

CENTRAL TABLELANDS ALLIANCE (CTA) AUDIT, RISK AND IMPROVEMENT COMMITTEE CHARTER

1 Introduction

- 1.1 The CTA Audit, Risk and Improvement Committee (the Committee) has been established by Lithgow City Council and Oberon Council. The Committee aims to promote the good corporate governance of both Councils. The Charter sets out the Committee's objectives, authority, composition and tenure, roles and responsibilities, reporting and administrative arrangements.

2 Committee Objectives

- 2.1 The Committee has an important role in the governance framework of both Councils. The objective of the Committee is to provide independent assurance and assistance to Council with respect to the following key areas as per Section 428A of the Local Government Amendment (Governance and Planning) Act 2016:
- Compliance;
 - Risk management;
 - Fraud control;
 - Financial management;
 - Governance;
 - Implementation of the strategic plan, delivery program and strategies;
 - Service reviews;
 - Collection of performance measurement data; and
 - Any other matters prescribed by the regulations.
- 2.2 The Committee is also to provide information to the Councils for the purpose of improving the Councils' performance of their functions.

3 Authority

- 3.1 The CTA Audit, Risk and Improvement Committee is an advisory committee, and will provide advice, feedback, and support to the Councils in developing, implementing and monitoring policies and strategies which relate to the governance of each Council.
- 3.2 Each Council authorises the Committee, within the scope of its role and responsibilities, to:
- Reasonably obtain any information it needs from any employee and/or external party (subject to their legal obligation to protect information);
 - discuss any matters with the General Managers, external auditors and contract internal auditors (subject to confidentiality considerations);
 - request of the General Managers, the attendance of any employee at Committee meetings;
 - subject to the approval of the Councils, the Committee may obtain external legal or other professional advice, as considered necessary to meet its responsibilities; and
 - provide regular assessments of the adequacy and effectiveness of the Councils'

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processes and controls for managing its activities and risks

- 3.3 The Committee does not have decision making authority, the power to bind either Council, nor the power to incur expenditure.

4 Composition of Committee

- 4.1 The Committee will hold separate meetings for each Council on the same pre-arranged meeting dates. The venue for each meeting will alternate between Lithgow and Oberon Councils.

Members – Voting

- 4.2 The Committee will consist of the following voting members for each Council:
- Three external independent members, one of whom will be appointed chairperson;
 - The Mayor of each Council (or their delegate); and
 - A Councillor of each Council.

Independent members are to be appointed following public advertisement inviting expressions of interest, by a panel (the Selection Panel) comprised of one voting representative from each Council and one external representative from a Government, Community or professional body.

The Council may appoint an alternate Councillor to the Committee to attend meetings in the absence of the Mayor or Councillor. The alternate Councillor delegate will have the same voting rights as the Councillor being replaced.

The members appointed to the Committee for each Council will be subject to approval by resolution of each Council.

Independent Member Skillset

- 4.3 The Selection Panel will aim to ensure that the independent members, in aggregate, have recent and relevant:
- Professional financial and accounting experience and relevant qualifications;
 - Risk management experience;
 - Performance improvement experience;
 - Community service experience;
 - Local government / public sector experience; and
 - Legal or governance experience.

It is preferable for independent members to be non-residents and non-ratepayers of the Lithgow and Oberon Local Government areas.

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One of the independent Committee members will be appointed by the Committee as the Chair of the Committee. This role is an administrative role only, with no authority to act or direct action on behalf of the Council or other independent members. The specific responsibilities of the Chairperson are set out on Section 7.2.

One of the other two independent Committee members will be appointed by the Committee to carry out the functions of the Chair, in the Chair's absence.

The independent members on the Committee will be remunerated for attending Committee meetings at the remuneration level adopted by both Councils (as detailed in Section 10).

A vacancy for an independent member of the Committee may occur upon the resignation of the member, expiry of a term of appointment, death of the member, failure to attend without cause for three consecutive meetings, or by removal by resolution of each Council (see Section 5.5).

Vacancies for independent members on the Committee will be filled by the Selection Panel Panel, following public advertisement inviting expressions of interest (refer to Section 4.2). This will occur as soon as practically possible.

Former Council staff and Councillors of either Council may be eligible for appointment as an independent member to the Committee following a five year 'break- from- service'. Committee members must decline any request to act as referee to applicants for vacant positions on the Committee.

Independent Committee members are required to have an independence of mind in deliberations and not act as a representative of a particular area of the community or either Council. Committee members are required to declare any conflicts of interest (refer to Section 9.11) that may arise in accordance with this Charter, and may do so in the following ways:

- Annual written declaration (mandatory).
- Verbal declaration during Committee meetings (start of meeting or before discussion of relevant agenda item or topic).

