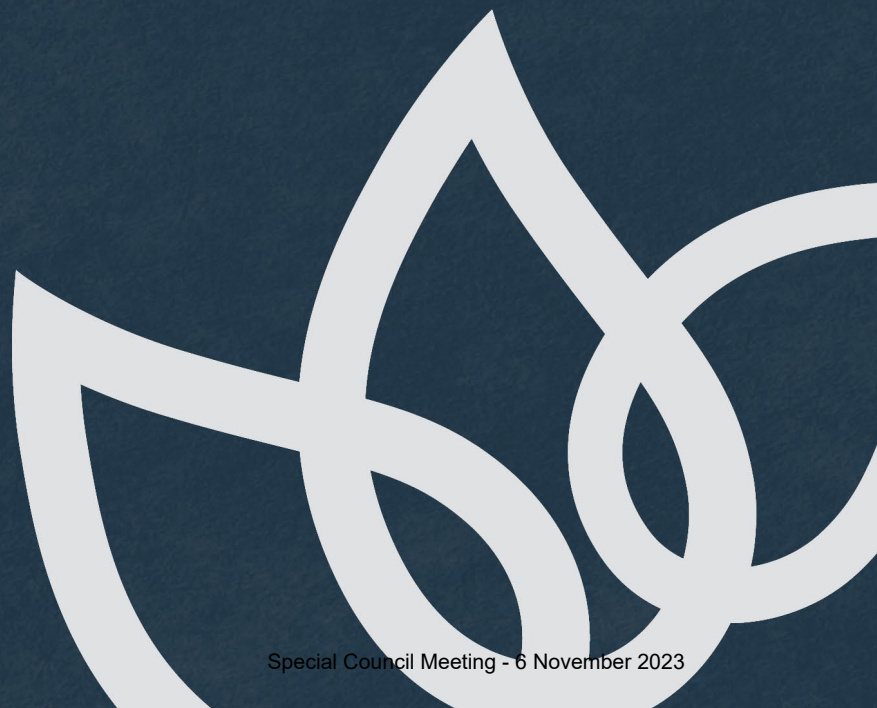




# Terms of Reference

## Audit, Risk and Governance Committee





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## **Audit Risk and Governance Committee Terms of Reference\***

### **Introduction**

The Committee has been established as a Committee of Council under 5.8 of the *Local Government Act 1995*.

### **Functions**

The functions of the Committee are defined in Regulation 16 of the *Local Government (Audit Regulations) 1996*. These functions include to guide and assist the Local Government carrying out its financial management functions and its functions related to audits.

The 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 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.

Some of the ways the Committee discharges its legislative responsibility are to oversee:

- the integrity of external financial reporting, including accounting policies;
- the scope of work, objectivity, performance and independence of the external auditor;
- the establishment, effectiveness and maintenance of controls and systems to safeguard the Shire's financial and physical assets;
- the framework and systems that are designed to ensure the Shire comply with relevant statutory and regulatory requirements;
- the framework for recognising risks arising from the Shire's operations and strategies, and consider the adequacy of measures taken to manage those risks; and
- the framework and systems which protect the Council against fraud and irregularities

The Committee also adds to the credibility of Council by promoting ethical standards through its work.



## Authority

The Committee does not have delegated powers but has the authority of Council to:

- review the internal and external auditor's annual audit plans and the outcomes/results of all audits undertaken;
- formally meet with the Shire's appointed external auditor as necessary;
- ensure that any matters raised by external audit that require action are actioned; and
- advise Council on any or all of the above as deemed necessary.

## Membership

The Committee will comprise of nine (9) members, five (5) Councillors and four (4) external members. There is also a deputy member.

The external members will be independent of the Shire of Serpentine Jarrahdale, and will not have provided paid services to the Shire either directly or indirectly in the past five years.

An external independent member 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.

The appointments of an external, independent member will be made following a public advertisement. Under section 7.1A of the *Local Government Act 1995*, the CEO may not be a member of an audit committee and may not nominate a person to be member.

The appointment of members shall be per section 5.10 of the *Local Government Act 1995*.

The tenure of membership shall be per section 5.11 of the *Local Government Act 1995*.

The quorum for a meeting shall be in accordance with section 5.19 of the *Local Government Act 1995* subject to section 5.15 of the Act which gives Council the power to reduce the number of offices required for a quorum at a committee meeting.

Under section 5.100 of the *Local Government Act 1995* an external member may not be paid for their attendance at a Committee meeting.

Reimbursement of expenses approved by Council may be paid to an external person who is a member of the Committee. The value of the reimbursement is to be set at the time of appointment.



## **Conduct and interests**

All Committee Members must abide by the Committee Member Code of Conduct.

Per Division 6 of the *Local Government Act 1995* all committee members must adhere to the provisions of the *Local Government Act 1995* related to the disclosure of interests.

External members of the committee must adhere to the provisions of regulation 3 and regulations 6, 7, 8, 9, 10, and 11 of the *Local Government (Rules of Conduct) Regulations 2007* as if they were a Councillor.

## **Meetings**

The Committee will conduct meetings in accordance with the *Local Government Act 1995* and the Shire of Serpentine Jarrahdale standing orders.

