1. **Objectives**

1.1. The Audit and Risk Committee (Committee) provides structured and systematic guidance to Council’s governance, risk management and internal control practices. The Committee assists Council and management by providing advice and guidance on the adequacy, and effectiveness, of Council’s initiatives for:

- 1.1.1. Values and ethics;
- 1.1.2. Governance structure;
- 1.1.3. Risk management;
- 1.1.4. Internal control framework;
- 1.1.5. Oversight of internal audit, external audit and other providers of assurance; and
- 1.1.6. Financial statements and public accountability reporting.

2. **Establishment**

2.1. The elected Council resolved to establish the Committee on 21 April 2010.

3. **Authority**

3.1. **The Committee by resolution and in accordance** with relevant Council policy, may seek to obtain any information it needs from Council or an external party (subject to their legal obligations to protect information);

3.2. The Committee has no power of direction over the external auditor or the manner in which the external audit is planned or undertaken. The Committee may however discuss any matters with the external auditor or other external parties (subject to confidentiality considerations);

3.3. Neither the Committee nor any of its Members may direct any Council officer in his or her duties but may request the attendance of any employee or Councillor at Committee meetings;

3.4. **The Committee may, in consultation with the General Manager, request external legal, or other professional advice, to allow the Committee to meet its responsibilities;**

4. **Roles and Responsibilities**

4.1. In carrying out its role, 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 Act.

4.2. The Committee is responsible for the oversight of:

4.2.1. **Risk Management** – consider whether:

   a) Council complies with relevant risk management standards.
b) 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.

c) A sound and effective approach has been followed in developing risk management plans for major projects or undertakings.

d) A sound and effective approach has been followed in establishing business continuity planning arrangements, including if plans have been tested periodically.

e) Council has reviewed the impact of the risk management framework on its control environment and insurance arrangements.

4.2.2. Control Framework - consider whether:

a) Adequate and effective internal controls are in place, including those over external parties, such as contractors and advisors.

b) Relevant policies and procedures are in place, and if these are periodically reviewed and updated.

c) Appropriate processes are in place to assess if policies and procedures are complied with.

d) Appropriate policies and procedures are in place for the management and exercise of delegations.

e) Steps have been taken to embed a culture which is committed to ethical and lawful behaviour.

4.2.3. External Accountability – consider whether:

a) The annual financial reports comply with applicable Australian Accounting Standards and are supported by appropriate management sign-off on the statements, and the adequacy of internal controls;

b) Appropriate action has been taken in response to audit recommendations and adjustments detailed in the External Audit opinion and Management Letter;

c) Contentious financial reporting matters have been adequately addressed;

d) Internal financial controls are adequate and effective;

e) Appropriate mechanisms are in place to review and implement relevant State Government reports and recommendations;

f) There is a performance management framework linked to organisational objectives and outcomes.

4.2.4. Legislative Compliance – consider whether:

a) Management has appropriately considered legal and compliance risks as part of risk assessment and management arrangements;

b) The system for monitoring compliance with relevant laws, regulations and associated government policies is adequate and effective.

4.2.5. Internal Audit – consider whether:

a) There is effective communication between the Council, General Manager, senior management, Internal Audit and External Audit;
b) The annual and long-term Internal Audit Plan, as developed by the Internal Auditor, includes consideration of a strategic risk assessment and risk assurance map;

c) The resources available to the Internal Audit function are sufficient and appropriate;

d) The Internal Audit function is sufficiently independent of management;

e) The Internal Audit Plans are sufficient and appropriately prioritised;

f) The actions taken, including the identification and dissemination of better practices, in response to significant issues identified in all audit reports are adequate.

g) The Committee is adequately informed through the Internal Auditor’s quarterly reports including:

i. YTD progress against the Internal Audit Plan;

ii. Significant variations that have occurred from the Internal Audit Plan;

iii. Any specific concerns the Internal Auditor may have to discuss.

h) The acceptance and implementation of Internal Audit recommendations by management is appropriately prioritised;

i) The Internal Audit Policy ensures appropriate organisational structures, authority, access and reporting arrangements are in place;

j) The performance of Internal Audit is adequate.

4.2.6. **External Audit** – consider whether:

a) The proposed audit scope and approach is adequate, with particular respect to coordination of audit effort with internal audit;

b) The financial statement audit coverage proposed by External Audit is adequate;

c) The acceptance and implementation of External Audit recommendations by management is appropriately prioritised;

d) Appropriate action is taken in relation to significant issues identified in External Audit reports.

