

**WARREN SHIRE COUNCIL
AUDIT, RISK AND IMPROVEMENT
COMMITTEE**

TERMS OF REFERENCE

APRIL 2024

Warren Shire Council has established an Audit, Risk and Improvement Committee in compliance with Section 428A of the *Local Government Act 1993*, the *Local Government (General) Regulation 2021* and the Office of Local Government's *Guidelines for Risk Management and Internal Audit for Local Government in NSW*. These Terms of Reference set out the Committee's objectives, authority, composition and tenure, roles and responsibilities, reporting and administrative arrangements.

Objective

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

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 Warren Shire 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 Warren Shire Council. The Committee will provide independent advice to Warren Shire Council that is informed by the Warren Shire 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 Warren Shire 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.

Authority

Warren Shire Council authorises the Committee, for the purposes of exercising its responsibilities, to:

- Access any information it needs from the Warren Shire Council;
- Use any Warren Shire Council resources it needs;
- Have direct and unrestricted access to the General Manager and Senior Management Team of the Warren Shire Council;
- Seek the General Manager's permission to meet with any other Warren Shire 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.

Information and documents pertaining to the Committee are confidential and are not to be made publicly available. The Committee may only release Warren Shire 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.

Composition and Tenure

The Committee consists of an Independent Chairperson and two (2) Independent Members who have voting rights and one (1) non-voting Councillor (Deputy Mayor), as required under the *Local Government (General) Regulation 2021*.

The Governing Body is to appoint the Chairperson and Members of the Committee. Current Committee Members are:

[To be advised]	Independent Chairperson (voting)
[To be advised]	Independent Member (voting)
[To be advised]	Independent Member (voting)
[To be advised]	Councillor Member (non-voting) Deputy Mayor (cannot be the Mayor)

All Committee members must meet the independence and eligibility criteria prescribed under the *Local Government (General) Regulation 2021*.

Members will be appointed for up to a four-year term. Members can be reappointed for one further term, but the total period of continuous membership cannot exceed eight years. This includes any term as Chairperson of the Committee. Members who have served an eight-year term (either as a member or as Chairperson) must have a two-year break from serving on the Committee before being appointed again. To preserve the Committee's knowledge of the Warren Shire 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 Chairperson's or an Independent Member's term, the Governing Body is to undertake an assessment of the Chairperson's or Committee Member's performance. Reappointment of the Chairperson or a Committee Member is also to be subject to that person still meeting the independence and eligibility requirements prescribed under the *Local Government (General) Regulation 2021*.

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 Warren Shire Council, the environment in which the Warren Shire Council operates, and the contribution that the Committee makes to the Warren Shire 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 Warren Shire Council's financial

reporting responsibilities to be able to contribute to the Committee's consideration of the Warren Shire Council's Annual Financial Statements.

Role

As required under section 428A of the *Local Government Act 1993* (the Act), the role of the Committee is to review and provide independent advice to the Warren Shire Council regarding the following aspects of the Warren Shire 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 Warren Shire Council; and
- Internal audit.

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

The Committee's specific audit, risk and improvement responsibilities under section 428A of the Act are outlined in Schedule 1 to these Terms of Reference.

The Committee will act as a forum for consideration of the Warren Shire 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 Warren Shire 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.

Responsibilities of members

Independent Members

The Chairperson and Members of the Committee are expected to understand and observe the requirements of the Office of Local Government's *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 Warren Shire 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 Warren Shire Council;
- Have strong leadership qualities (Chairperson);
- Lead effective Committee meetings (Chairperson); and
- Oversee the Warren Shire Council's internal audit function (Chairperson).