Ex-officio members and invitees (non-voting)

- 4.4 Each Council's General Manager, Director Corporate Services (Oberon), Chief Financial and Information Officer (Lithgow) will attend Committee meetings as ex-officio members and will provide professional advice to the Committee.

Other Council staff, advisors, contract internal auditors or individuals may attend meetings from time to time to provide expert advice, information, or presentations in relation to Committee business. Attendance of any person at Committee meetings is by invitation and approval of the Committee.

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External Auditors (non-voting)

- 4.5 The NSW Audit Office and both Councils' contract external auditors (if applicable) will be invited to attend all Committee meetings.

5 Term of Appointment

Independent Members

- 5.1 The independent members of the Committee will be appointed for the term of Council, coinciding with the four-year term of Council. At the end of each term of Council, all positions on the Committee will become vacant and new Committee members will be sought in accordance with Clause 4 of this Charter.

Independent members of the Committee that have served two consecutive terms or eight years, whichever is the greater, will not be eligible for reappointment.

The performance of independent members will be subject to performance review at the end of each term of appointment. Performance reviews will be conducted by each General Manager in consultation with the Committee chairperson and Councillor delegates to the Committee, except in the case of a performance review of the chairperson, which will be undertaken by each General Manager in consultation with the Councillor delegates to the Committee only.

Either Council may require additional performance reviews of any independent member and must give reasonable notice of that review.

Chairperson

- 5.2 The voting members of the Committee will endorse one of the independent members as chairperson for the term of Council, coinciding with the four-year term of Council.

The term of appointment to the role of chairperson can be extended at the request of the Committee and by the approval of each Council, but any extension must not cause the total term to exceed five years as chairperson of the Audit, Risk and Improvement Committee.

A chairperson's appointment or extension of appointment will be subject to report to, and confirmation by resolution of, both Councils.

Councillor Delegates

- 5.3 Councillor delegates, including any alternate delegate(s), are elected and appointed by each Council for a term determined by the Council, with a minimum term of one year, up to a period equal to the term of the Council.

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Removal of a Member

- 5.4 Either Council may at its absolute discretion, resolve to remove a member from the Committee at any time but must provide the reasons for that removal.

The removal or suspension of a Councillor or independent member where she/ he is found by the appropriate investigative body to have behaved inappropriately (for example, found to have breached disclosure of interests requirements under the Local Government Act) and/or breached the Council's Code of Conduct, following a Code of Conduct investigation, requires a resolution of Council. Formal removal or suspension of a member by Order of NCAT or by OLG is not subject to approval of Council.

Clause 5.4 does not permit either Council to remove a member of the Committee who is a Councillor or staff member of the other Council.

Vacancies

- 5.5 A vacancy on the Committee may occur upon:
- The resignation of the member;
 - Expiry of a term of appointment as outlined in this Charter;
 - Death of the member;
 - Failure to attend without cause or notice, two consecutive meetings; or
 - Removal by resolution of Council.

Prior to a member who fails to attend without cause or notice having their position vacated, the General Managers in consultation with the chairperson and Councillor delegates of the Committee must assess that member's performance. A recommendation will be made to the Committee (excluding that member) as to the position being vacated either permanently or temporarily, or other appropriate action to be taken.

Permanent independent member vacancies that occur on the Audit, Risk and Improvement Committee will be filled by a selection process as set out in Section 4.2.

For Councillor delegates, election and appointment is by resolution of each Council.

Temporary vacancies that occur on the Committee affecting the quorum may be filled by a suitably qualified person, appointed by the General Managers following consultation with the Committee chairperson and/or Councillor delegates on the Committee.

6 Responsibilities and Functions

It is acknowledged that the Lithgow City Council and Oberon Council may be at different stages of maturity in relation to the Committee's performance of its responsibilities and functions.

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Compliance

- 6.1 Oversight of the Councils' compliance arrangements and:
- Determine if management has appropriately considered legal and compliance risks as part of risk assessment and management arrangements; and
 - Review the effectiveness of systems for monitoring compliance with relevant laws, regulations and associated government policies.

Risk Management

- 6.2 Oversight of the Councils' risk management arrangements and review whether:
- Council complies with relevant risk management principles and guidelines such as AS/NZS ISO 31000 (2009);
 - 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;
 - A sound and effective approach has been followed in establishing business continuity planning arrangements, including whether plans have been periodically tested;
 - A sound and effective approach has been followed in developing strategic risk management plans for major projects or undertakings; and
 - Risk mitigation strategies are adequate and effective, including insurance arrangements.

Fraud Control

- 6.3 Oversight of the Councils' fraud and corruption prevention arrangements and:
- Review and discuss with the Councils their philosophy with respect to business ethics and corporate conduct, its Code of Conduct and the program it has in place to monitor compliance with that Code;
 - Monitor the level of and issues raised in relation to Public Interest and internal and external conduct investigations (for example by the Independent Commission Against Corruption);
 - Review the Councils' assessment of the level of exposure to fraud and corruption; and
 - Receive and review management's strategies and controls to manage fraud and corruption risks.

