

Audit, Risk and Improvement Committee Terms of Reference

V4



Title	Audit, Risk and Improvement Committee Terms of Reference
Summary	The Terms of Reference set out the Audit Risk & Improvement Committee (ARIC)'s objectives, authority, composition and tenure, roles and responsibilities, reporting and administrative arrangements.
Document Type	Terms of Reference
Relevant Strategic Plan Objective	Strategic Direction 5: Progressive responsive and effective civic leadership.
Legislative Reference	<i>Local Government Act 1993, section 428A</i>
Related Council Documents	Model Code of Conduct
Version Control	See last page



Contents

1	Introduction.....	4
2	Objective.....	4
3	Independence.....	4
4	Authority.....	4
5	Composition and Tenure.....	5
6	Role.....	7
7	Responsibilities.....	8
8	Administrative arrangement.....	10
9	Assurance Reporting.....	13
10	Further information.....	14
	Schedule 1 Audit, Risk and Improvement Committee Responsibilities.....	15
11	Version Control – Policy History.....	19



1 Introduction

Inner West Council (Council) has established the Audit, Risk and Improvement Committee ('Committee' or 'ARIC') in compliance with section 428A of the *Local Government Act 1993*. 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 Council's ARIC is to provide independent assurance to Council by monitoring, reviewing and providing advice about the Council's governance processes, compliance, risk management and control frameworks, external accountability obligations and overall performance.

3 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 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 the 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 the Council's internal audit function and act as a mechanism for internal audit to report to the governing body and general manager on matters affecting the performance of the internal audit function.

4 Authority

- 4.1 Council authorises the Committee, for the purposes of exercising its role and responsibilities, to:
- Obtain any information needed from Council (subject to legal obligations to protect information) and utilise Council resources as required;
 - have direct and unrestricted access to the General Manager and senior management of the Council;

- Seek the General Manager's permission to meet with any other Council staff member or contractor;
 - Discuss any matters with the external auditor or other external parties (subject to confidentiality considerations);
 - Request the attendance of any employee at committee meetings, and
 - Obtain external legal or other professional advice considered necessary to meet its responsibilities (following budgetary consideration and consultation with the General Manager).
- 4.2 The Committee is mandated under section 428A of the Local Government Act 1993. The Committee acts primarily as an advisory body to the Council. The Committee does not have the power or authority of the Council in dealing with the matters on which it advises, except where certain powers are specifically set out in this Charter or are otherwise delegated by the Council.
- 4.3 Subject to any regulatory obligations, it is not the responsibility of the members of the Committee to determine that the Council's financial statements and disclosures are complete and accurate and in accordance with laws regulations and accounting standards, or to plan or conduct audits. Generally speaking, these matters are the responsibility of management and/or the external auditor.

5 Composition and Tenure

- 5.1 The Committee will consist of:

Members (voting):

- 2x Councillors (excluding the Mayor)
- 3x Independent external members (not employees or elected representatives of the Council)
- Chairperson to be one of the Independent members

Attendee (non-voting):

- General Manager and Executive Team
- Senior Manager Governance and Risk
- Chief Financial Officer

Invitees (non-voting):

- Representatives of the External Auditor
- Member of the Leadership Team not already in attendance
- Other officers may attend to address agenda items relevant to their area of responsibility or by invitation as requested by the Chair.

Councillors that are not members of the Committee are to have a standing invitation to attend any meeting of the Audit Risk and Improvement Committee, as an observer only.

5.2 Skills and Experience required:

- 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 Inner West Council, the environment in which Council operates, and the contribution that the Committee makes to the Council.
- At least one independent 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.
- The selection criteria for external independent members may include (but is not limited to):
 - knowledge of internal audit and governance frameworks;
 - relevant experience in senior management or governance roles;
 - high levels of financial literacy and if possible, accounting;
 - financial, legal, compliance and/or risk management experience;
 - high levels of personal integrity and ethics;
 - knowledge of local government;
 - strong communication skills;
 - previous experience serving on similar committees;
 - sufficient time available to devote to responsibilities as a Committee member; and
 - independence and freedom from contractual arrangements with Council.

5.3 The selection criteria and process for the appointment of the independent external members shall ordinarily be as follows:

- Council shall seek expressions of interest from persons interested in being appointed to the available position;
- Council Management will assess the expressions of interest and shortlisted applicants may be interviewed by Council Management prior to a selection decision; and
- Independent external member appointments are to be approved by Council resolution.

