



## **Audit, Risk and Improvement 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 an Audit Committee on 21 November 2005. Given its expanded scope, Council on 19 April 2010 considered that the Committee be renamed the Audit and Organisational Risk Committee.

The *Local Government Amendment Act 2024* (the Amendment Act) amends the *Local Government Act 1995* (the Act) to change audit committees to have an improved focus as 'audit, risk and improvement committees' (the Committee) that will be independently chaired.

### **2. Objective**

The objective of this Committee is to provide independent assurance to Council by monitoring, reviewing and providing advice about the City's governance processes, compliance, risk management and control frameworks, external accountability obligations and overall performance.

### **3. Independence**

The Committee is to be independent to ensure it has no real or perceived bias or conflicts of interest that may interfere with its ability to act independently and to provide Council with robust, objective and unbiased advice and assurance.

The Committee is to have an advisory and assurance role only and is to exercise no administrative functions, delegated financial responsibilities or any management functions. The Committee will provide independent advice to the council that is informed through internal audit and risk management activities and information and advice provided by staff, relevant external bodies and subject matter experts.

The Committee must always ensure it maintains a direct reporting line to and from the City's internal audit function and act as a mechanism for internal audit to report to Council and the Chief Executive Officer on matters affecting the performance of the internal audit function.

### **4. Composition and Tenure**

#### **4.1 Independent Members**

In accordance with 7.1A(2) of the *Local Government Act 1995* members of the Audit and Risk and Improvement Committee will be appointed by an absolute majority decision of the Council.

The appointment of two external members shall be made by the Council, by way of a public advertisement and be for a term of two years, to a maximum of three

terms. The external members shall be independent and have no association with the City of Karratha either as an Elected Member, an officer or a closely associated person.

The terms and conditions of each member's appointment to the Committee are to be set out in a letter of appointment. New members will be thoroughly inducted to their role and receive relevant information and briefings on their appointment to assist them to meet their responsibilities.

Prior to approving the reappointment or extension of an independent member's term, the City is to undertake an assessment of the chair or Committee member's performance. Reappointment of the chair or a Committee member is also to be subject to that person still being independent and meeting appropriate eligibility criteria.

Members of the Committee must possess and maintain a broad range of skills, knowledge and experience relevant to the operations, governance and financial management of the City, the environment in which the City operates, and the contribution that the Committee makes to the Council. At least one member of the Committee must have accounting or related financial management experience with an understanding of accounting and auditing standards in a local government environment. All members should have sufficient understanding of the City's financial reporting responsibilities to be able to contribute to the Committee's consideration of the City's annual financial statements.

The external members shall be paid in accordance with s.5.100 of the Act and as determined by the Salary and Allowance Tribunal.

#### **4.2 Voting Members**

Membership of the Committee shall comprise a minimum of three (3) Council Members (in addition to the Independent Members) appointed by the Council following each local government ordinary election. Each member shall have full voting rights.

*Table 1 Current Audit, Risk and Improvement Committee Membership*

| <b>Position</b>         | <b>Committee Member</b> | <b>Status</b> | <b>Voting Rights</b> | <b>Term Expiry</b> |
|-------------------------|-------------------------|---------------|----------------------|--------------------|
| Presiding Member        | Phillip Draber          | Independent   | Full                 | Oct 2027           |
| Deputy Presiding Member | David Price             | Independent   | Full                 | Oct 2027           |
| Member                  | Cr Daniel Scott         | Mayor         | Full                 | Oct 2025           |
| Member                  | Cr Daiva Gillam         | Deputy Mayor  | Full                 | Oct 2025           |
| Member                  | Cr Tony Simpson         | Councillor    | Full                 | Oct 2025           |

#### **4.3 Non-Voting Observers**

The Committee will be supported by City officers who do not carry any voting entitlements in terms of decision making.

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

*Table 2 Current Non-Voting Observers*

| Position   | Representative     |
|--|--------------------|
| Chief Executive Officer                              | Virginia Miltrup   |
| Director Corporate and Commercial Services           | Warren van Wyk     |
| Manager Governance & Organisational Strategy         | Henry Eaton        |
| Chief Financial Officer / Manager Financial Services | Christine Palmer   |
| Executive Assistant Corporate and Commercial         | Izabelle Donaldsen |

## **5. Role**

The role of the Committee is to review and provide independent advice to the Council regarding the following aspects of the Council's operations:

- compliance
- risk management
- fraud control
- financial management
- governance
- implementation of the strategic plan, delivery program and strategies
- service reviews
- collection of performance measurement data, and
- internal audit.

