



**SNOWY MONARO**  
REGIONAL COUNCIL

# **Audit, Risk and Improvement Committee Charter**

## Record of Versions

Date Published	Reason for Amendments	Resolution	Author/Document Owner
10/06/2016	New Document	1/16	General Manager
23/09/2016	Change to committee name and other minor typographical updates to charter	40/16	Internal Auditor
20/09/2017	Change of quorum requirements	ADA144/17	Internal Auditor
17/04/2019	Update to reporting lines diagram and inclusion of Organisational Risk Officer	160/19	Senior Internal Auditor
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*Uncontrolled document when printed. Please refer to intranet for controlled document*

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## 1 Objective

- 1.1 The Objective of the Audit, Risk and Improvement Committee (Committee) is to provide independent assurance and assistance to Snowy Monaro Regional Council (Council), and indirectly the community members, on risk management, the control framework, legislative compliance, internal audit and external accountability responsibilities.

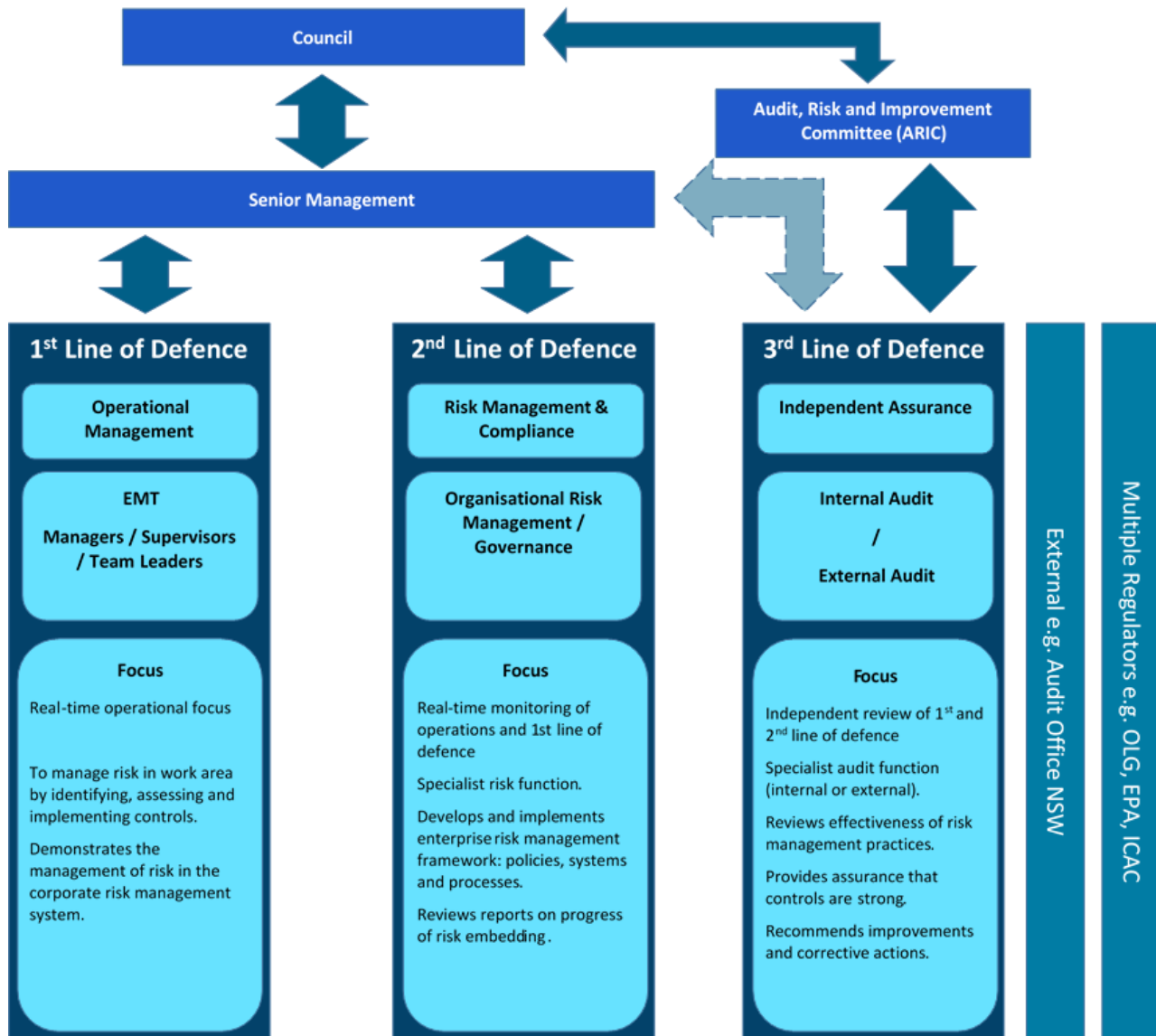
## 2 Authority

- 2.1 Council authorises the Committee within the scope of its role and responsibilities through the Chair to:
- a. Obtain any information it needs from any employee or external party (subject to their legal obligations to protect information).
  - b. Discuss any matters with the external auditor or other external parties (subject to confidentiality considerations).
  - c. Request of the Chief Executive Officer the attendance of any employee at Committee meetings.
  - d. Obtain external legal or other professional advice considered necessary to meet its responsibilities. Prior discussion must be undertaken with the Chief Executive Officer who will determine appropriateness of any reimbursement if any by Council.

## 3 Snowy Monaro Regional Council Assurance Environment

- 3.1 Snowy Monaro Regional Council has adopted an Enterprise Risk Management Framework to provide assurance to Council, the Committee and the Chief Executive Officer.
- 3.2 Council uses a '3 Lines of Defence' Combined Assurance Model to define its assurance environment:
- i. The 1st Line of Defence is concerned with management controls and generally has a real-time focus.
    - It is aimed at review of governance and compliance arrangements to demonstrate 'checks and balances' are working effectively.
  - ii. The 2nd Line of Defence centres on risk oversight and involves some degree of real-time activity, with a mandate to review 1st Line of Defence activities.
