



# Gladstone Regional Council

## Council Policy

<b>Title</b>	<b>AUDIT RISK AND IMPROVEMENT COMMITTEE</b>
<b>Policy Number</b>	<b>P-2020-15</b>
<b>Business Unit/s</b>	<b>FINANCE GOVERNANCE AND RISK</b>
<b>Date of Adoption</b>	<b>02 NOVEMBER 2020</b>
<b>Resolution Number</b>	<b>S/20/4337</b>
<b>Review Date</b>	<b>02 NOVEMBER 2023</b>
<b>Date Repealed</b>	

### 1.0 PURPOSE:

The Policy defines the responsibilities of the Audit, Risk and Improvement Committee and explains the role of the Committee within Council. The Audit, Risk and Improvement Committee has the role and responsibilities of an Audit Committee as defined by Section 105 the *Local Government Act 2009*.

### 2.0 SCOPE:

This policy applies to the activities of Gladstone Regional Council's Audit, Risk and Improvement Committee.

### 3.0 RELATED LEGISLATION:

- *Local Government Act 2009*
- *Local Government Regulation 2012*

### 4.0 RELATED DOCUMENTS:

- Gladstone Regional Council Ethics Integrity and Audit Policy.

### 5.0 DEFINITIONS:

**"Internal Audit"** is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. (Institute of Internal Auditors).

## 6.0 POLICY STATEMENT:

### 6.1 Committee Objectives

The primary objective of the Committee is to assist Council in fulfilling its oversight responsibilities relating to accounting, auditing and reporting requirements imposed under the *Local Government Act 2009* and other relevant legislation.

The Committee supports Council by:

- Reviewing the financial statements and public accountability performance reporting;
- Reviewing effectiveness of governance, risk management and control;
- Promoting economy, efficiency, effectiveness and ethical culture;
- Reviewing reliability of management information;
- Monitoring and evaluating internal audit performance;
- Reviewing effectiveness of fraud control measures; and
- Monitoring compliance with laws, regulations, standards and good practice.

### 6.2 Authority

The Audit, Risk and Improvement Committee has the authority to recommend investigations into matters within its scope of responsibility.

### 6.3 Independence and Access

6.3.1. The Committee will need to liaise closely with management and internal and external auditors to carry out its responsibilities. Whilst the primary responsibility for financial and other reporting, internal control and compliance with laws, regulations and ethics within Council rests with executives and management, the Audit, Risk and Improvement Committee shall exercise a monitoring and review role.

6.3.2. The Committee will have unrestricted access to all information, including documents and personnel, and have adequate resources in order to fulfil its oversight responsibilities.

### 6.4 Membership

Section 210 of the *Local Government Regulation 2012*, states that the Committee must consist of at least 3 and no more than 6 members and include 1, but no more than 2, Councillors appointed by the local government, and at least 1 member who has significant skills in financial matters. The local government must appoint 1 of the members of the audit committee as chairperson.

When considering membership and the duration of appointments, Council will consider the rotation of representatives, which is accepted as the best practice model for ensuring ongoing independence and objectivity whilst retaining a degree of continuity via a core of experience.

Councillor Appointments:

Council will nominate two (2) Councillor appointments on a voluntary rotational basis with a minimum appointment period of 18 months. In addition, Council will nominate two (2) proxy members to attend on behalf of a current Councillor representative who is unable to attend. It is desirable and beneficial for proxy members to always attend and observe meetings for continuity of knowledge if required to participate due to an absence.

Council considers there is benefit in elected member representation being a mix of new and experienced Councillors where practical and accordingly will rotate Councillor appointments in the middle of an election term.

The Mayor is a non-voting Ex Officio member.

External Appointments:

Council will appoint a minimum of 2 external members to the Committee through an expression of interest process.

External appointments will be for a maximum five-year term, unless sooner terminated by the resignation or dismissal of a member. Appointment of external members will be for an initial period of up to 18 months as determined by Council, with a further term up to the maximum tenure being subject to mutual agreement between Council and the external appointee.

Replacement appointments for a member who resigns or is dismissed, will be limited to the end of the original serving member's term. *(For example, if a member resigns at the end of their fourth year, the replacement appointment will be for one year only.)*

Recruitment for external appointments will be undertaken on a staged basis. This staged approach will continue on a rolling basis with recruitment anticipated to commence within 12 months prior to expiry of an external members term.

Other Attendees

The Chief Executive Officer, the General Manager Finance Governance and Risk, the Manager Governance and an Internal Audit Representative should attend all meetings but are not members and have no voting rights. General Managers attend to present relevant agenda report items. Elected Councillors who are not sitting members of the Committee may attend meetings as Observers.

