



Terms of Reference

Audit, Risk and Governance Committee (ARG)



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1. Name

The name of the Group is the **Audit, Risk and Governance Committee (ARG)**.

2. District / Area of Control

Local Government boundaries of the Shire of Serpentine Jarrahdale and Peel Region as appropriate.

3. Purpose of the Terms of Reference

The purpose of the terms of reference is to:

3.1 facilitate the operation of the Audit, Risk and Governance Committee;

3.2 support the Council in fulfilling its responsibilities in relation to:-

- a) risk management systems
- b) internal control structure
- c) financial reporting
- d) compliance with laws and regulations
- e) internal and external audit functions

4. Introduction

The Audit, Risk and Governance (ARG) committee has been established in accordance with part 7 of the *Local Government Act 1995*.

The Audit, Risk and Governance committee is an advisory committee formally appointed by the Council and is responsible to the Council. The ARG committee does not have executive powers or authority to implement actions in areas over which management has responsibility and does not have any financial responsibility. The ARG committee does not have any management functions and is therefore independent of management.

5. Objectives

The ARG committee's primary objective is to support the Shire of Serpentine Jarrahdale's Council in discharging its legislative responsibility associated with governing the Shire's affairs and overseeing the allocation of the Shire's finances and resources. The ARG committee will promote transparency and accountability in the Shire's financial reporting and promote effective and responsible management of risks to protect the Shire's assets.

The ARG committee will report to Council and provide appropriate advice and recommendations on matters relevant to its terms of reference in order to facilitate decision making by the Council in relation to the discharge of its responsibilities.

More specifically, the objectives of the ARG committee are to oversee:

5.1 The integrity of external financial reporting, including accounting policies.

5.2 The scope of work, objectivity, performance and independence of the external auditor.



- 5.3 The establishment, effectiveness and maintenance of controls and systems to safeguard the Shire's financial and physical assets.
- 5.4 The framework and systems that are designed to ensure the Shire comply with relevant statutory and regulatory requirements.
- 5.5 The framework for recognising risks arising from the Shire's operations and strategies, and consider the adequacy of measures taken to manage those risks.
- 5.6 The framework and systems which protect the Council against fraud and irregularities.

The ARG committee must also add to the credibility of Council by promoting ethical standards through its work.

6. Authority

The ARG committee has the authority of Council to:

- 6.1 Review the internal and external auditor's annual audit plans and the outcomes/results of all audits undertaken;
- 6.2 Formally meet with the Shire's appointed external auditor as necessary;
- 6.3 Ensure that any matters raised by external audit that require action are actioned; and
- 6.4 Advise Council on any or all of the above as deemed necessary.

7. Composition

- 7.1 The ARG committee will comprise of seven (7) members, five (5) Elected Members and two (2) external independent members.
- 7.2 An external member will be a person independent of the Shire of Serpentine Jarrahdale, and will not have provided paid services to the Shire either directly or indirectly.
- 7.3 External independent members will be selected based on the following criteria:
 - a) a demonstrated high level of expertise and knowledge in financial management, reporting, governance and audit; and
 - b) relevant skills and experience in providing independent expert advice.
- 7.4 Appointments of external independent members will be made following a public advertisement. The Chief Executive Officer (CEO) will evaluate potential members and make a recommendation to Council.
- 7.5 The Council will appoint all members of the ARG committee.
- 7.6 Members shall be appointed for a period of up to two (2) years terminating on the day of the Local Government Ordinary Council Elections, unless Council resolves otherwise.



- 7.7 The Presiding Member and Deputy Presiding Member will be appointed by the ARG committee, biennially by election by all committee members after the Local Government Ordinary Council Elections.
- 7.8 The quorum for a meeting shall be a minimum of 4 committee members.
- 7.9 ARG committee members are required to abide by the *Local Government Act 1995* and *Code of Conduct* in observing the requirements of declaring any proximity, financial or impartiality interests that relate to any matter to be considered at each meeting.
- 7.10 Reimbursement of expenses approved by Council may be paid to an external person who is a member of the ARG committee.

8. Meetings

- 8.1 The ARG committee shall meet every three (3) months or more regularly as required at the discretion of the Presiding Member of the ARG committee, the Shire President or the CEO.
- 8.2 All ARG committee members are expected to attend each meeting in person.
- 8.3 Elected Members, who are not part of the ARG committee are invited to observe ARG committee meetings, however they are not entitled to participate in the meeting.
- 8.4 The members of the ARG committee are to elect a Presiding Member from amongst themselves at the first meeting of the committee following an Ordinary Local Government Election.
- 8.5 The Presiding Member will preside at all meetings.
- 8.6 Each member of the Committee at a meeting will have one vote. The Presiding Member will have a casting vote and simple majority will prevail.
- 8.7 A committee recommendation does not have effect unless it has been made by simple majority. A simple majority is the agreement of not less than half of the members present at the meeting.
- 8.8 The CEO, or his delegate, the Director Corporate & Community, is to attend all meetings to provide advice and guidance to the committee, however the CEO and employees are not members of the committee.
- 8.9 The CEO will invite members of management, internal and external auditors or others to attend meetings as observers and to provide pertinent information, as necessary.
- 8.10 The ARG committee meetings are generally open to the public unless the Presiding Member or CEO deem it necessary to proceed behind closed doors pursuant to section 5.23 of the *Local Government Act 1995*.
- 8.11 Meeting agendas will be prepared and provided at least one week in advance to members, along with appropriate briefing materials.



