



Audit, Risk & Improvement Committee

Terms of Reference

Version #5

Guidelines for Risk Management and Internal Audit for Local Government in NSW – November 2023

1 INTRODUCTION

Murray River Council has established an Audit, Risk and Improvement Committee (ARIC or the Committee) in compliance with Section 428A of the Local Government Act 1993 (the Act), the Local Government (General) Regulation 2021 (the Regulation) and the Guidelines for Risk Management and Internal Audit for Local Government in NSW (the Guidelines).

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 Council's ARIC is to provide independent assurance to Council by monitoring, reviewing and providing advice about Council governance processes, compliance, risk management and control frameworks, external accountability obligations and overall performance.

2. INDEPENDENCE

The ARIC:

- ▶ 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 provide Council with robust, objective and unbiased advice and assurance.
- ▶ Is to have an advisory and assurance role only and is to exercise no administrative functions, delegated financial responsibilities or any management functions of Council.
- ▶ Will provide independent advice to Council that is informed by the Council's internal audit and risk management activities and information and advice provided by Council employees, relevant external bodies and subject matter experts.
- ▶ Must always ensure it maintains a direct reporting line to and from Council internal audit function and act as a mechanism for internal audit to report to Council and CEO on matters affecting the performance of the internal audit function.

3. AUTHORITY

Council authorises the ARIC, for the purposes of exercising its responsibilities, to:

- ▶ Access any information it needs from Council;
- ▶ Use any Council resources it needs;
- ▶ Have direct and unrestricted access to the CEO and senior management of Council;
- ▶ Seek the CEO's permission to meet with any other Council employee or contractor;
- ▶ Discuss any matters with the external auditor or other external parties;
- ▶ Request the attendance of any employee at committee meetings, and
- ▶ To obtain external legal or other professional advice in line with Council's procurement policies. The CEO's permission is required to expend funds in excess of the budgetary allocation.

Information and documents pertaining to the ARIC are confidential and are not to be made publicly available. ARIC may only release Council information to external parties that are assisting the ARIC to fulfil its responsibilities with the approval of the CEO, 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. COMPOSITION AND TENURE

- ▶ The Committee will consist of an Independent Chair and two (2) Independent Members who have voting rights and one (1) non-voting Councillor, which is an optional appointment, as required under the Framework.
- ▶ The elected Council, by resolution, is to appoint the Chair and Independent Members of the Committee.

- ▶ All Committee members must meet the independence and eligibility criteria prescribed in the Framework.
- ▶ Members will be appointed for up to a four (4) year term. Which will ideally run in parallel with the term of the Council.
- ▶ Members can be reappointed for one (1) further term, but the total period of continuous membership cannot exceed eight (8) years. This includes any term as Chair of the Committee.
- ▶ Members who have served an eight (8) year term (either as a Member or as Chair) must have a two (2) 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 retire from the Committee because of rotation in any one (1) 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 Chair's or an Independent Member's term, the Council is to undertake an assessment of the Chair's or Committee Member's performance. Reappointment of the Chair or a Committee Member is also to be subject to that person still meeting the independence and eligibility requirements.
- ▶ 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 Council.
- ▶ At least one (1) 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 Council's financial reporting responsibilities to be able to contribute to the Committee's consideration of Council's Annual Financial Statements.

5. ROLE

As required under Section 428A of the Act, the role of the Committee is to review and provide independent advice to 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 Council; and
- ▶ Internal audit.

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

The Committee's specific audit, risk and improvement responsibilities under Section 428A of the Act.

The ARIC will act as a forum for consideration of 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 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 Murray River Council rests with the elected Council and the CEO.

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

6. RESPONSIBILITIES OF MEMBERS

6.1 INDEPENDENT MEMBERS

The Chair and Independent Members of the Committee are expected to understand and observe the requirements of the Framework.

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 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 Council;
- ▶ Have strong leadership qualities (Chair);
- ▶ Lead effective committee meetings (Chair); and
- ▶ Oversee Council's internal audit function (Chair).

