



# AUDIT RISK AND IMPROVEMENT COMMITTEE

## TERMS OF REFERENCE

19 June 2024

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Berrigan Shire Council (Council) has established an Audit, Risk and Improvement Committee (Committee or ARIC) in compliance with section 428A of the *Local Government Act 1993* (the LGA) and, the *Local Government (General) Regulation 2021* and consistent with 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.

## 1. Objective

The objective of the Committee is to provide independent assurance to Council by monitoring, reviewing and providing advice about Council's:

- governance processes,
- compliance,
- risk management and control frameworks,
- external accountability obligations, and
- overall performance.

## 2. Independence

The Committee is to be independent of Council. This is 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 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 Council that is informed by 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 Council's internal audit function and acts as a mechanism for internal audit to report to the governing body and Chief Executive Officer on matters affecting the performance of the internal audit function.

## 3. Authority

Council authorises the Committee, within the scope of its role and responsibilities, to:

- access the information it needs from Council (subject to any legal obligations to protect information),
- use Council resources it needs, within reason, and in consultation with the Chief Executive Officer,
- have direct and unrestricted access to the Chief Executive Officer and Senior Management of the Council,
- seek the Chief Executive Officer's permission to meet with any other Council staff member or contractor,
- discuss any matters with the external auditor or other external parties (subject to confidentiality considerations),

- request the attendance of any relevant employee at Committee meetings,
- obtain external legal or other professional advice considered necessary to meet its responsibilities up to a value of \$1,000. Any advice exceeding the monetary limit will require approval from the Chief Executive Officer or delegate.

In providing this Authority, Council requires the Committee to ensure that its requirements are consistent with a Committee that is fit for purpose for the Berrigan Shire. In particular, Council requires the Committee to consider:

- the population and geographic size of Berrigan Shire
- the overarching budget and scope of responsibilities of Berrigan Shire Council
- the budget allocated by Council for the Committee and the internal audit function
- staff availability and workload.

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 and only with the approval of the Chief Executive Officer, 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.

#### 4. Committee composition; tenure and conditions of appointment.

The Committee consists of three independent voting Members appointed by the Council, one of whom shall be the Chair appointed by the Council who have voting rights and one non-voting Councillor, as required under the *Local Government (General) Regulation 2021*.

##### 4.1. Structure

The committee structure is:

- Independent chair (voting)
- Independent member (voting)
- Independent member (voting)
- Councillor member (non-voting)

##### 4.2. Tenure

###### 4.2.1. Councillor member

The Councillor member will be appointed for a two-year term at the extraordinary meeting held to elect the Mayor every second September – subject to the standard Council election cycle.

The Councillor member must not be the Mayor. If the Councillor member is elected Mayor, the Council will appoint a new Councillor member for the remainder of the two-year term.

###### 4.2.2. Independent member

All committee members must ensure they act independently and without bias at all times.

Members will be appointed for a four-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 minimum two-year break from serving on the Committee before any subsequent appointment is possible. 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.

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 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 Chair's or an independent member's term, the Council, through the Chief Executive Officer, is to undertake an assessment of the Chair's or committee member's performance.

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 Council, the environment in which 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.

## 5. Responsibilities of 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 of the Committee are expected to:

- make themselves available as required to attend and participate in meetings,
- contribute the time needed to study and understand the papers provided,
- apply good analytical skills, objectivity, and judgement,
- act in the best interests of the Council
- express opinions frankly, ask questions that go to the fundamental core of issues, and pursue independent lines of enquiry,
- maintain effective working relationships with Council
- complete and lodge Disclosure by Councillors and Designated Persons Return.

The Chair is expected to:

- have strong leadership qualities, and
- lead effective committee meetings.

## 6. Councillor members

To preserve the independence of the Committee, the Councillor member of the Committee is a non-voting member. Their role 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 (as necessary) of the work of the Committee and any issues arising from it, and
- assist the governing body to review the performance of the Committee.

Issues or information the Councillor member raises with or provides to the Committee must relate to the responsibilities of the Committee and issues being considered by the Committee.

The Councillor member of the Committee must conduct themselves in a non-partisan and professional manner. The Councillor member of the Committee must not engage in any conduct that seeks to politicise the activities of the Committee or the internal audit function or that could be seen to do so.

