

Ordinary Meeting

Meeting Date: Monday, 03 June, 2024

Location: Council Chambers, City Administrative Building, Bridge Road, Nowra

Attachments (Under Separate Cover)

Index

13. Reports

CL24.159	ARIC Committee Membership, ARIC Terms of Reference and Internal Audit Charter	
	Attachment 2 ARIC Terms of Reference	2
	Attachment 3 Internal Audit Charter	22
CL24.161	Investment Report - April 2024	
	Attachment 1 Shoalhaven Monthly Investment Report - April 2024	35
CL24.167	Development Application – DA24/1188 - 9 Jindalee Crescent, NOWRA - Lot 915 DP 1240172	
	Attachment 1 Draft Notice of Determination - DA24/1188 - 9 Jindalee Cres NOWRA, Lot 915 DP 1240172.....	58
	Attachment 2 Sect 4.15 Assessment Report DA2024/1188 - 9 Jindalee Crescent NOWRA - Lot 915 DP 1240172.....	76



Audit, Risk & Improvement Committee Terms of Reference (Charter)

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Shoalhaven City Council – Audit Risk and Improvement Committee Terms of Reference (Charter)

TABLE OF CONTENTS

1. Introduction	3
2. Objective.....	3
3. Independence	3
4. Authority	3
5. Composition and tenure	4
6. Role	5
7. Responsibilities of members	6
8. Work plans.....	7
9. Reporting	8
10. Administrative arrangements	8
11. Remuneration	10
12. Review arrangements	10
Schedule 1: Audit, risk and improvement committee responsibilities.....	12
Schedule 2: Audit Risk and Improvement Committee Communications Guidelines.....	16
Schedule 3: Procedure – Recruitment of Members to Audit, Risk and Improvement Committee (ARIC).....	18

1. Introduction

Shoalhaven City Council (Council) has established an audit, risk and improvement committee (ARIC, the 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.

2. Objective

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

3. 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.

The committee is to have an advisory 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 Chief Executive Officer on matters affecting the performance of the internal audit function.

4. Authority

Council authorises 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 Chief Executive Officer and senior management of the Council
- seek the Chief Executive Officer'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,
- receive information from Councillors in accordance to clause 7.3 of Council's Code of Conduct and

- with the approval of the Chief Executive Officer and/or the Mayor, obtain external legal or other professional advice in line with councils' procurement policies. Details of any costs incurred shall be included in the ARIC annual report to Council.

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 Chief Executive Officer, 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.

5. Composition and tenure

The committee consists of an independent Chair and two independent members who have voting rights and one non-voting councillor, as required under the *Local Government (General) Regulation 2021* (216C Composition of Audit, Risk and Improvement Committee—the Act, Sch 6, cl 19B).

The governing body is to appoint the Chair and members of the committee. Current committee members are:

Donna Rygate	Independent Chair (voting)
John Gordon	Independent member (voting)
Deborah Goodyer	Independent member (voting)
Clr Patricia White	Councillor member (non-voting)
Clr Gillian Boyd	Alternate Councillor member (non-voting)]

All committee members must meet the independence and eligibility criteria prescribed under the *Local Government (General) Regulation 2021* (216D Eligibility for appointment as chairperson—the Act, Sch 6, cl 19B, 216E Eligibility for appointment as independent member—the Act, Sch 6, cl 19B and 216F Persons taken not to be independent of council—the Act, Sch 6, cl 19B).

The appointment of independent ARIC members, ARIC Chair and non – voting Councillor member will be guided by the procedure on 'Recruitment of Members to Audit Risk and Improvement Committee' attached as schedule 3 to the ARIC Charter.

Members will be appointed for up to a four-year term in accordance to *Local Government (General) Regulation 2021*, 216G Term of office—the Act, Sch 6, cl 19B. 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 prescribed under the *Local Government (General) Regulation 2021 (216D Eligibility for appointment as chairperson—the Act, Sch 6, cl 19B and 216E Eligibility for appointment as independent member—the Act, Sch 6, cl 19B and 216F Persons taken not to be independent of council—the Act, Sch 6, cl 19B)*.

