

Audit, Risk and Improvement  
Committee

**Terms of Reference**

# Norfolk Island Regional Council

## Audit, Risk and Improvement Committee Terms of Reference

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Norfolk Island Regional Council (NIRC) has established an audit, risk and improvement committee in compliance with section 23A of the Local Government Act 1993 (NSW) (NI) (LG Act) *Guidelines for risk management and internal audit for local government in NSW*. This Terms of Reference sets out the committee's objectives, authority, composition and tenure, roles and responsibilities, reporting and administrative arrangements.

## 1. Objective

The objective of Council's Audit Risk and Improvement Committee (Committee) 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.

## 2. 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 to provide Council with robust, objective and unbiased advice and assurance.

The committee is to have an advisory and assurance role only and is to exercise no administrative functions, delegated financial responsibilities 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 staff, relevant external bodies and subject matter experts.

The committee must always 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 the General Manager on matters affecting the performance of the internal audit function.

## 3. Authority

This Terms of Reference is based on the guidelines issued by the Office of Local Government (OLG) pursuant to section 23A of the *Local Government Act 1993* (NSW) (NI) (LG Act) and is intended to add value and drive the qualities of effective local government; being openness, transparency and accountability.

The Committee is established in accordance with Council's authority granted by section 355 of the LG Act.

The Committee has no executive powers, except those expressly provided by Council.

The Committee helps Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

In carrying out its responsibilities, the Committee must at all times recognise that primary responsibility for management of Council rests with the Council and General Manager as defined by the LG Act.

The Council authorises the Committee as a whole (but not individual members of the Committee) for the purposes of exercising its responsibilities, to:

- access any information it needs from the council.
- use any council resources it needs.
- 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.
- request the attendance of any employee at committee meetings, and
- obtain external legal or other professional advice in line with councils' procurement policies within budget allocations and subject to the prior approval by the General Manager.

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 with the approval of the General Manager, 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.

This Terms of Reference is required to be reviewed and endorsed by the Committee every two years. Any substantive changes to this Terms of Reference need to be approved by the Council.

Council must review, amend as required and adopt this Terms of Reference at least once during each term of Council at an open meeting of Council.

## **4. Composition and Tenure**

### **4.1 Members (voting)**

The Committee will consist of an independent chair and (two) independent members who have voting rights and one non-voting councillor (if applicable), 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 the committee. Current committee members are:

Ms Katie Sexton	Independent chair (voting)
Mr Gary Mottau	Independent member (voting)
Mr Michael Sewell	Independent member (voting)

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

Voting at a Committee meeting is to be by open means (such as by voice or by show of hands).

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

The terms and conditions of each member's appointment to the committee are to be set out in a letter of appointment. New members will be thoroughly inducted to their role and receive relevant information and briefings on their appointment to assist them to meet their responsibilities.

Prior to approving the reappointment or extension of the chair's or an independent member's term, the governing body is to undertake an assessment of the chair's or committee member's performance. Reappointment of the chair or a committee member is also to be subject to that person still meeting the independence and eligibility requirements.

Members of the committee must possess and maintain a broad range of skills, knowledge and experience relevant to the operations, governance and financial management of the Council, the environment in which the 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 annual financial statements.

The Independent External Members can also be removed by resolution of Council.

## 5. Role

The *Local Government Act 1993* (the Act), states that the role of the committee is to review and provide independent advice to Council regarding the following aspects of the Council's operations:

- compliance
- risk management
- fraud control
- financial management
- governance
- implementation of the strategic plan, delivery program and strategies
- service reviews
- collection of performance measurement data by the Council, and
- internal audit.

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

The committee's specific audit, risk and improvement responsibilities are outlined in Schedule 1 to this Terms of Reference.

The committee will act as a forum for consideration of the Council's internal audit function and oversee its planning, monitoring and reporting to ensure it operates effectively.

The committee has no power to direct external audit or the way it is planned and undertaken but will act as a forum for the consideration of external audit findings.

The committee is directly responsible and accountable to 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 the 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.

