



Bayside Council

Serving Our Community

Audit, Risk & Improvement Committee Terms of Reference

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Risk and Audit Committee Charter
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1 Contents

Contents

2	Introduction	4
3	Objective	4
4	Independence.....	4
5	Authority	4
6	Composition, Tenure and Remuneration.....	5
6.1	Members.....	5
6.2	Tenure.....	5
6.3	Attendees/Observers	6
6.4	Resignation and dismissal of members	6
7	Roles and Responsibilities.....	7
7.1	Role	7
7.2	Responsibilities of Members.....	8
7.2.1	Independent Members	8
7.2.2	Councillor Representative	8
7.2.3	Conduct	9
7.2.4	Conflicts of interest.....	9
7.2.5	Standards.....	9
8	Workplans	10
10	Assurance Reporting	10
11	Administrative Arrangements	11
11.1	Meetings.....	11
11.2	Secretariat.....	11
11.3	Induction.....	11
11.4	Review Arrangements	11
11.5	Dispute resolution	12
11.6	Related documents	12
	Schedule 1 – Audit, risk and improvement Committee responsibilities	13

2 Introduction

Council has established an audit, risk and improvement Committee in compliance with Committee section 428A of the Local Government Act 1993, the Local Government (General) Regulation 2021 (the Regulation) and the Office of Local Government's Guidelines for risk management and internal audit for local government in NSW (the Guidelines). These terms of reference set out the Committee's objectives, authority, composition and tenure, roles and responsibilities, reporting and administrative arrangements.

3 Objective

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

4 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 provide Council with robust, objective and unbiased advice and assurance.

The Committee is to provide an advisory and assurance role only and is to have no administrative function, delegated financial responsibility or any management functions of the Council. The Committee will provide independent advice to the Council that is informed by the Council's internal audit and risk management activities and information and advice provided by Council staff, relevant external bodies and subject matter experts.

The Committee must at all times ensure it maintains a direct reporting line to and from the Council's internal audit function and act as a mechanism for internal audit to report to the Council and General Manager on matters affecting the performance of the internal audit function.

5 Authority

Council authorises the Committee, for the purposes of exercising its role and responsibilities, to:

- access any information it needs from the Council
- use any Council resources it needs
- have direct and unrestricted access to the general manager and senior management of the Council
- seek the general manager's permission to meet with any other Council 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 within reasonable individual and

collective limits as agreed with the General Manager.

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 general manager, 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.

6 Composition, Tenure and Remuneration

The Committee consists of an independent chairperson and a number of independent members ("Members") who have voting rights and may appoint one non-voting councillor (the Councillor Representative), who cannot be the Mayor, in accordance with the Regulation. To ensure the efficient and effective discharge of the Committee's responsibilities, the number of independent members appointed to the Committee must be at least three (including the chairperson) and up to four (including the chairperson) as determined from time to time by the Council. Council will also consider gender diversity in determining the composition of the Committee.

6.1 Members

Council, by resolution, appoints the Members being the chairperson and the other Members of the Committee.

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

Prior to appointment, all independent Members must each attest in writing that they meet the independence and eligibility criteria prescribed under the Regulation. Independent members must also declare changes to their eligibility at the first available opportunity and at the next Committee meeting.

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 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 local government environment. All members should have sufficient understanding of the Council's financial reporting responsibilities to be able to contribute to the Committee's consideration of the Council's annual financial statements.

Members of the Committee will be remunerated at a level determined by Council or as legislatively required.

In accordance with prescribed Council Policies and Procedures, Members may be eligible to seek reimbursement for approved expenses incurred with the prior approval of the General Manager directly connected with the performance of their official functions.

6.2 Tenure

Members will be appointed for up to a four-year period. Members can be reappointed for a further term, but the total period of continuous membership cannot exceed eight years. This includes any term as Chair of the Committee. Members who have served an eight-

year term (either as member or Chair) must have a two-year break from serving on the Committee before being appointed again. Council may vary appointments to preserve the Committee's knowledge of Council, so that ideally, no more than one member leaves the Committee because of rotation on any one year.

Specific member terms and conditions for new members are to be disclosed 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 Committee responsibilities.

Prior to approving the reappointment or extension of the Chairperson's or an independent Member's term, the Council is to undertake an assessment of the Chairperson's or independent Member's performance. Reappointment of the Chairperson and Members is also to be subject to the individual still meeting independence and any additional eligibility requirements.

The non-voting Councillor Representative is appointed for the term of the Mayor or to the end of the Council term, whichever is the lesser period.

6.3 Attendees/Observers

The General Manager, 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 General Manager will ensure that the Committee is readily able to access Council staff that the Committee considers necessary for the exercise of its functions in relation to the Council.

