

# Terms of reference for Bega Valley Shire Council audit, risk and improvement committee



PO Box 492, Bega NSW 2550  
**P.** (02) 6499 2222  
**F.** (02) 6499 2200  
**E.** [council@begavalley.nsw.gov.au](mailto:council@begavalley.nsw.gov.au)  
**W.** [begavalley.nsw.gov.au](http://begavalley.nsw.gov.au)

**ABN.** 26 987 935 332  
**DX.** 4904 Bega

Bega Valley Shire Council acknowledges and pays our respects to the traditional custodians of the lands, waterways and airspace of the shire.

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## 1. Introduction

Bega Valley Shire Council (BVSC) 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.

## 2. Objective

The objective of BVSC ARIC is to provide independent assurance to BVSC by monitoring, reviewing and providing advice about BVSC governance processes, compliance, risk management and control frameworks, external accountability obligations and overall performance.

## 3. Independence

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 to provide BVSC with robust, objective and unbiased advice and assurance.

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

ARIC must always ensure it maintains a direct reporting line to and from BVSC internal audit function and act as a mechanism for internal audit to report to the governing body and the Chief Executive Officer (CEO) on matters affecting the performance of the internal audit function.

## 4. Authority

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

- access any information it needs from BVSC
- use any BVSC resources it needs
- have direct and unrestricted access to the CEO and senior management of BVSC
- seek the CEO's permission to meet with any other BVSC staff member or contractor
- discuss any matters with the external auditor or other external parties
- request the attendance of any employee at ARIC meetings, and
- obtain external legal or other professional advice in line with councils' procurement policies.

Information and documents pertaining to ARIC are confidential and are not to be made publicly available. ARIC may only release BVSC information to external parties that are assisting 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.

## 5. Composition and tenure

ARIC consists of an independent chair and two independent members who have voting rights and one non-voting councillor, as required under the Guidelines for risk management and internal audit for local government in NSW.

The governing body is to appoint the chair and members of ARIC. Current ARIC members are:

ARIC Members	
Name	Position
Mr Michael Pryke (MP)	Acting independent chair (voting)
Mr Nick Derera (ND)	Independent member (voting)
Mr Martin Booth (MB)	Independent member (voting)
Vacant	Councillor (non-voting)

All ARIC members must meet the independence and eligibility criteria prescribed in the Guidelines for risk management and internal audit for local government in NSW.

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 chair of ARIC. Members who have served an eight-year term (either as a member or as chair) must have a two-year break from serving on ARIC before being appointed again. To preserve ARIC's knowledge of BVSC, ideally, no more than one member should retire from ARIC because of rotation in any one year.

The terms and conditions of each member's appointment to ARIC 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 governing body is to undertake an assessment of the chair's or ARIC member's performance. Reappointment of the chair or an ARIC member is also to be subject to that person still meeting the independence and eligibility requirements.

Members of ARIC must possess and maintain a broad range of skills, knowledge and experience relevant to the operations, governance and financial management of BVSC, the environment in which BVSC operates, and the contribution that ARIC makes to BVSC. At least one member of ARIC 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 BVSC financial reporting responsibilities to be able to contribute to ARIC's consideration of BVSC annual financial statements.

## 6. Role

As required under section 428A of the Local Government Act 1993 (the Act), the role of ARIC is to review and provide independent advice to BVSC regarding the following aspects of BVSC 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 BVSC, and
- internal audit.

ARIC must also provide information to BVSC for the purpose of improving BVSC performance of its functions.

ARIC's specific audit, risk and improvement responsibilities under section 428A of the Act are outlined in Schedule 1 to this charter.

ARIC will act as a forum for consideration of BVSC internal audit function and oversee its planning, monitoring and reporting to ensure it operates effectively.

ARIC 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.

ARIC is directly responsible and accountable to the governing body for the exercise of its responsibilities. In carrying out its responsibilities, ARIC must at all times recognise that primary responsibility for management of BVSC rests with the governing body and the CEO.

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

## 7. Responsibilities of members

### 7.1 Independent members

The chair and members of ARIC 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 BVSC
- 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 BVSC
- have strong leadership qualities (chair)
- lead effective ARIC meetings (chair), and
- oversee BVSC internal audit function (chair).

## 7.2 Councillor member

To preserve the independence of ARIC, the councillor member of ARIC is a non-voting member. Their role is to:

- relay to ARIC any concerns the governing body may have regarding BVSC and issues being considered by ARIC
- provide insights into local issues and the strategic priorities of BVSC that would add value to ARIC's consideration of agenda items
- advise the governing body (as necessary) of the work of ARIC and any issues arising from it, and
- assist the governing body to review the performance of ARIC.

