



**Audit and Risk
Improvement Committee
(ARIC)
Charter**



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Document Control

Charter	Audit and Risk Improvement Committee - Charter	Charter Number	TBA
Author/Reviewer	Executive Director Corporate & Community	Review Period and Date	Reviewed within 12 months of election/2 yearly - September

This charter shall be reviewed: -

- This charter shall be reviewed within 12 months of an election, and thereafter at two yearly intervals at least, to ensure it remains current and reflects the role and purpose of the ARIC.
- The responsibilities of the ARIC may be revised or expanded by Council and/or by legislation from time to time. The Charter should be updated to reflect any changes through this process.
- The ARIC will recommend to Council any changes to this Charter.
- This policy commences as from the last date of adoption by Council as listed in the document history and replaces all previous versions.

Document History

Date	Status	Version	Resolution	Description
26 July 2017	Draft	0.1		Presented to Hilltops Council for adoption
26 July 2017	Final	1.0	17/186	Adopted



INTRODUCTION

The Local Government Amendment (Governance and Planning) Act 2016 requires Hilltops Council ("Council") to appoint an Audit, Risk and Improvement Committee ("ARIC"). The Audit and Risk functions of Council also form a key component of its governance framework. This Charter sets the structure for the functioning of the Hilltops Council ARIC.

1. ROLE AND PURPOSE

The ARIC functions as an independent and objective assurance and consulting activity guided by a philosophy of adding value to improve the operations of Hilltops Council. It assists Hilltops Council in achieving its strategic objectives by bringing a systematic and disciplined approach to evaluating and improving the effectiveness of Council's governance, risk management and internal control environment.

The primary purpose and function of the ARIC is to independently assess Hilltops Council activities to meet its Fit for the Future obligations to remain financially sustainable to be able to achieve its strategic objectives in accordance with the Local Government Act 1993 and Regulations.

Responsibilities of the ARIC are detailed in the attached Appendix.

2. AUTHORITY

The ARIC is not a policy making body, nor does it have any executive functions unless expressly provided by Council.

To carry out its role and responsibilities as defined within this Charter, the ARIC is granted delegated authority by Council to:

- 2.1 Obtain any information it needs from any employee and/or external party (subject to their legal obligation to protect information);
- 2.2 Resolve any disagreements between management and the auditor regarding financial reporting (subject to confidentiality considerations);
- 2.3 Meet and discuss any matters with Council Management, external auditors or other external parties (subject to confidentiality considerations);
- 2.4 Obtain external legal or other independent professional advice, as considered necessary to meet its responsibilities, subject to the agreement of the Administrator/Mayor or General Manager (as appropriate); and,
- 2.5 Request the attendance of any employee or Councillor at Committee meetings.

3. REPORTING LINE

The ARIC is a formally appointed committee of Hilltops Council pursuant to the Local Government Amendment (Governance and Planning) Act 2016 and is responsible to Council.

4. APPOINTMENT AND COMPOSITION

4.1 Selection and Appointment

All appointments to the ARIC shall be made by Council. As such, no delegate for any member appointed is permitted.

Selection of independent external members should be undertaken in a transparent and unbiased manner. This will include calling for nominations from interested persons. All nominees who satisfy the conditions



of this Charter shall be eligible for appointment. The most recent independent external members of Young, Boorowa, and Harden Council equivalent committees will be appointed for the initial term of Hilltops Council ARIC.

4.2 Skills and Experience

Collectively, the ARIC will have a broad range of skills and experience relevant to the operations of Council.

At least one of the members shall be either a qualified accountant holding a current accounting certification (CPA or CA) and/or have relevant financial management experience, with an understanding of accounting and auditing standards in a public-sector environment.

4.3 Membership

ARIC membership shall consist of:

Members (voting)

- Administrator/Mayor- and a Councillor
- Minimum of two (2) independent external members or a maximum of three (3).

Attendees (non-voting)

- General Manager
- Internal Auditor
- Executive Director Corporate and Community
- Chief Financial Officer

Invitees (non-voting)

- Representative of the external audit provider
- Other employees or Councillors of Council as requested by the ARIC

4.4 Chairperson

The ARIC shall elect one of the independent external members as its Chairperson.

In the case of resignation by the Chair, another current serving independent external member will be elected as Chair.

In the absence of the elected Chair, another current serving independent external member shall serve as the Chair for the period of absence of the duly elected Chair.

