



CITY OF PARRAMATTA

AUDIT RISK & IMPROVEMENT COMMITTEE CHARTER

Version 11

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1 Introduction

City of Parramatta Council has established the Audit, Risk & Improvement Committee (the Committee) in accordance with the requirements under Section 428A of the Local Government Amendment (Governance and Planning) Act 2016. This Charter outlines the objectives, authority, composition, roles and responsibilities, reporting and administrative arrangements of the Committee.

2 Objective

The primary objective of the Committee is to promote good corporate governance by providing independent objective assurance and assistance to the Council on:

- compliance,
- risk management,
- fraud control,
- financial management,
- governance,
- implementation of the strategic plan, delivery program and strategies,
- service reviews,
- collection of performance measurement data by the council, and
- any other matters prescribed by regulations.

3 Authority

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

- 3.1. obtain any information it needs from any employee and/or external party (subject to their legal obligation to protect information);
- 3.2. discuss any matters with the external auditor, or other external parties (subject to confidentiality considerations);
- 3.2. request the attendance of any employee, including Council members, at committee meetings;
- 3.4. obtain external legal or other professional advice, as considered necessary to meet its responsibilities at the Council expense; and
- 3.5. regularly assess the adequacy & effectiveness of Council's processes and controls for managing its activities and risks.

4 Composition of the Audit Risk & Improvement Committee

- 4.1 The Committee will comprise such members as are appointed by the Council and will include 2 Councillors (excluding the Lord Mayor) and 3 independent external members.

- 4.2 An independent external member can be appointed by either selecting from the NSW Government's – Prequalification Scheme, Audit and Risk Committee Independent Chairs and Members or through an expression of interest process.
- 4.3 In selecting an independent external member(s), Council will convene a committee comprising the current 2 councillor representatives on the Committee, the Chief Executive Officer (CEO) and the Chief Operating Officer, who will be responsible for coordinating the selection process, conducting interviews and recommending a preferred candidate(s). The committee in making its recommendation(s) to Council will be required to provide details of the qualifications and experience of all the candidate(s) considered and the basis for their recommendations.
- 4.4 The membership of the Committee should always comprise a majority of independent external members over Councillor representatives.
- 4.5 The Chairperson of the Committee will be one of the independent external members as recommended by the Committee and endorsed by Council.
- 4.6 The independent external members are appointed for a term of three years and they should not serve more than two terms.
- 4.7 The CEO and other senior managers as appropriate may be invited to attend meetings as observers, or to provide information, as determined by the Chair.
- 4.8 A representative from the External Auditor and the Internal Auditor will be invited to attend each meeting. Representatives from Council's Internal Ombudsman's Function and Council's Major Project Advisory Committee may be invited to attend or to present to the Committee, as relevant. These representatives will attend as observers.

5 Roles and Responsibilities

The Committee has no executive powers, except those expressly delegated to it by the Council.

The Committee is directly responsible and accountable to the Council 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 Council and the CEO as defined by the Local Government Act.

The Committee roles and responsibilities are supported by cooperative information sharing and collaboration with Council's Internal Ombudsman function and Council's Major Project Advisory Committee.

The responsibilities of the Committee may be revised or expanded in consultation with, or as requested by, the Council from time to time and include:

5.1. Effective Management of Operational and Financial Risks

- 5.1.1. Review whether management has in place a current and comprehensive risk management framework, and associated procedures for effective identification and management of the Council's financial and business risks, including fraud;

- 5.1.2. Review whether management, supported by the Council, has established a culture of managing risk throughout the Council, risk management in decision-making and setting parameters on acceptable levels of risk and the associated costs of different course of action.
- 5.1.3. Review whether a sound and effective approach has been followed in developing strategic risk management plans for major projects;
- 5.1.4. Review the impact of the Council risk management framework on its control environment and insurance arrangements;
- 5.1.5. Satisfying itself as regards the integrity and prudence of the Council management control systems, including the review of policies and/or practices;
- 5.1.6. Reviewing whether a sound and effective approach has been adopted and has been followed in establishing the Council business continuity planning arrangements; and
- 5.1.7. Review the Council Corruption Prevention plan to satisfy itself that there are appropriate processes and systems in place to capture and investigate a corruption.