    - This encompasses the work of specialist areas like risk management, technical and regulatory compliance, and safety.
    - This aims to confirm the effectiveness of governance and compliance arrangements, and to identify and action improvements.
  - iii. The 3rd Line of Defence involves independent assurance that evaluates the adequacy and effectiveness of both 1st Line and 2nd Line risk management approaches.
    - This is typically undertaken by internal auditors, to independently confirm governance and compliance effectiveness, and to recommend improvements
- 3.3 This approach demonstrates how assurance activities co-ordinate to provide assurance to the Council, the Committee, and the Chief Executive Officer.

3.4 At Council this can be illustrated as:



## 4 Composition and Tenure

### 4.1 Composition

4.1.1 The Committee will consist of:

- a. **Voting members**
  - i. 1 x Councillor representative
  - ii. 4 x Independent members (one of whom is recruited as Chair)
- b. **Non-voting members**
  - i. Chief Executive Officer
  - ii. Senior Internal Auditor
  - iii. Organisational Risk Management Coordinator
- c. **Invitees (non-voting) for specific agenda items**
  - i. Representatives of the external auditor
  - ii. Other Council officers may attend by invitation from the Committee through the Chief Executive Officer.

## 4.2 Term of Membership

- 4.2.1 Two independent members shall be appointed for a maximum term of four years and two independent members shall be appointed for a maximum term of three years and shall be appointed as follows:
- a. Two external members (one of whom shall be the Chair) shall be appointed for an initial period of two years with an additional two year appointment subject to a satisfactory performance assessment of their contribution to the Audit Committee.
  - b. Two external members shall be appointed for an initial period of two years with an additional one year appointment subject to a satisfactory performance assessment of their contribution to the Audit Committee.
- 4.2.2 The performance review of independent members (other than the Chair) will be undertaken by the Chair in conjunction with the Chief Executive Officer.
- 4.2.3 The performance review of the Chair will be undertaken by the Council representative as Committee member in conjunction with the Chief Executive Officer.
- 4.2.4 External members may be re-appointed at the end of their tenure following a public advertisement and expression of interest process.
- 4.2.5 Vacancies shall be filled by public advertisement; an evaluation of candidates and a recommendation for appointment to Council.

