



## **Audit & Organisational Risk Committee Terms of Reference**

### **1. Establishment**

An amendment to the *Local Government Act 1995* (the Act) in 2005 introduced a requirement that all local governments establish an audit committee.

Pursuant to section 7.1A of the *Local Government Act 1995*, Council established on 21 November 2005 an Audit Committee. Given its expanded scope, Council on 19 April 2010 considered that the Committee be renamed the Audit & Organisational Risk Committee.

### **2. Scope**

The Committee is to provide an independent oversight of the financial systems of the local government on behalf of the Council. As such, the Committee will operate to assist Council to fulfill its corporate governance, stewardship, leadership and control responsibilities in relation to the local government's financial reporting, audit and risk management responsibilities.

### **3. Objectives**

The primary role of the Committee is to assist the Council in the effective discharge of its responsibilities for audit related matters, compliance with legislation and policy, accounting policy, review of the annual accounts and internal controls and risk management processes and procedures.

The specific functions of the Audit & Organisational Risk Committee include:

#### **3.1 Risk Management**

- 3.1.1 Providing oversight to the development of an endorsed risk management framework appropriate for the City's operations.
- 3.1.2 Ensuring controls are operating to mitigate business risks to an acceptable level.
- 3.1.3 Reviewing the approved Risk Register for Council.
- 3.1.4 Recommending the risk appetites for business operations.
- 3.1.5 Reviewing appropriate documentation and policies in relation to risk management and mitigation.

#### **3.2 Internal Controls and Internal Audit**

- 3.2.1 Ensuring adequate systems of internal control are in operation to mitigate key business risks, promote the effectiveness, efficiency and economy of operations, and report accurate and meaningful management information.
- 3.2.2 Confirming major operational areas of the City are subject to internal review on a periodical basis.

- 3.2.3 Approving Internal Audit Strategic and Annual Audit Plans and ensuring the internal audit function is operating effectively, independently and in accordance with the International Standards for the Professional Practice of Internal Auditing.
- 3.2.4 Confirming the Internal Audit and Risk Management function is resourced to fulfill its purpose and is given access to all necessary information.
- 3.2.5 Selecting a suitably qualified firm/individual to lead the internal audit function.
- 3.2.6 Monitoring appropriate and timely action to rectify major areas of concern identified by internal and external audit.

### 3.3 Financial Reporting

- 3.3.1 Reviewing the annual financial statements, key performance indicators and Annual Report considering whether they are complete, consistent with information known to Committee members, and reflect appropriate accounting principles.
- 3.3.2 Recommending the annual statutory accounts, key performance indicators, certifications and Annual Report to Council.
- 3.3.3 Reviewing significant accounting policy changes made by the City, large legal claims on the City and major frauds and thefts.
- 3.3.4 Overseeing reliability and integrity of financial and related information systems.

### 3.4 External Audit

- 3.4.1 Recommending to Council an appropriate process for the selection and appointment of persons as the City's auditor.
- 3.4.2 Recommending to Council –
  - (a) A list of those matters to be audited; and
  - (b) The scope of the audit to be undertaken.
- 3.4.3 Recommending to Council the person(s) to be appointed as auditor.
- 3.4.4 Recommend to Council a written agreement for the appointment of the auditor. The agreement is to include the External Auditor's audit fee, audit plan, audit scope and approach, including their review of internal controls over financial reporting, coordination of audit effort with internal audit and discusses accounting and reporting issues. This will involve meeting with the Auditor prior to the commencement of the audit, receiving feedback during the audit and on completion.
- 3.4.5 Considering the audit opinion, audit findings and other reports provided to the Committee by the Auditor.
- 3.4.6 Reviewing the report 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.

3.4.7 Confirming that high risk external audit recommendations are closed out on a timely basis and other issues as appropriate.

