



Audit, Risk and Improvement Committee (ARIC)

Terms of reference

Balranald Shire Council (**Council**) has established an Audit, Risk and Improvement Committee (**ARIC**) in compliance with section 428A of the *Local Government Act 1993*, the *Local Government (General) Regulation 2021* and the Office of Local Government's *Guidelines for risk management and internal audit for local government in NSW*. These terms of reference set out the Committee's objectives, authority, composition and tenure, roles and responsibilities, reporting and administrative arrangements.

Objective

The objective of Council's ARIC is to provide 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.

Independence

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

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

The Committee must always 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 the General Manager on matters affecting the performance of the internal audit function.

Authority

Council authorises the Committee, for the purposes of exercising its 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 in line with Council's procurement policies, after receiving written approval from the General Manager.

Information and documents pertaining to the Committee are confidential and are not to be made publicly available. The Committee may only release Council information to external parties that are assisting the Committee to fulfil its responsibilities with the approval of the General Manager, except where it is being provided to an external investigative or oversight agency for the purpose of informing that agency of a matter that may warrant its attention.



Balranald Shire Council - Audit, Risk and Improvement Committee (ARIC) – Terms of Reference

Composition and tenure

The Committee consists of an independent chairperson and two independent members who have voting right, as required under the *Local Government (General) Regulation 2021*.

The governing body is to appoint the chairperson and members of the Committee.

Current committee members are:

Mr. Ross Earl	Independent chairperson (voting)
Ms. Kirstyn Thronder	Independent member (voting)
Ms. Leanne Austin	Independent member (voting)

All Committee members must meet the independence and eligibility criteria prescribed under the *Local Government (General) Regulation 2021*.

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

The terms and conditions of each member's appointment to the Committee are to be set out in a letter of appointment. New members will be thoroughly inducted to their role and receive relevant information and briefings on their appointment to assist them to meet their responsibilities.

Prior to approving the reappointment or extension of the chairperson's or an independent member's term, the governing body is to undertake an assessment of the chairperson's or Committee member's performance. Reappointment of the chairperson or a Committee member is also to be subject to that person still meeting the independence and eligibility requirements prescribed under the *Local Government (General) Regulation 2021*.

Members of the Committee must possess and maintain a broad range of skills, knowledge and experience relevant to the operations, governance and financial management of the Council, the environment in which the Council operates, and the contribution that the Committee makes to the Council. At least one member of the Committee must have accounting or related financial management experience with an understanding of accounting and auditing standards in a local government environment. All members should have sufficient understanding of the Council's financial reporting responsibilities to be able to contribute to the Committee's consideration of the Council's annual financial statements.



Balranald Shire Council - Audit, Risk and Improvement Committee (ARIC) – Terms of Reference

Role

As required under section 428A of the *Local Government Act 1993* (the Act), 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, and
- internal audit.

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

The Committee's specific audit, risk and improvement responsibilities under section 428A of the Act are outlined in Schedule 1 to these terms of reference.

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

The Committee has no power to direct external audit or the way it is planned and 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 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 the General Manager.

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

Responsibilities of members

Independent members

The chairperson and members of the Committee are expected to understand and observe the requirements of the Office of Local Government's *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 (chairperson)
- lead effective Committee meetings (chairperson), and
- oversee the Council's internal audit function (chairperson).



Balranald Shire Council - Audit, Risk and Improvement Committee (ARIC) – Terms of Reference

Conduct

Independent Committee members are required to comply with the Council's code of conduct.

Complaints alleging breaches of the 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.

Conflicts of interest

Once a year, Committee members must 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' for the purposes of the Council's code of conduct and must also complete and submit returns of their interests.

Committee members and observers must declare any pecuniary or non-pecuniary conflicts of interest they may have in a matter being considered at the meeting at the start of each meeting or as soon as they become aware of the conflict of interest. Where a Committee member or observer declares a pecuniary or a significant non-pecuniary conflict of interest, they must remove themselves from Committee deliberations on the issue. Details of conflicts of interest declared at meetings must be appropriately minuted.

