



DATE ADOPTED: 26TH APRIL 2022

VERSION: 1.0

TERMS OF REFERENCE

1. OBJECTIVES

The Audit, Risk and Improvement Committee provides independent assurance to Council by monitoring, reviewing, and providing advice about the Council's governance processes, compliance, risk management and control frameworks, external accountability obligations and overall performance.

2. SCOPE

These terms of reference set out the committee's objectives, authority, composition and tenure, roles, and responsibilities, reporting and administrative arrangements, complying with Local Government Audit, Risk and Improvement Committee guidelines.

3. INDEPENDENCE

The Committee is independent to ensure it has no real or perceived bias or conflicts of interest that may interfere with its ability to act independently and provide Council with robust, objective and unbiased advice and assurance.

The Committee provides an advisory and assurance role only and is to have no administrative function, delegated financial responsibility or any management functions of the Council. The Committee provides independent advice to Council that is informed by its internal audit and risk management activities and information and advice provided by Council staff, relevant external bodies and subject matter experts.

The Committee must at all times ensure it maintains a direct reporting line to and from the Council's internal audit function and act as a mechanism for internal audit to report to the governing body and General Manager on matters affecting the performance of the internal audit function.

4. AUTHORITY

Council authorises the Committee, for the purposes of exercising its role and responsibilities, to:

- access any information it needs from the Council
- use any Council resources it needs
- have direct and unrestricted access to the General Manager and senior management of the Council
- seek the General Manager's permission to meet with any other Council staff member or contractor
- discuss any matters with the external auditor or other external parties
- request the attendance of any employee at committee meetings, and
- obtain external legal or other professional advice subject to approval from the General Manager.

5. COMPOSITION AND TENURE

The Audit Risk and Improvement Committee comprises three independent voting members inclusive of the Chair and one non-voting Councillor member.

Membership of the Committee transition to be one independent prequalified voting Chair, three independent voting members (including the Chair) and one non-voting Councillor member.

Members of the Committee are to possess and maintain a broad range of skills, knowledge, and experience relevant to the operations, governance and financial management of Council, the environment in which Council operates, and the contribution that the Committee makes to the Council.

5.1 Members (voting)

Three independent external members, one of which is elected as chairperson comprising:

- 1 independent Chair prequalified under the NSW Government prequalification scheme
- 1 Independent member prequalified under the NSW Governments prequalification scheme
- 1 Independent person that meets the eligibility criteria for non-prequalified committee members

5.2 Attendee (non-voting)

- 1 Councillor representative appointed by Council (an alternative Councillor may be nominated to attend when necessary due to absence) that meets the eligibility criteria for Councillors/ members
- General Manager
- Chief Audit Executive – as delegated by the General Manager

5.3 Invitees (non-voting) for specific Agenda items

- Coordinator Risk
- Manager Risk
- Executive Leadership Team (ELT)
- Representatives of the external auditor
- Other officers/managers may attend by invitation as requested by the Committee
- External Members appointments may be extended by the Council for no more than eight years consecutively.

The governing body is to appoint the Chair and members of the Committee. The Chair is counted as one member of the Committee. Committee members are:

Name	Position
Mr Greg Farrow	Independent chair (voting)
Vacant	Independent member (voting)
Vacant	Independent member (voting)
Cr Kanchan Ranadive	Councillor member
Cr Phillip Penfold	Councillor member (pending full transition)

All committee members are to meet the independence and eligibility criteria as prescribed. Council will set the level of remuneration, at the time of appointment.

Members will be appointed from three up to a five-year period. Members can be reappointed for a further term, but the total period of continuous membership cannot exceed eight years. This includes any term as Chair of the Committee. Members who have served an eight-year term (either as member or Chair) must have a two-year break from serving on the Committee before being appointed again. To preserve the Committee's knowledge of Council, ideally, no more than one member should leave the Committee because of rotation on any one year.

Prior to approving the reappointment or extension of the Chair's or an independent member's term, the governing body is to undertake an assessment of the Chair's or committee member's performance. Reappointment of the Chair and members is also to be subject to the individual still meeting independence and eligibility requirements.

6. ROLE

In accordance with section 428A of the *Local Government Act 1993*, the role of the Committee is to review and provide independent advice to the Council regarding the following aspects of the Council's operations:

- compliance
- risk management
- fraud control
- financial management
- governance
- implementation of the strategic plan, delivery program and strategies
- service reviews
- collection of performance measurement data by the [Council/joint organisation], and
- internal audit.