(Reference: Schedule 1 – Audit, Risk and Improvement Committee responsibilities)

## 6. 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 internal audit function (chair).

### 6.2 Councillor members (if applicable)

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

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

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

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

If the Council member of the committee engages in such conduct or in any other conduct that may bring the committee and its work into disrepute, the chair of the committee may



recommend to the Council, that the Council member be removed from membership of the committee. Where the Council does not agree to the committee chair's recommendation, the Council must give reasons for its decision in writing to the chair.

For further details regarding roles and responsibilities – Refer to Guidelines for Risk Management and Internal Audit for Local Government in NSW

## 7. Appointment of Members

Expressions of Interest appointment as an Independent Member of the Committee are to be invited by public advertisement and/or written invitation from persons eligible to be members of the Committee as outlined by this Terms of Reference.

Any such nominations will be received and reviewed by the General Manager who will prepare a report for Council's consideration.

The recruitment of those members of the Committee is to be based on merit, and it is important that the selection process used is transparent and accountable.

All Committee Members will be appointed by Council. Once the Independent External Member(s) is/are appointed, they will receive a letter of appointment clearly detailing the terms of their appointment and their remuneration rates, as well as a copy of this Terms of Reference.

Committee members must also decline any request to act as referee to any applicants for vacant positions on the Committee.

For further details regarding eligibility and independence requirements roles and responsibilities - Refer to Schedule 2.

## 8. Conduct

Independent committee members are required to comply with the Council's code of conduct.

Complaints alleging breaches of the 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 General Manager 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.

## 9. Conflicts of Interest

Once a year, committee members must 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' for the purposes of the Council's code of conduct and must also complete and submit returns of their interests.

Committee members and observers must declare any pecuniary or non-pecuniary conflicts of interest they may have in a matter being considered at the meeting at the start of each meeting or as soon as they become aware of the conflict of interest. Where a committee member or observer declares a pecuniary or a significant non-pecuniary conflict of interest, they must remove themselves from committee deliberations on the issue. Details of conflicts of interest declared at meetings must be appropriately minuted.

## 10. Standards

Committee 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 current Australian risk management standards, where applicable.

## 11. Work plans

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

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

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 governing body, vary the annual work plan to address new or emerging risks. The governing body may also, by resolution, request the committee to approve a variation to the annual work plan. Any decision to vary the annual work plan must be made by the committee.

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.

## **12. Assurance Reporting**

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

The committee will provide an update to the governing body and the General Manager of its activities and opinions after every committee meeting.

The committee will provide an annual assessment to the governing body and the General Manager on the committee's work and its opinion on how the Council is performing.

The committee will provide a comprehensive assessment every Council term of the matters listed in Schedule 1 to the governing body and the General Manager.

The committee may at any time report to the governing body or the General Manager on any other matter it deems of sufficient importance to warrant their attention. The Administrator/Mayor and the chair of the committee may also meet at any time to discuss issues relating to the work of the committee.

Should the 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 Councillor members are not entitled to request or receive information from the committee.

## **13. Administrative arrangements**

### **13.1 Meetings**

The committee will meet at least 4 times per year, including a special meeting to review the audited financial statements and audit opinion.

Meetings generally will commence at 10am, with one meeting per calendar year to be held on Norfolk Island.

A forward meeting plan for the following year, including meeting dates and agenda items will be agreed by the Committee in May of each year. The forward meeting plan will cover all Committee responsibilities as detailed in this Terms of Reference.

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.

It is expected that Committee meetings will be attended by each voting Member in person where the meeting is to be held on Norfolk Island. However, if there is a valid reason and with

the prior approval of the Chair, a voting Committee member may attend by telephone or by video conference.

The Committee may also determine if meetings will be held by video conference where it is considered necessary due to logistics such as limited air travel options or other restrictions including those resulting from a pandemic.

Committee meetings can be held in person, by telephone or videoconference. Proxies are not permitted to attend meetings if a committee member cannot attend.

A quorum will consist of a majority of independent voting members. Where the vote is tied, the chair has the casting vote.