3.4.8 Reviewing the scope of the audit plan and program and its effectiveness.

### 3.5 Compliance

3.5.1 Reviewing the effectiveness of the system for monitoring compliance with laws and regulations and the results of investigation and follow-up (including disciplinary action) of any instances of non-compliance.

3.5.2 Reviewing reports issued to, and findings resulting from, any compliance examinations by regulatory agencies, and any Auditor observations.

3.5.3 Receiving regular updates regarding compliance matters.

3.5.4 Considering the outcomes of any investigation of matters of non-compliance. Where appropriate a recommendation will be submitted by the Committee to the Council for deliberation.

## 4. **Powers of the Audit Committee**

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.

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.

## 5. **Term of Committee**

The Committee shall have an ongoing existence until such time as the Council determines its need to vary or terminate the Committee.

## 6. **Membership**

### 6.1 Voting Members

Membership shall comprise 5 City Council Members appointed by the Council following each local government ordinary election. Each member shall have full voting rights.

Proxy Members: Nil

*(The Audit Committee shall have a minimum membership of three (3) elected members. If the Committee is to have a larger membership, then the majority of members must be members of Council – Section 7.1A(2) of the Local Government Act 1995)*

### 6.2 Ex-Officio Participants

The following City officers shall be support to this Committee. Officers do not carry any voting entitlements in terms of decision making.

- Chief Executive Officer
- Director Corporate Services
- Manager Governance and Organisational Strategy

Other staff may be co-opted onto the Committee from time to time as appropriate to facilitate discussions on agenda related matters.

## 7. **Meetings**

To be held quarterly, or as required more frequently, in order to expedite matters of governance and risk.

Notice of meetings shall be provided no less than five (5) working days before the meeting date. Members to be supplied with an agenda no less than 72 hours prior to the meeting date.

### Standing Orders

Standing Orders are permitted to be relaxed throughout the duration of the meeting at the approval of the Committee.

Notwithstanding any relaxation of Standing Orders, it is incumbent on the members to declare any interests they may have in relation to matters contained in the agenda; and follow proper protocols in respect to the interest had Standing Orders not been relaxed.

## 8. **Quorum**

A quorum is constituted to be not less than fifty percent of the total number of members of the Committee in office for the time being. In the above context there shall be no less than 3 voting members in attendance at all times.

## 9. **Place and Duration of Meeting**

Meetings will be conducted at the City Council Chambers in Welcome Road, Karratha. Meetings will have a duration that generally does not exceed one (1) hour.

## 10. **Reporting**

Minutes are to be prepared of the meeting and circulated to Members within 72 hours and shall also be presented to the next ordinary meeting of Council for the receipt of minutes and deliberating on any recommendations where delegated authority has not been provided.

Minutes shall also be re-presented to the next meeting of the Committee for endorsement.

## 11. **Delegated Authority**

The only powers and duties that can be delegated to the committee are any of the powers and duties of the local government under Part 7 of the Act. The committee cannot on-delegate the powers and duties delegated to it.

**12. Ethical Behaviour**

Members of the Committee will at all times in the discharge of their duties and responsibilities exercise honesty, objectivity and probity. Members will refrain from entering into any activity that may prejudice their ability to do so. At all times members must act in a proper and prudent manner in the use of information acquired in the course of their work.

Further, members will not publicly discuss or comment on matters relevant to the activities of the Committee, other than as authorised by the Council.

**13. Liabilities of Members**

No civil liability attaches to a member of a committee for an honest act or omission in the exercise, performance or discharge, or purported exercise, performance or discharge, of the members' or committee's powers, functions or duties. Such a liability attaches instead to the Council.

**14. Amendments to Terms of Reference**

These Terms of Reference can only be amended by resolution of Council on the basis of a report directly to Council.

Original Date of Establishment	21 November 2005
Amendment #1	22 October 2007
Amendment #2	19 October 2009
Amendment #3	19 April 2010
Amendment #4	16 May 2011
Amendment #5	20 February 2012
Amendment #6 (Resolution No 152639)	28 October 2013