If the Councillor member of the Committee engages in such conduct or in any other conduct that may bring the Committee and its work into disrepute, the Chair of the Committee may recommend to the Council, that the Councillor member be removed from membership of the Committee. Where the Council does not agree to the Chair's recommendation, the Council will give reasons for its decision in writing to the Chair.

## 7. 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:

1. Compliance
2. Risk management
3. Fraud control
4. Financial management
5. Governance
6. Implementation of Council's strategic plan, delivery program and strategies
7. Service reviews
8. Collection of performance management data by the Council, and
9. Internal Audit
10. External audit and accountability
11. Control framework
12. Other matters, and
13. Referrals from the Chief Executive Officer and Council

In carrying out its responsibilities, the Committee must, always, recognise that primary responsibility for management of Council rests with the Council and the Chief Executive Officer as defined by the Local Government Act.

#### 7.1.1. Compliance

The Committee is required to review and advise Council of the adequacy and effectiveness of the Council's compliance framework, including:

- if Council has appropriately considered legal and compliance risks as part of Council's risk management framework
- how Council manages its compliance with applicable laws, regulations, policies, procedures, codes and contractual arrangements, and
- whether appropriate processes are in place to assess compliance.

#### 7.1.2. Risk management

The Committee will review and advise:

- if Council has in place a current and appropriate risk management framework that is consistent with the Australian risk management standard
- whether Council is providing the resources necessary to successfully implement its risk management framework
- whether Council's risk management framework is adequate and effective for identifying and managing the risks Council faces, including those associated with individual projects, programs and other activities
- if risk management is integrated across all levels of Council and across all processes, operations, services, decision-making, functions and reporting
- of the adequacy of risk reports and documentation, for example, Council's risk register and risk profile
- whether a sound approach has been followed in developing risk management plans for major projects or undertakings
- whether appropriate policies and procedures are in place for the management and exercise of delegations
- if Council has taken steps to embed a culture which is committed to ethical and lawful behaviour
- if there is a positive risk culture within Council and strong leadership that supports effective risk management
- of the adequacy of staff training and induction in risk management
- how Council's risk management approach impacts on Council's insurance arrangements
- of the effectiveness of Council's management of its assets, and
- of the effectiveness of business continuity arrangements, including business continuity plans, disaster recovery plans and the periodic testing of these plans

- of the effectiveness of business continuity arrangements, including business continuity plans, disaster recovery plans and the periodic testing of these plans.

### 7.1.3. Fraud and corruption

The Committee is required to review and advise Council of the adequacy and effectiveness of Council's fraud and corruption prevention framework and activities, including whether Council has appropriate processes and systems in place to capture and effectively investigate fraud related information.

### 7.1.4. Financial management

The Committee is required to review and advise:

- if Council is complying with accounting standards and external accountability requirements
- of the appropriateness of accounting policies and disclosures,
- of the implications for Council of the findings of external audits and performance audits and Council's responses and implementation of recommendations,
- whether Council's financial statement preparation procedures and timelines are sound,
- the accuracy of Council's annual financial statements prior to external audit, including:
  - management compliance/representations
  - significant accounting and reporting issues
  - the methods used by Council to account for significant or unusual transactions and areas of significant estimates or judgements
  - appropriate management signoff on the statements
- if effective processes are in place to ensure financial information included in Council's annual report is consistent with signed financial statements,
- if Council's financial management processes are adequate,
- the adequacy of cash management policies and procedures
- if there are adequate controls over financial processes, for example:
  - appropriate authorisation and approval of payments and transactions
  - adequate segregation of duties
  - timely reconciliation of accounts and balances
  - review of unusual and high value purchases
- if policies and procedures for management review and consideration of the financial position and performance of Council are adequate, and
- if Council's grants and tied funding policies and procedures are sound.



#### 7.1.5. Governance

The Committee should review and advise the Council regarding its governance framework including:

- Decision-making processes
- Implementation of governance policies and procedures
- Reporting lines and accountability
- Assignment of key roles and responsibilities
- Committee structure
- Management oversight responsibilities
- Human resources and performance management activities
- Reporting and communication activities
- Information and communications technology (ICT) governance, and
- Management and governance of the use of data, information and knowledge.

#### 7.1.6. Strategic Planning

The Committee should review and advise Council:

- of the adequacy and effectiveness of Council's integrated, planning and reporting (IP&R) processes, and
- if appropriate reporting and monitoring mechanisms are in place to measure against objectives.