Financial Management

- 6.4 The Committee will advise the Councils' whether the financial information reported by management reasonably portrays the Councils' financial position, results of operations and significant commitments. In fulfilling this responsibility the Committee will:
- Review quarterly budget review statements and consider whether they are complete and consistent with information known to Committee members;

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- Review the annual financial statements and consider whether they are complete and consistent with information known to Committee members;
- Review long term financial plans and strategies adopted by each Council; and
- Review any project proposals which involve significant expenditure (over \$10M) or joint project delivery (e.g. joint venture).

Governance

6.5 Oversight of the Councils' key governance processes including:

- Managing conflicts of interests;
- Monitoring the policy register and policy review timeframes;
- Monitoring the implementation of resolutions of each Council;
- Corruption risk management;
- Developing and maintaining staff awareness of ethical conduct, risk management and corruption prevention; and
- Complaint management policies and practices.

Implementation of the Strategic Plan, Delivery Program and Strategies

6.6 The Committee will:

- Monitor the implementation of each Council's Operational Plan;
- Review and monitor progress of implementation of each Council's Delivery Program; and
- Review and monitor each Council's progress towards implementing the Community Strategic Plan.

Service Reviews

6.7 The Committee will:

- Satisfy itself that any Service Reviews are being carried out by each Council are in line with the Office of Local Government principles for Service Reviews.

Collection of Performance Measurement Data

6.8 The Committee will:

- Review each Council's progress against key performance indicators documented in the Operational Plan; and
- Provide advice to the General Managers on the adequacy of each Council's performance against the key performance indicators.

Internal and External Audit

6.9 The Committee will have oversight of the functions of both internal audit and external audit, including where appropriate:

- Appointment of contract internal auditors to complete internal audit projects;
- Internal audit engagement letters;
- Coordination of audit activities;

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- Monitor audit results and follow up activities; and
- Review of internal and external auditor performance.

In fulfilling these responsibilities the Committee will:

- Recommend to each Council the appointment of contract internal auditors to complete internal audit projects;
- Consider, approve and monitor the three year audit plan for internal audit activities;
- Ensure that all key systems, processes, operations, functions, and activities of each Council are subject to internal audit evaluation at regular intervals based on risk assessment;
- Monitor, through the results of internal and external audits, the auditor's review of the adequacy and effectiveness of Council's internal control structure (including review of management responses to audits);
- Review audit reports and the practicality of any recommendations - the Committee will receive reports on the implementation by management of recommendations of audit reports;
- Review the external auditor's management letters and management's response to letters; and
- Provide input and feedback on external audit coverage and performance.

Other functions

6.10 In addition to the specific functions listed in this Charter, the Committee is to undertake other activities related to its responsibilities as prescribed by legislation, regulations or as requested by either Council from time to time.

7 Responsibilities of Members

7.1 Members of the Committee, in performing their duties, are expected to:

- Act honestly and in good faith;
- Perform their duties in a manner which ensures public trust in the integrity, objectivity, and impartiality of the Committee;
- Make themselves available as required to attend and participate in meetings;
- Contribute the time needed to study and understand the reports provided;
- Apply good analytical skills, objectivity and good judgement;
- Comply with each Council's Codes of Conduct; and
- Comply with the Audit, Risk and Improvement Committee Charter.

Specific Responsibilities of the Chairperson

7.2 The chairperson will manage the Committee with the following specific duties and responsibilities:

- Act as chair, unless absent, at all meetings of the Committee;
- Set the agenda for each meeting of the Committee;

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- Be responsible for the management and effective performance of the Committee;
- Assist the Committee in the discharge of its responsibilities and functions;
- Conduct an annual review of the Committee;
- Ensure the Committee reviews its Charter as required by Section 9;
- Prepare regular, and at least annual, reports to each Council on the activities of the Committee and make recommendations as required; and
- Any other duties and responsibilities set by either Council.

8 Reporting

- 8.1 The minutes of meetings will be provided to each Council for information. Minutes will also be distributed to all Committee members.

The Committee will regularly, but at least once a year, report to each Council on its operation and activities during the year. The report should include:

- An overall assessment of Councils' risk, control and compliance framework, including details of any significant emerging risks or legislative changes impacting each Council;
- A summary of the work the Committee performed to fully discharge its responsibilities during the preceding 12 month period;
- Details of meetings, including the number of meetings held during the relevant period, and the number of meetings each member attended;
- A summary of each Council's progress in addressing the findings and recommendations made in internal and external reports; and
- A summary of the Committee's assessment of the performance of each Council's internal audit function.

The Committee's annual report will form part of each Council's annual report.