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's annual financial statements.

6. 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 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 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 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 Chief Executive Officer.

The responsibilities of the committee may be revised or expanded in consultation with, or as requested by, the governing body from time to time.

7. Responsibilities of members

Independent members

The Chair 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 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's internal audit function (Chair).

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 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 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 Chair of the committee may recommend to the Council, that the Councillor 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.

Conduct

The chair and 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 the Chair or 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 Chief Executive Officer must consult with the governing body before taking any disciplinary action against the Chair or independent committee member in response to a breach of the Council's code of conduct.

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.

8. 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.

9. 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 Chief Executive Officer of its activities and opinions after every committee meeting.

The committee will provide an annual assessment to the governing body and the Chief Executive Officer 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 Chief Executive Officer.

The committee may at any time report to the governing body or the Chief Executive Officer on any other matter it deems of sufficient importance to warrant their attention. The Chair 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 councillors are not entitled to request or receive information from the committee.

10. Administrative arrangements

Meetings

The committee will meet at least 4 times per year, and where required, hold special meeting to review Council's financial statement in accordance to *Local Government (General) Regulation 2021* (216J Meetings of Audit, Risk and Improvement Committee—the Act, Sch 6, cl 19B)

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 Chief Executive Officer or the governing body.

Committee meetings can be held in person, by telephone or videoconference, with in person attendance required for at least 2 of the scheduled quarterly meetings. 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 be consulted on items for inclusion on 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 following officers should attend committee meetings as non-voting observers:

Mayor (standing invite)

Shoalhaven City Council – Audit Risk and Improvement Committee Terms of Reference (Charter)

Chief Executive Officer
Chief Internal Auditor
Audit & Assurance Officer
Lead Enterprise Risk Management
Manager Business Assurance & Risk
Director City Performance
Director City Development
Director City Services
Director City Futures
Director City Lifestyle
Executive Manager Shoalhaven Water
Chief Financial Officer
Chief Information Officer

The external auditor (or their representative) is to be invited to each committee meeting as an independent observer.

The Chair can request the 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 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 Chief Internal Auditor and the Council's external auditor at least once each year.

Dispute resolution

Members of the committee and the 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 Chief Executive Officer 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.

Administrative Support

The Chief Internal Auditor will provide administrative support to the committee in accordance with *Local Government (General) Regulation 2021 (216L Assistance to Audit, Risk and Improvement Committee—the Act, Sch 6, cl 19B)*. The Chief Internal Auditor will ensure the agenda for each meeting and supporting papers are circulated at least 1 week before the meeting and ensure that minutes of meetings are prepared and maintained. Minutes must be approved by the Chair and circulated within 3 weeks of the meeting to each member.

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 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.

This should be done in accordance with *Local Government (General) Regulation 2021* (216H Removal of members—the Act, Sch 6, cl 19B)

The position of a Councillor member on the committee can be terminated at any time by the governing body by resolution.

11. Remuneration

In accordance with *Local Government (General) Regulation 2021* (216I Remuneration—the Act, Sch 6, cl 19B), the independent members of the Committee will be entitled to remuneration on the basis of a fee determined by Council. In addition to the fee, independent members will be paid for all expenses incurred in relation to their responsibilities as members of the Committee, including travel costs, accommodation, attendance at inductions, training and personal development opportunities. The fee will be payable following each meeting of the Committee, and upon receipt of an invoice. In the absence of the Council appointed Chair at a meeting, the Committee member who chairs the meeting will be paid the usual Committee member fee.

12. 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.

For further information on Council's audit, risk and improvement committee, contact Internal Audit Team on internalaudit@shoalhaven.nsw.gov.au or by phone 1309 293 111.

Reviewed by Chair of the audit, risk and improvement committee

13 May 2024

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

