

EXPRESSION OF INTEREST

AUDIT AND RISK COMMITTEE INDEPENDENT MEMBER

Information Pack

Overview

Kempsey Shire Council administers an area of 3,380 square km with approximately 30,000 residents. Total assets are valued at over \$1B and an annual revenue of over \$73M. Council is working closely with the community to build strategies that enhance our quality of life, promote sustainable development and protect our environment.

The Audit and Risk Committee has recently been established to promote open and transparent governance at Kempsey Shire Council. Good governance supports Council's vision of delivering the highest quality service valued and trusted by the community, in an effective and efficient manner.

Through this Expression of Interest (EOI) process, Council is seeking to appoint two (2) suitable candidates with appropriate skills and experience for the role of independent external members of the Audit and Risk Committee.

Committee Objectives

The objective and focus of the Committee is to provide independent assurance, oversight and assistance to Council on risk management, control, governance, and external accountability responsibilities, on an advisory capacity.

The responsibilities of the Committee will include, but not be limited to, keeping under review the following aspects of Council's operations:

- ✓ risk management;
- ✓ procurement and fraud control;
- ✓ contract management;
- ✓ financial management;
- ✓ governance;
- ✓ legislative compliance; and
- ✓ any other matters prescribed by the regulations.

As part of this objective, the Committee will ensure that there are adequate and effective systems of internal control in place throughout Council and will assist in the implementation of the internal and external audit plans. The Committee will also provide advice to the Council for the purpose of improving the Council's performance of its functions.

Audit and Risk Committee Charter

The Committee will operate in accordance with the Audit and Risk Committee Charter. The Charter is based on the guidelines issued by the Chief Executive of the Office of Local Government pursuant to section 23A of the Local Government Act 1993 and drafted in

consideration of the amendments proposed in Part4A of the Local Government Amendment (Governance and Planning) Act 2016.

Committee Membership

The Committee membership (voting) comprises one elected Councilor and two independent external members, one of whom is the Chairperson.

The General Manager and other staff (non-voting) participate in Committee meetings as required. Representatives from Council's external and co-sourced internal audit firms may also be in attendance.

Appointment of Committee members

Appointment of members will be for a term of up to two (2) years, or as otherwise determined by resolution of Council, after which members may be eligible for extension or re-appointment following a formal review of performance by Council.

All appointments are to be made based upon a demonstrated ability to meet the selection criteria.

Selection Criteria

The independent external members of the Committee, taken collectively, will have a broad range of personal qualities, skills and experience relevant to the operations of Kempsey Shire Council.

One external member of the Committee will have a strong financial management and/or audit background, with an understanding of accounting and auditing standards in a public-sector environment. Legal, governance, risk management, information and communications technology (ICT) and business management skills and experience are desirable.

The following criteria will be considered in relation to skills and experience when assessing applications:

- Relevant professional qualifications
- Relevant professional knowledge and expertise
- Understanding of / experience in local government
- Understanding of the role of corporate governance in organisations
- Current / prior experience on similar committees in the local government sector

Role and Responsibilities

The role and responsibilities of the Committee is in accordance with the Audit and Risk Committee Charter, which may be revised or expanded by Council from time to time.

Members of the Committee are expected to:

- Understand the relevant legislative and regulatory requirements appropriate to Kempsey Shire Council.

- Contribute the time needed to study and understand the papers provided.
- Apply good analytical skills, objectivity and good judgment.
- Express opinions frankly, ask questions that go to the fundamental core of issues, and pursue independent lines of enquiry.
- Attend and actively participate in meetings of the Audit and Risk Committee
- Work collaboratively with other members of the Committee in achieving the Committee's objectives
- Understand the relevant legislative and regulatory requirements appropriate to NSW Local Government
- Provide well considered advice and recommendations to Council based on objective analysis of facts that are relevant to the agenda items being considered
- Action and follow up tasks established by the Committee.

Committee Meetings

The Committee shall meet at least four times per year (quarterly), with the standard duration for a meeting being three hours. If necessary, an additional meeting will be held to review and endorse the annual audited financial reports and external audit opinion. Preparation will involve review and critical analysis of the agenda pack.

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

Reporting Arrangements

The Committee's role is to review aspects of Council's operation and provide advice and guidance to Council for the purpose of improving the performance of its functions.

Minutes of the Committee are to be reported quarterly to Council.

On an annual basis, the Chair will provide a consolidated Audit and Risk Committee and Internal Audit Annual Report to Council.

Constraints

All Committee members are required to comply with the following:

- Maintain confidentiality in relation to all discussions and information obtained during or as a result of Committee meetings
- Declare a direct conflict of interest with any issue on the agenda at the commencement of the meeting or should any potential conflicts occur
- All conflicts of interest are to be declared and recorded in the minutes and, if necessary, the parties involved will be asked to leave the room while the matter is discussed.

Code of Conduct

All Committee members shall abide by Council's Code of Conduct and relevant policies at all times.

Induction and training

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

Remuneration for meetings

Council nominated remuneration for independent external membership of the Audit, Risk and Improvement Committee is \$500 per meeting (excluding GST). This rate is inclusive of time spent on preparation for the meeting and travel.

Expression of Interest Submission

Council invites interested persons to submit an Expression of Interest to Council via the on-line application process on our website at: <https://www.kempsey.nsw.gov.au/jointeam>

Enquiries

All enquiries or requests for information should be directed to John Gilroy, Manager Organisation Development and Performance by telephoning 0488405827 or email john.gilroy@kempsey.nsw.gov.au.

AUDIT AND RISK COMMITTEE CHARTER

1. Objective

The objective of the Audit and Risk Committee (the Committee) is to provide independent assurance and assistance to the KEMPSEY SHIRE COUNCIL on risk management, control, governance, and external accountability responsibilities.

2. 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.
- 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)

- Councillor
- Independent external member (not a member of the Council).
- Independent external member (not a member of the Council to be the chairperson).

3.2 Attendee (non-voting)

- General Manager
- Internal Auditor
- Director, Corporate and Commercial
- Director, Operations and Planning

3.3 Invitees (non-voting) for specific Agenda items

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

The independent external members will be appointed for the term of council, after which they will be eligible for extension or re-appointment following a formal review of their performance.

The members of the Committee, taken collectively, will have a broad range of skills and experience relevant to the operations of KEMPSEY SHIRE 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.

Guidelines under section 23A of the Local Government Act 1993 September 2010 54

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

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

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 whether policies and procedures are complied with;
- Review whether appropriate policies and procedures are in place for the management and exercise of delegations; and
- Review whether management has taken steps to embed a culture which is committed to ethical and lawful behaviour.

4.3 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 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.

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:

- Understand the relevant legislative and regulatory requirements appropriate to KEMPSEY SHIRE COUNCIL.
- Contribute the time needed to study and understand the papers provided.
- Apply good analytical skills, objectivity and good judgment.
- Express opinions frankly, ask questions that go to the fundamental core of issues, and pursue independent lines of enquiry.

5. Reporting

At the first Committee meeting after 30 June each year, Internal Audit will provide a performance report of:

- 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.

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.

The Committee will report regularly, and at least annually, to the governing body of council on the management of risk and internal controls.

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

6.2 Attendance at Meetings and Quorums

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

The Head of Internal Audit 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 Head of Internal Audit and the External Auditor in the absence of management on at least one occasion per year.

6.3 Secretariat

The Committee has appointed the Head of Internal Audit 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 with this in mind.

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.

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 and Risk Committee Charter

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

The Audit and Risk Committee will approve any changes to this Audit and Risk Committee Charter.

Approved:
Audit and Risk Committee Meeting
Date: