

ATTACHMENTS TO

Finance and Facilities Committee Meeting Business Paper

17 April 2023

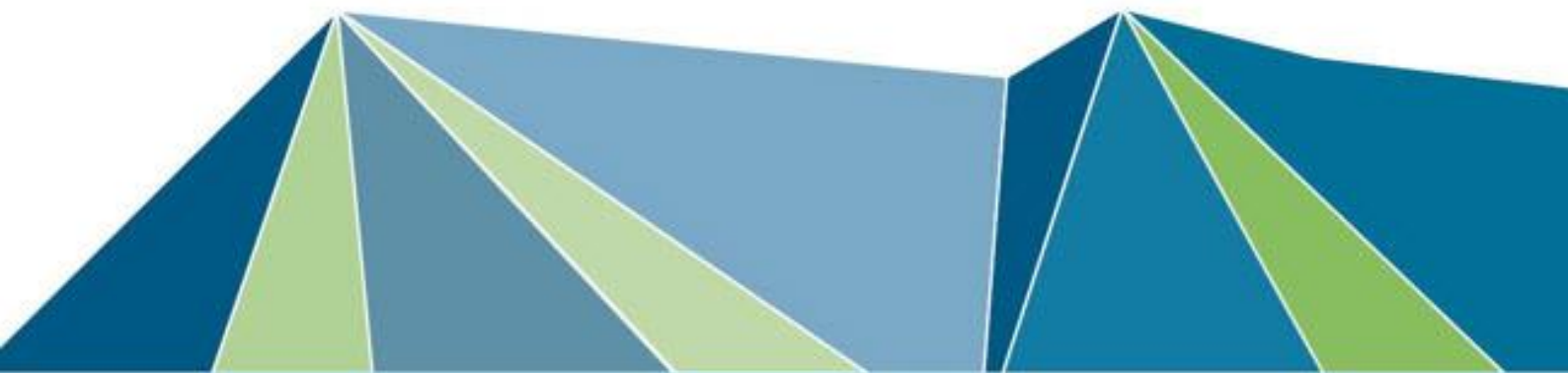


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5.1 Audit Risk and Improvement Committee - Terms of Reference and Internal Audit Charter

Audit, Risk and Improvement Committee Terms of Reference

The Audit, Risk and Improvement Committee (Committee) is to provide independent assurance and assistance to Council on risk management, control, governance and external accountability responsibilities.

Objectives

The Committee's objectives are to review the following aspects of the Council's operations:

- (a) compliance
- (b) risk management
- (c) fraud control
- (d) financial management
- (e) governance
- (f) implementation of the community strategic plan, delivery program and operational plan
- (g) service reviews
- (h) performance measurement and
- (i) other matters prescribed by the Local Government Act and Regulations.

The Committee will provide information to Council for the purpose of improving Council's performance of its functions.

To support the Committee to perform their functions, Committee members are authorised to:

- Obtain information it needs from Council or external parties (subject to legal obligations to protect information)
- Discuss any matters with the external auditor subject to confidentiality considerations
- Request the attendance of any employee or Councillor at Committee meetings
- With the concurrence of the General Manager, obtain external legal or other professional advice considered necessary to meet its responsibilities

Composition and Tenure

The Committee will consist of:

Members

Changes to the Committee composition and tenure will be by approved by Council.

The Committee consists of:

- No less than two and no more than four independent members appointed by Council; and
- Two Councillors (non-voting).

The Chair of the Committee will be an independent member, as determined by the Council. All independent members will be appointed by Council for a term of up to four years, after which they will be eligible for extension or re-appointment following a formal review of their performance.

The General Manager and Internal Auditor shall be available to attend all Committee meetings but are not members of the Committee and do not have voting rights. Auditors (both internal and external) and other Council Officers may attend by invitation.

Independent Member Skills

Independent members must have appropriate skills and time to fulfil their role on the Committee with at least one member having significant qualifications, experience and skills with financial matters. It is desirable that an independent member has public sector corporate management, legal and risk management qualifications and experience.

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Independent Member Appointment Process

Independent members shall be requested to nominate their services through a public invitation process.

Appointment of the independent members will be made by Council resolution, taking into account the experience of the nominees and their ability to apply appropriate analytical and strategic management skills.

Role and Responsibilities

The Committee has no delegated authority.

In carrying out its responsibilities, the Committee must recognise that primary responsibility for the management of Council rests with the Council and the General Manager as defined by the Local Government Act.

The Committee's duties and responsibilities may be revised or expanded by Council from time to time. The responsibilities of the Committee include, but not necessarily limited to:

Compliance

- Ensure appropriate mechanisms are in place to review policies and procedures to ensure compliance and that they are periodically reviewed and updated to meet organizational and legislative requirements
- Review whether management has in place relevant policies and procedures, and these are periodically reviewed and updated
- Determine whether management has appropriately considered legal and compliance risks as part of the risk assessment and management arrangements
- Review the effectiveness of the system for monitoring compliance with relevant laws, regulations and associated government policies
- Review the process of communicating the Council's Code of Conduct and other corruption resistance controls to personnel, and for monitoring compliance therewith
- Obtain regular updates from management and the Council's legal representatives (where appropriate) regarding compliance matters
- Review all plans and reports of planned or completed external audits, and monitor the implementation of audit recommendations by management
- Consider significant issues raised in external audit reports and management letters and better practice guides from the Office of Local Government, and ensure appropriate action is taken.