The chair of the committee will decide the agenda for each committee meeting. 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 General Manager and the head of the internal audit function should attend committee meetings as non-voting observers. The external auditor (or their representative) is to be invited to each committee meeting as an independent observer. The chair can request the Council's Chief Finance Officer, head of Risk Management function, senior managers, any Councillors, any employee/contractor of the Council and any subject matter expert to attend committee meetings. Where requested to attend a meeting, persons must attend the meeting where possible and provide any information requested. Observers have no voting rights and can be excluded from a meeting by the chair at any time.

The committee must meet separately with the head of the internal audit function and the Council's external auditor at least once each year.

Committee meetings are closed to the public.

### **13.2 Attendance at Meetings and Quorums**

A quorum for a meeting of the Committee will be the majority of the voting members of the Committee. Meetings can be held in person, by telephone or by video conference.

If it is determined two days prior to the Committee meeting that a quorum will not be achieved, the Committee meeting is to be reconvened to a later date. If for any reason a quorum is not present within half an hour of the scheduled commencement of the meeting the meeting shall be rescheduled.

A Committee member will be deemed to have relinquished their membership of the Committee if they do not attend two consecutive meetings of the Committee without notice

or satisfactory explanation (as determined by the Chair – or in the case of the Chair the majority of the Committee).

### **13.3 Invitees (non-voting) for specific Agenda items**

Representatives of Council’s external auditor and other Council Officials may attend Committee meetings by invitation as requested by the Committee and as directed by the General Manager, including:

- General Manager
- Manager Infrastructure Services
- Manager Corporate and Finance
- Manager Customer Care
- Manager Planning and Environment
- Manager Economic Development
- Internal Auditor

The General Manager may attend each meeting but will permit the Committee to meet separately with each voting member and the External Auditor(s) in the absence of management on at least one occasion per year, should the Committee resolve that such meetings are appropriate and necessary.

All employees at Council are subject to the direction of the General Manager and not the Committee or its members. In this regard all correspondence or contact with staff is to be through the Chair of the Committee addressed to the General Manager.

## **14. Secretariat**

The General Manager 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 one week of the meeting to each member.

## **15. 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 three (3) months’ notice to the chair and the governing body prior to their resignation to allow the Council to ensure a smooth transition to a new chair or committee member.

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.

## **16. Induction**

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

Members are responsible for their own Professional Development and training after induction.

## **17. Assessment Arrangements**

The Chair of the Committee will initiate a review of the performance of the Committee at least once every two years. The review will be conducted on a self-assessment basis (unless otherwise determined by the Chair), with appropriate input from management and any other relevant stakeholders, as determined by the Chair.

## **18. Review of Audit Committee Terms of Reference**

At least once every two years the Audit, Risk and Improvement Committee will review this Audit, Risk and Improvement Committee Terms of Reference.

The Audit, Risk and Improvement Committee will approve any changes to this Audit, Risk and Improvement Committee Terms of Reference (noting any substantive changes to this Terms of Reference need to be approved by Council).

## 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, 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 is complying with internal audit requirements, including conformance with the International Professional Practices Framework.
  - if the Council's internal audit Terms of Reference is appropriate and whether the internal audit policies and procedures and audit/risk methodologies used by the Council are suitable.
  - of the strategic four-year work plan and annual work plan of internal audits to be undertaken by the Council's internal audit function.
  - if the Council's 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 the Council 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, 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.

## Risk

### 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.
- 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 risk management approach impacts on the Council's insurance arrangements.
- of the effectiveness of the Council's 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 the Council:



- whether the Council's approach to maintaining an effective internal audit framework, including over external parties such as contractors and advisors, is sound and effective.
- whether the Council 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 the Council's 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 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.

