

# AUDIT AND RISK COMMITTEE

## TERMS OF REFERENCE (Amended December 2018 – C11.12.18) (Amended October 2019 – SC4.10.19)

**Established:** The Audit and Risk Committee in its current format was established in November 2015.

### 1. Name

The name of the Committee is the Shire of Mundaring Audit and Risk Committee.

### 2. Definitions

**Act** means the *Local Government Act 1995*.

**Council** means the Shire of Mundaring.

**Chief Executive Officer (CEO)** means the Chief Executive Officer of the Shire of Mundaring.

**Elected Member** means a Councillor of the Shire of Mundaring Council.

**Independent Member** means a community member with skills and experience that complement the Committee's objectives.

### 3. Objectives

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.

Reports from the Committee will assist Council in discharging its legislative responsibilities of controlling the Shire's affairs, determining the Shire's policies and overseeing the allocation of the Shire's finances and resources.

The Committee will ensure openness in the Shire's financial reporting and will liaise with the CEO to ensure the effective and efficient management of the Shire's financial accounting systems, risk management framework, and compliance with legislation.

### 4. Committee Structure

4.1 The Committee shall consist of:

4.1.1 Shire President, Deputy Shire President, four elected members; and

4.1.2 Three independent members;

- 4.2 The independent members of the Committee will be appointed by Council;
- 4.3 The Chairperson of the Committee will be appointed by the Committee; and
- 4.4 The quorum for a Committee meeting is as per section 5.19 of the *Local Government Act 1995*: at least 50% of the number of offices (whether vacant or not) of member of the committee.

The Committee is supported by the CEO, and relevant staff nominated by the CEO.

## **5. Presiding Member**

- 5.1 The Committee is to determine the Presiding Member of the Committee at the first meeting of the Committee immediately following the establishment of the Committee or following each biennial local government election, whichever is applicable;
- 5.2 The Committee is to determine a Deputy Presiding Member of the Committee at the first meeting of the Committee immediately following the establishment of the Committee or following each biennial local government election, whichever is applicable;
- 5.3 If the Chairperson is absent from a meeting, the Deputy Presiding Member is to preside at that meeting;
- 5.4 The role of the Presiding Member includes:
  - 5.4.1 overseeing and facilitating the conduct of meetings in accordance with the Act and the Shire's Meeting Procedures Local Law 2015;
  - 5.4.2 ensuring all Committee members have an opportunity to participate in discussions in an open and encouraging manner; and
  - 5.4.3 where a matter has been debated significantly and no new information is being discussed, to call the meeting to order and ask for the debate to be finalised and the motion to be put.

## **6. Delegated Authority**

The Committee has been delegated authority (delegation COM-46) to meet with the auditor at least once every year and is to provide a report to Council on the matters discussed and the outcome of those discussions.

## **7. Code of Conduct**

The Shire of Mundaring Code of Conduct (Policy OR-34) applies to all elected members and external members of the Committee.

## **8. Public Question Time**

Committee meetings are open to the public and Public Question Time will be conducted in accordance with the Shire's Meeting Procedures Local Law 2015.

## **9. Terms of Appointment**

Appointment to the Committee will be determined by the Council following ordinary local government elections, for a term to expire on the date of the subsequent ordinary local government elections. If a member of the Committee resigns prior to an ordinary local government election, the Council will appoint a replacement.

## **10. Qualification and Selection of Independent Members**

- 10.1 Independent members must possess accounting or related financial, governance and risk management experience and have strong business acumen, management and communication skills.
- 10.2 Calls for independent members to apply for a position on the Committee must be advertised by local public notice.

## **11. Meetings of the Committee**

- 11.1 The Committee will meet at least four times per year.
- 11.2 An ordinary or a special meeting of the Committee is to be held:
  - (a) if called for by either the Chairperson or at least two Committee members in a notice to the CEO setting out the date and purpose of the proposed meeting; or
  - (b) if so decided by the Committee; or
  - (c) if called for by Council.
- 11.3 The Committee may invite, through the CEO, Shire employees, auditors or others to attend meetings and provide pertinent information, where necessary.

