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# Audit Risk and Compliance Committee Charter

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## Introduction

Council's Audit Risk and Compliance Committee (the Committee) plays an important role in the City's governance framework. It provides Council with independent oversight and monitoring of the City's audit, compliance and risk processes and its other internal control activities.

The Committee complies with the Director General's Guidelines for the purposes of section 23A of the Local Government Act 1993 and reports to Council through the Corporate, Finance, Properties and Tenders Committee.

## Objectives

The primary objectives of the Committee are to:

- Assist the Council in discharging its responsibilities relating to:
  - financial reporting practices;
  - business ethics, policies and practices;
  - accounting policies;
  - risk management and internal controls;
  - fraud and corruption prevention; and
  - compliance with laws, regulations, standards and best practice guidelines.
- Ensure the integrity of the internal audit function.

## Authority

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

- 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; and
- Obtain external legal or other professional advice considered necessary to meet its responsibilities.

## Roles and Responsibilities

The Committee shall consider any matters relating to the financial affairs and risk management issues of City of Sydney Council that it determines to be desirable. In addition, the Committee shall examine any other matters referred to it by the Council. The Committee's responsibilities shall be:

### **Risk Management**

- Review whether management has in place a current and comprehensive risk management framework, and associated procedures for effective identification and management of strategic, business and financial risks, including fraud and corruption risks;
- 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 the organisation's control environment and insurance arrangements; and
- Review whether a sound and effective approach has been followed in establishing business continuity and emergency management planning arrangements, including whether plans have been tested periodically.

### **Control Framework**

- Review whether management has adequate internal controls in place, including 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 whether policies and procedures are complied with; and
- Review whether appropriate policies and procedures are in place for the management and exercise of delegations.

### **Compliance**

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

### **External Accountability, including Financial Management**

- Satisfy itself that the annual financial reports comply with applicable Australian Accounting Standards and are supported by appropriate management sign-off on the financial statements and the adequacy of internal controls, as well as NSW State requirements for local government.
- Review the external audit opinion, including whether appropriate action has been taken in response to audit recommendations and adjustments.
- To consider financial reporting matters in conjunction with Council's management and/or 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 are appropriate mechanisms in place to review and implement, where appropriate, relevant State Government reports and recommendations.
- Satisfy itself there is a performance management framework linked to organisational objectives and outcomes.

### **Internal Audit**

- To act as a forum for communication between the Council, Chief Executive Officer, senior management, internal audit and external audit.
- To ensure that the internal audit function is adequately resourced and that the Chief Internal Auditor has appropriate independence and standing within the City of Sydney.
- To approve the internal audit plan and ensure it is linked with and covers the major risks identified in the City of Sydney Council's risk profile and Executive focus areas.
- To promote co-ordination between management and internal and external auditors.
- To review any significant matters reported by the Chief Internal Auditor and ascertain whether management's response is adequate
- To monitor remedial action by management of internal audit recommendations made.
- 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.

### **External Audit**

- Act as a forum for communication between the Council, Chief Executive Officer, 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.

### ***Fraud and Corruption Prevention***

- To discuss and review with management, its philosophy with respect to business ethics and corporate conduct, its written code of conduct and program it has to monitor compliance with that code.
- Monitor the level and issues raised in relation to Protected Disclosures being considered by the City of Sydney Council.
- To assess the City of Sydney Council's exposure to fraud and corruption.

To receive and consider information and advice presented by the Executive on the strategies and controls to manage fraud and corruption risks.

### ***Other***

- To request and review special audits or investigations as may be necessary.
- To consider other matters, as referred to the Committee by the Council.
- To meet separately "in camera" (without management present) with the relevant personnel for Council's internal and external audit functions at least annually to assess management's effectiveness of risk management and internal control.
- Annually assess the adequacy of the Audit Risk and Compliance Committee Charter.

### ***Access***

Committee members will at all times have free and unfettered access to the Chief Internal Auditor, external auditors, senior management, the risk management function and vice versa.

### **Membership**

#### ***Composition***

The Committee shall consist of:

- The Lord Mayor (or delegate)
- One Councillor
- Three independent external members (an independent to be the chairperson)

Ex-officio attendees will include:

- Chief Executive Officer
- Chief Financial Officer
- Director Legal and Governance
- Chief Internal Auditor
- Governance and Risk Manager

Invitees will include:

- Representatives of the external auditor
- Other officers may attend by invitation as requested by the Committee

Members of the Committee will be selected by the Lord Mayor in consultation with the Chief Executive Officer. Employees of the City cannot be members of the Committee.

### ***Tenure***

The independent external members will be appointed for a four year period, which, where possible, will overlap the term of the Council by one year, to maintain continuity of knowledge, after which they will be eligible for re-appointment.

## ***Responsibilities***

Committee members shall treat all information received as part of the Committee as confidential. Members of the Committee are expected to understand and comply with the following policies and documents:

- Code of Conduct; and
- Fraud and Corruption Prevention Policy.

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

The Lord Mayor and Councillor members will each be able to nominate another Councillor as substitute representative to attend meetings on their behalf.

## ***Induction***

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

## ***Assessment Arrangements***

On an annual basis, members will assess the administrative and operational aspects of the Committee. The purpose is to identify opportunities for improvement in the efficiency and effectiveness of its operations.

## ***Meetings***

The Committee shall hold a minimum of four meetings per year and such additional meetings as the chairperson shall decide in order to fulfil its duties. A quorum shall consist of a majority of members, including at least one independent member.

Additionally, the Chief Executive Officer will invite all Councillors to observe the Audit Risk and Compliance Committee meetings and the Secretariat for the Audit Risk and Compliance Committee will provide meeting agendas and briefing material will also be made available on all Councillor iPads via Diligent Board Books at least one week prior (where possible) to each Audit Risk and Compliance Committee meeting.<sup>1</sup>

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

## ***Minutes and papers***

Meeting agendas will be prepared and provided to members at least one week before each meeting, along with appropriate briefing materials. Minutes shall be approved by the Chairperson and circulated to each member within three weeks of the meeting being held.

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<sup>1</sup> Added per Item 13.8 Notices of Motion dated 7 August 2017 (Audit Risk and Compliance Committee Protocol).

### **Conflict of Interests**

Committee members must declare any conflict of interest at the start of each meeting or before discussion of a relevant agenda item or topic and where appropriate excuse themselves from participating in Committee deliberations.

### **Secretariat**

The Committee has appointed the Internal Audit Unit to be responsible for ensuring that the Committee has adequate secretarial support. The Secretariat will ensure that the agenda for each meeting and supporting papers are circulated, at least one week before the meeting and ensure minutes of the meeting are prepared and maintained.

### **Closed sessions**

Closed sessions may be held at the request of the Committee to discuss specific issues. Relevant staff will be invited by the Committee to attend.

### **Reporting Responsibilities**

The Committee should report at least annually to Council. The Chief Executive Officer should also provide an annual report to the Committee on the performance of the internal audit function.

The City of Sydney's annual report should include a statement describing the responsibilities of the Committee.

### **References**

#### **Laws and standards**

- Section 23A of the Local Government Act 1993

#### **Policies and procedures**

- Code of Conduct
- Fraud and Corruption Prevention Policy
- Internal Audit Charter

### **Approval**

The Council approved this policy on 10 December 2012. Date of last review: 02 July 2020.

### **Review**

<b>Review period</b>	<b>Next review date</b>	<b>TRIM reference</b>
The Audit Risk and Compliance Committee will review this policy every year (Owner: Audit Risk and Compliance Committee Chairperson).	June 2021	2015/138259