

## AUDIT & RISK COMMITTEE – TERMS OF REFERENCE

### PURPOSE

To ensure that the audit of Council's financial and statutory functions have been undertaken in accordance with the provisions of the Local Government Act 1995 and associated Regulations.

The Committee will also undertake a Risk Management function to ensure adequate statutory compliance and best practice mitigation is occurring.

### OBJECTIVE

The objective of the Committee is to assist Council in providing a transparent and independent process in its audit, risk and governance management to ensure accountability to the community in the governance and compliance framework and its financial and risk management responsibilities.

### POLICY

The Audit & Risk Committee (the "Committee") is a formally appointed Committee of the Shire of Quairading, pursuant to a number of specific pieces of legislation. These include: -

*The Local Government Act 1995, The Local Government (Audit) Regulations 1996, the Local Government (Financial Management) Regulations 1996. The Local Government Act 1995, Section 7 deals specifically with the audit and process.*

The Committee does not have executive powers or authority to implement actions in areas where Management has the responsibility and does not have any delegated financial responsibility. The Committee does not have any management functions and is therefore independent from management.

The Committee's role is to report to Council and provide appropriate advice and recommendations on matters relevant to its Terms of Reference in order to facilitate decision making by the Committee and Council in relation to the discharge of its responsibilities.

#### **1 Membership**

- 1.1 Members of the Committee are appointed by Council. The Committee is to consist of all Elected Members. The Elected Members are to vote and elect the Chairperson.
- 1.2 Only members of the Committee are entitled to vote in Committee meetings. Unless otherwise required by the Act not to vote, each member has to vote on every matter that is before the Committee for decision.
- 1.3 The Chief Executive Officer, Senior Management and other Administration Staff may attend any meeting as observers or be responsible for preparing papers for the Committee.
- 1.4 The Council's External auditors may be invited to attend meetings of the Committee.

- 1.5 Appointment of all members of the Committee will be for a term of two (2) years at the commencement of each Council term after a Council Election.
- 1.6 Committee members are paid meeting attendance fees in accordance with the requirements of the Local Government Act.

## **2 Secretarial/Administrative Resources**

- 2.1 The Chief Executive Officer is required to provide sufficient administrative resources to the Audit and Risk Committee to enable it to adequately carry out its functions.

## **3 Quorum**

- 3.1 The quorum necessary for the transaction of business shall be five (5) members of the Audit and Risk Committee.

## **4 Frequency of Meetings**

- 4.1 The Committee may meet at least quarterly at a minimum or as determined by the Committee.
- 4.2 A schedule of ordinary meetings is determined by Council for the Year.
- 4.3 The Chief Executive Officer is delegated the authority to vary the meeting schedule after liaison with the Committee Chairperson.
- 4.4 The Chief Executive Officer is delegated not to call an ordinary meeting of the Committee should the Committee have no Matters for Consideration. Such Delegation to only be exercised after liaison with the Committee Chairperson.

## **5 Notice of Meetings**

- 5.1 Ordinary meetings of the Committee are to be held at dates/times determined by Council.
- 5.2 A Special Meeting of the Committee may be called with the approval of all the Committee members.
- 5.3 The Agenda of the Committee meetings, subject to any items that are discussed in confidence under Sections 5.22 and 5.23 of the Act and subsequently retained as confidential under Section 5.23 of the Act, are also required to be made available to the public.
- 5.4 The Notice of Meeting and Supporting Papers is to be lodged in the Document Centre on the Quairading Website no later than three (3) clear days prior to the date of the Meeting.

## **6 Minutes of Meetings**

- 6.1 The Minutes of the Committee Meetings are to be in accordance with the provisions of the LG Act, LG Regulations and Departmental Guidelines.
- 6.2 Minutes of the Committee are to be lodged in the Document Centre on the Quairading Website within five (5) working days after a meeting.

## **7 Roles of the Audit Committee**

### **7.1 Support Function**

The Committee will also support the Auditor as required and have functions to oversee:

- 7.1.1 the implementation of audit recommendations made by the Auditor, which have been accepted by Council; and
- 7.1.2 accepted recommendations arising from reviews of local government systems and procedures (“Performance Audits”).

## **7.2 Financial Reporting**

The Committee is required to monitor the integrity of the financial statements of the Council, including its annual report, reviewing significant financial reporting issues and judgments which they contain.

The Committee is required to review and challenge where necessary: -

- 7.2.1 The consistency of, and any changes to, accounting policies both on a year on year basis;
- 7.2.2 The methods used to account for significant or unusual transactions where different approaches are possible;
- 7.2.3 Whether the Council has followed appropriate accounting standards and made appropriate estimates and judgments, taking into account the views of the external auditors;
- 7.2.4 The clarity of disclosure in the Council’s financial reports and the context in which statements are made; and
- 7.2.5 All material information presented with the financial statement such as the operating and financial review and any corporate governance statement (in so far as it relates to audit and risk management).

