



City of Canning  
A welcoming and thriving city

## Audit and Risk Committee

### Terms of Reference

(D17/167901)

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## 1. Purpose

The *Local Government Act 1995* (the Act) requires that all local governments establish an Audit and Risk Committee (“the Committee”). The Committee plays a key role in assisting a local government to fulfil its governance and oversight responsibilities in relation to financial reporting, internal control structure, risk management systems, legislative compliance, ethical accountability and the internal and external audit functions.

This Terms of Reference (“TOR”) sets out the objectives, authority, membership, role, responsibilities and operation of the Committee.

## 2. Introduction

The Committee is an advisory committee appointed by and reports to the City of Canning’s Council (“the Council”). The Committee provides appropriate advice and recommendations to the Council on matters relevant to its TOR. This is in order to facilitate informed decision-making by the Council in relation to the legislative functions and duties of the local government that have not been delegated to the Chief Executive Officer (“CEO”).

## 3. Objectives

The objectives of the Committee are to oversee:

- 3.1 The credibility and objectivity of financial reporting;
- 3.2 The effective management of financial and other risks and protect Council assets;
- 3.3 Compliance with laws and regulations as well as use of best practice guidelines relative to audit, risk management, internal control and legislative compliance;
- 3.4 The provision of an effective means of communication between the external auditor, the CEO and Council;
- 3.5 The scope of work, objectivity, performance and independence of the external and internal auditors; and
- 3.6 The process and systems which protect against fraud and improper activities.

## 4. Authority

The Committee is a formally appointed committee of the 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 authority. The Committee does not have any management functions and cannot involve itself in management processes or procedures.

The Committee has the authority to:

- 4.1 Review the internal and external auditor’s annual audit plans and the outcomes/results of all audits undertaken;
- 4.2 Request the CEO to seek information or advice in relation to matters considered by the Committee;

- 4.3 Formally meet with internal and external auditors as necessary;
- 4.4 Seek resolution on any disagreements between management and the external auditors on financial reporting; and
- 4.5 Make recommendations to Council with regards to matters within its scope of responsibility.

## 5. Membership

- 5.1 The *Local Government Act 1995* requires that an audit and risk committee is to consist of a minimum of three (3) members and in that situation all must be Council members. Where a committee consists of more than three (3) members then a majority of those members must be Council members.
- 5.2 As a minimum, the City's Audit and Risk Committee will consist of five (5) members which include up to two (2) independent external members.
- 5.3 Independent external members will be selected based on the following criteria:
  - 5.3.1 A suitably qualified person with demonstrated high level of expertise and knowledge in financial management, risk management, governance and audit (internal and external);
  - 5.3.2 Understanding of the duties and responsibilities of the position; ideally with respect to local government financial reporting and auditing requirements;
  - 5.3.3 Strong communication skills; and
  - 5.3.4 Relevant skills and experience in providing independent expert advice.
- 5.4 An independent external member will be a person with no operating responsibilities with the City nor will that person provide paid services to the City either directly or indirectly.
- 5.5 Appointment and re-appointment of independent external members:
  - 5.5.1 Shall be made by Council after consideration of the CEO's recommendation. The applications of independent external members will be sought through an open and transparent process. The evaluation of potential members will be reviewed by the CEO and appointments will be approved by the Council, and
  - 5.5.2 The initial appointment term will be until the next Local Government Ordinary election (Extraordinary elections are not included). Appointment term expires on the day of a Local Government Ordinary election. Thereafter, the appointment term will be until the next Local Government Ordinary election and members may be appointed for up to three (3) consecutive terms. Refer section 5.11 of the Local Government Act 1995 for more information on the membership tenure of committee members.
- 5.6 Independent external members will be required to complete a confidentiality agreement and confirm that they will operate in accordance with the City's code of conduct. They will also be required to follow City's policies as pertained to the Committee operations.
- 5.7 The Council may by resolution terminate the appointment of any independent external member prior to the expiry of his/her term if:
  - 5.7.1 The Committee by majority determines that the member is not making a positive contribution to the Committee; or