4.3. **Other Responsibilities**

4.3.1. According to the *Local Government Amendment (Governance and Planning)* Act (pending proclamation), the Committee must keep under review the following additional aspects of Council's operations:

a) Fraud Control;

b) Financial Management;

c) Governance;

d) Implementation of the Strategic Plan, Delivery Program and Strategies;

e) Service Reviews;

f) Collection of performance measurement data by Council; and
g) Any other matters prescribed by regulations

5. Membership

5.1. Membership

5.1.1. The Audit Committee shall consist of:

i. Members (voting):
   - The Mayor;
   - A Councillor appointed by resolution of Council; and
   - Three (3) Independent external members, one of whom will be the Chair of the Committee.

ii. Attendees (non-voting):
   - General Manager;
   - Internal Auditor;
   - Director Corporate and Community Services;
   - Representative(s) of the External Auditor;
   - Director Works and Infrastructure;
   - Director Planning and Environment;
   - Manager Human Resources; and
   - Manager Finance and Administration.

iii. Invitees (non-voting) for specific Agenda items:
   - Other staff and/or contractors will attend where relevant to business conducted by the Committee

iv. Observers: (non-voting)
   - Councillors may attend Committee meetings as observers but do not have the right to ask questions or participate in discussion, unless agreed to by the Chair. They may not vote on matters before the Committee.

5.1.2. Membership of the Committee is by virtue of the appointed position and no delegates of Members are permitted. Council may appoint an alternate Member who will become a full voting Member of the Committee in the absence of either the Mayor or Councillor Member.

5.2. Skills and Experience

5.2.1. Collectively, the Committee will have a broad range of skills and experience relevant to the operation of Council.

5.2.2. 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.
5.3. Responsibility of Members

5.3.1. Members are expected to:

a) Understand the relevant legislative and regulatory requirements applicable to Council;
b) Contribute the time needed to study and understand the Committee’s business papers;
c) Utilise high level analytical skills, objectivity and good judgment;
d) Express opinions frankly, ask questions that go to the fundamental core of issues, and pursue independent lines of enquiry;
e) Uphold the values and objectives of Council;
f) Attend all Committee meetings as scheduled;
g) Treat all matters as confidential.

5.4. Selection of External Members

5.4.1. The selection criteria and process for the recruitment and appointment of the external members, including the Chair, shall be undertaken as required, and directed by the General Manager, in line with merit based selection principles.

5.4.2. Pre-Qualification Panel arrangements may be utilised if appropriately authorised by the General Manager.

5.4.3. The outcome of the recruitment process will be referred to Council for noting.

5.5. Selection of Councillor Members

5.5.1. Council will call for nominations for Councillor Members at the commencement of each Council term;

5.5.2. Council will confirm Councillor Members by resolution.

5.6. Termination of Membership

5.6.1. Membership by any external Member of the Committee may be terminated by a decision of the General Manager, including for a failure to meet the expectations of Members detailed in section 5.3.1.;

5.6.2. Membership by any external member of the Committee may be terminated by Council, including for a failure to meet the expectations of Members detailed in section 5.3.1.

5.6.3. Members will remain on the Committee until:

a) The expiry of their membership term;
b) They resign, or
c) Their membership is otherwise terminated.

6. Chairperson

6.1. In the absence of the Chair for part, or all, of any meeting, the Committee will elect a Chair for the period of the absence. This is also applicable to any Committee meeting where no person is currently appointed as Chair.
7. Meetings

7.1. Quorum

7.1.1. A quorum will consist of a majority of Committee Members, including at least one Councillor Member.

7.1.2. Meetings should not be scheduled unless a quorum is expected.

7.2. Meeting procedure

7.2.1. Council’s Code of Meeting Practice applies to Committee meetings and will prevail if it is in conflict with this Charter.

7.2.2. The Committee shall meet at least four times per year, with one additional (special) meeting to include review of the annual audited financial reports and external audit reports.

7.2.3. The need for any further meetings will be determined by the Chair, following consultation with all Committee Members.

7.2.4. All Committee meetings will be held on Council premises, or as agreed by the Committee.

7.2.5. Meetings should be held in person. Members may participate via audio or video conference call with the approval of the Chair.

7.2.6. An annual schedule of meetings will be reviewed and approved by the Committee.

7.2.7. An indicative calendar of reports scheduled for the next twelve months will be reviewed and approved by the Committee at each ordinary meeting.

7.3. Recommendations and resolutions

7.3.1. A resolution approved by a majority of Committee Members’ votes becomes a resolution of the Committee;

7.3.2. Resolutions are to be recorded in the minutes of the proceedings of Committee meetings.

7.4. Minutes

7.4.1. All Committee business will be properly minuted and recorded by the Secretary;

7.4.2. The minutes will be reviewed internally and forwarded to the Chair for review and return;

7.4.3. The minutes will then be recommended for adoption as a resolution of Council within six weeks of the Committee meeting;

7.4.4. Draft minutes of the previous meeting are to be adopted by resolution of the Committee at the following meeting, and signed by the Chair.