#### 7.1.7. Service reviews and business improvement

The Committee should act as a forum for communication and monitoring of any audits conducted by external bodies and the implementation of corrective actions (for example, NSW government agencies, Commonwealth government agencies, insurance bodies).

The Committee should also review and advise:

- if Council has robust systems to set objectives and goals to determine and deliver appropriate levels of service to the community and business performance
- if appropriate reporting and monitoring mechanisms are in place to measure service delivery to the community and overall performance, and
- how Council can improve its service delivery and Council's performance of its business and functions generally.

#### 7.1.8. Performance data and measurement

The Committee should review and advise:

- if Council has a robust system to determine appropriate performance indicators to measure the achievement of its strategic objectives
- if the performance indicators Council uses are effective, and
- of the adequacy of performance data collection and reporting.

#### 7.1.9. Internal Audit

To acquit its internal audit responsibilities the Committee will:

- provide overall strategic oversight of internal audit activities

- act as a forum for communication between the governing body, Chief Executive Officer, senior management, the internal audit function and external audit
- coordinate, as far as is practicable, the work programs of internal audit and other assurance and review functions
- review and advise:
  - on whether Council is providing the resources necessary to successfully deliver the internal audit function, taking into account the population and geographic size of Berrigan Shire Council and the budget Council has allocated to the internal audit function
  - if Council is complying with internal audit requirements, including conformance with the International Professional Practices Framework
  - if Council's internal audit charter is appropriate and whether the internal audit policies and procedures and audit/risk methodologies used by Council are suitable
  - of the strategic four-year work plan and annual work plan of internal audits to be undertaken by Council's internal audit function
  - of the findings and recommendations of internal audits conducted, and corrective actions needed to address issues raised
  - of the implementation by Council of these corrective actions
  - on the appointment of the internal audit coordinator and external providers, and
  - if the internal audit function is structured appropriately, taking in account the population and geographic size of Berrigan Shire and the budget Council has allocated, and has sufficient skills and expertise to meet its responsibilities.

#### 7.1.10. [External audit](#)

To adequately acquit its external audit accountabilities, the Committee must:

- act as a forum for communication between the governing body, Chief Executive Officer, senior management, the internal audit function and external audit
- coordinate as far as it is practicable, the work programs of internal audit and external audit
- provide input and feedback on the financial statement and performance audit coverage proposed by external audit and provide feedback on the audit services provided
- review all external plans and reports in respect of planned or completed audits and monitor Council's implementation of audit recommendations
- provide advice to the governing body and/or Chief Executive Officer on action taken on significant issues raised in relevant external audit reports and better practice guides.

#### 7.1.11. [Internal Controls](#)

With respect to internal controls, the Committee will review and advise:

- whether Council's approach to maintaining an effective internal audit framework, including over external parties such as contractors and advisors, is sound and effective
- whether Council has in place relevant policies and procedures and that these are periodically review and updated
- whether appropriate policies and procedures are in place for the management and exercise of delegations
- whether staff are informed of their responsibilities and processes and procedures to implement controls are complied with

- if Council’s monitoring and review of controls is sufficient, and
- if internal and external audit recommendations to correct internal control weaknesses are implemented appropriately.

## 7.2. Conduct

Independent committee members are required to comply with the Council’s Code of Conduct.

Complaints alleging 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 Chief Executive Officer must consult with the Council before taking any disciplinary action against an independent committee member in response to a breach of the Council’s Code of Conduct.

### 7.2.1. Resignation and dismissal

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 four weeks’ notice 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 Council 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 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 charged with a serious criminal offence,
- 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 of the Committee can be terminated at any time by the governing body by resolution.

### 7.2.2. 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 Chief Executive Officer or other senior managers, the dispute is to be resolved by the Council.

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.

### 7.2.3. Conflicts of interest

Once a year, Committee members will provide written declarations to the Council stating 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 they may have at the start of each meeting, before discussion of the relevant agenda item or issues, 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.

## 8. 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 all matters included in the Committee's responsibilities (outlined above) are reviewed by the Committee and considered by the internal audit function when developing their risk-based program of internal audits.

In developing the work plan, the Committee must ensure that it is fit for purpose. This includes consideration of:

- the population and geographic size of Berrigan Shire
- the overarching budget and scope of responsibilities of Berrigan Shire Council
- the budget allocated by Council to the internal audit function
- available council resources
- relative risk of each of the matters included in the Committee's responsibilities.