### **Fraud and corruption**

Review and advise the Council of the adequacy and effectiveness of the Council's 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 the Council is complying with accounting standards and external accountability requirements.
- of the appropriateness of the Council's accounting policies and disclosures.
- of the implications for the Council of the findings of external audits and performance audits and the 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 annual 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 the 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 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 the Council:

- of the adequacy and effectiveness of the Council's integrated, planning and reporting (IP&R) processes
- if appropriate reporting and monitoring mechanisms are in place to measure progress against objectives, and
- whether the Council 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 the Council:
  - If the Council 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 the Council can improve its service delivery and the Council's performance of its business and functions generally

### Performance data and measurement

Review and advise the Council:

- if the Council has a robust system to determine appropriate performance indicators to measure the achievement of its strategic objectives

## **Schedule 2 – Audit, risk and improvement committee Membership Requirements**

The following requirements will apply to ARIC chairs and members from **1 July 2024**.

### **1. Independence requirements for ARIC chairs and independent members**

All ARIC chairs and independent members must be independent to ensure they have no real or perceived bias or conflicts of interest that may interfere with their ability to act independently and can provide the council with robust, objective, and unbiased advice about how the council is functioning.

ARIC chairs and independent members cannot:

- currently be a councillor of any NSW council.
- be a non-voting representative of the board of the joint organisation.
- be a candidate at the last election of the council.
- be a person who has held office in the council during its previous term.
- be currently employed by the council or joint organisation, or been employed during the last 12 months.
- conduct audits of the council on behalf of the Audit Office of NSW.
- have a close personal or business relationship with a councillor or a person who has a senior role in the council that may lead to a real or perceived conflict of interest.
- currently, or within the last three years, provided any material goods or services (including consultancy, legal, internal audit, and advisory services) to the council which directly affect subjects or issues considered by the ARIC.
- be (or have a close family member who is) a substantial shareholder, owner, officer, or employee of a company that has a material business, contractual relationship, direct financial interest or material indirect financial interest with the council or a related entity which could be considered a real or perceived conflict of interest, or
- currently or have previously acted as an advocate of a material interest on behalf of the council or a related entity which could be considered a real or perceived conflict of interest.

Current staff of councils cannot serve as the chair of an ARIC but may serve as an independent member of another council's ARIC provided they meet the independence and eligibility criteria for membership of the council's ARIC and their employer is not participating in a shared arrangement with the other council in relation to the ARIC or the internal audit function.

## 2. Eligibility requirements for ARIC chairs and members

The persons appointed as a chair or a member of an ARIC must possess the skills, knowledge, and experience necessary to undertake their roles on the ARIC effectively and to ensure the ARIC is able to operate appropriately and effectively to support the council.

The following eligibility criteria for ARIC chairs and members reflects the minimum standards persons must meet to be appointed as the chair or member of a council's ARIC. Councils may require ARIC chairs and members to satisfy more onerous eligibility criteria if they choose to do so.

### Eligibility requirements for ARIC Chairs

In addition to meeting the independence requirements set out above, the following eligibility criteria apply to the chair of an ARIC.

#### Essential criteria

ARIC chairs must demonstrate the following:

- leadership qualities and the ability to promote effective working relationships in complex organisations
- an ability to communicate complex and sensitive assessments in a tactful manner to the head of the council's internal audit function, senior management and the mayor and councillors
- a sound understanding of:
  - the principles of good organisational governance and capacity to understand local government accountability, including financial reporting.
  - the business of the council or the environment in which it operates.
  - internal audit operations, including selection and review of the head of the council's internal audit function, and
  - risk management principles.
- extensive senior level experience in governance and management of complex organisations, an ability to read and understand financial statements and a capacity to understand the ethical requirements of government (including potential conflicts of interest).
- functional knowledge in areas such as risk management, performance management, human resources management, internal and external auditing, financial reporting, accounting, management control frameworks, internal financial controls, governance (including planning, reporting and oversight), or business operations.
- a capacity to form independent judgements and a willingness to constructively challenge/question management practices and information, and

- a professional, ethical approach to the exercise of their duties and the capacity to devote the necessary time and effort to the responsibilities of the chair of an ARIC.

### **Desirable criteria**

- possession of a relevant professional qualification or membership (e.g., Institute of Internal Auditors (IIA), CPA Australia (CPA) and Chartered Accountants Australia and New Zealand (CA)) is desirable.