The Committee shall provide information to Council for the purpose of improving Council's performance of its functions. The Committee's specific audit, risk and improvement responsibilities are outlined in Schedule 1 to these Terms of Reference. The Committee will act as a forum for the Council's internal audit function and oversee its planning, monitoring and reporting to ensure it operates effectively.

The Committee is directly responsible and accountable to Council for the exercise of its responsibilities. In carrying out its responsibilities, the Committee must at all times recognise that responsibility for management of the City of Karrathha rests with the Council and the CEO. The responsibilities of the Committee may be revised or expanded in consultation with, or as requested by, the Council from time to time.

## **6. Powers of the Committee**

The Committee is a formally appointed Committee of Council. 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.

## **7. Conduct**

All Committee members are required to comply with the *Council Members, Committee Members and Candidates Code of Conduct*.

**8. Conflicts of interest**

Committee members and observers must declare any pecuniary or non-pecuniary conflicts of interest they may have in a matter being considered at the meeting at the start of each meeting or as soon as they become aware of the conflict of interest. Where a Committee member or observer declares a pecuniary or a significant non-pecuniary conflict of interest, they must remove themselves from committee deliberations on the issue. Details of conflicts of interest declared at meetings must be appropriately minuted.

**9. Meetings**

Meetings will be held at least four (4) times per year and will be conducted at the City Council Chambers in Welcome Road, Karratha.

Meetings will have a duration that shall not exceed two (2) hours.

A quorum is constituted to be not less than fifty percent of the total number of members of the Committee and must include 50% or more of Council Members.

Committee meetings can be held in person, by telephone or videoconference<sup>1</sup>. The Committee meetings are to be held openly<sup>2</sup> wherever possible and will be closed meetings whenever it needs to discuss confidential or sensitive issues with only voting members of the Committee present.

**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**

There are no delegations provided to this Committee.<sup>3</sup>

**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.

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<sup>1</sup> Advice from DLG is that attendance by all members needs to comply with r.14C(3) LG Admin regs. Members need to attend at least 50% of meetings in person. DLG currently considering these provisions specifically as they relate to independent persons on audit committees as part of ongoing reforms to the Meeting Procedures.

<sup>2</sup> Current legislation requires committees to be open if they have delegated powers, however under the LG Amendment Act 2024 Committees will be open unless there are confidential or sensitive issues. Awaiting further direction through the drafting of regulations.

<sup>3</sup> If this committee had delegations, it would be required to be open to the public.(s.5.23(1) LG Act)

**13. Liabilities of Members**

No civil liability attaches to a member of this 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.

**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  |
| Amendment #7 (Resolution No 154031) | 19 March 2018    |
| Amendment #8 (Resolution No 154539) | 16 March 2020    |
| Amendment #9 (Resolution No 154969) | 28 March 2022    |
| Amendment 10                        |                  |

## **Schedule 1 – Audit, risk and improvement committee responsibilities**

### **1. Audit**

#### **1.1 Internal audit**

- Provide overall strategic oversight of internal audit activities
- Act as a forum for communication between the council, Chief Executive Officer, senior management, the internal audit function and external audit
- Coordinate, as far as is practicable, the work programs of internal audit and other assurance and review functions
- Review and advise the council:
  - on whether the council is providing the resources necessary to successfully deliver the internal audit function
  - if the council is complying with internal audit requirements, including conformance with the International Professional Practices Framework
  - if the council's internal audit charter is appropriate and whether the internal audit policies and procedures and audit/risk methodologies used by the council are suitable
  - of the strategic four-year work plan and annual work plan of internal audits to be undertaken by the council's internal audit function
  - if the council's internal audit activities are effective, including the performance of the head of the internal audit function and the internal audit function
  - of the findings and recommendations of internal audits conducted, and corrective actions needed to address issues raised
  - of the implementation by the council of these corrective actions
  - on the appointment of the head of the internal audit function and external providers, and
  - if the internal audit function is structured appropriately and has sufficient skills and expertise to meet its responsibilities.

#### **1.2 External audit**

- Act as a forum for communication between the council, Chief Executive Officer, senior management, the internal audit function and external audit
- Coordinate as far as is practicable, the work programs of internal audit and external audit
- Provide input and feedback on the financial statement and performance audit coverage proposed by external audit and provide feedback on the audit services provided
- Review all external plans and reports in respect of planned or completed audits and monitor council's implementation of audit recommendations and
- Provide advice to the governing body and/or Chief Executive Officer on action taken on significant issues raised in relevant external audit reports and better practice guides.