The Committee may, at any time, report to either Council 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 either General Manager.

9 Administrative Arrangements

Meetings

- 9.1 Committee meetings will be held at least quarterly, one of which will consider the annual financial statements of each Council.

The first meeting of each financial year will include a joint meeting of the Committee members of both Councils. The purpose of the joint meeting is to set the administrative arrangements for the year ahead, e.g. confirmation of any appointments for the year ahead, meeting dates, meeting venues.

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The chairperson is required to call a meeting if requested to do so by either General Manager, or another Committee member.

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

Attendance at meetings and quorums

- 9.2 A quorum will consist of three voting Committee members. A quorum must include at least two independent members.

Whilst it is the responsibility of members to attend and participate in meetings as required, Committee members who, with good reason, cannot attend a meeting in person have an option to participate through tele/video conference, subject to the following conditions:

- The chairperson must be physically present in order to chair the meeting ;
- Independent members must advise the chairperson and relevant Council staff prior to the meeting, so that appropriate arrangements can be made;
- Members who participate via teleconference or other remote means, subject to the above conditions, will have it noted in the Minutes ; and
- Council staff will not provide support services to non-Council equipment used by members during any teleconference.

Voting

- 9.6 Voting at a Committee meeting is to be by open means, such as by voice or a show of hands.

Dispute resolution

- 9.7 Members of the Committee and each Council's management will strive to maintain an effective working relationship, and seek to resolve differences by way of open negotiation. However, in the event of a disagreement between the Committee and management, including either General Manager, the chairperson may, as a last resort, refer the matter to an appropriately qualified member of the Council appointed Code of Conduct Review panel, to be dealt with independently.

Venue

- 9.8 Committee meetings will be held on a rotating basis at CTA Councils.

Secretariat

- 9.9 The Council providing the venue will provide secretariat support to the Committee.

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The secretariat will ensure the agenda for each meeting and supporting papers are circulated, after approval from the Chairperson, at least five calendar days before the meeting,

The secretariat will ensure the minutes of the meeting are prepared and maintained. Minutes must be approved by the Chairperson and circulated within one week of the meeting to each member as appropriate.

The secretariat will support the General Managers and Chairperson to prepare reports to each Council, at least annually, on the Committee's activities, operations and performance.

Agendas and business papers

9.10 A draft agenda will be prepared and discussed with the Committee Chairperson prior to the agenda production.

The close off for submission of Agenda items is 12 noon, 7 calendar days prior to the meeting.

The final Agenda and Business Paper will be provided to Committee members at least five calendar days prior to the meeting.

Committee members are able to discuss the Agenda and Business Paper informally prior to each meeting.

The Councils' appointed chairperson will chair Meetings. If the chairperson is absent from a meeting, the first business of every such meeting is to elect a chairperson from the Independent members present to preside over the meeting.

The Committee has an advisory role to each Council and will make recommendations by consensus. In the absence of consensus, advice from the Committee may be presented with supporting and dissenting views of Committee members.

Privacy and conflict of interests

9.11 The Committee will comply with each Council's policies in relation to confidentiality, privacy and reporting. Members of the Committee will not disclose matters dealt with by the Committee to third parties except with the approval of the Committee.

A member of the Committee who has a perceived or actual conflict of interest in any matter before the Committee must disclose the nature of the conflict to the meeting as soon as practicable and must not be present at, or in sight of, the Committee meeting:

- At any time during which the matter is being considered or discussed by the Committee; or

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- At any time during which the Committee is voting on any question in relation to the matter.

Induction

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

Assessment arrangements

9.13 The General Managers, in consultation with the Chairperson of the Committee, will establish a mechanism to review and report on the performance of the Committee, including the performance of the Chairperson and each member, at least annually. The review will be conducted on a self-assessment basis (unless otherwise determined by the Council) with appropriate input sought from the General Managers, the internal and external auditors, management and any other relevant stakeholders, as determined by the General Managers.

Review of Charter

9.14 As required, and at least every four years, the Committee will review this Charter. This review will include consultation with the General Managers.

Any substantive changes to this Charter will be recommended by the Committee and formally reported to Council for adoption.

10 Remuneration

10.1 The independent members of the Committee will be entitled to remuneration on the basis of a fee determined by the Councils.

Reasonable travel expenses of the independent members will be reimbursed by the CTA Councils.

The fee will be payable following each meeting of the Committee, and upon receipt of an invoice.

In the absence of the Councils' appointed chairperson at a meeting, the Committee member who chairs the meeting will be paid the usual Committee member fee.

11 Document Control

1. Endorsed by the Audit, Risk and Improvement Committee on xx xxxx xxxx.
2. Adopted by Lithgow City Council on xx xxx xxxx (Min. No. xx-xxx).



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3. Adopted by Oberon Council on xx xxx xxxx (Min. No. xx-xxx).