5.2. Appropriate Corporate Governance Framework

- 5.2.1. Review the effectiveness of the Council's Code of Conduct, including the tone from the top, and the systems for employee protection and responses to ethical issues;
- 5.2.2. Review whether management has taken steps to embed a culture which is committed to ethical and lawful behaviour; and
- 5.2.3. Monitor the level and issues raised in relation to Protected Disclosures being considered by the Council Management.

5.3. Control Framework

- 5.3.1. Review whether management's approach to maintaining effective control frameworks, 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, updated and compliance is periodically checked;
- 5.3.3. Review whether appropriate policies and procedures are in place for the management and exercise of delegations; and
- 5.3.4. Review whether management has taken steps to embed a culture which is committed to ethical and lawful behaviour.

5.4. Reliable Planning and Reporting

- 5.4.1. Review Council's application of Integrated Planning and Reporting Framework.
- 5.4.2. Satisfy itself that the Annual Report is supported by appropriate management review and signoff of significant variances; and
- 5.4.3. Satisfy itself that management are prepared for changes to accounting standards.

5.5. Reliable Financial Management and Financial Reporting

- 5.5.1. Review the Council's accounting policies and practices in the light of the legislative provisions applying to Council, NSW local government reporting requirements, accounting standards and generally accepted accounting principles;
- 5.5.2. Review the annual financial statements before submission to the Council; and
- 5.5.3. Satisfy itself that the financial statements are supported by appropriate management signoff on the statements and that appropriate action has been taken on audit recommendations and adjustments;

5.6. Compliance with Laws and Regulations

- 5.6.1. Satisfy itself that management has appropriately considered legal and compliance risks as part of the Council risk assessment and management arrangements;
- 5.6.2. Review the effectiveness of the system for monitoring the Council's compliance with relevant laws, regulations and associated government policies;
- 5.6.3. Monitor any likely or actual litigation and the process for notification to the Council; and
- 5.6.4. Review the Council's response to compliance failures.

5.7. Internal Audit

- 5.7.1. Act as a forum of communication between the Council, senior management and internal and external audit;
- 5.7.2. Review the internal audit coverage and draft annual work plan, ensuring that the plan is based on an effective risk management plan, and endorse approval of the plan by the CEO;
- 5.7.3. Review the co-ordination of audit programs conducted by internal and external audit and satisfy itself that there are no unjustified restrictions or limitations placed on the auditors by management;
- 5.7.4. Advise the Council on the adequacy of internal audit resources to carry out its responsibilities, including completion of the approved internal audit plan;
- 5.7.5. Satisfy itself that the scope of audits is adequate and that there is a minimum of duplication between internal and external audit. In so doing ensuring that emphasis is placed on areas where the Committee, management or the auditors believe special attention is necessary;
- 5.7.6. Review all audit reports and provide advice to the Council on significant issues identified in audit reports and action taken on issues raised;
- 5.7.7. Monitor management's implementation of internal audit recommendations;
- 5.7.8. Review the internal audit charter to ensure appropriate organisational structures, authority, access and reporting arrangements are in place;
- 5.7.9. Review the performance of the Internal Audit function and consult with the CEO in the appointment of the Internal Auditor; and
- 5.7.10. Approve the scope of an external assessment, or equivalent internal assessment, of the internal audit function every 5 years.

5.8. External Audit

- 5.8.1. Act as a forum of communication between the Council, Senior Management and internal and external audit;
- 5.8.2. Provide input and feedback on the financial statement and any performance audit coverage proposed by external audit;
- 5.8.3. Review all reports and monitor management's implementation of audit recommendations;
- 5.8.4. Satisfy itself that there are no unjustified restrictions or limitations placed on the auditors by management; and
- 5.8.5. Provide advice to the Council on action taken on significant issues raised in relevant external audit reports and better practice guides.

5.9 Business Improvement

- 5.9.1 Review management's approach and implementation of a continuous improvement culture;
- 5.9.2 Monitor business improvement initiatives, programmes, projects etc, including:
 - Organisational reviews;
 - Service delivery reviews;
 - Strategic plans;
 - Development of performance criteria and the collection of data for performance reporting against those criteria.
- 5.9.3 Review the annual performance of Council against its documented key performance criteria;
- 5.9.4 Review Council's community survey results and provide advice to the CEO on the adequacy of Council's performance; and
- 5.9.5 Identify and recommend to the CEO activities, processes, systems etc that may benefit from review.