6.2 COUNCILLOR MEMBER

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 Council may have regarding Council and issues being considered by the Committee;
- ▶ Provide insights into local issues and the strategic priorities of Council that would add value to the Committee's consideration of agenda items;
- ▶ Advise Council (as necessary) of the work of the Committee and any issues arising from it; and
- ▶ Assist Council to review the performance of the Committee.

Issues or information the Councillor Member raises with or provides to the Committee must relate to the matters (listed in Clause 6 – Roles of this document) and issues being considered by the Committee.

The Councillor Member must conduct themselves in a non-partisan and professional manner. The Councillor Member 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 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 Council, that Councillor Member be removed from membership of the Committee. Where Council does not agree to the Committee Chair's recommendation, Council must give reasons for its decision in writing to the Chair.

6.3 CONDUCT

Independent Committee Members are required to comply with Council's Code of Conduct (Committees) Policy (Code of Conduct).

Complaints alleging breaches of Council's Code of Conduct by an Independent Member are to be dealt with in accordance with Council's Code of Conduct Procedures. The CEO must consult with Council before

taking any disciplinary action against an Independent Member in response to a breach of Council's Code of Conduct.

6.4 CONFLICTS OF INTEREST

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

The Chair and the Independent Members are 'designated persons' for the purposes of 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.

6.5 STANDARDS

Committee members are to conduct their work in accordance with the International Standards for the Professional Practice of Internal Auditing (the Standards) issued by the Institute of Internal Auditors and Australian Standard 4360: Risk Management, where applicable.

7. WORK PLANS

The work of the Committee is to be thoroughly planned and executed. The Committee must develop a Strategic Workplan every four (4) years to ensure that the matters listed in Section 6 - Roles are reviewed by the Committee and considered by the Internal Auditor/s when developing their risk-based program of internal audits. The Strategic Workplan must be reviewed at least annually to ensure it remains appropriate.

The Committee may, in consultation with Council, vary the Strategic Workplan at any time to address new or emerging risks. Council may also, by resolution, request the Committee to approve a variation to the Strategic Workplan. Any decision to vary the Strategic Workplan must be made by the Committee.

The Committee must also develop an Annual Workplan to guide its work, and the work of the Internal Auditor/s over the forward year.

The Committee may, in consultation with Council, vary the Annual Workplan to address new or emerging risks. The elected Council may also, by resolution, request the Committee to approve a variation to the Annual Workplan. Any decision to vary the Annual Workplan must be made by the Committee.

When considering whether to vary the Strategic or Annual Workplans, the Committee must consider the impact of the variation on the Internal Auditor's existing workload and the completion of pre-existing priorities and activities identified under the work plan.

8. ASSURANCE REPORTING

The Committee must regularly report to the elected 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 Council or the achievement of Council's goals and objectives.

The Committee will provide an update to the elected Council and the CEO of its activities and opinions after every Committee meeting.

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

The Committee will provide a comprehensive assessment every Council term of the matters listed in Section 6 - Roles to the elected Council and the CEO.

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

Should the elected Council 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 elected Council where the Chair is satisfied that it is reasonably necessary for Council to receive the information for the purposes of performing its functions under the Act.

Individual Councillors are not entitled to request or receive information from the Committee.

9. ADMINISTRATIVE ARRANGEMENTS

10.1 MEETINGS

- ▶ The Committee will meet a minimum of **four (4) times per year**, including a special meeting to review Council's Financial Statements.
- ▶ 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 CEO or the elected Council.
- ▶ **The Committee may meet up to a total of six (6) times per financial year without the need to seek permission from the Mayor to hold additional meetings.**
- ▶ 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 Chair has the casting vote.
- ▶ The Chair of the Committee will decide the Agenda for each Committee meeting.
- ▶ Minutes are to be maintained of each Committee meeting to preserve a record of the issues considered and the actions and decisions taken by the Committee.
- ▶ The CEO or his delegate and the Internal Audit Coordinator (IA 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 Chair can request the Council's Responsible Accounting Officer/ Manager Finance, Manager Governance & Risk, Directors, Councillors and any employee/contractor of 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.
- ▶ **Council employees, that are not Managers or Directors, requested to attend the meeting must have the approval of the Director to attend.**
- ▶ 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 may, on the decision of the Chair, meet separately with the IA Coordinator and Council's External Auditor.