## **7.3 Internal Control & Risk Management Systems**

The Committee is required to:

- 7.3.1 Keep under review the effectiveness of the Council’s internal controls and risk management systems;
- 7.3.2 Monitor and advise the CEO in the reviews of certain systems as prescribed from time to time by the Audit and Financial Management Regulations.
- 7.3.3 Review and recommend the approval, where appropriate, of statements to be included in the annual report concerning internal controls and risk management;
- 7.3.4 Receive and review reports from the Chief Executive Officer on the activities of the Strategic Risk Management Plan and the Operational Risk Management Plan (“Risk Management Dashboard”).

## **7.4 Other Investigations**

The Committee, when necessary, propose and review the exercise of Council’s powers under the Act, in relation to the conduct of audits that would not otherwise be addressed or included as part of an annual external audit.

## **7.5 Internal Audit**

- 7.5.1 The Committee is required to monitor and review the effectiveness of Council’s internal audit function in the context of the Council’s overall risk management system. The Audit and Risk Committee can consider and make recommendations on the program and the adequacy of resources accordance with the relevant professional and legislative requirements and standards.

- 7.5.2 The Committee may receive executive summary reports on all internal audits and review and monitor managements responsiveness to the findings and recommendations of any such internal audit.
- 7.5.3 The Committee may meet with Management and any internal auditors at least twice per year to discuss any issue arising from any internal audits carried out.
- 7.5.4 The Committee is required to monitor and review the selection process for the External Auditor and any internal auditor (if appointed). Appointment of any internal auditor is the responsibility of management.

## **7.6 External Audit**

- 7.6.1 The Committee is required to oversee the relationship with the Office of the Auditor General, including, but not limited to: -
  - 7.6.1.1 Consult with the External Auditor on any matters that the Committee seek to raise as an Audit focus.
  - 7.6.1.2 Assessing the external auditor's independence and objectivity taking into account relevant professional and regulatory requirements and the extent of Councils relationship with the auditor
  - 7.6.1.3 Satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the external auditor and the Council (other than in the ordinary course of business);
  - 7.6.1.4 Monitoring the external auditor's compliance with legislative review.
  - 7.6.1.5 Oversee the transition of the Audit Function to the Office of the Auditor General.
- 7.6.2 The Committee may review and make recommendation to the Annual Audit Plan and ensure that it is consistent with the scope of the engagement and relevant legislation and standards.
- 7.6.3 The Committee is to review the findings of the External Audit. This may include, but not be limited to, the following: -
  - 7.6.3.1 Discussion of any major issues which arose during the audit;
  - 7.6.3.2 Any accounting and audit judgments; and
  - 7.6.3.3 Levels of errors identified during the audit.
- 7.6.4 The Committee is to review any representation letter(s) requested by the Office of the Auditor General before they are signed by Management.
- 7.6.5 The Committee is to review the report to the Chief Executive Officer and Management's response to the Office of the Auditor General's findings and recommendations.

## **7.7 CEO Performance Appraisal**

The Committee is also responsible for facilitating / arranging Chief Executive Officer's Performance Review Process.

## **8 Reporting Responsibilities**

- 8.1 The minutes of the Committee are to be presented to the Council after every meeting to identify and present advice and Committee recommendations.

## 9 Other Matters

The Committee is to:

- 9.1 Be provided with appropriate and timely training, both in the form of an induction program for new members and on an on-going basis for all members.
- 9.2 Give due consideration to laws and regulations of the *Local Government Act 1995*.
- 9.3 Oversee any investigation of activities which are within its Terms of Reference.
- 9.4 At least once per year, review its own performance, membership and Terms of Reference to ensure it is operating at a maximum effectiveness and recommend changes it considers necessary to the Council for approval.

### GUIDELINES

Local Government Act 1995;

Local Government (Audit) Regulations 1996;

Local Government (Financial Management) Regulations 1996.

### STATUTORY ENVIRONMENT

Local Government Act 1995, Local Government (Audit) Regulations 1996

Local Government (Financial Management) Regulations 1996

Record of ToR Review					
Version	Author	Council Adoption	Resolution	Reason for Review	Review Date
01	Graeme Fardon	26 October 2017	72-17/18	New Policy	
02	Graeme Fardon	30 November 2017	98-17/18	Revised	
03	Graeme Fardon			Annual Review	4/12/2018
04	A&R Committee	20 December 2018	117-18/19	<i>Revised 12/12/2018</i>	
05	A&R Committee	19 December 2019	96-19/20	<i>Annual Review</i>	10/12/2019
06	A&R Committee	17 December 2020	99-20/21	Minor amendments	December 2020