### **Eligibility requirements for ARIC independent members**

In addition to meeting the independence requirements set out above, the following eligibility criteria apply to ARIC independent members:

#### **Essential criteria**

ARIC independent members must demonstrate the following:

- an ability to read and understand financial statements and a capacity to understand the ethical requirements of government (including potential conflicts of interest).
- functional knowledge in areas such as risk management, performance management, human resources management, internal and external auditing, financial reporting, accounting, management control frameworks, internal financial controls, governance (including planning, reporting and oversight), or business operations.
- a capacity to form independent judgements and willingness to constructively challenge/question management practices and information.
- a professional, ethical approach to the exercise of their duties and the capacity to devote the necessary time and effort to the responsibilities of an independent member of an ARIC, and
- preparedness to undertake any training on the operation of ARICs recommended by the chair based on their assessment of the skills, knowledge and experience of the independent member.

#### **Desirable criteria**

Ideally, independent members of ARICs should also meet the following criteria, but these are not essential:

- extensive senior level experience in governance and management of complex organisations, and
- possession of a relevant professional qualification or membership (e.g., Institute of Internal Auditors (IIA), CPA Australia (CPA) and Chartered Accountants Australia and New Zealand (CA)).

## Eligibility requirements for non-voting councillor members of ARICs

A councillor must demonstrate the following to be appointed as a non-voting ARIC member:

- an ability to read and understand financial statements and a capacity to understand the ethical requirements of government (including potential conflicts of interest)
- a good understanding of one or more of the following: risk management, performance management, human resources management, internal and external auditing, financial reporting, accounting, management control frameworks, internal financial controls, governance (including planning, reporting and oversight), or business operations
- a capacity to form independent judgements and willingness to constructively challenge/question management practices and information
- a professional, ethical approach to the exercise of their duties and the capacity to devote the necessary time and effort to the responsibilities of a councillor member of an ARIC, and
- preparedness to undertake any training on the operation of ARICs recommended by the chair based on their assessment of the skills, knowledge and experience of the councillor member.

**Note: The mayor cannot be appointed as a councillor member on a council's ARIC.**

## 3. Appointment of ARICs

When selecting ARIC members, councils should ensure the ARIC has an appropriate mix of skills, knowledge and experience to successfully implement its terms of reference and add value. An ARIC should have:

- at least one member with financial expertise (for example, a qualified accountant or auditor or other financial professional with experience of financial and accounting matters), and  
a mix of skills and experience in:
  - business
  - financial and legal compliance
  - risk management or internal audit, and
  - any specialised business operations of the council, where the ARIC would benefit from having a member with skills or experience in this area.

All ARIC members should have sufficient understanding of the council's financial reporting responsibilities to be able to contribute to the ARIC's consideration of the annual financial statements. Each ARIC member should also have sufficient time to devote to their responsibilities. Where possible, councils should ensure that at least one other ARIC member is also qualified to act as the chair if this is ever required.

**Note: Councils must undertake a criminal record and financial status (bankruptcy) check of ARIC chairs and members before their appointment.**

Reviewed by Chair of the Audit, Risk and Improvement Committee

[signed]

[date]

Reviewed by Council in accordance with a resolution of the governing body.

[signed]

[date]

[resolution reference]

**Next review date:** November 2025

	<b>Responsible Officer</b>			General Manager	
	<b>Next Review Date</b>			2023	
	<b>Audit Committee</b>				
Version Number		<b>Version</b>	<b>Resolution No.</b>	<b>Effective Date</b>	<b>Version description</b>
		V1	2016/13	17 August 2016	Developed and Adoption
		V2	2016/121	21 December 2016	Reviewed and Adopted
		V3	2019/227	20 November 2019	Reviewed and Adopted
	<b>Audit, Risk &amp; Improvement Committee</b>				
Version Number		<b>Version</b>	<b>Resolution No.</b>	<b>Effective Date</b>	<b>Version description</b>
		V4	2021/154	1 December 2021	Reviewed and Adopted
		V5	2023/090	4 December 2023	Reviewed and Adopted
		Adopted	2024/	6 March 2024	Council Adoption