

# TERMS OF REFERENCE

**Committee:** Audit, Risk and Governance Committee

**Version:** Current

**Responsible Officer:** Manager of Governance

## 1. INTRODUCTION

The Council of the Shire of Kellerberrin has established an Audit, Risk and Governance 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 and provides oversight of the financial systems of the local government.

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

The Committee is to provide guidance and assistance to the local government as to the carrying out of its functions in relation to audits carried out under Part 7 of the Act and the process to select and appoint an auditor.

The Committee shall act in accordance with the provisions of the Act, the local laws and policies of the Shire of Kellerberrin and these Terms of Reference.

## 2. OBJECTIVE

The objectives of the Audit Committee are:

The primary objective of the audit committee is to accept responsibility for the annual external audit and 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.

Reports from the committee will assist council in discharging its legislative responsibilities of controlling the local government's affairs, determining the local government's policies and overseeing the allocation of the local government's finances and resources. The committee will ensure openness in the local government's financial reporting and will liaise with the CEO to ensure the effective and efficient management of the local government's financial accounting systems and compliance with legislation.

The committee is to facilitate:

- the enhancement of the credibility and objectivity of \*internal and external financial reporting;
- \*effective management of financial and other risks and the protection of council assets;
- compliance with laws and regulations as well as use of best practice guidelines relative to audit, risk management, internal control and legislative compliance;
- \*the coordination of the internal audit function with the external audit; and
- the provision of an effective means of communication between the external auditor, \*internal auditor, the CEO and the council.

The following specific duties and responsibilities have been given to the Committee in order to facilitate the achievement of its objectives:

The duties and responsibilities of the committee will be:

- a) Provide guidance and assistance to council as to the carrying out the functions of the local government in relation to audits;
- b) Develop and recommend to council an appropriate process for the selection and appointment of a person as the local government's auditor;
- c) Develop and recommend to council:
  - a list of those matters to be audited; and
  - the scope of the audit to be undertaken;

- d) Recommend to council the person or persons to be appointed as auditor;
- e) Develop and recommend to council a written agreement for the appointment of the external auditor. The agreement is to include:
  - the objectives of the audit;
  - the scope of the audit;
  - a plan of the audit;
  - details of the remuneration and expenses to be paid to the auditor; and
  - the method to be used by the local government to communicate with, and supply information to, the auditor;
- f) Meet with the auditor once in each year and provide a report to council on the matters discussed and outcome of those discussions;
- g) Liaise with the CEO to ensure that the local government does everything in its power to:
  - assist the auditor to conduct the audit and carry out his or her other duties under the Local Government Act 1995; and
  - ensure that audits are conducted successfully and expeditiously;
- h) Examine the reports of the auditor after receiving a report from the CEO on the matters to:
  - determine if any matters raised require action to be taken by the local government; and
  - ensure that appropriate action is taken in respect of those matters;
- i) Review the report prepared by the CEO on any actions taken in respect of any matters raised in the report of the auditor and presenting the report to council for adoption prior to the end of the next financial year or 6 months after the last report prepared by the auditor is received, whichever is the latest in time;
- j) Review the scope of the audit plan and program and its effectiveness;
- k) \*Review the appropriateness of special internal audit assignments undertaken by internal audit at the request of council or CEO (see reference to internal audit page 14);
- l) \*Review the level of resources allocated to internal audit and the scope of its authority;
- m) \*Review reports of internal audits, monitor the implementation of recommendations made by the audit and review the extent to which council and management reacts to matters raised;
- n) \*Facilitate liaison between the internal and external auditor to promote compatibility, to the extent appropriate, between their audit programs;
- o) \*Review the local government's draft annual financial report, focusing on:
  - accounting policies and practices;
  - changes to accounting policies and practices;
  - the process used in making significant accounting estimates;
  - significant adjustments to the financial report (if any) arising from the audit process;
  - compliance with accounting standards and other reporting requirements; and
  - significant variances from prior years.
- p) \*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;
- q) \*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;
- r) Seek information or obtain expert advice through the CEO on matters of concern within the scope of the committee's terms of reference following authorisation from the council;
- s) Review the annual Compliance Audit Return and report to the council the results of that review, and

- t) Consider the CEO's biennial reviews of the appropriateness and effectiveness of the local government's systems and procedures in regard to risk management, internal control and legislative compliance, required to be provided to the committee, and report to the council the results of those reviews.

### **3. MEMBERSHIP**

The committee will consist of a minimum of four (4) elected members and one (1) external person. All members shall have full voting rights.

External persons appointed to the committee will have business or financial management/reporting knowledge and experience and be conversant with financial and other reporting requirements.

Appointment of external persons shall be made by council by way of a public advertisement and be for a maximum term of two years. The terms of the appointment should be arranged to ensure an orderly rotation and continuity of membership despite changes to council's elected representatives.

Reimbursement of approved expenses will be paid to each external person who is a member of the committee.

The CEO and employees are not members of the committee.

The CEO or his/her nominee is to be available to attend meetings to provide advice and guidance to the committee.

The local government shall provide secretarial and administrative support to the committee.

### **4. PRESIDING MEMBER**

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

### **5. MEETINGS**

- The Committee shall meet at least four (4) times per year (Quarterly)
- Notice of meetings shall be given to members at least three days prior to each meeting.
- The Presiding Member shall ensure that minutes of all meetings are kept in accordance with the *Shire of Kellerberrin Local Government (Council Meetings) Local Law 2016* and presented to the next Ordinary Meeting of Council where all recommendations will be considered.
- All members of the Committee shall have one vote. If the vote of the members present is equally divided, the person presiding shall cast a second vote.

### **6. QUORUM**

Quorum for a meeting shall be at least 50% of the number of offices, whether vacant or not.

### **7. DELEGATED POWERS**

Pursuant to section 5.17 of the Act, the Committee is delegated the power to conduct the formal meeting with the Shire's Auditor required by Section 7.12(A)(2) on behalf of the local government.

In all other matters, Committee recommendations shall not be binding on Council and must be endorsed by Council to take effect.

### **8. TERMINATION OF COMMITTEE**

Termination of the Committee shall be:

- a) In accordance with the *Local Government Act 1995*;

### **9. AMENDMENT TO THE TERMS OF REFERENCE**

This document may be altered at any time by the Council.

## 10. HISTORY

Original Adoption	23 <sup>rd</sup> October 2019	Resolution #	MIN0182/19
Last Reviewed		Resolution #	
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