4.5 Term of Office

The term of office for an ARIC member shall end on the earlier of:

- the day on which the member resigns from the ARIC;
- in the case of the Administrator, the day on which the Administer ceases to be an Administrator of Hilltops Council;
- in the case of a Councillor or the Mayor, the day on which the member ceases to be a Councillor or the Mayor of Hilltops Council;
- the day on which the member's appointment is legally terminated by Council; or,
- the day on which the member is incapacitated by law from holding such office.

The independent external members will each be appointed until after sixty (60) days following a Local Government Election, after which they will be eligible for extension or re-appointment following a formal review of their performance. An independent external member is not eligible for re-appointment after serving for a maximum of eight (8) years.



In order to maintain independent external member continuity Council may stagger the length of appointments.

Remuneration of independent external members is to be reviewed at the time of appointment and re-appointment.

4.6 Vacancy

Any vacancy of an independent external member must be filled as soon as practicable, but no later than one month prior to the next meeting. The appointment must be in accordance with this Charter.

5. ADMINISTRATIVE ARRANGEMENTS

5.1 Meetings

The Committee will meet at least four (4) times a year, generally in March, June, September and December, with authority to convene additional meetings as circumstances require.

The need for additional meetings to consider other matters is to be determined by the Chair, although members may approach the Chair to make additional meeting requests. The Chair shall advise the General Manager prior to invitations being issued for any additional meetings.

The December meeting is to include the review and endorsement of the annual audited financial reports and external audit opinion as well as review and endorsement of the annual Internal Audit Plan.

Meetings are generally held in person, however, in extenuating circumstances other arrangements can be made such as by telephone, video conference, or a combination of these.

A forward meeting plan will be agreed by the Committee annually. This should ensure that all responsibilities as detailed in the Charter are covered.

Notice and Agenda of meeting will include relevant supporting papers as appropriate.

5.2 Venue

Meetings will be held at Hilltops Council Young Office – Council Chambers, unless otherwise determined by the Chair.

5.3 Quorum

A quorum will consist of a majority of ARIC voting Members, including at least one (1) independent external member.

A majority of attendees should also be present to ensure a robust discussion of agenda items.

5.4 Decision Making and Voting

The ARIC is expected to make decisions by consensus, but if voting becomes necessary then the vote will be decided by a majority of votes of Members present and the details of the vote recorded in the minutes.

Each Member of the ARIC is entitled to one vote only. In the case of an equality of votes on any issue, the Chair shall have the casting vote.

Between meetings the Chair may circulate to members by email any specific proposals for adoption by the ARIC. Members shall be given a set time (a minimum of five (5) days) to respond to a proposal. Where a member fails to respond within the timeframe given it shall be taken as a vote against the



proposal. Any decision taken by the ARIC by email is to be noted and minuted at the commencement of the next meeting.

5.5 Conflicts of Interest:

At the commencement of each meeting, or prior to the relevant item for discussion, each ARIC member must declare any conflicts of interest or perceived conflicts of interest. Details of any conflict should be appropriately minuted.

Once acknowledged, any ongoing conflicts must still be declared at each meeting.

Any member or invitee of the ARIC who is deemed to have a real or perceived conflict of interest will be exempt from any discussion relating to that conflict.

5.6 Induction

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

5.7 Secretariat

Secretariat support will be provided by Council.

The Secretariat will assist the Chair to develop committee agendas and papers to be ready for distribution to all members at least two (2) weeks prior to the scheduled meeting.

Minutes, as prepared by the Secretariat and approved by the Chair, will be circulated to all members within three (3) weeks of the meeting being held.

The Secretariat will ensure appropriate record keeping of all documentation.

5.8 Assessment arrangements

The Chair will initiate a review of the performance of the ARIC at least once every two (2) 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.

When reviewing the ARIC's performance the Chair should be satisfied that an effective, comprehensive and complete service is being provided.

6. CODE OF CONDUCT

All members of the ARIC are to abide by Council's Code of Conduct.



APPENDIX - RESPONSIBILITIES OF THE ARIC

In carrying out its responsibilities, the ARIC must always recognise that primary responsibility for the management of Hilltops Council rests with the Council and the General Manager as defined by the Local Government Act 1993.

