



# LEETON SHIRE COUNCIL

## **AUDIT, RISK AND IMPROVEMENT COMMITTEE (ARIC) - MEMBERS INFORMATION PACKAGE**

February 2024

## Overview

The Audit Risk and Improvement Committee (ARIC) comprises of a Chair and two independent external members and one non-voting Councillor delegate.

Council is seeking Expressions of Interest (EOI) from members of the public with appropriate skills and experience, to serve as an independent member on Council's Audit, Risk and Improvement Committee.

Any person wishing to submit an EOI will be required to meet the independence and the eligibility criteria of the *Guidelines for Risk Management and Internal Audit for Local Government in NSW* released by the Office of Local Government (OLG).

## About Leeton Shire Council

Council is constituted under the *Local Government Act 1993*. Council comprises a popularly elected Mayor and eight (8) Councillors.

Leeton Shire is in southwest New South Wales, 584km from Sydney and 470km from Melbourne. The Local Government Area covers 1,167km<sup>2</sup> and includes the towns of Leeton, Yanco and Whitton and the villages of Murrami and Wamoon. Leeton is the birthplace of the Murrumbidgee Irrigation Area and was purposely built as part of the Murrumbidgee Irrigation Scheme.

With a population of 11,343 (ABS, 2020), Leeton is the second largest regional centre in the Western Riverina region and plays an integral role in value-added agricultural processing, agriculture, education and research, transport, and logistics.

## Role and Functions of Audit, Risk and Improvement Committee (ARIC)

Under section 428A of the *Local Government Act 1993* (the Act), each Council (including county councils and joint organisations) must have an ARIC to independently review and advise on the following aspects of the Council's operations:

- compliance,
- risk management,
- fraud control,
- financial management,
- governance,
- implementation of the strategic plan, delivery program and strategies,
- service reviews,
- collection of performance measurement data by the council, and
- any other matters prescribed by the regulation.

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

The Local Government (General) Regulation 2021 (as amended) will require Council's ARIC to review and provide advice on the Council's internal audit activities. The ARICs role also extends to any entities established by or operated by the Council.

In fulfilling its objective, the ability of the ARIC to maintain independent and objective judgement is vital.

Members appointed by Council to serve on ARIC must exhibit an independence of mind in their deliberations and not act as a representative of a particular area or organisation of the community or with conflicts of interest.

## Structure and Membership

ARIC consist of three (3) independent external members appointed by Council (1 of the 3 being the Chairperson) and one (1) non-voting Councillor member (excluding the Mayor).

The following staff/consultants will attend Committee meetings as observers as required:

- General Manager,
- Director Corporate/ CFO,
- Director Operations,
- Director Economic and Community Development,
- Manager Governance, Corporate & Customer Service,
- Manager ICT,
- Manager WHS, QA & Risk
- Representatives of the External Auditor,
- Representatives of the Internal Auditor,
- Other officers may attend by invitation as requested by the Chair of the Committee.

ARIC will meet at least four (4) times per year, which includes a special meeting to review Council's financial statements. ARIC Chair and independent members can attend the ARIC meetings via Zoom Link, although members are required to attend at least one (1) meeting in person per year.

The appointment term for the independent external members is up to four (4) years, although the inaugural Committee will be offered a staggered term of between one (1) to four (4) years. This is to ensure continuity of knowledge of skills and experience by avoiding all members finishing their term at the same time.

Appointees may be reappointed by Council upon further application at the expiry of the term for a total period of eight (8) years or two (2) terms.

Applicants should be specific in their EOI the term of appointment they would prefer.

## Terms of Reference

A copy of ARIC's current Terms Of Reference (TOR) was adopted by Council on 28 February 2024 (Ref: 24/010) and can be found on Council's website ([www.leetonshire.com.au](http://www.leetonshire.com.au)). Terms Of Reference will be reviewed annually and once (1) each Council term by the elected Council.

## Selection Criteria

The following criteria will be used to assess any EOI's received for the position of independent member.

### **Independence criteria**

The Chair and all independent voting members of ARIC 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.

The Chair and independent members of the ARIC must meet the following independence criteria.

The Chair and independent voting committee members must not:

1. currently be a Councillor of any NSW Council,
2. be a non-voting representative of the board of the joint organisation,
3. be a candidate at the last election of Council,
4. be a person who has held office in Council during its previous term,
5. be currently employed by Council or joint organisation, or been employed during the last twelve (12) months,
6. conduct audits of Council on behalf of the Audit Office of NSW,
7. have a close personal or business relationship with a Councillor or a person who has a senior role in Council that may lead to a real or perceived conflict of interest,
8. currently, or within the last three (3) years, provided any material goods or services (including consultancy, legal, internal audit and advisory services) to Council which directly affect subjects or issues considered by the audit, risk and improvement committee,
9. 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
10. currently or have previously acted as an advocate of a material interest on behalf of Council or a related entity which could be considered a real or perceived conflict of interest.

Current staff of Council may serve as an independent member of another Council's ARIC but not as its Chair.