The program of internal audits should not cover all matters included in the Committee's responsibilities, but should take a risk-based approach to identifying those which require prioritisation.

The strategic work plan must be reviewed at least annually to ensure it remains appropriate.

The Committee may, in consultation with Management, vary the strategic work plan at any time to address new or emerging risks. The Council 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, and the work of the internal audit function over the forward year.

In developing the annual work plan, the Committee must ensure that it is fit for purpose. This includes consideration of:

- the population and geographic size of Berrigan Shire
- the overarching budget and scope of responsibilities of Berrigan Shire Council
- the budget allocated by Council to the internal audit function
- available council resources
- relative risk of each of the matters included in the Committee's responsibilities.

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.

When considering whether to vary the strategic or annual work plans, the Committee must consider the impact of the proposed variation on the Council's resources (physical and financial) as well as ensuring completion of pre-existing ARIC priorities and activities identified under the work plan, are not compromised, taking into account any identified risks of altering priorities and amending the work plan.

## 9. Assurance reporting

The Committee must regularly report to the Council to ensure 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 Chief Executive Officer of its activities and opinions after every Committee meeting, via the Meeting Minutes, which shall be provided to the next available Council Meeting following approval by the Chair.

The Committee will provide an annual assessment to the governing body and the Chief Executive Officer 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 included in the Committee's responsibilities to the governing body and Chief Executive Officer.

The Committee may at any time report to the governing body or the Chief Executive Officer on any other matter it deems of sufficient importance to warrant their attention. The Mayor and the Chair 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. The Chair is only required to 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.

## 10. Administrative arrangements

### 10.1. Meetings

The Committee will meet four times per year, with one of these meetings 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 Chair is to be mindful of the budget allocated for sitting fees for the Committee when holding such additional meetings, as well as the additional workload for Council staff, ensuring that any such meetings must meet the threshold of a significant unexpected issue.

The Chief Executive Officer and the Council may also request additional meetings.

Committee meetings can be held in person, by telephone or videoconference. Proxies are not permitted if a member is unable to attend a meeting, unless in the absence of the councillor member, a predetermined alternate will be required to attend.

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

The Chair of the Committee, in conjunction with Management, will determine 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 Chief Executive Officer (or delegate) and Deputy Chief Executive Officer as ARIC liaison, 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 may request the Council's Finance Manager, senior managers, any Councillors, and any employee/contractor of the Council and any subject matter expert to attend committee meetings, with the approval of the Chief Executive Officer. If invited, these individuals **must** attend and provide any information requested where possible. Observers have no voting rights and may 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 Head of internal audit and the Council's external auditor at least once per year.

## 10.2. Secretariat

The Chief Executive Officer will nominate a staff member to provide reasonable 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 shall be approved by the Chair and circulated to each member within five working days after the meeting.

The Chief Executive Officer will make the Chair aware if a view is reached that the required secretariat support is unreasonable.

## 10.3. 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 must be approved by the governing body.



Karina Ewer

**CHIEF EXECUTIVE OFFICER**

19 June 2024

Adopted by Council,

19 June 2024

OCM130/24

Date of review: 18 June 2025






# Berrigan ARIC Terms of Reference - as adopted by Council

Final Audit Report

2024-08-15

Created:	2024-08-15
By:	Matthew Hansen (matthew.hansen@berriganshire.nsw.gov.au)
Status:	Signed
Transaction ID:	CBJCHBCAABAAIpic5kRyiSGFJko-g74n0oAwQ2tdezlr

## "Berrigan ARIC Terms of Reference - as adopted by Council" History

-  Document created by Matthew Hansen (matthew.hansen@berriganshire.nsw.gov.au)  
2024-08-15 - 11:15:49 PM GMT
-  Document emailed to Karina Ewer (karinae@berriganshire.nsw.gov.au) for signature  
2024-08-15 - 11:15:54 PM GMT
-  Email viewed by Karina Ewer (karinae@berriganshire.nsw.gov.au)  
2024-08-15 - 11:16:34 PM GMT
-  Document e-signed by Karina Ewer (karinae@berriganshire.nsw.gov.au)  
Signature Date: 2024-08-15 - 11:23:25 PM GMT - Time Source: server
-  Agreement completed.  
2024-08-15 - 11:23:25 PM GMT