Observers have no voting rights and can be excluded from a meeting by the chairperson at any time.

6.4 Resignation and dismissal of members

Where the Chairperson or a Member is unable to complete their term or does not intend to seek reappointment after the expiry of their term, they should give reasonable notice to the Chairperson and the Council prior to their resignation to enable the Council to ensure a smooth transition to a new Chairperson or Committee Member.

The Council can terminate, by resolution, the appointment of any Chairperson or Committee other Member before the expiry of their term where the person has:

- breached the Council's Code of Conduct
- performed unsatisfactorily or not to expectations
- 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 a serious breach of their obligations under any legislation,
- declared, or is found to be in, a position of a conflict of interest which is

unresolvable, or

- experienced an adverse change in capacity or capability.

The position of the Councillor Representative on the Committee can be terminated at any time by the Council by resolution.

7 Roles and Responsibilities

7.1 Role

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 General Manager as defined by the Local Government Act.

As required under section 428A of the Local Government Act 1993 (the Act), 'the Committee must keep under review' [s428A(2)] and 'provide information to the council for ...improving the council's performance' [s428(3)] regarding the following aspects of the 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 by the Council, and
- any other matters prescribed by the Regulations.

The Committee must also provide information to the Council for the purpose of improving Council's 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 these terms of reference.

The Committee will act as a forum for consideration of the Council's internal audit function and oversee its planning, monitoring and reporting to ensure it operates effectively.

The Committee will have no power of direction over external audit or the manner in which the external audit is planned or undertaken but will act as a forum for the consideration of external audit findings.

Council is a member of a number of external bodies such as Sydney South Regional Organisation of Councils (SSROC) and CivicRisk Mutual. The Committee has no oversight over such external bodies.

The responsibilities of the Committee may be revised or expanded by the Council from time to time provided that they are consistent with the functions stipulated by the relevant Act and regulations.

7.2 Responsibilities of Members

All Members (ie independent Members and the Councillor Representative) are expected to understand their role, and observe their obligations and requirements, as prescribed by the sections 428A of Act, the Regulation and the Office of Local Government's Guidelines for risk management and internal audit for local government in NSW.

7.2.1 Independent Members

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 the 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 the Council
- have strong leadership qualities (Chairperson)
- lead effective Committee meetings (Chairperson), and
- oversee the Council's internal audit function (Chairperson).

7.2.2 Councillor Representative

To preserve the independence of the Committee, the Councillor Representative of the Committee is a non-voting member. Their role is to:

- relay to the Committee any concerns the Council may have regarding the Council and issues being considered by the Committee
- provide insights into local issues and the strategic priorities of the Council that would add value to the Committee's consideration of agenda items
- advise the Council (as necessary) of the work of the Committee and any issues arising from it, and
- assist the Council to review the performance of the Committee.

Issues or information the Councillor Representative 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 Representative must conduct themselves in a non-partisan and professional manner. The Councillor Representative 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 Representative 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 to the Council, that the Councillor Representative be removed from membership of the Committee. Where the Council does not agree to the Chairperson's recommendation, the Council must give reasons for its decision in writing to the Chairperson.

7.2.3 Conduct

Committee Members are required to comply with the Council's code of conduct and be held to the same ethical, behavioural and conduct standards as officials of the Council.

Complaints alleging breaches of Council's 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 General Manager must consult with the Council before taking any disciplinary action against an independent Committee member in response to a breach of the Council's Code of Conduct.

7.2.4 Conflicts of interest

Once a year, independent Committee members will provide written declarations to the 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' and must also complete and submit returns of interest.

Members and observers must declare any pecuniary or non-pecuniary conflicts of interest that may have at the start of each meeting or as soon 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.

7.2.5 Standards

Committee Members are to keep under review that Council's:

- Internal audit work is conducted in accordance with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors; and
- Risk management framework is consistent with the current Australian risk management standards.

8 Workplans

The work of the Committee is to be thoroughly planned and executed. The Committee must develop a strategic plan every four years to ensure that all 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 plan must be reviewed at least annually to ensure it remains appropriate.

The Committee may, in consultation with the Council, vary the strategic work plan at any time to address new or emerging risks. The Council may also, by resolution, request the Committee to approve a variation to the strategic work plan. However, 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 Council, vary the annual work plan to address new or emerging risks. The Council may also, by resolution, request the Committee to approve a variation to the annual work plan. However, 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 workplan.

10 Assurance Reporting

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

The Committee will provide an update to the Council and general manager of its activities and opinions after every Committee meeting.

The Committee will provide an annual assessment to the Council and general manager each year on the Committee's work and its opinion on how Council is performing.

The Committee will provide a comprehensive assessment every council term of all the matters listed in Schedule 1 to the Council and general manager.

