



SHIRE OF JERRAMUNGUP
AUDIT, RISK AND IMPROVEMENT COMMITTEE
TERMS OF REFERENCE

STATUTORY CONTEXT

Local Government Act 1995

Part 5, Division 2

Part 7, – Audit

Local Government (Audit) Regulations 1996

ESTABLISHMENT

Objectives

To exercise responsibility for the annual external audit and liaise with the local government's auditor so that Council can be satisfied with the performance of the local government in managing its financial affairs.

To assist Council in discharging its legislative responsibilities of controlling the local government's affairs, determining the local government's policies pertaining to its finances and overseeing at a strategic level the allocation of the local government's finances and resources.

To ensure openness in the local government's financial reporting and to liaise with the Chief Executive Officer to ensure the effective and efficient management of the local government's financial accounting systems and compliance with legislation.

Purpose

The purpose of the Terms of Reference is to:

1. Facilitate the operation of the Audit, Risk and Improvement Committee (the Committee);
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; and
 - f) The effective communication between the auditor, the Chief Executive Officer (CEO) and the Council.

Membership

The membership criteria of the Committee is set out below:

- The Committee shall consist of three (3) Elected Members and two (2) independent Members who will act as the Presiding Member and Deputy of the Presiding Member. All Members shall have full voting rights.
- The CEO and Shire employees are not Members of the Committee.
- The CEO and/or their nominee is to attend all meetings to provide advice and guidance to the committee.
- The Shire shall provide secretarial and administrative support to the Committee.
- The Council will appoint all Members of the Committee.
- 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.
- The Presiding Member and Deputy of the Presiding Member will be nominated by the Committee, biennially after the Local Government Ordinary Council Elections, for endorsement by Council.

*The first independent Presiding Member and Deputy of the Presiding Member will be elected after the adoption of these Terms of Reference, with a term concluding October 2027, after the Ordinary Council Elections.
- The quorum at any meeting shall be three (3) voting Members, including at least one independent Member.
- 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.

Chairperson

The Independent Presiding Member shall be the Chairperson. In the absence of the Independent Presiding Member, the Independent Deputy of the Presiding Member shall be the Chairperson.

Voting

A minimum of three (3) Members must be present to be able to proceed with the meeting (a quorum is 50%+1 (voting Members)).

All Members are required to vote and may not abstain from voting.

Disqualification of Being a Member

A Member who does not attend three (3) consecutive Committee meetings (with or without the Chairperson's approval) will be disqualified from being a Member on the Committee (unless exceptional circumstances prevented attendance). Council will be required to appoint an alternative Councillor to the Committee and a vacant community Member's position will be advertised.

All Members are permitted to vote on any item presented for consideration. Should there be a tied vote the Chairperson will cast the deciding vote.

Meetings

The Committee shall meet three (3) times per year, or more regularly as required, at the discretion of the Presiding Member of the Committee, the Shire President or the CEO, with all Members expected to attend each meeting in person. Electronic attendance is permitted where a Member is unable to be present in person, however the Presiding Member and CEO must be informed of this at least 24 hours prior to the meeting. Elected Members who are not part of the Committee are invited to observe meetings, however they are not entitled to participate. The CEO, or their delegate, together with the Deputy CEO, shall 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.

The Members of the Committee are to elect an independent Presiding Member at the first meeting of the Committee following the adoption of these Terms of Reference, then at the first meeting after each Ordinary Local Government Election. The Presiding Member will preside at all meetings. In their absence, the Deputy of the Presiding Member will assume the Presiding Member role for that meeting.

Each Member of the Committee at a meeting will have one vote. The Presiding Member will have a casting vote and a simple majority will prevail. 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.

Meeting agendas will be prepared and provided at least three days 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 appropriate Ordinary Council Meeting, which may not be meetings held on the same day.

Audit Risk and Improvement 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*.

Role and Scope of Committee

Financial Reporting

- 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 Jerramungup and consider whether it is complete, consistent with information known to the committee members, and reflects appropriate accounting principles.
- Review with management and the external auditors all matters required to be communicated to the 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 this to Council.

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.

Risk Management

- Review whether management has in place a current and comprehensive 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 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.
- Oversight in the areas of risk management, internal control and legislative compliance in accordance with the *Local Government (Audit) Regulations 1996* r.17.

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.

Compliance

- Review the processes that track the effectiveness of compliance monitoring systems 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.

Audit

- Note the 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.
- 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.
- 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 audit recommendations.

Reporting Responsibilities

- Report regularly to the Council about the Committee's 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 these Terms of Reference as requested by the Council.
- Annually review and assess the adequacy of the Terms of Reference, request Council approval for proposed changes, and ensure appropriate disclosure as might be required by legislation or regulation

Confidentiality

Members must maintain the confidentiality of information acquired during their tenure on the Committee and must not use the information for personal gain or to the detriment of the local government.