## 4.3 Skills

- 4.3.1 The independent members of the Committee, taken collectively, will have a broad range of skills and experience relevant to the operations of Council.
- 4.3.2 At least one independent member of the Committee shall have accounting or related financial management experience and an understanding of accounting and auditing in a public sector environment.
- 4.3.3 At least one independent member of the Committee shall have internal auditing or related auditing experience.
- 4.3.4 At least one independent member of the Committee shall have risk management experience.

## 5 Roles and Responsibilities

### 5.1 Overview

- 5.1.1 The Committee has no executive powers but assists the Council by providing independent assurance and assistance to Council and indirectly the community members.
- 5.1.2 The Committee is directly responsible to the Council for the exercise of its responsibilities.
- 5.1.3 In carrying out its responsibilities, the Committee must at all times recognise that primary responsibility for management of Council operations rests with the Chief Executive Officer.
- 5.1.4 The responsibilities of the Committee may be revised or expanded in consultation with or as resolved by Council.

- 5.1.5 The Committee's role includes assisting Council in its governance and exercising of due care, diligence and skill in relation to:
- a. Internal control systems;
  - b. Risk management systems;
  - c. Business policies and practices;
  - d. Protection of Council's assets;
  - e. Compliance with applicable laws, regulations, standards and best practice guidelines; and
  - f. Continuous Improvement

## 5.2 Risk Management

- 5.2.1 Review whether management has in place a current and appropriate risk management framework that is consistent with AS/NZS ISO 31000:2018.
- 5.2.2 Review risk management plans and provide advice to the Chief Executive Officer.
- 5.2.3 Seek assurance from management and Internal Audit that risk management processes are operating effectively.
- 5.2.4 Seek assurance from management and Internal Audit as to the adequacy and effectiveness of internal controls.
- 5.2.5 Review risk reports and provide advice to the Chief Executive Officer.
- 5.2.6 Review whether a sound and effective approach has been followed in developing risk management plans for major projects or undertakings.
- 5.2.7 Review the impact of the agency's risk management on its control environment and insurance arrangements.
- 5.2.8 Review Council's fraud control plan and be satisfied that Council has appropriate processes and systems in place to capture and effectively investigate fraud related information.
- 5.2.9 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.

## 5.3 Control framework

- 5.3.1 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.
- 5.3.2 Review whether management has in place relevant policies and procedures and that these are periodically reviewed and updated.
- 5.3.3 Determine whether the appropriate processes are in place to assess, at least once a year, whether laws, regulations, policies and procedures are complied with.
- 5.3.4 Review whether appropriate policies and procedures are in place for the management and exercise of delegations.
- 5.3.5 Consider how management identifies any required changes to the design or implementation of internal controls.
- 5.3.6 Review whether management has taken steps to embed a culture which is committed to

ethical and lawful behaviour.

## 5.4 External accountability

- 5.4.1 Assess the policies and procedures for management review and consideration of the financial position and performance of the agency including the frequency and nature of that review (including the approach taken to addressing variances and budget risks).
- 5.4.2 Review procedures around early close and year-end.
- 5.4.3 Review the financial statements and provide advice to the Chief Executive Officer (including whether appropriate action has been taken in response to audit recommendations and adjustments), and recommend their signing by the responsible financial officers and Councillors.
- 5.4.4 Satisfy itself that the financial statements are supported by appropriate management signoff on the statements.
- 5.4.5 Review cash management policies and procedures.
- 5.4.6 Review policies and procedures for collection, management and disbursement of grants and tied funding.
- 5.4.7 Review the processes in place designed to ensure that financial information included in Council's annual report is consistent with the signed financial statements.