The Committee shall meet every three (3) months or more regularly as required at the discretion of the Presiding Member of the Committee, the Shire President or the CEO.

All Committee members are expected to attend each meeting in person.

Councillors, who are not part of the Committee are invited to observe ARG Committee meetings, however they are not entitled to participate in the meeting.

The members of the Committee are to elect a Presiding Member from amongst themselves at the first meeting of the committee following an Ordinary Local Government Election.

The Presiding Member will preside at all meetings. In the Presiding Member's absence, the provisions of section 5.14 of the *Local Government Act 1995* apply.

Voting will be in accordance with section 5.21 of the *Local Government Act 1995*.

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.

The CEO, or his delegate, the Director Corporate Services, is to attend all meetings to provide advice and guidance to the Committee, however the CEO and employees are not members of the committee.

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.

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*.

Meeting agendas will be prepared and provided at least one week in advance to members, along with appropriate briefing materials.

Minutes will be taken at each meeting and presented to the subsequent meeting for confirmation.

Reports and recommendations of each committee meeting shall be presented to the next Ordinary Council Meeting.

Public question time and public statement time is not available at the Committee.



## Responsibilities

The Committee will carry out its responsibilities in accordance with the *Local Government Act 1995* and subsidiary legislation, specifically:

Guide and assist the Shire in carrying out its functions:

- under Part 6 – Financial Management, of the *Local Government Act 1995*
- in relation to audits conducted under Part 7 – Audit, of the *Local Government Act 1995*
- relating to other audits and other matters related to financial management.

Review the CEO's report into the appropriateness and effectiveness of a local government's systems and procedures in relation to risk management, internal control and legislative compliance, given to it by the CEO under regulation 17 of the *Local Government (Audit) Regulations 1996* and:

1. report to the Council the results of that review
2. give the Council a copy of the CEO's report.

Monitor and advise the CEO when the CEO is carrying out functions in relation to a review:

- under regulation 17(1) of the *Local Government (Audit) Regulations 1996*
- of the appropriateness and effectiveness of the financial management systems and procedures of the Shire under regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996*.

Support the auditor of the Shire to conduct an audit and carry out the auditor's other duties under the *Local Government Act 1995* in respect of the Shire and to oversee the implementation of any actions in accordance with regulation 16(f) of the *Local Government (Audit) Regulations 1996*.

Review and monitor the internal audit programme and the scope of internal audits.

The Committee also has the following specific responsibilities to provide advice regarding:

### *Risk management*

- 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.
- 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.
- Assess the impact of the Shire's enterprise risk management framework on its control environment and insurance arrangements.
- 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.

*Business continuity*

- 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.

*Internal Control*

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

*Financial Report*

- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent accounting, professional and regulatory pronouncements and legislative changes, and understand their effect on the financial report.
- Review with management and the external auditors the results of the audit, including any difficulties encountered.
- 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.
- Review with management and the external auditors all matters required to be communicated to the ARG committee under the Australian Auditing Standards.
- Review the draft Annual Financial Statements and recommend the adoption of the Annual Financial Statements to Council, in accordance with the timeframes as prescribed.
- Review the mid-year budget review and recommend the adoption of the budget review to Council.

*Compliance*

- 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.
- 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.
- Obtain regular updates from management about compliance matters.



- Review the annual Compliance Audit Return and report to the Council the results of the review.

#### *Internal Audit*

- Review with management the terms of reference, activities and resourcing of the internal audit function.
- Review and recommend the annual internal audit plan for approval by the Council and all major changes to the plan.
- Monitor processes and practices to ensure that the independence of the audit function is maintained.
- 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.
- 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.
- Monitor management's implementation of internal audit recommendations.
- Regularly review a report given to it by the CEO under regulation 17 (3) of the *Local Government (Administration) Regulations 1996*.

#### *External Audit*

- Develop and recommend to Council a process to be used to select and appoint a person to be an auditor.
- Recommend to Council the person or persons to be appointed as the external auditor.
- Develop and recommend to Council a written agreement for the appointment of the external auditor in accordance with regulation 7 of the *Local Government (Audit) Regulations 1996*.
- Note the external auditor's proposed audit scope and approach for financial performance audits.
- Consider the findings and recommendations of relevant Management Letters undertaken by the external auditor and ensure the Shire implements relevant recommendations.
- Provide an opportunity for the Committee to meet with the external auditors to discuss any matters that the Committee or the external auditors believe should be discussed privately.
- Annually review the performance of external audit including the level of satisfaction with external audit function.
- Monitor management's implementation of external audit recommendations.



Continued

## Terms of Reference

### Audit, Risk and Governance Committee

#### *Reporting Responsibilities*

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

#### *Other Responsibilities.*

- Perform other activities related to this terms of reference as requested by the Council.
- 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**

| <b>Reviewed/Modified</b> | <b>Date</b>      | <b>Comment</b>   | <b>Reviewed By</b> |
|--------------------------|------------------|--|--------------------|
| Adopted                  | 16 December 2019 | Ordinary Council Meeting - adopted                       | OCM296/12/19 – 10. |
| Reviewed                 | 16 March 2020    | Ordinary Council Meeting – amended Committee composition | OCM069/03/20       |
| Reviewed                 | 25 October 2021  | Amended membership to expand external membership         | SCM05/10/21        |





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