The Committee must also provide information to the Council for the purpose of improving Council's performance of its functions.

The Committee will act as a forum for the Council's internal audit function and oversee its planning, monitoring, and reporting to ensure it operates effectively.

The Committee will have no power or direction over the external audit, or the manner in which the external audit is planned, or undertaken, but will act as a forum for the consideration of external audit findings.

The Committee is directly responsible and accountable to the governing body of the Council for the exercise of its responsibilities. In carrying out its responsibilities, the Committee must at all times recognise that primary responsibility for management of the Council rests with the governing body and General Manager.

The responsibilities of the Committee may be revised or expanded in consultation with, or as requested by, the governing body of the Council from time to time.

7. RESPONSIBILITIES OF MEMBERS

7.1 Independent members

The Chair and members of the Committee are expected to understand and observe the requirements of the Guidelines for risk management and internal audit for local government in NSW. Members are also expected to:

- make themselves available as required to attend and participate in meetings
- contribute the time needed to review and understand information provided to it
- apply good analytical skills, objectivity and judgement
- act in the best interests of the Council
- have the personal courage to raise and deal with tough issues, express opinions frankly, ask questions that go to the fundamental core of the issue and pursue independent lines of inquiry
- maintain effective working relationships with the Council
- have strong leadership qualities (Chair)
- lead effective committee meetings (Chair), and
- oversee the Council's internal audit function (Chair).

7.2 Councillor member

To preserve the independence of the Committee, the Councillor on the Committee is to:

- relay to the Committee any concerns the governing body may have regarding the Council and issues being considered by the Committee

- provide insights into local issues and the strategic priorities of the Council that would add value to the Committee's consideration of agenda items
- advise the governing body of the work of the Committee and any issues arising from it, and
- assist the governing body to review the performance of the Committee.

8. CONDUCT

Independent committee members are required to comply with the Council's Code of Conduct and be held to the same ethical, behavioural and conduct standards as officials of the Council.

Complaints or breaches of council's Code of Conduct by an independent committee member are to be dealt with in accordance with the *Procedures for the Administration of the Model Code of Conduct for Local Councils in NSW*. The General Manager must consult with the governing body before taking any disciplinary action against an independent committee member in response to a breach of the Council's Code of Conduct.

Prequalified Committee members are also required to comply with the Code of Conduct governing the NSW Government's Audit and Risk Committee, Independent Chairs and Members Prequalification Scheme.

9. CONFLICTS OF INTEREST

Once a year, Committee members will provide written declarations to the Council stating that they do not have any conflicts of interest that would preclude them from being members of the Committee.

Independent committee members are 'designated persons' and must also complete and submit returns of interest.

Committee members and observers must declare any pecuniary or non-pecuniary conflicts of interest that may have at the start of each meeting, before discussion of the relevant agenda item or issue, and when the issue arises.

Where committee members and observers are deemed to have a pecuniary or a significant non-pecuniary conflict of interest, they are to remove themselves from Committee deliberations on the issue. Details of any conflicts of interest should also be appropriately minuted.

10. STANDARDS

Committee members are to conduct their work in accordance with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors and current

Australian risk management standard, where applicable. <https://www.iaa.org.au/technical-resources/professionalGuidance/standards.aspx>

11. WORK PLANS

The work of the Committee is to be thoroughly planned and executed to ensure that all Council activities and functions are reviewed. The Committee must develop a strategic plan every four years to ensure that all matters as required by the guidelines are reviewed by the Committee and the internal audit function over each Council term. The strategic plan must be reviewed at least annually to ensure it remains appropriate.

The Committee may, in consultation with the Council's governing body, vary the strategic work plan at any time to address new or emerging risks. The governing body of the Council may also, by resolution, request the Committee to approve a variation to the strategic work plan. However, any decision to vary the strategic work plan must be made by the Committee.

The Committee must also develop an annual work plan to guide its work, and the work of the internal audit function, over the forward year.

The Committee may, in consultation with the Council's governing body, vary the annual work plan to address new or emerging risks. The governing body of the Council may also, by resolution, request the Committee to approve a variation to the annual work plan. However, any decision to vary the annual work plan must be made by the Committee.