5.4 The Councillor representatives on the Committee will be nominated at an ordinary meeting of Council.

5.5 Term of Office:

- Subject to the following paragraph, appointments to the Committee shall be for a period of up to 4 years (or as determined by the Council), ensuring that continuity of independent membership is maintained over each general Council election period where possible. Independent external members may be reappointed through this process for a further period of up to 4 years, subject to a formal review of their performance noting that their total term on the Committee will not exceed 8 years.
- Members who have served an eight-year term (either as member or Chair) must have a two-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 leave the Committee because of rotation on any one year.
- Upon the appointment of an independent member, Council may set the initial term of that member for a period less than four years, so that the changeover of the independent members on the ARIC is staggered with independent members being replaced or reappointed at different times. This will allow for continuity and transfer of corporate knowledge.
- Notwithstanding this, positions will be declared vacant and new members will be sought on the date of the Council general election for Councillor members.
- The Chair must be an independent external member and may be appointed as Chair for a maximum of 8 years. The total term of the Chair as an independent external member of the Committee is not to exceed 8 years.
- In the case of resignation from the Committee by an independent external member, a new independent member will be selected following the process outlined in these terms of reference.
- In the case of resignation by the Chair, the remaining members will vote an acting Chair from the external members until such time as the Council appoints a replacement Chair.

6 Role

6.1 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
- Any other matters prescribed by regulations.

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

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 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 General Manager.

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

The Committee's specific audit, risk and improvement responsibilities under section 428A are outlined in Schedule 1 of this terms of reference. further below.

7 Responsibilities

7.1 Voting members

The Chair and members of the Committee are expected to understand and observe the requirements of the *Local Government Act 1993*. Members are 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**)
- relay to the Committee any concerns the governing body may have regarding the Council and issues being considered by the Committee (**Councillor members**)
- provide insights into local issues and the strategic priorities of the Council that would add value to the Committee's consideration of agenda items (**Councillor members**); and
- advise the governing body (as necessary) of the work of the Committee and any issues arising from it (**Councillor members**).

Issues or information the Councillor members raise with the Committee must relate to the matters listed in Schedule 1 and issues being considered by the Committee.

7.2 Conduct

All members of the committee are required to comply with the Councils code of conduct and be held to the same ethical, behavioral and conduct standards as officials of the council.

Complaints or breaches of Council's code of conduct by committee members are to be dealt with in accordance with the Procedures for the Administration of the Model Code of Conduct for Local Councils in NSW. The General Manager must consult with the governing body before taking any disciplinary action against a committee member in response to a breach of the Council's Code of Conduct.

Councillor members of the Committee must conduct themselves in a non-partisan and professional manner and 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 any member of the Committee engages in any other conduct that may bring the Committee and its work into disrepute, the Chair of the Committee, or if in relation to the Chair, by recommendation of a majority of the remaining Committee members, may recommend to the Council that the member be removed from membership of the Committee. Where the Council does not agree to the Chair's or Committees recommendation, the Council must give reasons for its decision.

7.3 Conflict 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.
- Committee members and observers must declare any pecuniary or non-pecuniary conflicts of interest that may have at the start of each meeting,

before discussion of the relevant agenda item or issue, 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 Administrative arrangement

8.1 Meetings

- The Committee will meet at least 4 times per year, with an additional special meeting to review the Council’s financial statements (this meeting can also be utilised to discuss other matters relevant to the Committee).
- 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 General Manager 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.
- Each committee meeting is to be minuted to preserve a record of the issues considered and the actions and decisions taken by the Committee.
- A forward meeting plan, including meeting dates and agenda items will be agreed by the Committee each year. The forward meeting plan will cover all Committee responsibilities as detailed in the Audit, Risk and Improvement Charter.
- Where internal audit priorities change between meetings or new urgent issues arise, and where it is not possible to schedule an additional meeting, the Audit, Risk and Improvement Committee will be kept fully informed of all changes via email.
- The Committee can hold closed meetings whenever it needs to discuss confidential or sensitive issues with the only voting members of the committee present.

8.2 Quorum

- A quorum will consist of a majority of voting members. Where the vote is tied, the Chair has the casting vote.
- A meeting of the Committee must be adjourned if a quorum is not present within 15 minutes after the time designated for the holding of the meeting or at any time during the meeting. In either case, the meeting must be adjourned to a time, date and place fixed by the Chairperson, or in their absence, by the majority of members present.
- It must be recorded in the minutes the circumstances relating to the absence of a quorum (including the reasons for the absence of quorum) at



or arising during a meeting, together with the names of the members present.

- A voting member shall no longer be a voting member of the Committee if they fail to attend three (3) consecutive meetings without a leave of absence being granted.

