

# **Terms of Reference Audit, Risk and Improvement Committee**

November 2024



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City of Parramatta has established an Audit, Risk and Improvement Committee in compliance with section 428A of the *Local Government Act 1993* (the Act), the *Local Government (General) Regulation 2021* and the Departmental Chief Executive's Guidelines for Risk Management and Internal Audit for Local Government (the Guidelines) in NSW. These terms of reference set out the Committee's objectives, authority, composition and tenure, roles and responsibilities, reporting and administrative arrangements.

## 1. OBJECTIVE

The objective of City of Parramatta's Audit, Risk and Improvement Committee (the Committee) is to provide independent assurance by monitoring, reviewing and providing advice about governance processes, compliance, risk management and control frameworks, external accountability obligations and overall performance.

## 2. 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 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 City of Parramatta. The Committee will provide independent advice that is informed by 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 internal audit function and act as a mechanism for internal audit to report to the governing body and the Chief Executive Officer on matters affecting the performance of the internal audit function.

## 3. AUTHORITY

City of Parramatta authorises the Committee, for the purposes of exercising its responsibilities, to:

- access any information it needs from Council
- use any Council resources it needs
- have direct and unrestricted access to the Chief Executive Officer and senior management
- seek the Chief Executive Officer's permission to meet with any other 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.

Information and documents pertaining to the Committee are confidential and are not to be made publicly available. The Committee may only release Council information to external parties that are assisting the Committee to fulfil its responsibilities with the approval of the Chief Executive Officer, 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.

## 4. COMPOSITION AND TENURE

The Committee consists of an independent chairperson 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 chairperson and members of the Committee. The current Committee members are:

Dr Col Gellatly	Independent chairperson (voting)
David Pendleton	Independent member (voting)
Jesse Jo	Independent member (voting)
Councillor Kellie Darley	Councillor member (non-voting)

All committee members must meet the independence and eligibility criteria prescribed in the Guidelines.

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 chairperson of the Committee. Members who have served an eight-year term (either as a member or as chairperson) must have a two-year break from serving on the Committee before being appointed again. To preserve the Committee's knowledge of 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 chairperson's or an independent member's term, the governing body is to undertake an assessment of the chairperson's or committee member's performance. Reappointment of the chairperson 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 Council, the environment in which it operates, and the contribution that the Committee makes to the City of Parramatta. 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 Council's financial reporting responsibilities to be able to contribute to the Committee's consideration of the annual financial statements.

## 5. 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 regarding the following aspects of Council's 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, and.
- internal audit.

The Committee must also provide information to Council for the purpose of improving the 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 Terms of Reference.

The Committee will act as a forum for consideration of the 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 Council rests with the governing body and the Chief Executive Officer.

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

## **6. RESPONSIBILITIES OF MEMBERS**

### **Independent members**

The chairperson and members of the committee are expected to understand and observe the requirements of the Guidelines. 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 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 Council
- have strong leadership qualities (chairperson)
- lead effective committee meetings (chairperson), and
- oversee the internal audit function (chairperson).

### **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 Council and issues being considered by the Committee
- provide insights into local issues and the strategic priorities of 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 seen 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 chairperson of the Committee may recommend that they be removed from membership of the Committee. Where Council does not agree to the Committee chairperson's recommendation, the Council must give reasons for its decision in writing to the chairperson.

## **Conduct**

Independent committee members are required to comply with Council's Code of Conduct.

Complaints alleging breaches of the Code of Conduct 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 Chief Executive Officer must consult with the governing body before taking any disciplinary action against an independent committee member in response to a breach of the Code of Conduct.

## **Conflicts of interest**

Once a year, committee members must provide written declarations to 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 Code of Conduct 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 ISO31000:2018, where applicable.

## **7. WORK PLANS**

The work of the Committee is to be thoroughly planned and executed. The 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 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.

## **8. ASSURANCE REPORTING**

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

The Committee will provide an update to the governing body and the Chief Executive Officer of its activities and opinions after every Committee meeting.

The Committee will provide an annual assessment to the governing body and the Chief Executive Officer on the Committee's work and its opinion on how 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 Chief Executive Officer.

The Committee may at any time report to the governing body or the Chief Executive Officer on any other matter it deems of sufficient importance to warrant their attention. The Lord Mayor and the chairperson 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 chairperson by resolution. The chairperson is only required to provide the information requested by the governing body where the chairperson 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. Individual councillors are not entitled to request or receive information from the Committee.

