

## 1. INTRODUCTION

The Council of the Shire of Kellerberrin has established an Audit, Risk and Improvement Committee (the Committee) pursuant to Part 7 of the *Local Government Act 1995* (the Act).

The Committee is established to fulfil the requirements of *Local Government (Audit) Regulation 16*, the *Local Government (Administration) Regulations 1996* and provides oversight of the financial systems of the local government.

The Committee does not have executive powers or authority to implement actions in areas over which management has responsibility and does not have any financial responsibility. The Committee does not have any management functions and is therefore independent of management.

The Committee operates to fulfil its corporate governance, stewardship, leadership and control responsibilities in relation to financial reporting, audit, internal audit and risk management.

These Terms of Reference set out the Committee purpose, authority, membership, functions and responsibilities.

## 2. OBJECTIVE

The primary objective of the Committee is to accept responsibility for the annual external audit and to liaise with the local government's auditor so that Council can be satisfied with the performance of the local government in managing its financial affairs.

To ensure openness in the local government's financial reporting and to liaise with the Chief Executive Officer (or his/her representative) to ensure the effective and efficient management of the local government's financial accounting systems and compliance with legislation.

As prescribed by Section 16 of the *Local Government (Audit) Regulations 1996*, the Committee provides appropriate advice to Council on matters relevant to its Terms of Reference. The Committee achieves this by making a recommendation to Council on all matters brought before it.

The Committee advises Council in fulfilling its oversight responsibilities in relation to:

- Systems of risk management and internal control;
- Performance reporting for external and internal audit;
- Financial Management and reporting practices.
- Compliance with laws and regulations.

The Committee is not responsible for the management of these functions but will engage with the administration in a constructive and professional manner to perform its oversight responsibilities.

The Committee also acts a forum for communication between Council, the administration, the External Service Providers, and the Office of the Auditor General ("OAG") and their selected auditor.

Members of the Committee are expected to:

- Understand the legal and regulatory obligations of the Council;
- Understand the governance arrangements that support achievement of the Shire's strategies and objectives;
- Exercise due care, diligence and skill when performing their duties;
- Adhere to the Code of Conduct for Council Members, Committee Members and Candidates and demonstrate behaviour which reflects the Shire's desired culture;
- Be aware of contemporary and relevant issues impacting the public sector;
- Only use information provided to the Committee to carry out their responsibilities, unless expressly agreed by Council; and
- Be committed to implementing better practice principles within their workings.

### **3. DUTIES AND RESPONSIBILITIES**

The Committee oversees the Shire's systems of financial reporting, risk management, internal control and its opportunities for improvement. Its duty is to provide oversight over significant risk exposures and control issues, including fraud risks, governance issues and other matters as necessary or requested by the CEO or Council.

The duties and responsibilities have been given to the Committee in order to facilitate the achievement of its objectives which include but not limited to:

#### **Risk Management**

- Ensure the Shire's risk management framework addresses Council's exposure to both strategic and operational risks;
- Monitor the effectiveness of risk management framework through regular reviews and reporting;
- Regularly review Council's strategic risk register to check that extreme and high level risks are managed in an appropriate manner;
- Address any specific requests referred from Council in relation to issues of risk and risk management
- Assess whether a sound and effective approach has been followed to manage the Shire's major risks associated with individual projects and activities.

#### **Business Continuity**

- Assess whether a sound and effective approach has been followed in establishing the Shire's business continuity planning arrangements, including whether business continuity and disaster recovery plans have been periodically updated and tested.

#### **Internal Control**

- Review whether management's approach to maintaining an effective internal control framework is sound and effective;
- Review whether management has in place relevant policies and procedures and that they are periodically reviewed and updated;
- Assess whether the appropriate processes are in place to assess, at least once a year, whether key policies and procedures are complied with;
- Review whether appropriate procedures are in place for the management of all delegations.
- Review the design and/or implementation of key internal controls.

#### **Financial Reporting**

- Review the Shire's draft annual financial report, focusing on:
  - i. Accounting policies and practices;
  - ii. Changes to accounting policies and practices;
  - iii. The process used in making significant accounting estimates;
  - iv. Significant adjustments to the financial report (if any) arising from the audit process;
  - v. Compliance with accounting standards and other reporting requirements; and
  - vi. Significant variances from prior years.
- Consider and recommend adoption of the annual financial report to Council. Review any significant changes that may arise subsequent to any such recommendation, but before the annual financial report is signed;
- Address issues brought to the attention of the committee, including responding to requests from Council for advice that are within the parameters of the committee's terms of reference;
- Seek information or obtain expert advice through the CEO on matters of concern within the scope of the committee's terms of reference.
- Review and recommend adoption of the Annual Report including the setting of a date for the meeting of electors.
- Review and recommend the adoption of the mid-year Budget review.

#### **Audit**

- Note the auditors scope and approach to any financial performance audits
- Reviewing reports from the OAG, including auditor's reports, closing reports and management letters;
- Reviewing managements response to OAG findings and recommendations;
- Monitoring the implementations of recommendations from external audits;
- Meeting with the OAG at least once per year;
- Reviewing the results of relevant OAG audit reports and better practice publications for guidance on good

- practices, including any self-assessment by the CEO.
- Annually review the performance of external audit including the level of satisfaction with external audit function.