8.3 Chairperson to have precedence

- The Chairperson is to have precedence over the control and management of the meetings.
- The Chairperson may call any member to order whenever in the opinion of the Chairperson it is necessary to do so.
- In the instance that the Chairperson is unavailable to chair a meeting, the remaining members will vote an external member to act as Chairperson. The voted independent external member shall serve as the Chair for the period of absence of the duly nominated Chair or, where the Chairperson is no longer able to chair Committee meetings, until such time as Council appoints a replacement Chairperson.

8.4 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 General Manager or other senior managers, the dispute is to be resolved by the governance body.
- 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.

8.5 Attendance of non-members

- The attendance of non-members is subject to invitation by the Chair.
- The General Manager, Executive Team, Senior Manager Governance and Risk and Chief Financial Officer will be invited to attend each meeting, unless requested not to do so by the Chair.
- The General Manager may attend each meeting but will permit the Committee to meet separately with the Senior Manager Governance and Risk and the External Auditor on at least one occasion per year.

8.6 Secretariat

- Secretariat support is provided to the Committee.



- The Secretariat will ensure the agenda for each meeting and supporting papers are circulated at least one week before the meeting and ensure that minutes of meetings are prepared and maintained.
- Draft Minutes must be approved by the Chair and circulated to each member within three weeks of the meeting being held. These Draft Minutes will also be circulated to Councillors.
- Out-of-session approval of draft Minutes: Draft Minutes may be approved by a circular resolution (whether hardcopy or electronically) of voting members of the ARIC and signed by the Chair (whether hardcopy or electronically).
- In-session approval of Draft Minutes: If not approved out of session, the Draft Minutes are to be approved at the following ARIC and signed by the Chair (whether hardcopy or electronically).
- The Approved Minutes are to be subsequently reported to the next Council meeting and after being adopted by the Council, published to Council's website. Draft Minutes are not publicly available.
- The Approved Minutes of a meeting may be amended to correct typographical or administrative errors, so long as the changes do not alter the substance of any decision made. Any such changes are to be endorsed by the Chair prior to their being made and reported to the next ARIC meeting.

8.7 Decision Making

- The Committee makes decisions by resolutions which are to be recorded in the minutes.
- Each Voting Member of the ARIC shall be entitled to one vote only. In the case of an inequality of votes on any issue, the Chair shall have the casting vote.

8.8 Induction

- New members of the Committee will receive relevant information and briefings on their appointment to assist them to meet their Committee responsibilities.

8.9 Confidentiality

- Committee members will be bound by confidentiality requirements under Council's Code of Conduct. All attendees are responsible and accountable for maintaining the confidentiality of the information they receive during the course of these meetings.

- Members and attendees may be entrusted with highly sensitive information at times, as well as personal information regarding staff members. Therefore, they must maintain confidentiality at all times, displaying a high level of ethics and professionalism.
- The Committee Chair and independent members are not authorised to make public statements with regards to Council matters. Any media inquiries should be directed to the General Manager.
- Any requests for disclosure of information relating to the Committee will be managed by the Governance Team and in accordance with the *Government Information (Public Access) Act 2009* and the *Privacy and Personal Information Protection Act 1998*.

9 Assurance Reporting

9.1 Reporting requirement

- In addition to providing the Committee minutes to Council as outlined at 8.6, the Committee will provide an annual assessment to Council and the General Manager on the Committees work and its opinion on how Council is performing.
- The Chair will also attend a Councillor workshop, on a semiannual basis, to brief Councillors on the ARIC Committee operations.
- At the first meeting after the financial statements are considered each year by the Committee, the Internal Audit Function of Council will provide a joint performance report of the internal audit function and the ARIC covering:
 - the performance of the internal audit function for the period of review;
 - the approved Internal Audit Plan of work for the period of review showing the status of each audit;
 - a summary of Council's progress in addressing the findings and recommendations made in the internal and external audit reports; and
 - a summary of the work the Committee performed to fully discharge its responsibilities during the preceding year.

9.2 Assessment Arrangements

- The Chair of the Committee will initiate a review of the performance of the Committee, including the performance of the Chair, annually.
- The reviews will be conducted on a self-assessment basis (unless otherwise determined by the General Manger), with appropriate input from management and any other relevant stakeholders.
- When reviewing the Committee performance, the Chair should be satisfied that an effective, comprehensive and complete service is being provided.



9.3 Review of the Audit, Risk and Improvement Terms of Reference

- The TOR are to be reviewed annually by the Committee and once each Council term by the Council. Any substantive changes recommended by the Committee are to be approved by the Council.