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 ISO 31000 Risk Management Standards, where applicable.

Work plans

The work of the Committee is to be thoroughly planned and executed. The Committee must develop a strategic work plan every four years to ensure that the matters listed in Schedule 1 are reviewed by the Committee and considered by the internal audit function when developing their risk-based program of internal audits. The strategic work plan must be reviewed at least annually to ensure it remains appropriate.

The Committee may, in consultation with the governing body, vary the strategic work plan at any time to address new or emerging risks. The governing body may also, by resolution, request the Committee to approve a variation to the strategic work plan. 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 governing body, vary the annual work plan to address new or emerging risks. The governing body may also, by resolution, request the committee to approve a variation to the annual work plan. 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 work plan.



Balranald Shire Council - Audit, Risk and Improvement Committee (ARIC) – Terms of Reference

Assurance reporting

The Committee must regularly report to the Council to ensure that it 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 the General Manager of its activities and opinions after every Committee meeting.

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

The Committee will provide a comprehensive assessment every council term of the matters listed in schedule 1 to the governing body and the General Manager.

The Committee may at any time report to the governing body or the General Manager on any other matter it deems of sufficient importance to warrant their attention. The mayor and the chairperson 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 chairperson by resolution. The chairperson is only required to provide the information requested by the governing body where the chairperson 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.

Administrative arrangements

Meetings

The Committee will meet at least 4 times per year, [including a special meeting to review the Council's financial statements].

The Committee can hold additional meetings when significant unexpected issues arise, or if the chairperson 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 videoconference. Proxies are not permitted to attend meetings if a Committee member cannot attend.

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

The chairperson 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 the internal audit coordinator should 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 chairperson can request any employee/contractor of the Council and any subject matter expert to attend committee meetings. Where requested to attend a meeting, persons must attend the meeting where possible and provide any information requested. Observers have no voting rights and can be excluded from a meeting by the chairperson 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 the Internal Audit Coordinator and the Council's external auditor at least once each year.



Balranald Shire Council - Audit, Risk and Improvement Committee (ARIC) – Terms of Reference

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 by 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.

Unresolved disputes regarding compliance with statutory or other requirements are to be referred to the Departmental Chief Executive of the Office of Local Government in writing.

Secretariat

The General Manager will nominate a staff member 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 chairperson at least one week before the meeting and ensure that minutes of meetings are prepared and maintained. Minutes must be approved by the chairperson and circulated within 2 weeks of the meeting to each member.

Resignation and dismissal of members

Where the chairperson 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 3 months notice to the chairperson and the governing body prior to their resignation to allow the Council to ensure a smooth transition to a new chairperson or Committee member.

The governing body can, by resolution, terminate the appointment of the chairperson or an independent Committee member before the expiry of their term where that person has:

- breached the Council's code of conduct
- performed unsatisfactorily or not to expectations
- declared, or is found to be in, a position of a conflict of interest which is unresolvable
- been declared bankrupt or found to be insolvent
- experienced an adverse change in business status
- been charged with a serious criminal offence
- been proven to be in serious breach of their obligations under any legislation, or
- experienced an adverse change in capacity or capability.

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

Review arrangements

At least once every council term, the governing body must review or arrange for an external review of the effectiveness of the Committee.

These terms of reference must 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.



Balranald Shire Council - Audit, Risk and Improvement Committee (ARIC) – Terms of Reference

Further information

For further information on Council's Audit, Risk and Improvement Committee (ARIC) contact:

Mr. Glenn Carroll
Director of Governance, Business and Community Services
Email: gcarroll@balranald.nsw.gov.au
Phone: 03 5020 1300

Reviewed by chairperson of the Audit, Risk and Improvement Committee:

NAME: _____ **SIGN:** _____ **DATE** _____

Reviewed by Council in accordance with a resolution of the governing body:

RESOLUTION REFERENCE: _____

DATE: _____

NEXT REVIEW DATE: _____