5.10 Responsibilities of Members

- 5.10.1 To act honestly and in good faith;
- 5.10.2 Meet the requirements as set out in this Charter;
- 5.10.3 Abide by Council's Code of Conduct in performance of their duties on the Committee;
- 5.10.4 Understand the relevant legislative and regulatory requirements appropriate to City of Parramatta Council;
- 5.10.5 Contribute the time needed to study and understand the papers provided;
- 5.10.6 Apply good analytical skills, objectivity and good judgement; and
- 5.10.7 Express opinions frankly, ask questions that go to the fundamental core of issues and pursue independent lines of enquiry.

6 Reporting

- 6.1 Provide Committee minutes and briefings by the Committee Chairperson to the Council at the next available meeting;
- 6.2 The Committee will report regularly, and at least annually, to Council on the management of risk and internal controls and on its oversight role of the internal audit function. The Chairperson may (in their absolute discretion) determine the extent of consultation with the Lord Mayor in relation to preparation of reports to Council;
- 6.3 The Committee may, at any time, report to the Council any matter it deems of sufficient importance to do so. In addition, at any time an individual member may request a meeting with the Lord Mayor; and
- 6.4 The Chairperson of the Audit & Risk Committee may meet privately with the Internal Auditor and/or the External Auditor at any time.

7 Administration

- 7.1 The Committee will hold such meetings as the Chairperson shall decide in order to fulfil the Committee's duties, but will meet not less than four times annually;
- 7.2 Special meetings may be held to consider the adoption of the draft management plans and draft annual financial statements and the audit report from the auditors;
- 7.3 Special meetings of the Committee will be called by the Chairperson of the Committee following a reasonable request from a member of the Committee, the CEO, or by Resolution of Council;
- 7.4 Council will provide administrative support to the Committee;
- 7.5 After developing the agenda in consultation with the Chairperson of the Committee, Council shall be responsible for circulating the meeting agenda and associated documentation to Committee members five working days prior to each meeting;
- 7.6 Council will also be responsible for keeping the minutes of meetings of the Committee and circulating them to Committee Members (after Chair approval) within ten working days of the Committee meeting;
- 7.7 A Quorum will consist of a majority of Committee members, including at least one independent external member;
- 7.8 With the agreement of the Chairperson, members may participate in a meeting by telephone, closed circuit television or other appropriate means of communication;
- 7.9 Each Committee member is entitled to 1 vote. Only Committee members participating in a meeting may vote on a matter;
- 7.10 The Committee may require staff to attend meetings and assist the Committee as required from time to time;
- 7.11 Committee members must keep all discussions during meetings in confidence and comply with Council's policy regarding public comment and talking to the media;

- 7.12 Committee members must declare conflicts of interest at the start of each meeting. Committee members may make an annual, written declaration of any conflicts of interest;
- 7.13 Details of any conflicts of interest should be appropriately minuted. Where members have a real or perceived conflict of interest, they will be excused from Committee deliberations on the issue where a conflict of interest arises; and
- 7.14 Business papers for Committee meetings must be delivered to Committee members and such other persons the Chairperson directs from time to time.

8 Professional Development

- 8.1 New members will receive relevant information and briefings on their appointment to assist them to meet their responsibilities to the Committee; and
- 8.2 Council will ensure that Committee members are trained and updated on their responsibilities and knowledge requirements.

9 Termination of Membership

Committee membership can be terminated either when:

- The term of the appointment of the member expires; or
- The member resigns in writing to the Council; or
- The member misses three consecutive meetings without an apology.

10 Review of Audit and Risk Committee Charter

The Committee will review the continuing relevance of the Charter at least once every two years (generally at its November meeting). Where changes are deemed necessary they will be submitted to the Council for endorsement and will be highlighted in the Committee's annual report to the Council.

11 Payment of Fees to External Independent Members

Council will pay a fee of \$2,500 to the Chairperson each quarter. Committee Members will be paid a fee of \$1,500 for each quarter.

DOCUMENT REVIEW AND APPROVAL

This document has been approved by:

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