External Auditors and representatives of the Queensland Audit Office are invited to attend any or all meetings as they consider appropriate and as it relates to Audit and Finance matters.

## **6.5 Responsibilities**

Members of the Committee will, at all times in the discharge of their duties and responsibilities, exercise honesty, objectivity and probity and not engage knowingly in acts or activities that have the potential to bring discredit to Council or be considered a conflict of interest.

Members also must refrain from entering into any activity that may prejudice their ability to carry out their duties and responsibilities objectively and must at all times act in a proper and prudent manner in the use of information acquired in the course of their duties.

Members must not use information obtained through their position on the Committee for any personal gain for themselves or their immediate family, or in any manner that would be contrary to law, or detrimental to the welfare and goodwill of Council.

Further, members must not publicly comment on matters relative to activities of the Committee other than as authorised by Council.

The specific responsibilities of the Committee are:

External Audit

- 6.5.1. Oversee Council compliance with the *Local Government Regulation 2012* requirements for financial reporting.
- 6.5.2. Review the scope of the total audit activities with the external auditors.
- 6.5.3. Review the effectiveness of the annual external audit plan, to ascertain whether emphasis is being placed on areas where the committee, management or the auditors believe special attention is necessary.
- 6.5.4. Review management responses to audit reports and the extent to which external audit recommendations have been actioned and implemented.
- 6.5.5. Review the final draft financial statements prior to commencement of the external audit review. The review should focus on:
  - (i) significant changes in accounting policies and practices
  - (ii) areas of significant judgement or accounting estimates
  - (iii) significant audit adjustments (adjusted or unadjusted differences)
  - (iv) proposed departures from accounting standards.

Internal Audit

- 6.5.6 Review the Three Year and Annual Internal Audit Plans to assess:
  - (i) That the proposed activities contribute to meeting the organisations short and long-term goals, priorities and values.
  - (ii) That appropriate measures are in place for monitoring the progress and outcomes of the plans.
  - (iii) If the activities are achievable within the organisation's budgetary requirements.
  - (iv) If the proposed activities consider the full spectrum of the risks of Council.

The Committee should also provide, where appropriate, recommendations or findings it may wish the organisation to consider in its internal audit activities.

- 6.5.7. Ascertain that the activities undertaken by the ethics, integrity and internal audit function are in accordance with the Ethics, Integrity and Audit Policy and adopted standards and practices.
- 6.5.8. Review the Ethics Integrity and Audit Policy, resources and budget, and ensure that practices maintain and enforce ethics integrity and audit's independence from management.

- 6.5.9. Assess whether all significant recommendations of the Ethics, Integrity and Audit Functions have been properly implemented by management. Any reservations the functions may have should be discussed by the Committee.
- 6.5.10. Monitor the performance and effectiveness of audit work by outsourced internal auditors.
- 6.5.11. Oversee management's efforts to create and maintain a strong internal control environment, including the design and implementation of anti-fraud and corruption strategies and programs.

#### Financial

- 6.5.12. Review the Audit disclosures and Financial Statements included in the proposed Annual Report of Council.
- 6.5.13. Analyse Council's financial performance and financial position with a focus on any significant trends or variations from budget or forecasts.
- 6.5.14. Review the effectiveness of the control environment established by management including computerised information system controls and security.

#### Asset Management

- 6.5.15. Monitor and review asset revaluation programs, processes, policies, activities and outcomes including the quality and timeliness of preparation.
- 6.5.16. Monitor the effectiveness of asset management activities particularly implementation of asset management plans.

#### Risk Management

- 6.5.17. Review the effectiveness of the risk management framework and assist with the development of a risk aware culture through the facilitation of risk management.
- 6.5.18. Monitor that Councils risk management activities are not limited to insurance coverage but includes active risk minimisation.
- 6.5.19. To assist the Audit, Risk and Improvement Committee with its review, the Committee will be provided periodically with an overview of the status of the following risk issues including but not limited to:
  - i. Council's major policies with respect to risk assessment and risk management, to ensure that they embrace best practice standards.
  - ii. Process and practices that support effective business continuity.
  - iii. Significant information systems breaches, concerns and improvements.
  - iv. Significant litigation issues.
  - v. Council's insurance coverage, the cost of cover and other relevant insurance details.
  - vi. The status in implementing Risk Registers throughout the organisation.
  - vii. Significant risk incidents and their outcomes.
  - viii. Emerging risk issues, including major projects.

- 6.5.20. Ascertain whether fraud and corruption risks have been included in the assessment of the risk profile of Council.
- 6.5.21. Consider risk and probity matters associated with significant procurement activities.
- 6.5.22. Consider reports on changes in the corporate risk profile including consideration of emerging risk areas.