When considering whether to vary the strategic or annual work plans, the Committee must consider the impact of the variation on the internal audit function's existing workload and the completion of pre-existing priorities and activities identified under the workplan.

The Chief Audit Executive shall prepare an annual Internal Audit Plan for review and approval by the Audit Risk and Improvement Committee, showing the proposed areas for audit. The Chief Audit Executive has discretionary authority to adjust the Internal Audit Plan as a result of receiving special requests from management to conduct reviews that are not on the plan, with these to be approved at the next meeting of the Audit Risk and Improvement Committee.

12. ASSURANCE REPORTING

The Committee must regularly report to the Council to ensure that the Council is kept informed of matters considered by the Committee and any emerging issues that may influence the strategic direction of the Council or the achievement of the Council's goals and objectives.

The Committee will provide an update to the governing body and General Manager of its activities and opinions with minutes being submitted after every Committee meeting.

The Committee will provide an annual assessment to the governing body and General Manager each year on the Committee's work and its opinion on how Council is performing.

The Committee will provide a comprehensive assessment every Council term.

The Committee may at any time report to the governing body or General Manager on any other matter it deems of sufficient importance to warrant their attention. The Mayor and Chair of the Committee may also meet at any time to discuss issues relating to the work of the Committee.

Should the governing body require additional information, a request for the information may be made to the Chair by resolution of Council. The Chair may only provide the information requested by the governing body where the Chair is satisfied that it is reasonably necessary for the governing body to receive the information for the purposes of performing its functions under the Local Government Act. Individual Councillors are not entitled to request or receive information from the Committee.

13. ADMINISTRATIVE ARRANGEMENTS

13.1 Meetings (Frequency, Attendance, & Quorum)

The Committee will meet at least four times per year, with an additional special meeting to include review and endorsement of the annual audited financial reports and external audit opinion.

The Committee can hold additional meetings when significant unexpected issues arise, or if the Chair is asked to hold an additional meeting by a committee member, the General Manager or the governing body.

Committee meetings can be held in person, by telephone or audio-visual. Proxies are not permitted if a member is unable to attend a meeting.

A quorum will consist of a majority of independent voting members. Whenever the vote is tied, the chair has the casting vote.

The Chair of the Committee will decide the agenda for each committee meeting. Each committee meeting is to be minuted to preserve a record of the issues considered and the actions and decisions taken by the Committee.

The General Manager and Chief Audit Executive are to attend committee meetings as non-voting observers. The external auditor (or their representative) is to be invited to each committee meeting as an independent observer. The Chair can request the Council's Chief Finance Officer or equivalent, head of

risk management function or equivalent, senior managers or equivalent, any Councillors, any employee/contractor of the Council and any subject matter expert to attend committee meetings. These individuals must attend and provide any information requested, where possible. Observers have no voting rights and can be excluded from a meeting by the Chair at any time.

The Committee can hold closed meetings whenever it needs to discuss confidential or sensitive issues with only voting members of the committee present.

The Committee must meet separately with both the internal auditor and the Council's external auditor at least once per year.

14. DISPUTE RESOLUTION

Members of the Committee and the Council's management should maintain an effective working relationship and seek to resolve any differences they may have in an amicable and professional way via discussion and negotiation.

In the event of a disagreement between the Committee and the General Manager or other senior managers, the dispute is to be resolved by the governing body of the Council.

Unresolved disputes regarding compliance with statutory or other requirements are to be referred to the Secretary of the Department of Planning, Industry and Environment in writing.

15. SECRETARIAT

The General Manager will appoint a Council employee to provide secretariat support to the Committee. The secretariat will ensure the agenda for each meeting and supporting papers are circulated after approval from the Chair at least one week before the meeting and ensure that minutes of meetings are prepared and maintained. Minutes must be approved by the Chair and circulated within three weeks of the meeting to each member.

16. RESIGNATION AND DISMISSAL OF MEMBERS

Where the Chair or a Committee member is unable to complete their term or does not intend to seek reappointment after the expiry of their term, they should give a minimum of three months' notice where possible, to the Chair and governing body prior to their resignation to enable the Council to ensure a smooth transition to a new committee member.

