



TERMS OF REFERENCE	Audit (Finance and Risk) Committee Terms of Reference	
RESPONSIBLE DIRECTORATE	Corporate Services	
RESPONSIBLE OFFICER	Director, Corporate Services	
COUNCIL ADOPTION	Date: 25 March 2014	Resolution No: 10350
REVIEWED/MODIFIED	Date: <u>31 May 2016</u>	Resolution No: <u>11355</u>
	Date:	Resolution No:
REVIEW DUE	<u>July 2019</u> May 2017	
LEGISLATION	<i>Local Government Act 1995</i> <i>Local Government (Audit) Regulations 1996</i>	

PURPOSE:

The Audit (Finance and Risk) Committee is established in accordance with Part 7 of the *Local Government Act 1995* and the *Local Government (Audit) Regulations 1996* which requires all local governments to establish an audit committee.

These Terms of Reference outline the Committee's objectives, powers, composition and membership, terms of membership, meetings, quorum, duties and responsibilities of both the Committee and its members.

POLICY STATEMENTS:

1. OBJECTIVES

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

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 and compliance with legislation.

The Committee is to facilitate –

- the enhancement of the credibility and objectivity of 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; and
- the provision of an effective means of communication between the external auditor, the CEO and the Council.

2. POWERS OF THE COMMITTEE

The Audit (Finance and Risk) Committee is to report to Council and provide appropriate advice and recommendations on matters relevant to its term of reference. This is in order to facilitate informed decision-making by Council in relation to the legislative functions and duties of the Shire that have not been delegated to the CEO.

The Committee is a formally appointed Committee of Council and is responsible to that body. 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. The Committee does not have any management functions and cannot involve itself in management processes or procedures.

3. COMPOSITION AND MEMBERSHIP

As stipulated by section 7.1A of the *Local Government Act 1995*, the Shire must:-

1. *...”establish an audit committee of 3 (three) or more persons to exercise the powers and discharge the duties conferred on it.*
2. *...at least 3 (three) of the members, and the majority of members, are to be council members.*
3. *A CEO is not to be a member of an audit committee and may not nominate a person to be a member of an audit committee or have a person to represent him or her as a member of an audit committee.*
4. *An employee is not to be a member of an audit committee.”*

Accordingly, the Shire of Wyndham East Kimberley Audit (Finance and Risk) Committee will consist of **53 (threefive) council members**.

In accordance with section 5.12 of the *Local Government Act 1995*:-

- (1) *The members of a committee are to elect a presiding member from amongst themselves in accordance with Schedule 2.3....*

With reference to the same section, members of the committee will elect a deputy presiding member from amongst themselves.

4. TERMS OF MEMBERSHIP

Members of the Committee are appointed by the Council. The Committee will consist of **35 (threefive) members**. All members shall have full voting rights.

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

Council’s Auditor may be invited to attend meetings of the Committee and should attend meetings relating to the draft annual financial report and results of the external audit.

The members of the Committee are appointed until:

- a) The person no longer holds the office by which the person became a member...; or
- b) The person resigns from membership of the committee; or
- c) The next ordinary elections day,

whichever happens first, in accordance with section 5.11 of the *Local Government Act 1995*.

5. MEETINGS

The Committee shall meet at least quarterly.

Additional meetings shall be convened at the discretion of the presiding person.

As an indicative guide the Committee should meet at least quarterly with meetings arranged to coincide with relevant Council deadlines, for example, to coincide with the engagement of the External Auditors and the finalisation of the financial statements. The meetings will be scheduled to ensure that any matters arising from the Audit (Finance and Risk) Committee can be presented at the Council briefing for that month and included in the Council Agenda for that month if necessary.

If the presiding member of the Committee is absent, unable or unwilling to perform the functions of presiding member, or the office of presiding member is vacant, then the deputy presiding member may perform the functions of presiding member.

If the deputy presiding member of the Committee is absent, unable or unwilling to perform the functions of presiding member, or the office of deputy presiding member is vacant, then the committee members present at the meeting are to choose one of themselves to preside at the meeting.

The Audit (Finance and Risk) Committee meetings are governed by the Meeting Procedures Local Law 2016 which states at 2.1(3) that "This Local Law is to apply to the conduct of committee meetings" ensuring that meetings will substantially follow the same process as Council meetings

6. QUORUM

The quorum necessary for the transaction of business shall be "at least 50% of the number of offices (whether vacant or not) of member of the committee in accordance with section 5.19 of the *Local Government Act 1995*, and in this case, means 23 (twohree) members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in it or exercisable by the Committee.

7. ADMINISTRATIVE SUPPORT AND REPORTING

The CEO shall provide secretarial and administrative support to the Committee.

Reports and recommendations of each Committee meeting shall be presented to the next ordinary meeting of the Council.

8. DUTIES AND RESPONSIBILITIES OF THE COMMITTEE

The duties and responsibilities of the Committee will be to –

- a) Provide guidance and assistance to Council as to the carrying out the functions of the Shire in relation to audits;
- ~~b) Develop and recommend to Council an appropriate process for the selection and appointment of a person as the Shire'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 Shire to communicate with, and supply information to, the auditor;~~
- f)b) Meet with the auditor once in each year and provide a report to Council on the matters discussed and outcome of those discussions;
- g)c) Liaise with the CEO to ensure that the Shire 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)d) Examine the reports of the auditor after receiving a report from the CEO on the matters and –
 - determine if any matters raised require action to be taken by the Shire; and
 - ensure that appropriate action is taken in respect of those matters;
- i)e) 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)f) Review the scope, methodology and approach of the audit plan and program prepared by the auditors and its effectiveness in addressing key risk areas;

k)g) Review the Shire'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;

h) 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;

i) 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;

j) 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;

k) Review the annual Compliance Audit Return and report to the Council the results of that review; and

l) Consider the CEO's three yearly biennial reviews of the appropriateness and effectiveness of the Shire'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.

m) Assist the CEO to carry out the review under Regulation 17 of the Audit Regulations of systems and procedures concerning risk management, internal control, and legislative compliance.

n) Support the auditor to oversee the implementation of audit recommendations made by the auditor, which have been accepted by council and to oversee accepted recommendations arising from reviews of local government systems and procedures.

o) Ensure that the Shire provides the auditor with a copy of the adopted Long Term Financial Plan, Asset Management Plan, Corporate Business Plan and Strategic Community Plan.

p) Consider and recommend to Council to adopt any appropriate actions taken or to be taken by the Shire in its report to the Minister for Local Government on significant matters raised in the audit report.

9. RESPONSIBILITIES OF THE COMMITTEE MEMBERS

Members of the Committee are expected to understand and observe the legal requirements of the *Local Government Act 1995* and associated regulations.

Members are also expected to:

- Disclose financial interests in accordance with Part 5, Division 6 of the *Local Government Act 1995*;

- Act in the best interests of the Council;
- Apply good analytical skills, objectivity, and good judgement;
- Express opinions constructively and openly, raise issues that relate to the Committee's responsibilities and pursue independent lines of enquiry; and
- Contribute the time required to review the papers provided.

RISK:

Risk: Failure to comply with legislative requirements leading to damage of reputation and/or financial loss.

Control: Review policies and procedures in accordance with review schedule.