## 2. Risk

### 2.1 Risk management

Review and advise the council:

- if the council has in place a current and appropriate risk management framework that is consistent with the Australian risk management standard
- whether the council is providing the resources necessary to successfully implement its risk management framework
- whether the council's risk management framework is adequate and effective for identifying and managing the risks the council faces, including those associated with individual projects, programs and other activities
- if risk management is integrated across all levels of the council and across all processes, operations, services, decision-making, functions and reporting
- of the adequacy of risk reports and documentation, for example, the council's risk register and risk profile
- whether a sound approach has been followed in developing risk management plans for major projects or undertakings
- whether appropriate policies and procedures are in place for the management and exercise of delegations
- if the council has taken steps to embed a culture which is committed to ethical and lawful behaviour
- if there is a positive risk culture within the council and strong leadership that supports effective risk management
- of the adequacy of staff training and induction in risk management
- how the council's risk management approach impacts on the council's insurance arrangements
- of the effectiveness of the council's management of its assets, and
- of the effectiveness of business continuity arrangements, including business continuity plans, disaster recovery plans and the periodic testing of these plans.

### 2.2 Internal controls

Review and advise the council:

- whether the council's approach to maintaining an effective internal audit framework, including over external parties such as contractors and advisors, is sound and effective
- whether the council has in place relevant policies and procedures and that these are periodically reviewed and updated
- whether appropriate policies and procedures are in place for the management and exercise of delegations
- whether staff are informed of their responsibilities and processes and procedures to implement controls are complied with
- if the council's monitoring and review of controls is sufficient, and
- if internal and external audit recommendations to correct internal control weaknesses are implemented appropriately.

## 2.3 Compliance

Review and advise the council of the adequacy and effectiveness of the council's compliance framework, including:

- if the council has appropriately considered legal and compliance risks as part of the council's risk management framework
- how the council manages its compliance with applicable laws, regulations, policies, procedures, codes, and contractual arrangements, and
- whether appropriate processes are in place to assess compliance.

## 2.4 Fraud and corruption

Review and advise the council of the adequacy and effectiveness of the council's fraud and corruption prevention framework and activities, including whether the council has appropriate processes and systems in place to capture and effectively investigate fraud-related information.

## 2.5 Financial management

Review and advise the council:

- if the council is complying with accounting standards and external accountability requirements
- of the appropriateness of the council's accounting policies and disclosures
- of the implications for the council of the findings of external audits and performance audits and the council's responses and implementation of recommendations
- whether the council's financial statement preparation procedures and timelines are sound
- the accuracy of the council's annual financial statements prior to external audit, including:
  - management compliance/representations
  - significant accounting and reporting issues
  - the methods used by the council to account for significant or unusual transactions and areas of significant estimates or judgements
  - appropriate management signoff on the statements
- if effective processes are in place to ensure financial information included in the council's annual report is consistent with signed financial statements
- if the council's financial management processes are adequate
- the adequacy of cash management policies and procedures
- if there are adequate controls over financial processes, for example:
  - appropriate authorisation and approval of payments and transactions
  - adequate segregation of duties
  - timely reconciliation of accounts and balances
  - review of unusual and high value purchases
- if policies and procedures for management review and consideration of the financial position and performance of the council are adequate, and
- if the council's grants and tied funding policies and procedures are sound.



## 2.6 Governance

Review and advise the council regarding its governance framework, including the council's:

- decision-making processes
- implementation of governance policies and procedures
- reporting lines and accountability
- assignment of key roles and responsibilities
- committee structure
- management oversight responsibilities
- human resources and performance management activities
- reporting and communication activities
- information and communications technology (ICT) governance, and
- management and governance of the use of data, information and knowledge (includes the implementation of *Privacy and Responsible Information Sharing Act 2024*).

## 3. Improvement

### 3.1 Strategic planning

Review and advise the council:

- of the adequacy and effectiveness of the council's integrated, planning and reporting (IP&R) processes
- if appropriate reporting and monitoring mechanisms are in place to measure progress against objectives, and
- whether the council is successfully implementing and achieving its IP&R objectives and strategies.

### 3.2 Service reviews and business improvement

- Act as a forum for communication and monitoring of any audits conducted by external bodies and the implementation of corrective actions.
- Review and advise the council:
  - if the council has robust systems to set objectives and goals to determine and deliver appropriate levels of service to the community and business performance
  - if appropriate reporting and monitoring mechanisms are in place to measure service delivery to the community and overall performance, and
  - how the council can improve its service delivery and the council's performance of its business and functions generally as it maintains alignment with the Council Plan.

### 3.3 Performance data and measurement

Review and advise the council:

- if the council has a robust system to determine appropriate performance indicators to measure the achievement of its strategic objectives
- if the performance indicators that council uses are effective, and
- of the adequacy of performance data collection and reporting.