The governing body can terminate via resolution the engagement of any Chair or independent committee member before the expiry of their term where the individual has:

- breached the conditions of, or become ineligible under the NSW Government's *Audit and Risk Committee Independent Chairs and Members Prequalification Scheme*
- breached the Council's Code of Conduct

- performed unsatisfactorily or not to expectations
- been declared bankrupt or found to be insolvent
- experienced an adverse change in business status
- been proven to be in a serious breach of their obligations under any legislation, or
- declared, or is found to be in, a position of a conflict of interest which is unresolvable.

The position of a Councillor member on the Committee can be terminated at any time by the governing body via resolution.

17. REVIEW ARRANGEMENTS

The Chief Audit Executive is to establish a quality assurance and improvement program which includes ongoing monitoring and periodic self-assessments, an annual review and strategic external review at least once each Council term. This is in transition and is required to be fully implemented by 2024.

17.1 Review of Audit Risk and Improvement Committee

The Chief Audit Executive 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 with appropriate input from management and any other relevant stakeholders.

17.2 Review of Committee Terms of Reference

These terms of reference are to be reviewed annually by the Committee and once each Council term by the governing body. Any substantive changes are to be approved by the governing body.

17.3 Term of Internal Auditors

The Head of the Internal Audit will initiate a review of the performance of the Internal Auditors at least once every two years. The review will be conducted with appropriate input from management and any other relevant stakeholders. Feedback will be sought from key stakeholders following each internal audit.

17.4 Review of Internal Audit Charter

The Chief Audit Executive shall periodically review the Internal Audit Charter to ensure it remains up-to-date and reflects the current scope of internal audit work. This is currently in transition and is required to be fully implemented by 2024.

17.5 Strategic External Review

A review by an external assessor on the effectiveness of the Audit, Risk and Improvement Committee and the internal audit function - reported to the Audit, Risk and Improvement Committee and governing body of the Council will be implemented by 2024 in accordance with the implementation of the Risk Management and Internal Audit framework timeline.

18. INDUCTION OF NEW MEMBERS

Council will provide a period of induction for new Committee members to include:

- the Committee's role, responsibilities and terms of reference
- the business, operations, culture, risks and controls of the Council, and
- the expectations of the Council about their responsibilities and performance.

19. REGISTER OF AUDIT RISK AND IMPROVEMENT COMMITTEE MEMBERS

Independent Members

Committee Member	Appointment	Resigned / Term expired	Review date	Date re- appointed
Mr Greg Farrow	Continuing Member			

Council Representatives

Committee Member	Appointment	Resigned / Term expired	Review date	Date re- appointed
Cr Kanchan Ranadive	25/01/2022			
Cr Philip Penfold	25/01/2022			

20. DEFINITIONS

Term	Definition
Audit Risk and Improvement Committee	Provides independent assurance by monitoring, reviewing, and providing advice about the Council's governance processes, compliance, risk management and control frameworks, external accountability obligations and overall performance, including internal and external reporting.
Chief Audit Executive	A senior position within Council responsible for effectively managing the internal audit activity in accordance with the internal audit charter and the mandatory elements of the International Professional Practices Framework.
Internal Audit	An independent, objective assurance and consulting activity providing independent assurance over the internal controls and risk management framework of the Council.
External Audit	Statutory function that provides an opinion on the Council's annual financial reports, as required under Divisions 2 and 3 of the <i>Local Government Act 1993</i> to council and its external stakeholders.
Enterprise Risk Management	Enterprise Risk Management includes the method and processes used by Council to manage its risks including opportunities related to its objectives.

POLICY ADMINISTRATION

BUSINESS EXECUTIVE:	Group Manager Strategy, Performance, & Business Systems
RESPONSIBLE OFFICER:	Group Manager Strategy, Performance, & Business Systems
COUNCIL REFERENCE:	Ordinary Council Meeting 26 April 2022 – Item 10.5
POLICY REVIEW DATE:	Two (2) years from date of adoption and/or release of new or revised guidelines
FILE NUMBER:	81/26
RELEVANT LEGISLATION	Local Government Act 1993, the Local Government (General) Regulations 2005 Section 428A

RELATED POLICIES / PROCEDURES / PROTOCOLS	Risk Management Policy 81/17 ISO 31000, risk management principles and guidelines, Draft Guidelines for risk management and internal audit for local Councils NSW August 2021 Code of Conduct
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POLICY HISTORY

VERSION	DATE APPROVED	DESCRIPTION OF CHANGES
1	26 April 2022	New terms of reference developed