#### Governance

- 6.5.23. Monitor compliance with important regulations relevant to Council's activities including statutory regulations for any subsidiaries of Council.
- 6.5.24. Monitor implementation of policies and corporate standards relating to risk management, fraud and corruption and other related sensitive issues.
- 6.5.25. Periodically review the effectiveness of Council's fraud and corruption controls.
- 6.5.26. Oversee how management is monitoring the effectiveness of its compliance and assurance program and making changes as necessary.
- 6.5.27. Monitor business continuity management including ICT disaster recovery arrangements.
- 6.5.28. Recommend special projects or investigations on any matter within its terms of reference
- 6.5.29. Review and recommend changes necessary to the Committee's Policy on a three-yearly basis.

#### **6.6 Administrative Arrangements**

- 6.6.1. The Committee will meet at least four times per financial year with the date, time and place for the meetings established through consultation with the committee members, Chief Executive Officer and Council. In addition, the Chief Executive Officer may call a meeting if requested to do so by any Committee member, or the internal or external auditors.
- 6.6.2. A quorum shall consist of three members. Alternate member/s will be appointed for either elected representative. The alternate/s will be appointed by Council and hold the role for their elected term in office unless resolved otherwise by Council.
- 6.6.3. The external auditors shall be given notice of all meetings and sent an agenda. The external auditors shall have the right to attend and speak.
- 6.6.4. The Governance team will make administrative arrangements to ensure that an agenda, developed in consultation with the Chairperson, is circulated to the Audit, Risk and Improvement Committee members, any other Council officer requested to attend and the external auditors, at least five (5) working days before the day of the meeting, if practicable.

- 6.6.5. Members of the committee are required to provide declarations of any conflicts of interest or related parties they may have in relation to their responsibilities. Declarations will be recorded in the minutes of the relevant meeting. Where there is a conflict of interest declared and the member wishes to remain for consideration of the relevant agenda item, the committee will decide if appropriate to do so.
- 6.6.6. The Governance team will provide secretarial functions to the meetings and prepare minutes of each meeting for endorsement by the Chairperson. Minutes will be provided to the Audit, Risk and Improvement Committee members, permanent attendees and external auditors as soon as possible after the meeting but no later than one month following the meeting.
- 6.6.7. The minutes of the Committee meetings will be provided to Council, and upon adoption by Council, extracts distributed to relevant action officers for implementation of meeting actions.
- 6.6.8. Meetings will provide the opportunity for the Audit, Risk and Improvement Committee members to meet with ethics, integrity and internal audit and/or external audit without management being involved.
- 6.6.9. On an annual basis, submit a summary of the role and achievements of the Committee for the year, and contribute to Council's Annual Report including a statement on whether the Committee has observed the terms of the Policy. In addition, the committee will be invited to present informally to Council on progress of the committee every six months.

## **6.7 Training**

New members of the Audit, Risk and Improvement Committee will be provided with induction material to allow the member to familiarise themselves with the environment and to facilitate their understanding of its principal operations and activities, corporate practices and culture.

## **6.8 Self Evaluation**

- 6.8.1. Annually, the Audit, Risk and Improvement Committee should assess the performance and achievements of the Committee for the previous period and ensure that it is meeting its objectives efficiently and effectively.
- 6.8.2. The Committee will confirm annually that all responsibilities outlined in this Policy have been carried out.
- 6.8.3. Where this evaluation highlights a need for enhancements to the role, operational processes or membership of the committee, the Chairperson should take action to ensure such enhancements are implemented.

## **7.0 ATTACHMENTS:**

Nil

## **8.0 REVIEW TRIGGER:**

This policy will be reviewed when any of the following occur:

1. The related legislation or governing documents are amended or replaced; or
2. Other circumstances as determined by resolution of Council or the CEO; or
3. Three years from date of adoption.

<b>TABLE OF AMENDMENTS</b>			
<b>Document History</b>	<b>Date</b>	<b>Council Resolution No.</b>	<b>Notes (including the prior Policy No, precise of change/s, etc)</b>
Originally Approved	5 October 2010	G/10/23	
Amendment 1	3 July 2012	G/12/1103	
Amendment 2	17 September 2013	G/13/1722	
Amendment 3	7 April 2015	G/15/2363	
Amendment 4	4 December 2018	G/18/3593	
Amendment 5	2 November 2020	S/20/4337	Name change, membership clause, revision to responsibilities.

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**LEISA DOWLING**  
**CHIEF EXECUTIVE OFFICER**