

DOCUMENT TYPE	Terms of Reference
TITLE	AUDIT (FINANCE AND RISK) COMMITTEE
NUMBER:	MOR-2000

PURPOSE

The Audit, Finance and Risk Committee is established in accordance with Part 7 of the *Local Government Act 1995*, and *Local Government (Financial Management) Regulations 1996* and the *Local Government (Audit) Regulations 1996* for the purpose of:

- Supporting Council in fulfilling its governance and oversight responsibilities in relation to financial reporting, internal control structure, strategic risk management, audit functions, corporate business planning and ethical accountability.
- Critically examining the audit and management reports from internal and external audits, and ensure that the Shire appropriately implements any actions.
- Receiving and reviewing reports prepared by the Chief Executive Officer (CEO) and make recommendations to Council on its findings.

STATEMENTS

OBJECTIVE

The Audit (Finance and Risk) Committee is to report to Council and provide appropriate advice and recommendations on matters relevant to its terms of reference and 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.

MEMBERSHIP AND ATTENDANCE

As stipulated in section 7.1A of the *Local Government Act 1995* the Committee shall comprise of 3 or more persons with the majority being elected members, the committee will have:

- a) Three (3) elected members
- b) One (1) proxy elected member
- c) All members shall have full voting rights
- d) Members of the Committee are appointed by the Council

Additional attendees (without voting rights) are:

- a) The CEO or their nominee is to be available to attend meetings to provide advice to the Audit, Finance and Risk Committee.
- b) 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.
- c) The CEO should provide secretarial and administrative support to the Committee.

In accordance with section 5.11 of the *Local Government Act 1995* 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.

Members of the Committee are expected to understand and observe the legal requirements of the Local Government Act 1995 and associated regulations and do any required training.

Members are also expected to:

- Disclose financial interests in accordance with Part 5, Division 6 of the Local Government Act 1995;
- Complete primary and annual returns;
- Act in the best interests of the Council and rate payers;
- Apply well developed 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.

DELEGATION

- (1) This Committee has no delegated authority.
- (2) 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.
- (3) The Committee does not have any management functions and cannot involve itself in management processes or procedures, other than by making a recommendation to Council.

DUTIES AND RESPONSIBILITIES OF THE COMMITTEE

- a) 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;
- b) Review the report prepared by the CEO on any actions taken in respect of any matters raised in the report of the OAG or appointed 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;
 - i. Meet with the OAG or appointed auditor once in each year and provide a report to Council on the matters discussed and outcome of those discussions.;
 - ii. Liaise with the CEO to ensure that the Shire assists the OAG or appointed auditor to conduct the audit and carry out their duties under the Local Government Act 1995;
 - iii. 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;
 - Review the scope, methodology and approach of the audit plan and program prepared by the auditors and its effectiveness in addressing key risk areas;

- c) 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;
- d) Address issues and requests 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;
- e) Review the annual Compliance Audit Return and report to the Council the results of that review; and
- f) Consider the CEO's report on Regulation 5(2)(c) of the *Local Government (Financial Management Regulation) 1995* which requires three yearly reviews of the Shire's systems and procedures in regard to risk management, internal control and legislative compliance.
- g) Review the appropriateness of reports from the CEO regarding the review under Regulation 17 of the Audit Regulations of systems and procedures concerning risk management, internal control, and legislative compliance.
- h) Ensure that the Shire provides the OAG or appointed auditor with a copy of the adopted Long Term Financial Plan, Asset Management Plan, Corporate Business Plan and Strategic Community Plan.
- i) Review systems and practices employed by the Shire to identify, report on, and address risks, as well as to ensure compliance with legislative requirements.

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.

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 3 (three) members.

A duly convened meeting of the Committee at which a quorum is present should be competent to exercise all or any of the authorities, powers and discretions vested in it or exercisable by the Committee.

MEETINGS

The Committee should meet quarterly and as required.

As an indicative guide, the Committee should be arranged to coincide with relevant Council deadlines, such as:

- the engagement of the External Auditors
- 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 next Council Briefing for recommendations to be included in the Ordinary Council Meeting agenda for decision.

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

DOCUMENT AND VERSION CONTROL

Responsible Directorate		Corporate Services	
Responsible Officer		Director Corporate Services	
Statutory References		Local Government Act 1995 Local Government (Audit) Regulations 1996 Local Government (Financial Management Regulation) 1995	
Related Documents		Meeting Procedure Local Law	
Amendment History (Adoption and last 3 amendments)			
Version	Date Issued - Resolution Number	Item #	Description of Change
1.0	25/03/2014 – 10350	12.1	Council Adoption (Audit Committee Item 6.3 Recommendation # AC289)
3.1	08/11/2023 – CEO071	--	Format and Reference Updates (Previously CP-FIN-3211)
4.0	12/12/2023 - 118944	12.1.2	Review Adopted by Council
5.0	18/12/2024 - 119131	11.2	Review Adopted by Council (Audit Committee Item 7.1 Recommendation # AC617)
Date of Next Review		December 2025	