The Committee may at any time report to the Council or general manager on any other matter it deems of sufficient importance to warrant their attention. The Mayor and Chairperson of the Committee may also meet at any time to discuss issues relating to the work of the Committee.

Should the Council require additional information, a request for the information may be made to the Chairperson by resolution. The Chairperson may only provide the information requested by the Council where the Chairperson is satisfied that it is reasonably necessary for the Council 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.

11 Administrative Arrangements

11.1 Meetings

The Committee will meet at least once in each quarter . Separately or inclusive to these meetings, meetings must be held for the review and endorsement of the annual unaudited financial reports and the annual audited financial report external audit opinion.

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 general manager or the Council.

Committee meetings can be held in person, by telephone or videoconference. Proxies are not permitted to attend meetings if a 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 procedure for the calling of meetings of the Committee, and 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 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 both the head of internal audit function and the Council's external auditor at least once per year.

11.2 Secretariat

The General Manager has appointed the Manager Mayoral and Councillor Support as the Internal Audit co-ordinator and responsible for ensuring that the Committee has adequate secretariat support. 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. Minutes shall be approved by the Chair and circulated to each member within two weeks of the meeting being held.

11.3 Induction

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

11.4 Review Arrangements

At least once every council term the Council must review or arrange an external review of the effectiveness of the Committee.

These terms of reference are to be reviewed every two years by the Committee and once each council term by the Council. The General Manager and/or Manager Mayoral & Councillor Support may approve non-significant and/or minor editorial amendments to this document that do not change the document's substance. Any substantive changes are to be approved by the Council.

11.5 Dispute resolution

Members of the Committee and the Council's management should maintain an effective working relationship and seek to resolve any differences they may have in an amicable and professional way via discussion and negotiation.

In the event of a disagreement between the Committee and the General Manager or other senior managers, the dispute is to be resolved by the Council.

Unresolved disputes regarding compliance with statutory or other requirements are to be referred to the Departmental Chief Executive of the Office of Local Government in writing.

11.6 Related documents

- Guidelines for risk management and internal audit for local government in NSW issued in November 2023 by the Office of Local Government.
- Bayside Council's Code of Conduct
- Bayside Council's Procedures for the Administration of the Code of Conduct.

11.7 Version history

Version	Release Date	Author	Reason for Change
1.0	12/10/2016	John Hughes	New document
2.0	08/02/2017	John Hughes Natasha Balderston	Remuneration of Independent External Members added
2.1	14/03/2017	Bruce Cooke	Minor edits
3.0	May 2022	Fausto Sut	Substantial revision in line with draft Guidelines by OLG Adopted by Council 22 June 2022
3.1	May 2024	Fausto Sut	Further revision to align with Model Terms of Reference issued by Office of Local Government in November 2023 and incorporates Council's resolution of 22/5/24 re gender diversity.

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 Council, the General Manager, 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 the Council is providing the resources necessary to successfully deliver the internal audit function
 - if the Council is complying with internal audit requirements, including conformance with the International Professional Practices Framework
 - if the Council Internal Audit Charter is appropriate and whether the internal audit policies and procedures and audit/risk methodologies used by the Council are suitable
 - of the strategic four-year plan and annual work plan of internal audits to be undertaken by the Council internal audit function
 - if Council internal audit activities are effective, including the performance of the head of the internal audit function and internal audit function
 - of the findings and recommendations of internal audits conducted, and corrective actions needed to address issues raised
 - of the implementation by Council 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 Council, General Manager, 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 Council and/or General Manager on action taken on significant issues raised in relevant external audit reports and better practice guides

Risk

Risk management

Review and advise the Council:

- if the Council has in place a current and appropriate risk management framework that is consistent with the Australian risk management standard
- whether the Council is providing the resources necessary to successfully implement its risk management framework
- whether the Council risk management framework is adequate and effective for identifying and managing the risks the Council faces, including those associated individual projects, programs and other activities
- if risk management is integrated across all levels of the Council and across all processes, operations, services, decision-making, functions and reporting
- of the adequacy of risk reports and documentation, for example, the Council 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 within the Council and strong leadership that supports effective risk management
- of the adequacy of staff training and induction in risk management
- how the Council risk management approach impacts on the Council insurance arrangements
- of the effectiveness of Council 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 Council:

- whether Council 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 Council 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 the Council of the adequacy and effectiveness of the Council compliance framework, including:

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

Financial management

Review and advise the Council:

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

Governance

Review and advise the Council regarding its governance framework, including the Council:

- decision-making processes
- implementation of governance policies and procedures
- reporting lines and accountability
- assignment of key role 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 the Council:

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

Performance data and measurement

Review and advise the Council:

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