## **12. Functions of the Committee**

- 12.1 In accordance with *Local Government (Audit) Regulations 1996*, the Committee is to -
  - (a) to guide and assist the local government in carrying out —
    - (i) its functions under Part 6 of the Act; and
    - (ii) its functions relating to other audits and other matters related to financial management;
  - (b) to guide and assist the local government in carrying out the local government's functions in relation to audits conducted under Part 7 of the Act;

- (c) to review a report given to it by the CEO under regulation 17(3) (the CEO's report) and is to —
  - (i) report to the council the results of that review; and
  - (ii) give a copy of the CEO's report to the council;
- (d) to monitor and advise the CEO when the CEO is carrying out functions in relation to a review under —
  - (i) regulation 17(1); and
  - (ii) the *Local Government (Financial Management) Regulations 1996* regulation 5(2)(c);
- (e) to support the auditor of the local government to conduct an audit and carry out the auditor's other duties under the Act in respect of the local government;
- (f) to oversee the implementation of any action that the local government —
  - (i) is required to take by section 7.12A(3); and
  - (ii) has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a); and
  - (iii) has accepted should be taken following receipt of a report of a review conducted under regulation 17(1); and
  - (iv) has accepted should be taken following receipt of a report of a review conducted under the *Local Government (Financial Management) Regulations 1996* regulation 5(2)(c);
- (g) to perform any other function conferred on the audit committee by these regulations or another written law.

Additionally, the Committee is to –

- (h) 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;
- (i) 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;
- (j) Address issues brought to the attention of the Committee, including responding to requests from Council for advice that are within the parameters of the Committees terms of reference; and

- (k) Seek information or obtain expert advice through the CEO on matters of concern within the scope of the Committee's terms of reference.

## 12.2 Internal Audit

- 12.2.1 Review and approve the Internal Audit Charter and any subsequent changes, to ensure that internal audit activities are in accordance with the Internal Audit Charter;
- 12.2.2 The Internal Audit function shall report administratively to the CEO and functionally to the Council through the Audit and Risk Committee;
- 12.2.3 Ensure that at least one substantial internal audit is carried out and finalised each financial year;
- 12.2.4 Monitor and review recommendations arising out of internal audit reports and their implementation;
- 12.2.5 Review the effectiveness of the internal audit function, including compliance with relevant auditing standards;
- 12.2.6 Ensure the annual internal audit plan is informed by Council's Risk Management Framework; and
- 12.2.7 If considered necessary, meet with the internal audit service provider to discuss any matters the Audit and Risk Committee or the internal auditor believes need to be discussed privately.

## 12.3 Governance

- 12.3.1 Review the annual Compliance Audit Return and satisfy itself that the return is supported by appropriate processes and controls, to provide reasonable confidence about the accuracy of information contained in the return, and make a recommendation on its adoption to Council.
- 12.3.2 Consider the CEO's three yearly reviews of the appropriateness and effectiveness of the Shire of Mundaring'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.
- 12.3.3 Ensure a regular review of Council policies is completed.

## 12.4 Risk Management

- 12.4.1 Ensure Council's Risk Management Framework addresses Council's exposure to both strategic and operational risks;
- 12.4.2 Monitor the effectiveness of the Risk Management Framework through regular reviews and reporting;

- 12.4.3 Regularly review Council's strategic risk register to check that extreme and high level risks are managed in accordance with the Risk Management Framework;
- 12.4.4 Address any specific requests referred from Council in relation to issues of risk and risk management; and
- 12.4.5 At least once every year consider a report from the Shire's Risk Management Committee in relation to the management of risk within the Shire, and satisfy itself that appropriate controls and processes are in operation, and are adequate for dealing with risks that impact the Shire.

### **13. Powers of the Committee**

- 13.1 The Committee is a formally appointed committee of Council and is responsible to that body.
- 13.2 The Committee does not have executive powers or authority to implement actions in areas over which the CEO has legislative responsibility and does not have any delegated financial responsibility.
- 13.3 The Committee does not have any management functions and cannot involve itself in management processes or procedures.
- 13.4 The Committee recommendations are advisory only and shall not be binding on Council.

### **14. Voting**

- 14.1 Each member of the Committee at a meeting will have one vote.
- 14.2 The Presiding Member will have a deliberative vote but does not in the event of an equality of votes have a casting vote.
- 14.3 In the event of a tied vote the matter will be referred to Council for deliberation.

### **15. Reporting Requirements**

- 15.1 Recommendations arising from the Committee's deliberations shall be presented to the earliest available ordinary meeting of Council.

### **16. Alteration to Terms of Reference**

- 16.1 The Committee is to conduct a review of its terms of reference providing Council with recommendations for any changes, in the first instance after twelve months of operation, with subsequent reviews to be held every two years.

## **17. Termination of Committee**

Termination of the Committee shall be in accordance with the Act or at the discretion of Council.

## **18. Remuneration**

- 18.1 The independent members of the Committee are to be reimbursed travel costs.
- 18.2 The Council will include the independent members of the Committee in its professional indemnity insurance coverage for the services they provide to the Council.