10 Further information

For further information on Council's ARIC contact the Senior Manager Governance and Risk on +61 2 9392 5589.

Schedule 1 Audit, Risk and Improvement Committee Responsibilities

Compliance

Review and advise the Council of the adequacy and effectiveness of the Council's compliance framework, including:

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

Risk management

Review and advise the Council

- if the Council has in place a current and appropriate risk management framework that is consistent with the Australian risk management standard (AS ISO 31000:2018)
- whether the Council is providing the resources necessary to successfully implement its risk management framework
- whether the Council's risk management framework is adequate and effective for identifying and managing the risks the Council faces, including those associated with individual projects, programs and other activities
- if risk management is integrated across all levels of the Council and across all processes, operations, services, decision-making, functions and reporting of the adequacy of risk reports and documentation, for example, the 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 the Council has taken steps to embed a culture which is committed to ethical and lawful behaviour
- if there is a positive risk culture within the Council and strong leadership that supports effective risk management
- of the adequacy of staff training and induction in risk management
- how the Council's risk management approach impacts on the Council's insurance arrangements
- of the effectiveness of Council 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.

Fraud Control and Corruption

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

Financial Management

Review and advise the Council:

- if Council is complying with accounting standards and external accountability requirements
- of the appropriateness of Council's 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 the Council's financial statement preparation procedures and timelines are sound
- the accuracy of the Council's annual financial statements prior to external audit, including:
 - management compliance/representations
 - significant accounting and reporting issues
 - the methods used by the 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 the Council's report is consistent with signed financial statements
 - if the 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 the Council are adequate
 - if Council's grants and tied funding policies and procedures are sound

Governance

Review and advise the Council regarding its governance framework, including the Council's:

- decision-making processes
- implementation of governance policies and procedures
- reporting lines and accountability
- assignment of key role 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

Implementation of the strategic plan, delivery program and strategies

Review that Council is meeting its integrated planning and reporting obligations in accordance with legislative requirements.

Service Reviews

Act as a forum for communicating, monitoring that service reviews, or other appropriate improvement reviews, are undertaken where appropriate to ensure a focus on continuous improvement, including the monitoring of audits conducted by external bodies.

Review and advise the Council if

- Council has robust systems to set objectives and goals to determine and delivery 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 the Council can improve its service delivery and the Council performance of its business and functions generally

Collection of performance measurement data by the Council

Review that Council is collecting appropriate performance measurement data and reporting its performance measures in accordance with the integrated, planning and reporting framework.

Review Councils Customer experience, including but not limited to customer response times, escalation of complaints. active vs resolved issues and customer feedback.

Any other matters prescribed by regulations

Internal Audit

- Provide overall strategic oversight of internal audit activities
- Act as a forum for communication between the governing body, General Manager, 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 the Council:
 - on whether the Council is providing the resources necessary to successfully deliver the internal audit function
 - if the Council's Internal Audit Charter is appropriate and whether the internal audit policies and procedures and audit/risk methodologies used by the Council are suitable
 - if Council's internal audit activities are effective, including the performance of 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 Council of these corrective actions
 - 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, General Manager, 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 General Manager on action taken on significant issues raised in relevant external audit reports and better practice guides.

The Committee may, at any time, consider any other matter it deems of sufficient importance to do so. In addition, at any time an individual Committee member may request a meeting with the Chair of the Committee.

11 Administrative Changes

From time-to-time circumstances may change leading to the need for minor administrative changes to this document. Where an update does not materially alter this document, such a change may be made including branding, Council Officer titles or department changes and legislative name or title changes which are considered minor in nature and not required to be formally endorsed.

12 Version Control – Terms of Reference History

This policy will be formally reviewed every three years from the date of adoption or as required.

Governance use only:

Document	Audit, Risk and Improvement Committee Terms of Reference	<i>Uncontrolled Copy When Printed</i>	
Custodian	Senior Manager, Governance & Risk	Version #	Version 4
Adopted By	Council	ECM Document #	36770368
Next Review Date	June 2026		

Amended by	Changes made	Date Adopted
Governance & Risk	New IWC Charter created	31 Oct 2017
Governance & Risk	Changes to membership, appointment and quorum	24 April 2018
Governance & Risk	Significant updates to the entire document as part of the required review to align document to, as far as practicable, the new draft OLG guidelines Risk Mgmt. & Internal Audit for Local Councils in NSW	9 Aug 2022
Governance & Risk	Amendments to clause 8.6 <i>Secretariat</i> to enable ARIC to approve minutes out of session.	8 August 2023