- 8.12 Minutes will be taken at each meeting and presented to the subsequent meeting for confirmation.
- 8.13 Reports and recommendations of each committee meeting shall be presented to the next ordinary council meeting.

9. Responsibilities

The ARG committee will carry out the following responsibilities:

9.1 Risk Management

- 9.1.1 Review whether management has in place a current and comprehensive enterprise risk management framework and associated procedures for effective identification and management of the Shire's business and financial risks, including fraud.
- 9.1.2 Assess whether a sound and effective approach has been followed in managing the Shire's major risks including those associated with individual projects, program implementation, and activities.
- 9.1.3 Assess the impact of the Shire's enterprise risk management framework on its control environment and insurance arrangements.
- 9.1.4 Review the process of developing and implementing the Shire's fraud control arrangements and satisfy itself the Shire has appropriate processes and systems in place to detect, capture and effectively respond to fraud-related information.

9.2 Business Continuity

- 9.2.1 Assess whether a sound and effective approach has been followed in establishing the Shire's business continuity planning arrangements, including whether business continuity and disaster recovery plans have been periodically updated and tested.

9.3 Internal Control

- 9.3.1 Review whether management's approach to maintaining an effective internal control framework is sound and effective.
- 9.3.2 Review whether management has in place relevant policies and procedures and that they are periodically reviewed and updated.
- 9.3.3 Assess whether the appropriate processes are in place to assess, at least once a year, whether key policies and procedures are complied with.
- 9.3.4 Review whether appropriate policies and supporting procedures are in place for the management and exercise of delegations.
- 9.3.5 Consider how management identifies any required changes to the design or implementation of key internal controls.



9.4 Financial Report

- 9.4.1 Review significant accounting and reporting issues, including complex or unusual transactions and highly judgemental areas, and recent accounting, professional and regulatory pronouncements and legislative changes, and understand their effect on the financial report.
- 9.4.2 Review with management and the external auditors the results of the audit, including any difficulties encountered.
- 9.4.3 Review the annual financial report and performance report of the Shire of Serpentine Jarrahdale and consider whether it is complete, consistent with information known to ARG committee members, and reflects appropriate accounting principles.
- 9.4.4 Review with management and the external auditors all matters required to be communicated to the ARG committee under the Australian Auditing Standards.
- 9.4.5 Review the draft Annual Financial Statements and recommend the adoption of the Annual Financial Statements to Council, in accordance with the timeframes as prescribed.
- 9.4.6 Review the midyear budget review and recommend the adoption of the budget review to Council.

9.5 Compliance

- 9.5.1 Review the systems and processes to monitor effectiveness of the system for monitoring compliance with legislation and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.
- 9.5.2 Keep informed of the findings of any examinations by regulatory agencies and any auditor (internal or external) observations and monitor management's response to those findings.
- 9.5.3 Obtain regular updates from management about compliance matters.
- 9.5.4 Review the annual Compliance Audit Return and report to the Council the results of the review.

9.6 Internal Audit

- 9.6.1 Review with management the terms of reference, activities and resourcing of the internal audit function.
- 9.6.2 Review and recommend the annual internal audit plan for approval by the Council and all major changes to the plan.
- 9.6.3 Monitor processes and practices to ensure that the independence of the audit function is maintained.
- 9.6.4 Annually review the performance of the internal audit including the level of satisfaction with internal audit function having consideration of the Institute



of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

- 9.6.5 Review all audit reports and provide advice to the Council on significant issues identified in audit reports and action to be taken on issues raised, including identification and dissemination of good practice.
- 9.6.6 Monitor management's implementation of internal audit recommendations.
- 9.6.7 Regularly review a report given to it by the CEO under regulation 17 (3) of the *Local Government (Administration) Regulations 1996*.

9.7 External Audit

- 9.7.1 Develop and recommend to Council a process to be used to select and appoint a person to be an auditor.
- 9.7.2 Recommend to Council the person or persons to be appointed as the external auditor.
- 9.7.3 Develop and recommend to Council a written agreement for the appointment of the external auditor in accordance with *Local Government (Audit) Regulation 7*.
- 9.7.4 Note the external auditor's proposed audit scope and approach for financial performance audits.
- 9.7.5 Consider the findings and recommendations of relevant Management Letters undertaken by the external auditor and ensure the Shire implements relevant recommendations.
- 9.7.6 Provide an opportunity for the ARG committee to meet with the external auditors to discuss any matters that the ARG committee or the external auditors believe should be discussed privately.
- 9.7.7 Annually review the performance of external audit including the level of satisfaction with external audit function.
- 9.7.8 Monitor management's implementation of external audit recommendations.

9.8 Reporting Responsibilities

- 9.8.1 Report regularly to the Council about ARG committee activities, issues, and related recommendations through circulation of minutes.
- 9.8.2 Monitor that open communication between the external auditor and the Shire's management occurs.

9.9 Other Responsibilities

- 9.9.1 Perform other activities related to this terms of reference as requested by the Council.
- 9.9.2 Annually review and assess the adequacy of the ARG committee terms of reference, request Council approval for proposed changes, and ensure appropriate disclosure as might be required by legislation or regulation.

**Approval and Amendment History**

Reviewed/Modified	Reference	Date	Comment	Reviewed By
Adopted	AC002/03/17	27/03/2017	Audit Committee renamed as Audit, Risk and Governance (ARG) Committee	
Reviewed	OCM156/11/17	27/11/2017	Adopted Terms of Reference	
Reviewed				