Current Council staff may only serve on another Council's ARIC if they meet the independence and eligibility criteria for membership of the Committee and their employer is not participating in a shared arrangement with the other Council in relation to ARIC or the Internal Audit Function.

General Managers will require the approval of their Council under section 353 of the Act before they can serve as an independent member of another Council's ARIC.

Other Council staff will require the approval of their General Manager.

## **Eligibility Criteria**

In addition to meeting the independence requirements specified above, independent members of ARIC must satisfy the following eligibility criteria to be appointed as an independent committee member. Ideally, they will also be able to demonstrate the desirable criteria.

Essential criteria independent members of ARIC members must demonstrate the following:

1. an ability to read and understand financial statements and a capacity to understand the ethical requirements of government (including potential conflicts of interest),
2. 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,
3. a capacity to form independent judgements and willingness to constructively challenge/question management practices and information,
4. 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 ARIC, and
5. preparedness to undertake any training on the operation of ARIC recommended by the Chair based on their assessment of the skills, knowledge and experience of the independent member.

## **Desirable Criteria**

- 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) is desirable.

A criminal record and financial status (bankruptcy) check of all independent members will be undertaken before an appointment is made.

## **Role and Responsibilities of an Independent Member**

Independent ARIC members are expected to be able to assess information provided to them about Council and to identify and assess key risks and issues.

Each member should be capable of making a valuable contribution to the Committee.

To be successful in their role, a member must:

1. take a professional approach to their responsibilities, including an appropriate commitment of time and effort,
2. know the business, culture and values of Council and take the time to understand changes that affect how Council operates and its risks,
3. have sufficient understanding of Council's financial reporting responsibilities to be able to contribute to the Committee's consideration of the annual financial statements,
4. understand the role of the Committee and the expectations of the Council,
5. act in the best interests of the Council,

6. take a professional approach,
7. be a good communicator and build effective relationships with the Council and other committee members, and
8. 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.

## Remuneration, Superannuation and Insurances

Remuneration for an Independent Chair of the ARIC is \$2,500 (excluding GST) per meeting. This fee covers meeting preparation time and attendance. It does not include the cost of travel and expenses which will be reimbursed.

Remuneration for independent members of the ARIC is \$1,200 (excluding GST) per meeting. This fee covers meeting preparation time and attendance. It does not include the cost of travel and expenses which will be reimbursed.

Superannuation is paid in addition to the above set fee in accordance with the requirements of the *Superannuation Guarantee (Administration) Act 1992*.

ARIC committee members will be covered under Council's insurance policies for public liability and professional indemnity.

## Committee Meetings

ARIC will meet at least four (4) times per year, which includes a special meeting to review Council's financial statements. Committee members can attend the ARIC meetings via Zoom; however, Committee members are required to attend at least one (1) meeting in person, per year.

## Reporting and Accountability

- ARIC must ensure compliance with the Guidelines for Risk Management and Internal Audit for Local Government in NSW so far as it relates to the ARIC.
- ARIC, through the Chair, is required to develop a Strategic Work Plan every four (4) years to ensure all matters listed in section 428A of the Act are reviewed by the Committee and Internal Audit Function.
- ARIC may choose to review the four (4) year Strategic Work Plan when required to ensure it is dynamic, relevant and aligns with Council's risk profile.
- ARIC, through the Chair, must develop an Annual Work Plan in consultation with the governing body, the General Manager and Head of the Internal Audit function.
- ARIC is required to develop key performance indicators for the four (4) year Strategic Work Plan and the Annual Work Plan to gauge the performance of ARIC and the Internal Audit Function and Council's performance regarding section 428A of the Act.
- ARIC must provide the governing body updates on the activities and opinions after every Committee meeting.
- ARIC must provide the General Manager with quarterly updates to ensure they are kept informed of issues raised to ensure the governing body can receive information from the General Manager.
- ARIC must provide an annual assessment to the governing body each year.

- An annual assurance meeting will be convened between ARIC, the governing body and the General Manager to discuss ARICs assessment and how Council proposes to respond to any corrective actions and other important internal audit and risk management matters.
- At least once (1) each term of Council (i.e. 4 years) a review of effectiveness of ARIC will be conducted by Council in conformance with the International Professional Practice Framework.

## **Constraints**

- Members must comply with Council's Code of Conduct.
- Members must keep all discussions during meetings confidential.
- Members must declare a conflict of interest with any issue on the agenda at the commencement of the meeting or should potential conflicts occur.
- All conflicts of interest are to be declared and recorded in the minutes and, if necessary, the parties involved are required to leave the room while the matter is discussed.

## **Council Policies**

Members shall always abide by Council's Code of Conduct and relevant policies.

Council's policy regarding public comment or talking to the media must be always observed.

## **Induction and Training**

At the beginning of ARIC term, Committee members will participate in an induction session.

The Chair and members of ARIC are encouraged to keep informed of current developments and to maintain and develop skills, knowledge and capabilities necessary to exercise their functions effectively.