

1. Objective

The objective of the Audit, Risk and Improvement Committee (ARIC, the Committee) is to provide independent assurance and assistance to Shoalhaven City Council on risk management, control, governance, business improvement related matters and external accountability responsibilities.

2. Authority

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

- 2.1 Obtain any information it needs from any employee or external party (subject to their legal obligations to protect information).
- 2.2 Discuss any matters with the internal or external auditor or other external parties (subject to confidentiality considerations).
- 2.3 Request the attendance of any employee or councillor at Committee meetings.
- 2.4 Obtain external legal or other professional advice considered necessary to meet its responsibilities.

3. Composition and Tenure

The Committee will consist of:

3.1 Members (voting)

Three independent external members and two Councillors. The Councillors may have alternates, elected at the time of appointment of Councillor members to the Committee.

The Council will appoint committee members and the committee chair. One of the independent external members will be the Chair. The Committee will select its own Chair and the report will be provided to Council for ratification.

A vacancy for an independent member of the committee may occur upon the resignation of the member, expiry of a term of appointment, death of the member, failure to attend three consecutive meetings without prior approval from the Chair, or by removal by resolution of Council.

A selection panel will be convened comprising:

- 3.1.1 Current Chair of the Committee (or other Independent Member where the Chair is not able to participate or it is inappropriate for the Chair to participate)
- 3.1.2 General Manager or their Delegate (e.g. Manager or staff member from relevant Group); and
- 3.1.3 Mayor or nominee.

Vacancies for independent members of the Committee will be filled following public advertisement inviting Expression of Interest. The selection panel will submit its recommendation to the Council for determination.

The independent external members are appointed for a period of 4 years, after which they will be eligible for extension or re-appointment following a formal review of their performance by the General Manager in consultation with the Committee Chairperson and/or Councillor members on the Committee. The Risk and Audit Committee has decided that the maximum period for membership by Independent Members shall be 8 years.

Past employees and Councillors of Shoalhaven City Council are eligible for appointment as Independent Risk and Audit Committee members only if there has been a minimum of four years 'break of service'.

The members of the Committee, taken collectively, will have a broad range of skills and experience relevant to the operations of Shoalhaven City Council. At least one member of the Committee shall have accounting or related financial management experience, with understanding of accounting and auditing standards in a public sector environment.

3.2 Attendee (non-voting)

General Manager, Executive Manager Communications, Director Corporate & Community Services, Director Planning & Development, Director Works & Services, Director Shoalhaven Water, Chief Financial Officer, Section Manager HR Governance & Customer Service and Internal Audit Program Coordinator.

Attendance is required when appropriate agenda items or content is relevant to the position.

3.3 Invitees (non-voting) for specific Agenda items

Representatives of the external auditor.

Representatives of the internal auditor.

Other officers may attend by invitation as requested by the Committee.

4. Role and Responsibilities

The Committee has no executive powers, except those expressly provided by the Council.

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.

The responsibilities of the Committee may be revised or expanded by the Council from time to time. The Committee's responsibilities are:

4.1 Risk Management

4.1.1 Review whether management has in place a current and comprehensive risk management framework, and associated procedures for effective identification and management of business and financial risks, including fraud.

4.1.2 Review whether a sound and effective approach has been followed in developing strategic risk management plans for major projects or undertakings;

4.1.3 Review the impact of the risk management framework on Council's control environment and insurance arrangements; and

4.1.4 Review whether a sound and effective approach has been followed in establishing business continuity plans, including whether plans have been tested periodically.

4.2 Control Framework

- 4.2.1 Review whether management has adequate internal controls in place, including over external parties such as contractors and advisors;
- 4.2.2 Review whether management has in place relevant policies and procedures, and these are periodically reviewed and updated;
- 4.2.3 Progressively review whether appropriate processes are in place to assess whether policies and procedures are complied with;
- 4.2.4 Review whether appropriate policies and procedures are in place for the management and exercise of delegations; and
- 4.2.5 Review whether management has taken steps to embed a culture which is committed to ethical and lawful behaviour and their effectiveness.

4.3 External Accountability

- 4.3.1 Satisfy itself the annual financial reports comply with applicable Australian Accounting Standards and are supported by appropriate management sign-off on the statements and the adequacy of internal controls.
- 4.3.2 Review the external audit opinion, including whether appropriate action has been taken in response to audit recommendations and adjustments.
- 4.3.3 To consider contentious financial reporting matters in conjunction with council's management and external auditors.
- 4.3.4 Review the processes in place designed to ensure financial information included in the annual report is consistent with the signed financial statements.
- 4.3.5 Satisfy itself there are appropriate mechanisms in place to review and implement, where appropriate, relevant State Government reports and recommendations.
- 4.3.6 Satisfy itself there is a performance management framework linked to organisational objectives and outcomes and their effectiveness.