- 5.7.2 The member is found to be in breach of the City's Code of Conduct or a serious contravention of the Local Government Act 1995; or
- 5.7.3 A member's conduct, action or comments brings the City into disrepute.
- 5.8 All members shall have full voting rights. In the event of a tie, the Chairperson will have the casting vote.
- 5.9 Chairperson of the Committee is appointed by majority vote of the Committee. The Chairperson can be an elected member or an independent external member.
- 5.10 In the Chairperson's absence from a meeting, the members of the Committee present at the meeting will select a Chairperson for that particular meeting.
- 5.11 The members, taken collectively, will have a broad range of skills and experience relevant to the operations of the City. At least one (1) member of the Committee will have accounting or related financial and/or risk management experience.
- 5.12 Reimbursement of approved expenses may be paid to each independent external member in accordance with the *Local Government Act* Section 5.100.
- 5.13 The CEO and employees are not members of the Committee.
- 5.14 The CEO or his/her nominee is to be available to attend meetings to provide advice and guidance to the Committee.
- 5.15 The City shall provide secretarial and administrative support to the Committee.
- 5.16 A quorum will be a majority of members.
- 5.17 New members will receive relevant information and briefings on their appointment to assist them to meet their Committee responsibilities.

## 6 Meetings

- 6.1 The Committee shall meet not less than three times a year. Additional meetings shall be convened at the discretion of the Chairperson or at the request of the CEO.
- 6.2 The Committee meetings shall be 'Closed' and therefore not open to the public.
- 6.3 Elected Members may attend each Committee meeting.
- 6.4 Using electronic means:
- 6.4.1 If a Committee member is not physically present and in accordance with the Local Government (Administration) Regulations 1996 section 14 A or section 14 B, the Committee member may join the meeting using electronic means.
- 6.4.2 The Committee meeting may be held using electronic means if the circumstances of Local Government (Administration) Regulations 1996 section 14 C or section 14 D are triggered.

- 6.5 A forward meeting plan, including meeting dates and agenda items will be agreed by the Committee each year. The forward meeting plan will cover all Committee responsibilities as detailed in this TOR.
- 6.6 All Committee meetings will be recorded. After each Committee meeting, the recording will be made available to all Councillors.

## 7 Notice of Meetings and Agenda

- 7.1 The CEO or delegate will facilitate the meetings of the Committee and invite members of management, internal and external auditors or others to attend meetings as observers and to provide relevant information as necessary.
- 7.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, and any other person required to attend, no later than one (1) week prior to the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

## 8 Minutes of Meetings

- 8.1 The Manager Governance & Integrity will facilitate the administrative support for the meeting, including a minute taker for the meeting.
- 8.2 Minutes will be taken at each meeting and presented to the subsequent meeting for confirmation. Minutes will include the proceedings, resolutions of the meeting including the names of those in attendance.
- 8.3 The Chairperson shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly. Conflicts of Interest will be managed in accordance with the City's policies and the *Local Government Act 1995*.
- 8.4 Minutes of Committee meetings shall be circulated promptly to all members of the Committee.
- 8.5 Other than confidential papers and attachments, agendas and minutes of the Committee will be made publicly available on the City's website.

## 9 Role and Responsibilities

In addition to the functions listed in the *Local Government Act 1995* (Local Government (Audit) Regulations 1996, section 16), Role and Responsibilities of the Committee include:

- 9.1 **External Audits (the Auditor General will be responsible for conducting external audits)**
  - 9.1.1 Provide guidance and assistance to Council as to the carrying out of the functions of the City in relation to external audits.
  - 9.1.2 Meet with the external auditors to discuss any matters that the Committee or the external auditors believe should be discussed.

- 9.1.3 Meet with the auditor annually to receive the audit report and make a recommendation to Council with respect to that report.
- 9.1.4 Examine the reports of the auditor after receiving a report from the CEO on the matters to:
  - 9.1.4.1 Determine if any matters raised require action to be taken by the City; and
  - 9.1.4.2 Ensure that appropriate action is taken in respect of those matters.
- 9.1.5 Consider and recommend adoption of the Annual Report to Council. Review any significant changes that may arise subsequent to any such recommendation but before the Annual Report is signed.
- 9.1.6 Address issues brought to the attention of the Committee, including responding to requests from Council for advice that is within the parameters of the Committee's TOR.

