

AUDIT AND RISK COMMITTEE

These Terms of Reference are to be read in conjunction with the “Committees, Advisory Groups, Representative Meetings and Working Groups Policy”.

1. Name

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

2. Head of Power

The committee is established by Council under section 5.8 of the *Local Government Act 1995* (C15.09.15).

3. Definitions

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| Act | the <i>Local Government Act 1995</i> . |
| Council | the body consisting of all council members sitting formally as the Council of Shire of Mundaring (the Shire). |
| Chief Executive Officer | the Chief Executive Officer (CEO) of Shire of Mundaring. |
| committee | Shire of Mundaring Audit and Risk Committee |
| council member | a person elected under the Act as a member of Council. Shire of Mundaring council members includes the Shire President, Deputy Shire President and Councillors (as defined by the Act). |
| external member | a person who is not a council member appointed to the committee with requisite skills, knowledge and experience that complement the committees objectives. |
| member | a person appointed to this committee. |

4. Objectives

The primary objective of the 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:

- a. Assist Council in discharging its legislative responsibilities of controlling the Shire’s affairs.
- b. Ensure openness in the Shire’s financial reporting.
- c. 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.

The committee is to facilitate:

- a. The enhancement of the credibility and objectivity of external financial reporting.
- b. Effective management of financial and other risks and the protection of Council assets.
- c. Compliance with laws and regulations as well as use of best practice guidelines relative to audit, risk management, internal control and legislative compliance.
- d. The provision of an effective means of communication between the external auditor and Council.

5. Powers

The 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 local government that have not been delegated to the CEO.

The committee has been delegated authority (COM-46) to meet with the auditor of the Shire at least once in every year to satisfy the requirement of section 7.12A(2) of the Act.

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 without the approval of the CEO.

6. Functions of the Committee

In accordance with *Local Government (Audit) Regulations 1996*, the committee is to:

- a. Guide and assist the Shire 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. Guide and assist the Shire in carrying out the local government's functions in relation to audits conducted under Part 7 of the Act.
- c. 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 Council.
- d. Consider the CEO's three yearly 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 Council the results of those reviews.

- e. Oversee the implementation of any action that the Shire:
 - 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).
- f. Perform any other function conferred on the committee by the regulations or another written law.

Additionally, the committee is to:

- a. 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.
- b. 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.
- c. 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.
- d. Seek information or obtain expert advice through the CEO on matters of concern within the scope of the committee's terms of reference.

6.1. Internal Audit

The committee's functions in regards to internal audits is to:

- a. Review and approve the "Internal Audit Policy" (2.18) ensuring that internal audit activities are in accordance with the adopted "Internal Audit Policy" (2.18).
- b. The internal audit function will report administratively to the CEO and functionally to Council through the committee.
- c. Ensure that internal audits are completed in accordance with the endorsed Internal Audit Plan which is to be reviewed each financial year.
- d. Monitor and review recommendations arising out of internal audit reports and their implementation.

- e. Review the effectiveness of the internal audit function, including compliance with relevant auditing standards.
- f. Ensure the endorsed Internal Audit Plan is informed by the Shire's "Risk Management Policy" (2.16).
- g. If considered necessary, meet with the internal audit service provider to discuss any matters the committee or the internal auditor believes need to be discussed privately.

6.2. Compliance

The committee's functions in regards to compliance is to:

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

6.3. Risk Management

The committee's functions in regards to risk management is to:

- a. Ensure the Shire's risk management framework addresses Council's exposure to both strategic and operational risks.
- b. Monitor the effectiveness of the risk management framework through regular reviews and reporting.
- c. Regularly review Council's strategic risk register to check that extreme and high level risks are managed in accordance with the "Risk Management Policy" (2.16).
- d. Address any specific requests referred from Council in relation to issues of risk and risk management.
- e. At least once every year consider a report from the Shire's Leadership Team 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.

7. Membership

The committee shall consist of the following members:

- a. Shire President
- b. Deputy Shire President
- c. Up to three council members
- d. Up to two external members

If authorised by the committee, council members attending as observers may participate in the meeting (but are not able to vote).

The CEO and employees are not members of the committee. The Director Corporate Services is to provide administrative support to the committee.

