

## Terms of Reference

### Shared Audit, Risk and Improvement Committee (Shared ARIC)

#### Document Control

Document Owner	Participating Joint Organisations (via Lead JO)
Purpose	Executive Officers working draft – not for Board adoption
Related Documents	MoU – Shared ARIC; OLG Guidelines
Review Cycle	Annually by ARIC; once per LGA term by JO Boards
Status	Draft v2.0

#### 1. Introduction

The Participating Joint Organisations (JOs) have agreed to establish a Shared Audit, Risk and Improvement Committee (the Committee) in accordance with sections 428A and 428B of the Local Government Act 1993 (NSW).

These Terms of Reference (ToR) are based on the Office of Local Government (OLG) Model Terms of Reference and have been deliberately adapted to reflect:

- the small scale and limited resources of Joint Organisations
- the shared governance arrangements set out in the Memorandum of Understanding (MoU)
- a proportionate, risk-based approach consistent with OLG guidance

These ToR should be read in conjunction with the MoU. Where inconsistencies arise, the MoU prevails.

#### 2. Objective

The objective of the Committee is to provide independent assurance to each Participating JO by monitoring, reviewing and providing advice on the adequacy and effectiveness of:

- governance arrangements
- risk management and internal controls
- compliance and fraud prevention
- financial management and reporting
- internal and external audit
- continuous improvement and performance monitoring

#### 3. Independence

The Committee operates independently of management and the Boards of the Participating JOs. The Committee has an advisory and assurance role only and has no executive, operational or decision-making authority.

Members must meet independence and eligibility requirements under the OLG Guidelines and must avoid real or perceived conflicts of interest.

#### **4. Authority**

Each Participating JO authorises the Committee to:

- access information reasonably required to perform its functions
- request attendance of relevant staff or contractors
- communicate directly with Executive Officers
- meet separately with internal and external auditors

#### **5. Application to Participating Joint Organisations**

These Terms of Reference apply equally to all Participating JOs.

The Committee considers matters that are:

- common across all JOs (shared risks, governance themes, audit findings), and
- specific to individual JOs where required

Each Participating JO retains full responsibility and accountability for its own decisions, risks and statutory obligations.

All ARIC members, observers, advisers, and secretariat (Lead JO) personnel must maintain strict confidentiality of all information obtained through ARIC proceedings, except where disclosure is required by law or authorised in writing by the relevant Participating JOs.

#### **6. Committee Composition**

The Committee comprises:

- Three (3) Independent Voting Members, one appointed as Independent Chair
- One (1) Non-Voting Observer nominated by each Participating JO
- Executive Officers, and/or a delegate from the JO, may attend meetings as observers

Only Independent Members have voting rights.

#### **7. Work plans**

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. The strategic work plan must be reviewed at least annually to ensure it remains appropriate.

Any decision to vary the strategic work plan must be made by the Committee. The Committee may, in consultation with the Boards of the Participating JOs, then vary the strategic work plan at any time to address new or emerging risks. The Boards of the Participating JOs may also, by resolution, request the Committee to approve a variation to the strategic work plan.

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.

Any decision to vary the annual work plan must be made by the Committee. The Committee may, in consultation with the Boards of the Participating JOs, then vary the annual work plan to address new or emerging risks. The Boards of the Participating JOs may also, by resolution, request the Committee to approve a variation to the annual work plan.

When considering whether to vary the strategic or annual work plans, the Committee must consider the Participating JOs' size, risk and resources profile when compared to other local government organisations and consider the impact of the variation on all parties existing workload and pre-existing priorities of all parties to the document.

## **8. Appointment and Tenure**

Independent Members are appointed jointly by resolution of each Participating JO Board following a merit-based recruitment process coordinated by the Lead JO.

Appointments are for up to four (4) years and may be renewed once, subject to performance review and continued independence, with a maximum of eight (8) continuous years.

The terms and conditions of each member's appointment to the Committee are to be set out in a letter of appointment.

## **9. Role of the Shared ARIC**

The Committee reviews and provides independent advice to each Participating JO in relation to:

- audit (internal and external)
- risk management frameworks
- internal controls and compliance
- fraud and corruption prevention
- financial management
- governance arrangements
- organisational improvement

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

The Committee will act as a forum for consideration of the participating JO'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 Boards of the Participating JOs for the exercise of its responsibilities.

The scope and depth of reviews will be proportionate to JOs size, risk and resources.

## **10. Meetings**

The Committee will meet at least four (4) times per year, primarily via videoconference to minimise cost, indicatively:

- Two meetings will focus on substantive matters (financial statements, major audits)
- Two meetings will focus on monitoring, updates and progress

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 Participating JOs' Executive Officers, or the Boards of the Participating JOs.

A quorum consists of a majority of Independent Voting Members.

## **11. Reporting**

The Committee reports separately to the Board of each Participating JO.

After each meeting, a report summarising key matters, recommendations and actions will be provided to the Board of each Participating JO.

An annual assurance report will be prepared for each Participating JO, and once per LGA term a comprehensive assurance report will be provided in line with OLG guidance.

## **12. Secretariat and Lead JO**

One Participating JO acts as the Lead JO on a rotating basis, as set out in the MoU.

The Lead JO provides secretariat support including agenda preparation, minutes, coordination and records management as an in-kind contribution.

## **13. Financial Arrangements**

Costs associated with the Committee, including Independent Member fees (if applicable) and agreed external advice, are shared equally between Participating JOs in accordance with the MoU and agreed annual budget limits.

## **14. Review of Terms of Reference**

These Terms of Reference will be reviewed annually by the Committee and once each local government term by the Boards of the Participating JOs.

## **Schedule 1 – Scaled Audit, Risk and Improvement Responsibilities**

The Committee adopts a proportionate, risk-based approach appropriate to Joint Organisations.

### **Audit**

- Oversight of shared and JO-specific internal audit activities
- Review external audit findings and management responses
- Monitor implementation of agreed audit recommendations

### **Risk and Internal Controls**

- Review risk registers and key strategic risks
- Consider adequacy of internal controls proportionate to JO operations
- Review business continuity and key governance risks

### **Compliance and Fraud**

- Review compliance frameworks and significant compliance issues
- Consider fraud and corruption risks and prevention measures

### **Financial Management**

- Review annual financial statements prior to audit
- Consider financial sustainability, cash management and grants compliance

### **Governance and Improvement**

- Review governance arrangements and reporting
- Consider opportunities for shared improvement and better practice