## 5.5 Legislative Compliance

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

## 5.6 Internal Audit

- 5.6.1 Act as a forum for communications between the Chief Executive Officer, Senior Management, External Audit and Internal Audit.
- 5.6.2 Review and provide advice to the Chief Executive Officer on internal audit policies and procedures.
- 5.6.3 Review the risk based audit methodology.
- 5.6.4 Review the internal audit coverage and annual work plan, ensure the plan is based on Council's risk management plan, and recommend approval of the plan.
- 5.6.5 Advise the Chief Executive Officer of the adequacy of internal audit resources to carry out its responsibilities, including completion of the approved internal audit plan.
- 5.6.6 Oversee the coordination of audit programs conducted by internal audit and external audit and other review functions.
- 5.6.7 Review audit findings and related recommendations that have been assessed as significant according to the risk.
- 5.6.8 Present to Council if recommendations related to findings are not implemented.
- 5.6.9 Provide advice to the Chief Executive Officer on significant issues identified in audit reports and action taken on these issues, including identification and dissemination of



good practice.

- 5.6.10 Monitor management's implementation of internal audit recommendations.
- 5.6.11 Review the internal audit charter to ensure appropriate organisation structures, authority, access and reporting arrangements are in place.
- 5.6.12 Periodically review the performance of internal audit.

## 5.7 External audit

- 5.7.1 Act as a forum for communication between the Council, Chief Executive Officer, Senior Management, Internal Audit and External Audit.
- 5.7.2 Provide input and feedback on the financial statements and performance audit coverage proposed by external audit and provide feedback of the audit services provided.
- 5.7.3 Review all external plans and reports in respect of planned or completed audits and monitor management's implementation of audit recommendations.
- 5.7.4 Provide advice to the Chief Executive Officer on action taken on significant issues raised in relevant external audit reports and better practice guides.

## 5.8 Continuous Improvement

- 5.8.1 Review the overall approach and arrangements in place that support management implementing a successful culture of continuous improvement to drive productivity and efficiency gains.
- 5.8.2 Monitor continuous improvement initiatives, programmes, projects etc. including but not limited to:
  - a. Organisational / operational reviews
  - b. Service reviews
  - c. Organization planning
  - d. Development of performance criteria / data requirements and the collection of data for performance reporting against such criteria
- 5.8.3 Review the annual performance of Council against its documented key performance criteria and provide advice to the Chief Executive Officer on the adequacy of Council's performance against the documented criteria.
- 5.8.4 Identify and recommend to the Chief Executive Officer, Council activities, services, business processes, systems etc. that may benefit from a review, through the Committee's exercise of its functions.

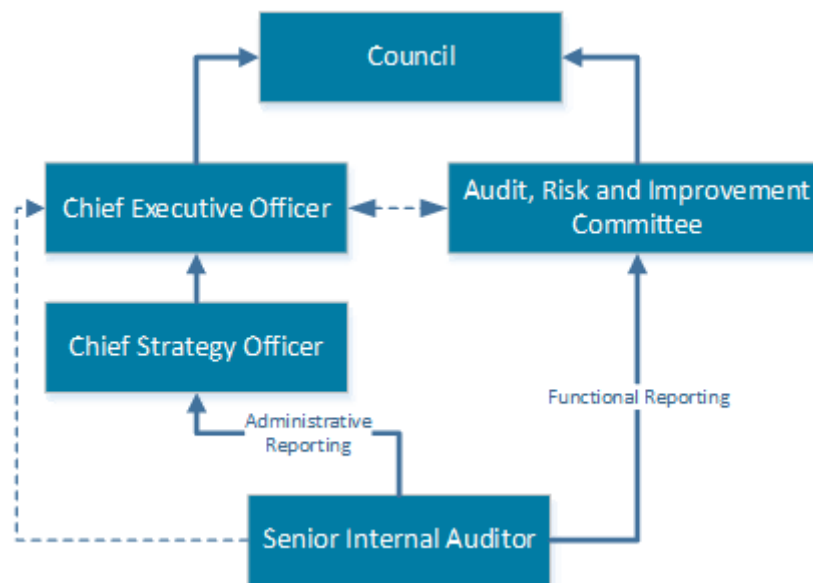
## 5.9 Responsibilities of members

Members of the Committee are expected to:

- 5.9.1 Understand the relevant legislative and regulatory requirements appropriate to Council;
- 5.9.2 Contribute the time needed to study and understand the papers provided;
- 5.9.3 Apply good analytical skills, objectivity and good judgment; and
- 5.9.4 Express opinions frankly, ask questions that go to the fundamental core of issues, and pursue independent lines of inquiry.

