



Audit, Risk and Improvement Committee Charter

Norfolk Island Regional Council

Audit, Risk and Improvement Committee Charter

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1. Objective

The objective of the Audit, Risk and Improvement Committee (Committee) is to provide independent oversight, objective assurance and monitoring of Norfolk Island Regional Council (Council) risk management activities, internal controls, governance, audit processes, compliance of and with Council's policies and procedures, performance improvement activities, and external reporting responsibilities.

2. Authority

This Charter is based on the guidelines issued by the Office of Local Government (OLG) pursuant to section 23A of the *Local Government Act 1993* (NSW) (NI) (LG Act) and is intended to add value and drive the qualities of effective local government; being openness, transparency and accountability.

The Committee is established in accordance with Council's authority granted by section 355 of the LG Act.

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

The Committee helps Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

In carrying out its responsibilities, the Committee must at all times recognise that primary responsibility for management of Council rests with the Council and General Manager as defined by the LG Act.

The Council authorises the Committee as a whole (but not individual members of the Committee) within the scope of its role and responsibilities as follows and to report any action undertaken in the meeting minutes:

- Obtain any information it needs from any employee or external party (subject to their legal obligations to protect information).
- Discuss any matters with the external auditor or other external parties (subject to confidentiality considerations).
- Request the attendance of any employee or Councillor at Committee meetings.
- Obtain external legal or other professional advice considered necessary to meet its responsibilities within budget allocations and subject to the prior approval by the General Manager.

This Charter is required to be reviewed and endorsed by the Committee every two years. Any substantive changes to this Charter need to be approved by the Council.

Council must review, amend as required and adopt this Charter at least once during each term of Council at an open meeting of Council.

3. Composition and Tenure

3.1 Members (voting)

The Committee will consist of three Independent External Members (one of whom is the Chairperson).

Voting at a Committee meeting is to be by open means (such as by voice or by show of hands).

Independent External Members

The members of the Committee, taken collectively, will have extensive local government experience and expertise in areas of finance, audit and risk. 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.

The Independent External Members will be appointed by resolution of the Council for up to an initial period not less than 2 years but not exceeding five years. After which they will be eligible for extension or re-appointment following a formal review of their performance by Council (noting that the total term on the Committee will not exceed eight years).

Any of the three Independent External members seeking an extension or re-appointment will be required to notify the General Manager in writing six months before their appointment is set to end.

The three Independent External Members are eligible for extension to re-appointment up to a maximum of eight years of continual service. Appointments must be made so that phased replacement of each of the three Independent External members is required to ensure continuity in the Committee.

The Independent External Members can also be removed by resolution of Council.

The Independent External Members, in aggregate, will have recent and relevant knowledge and experience of:

- a) Accounting or related financial management.
- b) Risk management experience.
- c) Auditing experience in public sector environment.
- d) Performance improvement.
- e) The local government framework.
- f) Council services, activities and operations.
- g) Governance, risk and compliance.
- h) Community services.

The Chair

The Chair will be elected by the majority of the Committee's voting members and must be one of the Independent External Members.

The Chair can be appointed for up to a maximum period of five years. The term of appointment for the Chair can be extended but any extension must not cause the total term to exceed five years as a Chair of the Committee.

If the elected Chair is not present at a meeting of the Committee, the first business of that meeting is for the Committee's voting members to elect a Chair from the Independent External Members present.

3.2 Invitees (non-voting) for specific Agenda items

Representatives of Council's external auditor and other Council Officials may attend Committee meetings by invitation as requested by the Committee and as directed by the General Manager, including:

- General Manager
- Manager, Services
- Manager, People and Culture
- Manager Corporate and Finance
- Manager, Customer Care
- Manager, Planning and Environment
- Manager, Economic Development
- Internal Auditor

Councillors may attend as observers at the discretion of the Chair. Such requests should be placed in writing to the Chair prior to the meeting.

4. Role and Responsibilities

In carrying out its responsibilities, the Committee must at all times recognise that primary responsibility for financial and other reporting, for internal controls, for compliance with laws, for ethical behaviour, for the management of Council, for risk management and for organisational improvements, rests with the elected Council and the General Manager as defined by the LG Act.

Members of the Committee must not act in a way that contravenes the LG Act (which includes compliance with Council's adopted Code of Conduct and Code of Meeting Practice) or any other Act. Members of the Committee are also required to comply with other relevant Policies and Procedures of Council.

The General Manager will ensure that adequate resources are available to allow for the proper functioning of the Committee, including provision of administrative support.

