
Terms of reference for the Yass Valley Council Audit, Risk and Improvement Committee

The Yass Valley Council has established an Audit, Risk and Improvement Committee (ARIC) in compliance with section 428A of the *Local Government Act 1993*, the *Local Government (General) Regulation 2021* as amended by the *Local Government (General) Amendment (Audit, Risk and Improvement Committees) Regulation 2023*, 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 ARIC's objectives, authority, composition and tenure, roles and responsibilities, reporting and administrative arrangements.

The Independent Chair and Committee Members of Yass Valley Council's ARIC are shared with the Canberra Region Joint Organisation (CRJO) and Goulburn Mulwaree and Upper Lachlan Councils.

Objective

The objective of Yass Valley Council's ARIC is to provide independent assurance to the Yass Valley Council by monitoring, reviewing and providing advice about the Yass Valley Council's governance processes, compliance, risk management and control frameworks, external accountability obligations and overall financial and operational performance.

Independence

The ARIC 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 Yass Valley Council with robust, objective and unbiased advice and assurance.

The ARIC 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 Yass Valley Council. The ARIC will provide independent advice to the Yass Valley Council that is informed by the Yass Valley Council's internal audit and risk management activities and information and advice provided by staff, relevant external bodies and subject matter experts.

The ARIC must always ensure it maintains a direct reporting line to and from the Yass Valley Council's internal audit function and act as a mechanism for internal audit to report to the Yass Valley Council and the Yass Valley Council Chief Executive Officer (CEO) on matters affecting the performance of the internal audit function.



Authority

Yass Valley Council authorises the ARIC, for the purposes of exercising its responsibilities, to:

- 🔗 access any information it needs from the Yass Valley Council
- 🔗 use any Yass Valley Council resources it needs
- 🔗 have direct and unrestricted access to the CEO and senior management of the Yass Valley Council
- 🔗 seek the Yass Valley Council CEO's permission to meet with any other Yass Valley Council staff member or contractor
- 🔗 discuss any matters with the external auditor or other external parties
- 🔗 request the attendance of any employee at ARIC meetings, and
- 🔗 obtain external legal or other professional advice in line with Yass Valley Councils' procurement policies.

Information and documents pertaining to the ARIC are confidential and are not to be made publicly available.

The ARIC may only release Yass Valley Council information to external parties that are assisting the ARIC to fulfil its responsibilities with the approval of the Yass Valley Council CEO, 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

Joint Organisation's ARICs must have an independent Chairperson and a minimum of two independent committee members who have voting rights. The Yass Valley Council ARIC consists of an independent chairperson and three independent members who have voting rights.

The Yass Valley Council may appoint a non-voting Councillor member of the ARIC who is not the Mayor of Yass Valley, as provided for by the Local Government (General) Regulation 2021 as amended by the Local Government (General) Amendment (Audit, Risk and Improvement Committees) Regulation 2023.

The Yass Valley Council appoints the chairperson and members of the ARIC. Current Yass Valley Council ARIC members, appointed up to a three-year term, are;

Stephen Coates	Independent chairperson (voting)
Diana Hamono	Independent member (voting)
Rachel Harris	Independent member (voting)
Bryce McNair	Independent member (Voting)



All ARIC members must meet the independence and eligibility criteria prescribed under the *Local Government (General) Regulation 202*, as amended by the *Local Government (General) Amendment (Audit, Risk and Improvement Committees) Regulation 2023*.

Members may 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 ARIC. 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 ARIC before being appointed again. To preserve the ARIC's knowledge of the Yass Valley Council, ideally, no more than one member should retire from the ARIC because of rotation in any one year.

The terms and conditions of each member's appointment to the ARIC 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 Yass Valley Council is to undertake an assessment of the chairperson's or ARIC's member's performance. Reappointment of the chairperson or an ARIC 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 ARIC must possess and maintain a broad range of skills, knowledge and experience relevant to the operations, governance and financial management of the Yass Valley Council, the environment in which the Yass Valley Council operates, and the contribution that the ARIC makes to the Yass Valley Council. At least one member of the ARIC 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 Yass Valley Council's financial reporting responsibilities to be able to contribute to the ARIC's consideration of the Yass Valley Council's annual financial statements.

