDUCT AND RELEVANT COUNCIL POLICIES**

All members of the charter are required to observe the provisions of Council's Code of Conduct and any other relevant Council policy applicable to the proper functioning of the Panel.

If a member of the charter breach Council's Code of Conduct or any other relevant Council policy, the matter will be referred to the CEO to be dealt with in accordance with Council's Code of Conduct and Code of Conduct Procedures.

If a Charter member has a pecuniary interest in any matter with which the charter is concerned, and is present at a meeting of the charter at which the matter is being considered, they must disclose the interest to the meeting and must not be present during any discussion or decision making relating to that matter. Leaving the room is necessary because to remain in the presence of the meeting but refrain from voting is taken to be a vote against the motion.

A member of the charter who has a non-pecuniary conflict of interest in any matter with which the charter is concerned and is present at a meeting of the charter at which the matter is being considered must disclose the interest to the meeting as soon as practicable. If a member of the charter has declared a non-pecuniary conflict of interest, there exists a range of options for managing the conflict of interest. The option chosen will depend on an assessment of the circumstances of the matter, the nature of the interest and the significance of the issue being dealt with.

A Charter member will deal with a non-pecuniary conflict of interest in at least one of these ways:

- Where the potential for conflict is deemed minimal, take no action. However, the Councillor or charter member should consider providing an explanation as to why it is considered that only a minimal or non-existent conflict exists.
- Where the potential for conflict is more significant, take no part in the matter by leaving the room in which the meeting is taking place and take no part in any debate or vote on the issue, as if the provisions in section 451(2) of the Act applied.

Charter members declaring a conflict of interest, whether pecuniary or non-pecuniary, should complete a Declaration of Interest Form (Councillor) which is to be signed by the CEO and

retained by Council in accordance with Council's Code of Conduct and its Conflicts of Interest Policy.

#### **14. CONFIDENTIALITY AND MANAGING PRIVACY**

Charter members, through their involvement on the Charter, may come in contact with confidential or personal information retained by Council. Charter members are required to maintain confidentiality and security in relation to any such information and not access, use or remove that information, unless authorised to do so.

The *Privacy and Personal Information Protection Act 1998* and Council's Privacy Policy deal with the collection, holding, use, correction, disclosure and transfer of personal information.

Should a charter member become aware of any breach of security, or misuse of Council's confidential or personal information, they should inform the CEO immediately.

#### **15. DISPUTE RESOLUTION**

Disputes between the Chief Executive Officer and/or the Chief Audit Executive are to be resolved by the Audit, Risk and Improvement Committee. Disputes with the Committee are to be resolved by the Governing Body.

#### **16. DISCIPLINARY ACTION**

Should a member of the charter breach the Code of Conduct adopted by Council, the matter will be referred to Council's CEO and will be dealt with in accordance with Council's Code of Conduct and Code of Conduct Procedures.

#### **17. MEDIA PROTOCOL**

The Chairperson is the only person permitted to speak to the media on behalf of the Committee, subject to obtaining the approval of the Mayor in accordance with section 226 of the Act.

No other member of the Committee is permitted to speak to the media in their capacity as a Committee member.

#### **18. REVIEW OF THE COMMITTEE AND THIS CHARTER**

The Chairperson will initiate a review of the performance of the Committee at least once every two years. The review will be conducted on a self-assessment basis (unless otherwise determined by the Chairperson), with appropriate input sought from the Committee members, internal and external auditors, and senior management frequently in attendance at meetings.

At least once every two years the Committee will review this charter and submit a report to the Governing Body regarding this review.

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

#### **AUTHORISED BY**

Council Resolution

#### **EFFECTIVE FROM**

*This date is the date the charter was approved by the Council.*

#### **REVIEW DATE**

*The charter must be reviewed every four years or more frequently depending on legislative or policy changes occur.*

#### **VERSIONS**

*The current and previous version of the Charter should be set out in the following table.*

<b>Version</b>	<b>Amended by</b>	<b>Changes made</b>	<b>Date</b>	<b>TRIM Number</b>
1	Council Resolution	Not applicable	11 August 2004	98014.2006
2	Council Resolution	Complete review	28 July 2008	223379.2008
3	Council Resolution	Membership	5 November 2012	261516.2013
4	Council Resolution	Complete review	25 February 2015	015979.2015
5	Council Resolution	Membership	30 March 2016	085751.2016
6	Council Resolution	Committee name change	29 March 2017	083598.2017
7	Council Resolution	Independent members and minor changes	26 April 2017	091206.2017
8	Council Resolution	Change in quorum	28 June 2017	145300.2017
9	Council Resolution	Change in term of independent members	26 July 2017	203729.2017
9	Council Resolution	Changes to Quorum and recommendations	29 August 2018	242752.2018
10	Council Resolution	Better practice alignment	30 June 2021	212052.2021