The Committee may also, at Council's expense, request the General Manager to obtain such legal, accounting, or other professional advice as it reasonably considers necessary for the performance of its duties. The General Manager will give proper consideration to all requests.

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

The Committee is also to provide information to the Council for the purpose of improving the Council's performance of its functions.

The following defined responsibilities are in accordance with the OLG NSW model charter for Audit Committees as set out in the Internal Audit Guidelines issued by OLG in September 2010:

4.1 Risk Management

- 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.
- Review whether a sound and effective approach has been followed in developing strategic risk management plans for major projects or undertakings.
- Review the impact of the risk management framework on its control environment and insurance arrangements.
- Review whether a sound and effective approach has been followed in establishing business continuity planning arrangements, including whether plans have been tested periodically.
- Review whether a sound and effective approach has been established in relation to technological related risks that present a threat to the operations of Council.
- Consider and recommend to the General Manager improvements in relation to Council activities, systems and processes.
- Review whether Council processes and procedures result in an efficient and effective allocation of resources, and accountability and transparency.

4.2 Control Framework

- Review whether management has adequate internal controls in place, including over external parties such as contractors and advisors.
- Review whether management has in place relevant policies and procedures, and these are periodically reviewed and updated.
- Progressively review whether appropriate processes are in place to assess compliance with policies and procedures.

- Review the annual performance of Council against the key performance indicators documented in the Operational Plan, and provide advice to the General Manager on the adequacy of Council's performance against these indicators.
- Review whether appropriate policies and procedures are in place for the management and exercise of delegations.
- Review whether management has taken steps to embed a culture which is committed to ethical and lawful behaviour.

4.3 Financial Management and External Accountability

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

4.4 Legislative Compliance

- Determine whether management has appropriately considered legal and compliance risks as part of risk assessment and management arrangements.
- Review the effectiveness of the system for monitoring compliance with relevant laws, regulations and associated government policies.

4.5 Internal Audit

- Act as a forum for communication between the Council, General Manager, senior management, internal audit and external audit.
- Review the Internal Audit coverage and Internal Audit Plan, ensure the plan has considered the Risk Management Plan, and approve the plan.
- Consider the adequacy of internal audit resources to carry out its responsibilities, including completion of the approved Internal Audit Plan.
- Review all audit reports and consider significant issues identified in audit reports and action taken on issues raised, including identification and dissemination of better practices.
- Monitor the implementation of internal audit recommendations by management.

- Periodically review the Internal Audit Charter to ensure appropriate organisational structures, authority, access and reporting arrangements are in place.
- Periodically review the performance of Internal Audit.

4.6 External Audit

- Act as a forum for communication between the Council, General Manager, senior management, 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 external audit services provided.
- Review all external plans and reports in respect of planned or completed external audits, and monitor the implementation of audit recommendations by management.
- Consider significant issues raised in relevant external audit reports and better practice guides, and ensure appropriate action is taken.

4.7 Responsibilities of Members

Members of the Committee are expected to:

- Possess a high level of personal integrity and ethics, as well as acting honestly and in good faith.
- Make themselves available as required to attend and participate in meetings.
- Perform their duties in a manner that engenders public trust in the integrity, objectivity, and impartiality of the Committee.
- Comply with this Charter.
- Have strong interpersonal, oral and written communication skills.
- Understand the relevant legislative and regulatory requirements appropriate to Norfolk Island Regional Council.
- Contribute the time needed to study and understand the papers provided.
- Apply good analytical skills, objectivity and good judgment.
- Express opinions based on facts, ask questions and pursue independent lines of enquiry.
- Assist the Council and General Manager with the formulation of Finance, Audit and related policies and procedures.

Expressions of Interest appointment as an Independent Member of the Committee are to be invited by public advertisement and/or written invitation from persons eligible to be members of the Committee as outlined by this Charter.

Any such nominations will be received and reviewed by the General Manager who will prepare a report for Council's consideration.

The recruitment of those members of the Committee is to be based on merit, and it is important that the selection process used is transparent and accountable.

All Committee Members will be appointed by Council. Once the Independent External Member(s) is/are appointed, they will receive a letter of appointment clearly detailing the terms of their appointment and their remuneration rates, as well as a copy of this Charter.

Committee members must also decline any request to act as referee to any applicants for vacant positions on the Committee.