### **Compliance**

- Review the annual Compliance Audit Return and satisfy itself that the return is supported by appropriate processes and controls;
- Provide reasonable confidence about the accuracy of information contained in the Compliance Audit Return and make a recommendation on its adoption to Council.

### **Reporting Requirements**

- Report to Council the activities, issues and related recommendations through an agenda item to Council conducted by the Committee;
- Monitor that open communication between external auditor and the Shire's management occurs; and
- Review and ensure that management is completing a status report for all actions requested by the Committee and adopted by Council.

## **4. MEMBERSHIP**

Members are appointed to the Committee by Council for a term to expire on the date of the subsequent ordinary local government elections.

If for any reason, a member is unable to hold office for the full period of their appointment, Council shall fill that vacancy. The member appointed shall hold office for the balance of the term of the member originally appointed.

### **4.1 Council Members**

Council members are appointed in accordance with section 5.10 of the Act.

Additional criteria for the committee are as follows:

- The CEO and employees are not permitted to be members of the Committee.
- The CEO and or their nominee is to attend all meetings to provide advice and guidance to the committee.
- The Shire shall provide secretarial and administrative support to the committee.
- The quorum of the meetings shall be 50% of the number of the Committee.

### **4.2 External Members**

Nominations for two (2) external members are to apply for a position on the Committee. The positions will be advertised to ensure that all community members have the opportunity to apply for the positions.

External members should possess financial, accounting, governance and risk management experience and have strong business acumen, management and communication skills.

Potential applicants for the role of external members will be required to an expression of interest demonstrating the appropriate experience and qualifications in at least one relevant discipline such as financial risk management, corporate governance, risk management or auditing.

At the close of the advertising period, applications for external members shall be assessed against the selection criteria with a report providing recommendations for appointment to be considered by Council. A special meeting of the committee will be convened comprising of Council members only to assess the applications received and make a formal recommendation to Council to appoint the preferred applicants.

Depending on the number of applications received and the outcome of the initial assessment process by the committee, a shortlist will be prepared by the committee. Interviews may be conducted with applicants who are shortlisted after the assessment process.

## **5. PRESIDING MEMBER**

Council shall appoint a Presiding Member and Deputy Presiding Member to conduct its business.

The Presiding and Deputy Presiding Member is to be the external members of the committee.

The Presiding Member shall ensure that minutes of the proceedings are kept and that business is conducted in accordance with the *Shire of Kellerberrin Local Government (Council Meetings) Local Law 2016* and this document.

## **6. MEETINGS**

**Frequency** - The Committee shall meet at least four (4) times per year.

The Presiding Member is required to call a meeting if asked to do so by Council.

If a meeting is requested by another Committee member, OAG or the CEO, the Presiding Member will decide whether the meeting is necessary. A special meeting may be called for the Committee to consider Financial Statements.

**Open to Public** – No

**Quorum** – As prescribed by Section 5.19 of the Act, the quorum for Committee meetings will be at least 50% of the number of offices of the Committee (whether vacant or not).

**Agenda** – An agenda will be distributed at least five (5) business days prior to the meeting, along with reports and other attachments or information to be addressed.

The Committee Agenda papers will be circulated to members via drop box for Councillors and email for independent members.

**Voting** – Voting is in accordance with section 5.21 of the Act.

All decisions to make a recommendation to Council must be made by simple majority.

**Minutes** – All meetings will be minuted and minutes will be submitted to the Committee at the next Committee meeting for conformation, as per section 5.22 of the Act.

Minutes are to include all that is listed in Regulation 11 of the *Local Government (Administration) Regulations 1996*.

**Reporting** – The Committee will present its recommendation on each item on the Committee's agenda at the next Ordinary Meeting of Council, for Council's consideration.

**Confidentiality** – All Committee members will be required to adhere to Council's confidentiality requirements as per the Code of Conduct for Council Members, Committee Members and Candidates.

**Conduct of Meetings** – The Committee meetings will be held in accordance with the Act, subsidiary legislation, and the Council's Standing Orders.

### **Attendance**

- Electronic Attendance is permitted where a member is unable to be present in person, however the Presiding Member and CEO must be informed of this at least twenty four (24) hours prior to the meeting.
- Elected members not forming part of the Committee are permitted to attend the meetings as observers.

## **7. CHANGES TO THE TERMS OF REFERENCE**

This Terms of Reference is to be reviewed prior to each ordinary local government election.

These Terms of Reference may be amended by the committee when required with Council to endorse any changes.

## **8. COMMITTEE SITTING FEES AND REIMBURSEMENTS**

- Council members will be paid in accordance with the adopted rates for Committee meeting attendance
- Independent members will be remunerated in accordance with section 5.100 of the act.

## **9. DISBAND**

Council may determine at any time that a committee is no longer required and is to be disbanded.

## 10. HISTORY

Original Adoption	23 October 2019	Resolution #	MIN182/19
Last Reviewed	21 November 2023	Resolution #	MIN122/23
Amended	18 February 2025	Resolution #	MIN005/25