The independent Chairperson and Committee Members of Yass Valley Council's ARIC are shared with Goulburn Mulwaree and Upper Lachlan Councils. A shared service agreement is to be put in place between these entities.

Role

As required under section 428A of the *Local Government Act 1993* (the Act), the role of the ARIC is to review and provide independent advice to the Yass Valley Council regarding the following aspects of the Yass Valley 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 Yass Valley Council, and
- 🔗 internal audit.

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

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

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

The ARIC 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 ARIC is directly responsible and accountable to the Yass Valley Council for the exercise of its responsibilities. In carrying out its responsibilities, the ARIC must at all times recognise that primary responsibility for management of the Yass Valley Council rests with the Yass Valley Council and the Yass Valley Council CEO.

The responsibilities of the ARIC may be revised or expanded in consultation with, or as requested by, the Yass Valley Council from time to time.

Responsibilities of members

Independent members

The chairperson and members of the ARIC 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 Yass Valley 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 Yass Valley Council
- 🔗 have strong leadership qualities (chairperson)
- 🔗 lead effective ARIC meetings (chairperson), and
- 🔗 oversee the Yass Valley Council's internal audit function (chairperson).

Yass Valley Council ARIC members (If Applicable)

The Yass Valley Council may nominate a Councillor to attend the ARIC, but to preserve the independence of the ARIC, the Yass Valley Council member of the ARIC is a non-



voting member. The nominated Councillor cannot be the Mayor of Yass Valley. Their role is to:

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

Issues or information the Yass Valley Council member raises with or provides to the ARIC must relate to the matters listed in Schedule 1 and issues being considered by the ARIC.

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

If the Yass Valley Council member of the ARIC engages in such conduct or in any other conduct that may bring the ARIC and its work into disrepute, the chairperson of the ARIC may recommend to the Yass Valley Council, that the Yass Valley Council member be removed from membership of the ARIC.

Where the Yass Valley Council does not agree to the ARIC chairperson's recommendation, the Yass Valley Council must give reasons for its decision in writing to the chairperson.

Conduct

Independent ARIC members are required to comply with the Yass Valley Council's code of conduct.

Complaints alleging breaches of the Yass Valley Council's code of conduct by an independent ARIC member are to be dealt with in accordance with the *Procedures for the Administration of the Model Code of Conduct for Local Yass Valley Councils in NSW*. The CEO must consult with the Yass Valley Council before taking any disciplinary action against an independent ARIC member in response to a breach of the Yass Valley Council's Code of Conduct.

Conflicts of interest



Once a year, ARIC members must provide written declarations to the Yass Valley Council stating that they do not have any conflicts of interest that would preclude them from being members of the ARIC. Independent ARIC members are 'designated persons' for the purposes of the Yass Valley Council's code of conduct and must also complete and submit returns of their interests.

ARIC 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 an ARIC member or observer declares a pecuniary or a significant non-pecuniary conflict of interest, they must remove themselves from ARIC deliberations on the issue. Details of conflicts of interest declared at meetings must be appropriately minuted.

Standards

ARIC 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.

Work plans

The work of the ARIC is to be thoroughly planned and executed. The ARIC must develop a strategic work plan every four years to ensure that the matters listed in Schedule 1 are reviewed by the ARIC 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 ARIC may, in consultation with the Yass Valley Council vary the strategic work plan at any time to address new or emerging risks. The Yass Valley Council may also, by resolution, request the ARIC to approve a variation to the strategic work plan. Any decision to vary the strategic work plan must be made by the ARIC.

The ARIC must also develop an annual work plan to guide its work, and the work of the internal audit function over the forward year.

The ARIC may, in consultation with the Yass Valley Council, vary the annual work plan to address new or emerging risks. The Yass Valley Council may also, by resolution, request the ARIC to approve a variation to the annual work plan. Any decision to vary the annual work plan must be made by the ARIC.

When considering whether to vary the strategic or annual work plans, the ARIC 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 ARIC must regularly report to the Yass Valley Council to ensure that it is kept informed of matters considered by the ARIC and any emerging issues that may influence the strategic direction of the Yass Valley Council the achievement of the Yass Valley Council's goals and objectives.