5. Reporting

At the first Committee meeting post 30 June each year, Internal Audit will provide a performance report to the Committee dealing with:

- The performance of Internal Audit for the financial year as measured against agreed key performance indicators.
- The approved Internal Audit Plan of work for the previous financial year showing the current status of each audit.
- A summary of Council's progress in addressing the findings and recommendations made in internal and external audit reports.
- Details of meetings, including the number of meetings held during the relevant period, and the number of meetings each member attended.
- A summary of the work the Committee performed to fully discharge its responsibilities during the preceding year.
- Any other matter deemed to be of sufficient importance.

In addition, at any time an individual Committee member may request a meeting with the Chair of the Committee.

The Committee will report regularly, and at least annually, to Council on the internal audit function, on the management of risk and on internal controls as and when required.

At a minimum the Committee will report to Council on its activities at least yearly coinciding with the financial year and the annual statement time.

The Annual Audit Plans will also be submitted to Council as part of the Committee's report to Council.

Council may request the Chair of the Committee to address Council and answer any enquiries about the operation of the Committee. In consultation with the Chair some or all of the Committee's annual report will form part of Council's Annual Report.

6. Administrative arrangements

6.1 Meetings of the Committee

The Committee is bound by Council's Code of Conduct.

All Committee meetings must be run fairly, and the procedure used should improve decision making and not be used for personal or political advantage.

All matters should be considered consistently, fairly, promptly and on their individual merits.

A forward meeting plan for the following year, including meeting dates and agenda items will be agreed by the Committee in December of each year. The forward meeting plan will cover all Committee responsibilities as detailed in this Charter.

The Committee will meet at least four times per year. A special additional meeting may be held for the 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.

It is expected that Committee meetings will be attended by each voting Member in person where the meeting is to be held on Norfolk Island. However, if there is a valid reason and with the prior approval of the Chair, a voting Committee member may attend by telephone or by video conference.

The Committee may also determine if meetings will be held by video conference where it is considered necessary due to logistics such as limited air travel options or other restrictions including those resulting from a pandemic.

Non-voting participants at Committee meetings will also be expected to attend in person, however where this is not practical and with the prior approval of the Chair, they may attend by telephone or by video conference.

Committee meetings are closed to the public.

6.2 Attendance at Meetings and Quorums

A quorum for a meeting of the Committee will be the majority of the voting members of the Committee. Meetings can be held in person, by telephone or by video conference.

If it is determined two days prior to the Committee meeting that a quorum will not be achieved, the Committee meeting is to be reconvened to a later date. If for any reason a quorum is not present within half an hour of the scheduled commencement of the meeting the meeting shall be rescheduled.

A Committee member will be deemed to have relinquished their membership of the Committee if they do not attend two consecutive meetings of the Committee without notice or satisfactory explanation (as determined by the Chair – or in the case of the Chair the majority of the Committee).

Representatives of Council's external auditor and other Council Officials may attend Committee meetings by invitation as requested by the Committee and as directed by the General Manager.

The Committee may also request other employees to participate for certain agenda items.

The General Manager may attend each meeting but will permit the Committee to meet separately with each voting member and the External Auditor(s) in the absence of management on at least one occasion per year, should the Committee resolve that such meetings are appropriate and necessary.

All employees at Council are subject to the direction of the General Manager and not the Committee or its members. In this regard all correspondence or contact with staff is to be through the Chair of the Committee addressed to the General Manager.

6.3 Secretariat

The General Manager will ensure adequate Secretariat support is to the Committee is provided.

The Committee 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 one week of the meeting being held.

6.4 Confidentiality, Privacy and Conflict of Interests

The 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 with this in mind.

Members of the Committee will not disclose matters dealt with by the Committee to third parties except with the express approval of the Committee.

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.

6.5 Induction

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

Members are responsible for their own Professional Development and training after induction.

6.6 Assessment Arrangements

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

6.7 Review of Audit Committee Charter

At least once every two years the Audit, Risk and Improvement Committee will review this Audit, Risk and Improvement Committee Charter.

The Audit, Risk and Improvement Committee will approve any changes to this Audit, Risk and Improvement Committee Charter (noting reference under Section 2 Authority of the Charter which states any substantive changes to this Charter need to be approved by Council).

Approved by:

Chair, Audit Committee Meeting

Date:

	Responsible Officer			General Manager	
	Next Review Date			2023	
	Audit Committee				
Version Number		Version	Resolution No.	Effective Date	Version description
		V1	2016/13	17 August 2016	Developed and Adoption
		V2	2016/121	21 December 2016	Reviewed and Adopted
		V3	2019/227	20 November 2019	Reviewed and Adopted
	Audit, Risk & Improvement Committee				
Version Number		Version	Resolution No.	Effective Date	Version description
		V4	2021/154	1 December 2021	Reviewed and Adopted