## 6 Reporting

- 6.1 The Committee will regularly, but at least once a year, report to Council on its operation and activities during the year. The report should include:
- 6.1.1 An overall assessment of Council’s risk, control and compliance framework, including details of any significant emerging risks or legislative changes impacting Council.
  - 6.1.2 A summary of the work the Committee performed to fully discharge its responsibilities during the preceding year.
  - 6.1.3 Details of meetings, including the number of meetings held during the relevant period and the number of meetings each member attended.
  - 6.1.4 A summary of Council’s progress in addressing the findings and recommendations made in internal and external reports.
  - 6.1.5 A summary of the Committee’s assessment of the performance of internal audit.
- 6.2 The Committee’s Minutes will be presented to Council for information only, through a report to Council.
- 6.3 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 Chief Executive Officer on functional matters.
- 6.4 The following reporting line is prescribed:



## 7 Administrative Arrangements

### 7.1 Meetings

- 7.1.1 The Committee will meet at least four times per financial year. An extraordinary meeting may be held to review Council’s financial statements.
- 7.1.2 The need for any additional meetings will be decided by the Chair, though other Committee members or the Chief Executive Officer may make requests to the Chair for additional meetings.
- 7.1.3 A forward meeting plan, including meeting dates and agenda items, will be agreed by the Committee each year. The forward meeting plan will cover all Committee responsibilities

as detailed in this Charter.

7.1.4 Meetings will follow Council's Code of Meeting practice.

## **7.2 Attendance at Meetings and Quorums**

7.2.1 A quorum will consist of a majority of voting members in attendance.

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

7.2.3 The Senior Internal Auditor and Organisational Risk Management Coordinator will be invited to attend each meeting unless requested not to do so by the Chair.

7.2.4 The Committee may also request through the Chief Executive Officer, for other employees to participate for certain agenda items, as well as the external auditor.

7.2.5 The Committee will meet separately (in camera) with the Senior Internal Auditor and / or Organisational Risk Management Coordinator and / or the external auditor, in the absence of management on at least one occasion per year.

## **7.3 Secretariat**

7.3.1 The Council will provide secretariat support to the Committee.

7.3.2 The Secretariat will ensure the agenda for each meeting and supporting papers are circulated, at least one week before the meeting, and ensure minutes of the meetings are prepared and maintained.

7.3.3 Minutes shall be approved by the Chair and circulated to each member and committee observers as appropriate within three weeks of the meeting being held.

## **7.4 Conflicts of Interest**

7.4.1 Councillors, Council staff and members of Council committees must comply with the applicable provisions of Council's code of conduct in carrying out the functions as Council officials.

7.4.2 Committee members must declare any conflicts of interest at the start of each meeting or before discussion of a relevant agenda item or topic.

7.4.3 Details of any conflicts of interest should be appropriately recorded in the minutes.

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

7.4.5 The final arbiter of such a decision is the Chair of the Committee.

## **7.5 Induction**

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

## **7.6 Assessment Arrangements**

7.6.1 The Chair will initiate a review of the performance of the Committee in full at least once every two years.

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

## 7.7 Review of Charter

- 7.7.1 At least once every two years the Committee will review this Charter. The review will include consultation with the Council.
- 7.7.2 Any substantive changes to this Charter will be recommended by the Committee and formally approved by Council.

**Recommended by Audit, Risk and Improvement Committee:** 4 March 2020 [ARIC13/20]

**Resolved by Council:** 19 March 2020 [49/20]