Councillor Members

To preserve the independence of the Committee, the Councillor 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 Warren Shire Council and issues being considered by the Committee;
- Provide insights into local issues and the strategic priorities of the Warren Shire 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 Councillor Member of the Committee must conduct themselves in a non-partisan and professional manner. The Councillor 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 Councillor Member of the Committee engages in such conduct or in any other conduct that may bring the Committee and its work into disrepute, the Chairperson of the Committee may recommend to the Warren Shire Council, that the Councillor Member be removed from membership of the Committee. Where the Warren Shire Council does not agree to the Committee Chairperson's recommendation, the Warren Shire Council must give reasons for its decision in writing to the Chairperson.

Conduct

Independent Committee Members are required to comply with the Warren Shire Council's Code of Conduct.

Complaints alleging breaches of the Warren Shire Council Code of Conduct by an Independent Committee Member are to be dealt with in accordance with the *Warren Shire Council Procedures for the Administration of the 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 Warren Shire Council's Code of Conduct.

Conflicts of Interest

Once a year, Committee Members must provide written declarations to the Warren Shire 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 Warren Shire 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.

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 Standard, where applicable.

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.

Assurance Reporting

The Committee must regularly report to the Warren Shire 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 Warren Shire Council or the achievement of the Warren Shire 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 Warren Shire 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 Mayor and the Chairperson 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 Chairperson by resolution. The Chairperson is only required to provide the information requested by the Governing Body where the Chairperson is satisfied that it is reasonably necessary for the Governing Body to receive the information for the purposes of performing its functions under the Local Government Act. Individual Councillors are not entitled to request or receive information from the Committee.

Administrative Arrangements

Meetings

The Committee will meet at least four times per year, including a special meeting to review the Warren Shire Council's Financial Statements.

The Committee can hold additional meetings when significant unexpected issues arise, or if the Chairperson 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 (virtual). Where possible most meetings will be held virtually. 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 Chairperson has the casting vote.

The Chairperson 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 Chairperson, General Manager and the Divisional Manager Finance and Administration 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 Chairperson can request the Warren Shire Council's Chief Finance Officer (Divisional Manager Finance & Administration), Work Health and Safety – Risk Co-Ordinator who is responsible for the Risk Management function of Council, other Senior Management Team Members, 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 Chairperson at any time.

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

The Committee must meet separately with the Divisional Manager Finance & Administration and the Warren Shire Council's External Auditor at least once each year.

Dispute Resolution

Members of the Committee and the Warren Shire Council's management should maintain an effective working relationship and seek to resolve any differences they may have in an amicable and professional way by discussion and negotiation.

In the event of a disagreement between the Committee and the General Manager or other Senior Managers, the dispute is to be resolved by the Governing Body.

Unresolved disputes regarding compliance with statutory or other requirements are to be referred to the Departmental Chief Executive of the Office of Local Government in writing.

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 Chairperson at least one week (where practical) before the meeting and ensure that minutes of meetings are prepared and maintained. Minutes must be approved by the Chairperson and circulated within one week (where practical) of the meeting to each member.

Resignation and Dismissal of Members

Where the Chairperson 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 at least three months notice to the Chairperson and the Governing Body prior to their resignation to allow the Warren Shire Council to ensure a smooth transition to a new Chairperson or Committee Member.

The Governing Body can, by resolution, terminate the appointment of the Chairperson 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.

Review Arrangements

At least once every Council term, the Governing Body must review or arrange for an external review of the effectiveness of the Committee.

These Terms of Reference must be reviewed annually by the Committee and once each Council term by the Governing Body. Any substantive changes are to be approved by the Governing Body.

Further Information

For further information on Warren Shire Council’s Audit, Risk and Improvement Committee, contact Council’s General Manager on council@warren.nsw.gov.au or by phone 02 6847 6600.

Reviewed by the Chairperson of the Audit, Risk and Improvement Committee

[signed]

[date]

Reviewed by Warren Shire Council in accordance with a resolution of the Governing Body.