4.4 Legislative Compliance

- 4.4.1 Determine whether management has an appropriate framework in place to consider legal and compliance risks as part of risk assessment and management arrangements.
- 4.4.2 Review the effectiveness of the system for monitoring compliance with relevant laws, regulations and associated government policies.

4.5 Internal Audit

- 4.5.1 Act as a forum for communication between the Council, General Manager, senior management, internal audit and external audit on matters relevant to the ARIC's role.
- 4.5.2 Review the internal audit coverage and Internal Audit Plan, ensure the plan has considered the Risk Management Plan, and approve the plan.
- 4.5.3 Consider the adequacy of internal audit resources to carry out its responsibilities, including completion of the approved Internal Audit Plan and make recommendations to Council as necessary.

- 4.5.4 Review all audit reports and consider significant issues identified in audit reports and action taken on issues raised, including identification and dissemination of better practice.
- 4.5.5 Monitor the implementation of internal audit recommendations by management.
- 4.5.6 Periodically review the Internal Audit Charter to ensure appropriate organisational structures, authority, access and reporting arrangements are in place.
- 4.5.7 Periodically review the performance of Internal Audit.

4.6 External Audit

- 4.6.1 Act as a forum for communication between the Council, General Manager, senior management, internal audit and external audit on matters relevant to the ARIC's role.
- 4.6.2 Provide input and feedback on the financial statement and performance audit coverage proposed by external audit, and provide feedback on the external audit services provided.
- 4.6.3 Review all external plans and reports in respect of planned or completed external audits, and monitor the implementation of audit recommendations by management.
- 4.6.4 Consider significant issues raised in relevant external audit reports and better practice guides, and whether appropriate action is taken.

4.7 Responsibilities of Members

- 4.7.1 Members of the Committee are expected to:
- 4.7.2 Understand the relevant legislative and regulatory requirements appropriate to Shoalhaven City Council.
- 4.7.3 Contribute the time needed to study and understand the papers provided.
- 4.7.4 Apply good analytical skills, objectivity and good judgment.
- 4.7.5 Express opinions frankly, ask questions that go to the fundamental core of issues, and pursue independent lines of enquiry.

5. Reporting

- 5.1 The Committee will report regularly, and at least annually, to the governing body of council on the management of risk, internal controls and improvement.
- 5.2 The minutes of Committee meetings will be provided to Councillors and Council's Executive Management for information.

6. Administrative arrangements

6.1 Meetings

The Committee will meet at least four times per year, with one of these meetings to include review and endorsement of the annual audited financial reports and external audit opinion.

The need for any additional meetings will be decided by the Chair of the Committee, though other Committee members may make requests to the Chair for additional meetings.

A forward meeting plan, including meeting dates will be agreed by the Committee each year. The forward meeting plan will cover all Committee responsibilities as detailed in this Audit, Risk and Improvement Committee charter. The agenda items for the meetings will be developed prior to the meeting in consultation with the Audit, Risk and Improvement Committee Chair.

The Committee may, at any time, consider any other matter it deems of sufficient importance to do so. In addition, at any time an individual Committee member may request a meeting with the Chair of the Committee.

6.2 Attendance at Meetings and Quorums

A quorum will consist of a majority of Committee members, including at least one independent member and one Councillor member. Meetings can be held in person, by telephone or by video conference.

The Internal Auditor will be invited to attend each meeting unless requested not to do so by the Chair of the Committee. The Committee may also request the Chief Finance Officer or any other employees to participate for certain agenda items, as well as the external auditor.

The General Manager may attend each meeting but will permit the Committee to meet separately with each of the Internal Auditor and the External Auditor in the absence of management on at least one occasion per year.

6.3 Secretariat

The Committee has appointed the Internal Audit Program Coordinator to be 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 three weeks of the meeting being held.

6.4 Conflict of Interests

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. It is the personal responsibility of council officials to comply with the standards in the code of conduct and regularly review their personal circumstances.

