

Audit, Risk & Improvement Committee

Terms of Reference



Councillors	- Up to three (3) Councillors as nominated by Council where two (2) external representatives are appointed; or - Up to four (4) Councillors as nominated by Council where one (1) external representative is appointed; or - Nominated by Council where no external representative is able to be appointed
Deputies/Proxies	- All other Councillors are appointed as a Deputy/Proxy to a Member Councillor in the case of a Leave of Absence or Apology
External Representation	- Up to two (2) external members appointed through a competitive advertising process
5 x Shire Staff (non-voting)	- Chief Executive Officer - Executive Manager, Corporate & Community Services - Executive Manager, Infrastructure & Development Services - Manager Finance - Council & Executive Support Officer
Officer Responsible	- Council & Executive Support Officer
Meeting Schedule	- At least Quarterly
Meeting Location	- Council Chambers, York Town Hall
Quorum	- As per Section 5.19 of the <i>Local Government Act 1995</i>
Delegated Authority	- Nil

1. Name

The name of the Committee is the Audit, Risk & Improvement Committee (ARIC).

2. District/Area of Control

Local Government boundaries of the Shire of York.

3. Vision/Purpose

The ARIC plays a key role in assisting a local government to fulfil its governance and oversight responsibilities in relation to financial reporting, internal control structure, risk management systems, legislative compliance, ethical accountability and the internal and external audit functions.

The ARIC has the responsibility to:

1. Review the internal and external auditor's annual audit plans and the outcomes/results of all audits undertaken;
2. Request the CEO to seek information or advice in relation to matters considered by the ARIC;
3. Formally meet with internal and external auditors as necessary;
4. Seek resolution on any disagreements between management and the external auditors on financial reporting; and
5. Make recommendations to Council with regards to matters within its scope of responsibility.

This Terms of Reference (ToR) sets out the objectives, authority, membership, role, responsibilities and operation of the ARIC.

4. Statute

Section 7.1A of the *Local Government Act 1995* (the Act) requires that all local governments establish an audit committee.

The Shire of York *Local Government (Council Meetings) Local Law 2016* applies.

5. Establishment

The ARIC was established as per Council Resolution of 25 November 2019 (121119).

6. Functions

Regulation 16 of the *Local Government (Audit) Regulations 1996* defines the functions of an audit committee as:

“16. Functions of audit committee

An audit committee has the following functions —

- (a) to guide and assist the local government in carrying out —
 - (i) its functions under Part 6 of the Act; and*
 - (ii) its functions relating to other audits and other matters related to financial management;**
- (b) to guide and assist the local government in carrying out the local government’s functions in relation to audits conducted under Part 7 of the Act;*
- (c) to review a report given to it by the CEO under regulation 17(3) (the **CEO’s report**) and is to —
 - (i) report to the council the results of that review; and*
 - (ii) give a copy of the CEO’s report to the council;**
- (d) to monitor and advise the CEO when the CEO is carrying out functions in relation to a review under —
 - (i) regulation 17(1); and*
 - (ii) the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);**
- (e) to support the auditor of the local government to conduct an audit and carry out the auditor’s other duties under the Act in respect of the local government;*
- (f) to oversee the implementation of any action that the local government —
 - (i) is required to take by section 7.12A(3); and*
 - (ii) has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a); and*
 - (iii) has accepted should be taken following receipt of a report of a review conducted under regulation 17(1); and*
 - (iv) has accepted should be taken following receipt of a report of a review conducted under the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);**
- (g) to perform any other function conferred on the audit committee by these regulations or another written law.”*

The ARIC is also to consider the report presented by the CEO in accordance with Regulation 17 of the *Local Government (Audit) Regulations 1996* being:

“17. CEO to review certain systems and procedures

- (1) *The CEO is to review the appropriateness and effectiveness of a local government’s systems and procedures in relation to —
 - (a) risk management; and
 - (b) internal control; and
 - (c) legislative compliance.*
- (2) *The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every 3 financial years.*
- (3) *The CEO is to report to the audit committee the results of that review.”*

In addition to the above the ARIC’s other functions include:

6.1 External Audits

1. Provide guidance and assistance to Council as to the carrying out of the functions of the Shire in relation to external audits.
2. Provide an opportunity for the ARIC to meet with the external auditors to discuss any matters that the Committee or the external auditors believe should be discussed.
3. Meet with the auditor annually to receive the audit report and make a recommendation to Council with respect to that report.
4. Examine the reports of the auditor after receiving a report from the CEO on the matters to:
 - a. Determine if any matters raised require action to be taken by the Shire; and
 - b. Ensure that appropriate action is taken in respect of those matters.
5. Consider and recommend adoption of the Annual Report to Council. Review any significant changes that may arise subsequent to any such recommendation but before the Annual Report is signed.
6. Address issues brought to the attention of the ARIC, including responding to requests from Council for advice that is within the parameters of the Committee's ToR.

Note: The Office of the Auditor General is responsible for conducting external audits.

6.2 Internal Audits

1. Provide guidance and assistance to Council as to the carrying out of the functions of the local government in relation to internal audits.
2. Review and recommend the annual internal audit plan for endorsement by the Council and all major changes to the plan. Monitor that the internal auditor’s annual plan is linked with and covers the material business strategic risks and themes.
3. Monitor processes and practices to ensure that the independence of the internal audit function is maintained.
4. Annually review the performance of internal audits including the level of satisfaction with the internal audit function.
5. Review all internal audit reports and provide advice to Council on significant issues (i.e. high and extreme) identified in audit reports and the action to be taken on issues raised, including identification and dissemination of good practice.
6. Monitor management’s implementation of internal audit recommendations.
7. Receive the findings of special internal audit assignments undertaken at the request of Council or CEO.
8. Review the annual Compliance Audit Return and report to Council the results of that review in accordance with Section 7.13(1)(i) of the *Local Government Act 1995*.
9. Consider the CEO’s Biennial Reviews of the appropriateness and effectiveness of the Shire’s systems and procedures in regard to risk management, internal control and legislative

compliance, required to be provided to the ARIC, and report to Council the results of those reviews in accordance with Regulation 17 of the *Local Government (Audit) Regulations 1996*.

10. Oversee the process of developing and implementing the Shire's fraud control arrangements to assist Council in ensuring it has appropriate processes and systems in place to detect, capture and effectively respond to fraud and improper activities.
11. Consider the financial management systems and procedures in accordance with Regulation 5(2) of the *Local Government (Financial Management) Regulations 1996* within the statutory timeframes.

6.3 Risk Management

1. Ensure that management has in place a current and comprehensive enterprise Risk Management Framework and associated procedures for effective identification and management of Shire's business and financial risks.
2. Determine whether a sound and effective approach has been followed in managing the Shire's major risks including those associated with individual projects, program implementation, and activities.
3. Ensure the Shire identifies, reviews and regularly updates the strategic and operational risk profiles.
4. Understand and endorse the Shire's risk appetite.
5. Oversee the periodic review of the Risk Management Framework.

6.4 Business Continuity

1. Ensure a sound and effective approach has been followed in establishing the Shire's business continuity planning arrangements, including whether business continuity and disaster recovery plans have been periodically updated and tested.
2. Oversee the periodic review of the Business Continuity Plan.

6.5 Financial Reporting

1. Review significant accounting and reporting issues, recent accounting, professional and regulatory pronouncements and legislative changes, and understand their effect on the financial report.
2. Review with management and the external auditors the results of the audit, including any difficulties encountered.
3. Review the Annual Financial Statements forming part of the Shire's Annual Report and consider whether it is complete, consistent with information known to Committee members, and reflects appropriate accounting principles.
4. Review with management and the external auditors all matters required to be communicated to the ARIC under the Australian Auditing Standards.
5. Recommend the adoption of the Annual Financial Statements forming part of the Annual Report to Council.