## 9.2 Internal Audit

- 9.2.1 Provide guidance and assistance to Council as to the carrying out of the functions of the local government in relation to internal audits.
- 9.2.2 Review and recommend the annual internal audit plan for endorsement by the Council and all major changes to the plan. Monitor that the internal auditor's annual plan is linked with and covers the material business strategic risks and themes.
- 9.2.3 Monitor processes and practices to ensure that the independence of the internal audit function is maintained.
- 9.2.4 Annually receive the summary of Internal Audit Auditees' satisfaction surveys.
- 9.2.5 Review all internal audit reports and provide advice to the Council on significant issues (i.e. high and extreme) identified in audit reports and action to be taken on issues raised, including identification and dissemination of good practice.
- 9.2.6 Monitor management's implementation of internal audit recommendations.
- 9.2.7 Receive the findings of special internal audit assignments undertaken at the request of Council or CEO.
- 9.2.8 Review the annual Compliance Audit Return and report to the Council the results of that review - *Local Government Act 1995 section 7.13 (1)(i)*.
- 9.2.9 Consider the CEO's Triennial Review of the appropriateness and effectiveness of the City's systems and procedures in regard to risk management, internal control and legislative compliance, required to be provided to the Committee, and report to the Council the results of those reviews - *Local Government (Audit) Regulations 1996 reg.17*.
- 9.2.10 Oversee the process of developing and implementing the City's fraud control arrangements to assist Council in ensuring it has appropriate processes and systems in place to detect, capture and effectively respond to fraud and improper activities.
- 9.2.11 Consider the financial management systems and procedures as per - s.5(2) *Local Government (Financial Management) Regulations 1996* - within the statutory timeframe.

### **9.3 Risk Management**

- 9.3.1 Ensure that management has in place a current and comprehensive Enterprise Risk Management Framework and associated procedures for effective identification and management of City's business and financial risks.
- 9.3.2 Determine whether a sound and effective approach has been followed in managing City's major risks including those associated with individual projects, program implementation, and activities.
- 9.3.3 Ensure that the City identifies, reviews and regularly updates the strategic and operational risk profiles.
- 9.3.4 Understand and endorse the City's risk appetite.
- 9.3.5 Oversee the periodic review of the Risk Management Framework.

### **9.4 Business Continuity**

- 9.4.1 Ensure a sound and effective approach has been followed in establishing the City's business continuity planning arrangements, including whether business continuity and disaster recovery plans have been periodically updated and tested.
- 9.4.2 Oversee the periodic review of the Business Continuity Management Framework.

### **9.5 Financial Reporting**

- 9.5.1 Review significant accounting and reporting issues, recent accounting, professional and regulatory pronouncements and legislative changes, and understand their effect on the financial report.
- 9.5.2 Review with management and the external auditors the results of the audit, including any difficulties encountered.
- 9.5.3 Review the Annual Financial Statements forming part of the City's Annual Report and consider whether it is complete, consistent with information known to Committee members, and reflects appropriate accounting principles.
- 9.5.4 Review with management and the external auditors all matters required to be communicated to the Committee under the Australian Auditing Standards.
- 9.5.5 Recommend the adoption of the Annual Financial Statements forming part of the Annual Report to Council.

### **9.6 Internal Control**

- 9.6.1 Ensure management's approach to maintaining an effective Internal Control Framework is sound and effective.
- 9.6.2 Ensure management has in place relevant policies and procedures, including CEO's Instructions or their equivalent, and that these are periodically reviewed and updated.

- 9.6.3 Ensure appropriate processes are in place to assess, at least once a year, whether key policies and procedures are complied with.
- 9.6.4 Ensure appropriate policies and supporting procedures are in place for the management and exercise of delegations.
- 9.6.5 Review how management identifies any required changes to the design or implementation of key internal controls.

## **9.7 Fraud and Corruption Prevention**

- 9.7.1 Oversee the process of developing and implementing the City's fraud control arrangements to assist Council in ensuring it has appropriate processes and systems in place to detect, capture and effectively respond to fraud and improper activities.
- 9.7.2 Receive and consider information and advice presented by the CEO on the strategies and controls to manage fraud and corruption risks at the City.
- 9.7.3 Provide oversight over the City's exposure and issues raised in relation to fraud and corruption.

## **9.8 Legislative Compliance**

- 9.8.1 Oversee the effectiveness of the systems for monitoring compliance with relevant laws, regulations and associated government policies.

## **9.9 Reporting Responsibilities**

- 9.9.1 Reports and recommendations of the Committee which require presentation to Council will be presented to the next available Ordinary Council Meeting. Additional updates may be appropriate, should issues of concern arise.

## **9.10 Other Responsibilities**

- 9.10.1 Monitor the progress of the implementation of external audit recommendations made by the auditor, which have been accepted by the City.
- 9.10.2 Receive recommendations arising from reviews of local government systems and procedures.
- 9.10.3 At least once every two (2) years review and assess the adequacy of the Committee TOR, request Council approval for proposed changes, and ensure appropriate disclosure as required by legislation or regulation.
- 9.10.4 Annually confirm that all responsibilities outlined in this TOR have been carried out.