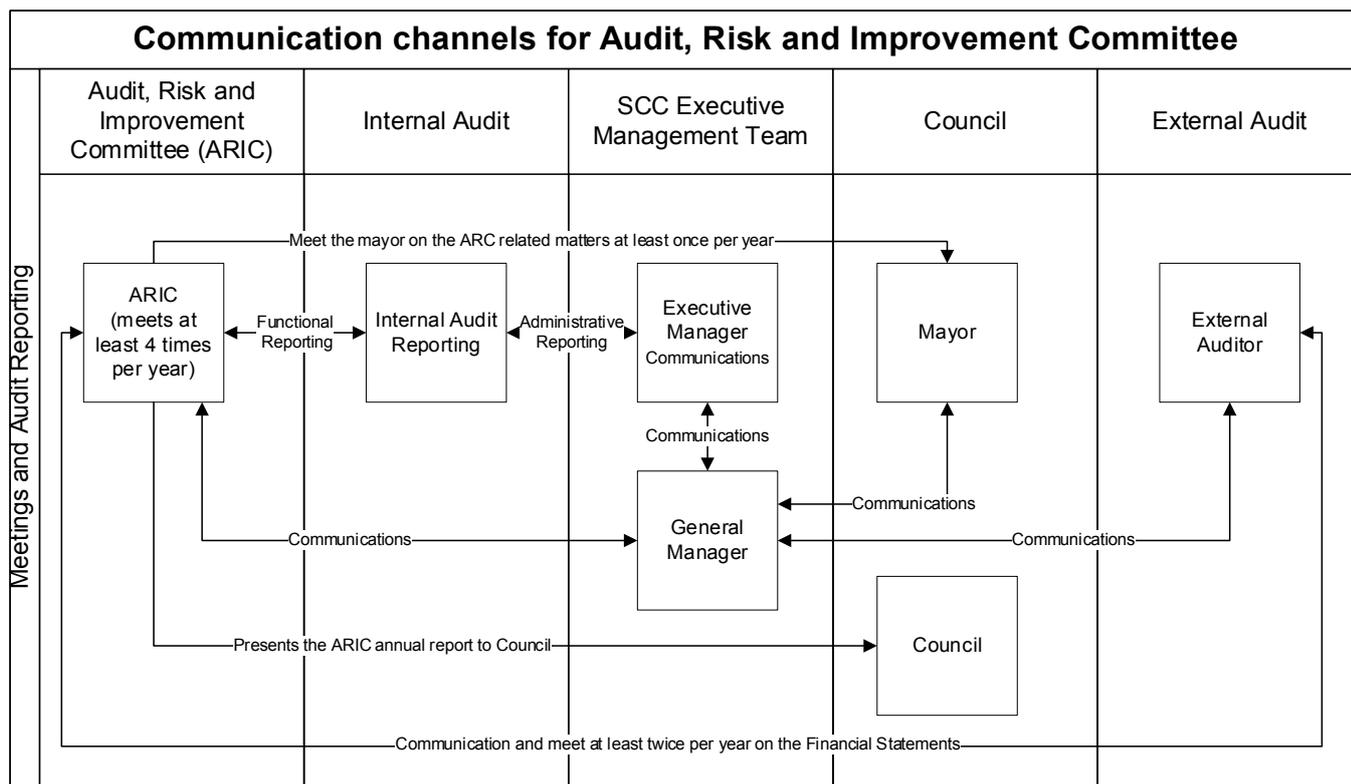
Committee members must declare any conflict of interests at the start of each meeting or before discussion of a relevant agenda item or topic. Details of any conflicts of interest should be appropriately minuted.

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

Appendix 1

Audit, Risk and Improvement Committee (ARIC) Communications Guidelines

The following diagram depicts communication channels:



Internal Auditor:

- Primary responsibility is to service all the ARIC’s needs to meet the ARIC Charter.
- Will report to the ARIC with full independence from Council, management and staff.
- Will seek information from staff or request staff to report on certain matters to the ARIC.
- Will provide feedback to staff from decisions / recommendations by the ARIC.
- Attends all ARIC meetings.

Executive Manager Communications:

- Provides “administration” supervision and direction to the Internal Auditor.
- Assists the ARIC if required and attends meetings as necessary.

General Manager:

- Reports directly to the ARIC on strategic risks as requested by the ARIC.
- Attends ARIC meetings (unless excluded by Committee).

Group Directors:

- Report directly to the ARIC on strategic risks within their responsibility areas as requested by the ARIC or General Manager.
- Attend ARIC meetings (unless excluded by Committee).

Audit Risk and Improvement Committee:

- Meets minimum four times per year.
- Undertakes role in accordance with ARIC Charter.
- Reports annually to Council on its annual activities. The Chairman attend and speaks. ARIC annual report is presented.
- Chairman meets with Mayor at least once per annum.
- Chairman meets with the General Manager regularly..
- Meets the external auditor at least twice per year to discuss the financial statements.