The ARIC will provide an update to the Yass Valley Council and the Yass Valley Council CEO of its activities and opinions after every ARIC meeting.

The ARIC will provide an annual assessment to the Yass Valley Council and the Yass Valley Council CEO on the ARIC work and its opinion on how the Yass Valley Council is performing.

The ARIC will provide a comprehensive assessment every Yass Valley Council term of the matters listed in Schedule 1 to the Yass Valley Council [and](#) the Yass Valley Council CEO.

The ARIC may at any time report to the Yass Valley Council or the Yass Valley Council CEO on any other matter it deems of sufficient importance to warrant their attention. The Yass Valley Council Chairperson and the Chairperson of the ARIC may also meet at any time to discuss issues relating to the work of the ARIC.

Should the Yass Valley Council require additional information, a request for the information may be made to the ARIC chairperson by resolution. The ARIC chairperson is only required to provide the information requested by the Yass Valley Council where the ARIC chairperson is satisfied that it is reasonably necessary for the Yass Valley Council to receive the information for the purposes of performing its functions under the *Local Government Act*. Individual members are not entitled to request or receive information from the ARIC.



Administrative arrangements

Meetings

The ARIC will meet at least 4 times per year, including a special meeting to review the Yass Valley Council's financial statements.

The ARIC can hold additional meetings when significant unexpected issues arise, or if the chairperson is asked to hold an additional meeting by an ARIC member, the Yass Valley Council CEO, or the Yass Valley Council.

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

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

The chairperson of the ARIC will decide the agenda for each ARIC meeting. Each ARIC meeting is to be minuted to preserve a record of the issues considered and the actions and decisions taken by the ARIC.

The nominated Yass Valley Councillor, Yass Valley Council CEO and the Manager, Internal Audit should attend ARIC meetings as non-voting observers. The external auditor (or their representative) is to be invited to each ARIC meeting as an independent observer. The ARIC chairperson can request the Yass Valley Council's Chief Finance Officer or equivalent, head of risk management function or equivalent, senior managers or equivalent, any Yass Valley Council Members, any employee/contractor of the Yass Valley Council and any subject matter expert to attend ARIC 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 ARIC chairperson at any time.

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

The ARIC must meet separately with the Manager, Internal Audit and the Yass Valley Council's external auditor at least once each year.

Dispute resolution

Members of the ARIC and the Yass Valley 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 ARIC and the CEO or other senior managers, the dispute is to be resolved by the Yass Valley Council.

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 Yass Valley Council CEO will nominate a staff member to provide secretariat support to the ARIC. The secretariat will ensure the agenda for each meeting and supporting papers are circulated after approval from the ARIC chairperson at least one week before the meeting and ensure that minutes of meetings are prepared and maintained. Minutes must be approved by the ARIC chairperson and circulated within two weeks of the meeting to each member.

Resignation and dismissal of members

Where the chairperson or an ARIC member is unable to complete their term or does not intend to seek reappointment after the expiry of their term, they should give 3 months' notice to the ARIC chairperson and the Yass Valley Council prior to their resignation to allow the Yass Valley Council to ensure a smooth transition to a new ARIC chairperson or member.

The Yass Valley Council can, by resolution, terminate the appointment of the ARIC chairperson or an independent ARIC member before the expiry of their term where that person has:

- breached the Yass Valley 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 Yass Valley Council member on the ARIC, if applicable, can be terminated at any time by the Yass Valley Council by resolution.

Review arrangements

At least once every Yass Valley Council term, the Yass Valley Council must review or arrange for an external review of the effectiveness of the ARIC.

These terms of reference must be reviewed annually by the ARIC and once each Yass Valley Council term by the Yass Valley Council. Any substantive changes are to be approved by the Yass Valley Council.



Further information

For further information on the Yass Valley Council's ARIC, contact Sharon Houlihan, CRJO CEO on Sharon.houlihan@crjo.nsw.gov.au or by phone on 0427 469156.

Reviewed by chairperson of the ARIC:

[signed]

[date]

Reviewed by Yass Valley Council in accordance with a resolution of the Yass Valley Council.