The committee may invite, through the CEO, Shire employees or others to attend meetings and provide pertinent information where necessary but such persons shall not be entitled to vote on any item arising out of that meeting.

8. Appointment

Members are appointed to committees 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 elected.

8.1. Council Members

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

8.2. External members

Nominations for external members to apply for a position on the committee will be advertised in accordance with the “Committees, Advisory Groups, Representative Meetings and Working Groups Policy” (2.8).

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 member will be required to submit the following information in order to be considered for appointment:

- a. resume (maximum two pages); and
- b. a statement (maximum one page) responding to the following:
 - i. Why you wish to serve on the committee;
 - ii. What qualifications (evidence to be supplied) and professional experience you have that would benefit the committee.

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.

8.3. Presiding Member

The presiding member and deputy presiding member are to be appointed by the committee at its first ordinary meeting immediately following the biennial local government election.

9. Roles and Responsibilities

Each member is expected to abide by the Shire's "Code of Conduct for Council Members, Committee Members and Candidates" (Code of Conduct), to have open and honest discussions and to treat each member and employees with due courtesy and respect.

Council members and employees are to disclose financial, proximity and impartiality interests in accordance with the Act. External members are to be aware that any conflict of interest needs to be recognised to ensure that probity is maintained at all times.

Each member is responsible for attending meetings, reviewing relevant material to enable informed discussion and making timely decisions/actions to progress the objectives of the committee.

In addition to the above, the specific roles for each membership type are as follows:

- Council members are responsible for ensuring that the committee adheres to the direction set by Council, contributing from a Shire-wide perspective, and ensures that delivery of the committee's objective.
- External members are responsible for contributing to the delivery of the committee's objectives within the scope of their skills, knowledge, experience and capabilities.
- The Presiding Member is responsible for ensuring all members have an opportunity to participate in discussions in an open and encouraging manner and ensuring the timely consideration of items. Where the presiding member is unable or unwilling to chair the meeting, the deputy presiding member will chair the meeting.
- Employees are responsible for conducting necessary research as required by the committee, providing professional advice, and for administering its meetings.

10. Remuneration of External Members

External members are to be remunerated in accordance with section 5.100 of the Act.

The extent to which external members can be reimbursed shall be as determined by the Salaries and Allowances Tribunal.

11. Meetings

Meetings shall be held in accordance with the provisions of the Act, the *Local Government (Administration) Regulations 1996* and the *Meeting Procedures Local Law 2015*. Due consideration is to be given to the "Committees, Advisory Groups, Representative Meetings and Working Groups Policy" (2.8).

Ordinary meetings will be held at least four times per year.

Special meetings may be held:

- a. if called for by either the presiding member or at least two members in a notice to the CEO setting out the date and purpose of the proposed meeting;

- b. if so decided by the Committee; or
- c. if called for by Council.

Meetings are to be generally open to the public with public participation in accordance with the *Meeting Procedures Local Law 2015*.

Meeting quorum is at least 50% of the number of members of the committee. Each member of the committee at a meeting will have one vote. The presiding member will have a deliberative vote but does not in the event of an equality of votes have a casting vote. In the event of a tied vote the matter will be referred to Council for deliberation.

If a member is unable to attend a meeting, they must advise the presiding member as soon as reasonably practicable.

12. Recording and Reporting

The contents of the Minutes are to be in accordance with the Act and *Meeting Procedures Local Law 2015*.

Where a committee does not have a delegation/ authorisation, if a decision is the duty or function of the Council, it must be referred to Council.

Recommendations of the committee are to be included in a Council meeting agenda to obtain a formal Council decision, where applicable.

Committee recommendations are advisory only and shall not be binding on Council.

13. Changes to 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.

14. Disband

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

Document Control

| Item | Date | Resolution # |
|---|----------------|--------------|
| Committee established (in current format) | September 2015 | C15.09.15 |
| Reviewed | September 2017 | C3.09.17 |
| Reviewed | December 2018 | C11.12.18 |
| Reviewed | October 2019 | SC4.10.19 |
| Reviewed | October 2021 | SC8.10.21 |
| Reviewed | January 2022 | C4.01.22 |
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| Reviewed | May 2024 | C2.05.24 |