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

General risk oversight and monitoring

- review Council's risk appetite and tolerance for risk
- review the risk management system in place for the identification and treatment and reporting of significant or material business and financial risks, including fraud
- review the responsibility for risk oversight and management of specific risks to ensure a common understanding of accountabilities and roles
- review whether a sound and effective approach has been followed in developing strategic risk management plans for major projects or undertakings
- review whether a sound and effective approach has been followed in establishing the business continuity planning arrangements, including whether disaster recovery plans have been tested periodically
- review Council's risk register
- review management's implementation of risk mitigation strategies for high level risks identified
- review the impact of Council's risk management process on its control environment and insurance arrangements
- review the quality, type and presentation of risk-related information provided to Council
- review how risk management is embedded within Council's corporate culture

Internal Control Framework

- review whether management's approach to maintaining an effective internal control framework, including over external parties such as contractors and advisors, is sound and effective
- review whether management has in place relevant policies and procedures, and that these are periodically reviewed and updated
- determine whether the appropriate processes are in place to assess, at least once a year, whether policies and procedures are complied with
- review whether appropriate policies and procedures are in place for the management and exercise of delegations
- consider how management identifies any required changes to the design or implementation of internal controls
- review whether management has taken steps to embed a culture which is committed to ethical and lawful behaviour
- evaluate the continuous improvement processes in place to ensure that internal controls are effective, particularly those related to areas of significant risk
- assess whether management has controls in place for unusual types of transactions and/or any potential transactions that may involve an unacceptable degree of risk

External Accountability

- review the externally audited financial statements of Council (including whether appropriate action has been taken in response to audit recommendations and adjustments)
- review the processes in place designed to ensure that financial information included in the annual report is consistent with the signed financial statements



- satisfy itself that there are suitable mechanisms in place to review and implement, where appropriate, relevant State Government reports and recommendations
- satisfy itself that the Council has a performance management framework that is linked to the organisational objectives and outcomes

Compliance with applicable laws and regulations

- determine whether management has appropriately considered legal and compliance risks as part of the Council's risk assessment and management arrangements
- review the effectiveness of the management system for monitoring Council's compliance with applicable laws and regulations, associated government policies, best practice and internally developed policies and guidelines

Internal Audit

- review the internal audit coverage and annual work plan, ensure that plan is based on Council's risk management plan, and recommend approval of the plan by the Council
- review the adequacy of internal audit resources to complete the approved plan
- provide input to the scope of Internal Audit reviews
- oversee the coordination of audit programs conducted by internal and external audit and other review functions, as well as programs/timetables to implement recommendations for improvement
- review all audit reports and recommend appropriate action to be taken on the significant issues identified, including identification and dissemination of good practice
- review the effectiveness of the internal audit function and objectives, including compliance with The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing
- monitor the acceptance and implementation of Internal Audit recommendations by management
- approve and periodically review the Internal Audit Charter to ensure appropriate organisational structure, authority, access and reporting arrangements are in place
- make recommendations for inclusion and/or prioritising projects to be included in the Internal Audit Plan
- make recommendations to commission audits of any kind, whether to be conducted by the Internal Auditor or otherwise
- review and discuss progress and performance reports including:
 - status of the Annual Internal Audit Plan and current audits
 - any significant variations that have occurred from the Internal Audit Plan
 - any specific concerns the General Manager may have to discuss

External Audit

- review the proposed audit scope and approach, with particular respect to coordination of audit effort with internal audit
- provide input and feedback on the financial statements 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 management's implementation of audit recommendations
- review action taken on significant issues raised in relevant external audit reports and better practice guides

Responsibilities of members



Members of the ARIC are expected to:

- understand the relevant legislative and regulatory requirements appropriate to a Local Government entity
- contribute the time needed to study and understand the information to be discussed as part of the agenda and/or presented at other times as may be required
- apply sound analytical skills, objectivity and good judgement
- express opinions frankly, ask questions that go to the fundamental core of issues, and to pursue independent lines of enquiry

Responsibilities of the Chairperson

- review and approve the agenda and distribution of papers by the Secretariat
- approve minutes in a timely manner so that they can be circulated by the Secretariat within the required timeframe
- ensure that each agenda item is given sufficient time to be considered
- initiate a review of the performance of the ARIC at least once every two (2) years
- oversee the preparation of the ARIC report to Council.

Reporting

The ARIC shall report at least annually to Council on its operation and activities during the year. The report should include, but is not limited to:

- a summary of the work of the ARIC performed to discharge its responsibilities
- a summary of the progress in addressing the findings and recommendations made in internal and external audit reports
- an overall assessment of the risk, control and compliance framework, including details of any significant emerging risks or legislative changes impacting Council
- details of meetings, including the number of meetings held during the relevant period, and the number of meetings each member attended

The ARIC may also, at any time, report to Council any other matter it deems of sufficient importance to do so.