7.5. Reporting

7.5.1. The Chair shall make an annual presentation to Council, preferably when Council considers the Committee’s annual performance report. A report on Committee operations, including Members’ attendance, will be included in Council’s annual report.
7.6. Committee Support

7.6.1. Council will provide secretarial support to enable the Committee to function effectively. This includes distributing agendas at least seven calendar days prior to the meeting and membership administration;

7.6.2. The Internal Auditor provides executive level support to enable the Committee to function effectively. This includes member recruitment and contract management, induction and development of members, facilitate business papers, communication with members and facilitate the Committee’s annual performance review.

8. Conduct by Members

8.1. Code of Conduct

8.1.1. All Members of the Committee are to abide by Council’s Code of Conduct, as amended from time to time;

8.1.2. External Members are required to acknowledge the Code of Conduct as part of the appointment process. They are also required to undergo a police check;

8.1.3. Conflict of interests must be declared and managed in accordance with Council’s Code of Conduct;

8.1.4. Declarations of interest and any action taken, e.g. leaving the meeting, will be recorded in the minutes;

8.2. Confidentiality

8.2.1. Due to the sensitive nature of items, Committee business is confidential unless identified otherwise by Council.

9. Induction

9.1. New Committee Members will receive a formal induction prior to their first meeting.

10. Review of Committee performance

10.1. The Chair will initiate a review of the Committee’s performance at least every two (2) years.

10.2. The review will be conducted on a self-assessment basis (unless otherwise determined by the Chair), with appropriate input from management and other relevant stakeholders.

10.3. The review will include:

10.3.1. An assessment of the Committee’s achievements against its goals approved by Council after the previous review;

10.3.2. Recommended goals for the next year; and

10.3.3. Any development needs that should be addressed.

11. Review of the Audit Committee Charter

11.1.1. At least once every two years the Committee will review this Charter to ensure it remains current and reflects the Committee’s role and objectives, or as required to align with changes in legislation.

11.1.2. The Charter may only be amended by resolution of Council.
## 12. Charter Definitions

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amendment Act</td>
<td>The <em>Local Government Amendment (Governance and Planning Act 2016)</em> (NSW).</td>
</tr>
<tr>
<td>Attendee</td>
<td>Means the individuals as defined in clause 5.1.1.</td>
</tr>
<tr>
<td>Casting vote</td>
<td>An extra vote given by a chairperson to decide an issue when the votes for and against are equal.</td>
</tr>
<tr>
<td>Council</td>
<td>Cessnock City Council.</td>
</tr>
<tr>
<td>Committee</td>
<td>Audit and Risk Committee.</td>
</tr>
<tr>
<td>External Audit</td>
<td>The Auditor General in accordance with section 422 of the Act, staff and any other persons subcontracted by the Auditor General to assist with the conduct of the annual financial statements audit.</td>
</tr>
<tr>
<td>Internal Audit</td>
<td>The internal audit function headed by the Internal Auditor.</td>
</tr>
<tr>
<td>Internal Audit Plan</td>
<td>Comprises a risk based three year Strategic Audit Plan and one year Annual Audit Plan.</td>
</tr>
<tr>
<td>Member</td>
<td>Those individuals appointed by the General Manager or by resolution of Council to be Members of the Committee.</td>
</tr>
<tr>
<td>Quorum</td>
<td>The minimum number of Members that must be present in order to make the proceedings of that Committee meeting valid.</td>
</tr>
</tbody>
</table>
13. Charter Administration

<table>
<thead>
<tr>
<th>Business Group:</th>
<th>General Managers Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responsible Officer:</td>
<td>Internal Auditor</td>
</tr>
<tr>
<td>Charter Review Date:</td>
<td>Three (3) years from date of adoption unless legislated otherwise</td>
</tr>
<tr>
<td>File Number / Document Number:</td>
<td>DOC2018/</td>
</tr>
<tr>
<td>Charter Number:</td>
<td></td>
</tr>
<tr>
<td>Relevant Legislation:</td>
<td>• <em>Local Government Act 1993 (NSW)</em></td>
</tr>
<tr>
<td></td>
<td>• <em>Local Government Amendment (Governance and Planning) Act 2016 (NSW).</em></td>
</tr>
</tbody>
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**Related Policies / Protocols / Procedures**
- Code of Conduct
- Code of Meeting Practice
- Internal Audit Charter

14. Charter History

<table>
<thead>
<tr>
<th>Revision</th>
<th>Date Approved / Authority</th>
<th>Description of Changes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>21 April 2010</td>
<td>New Charter adopted</td>
</tr>
<tr>
<td>2</td>
<td>5 August 2015</td>
<td>Minor review</td>
</tr>
<tr>
<td>3</td>
<td>19 September 2018</td>
<td>Periodic review</td>
</tr>
</tbody>
</table>

15. Appendices