## **9. ADMINISTRATIVE ARRANGEMENTS**

### **Meetings**

The Committee will meet at least a minimum of 5 times per year, including a special meeting to review Council's financial statements.

The Committee can hold additional meetings when significant unexpected issues arise, or if the chairperson is asked to hold an additional meeting by a committee member, the Chief Executive Officer 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 chairperson has the casting vote.

The chairperson 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 Chief Executive Officer and the Internal Audit Coordinator 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 chairperson can request the City of Parramatta Executive

Director Finance and Information, Chief Financial Officer, Chief Governance and Risk Officer, Risk and Internal Audit Coordinator and any Executive Director, 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 chairperson 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 Internal Audit Coordinator and the external auditor at least once each year.

### **Dispute resolution**

Members of the Committee and 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 Chief Executive Officer 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 Chief Executive Officer 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 chairperson at least one week before the meeting and ensure that minutes of meetings are prepared and maintained. Minutes must be approved by the chairperson and circulated within two weeks of the meeting to each member.

### **Resignation and dismissal of members**

Where the chairperson 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 three months' notice to the chairperson and the governing body prior to their resignation to allow the City of Parramatta to ensure a smooth transition to a new chairperson or committee member.

The governing body can, by resolution, terminate the appointment of the chairperson 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.

## **10. FURTHER INFORMATION**

For further information on City of Parramatta's Audit, Risk and Improvement Committee, contact Steven Unkovic on [sunkovic@cityofparramatta.nsw.gov.au](mailto:sunkovic@cityofparramatta.nsw.gov.au) or by phone 9806 5236.

### **Reviewed by chairperson of the Audit, Risk and Improvement Committee**

Dr Col Gellatly

28 November 2024

### **Reviewed by City of Parramatta in accordance with a resolution of the governing body.**

John Angilley - Executive Director Finance and Information

9 December 2024

Resolution reference: 4979

Next review date: November 2025

## 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, Chief Executive Officer, 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 Council:
  - on whether Council is providing the resources necessary to successfully deliver the internal audit function
  - if Council is complying with internal audit requirements, including conformance with the International Professional Practices Framework
  - if the internal audit charter is appropriate and whether the internal audit policies and procedures and audit/risk methodologies used are suitable
  - of the strategic four-year work plan and annual work plan of internal audits to be undertaken by the internal audit function
  - if the 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 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, Chief Executive Officer, 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 Chief Executive Officer on action taken on significant issues raised in relevant external audit reports and better practice guides

### RISK

#### Risk management

Review and advise:

- if Council has in place a current and appropriate risk management framework that is consistent with the Australian Risk Management Standard

- whether Council is providing the resources necessary to successfully implement its risk management framework
- whether the risk management framework is adequate and effective for identifying and managing the risks Council faces, including those associated with individual projects, programs and other activities
- if risk management is integrated across all levels of Council and across all processes, operations, services, decision-making, functions and reporting
- of the adequacy of risk reports and documentation, for example, the 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 Council has taken steps to embed a culture which is committed to ethical and lawful behaviour
- if there is a positive risk culture and strong leadership that supports effective risk management
- of the adequacy of staff training and induction in risk management
- how the risk management approach impacts on insurance arrangements
- of the effectiveness of the 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 City of Parramatta:

- whether the approach to maintaining an effective internal audit framework, including over external parties such as contractors and advisors, is sound and effective
- whether 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 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 compliance framework, including:

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

## Financial management

Review and advise:

- if Council is complying with accounting standards and external accountability requirements
- of the appropriateness of the accounting policies and disclosures
- of the implications of the findings of external audits and performance audits and the responses and implementation of recommendations
- whether the financial statement preparation procedures and timelines are sound
- the accuracy of the annual financial statements prior to external audit, including:
  - management compliance/representations
  - significant accounting and reporting issues
  - the methods used 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 annual report is consistent with signed financial statements
- if the 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 are adequate
- if grants and tied funding policies and procedures are sound.

## Governance

Review and advise regarding the governance framework, including:

- 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 integrated, planning and reporting (IP&R) processes

- if appropriate reporting and monitoring mechanisms are in place to measure progress against objectives, and
- whether 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:
  - If 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 Council can improve its service delivery and the performance of its business and functions generally

### **Performance data and measurement**

Review and advise:

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