[signed]

[Dated]





[resolution reference]

Next review date: Before xx May 2025






Schedule 1 - ARIC responsibilities

Audit

Internal audit

-  Provide overall strategic oversight of internal audit activities
-  Act as a forum for communication between the Yass Valley Council, CEO, 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 Yass Valley Council:
 - on whether the Yass Valley Council is providing the resources necessary to successfully deliver the internal audit function
 - if the Yass Valley Council is complying with internal audit requirements, including conformance with the International Professional Practices Framework
 - if the Yass Valley Council's internal audit charter is appropriate and whether the internal audit policies and procedures and audit/risk methodologies used by the Yass Valley Council are suitable
 - of the strategic four-year work plan and annual work plan of internal audits to be undertaken by the Yass Valley Council's internal audit function
 - if the Yass Valley 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 Yass Valley 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 Yass Valley Council, CEO, 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 Yass Valley Council's implementation of audit recommendations
-  Provide advice to the Yass Valley Council and/or CEO on action taken on significant issues raised in relevant external audit reports and better practice guides

Risk

Risk management

Review and advise the Yass Valley Council:

- 🔗 if the Yass Valley Council has in place a current and appropriate risk management framework that is consistent with the Australian risk management standard
- 🔗 whether the Yass Valley Council is providing the resources necessary to successfully implement its risk management framework
- 🔗 whether the Yass Valley Council's risk management framework is adequate and effective for identifying and managing the risks the Yass Valley Council faces, including those associated with individual projects, programs and other activities
- 🔗 if risk management is integrated across all levels of the Yass Valley Council and across all processes, operations, services, decision-making, functions and reporting
- 🔗 of the adequacy of risk reports and documentation, e.g., the Yass Valley 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 Yass Valley 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 Yass Valley Council and strong leadership that supports effective risk management
- 🔗 of the adequacy of staff training and induction in risk management
- 🔗 how the Yass Valley Council's risk management approach impacts on the Yass Valley Council's insurance arrangements
- 🔗 of the effectiveness of the Yass Valley 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 Yass Valley Council:

- 🔗 whether the Yass Valley 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 Yass Valley 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 Yass Valley 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 Yass Valley Council of the adequacy and effectiveness of the Yass Valley Council's compliance framework, including:

- 🔗 if the Yass Valley Council has appropriately considered legal and compliance risks as part of the Yass Valley Council's risk management framework
- 🔗 how the Yass Valley 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 Yass Valley Council of the adequacy and effectiveness of the Yass Valley Council's fraud and corruption prevention framework and activities, including whether the Yass Valley Council has appropriate processes and systems in place to capture and effectively investigate fraud-related information.

Financial management

Review and advise the Yass Valley Council:

- 🔗 if the Yass Valley Council is complying with accounting standards and external accountability requirements
- 🔗 of the appropriateness of the Yass Valley Council's accounting policies and disclosures
- 🔗 of the implications for the Yass Valley Council of the findings of external audits and performance audits and the Yass Valley Council's responses and implementation of recommendations
- 🔗 whether the Yass Valley Council's financial statement preparation procedures and timelines are sound
- 🔗 the accuracy of the Yass Valley Council's annual financial statements prior to external audit, including:
 - management compliance/representations
 - significant accounting and reporting issues
 - the methods used by the Yass Valley 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 Yass Valley Council's annual report is consistent with signed financial statements
- 🔗 if the Yass Valley 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 Yass Valley Council are adequate
- 👉 if the Yass Valley Council's grants and tied funding policies and procedures are sound.

Governance

Review and advise the Yass Valley Council regarding its governance framework, including the Yass Valley 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 Yass Valley Council:

- 👉 of the adequacy and effectiveness of the Yass Valley 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 Yass Valley 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 Yass Valley Council:
 - If the Yass Valley 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 Yass Valley Council can improve its service delivery and the Yass Valley Council's performance of its business and functions generally

Performance data and measurement



Review and advise the Yass Valley Council:

- 🗨️ if the Yass Valley Council has a robust system to determine appropriate performance indicators to measure the achievement of its strategic objectives
- 🗨️ if the performance indicators the Yass Valley Council uses are effective, and
- 🗨️ of the adequacy of performance data collection and reporting.