Issues or information the councillor member raises with or provides to ARIC must relate to the matters listed in Schedule 1 and issues being considered by ARIC.

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

If the councillor member of ARIC engages in such conduct or in any other conduct that may bring ARIC and its work into disrepute, the chair of ARIC may recommend to BVSC, that the councillor member be removed from membership of ARIC. Where BVSC does not agree to ARIC chair's recommendation, BVSC must give reasons for its decision in writing to the chair.

## 7.3 Conduct

Independent ARIC members are required to comply with BVSC code of conduct.

Complaints alleging breaches of BVSC code of conduct by an independent ARIC 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 CEO must consult with the governing body before taking any disciplinary action against an independent ARIC member in response to a breach of BVSC code of conduct.

## 7.4 Conflicts of interest

Once a year, ARIC members must provide written declarations to BVSC stating that they do not have any conflicts of interest that would preclude them from being members of ARIC. Independent ARIC members are 'designated persons' for the purposes of BVSC code of conduct and must also complete and submit returns of their interests.

ARIC 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 an ARIC member or observer declares a pecuniary or a significant non-pecuniary conflict of interest, they must remove themselves from ARIC deliberations on the issue. Details of conflicts of interest declared at meetings must be appropriately minuted.

## 7.5 Standards

ARIC 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 AS/NZS ISO 31000:2018 Risk Management – Principles and Guidelines, where applicable.

## 8. Work plans

The work of ARIC is to be thoroughly planned and executed. ARIC must develop a strategic work plan every four years to ensure that the matters listed in Schedule 1 are reviewed by ARIC 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.

ARIC 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 ARIC to approve a variation to the strategic work plan. Any decision to vary the strategic work plan must be made by ARIC.

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

ARIC 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 ARIC to approve a variation to the annual work plan. Any decision to vary the annual work plan must be made by ARIC.

When considering whether to vary the strategic or annual work plans, ARIC 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.

## 9. Assurance reporting

ARIC must regularly report to BVSC to ensure that it is kept informed of matters considered by ARIC and any emerging issues that may influence the strategic direction of BVSC or the achievement of BVSC goals and objectives.

ARIC will provide an update to the governing body and the CEO of its activities and opinions after every ARIC meeting.

ARIC will provide an annual assessment to the governing body and the CEO on ARIC's work and its opinion on how BVSC is performing.

ARIC will provide a comprehensive assessment every council term of the matters listed in Schedule 1 to the governing body and the CEO.

ARIC may at any time report to the governing body or the CEO on any other matter it deems of sufficient importance to warrant their attention. The mayor and the chair of ARIC may also meet at any time to discuss issues relating to the work of ARIC.

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 ARIC.



## 10. Administrative arrangements

### 10.1 Meetings

ARIC will meet at least 4 times per year, including a special meeting to review BVSC financial statements.

ARIC can hold additional meetings when significant unexpected issues arise, or if the chair is asked to hold an additional meeting by an ARIC member, the CEO or the governing body.

ARIC meetings can be held in person, by telephone or videoconference. Proxies are not permitted to attend meetings if an ARIC 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 ARIC will decide the agenda for each ARIC meeting. Each ARIC meeting is to be minuted to preserve a record of the issues considered and the actions and decisions taken by ARIC.

The CEO and the Risk management coordinator should attend ARIC meetings as non-voting observers. The external auditor (or their representative) is to be invited to each ARIC meeting as an independent observer. The chair can request BVSC finance manager, directors, any councillors, any employee/contractor of the council and any subject matter expert to attend ARIC 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 chair at any time.

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

ARIC must meet separately with the Risk management coordinator and BVSC external auditor at least once each year.

### 10.2 Dispute resolution

Members of the committee and BVSC 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 governing body.

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 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 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.

#### **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 notice in writing.

The governing body 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 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.

#### **10.5 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.

### **11. Remuneration**

Each independent member of ARIC will be remunerated as set out in their letter of appointment.

### **12. Further information**

For further information on BVSC ARIC contact Wayne van der Westhuysen on risk@begavalley.nsw.gov.au or by phone 02 6499 2222.

ARIC Terms of Reference endorsed by the governing body on 22 May 2024.

