



Information for  
Internal Audit Risk & Improvement  
Committee

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## **1. Background Information**

Council wishes to establish an Audit Risk and Improvement Committee whose role will be to monitor, review and advise Council on matters of accountability and internal control affecting the operations of Council.

The term of the appointment will be for an initial period of two years, followed by a review process.

The Audit Risk and Improvement Committee will assist in promoting good governance practices within the organisation by bringing a systematic and disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes in line with the Office of Local Government Internal Audit Guidelines.

The Committee consists of one Councillor (excluding the Mayor) and two independent external members. One of the external members will be appointed by Council to the position of Chair of the Committee.

The Committee shall have no delegated authority, except those expressly provided by the Council delegations, but will work with management to ensure improvement and compliance as per an approved audit plan.

The Audit Risk and Improvement Committee shall establish the role and direction for internal audit, and is fundamental to assisting the General Manager and Council with their oversight function to:

- Ensure all key controls within the financial area are operating effectively and are appropriate for achieving corporate goals and objectives;
- Meet their statutory and fiduciary duties;
- Provide a forum for discussing problems and issues that may affect the operations of the internal audit group, and to identify areas worthy of examination by an internal audit group;
- Review the implementation of the annual audit plan and implementation of audit recommendations.

The Chair of the Audit Risk and Improvement Committee will report annually to a Council meeting on performance in financial management, good governance and continuous improvement.

The internal audit function is the responsibility of the Assistant General Manager Corporate & Community Services. An internal auditor may be appointed by Council in order to support the Committee and Assistant General Manager, Corporate & Community Services and must maintain independent reporting relationships with the Committee, General Manager and management.

## 2. Selection Considerations

Audit Risk and Improvement Committee members must have appropriate qualifications and experience to fulfil their role. The following qualities are desirable when appointing members.

- Substantial skill levels and experience in one or more of the following areas: finance/accounting; legal compliance and/or risk management experience or qualifications;
- Thorough knowledge of Local Government;
- Strong communication skills;
- A high level of personal integrity and ethics.

The Committee as a whole shall have:

- At least one member with financial qualifications and experience;
- Skills and experience relevant to discharging its responsibilities, including experience in business, financial and legal compliance and risk management.

## 3. Definitions

**Audit Risk and Improvement Committee** membership consists of two independent external members and one Councillor providing oversight and monitoring of the Council's audit processes, including the Council's internal control activities. This oversight includes internal and external reporting, risk management activities, internal and external audit and compliance.

The appointment of the Audit Risk and Improvement Committee facilitates this by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes in line with the Office of Local Government Internal Audit Guidelines.

**Internal Audit** is an independent, objective assurance and consulting activity providing independent assurance over the internal controls and risk management framework of the Council.

**External Audit** is the statutory function that provides an opinion on the Council's annual financial reports as required under the Local Government Act 1993 to Council and its external stakeholders.

**Enterprise Risk Management** – Internal audit will identify and evaluate the effectiveness of Council's risk management system and contribute to the improvement of risk management and control systems. The annual Internal Audit Plan is to be developed after consideration of the Council's risk registers and those areas that are high risk to the organisation.

### **3.1 Independent Status**

The Internal Audit Guidelines issued by the Office of Local Government provide the following information in relation to the required level of independence required by external members of an Audit Committee:

*"Independent and Councillor members must be free from any management, business or other relationships that could be perceived to interfere with their ability to act in the best interests of the Council.*

*When considering whether an individual has the necessary independence from Council it is common to examine the individual's past and current relationships with the Council. Some of the following are relationships that might affect the independent status of an independent and/or Councillor:*

*Is a substantial shareholder: an owner, officer or employee of a company; or a consultant, this is a material provider of professional advice, or goods, or services to the Council'*

*Is employed by or has been employed by a Council and there has not been a period of at least two years between ceasing such employment; To maximise both the real and perceived independence of the committee, individuals currently employed by a Council cannot be considered as an independent member of a Council audit committee.*

*This list is not exhaustive and if one or more of the above examples is exhibited by an independent or Councillor it is possible that their status as an "independent" member of the committee might be compromised.*

*Members and potential members of an audit committee need to ensure that they disclose to the Council any relationships that could be viewed by other parties as creating conflicts of interests that impair either the individual's or the audit committee's actual or perceived independence.*

*In order to maximise the effectiveness of the audit committee it is important for members to be both independent and to be seen to be independent."*

Members of the public that may be considering lodging an Expression of Interest should give serious consideration to the extent of involvement/contact that they presently have with Council and whether significant conflict of interest issues may arise and whether they have the required degree of independence.

### **3.2 Fees**

An attendance fee of \$500 per meeting will be payable to the external members of the Committee. A further \$250 will be paid to the Chairperson in addition to this fee due to the additional work load of this role. This is to recognise the commitment in sitting on the Committee and the degree of expertise that Council expects from the members of the Committee.

Travel to and from meetings and other authorised appointments will be provided in addition to the attendance fee. This fee will be calculated as per the kilometre allowance provided within Table 2 Part B of the Local Government (State) Award in effect at the time.

## **4. Selection Criteria**

In making the appointment of a Chairperson to the Committee, the General Manager will initially consider the expressions of interest received and make a recommendation to Council for their consideration.

To assist in developing this recommendation, the following key selection criteria will be assessed:

- Knowledge and expertise in audit functions, including understanding of the role of an internal audit function;
- Demonstrated experience in financial management, organisational or business skills;
- Understanding of risk management issues of an organisation;
- Understanding of the role of Local Government;
- Understanding the role of corporate governance in an organisation;
- Understanding of financial principles and financial statements;
- Understanding of relevant standards including Accounting, Auditing and Standards Australia publications;
- Understanding of internal control issues of an organisation;
- Understanding of the principles of continuous improvement;
- Understanding of Local Government or State Planning requirements;

Backgrounds that may be relevant include business, legal, Government/public service, risk, academia, administration, banking/finance and etc.

Applicants may be tertiary qualified in one or more of these areas and have had senior level experience in one or more of these fields.

Applicants should be able to understand and interpret the relevant legislative and regulatory requirements that apply to Council, and contribute the time needed for the Committee's deliberations and considerations.

The successful applicant will have superior communication, negotiation and analytical skills. They will be objective and have a strong and demonstrated sense of probity and ethical conduct and will have no conflicts of interest with Council.

Further information can be provided by viewing the Internal Audit Guidelines issued by the Office of Local Government at <https://www.olg.nsw.gov.au/sites/default/files/Internal-Audit-Guidelines-September-2010.pdf>

Should you have further queries in regard to the above please contact Council's Assistant General Manager, Corporate & Community Services on 0269 605520 or by email to [alisonc@murrumbidgee.nsw.gov.au](mailto:alisonc@murrumbidgee.nsw.gov.au)

Expressions of Interest marked "Confidential – Audit Risk and Improvement Committee" and addressed to the General Manager, Murrumbidgee Council, PO Box 5, Darlington Point NSW 2706 or emailed to [mail@murrumbidgee.nsw.gov.au](mailto:mail@murrumbidgee.nsw.gov.au) should be received by 5.00pm Friday 27th April 2018.

Applicants should include a covering letter, copy of CV and at least two current references for consideration. A statement confirming no known conflict of interest should be provided within the covering letter.