6.6 Internal Control

1. Ensure management's approach to maintaining an effective Internal Control Framework is sound and effective.
2. Ensure management has in place relevant policies and procedures, including CEO's Instructions or their equivalent, and that these are periodically reviewed and updated.
3. Ensure appropriate processes are in place to assess, at least once a year, whether key policies and procedures are complied with.
4. Ensure appropriate policies and supporting procedures are in place for the management and exercise of delegations.

5. Review how management identifies any required changes to the design or implementation of key internal controls.

6.7 Fraud & Corruption Prevention

1. Oversee the process of developing and implementing the Shire's fraud control arrangements to assist Council in ensuring it has appropriate processes and systems in place to detect, capture and effectively respond to fraud and improper activities.
2. Receive and consider information and advice presented by the CEO on the strategies and controls to manage fraud and corruption risks at the Shire.
3. Provide oversight over the Shire's exposure and issues raised in relation to fraud and corruption.

6.8 Legislative Compliance

1. Oversee the effectiveness of the systems for monitoring compliance with relevant laws, regulations and associated government policies.

6.9 Other Responsibilities

1. Monitor the progress of the implementation of external audit recommendations made by the auditor, which have been accepted by the Shire.
2. Receive recommendations arising from reviews of local government systems and procedures.
3. At least once every two (2) years review and assess the adequacy of the ARIC's ToR, request Council approval for proposed changes, and ensure appropriate disclosure as required by legislation or regulation.

7. Membership

7.1 General

Section 7.1A of the *Local Government Act 1995* states the members of the Committee are to be appointed* by the local government and at least three (3) of the members, and where the Committee consists of more than three (3) members then the majority of those members, are to be Councillors.

**Absolute Majority required*

The CEO is not to be a member of the Committee and may not nominate a person to be a member of the Committee, or have a person represent the CEO as a member of the Committee. Similarly, an employee is not to be a member of the Committee.

As a minimum, the Shire's Committee will consist of up to five (5) members, being three (3) Councillors and up to two (2) external representatives. The two (2) external representatives will fulfill the roles of Presiding Member and Deputy Presiding Member.

All members will have full voting rights. In the event of a tie the Chairperson will have the casting vote.

The appointment of external members shall be based on the following criteria:

1. A suitably experienced professional who can demonstrate a high level of expertise and knowledge in financial management, risk management, governance, legislative compliance, audit (internal and external), internal controls and assurance processes in a local government setting.

2. Have a sound understanding or experience in performing the role of Presiding Member and/or Deputy Presiding Member.
3. Have an understanding of the duties and responsibilities of the position, ideally with respect to local government financial reporting and auditing requirements.
4. Have strong communication skills.
5. Have relevant qualifications, skills and experience in providing independent audit advice, particularly on audit and risk committees.
6. Be a person with no operating responsibilities with the Shire nor provide paid services to the Shire either directly or indirectly.

The appointment and re-appointment of external members shall be made by Council by way of invitation and be for a period of up to two (2) years to align with the local government ordinary election cycle. External members will not be appointed for more than three (3) consecutive terms.

External members will be required to confirm they will operate in accordance with the Shire's Code of Conduct and will be required to follow Council's policies pertaining to the ARIC operations.

Council may, by resolution, terminate the appointment of any external member prior to the expiry of their term if:

1. The ARIC, by majority decision, determines the member is not making a positive contribution to the ARIC; or
2. The member is found to be in breach of the Shire's Code of Conduct or a serious contravention of the *Local Government Act 1995*; or
3. A member's conduct, action or comments brings the Shire into disrepute.

The members, taken collectively, will have a broad range of skills and experience relevant to the operations of the Shire. At least one (1) member of the ARIC will have accounting or related financial and/or risk management experience.

Reimbursement of approved expenses may be paid to an external member in accordance with Section 5.100 of the *Local Government Act 1995*.

The CEO, Executive Manager Corporate & Community Services and Council and Executive Support Officer and/or their nominee is to attend all meetings to provide advice and guidance to the ARIC. Other Shire staff listed above will attend meetings upon request of the CEO.

The Shire shall provide secretarial and administrative support to the ARIC.

New members will receive relevant information and briefings on their appointment to assist them meet their ARIC responsibilities.