Next review date: May 2025

### 13. Table of administrative amendments

Amendment Version No.:	Description of Administrative Amendment	Date Reviewed
1	New document – Adopted Model terms of reference for local government audit, risk and improvement committees	01/05/2024

## Schedule 1 – Audit, risk and improvement committee responsibilities

### Audit

#### Internal audit

- Provide overall strategic oversight of internal audit activities
- Act as a forum for communication between the governing body, CEO, 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 BVSC:
  - on whether BVSC is providing the resources necessary to successfully deliver the internal audit function
  - if BVSC is complying with internal audit requirements, including conformance with the International Professional Practices Framework
  - if BVSC internal audit charter is appropriate and whether the internal audit policies and procedures and audit/risk methodologies used by BVSC are suitable
  - of the strategic four-year work plan and annual work plan of internal audits to be undertaken by BVSC internal audit function
  - if BVSC internal audit activities are effective, including the performance of the head of the internal audit function and the internal audit function
  - of the findings and recommendations of internal audits conducted, and corrective actions needed to address issues raised
  - of the implementation by BVSC of these corrective actions
  - on the appointment of the head of the internal audit function and external providers, and
  - if the internal audit function is structured appropriately and has sufficient skills and expertise to meet its responsibilities.

#### External audit

- Act as a forum for communication between the governing body, CEO, senior management, the internal audit function and external audit
- Coordinate as far as 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 CEO on action taken on significant issues raised in relevant external audit reports and better practice guides.

## Risk

### Risk management

Review and advise BVSC:

- if BVSC has in place a current and appropriate risk management framework that is consistent with the Australian risk management standard
- whether BVSC is providing the resources necessary to successfully implement its risk management framework
- whether BVSC risk management framework is adequate and effective for identifying and managing the risks BVSC faces, including those associated with individual projects, programs and other activities
- if risk management is integrated across all levels of BVSC and across all processes, operations, services, decision-making, functions and reporting
- of the adequacy of risk reports and documentation, for example, BVSC 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 BVSC has taken steps to embed a culture which is committed to ethical and lawful behaviour
- if there is a positive risk culture within BVSC and strong leadership that supports effective risk management
- of the adequacy of staff training and induction in risk management
- how BVSC risk management approach impacts on BVSC insurance arrangements
- of the effectiveness of BVSC 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.

### Internal controls

Review and advise BVSC:

- whether BVSC approach to maintaining an effective internal audit framework, including over external parties such as contractors and advisors, is sound and effective
- whether BVSC has in place relevant policies and procedures and that these are periodically reviewed 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 BVSC monitoring and review of controls is sufficient, and
- if internal and external audit recommendations to correct internal control weaknesses are implemented appropriately

### Compliance

Review and advise BVSC of the adequacy and effectiveness of BVSC compliance framework, including:

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

### **Fraud and corruption**

Review and advise BVSC of the adequacy and effectiveness of BVSC fraud and corruption prevention framework and activities, including whether BVSC has appropriate processes and systems in place to capture and effectively investigate fraud-related information.

### **Financial management**

Review and advise BVSC:

- if BVSC is complying with accounting standards and external accountability requirements
- of the appropriateness of BVSC accounting policies and disclosures
- of the implications for BVSC of the findings of external audits and performance audits and BVSC responses and implementation of recommendations
- whether BVSC financial statement preparation procedures and timelines are sound
- the accuracy of BVSC annual financial statements prior to external audit, including:
  - management compliance/representations
  - significant accounting and reporting issues
  - the methods used by BVSC 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 BVSC annual report is consistent with signed financial statements
- if BVSC 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 BVSC are adequate
- if BVSC grants and tied funding policies and procedures are sound.

### **Governance**

Review and advise BVSC regarding its governance framework, including BVSC:

- 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.

## **Improvement**

### **Strategic planning**

Review and advise BVSC:

- of the adequacy and effectiveness of BVSC integrated, planning and reporting (IP&R) processes
- if appropriate reporting and monitoring mechanisms are in place to measure progress against objectives, and
- whether BVSC is successfully implementing and achieving its IP&R objectives and strategies.

### **Service reviews and business improvement**

- 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)
- Review and advise BVSC:
  - If BVSC 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 BVSC can improve its service delivery and BVSC performance of its business and functions generally

### **Performance data and measurement**

Review and advise BVSC:

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



Zingel Place, Bega

M. PO Box 492 Bega P. 02 6499 2222 F. 02 6499 2200 ABN. 26 987 935 332 DX. 4904 Bega

 [council@begavalley.nsw.gov.au](mailto:council@begavalley.nsw.gov.au)

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