Risk Management

- Review whether management and/or Council's Internal Risk Management Committee has in place a current and comprehensive risk management framework, and associated procedures for effective identification and management of business and financial risks, including fraud.
- Review the impact of the risk management framework on its control environment and insurance arrangements.
- Review whether a sound and effective approach has been followed in establishing business continuity planning arrangements, including whether plans have been tested periodically
- Review whether appropriate policies and procedures are in place for the management and exercise of delegations

Fraud control

- Review whether management has adequate internal controls in place, including over external parties.
- Review and approve the Annual Internal Audit Plan. The Committee must satisfy itself the Plan is risk based and prepared in accordance with Risk Management Policy and Framework.
- Review all internal audit reports and consider significant issues identified in these internal audit reports and action taken on issues raised, including identification and dissemination of better practices.
- Monitor the implementation of internal audit recommendations by management.
- A progress report of the approved annual Internal Audit Plan to be presented to each Committee meeting to enable monitoring of performance of audit plan and understanding of status of each audit. Variations to the Plan will be the subject of discussion and agreement at the meeting.
- Review whether management has taken steps to embed a culture which is committed to ethical and lawful behaviour.

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Financial management

- Satisfy itself the annual financial statements comply with applicable Australian Accounting Standards and are supported by appropriate management sign-off on those statements and on the adequacy of internal controls.
- Provide input and feedback on the financial statements and audit strategy proposed by external audit and provide feedback on the external audit services provided.

Governance

- Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations together with managements responses.
- To consider contentious financial reporting matters in conjunction with Council's management and external auditor.
- Review the processes in place designed to ensure financial information included in the annual report is consistent with the signed financial statements.
- Act as a forum for communication between the Council, General Manager, senior management, internal audit and external audit.

Implementation of the strategic plan, delivery program and strategies

- Satisfy itself that Council is complying with the requirements of Integrated Planning and Reporting Framework.
- Review whether a sound and effective approach has been followed in developing strategic risk management plans for major projects or undertakings.

Responsibilities of Members

Members of the Committee are required to:

- Understand the relevant legislative and regulatory requirements appropriate to Council.
- Contribute the time needed to study and understand the papers provided.
- Apply good analytical skills, objectivity and good judgement.
- Comply with Council's Code of Conduct.

Administrative Arrangements

Meetings

The Committee will meet at least four times per year, with one of these meetings to include review of the annual financial reports and external audit opinion. The need for any additional meetings will be decided by the Chair of the Committee, though other Committee members may make requests to the Chair for additional meetings.

As considered necessary, the Internal or External Auditor should have access to any member of the Committee at a mutually convenient time. Details of any such meetings will be reported to the next normal meeting of the Committee.

A forward meeting plan, including meeting dates and agenda items, will be agreed by the Committee each year. The forward meeting plan will cover all Committee responsibilities as detailed in the Committee Terms of Reference. Minutes will be taken at these meetings, detailing matters discussed and action agreed.

It is the responsibility of the Director Corporate and Community to support the Chair of the Committee to set the Committee meeting agenda. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials not less than five days prior to the meeting.

Agenda items for consideration at Committee meetings can be referred to the Chair of the Committee by Council, the General Manager, and other Committee members, and the Internal Auditor or the External Auditor.

Attendance at Meeting and Quorums

A quorum will consist of the majority of the independent Committee members. Meetings can be held in person, by telephone or by video conference. The Internal Auditor will be invited to attend each meeting unless requested not to do so by the Chair of the Committee. The Committee may also request the Manager Financial Services or any other employees to participate for certain agenda items, as well as the external auditor.

5.1 **Audit Risk and Improvement Committee - Terms of Reference and Internal Audit Charter**

Induction

New members will receive relevant information and briefings on their appointment to assist them to meet their Committee responsibilities.

Assessment Arrangements

The Chair of the Committee will initiate a review of the performance of the Committee at least twice during the appointment of the Committee; at the midpoint and conclusion of the appointment.

The review will be conducted on a self-assessment basis (unless otherwise determined by the Chair), with appropriate input from management and any other relevant stakeholders, as determined by the Chair.

Reporting

In conjunction with the presentation to the Council meeting for the end of year Financial Statements, a separate report will be provided to Council on the actions of the Audit Risk and Improvement Committee. The Chair of the Audit Risk and Improvement Committee will attend the same meeting to be able to respond to any questions from the elected Councillors.

Review of Audit, Risk and Improvement Committee Terms of Reference

The Committee will review the Terms of Reference every two years.

The Committee will recommend any changes of this Audit, Risk and Improvement Committee Terms of Reference to Council for adoption.

5.1 **Audit Risk and Improvement Committee - Terms of Reference and Internal Audit Charter**

Version History

Version History		
Version #	Summary of changes made	Date changes made
1.0	Creation and adoption of Terms of Reference	November 2017
1.1	Reviewed Audit Risk and Improvement Committee	April 2022
1.2	Reviewed and adopted by Council	