7.2 Tenure of Membership

The tenure of ARIC membership will be in accordance with Section 5.11 of the *Local Government Act 1995*, taking into account Regulation 4 of the *Local Government (Administration) Regulations 1996*.

8. Delegated Authority

The ARIC is to report to Council and provide appropriate advice and recommendations on matters relevant to its ToR. This is to facilitate informed decision-making by Council in relation to its legislative

functions and duties that have not been delegated to the Chief Executive Officer.

The ARIC is a formally appointed committee of Council and is responsible to that body. The ARIC does not have executive powers or authority to implement actions in areas over which the Chief Executive Officer has legislative responsibility and does not have any delegated financial responsibility. The ARIC does not have any management functions and cannot involve itself in the Administration's management processes or procedures.

9. Committee Structure

9.1 Chairperson and Deputy Chairperson

In accordance with Section 5.12 of the *Local Government Act 1995*, Council will appoint* a member of the ARIC to be the Presiding Member (Chairperson) and Deputy Presiding Member (Deputy Chairperson) of the ARIC.

The Presiding Member and Deputy Presiding Member of the ARIC are to be its two (2) external members.

**Absolute Majority decision required*

9.2 Secretariat

The Council & Executive Support Officer will fulfil this administrative non-voting role.

9.3 Standing Ex-Officio Members

Chief Executive Officer

Executive Manager Corporate & Community Services

Executive Manager Infrastructure & Development Services

Manager Finance

Council & Executive Support Officer

10. Meetings

10.1 Annual General Meeting

Not applicable

10.2 Committee Meetings

The ARIC will meet at least quarterly, with additional meetings convened as required at the discretion of the Chairperson or at the request of the CEO.

The ARIC meetings shall be open to the public.

Other Councillors of the Shire may attend any ARIC meeting.

ARIC members are expected, where possible, to attend each meeting in person. Where attendance in person is not possible, in accordance with Regulation 14A of the *Local Government (Administration) Regulations 1996*, the ARIC may, by resolution*, allow a member to attend the meeting via telephone or other means of instantaneous communication.

**Absolute Majority required*

10.3 Voting

Voting will be conducted in accordance with Section 5.21 of the *Local Government Act 1995*.

10.4 Agendas, Minutes & Reporting

The CEO or their delegate will administratively coordinate the convening of meetings of the ARIC and invite members of management, internal and external auditors or others to attend meetings as observers and to provide relevant information as necessary. The Council & Executive Support Officer will facilitate the administrative support for the meeting, including as a minute taker for the meeting.

Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed shall be provided to each member of the ARIC no later than seventy-two (72) hours prior to the meeting. Associated meeting papers are to be provided at the same time.

Minutes will be taken at each meeting and be presented to the subsequent meeting for confirmation. Minutes will include the proceedings and resolutions of the meeting including the names of those in attendance.

The Chairperson shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly. Conflicts of Interest will be managed in accordance with the Shire's policies and the *Local Government Act 1995*.

Minutes of ARIC meetings shall be circulated promptly to all members of the ARIC. Minutes of ARIC meetings shall be presented to the next Ordinary Council Meeting, with any recommendations from the ARIC to be considered by Council as part of that agenda item.

Other than confidential papers and attachments, agendas and minutes of the ARIC will be made publicly available on the Shire's website in accordance with Section 5.96A of the *Local Government Act 1995* within specified legislative timeframes.

10.5 Who Acts if No Presiding Member

In accordance with Section 5.14 of the *Local Government Act 1995*, if the Presiding Member and Deputy Presiding Member are not available, or are unable, to perform the functions of Presiding Member, then the ARIC members present at the meeting are to choose one of themselves to preside at the meeting.

10.6 Members Interests to be Disclosed

Members are to disclose all interests in any matter as necessary in accordance with Part 5, Division 6 of the *Local Government Act 1995*, the *Local Government (Administration) Regulations 1996* and the Code of Conduct.

In accordance with Section 5.65 of the *Local Government Act 1995*, the penalties for non-compliance with this clause include a fine of \$24,000 or imprisonment for twenty-four (24) months.