10.2 DISPUTE RESOLUTION

Members of the Committee and 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 CEO or other senior managers, the dispute is to be resolved by the elected Council.

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

10.3 SECRETARIAT

The CEO will nominate 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 (1) week** before the meeting and ensure that minutes of meetings are prepared and maintained.

Minutes must be approved by the Chair and circulated within **two (2) weeks** of the meeting to each member.

10.4 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 **two (2) months** notice to the Chair and Council (wherever possible) prior to their resignation to allow Council to ensure a smooth transition to a new Chair or Committee Member.

Council can, by resolution, terminate the appointment of the Chair or an Independent Committee Member before the expiry of their term where that person has:

- ▶ Breached Council's Code of Conduct (Committees) Policy;
- ▶ 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 Council resolution.

10.5 LEAVE OF ABSENCE

Committee members that are aware, in advance, that they cannot attend a scheduled meeting, either in person or by video link, they should apply for a leave of absence.

If a Committee member fails to attend two (2) consecutive meetings without a leave of absence or submitting an apology for a meeting, the elected Council can, by resolution, dismiss the Committee member.

A meeting between the Chair and the Committee member should be held to discuss the non-compliance with the Framework, prior to any action taken.

10.6 REVIEW ARRANGEMENTS

At least once every Council term, Council 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 elected Council. Any substantive changes are to be approved by resolution of a Council meeting.

10. ASSOCIATED DOCUMENTS, DEFINITIONS & ACRONYMS

External:

- ▶ Local Government Act 1993
- ▶ Local Government (General) Regulation 2021
- ▶ Guidelines for risk management and internal audit for local government in NSW.
- ▶ International Standards for the Professional Practice of Internal Auditing
- ▶ Australian Standard 4360: Risk Management

Internal:

- ▶ MRC Policy – Code of Conduct (Committees) Policy
- ▶ MRC Procedure - Code of Conduct Procedures.
- ▶ MRC Framework – Audit, Risk and Improvement Framework
Including
Internal Auditor/s Charter
ARIC Roles and Responsibilities

Definitions and Acronyms:

Term	Definition
ARIC or the Committee	Audit, Risk and Improvement Committee
CEO	Chief Executive Officer
Chair	The Chair of the Audit, Risk and Improvement Committee
IA Coordinator	Internal Audit Coordinator – An employee of Council that is suitably experienced in the working of Council and an ARIC.
Senior Management	CEO and Directors

11. DOCUMENT CONTROL

V#	Details	Dates	CM9 Reference	Resolution No.
1	Initial Issue	17 Oct 2017 to 21 Aug 2018		
2	Amendment to Section 3.3 to include representatives of the internal auditor as "invitees for specific Agenda items (non-voting)"	21 Aug 2018 to 26 Mar 2019		
3	Amendments to Section 4.3 added point 5 – include review of financial reports required to be produced under legislation and 4.5 2nd sentence and point 4 – clarify oversight of internal audit activities & communication with int & external auditors	26 Mar 2019 to 8 Feb 2021		
4	Clause 2 add "the Committee", 4.1 add point 2, 4.5 added point 5 & 7, Clause 5 added 2 points, 6.3 added sentence re agendas	8 Feb 2021 to DRAFT		
5	Based on the OLG - Model Terms of Reference for Local Government ARICs Nov 2023	DRAFT		

Council reserves the right to review, vary or revoke this policy at any time
This document is scheduled for review in before 2025.

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