[signed]

[date]

[resolution reference]

Next review date: [date]

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 Warren Shire Council:
 - On whether the Warren Shire Council is providing the resources necessary to successfully deliver the internal audit function;
 - If the Warren Shire Council is complying with internal audit requirements, including conformance with the International Professional Practices Framework;
 - If the Warren Shire Council's Internal Audit Charter is appropriate and whether the Internal Audit Policies and Procedures and audit/risk methodologies used by the Warren Shire Council are suitable;
 - Of the Strategic Four-year Work Plan and Annual Work Plan of internal audits to be undertaken by the Warren Shire Council's internal audit function;
 - If the Warren Shire Council's internal audit activities are effective, including the performance of the internal audit coordinator 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 Warren Shire Council of these corrective actions
 - On the appointment of the Internal Audit Coordinator 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; and
- 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 Warren Shire Council:

- If the Warren Shire Council's has in place a current and appropriate risk management framework that is consistent with the Australian Risk Management Standard;

- Whether the Warren Shire Council is providing the resources necessary to successfully implement its risk management framework;
- Whether the Warren Shire Council's risk management framework is adequate and effective for identifying and managing the risks the Warren Shire Council faces, including those associated with individual projects, programs and other activities;
- If risk management is integrated across all levels of the Warren Shire Council and across all processes, operations, services, decision-making, functions and reporting;
- Of the adequacy of risk reports and documentation, for example, Warren Shire Council 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 Warren Shire 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 Warren Shire Council and strong leadership that supports effective risk management;
- Of the adequacy of staff training and induction in risk management;
- How the Warren Shire Council's risk management approach impacts on the Warren Shire Council's insurance arrangements;
- Of the effectiveness of the Warren Shire 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 Warren Shire Council:

- Whether the Warren Shire 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 Warren Shire 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 Warren Shire 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 Warren Shire Council of the adequacy and effectiveness of the Warren Shire Council's compliance framework, including:

- If the Warren Shire Council has appropriately considered legal and compliance risks as part of the Warren Shire Council's risk management framework;
- How the Warren Shire 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 Warren Shire Council of the adequacy and effectiveness of the Warren Shire Council's fraud and corruption prevention framework and activities, including whether the Warren Shire Council has appropriate processes and systems in place to capture and effectively investigate fraud-related information.

Financial Management

Review and advise the Warren Shire Council:

- If the Warren Shire Council is complying with accounting standards and external accountability requirements;
- Of the appropriateness of the Warren Shire Council's accounting Policies and Disclosures;
- Of the implications for the Warren Shire Council of the findings of external audits and performance audits and the Warren Shire Council's responses and implementation of recommendations;
- Whether the Warren Shire Council's financial statement preparation procedures and timelines are sound;
- The accuracy of the Warren Shire Council's annual Financial Statements prior to external audit, including:
 - Management compliance/representations;
 - Significant accounting and reporting issues;
 - The methods used by the Warren Shire 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 Warren Shire Council's Annual Report is consistent with signed financial statements;
- If the Warren Shire 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; and
 - Review of unusual and high value purchases.
- If Policies and Procedures for management review and consideration of the financial position and performance of the Warren Shire Council are adequate; and
- If the Warren Shire Council's grants and tied funding Policies and Procedures are sound.

Governance

Review and advise the Warren Shire Council regarding its governance framework, including the Warren Shire 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 Warren Shire Council:

- Of the adequacy and effectiveness of the Warren Shire Council's Integrated, Planning and Reporting (IP&R) processes;
- Of appropriate reporting and monitoring mechanisms are in place to measure progress against objectives; and
- Whether the Warren Shire 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 Warren Shire Council:
 - If the Warren Shire 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 Warren Shire Council can improve its service delivery and Warren Shire Council's performance of its business and functions generally.

Performance Data and Measurement

Review and advise the Warren Shire Council:

- If the Warren Shire Council has a robust system to determine appropriate performance indicators to measure the achievement of its strategic objectives;
- If the performance indicators the Warren Shire Council uses are effective; and
- Of the adequacy of performance data collection and reporting.