



**BERRIGAN SHIRE**  
BAROOGA • BERRIGAN • FINLEY • TOCUMWAL



**Audit, Risk and Improvement Committee**

**Terms of Reference**

*Making an even better Berrigan Shire*



Berrigan Shire Council (the Council) has established an Audit, Risk and Improvement Committee (the Committee) in compliance with section 428A of the *Local Government Act 1993* and clauses (#tbc) of the *Local Government (General) Regulation 2005*. These terms of reference set out the Committee's objectives, authority, composition and tenure, roles and responsibilities, reporting and administrative arrangements.

### **1.0 Objective**

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

### **2.0 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 provide the Council with robust, objective and unbiased advice and assurance.

The Committee is to provide 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 will provide independent advice to the Council that is informed by Council's internal audit and risk management activities and information and advice provided by council, relevant external bodies and subject matter experts.

The Committee must at all times ensure it maintains a direct reporting line to and from Council's internal audit function and act 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.

### **3.0 Authority**

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

- access any information it needs from Council;
- use any Council resources it needs;
- 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;
- request the attendance of any employee at committee meetings, and



- obtain external legal or other professional advice up to a value of \$1,000. Any advice exceeding the monetary limit will require approval from the Chief Executive Officer or delegate.

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.

#### 4.0 Composition and tenure

The Committee consists of one independent prequalified voting Chair, and two independent voting members, in accordance with the *Guidelines for risk management and internal audit in local councils in NSW*. In addition, a councillor voting representative, and an alternate in the councillor member's absence.

The governing body is to appoint the Chair and members of the Committee. The Chair is counted as one member of the Committee. Current committee structure is

Position
Independent Chair (voting)
Independent member (voting)
Independent member (voting)
Councillor member (voting)

All Committee members are to meet the independence and eligibility criteria prescribed in the *Guidelines for risk management and internal audit in local councils in NSW*.

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.



Specific member terms and conditions are to be disclosed 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 committee responsibilities.

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.

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. 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.

## 5.0 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, 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's specific audit, risk and improvement responsibilities under section 428A are outlined in Schedule 1 to this Charter.

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 of direction over 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 Chief Executive Officer.

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.

## 6.0 Responsibilities of members

### 6.1 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).



## 6.2 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 Chief Executive Officer 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*.

## 6.3 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 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.

## 6.4 Standards



Committee members are to conduct their work in accordance with the International Standards of the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors and ISO31000:2018, where applicable.

## **7.0 Work plans**

The work of the Committee is to be thoroughly planned and executed to ensure all Council activities and functions are reviewed. The Committee must develop a strategic plan every four years to ensure all matters listed in Schedule 1 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.

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.

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.

## **8.0 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.

The Committee will provide an annual assessment to the governing body and Chief Executive Officer 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 of all the matters listed in Schedule 1 to the governing body and Chief Executive Officer.

The Committee may at any time report to the governing body or Chief Executive Officer 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.

## **9.0 Administrative arrangements**

### **9.1 Meetings**

The Committee will meet at least four 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 Chair is asked to hold an additional meeting by a committee member, the Chief Executive Officer or the governing body.

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 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 Chief Executive Officer and Head of internal audit 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, at the approval of the Chief Executive Officer. 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.

## 9.2 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 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.

### 9.3 Secretariat

The Chief Executive Officer will appoint a Council employee/s 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 one week of the meeting to each member.

### 9.4 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 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 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.

### 9.5 Review arrangements



At least once every Council term, the governing body must conduct an external review of the effectiveness of the Committee.

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.

## **10.0 Further information**

For further information on Council's Audit, Risk and Improvement Committee, contact Michelle Koopman on [michellek@berriganshire.nsw.gov.au](mailto:michellek@berriganshire.nsw.gov.au) or by phone on 03 5888 5100.



Reviewed by Chair of the Audit, Risk and Improvement committee,

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(signed)

\_\_\_\_\_ (date)

Adopted by Council,

\_\_\_\_\_ (date)

\_\_\_\_\_ (resolution reference)

Date of review: \_\_\_\_\_