



# Audit and Governance Committee

## Terms of Reference

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### 1. Establishment

The Audit and Governance Committee was re-established by the Council at the Ordinary Meeting of Council on 6 November 2019 and this Terms of Reference sets out the membership, responsibilities, authority and operations of the Committee.

The Committee was created in recognition of the importance of, and legislative obligation for, the establishment and maintenance of an effective internal audit function, best practice governance systems, oversight of the risk management and governance frameworks and performance, and maintenance of strong financial management controls and processes.

### 2. Objective of the Audit and Governance Committee

The primary objective of the Audit and Governance Committee (the Committee) is to accept responsibility for the annual external audit, liaise with the Shire's external auditor and provide review and oversight of internal audit process, including performance and independence of internal auditor, so that Council can be satisfied with the performance of the Shire in managing its financial affairs.

Reports from the Committee will assist Council in discharging its legislative responsibilities of controlling the Shire's affairs, determining the Shire's policies and overseeing the allocation of the Shire's finances and resources. The Committee will ensure openness in the Shire's financial reporting and will liaise with the CEO to ensure the effective and efficient management of the Shire's financial accounting systems and compliance with legislation.

The Committee is to facilitate:

- a. the enhancement of the credibility and objectivity of internal and external financial reporting;
- b. effective management of financial and other risks and the protection of Council assets;
- c. compliance with laws and regulations as well as use of best practice guidelines relative to audit, risk management, internal control and legislative compliance;
- d. the coordination of the internal audit function with the external audit;
- e. the provision of an effective means of communication between the external auditor, the CEO and the Council and
- f. the reduction of fraud, corruption and misconduct risk as a part of their oversight of financial reporting.

The Committee is to undertake its responsibilities cognisant of:

- a. requirements for meetings to fit in with requisites around the planning calendar and decisions at significant times in the Governance cycle (i.e. Compliance Audit Return, Interim Audit, End of year Audit and other reviews);
- b. obligations to have oversight of all matters that relate to the risk management framework of the Shire;
- c. obligations and good governance practices within the local government environment.

### 3. Powers of the Audit Committee

- a. The Audit 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.

- b. The committee is a formally appointed committee of council and is responsible to that body.
- c. 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.
- d. The committee does not have any management functions and cannot involve itself in management processes or procedures.

#### **4. Responsibilities of the Committee Chair**

The Audit and Governance Committee Chair has the following responsibilities:

- a. Reports to the Council on the actions of the Committee;
- b. Encourages broad participation from members in discussion;
- c. Summarises decisions and assignments at the conclusion of each meeting; and
- d. Signs off on minutes of meetings after they have been received by the Committee.

#### **5. Responsibilities of Audit and Governance Committee Members**

Individual Committee members have the following responsibilities:

- a. to execute the role, scope, and responsibilities of the Committee;
- b. to act on opportunities to communicate positively about the Shire's activities;
- c. to actively participate in meetings through attendance, discussion, and review of minutes, papers and Governance documents;
- d. to participate in professional development opportunities;
- e. To support open discussion and debate and encourage fellow Committee members to voice their insights.

#### **6. Membership**

The Committee will consist of four members with three elected and one external person. All members shall have full voting rights. External persons appointed to the Committee will have financial management/reporting knowledge in a local government context and experience and be conversant with financial and other reporting requirements.

Appointment of external persons shall be made by Council by way of a public advertisement and be for a maximum term of two years. The terms of the appointment should be arranged to ensure an orderly rotation and continuity of membership despite changes to Council's elected representatives. Reimbursement of approved expenses will be paid to an external person who is a member of the Committee by prior approval and subject to budget.

The CEO and employees are not members of the committee. The CEO or his/her nominee is to be available to attend meetings to provide advice and guidance to the Committee.

The Shire shall provide secretarial and administrative support to the committee.

#### **7. Quorum**

A quorum of three Committee members must be present at a Committee meeting to constitute a meeting.

#### **8. Frequency of Meetings**

The Committee meetings will be held no less than quarterly throughout the calendar year. Additional meetings shall be convened at the discretion of the presiding person.

#### **9. Reporting**

Reports and recommendations of each Committee meeting shall be presented to the next ordinary meeting of the Council.

#### **10. Duties and Responsibilities**

The duties and responsibilities of the committee will be to:

- a. provide guidance and assistance to Council as to the carrying out the functions of the Shire in relation to audits;
- b. meet with the external auditor once in each year and provide a report to Council on the matters discussed and outcome of those discussions;

- c. liaise with the CEO to ensure that the Shire does everything in its power to:
  - assist the auditor to conduct the audit and carry out his or her other duties under the *Local Government Act 1995* and associated Regulations; and
  - ensure that audits are conducted successfully and expeditiously;
- d. examine the reports of the auditor after receiving a report from the CEO on the matters to:
  - determine if any matters raised require action to be taken by the Shire; and
  - ensure that appropriate action is taken in respect of those matters;
- e. review the report prepared by the CEO on any actions taken in respect of any matters raised in the report of the auditor and presenting the report to Council for adoption prior to the end of the next financial year or 6 months after the last report prepared by the auditor is received, whichever is the latest in time;
- f. review the Shire's draft annual financial report, focusing on:
  - i. accounting policies and practices;
  - ii. changes to accounting policies and practices;
  - iii. the process used in making significant accounting estimates;
  - iv. significant adjustments to the financial report (if any) arising from the audit process;
  - v. compliance with accounting standards and other reporting requirements; and
  - vi. significant variances from prior years.
- g. address issues brought to the attention of the Committee, including responding to requests from Council for advice that are within the parameters of the committee's terms of reference;
- h. seek information or obtain expert advice through the CEO on matters of concern within the scope of the committee's terms of reference following authorisation from the Council;
- i. Review the annual Compliance Audit Return and report to the council the results of that review,
- j. Monitor the progress of the internal audit plan, review findings from internal and external audits, monitor the implementation of the recommendations; and
- k. Consider the CEO's triennial reviews of the appropriateness and effectiveness of the Shire'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.

## 11. Agenda, Minutes, and Decision Papers

The responsibility for ensuring that Agendas and supporting materials are delivered to members in advance of meetings rests with the Governance and Risk Coordinator. The agenda and associated attachments will be sent to Committee members and attendees at least 72 hours in advance of a Committee meeting.

## 12. Conflict of Interest

Committee Members and invited attendees at each meeting must:

- a) Declare any conflict of interest, potential conflict of interest or apparent conflict of interest in matters that might potentially be considered or, are proposed to be considered by the Committee;
- b) Provide a further declaration should any conflict of interest, potential conflict of interest or apparent conflict of interest arise after making a declaration; and
- c) Maintain confidential, all information provided to them in their role as a member or attendee. This includes all matters discussed, formally presented or tabled at meetings of the Committee or such matters associated with dealings of the Committee in carrying out its responsibilities.

## 13. Review

The Terms of Reference will be reviewed every two years when Council considers the re-establishment of the Committee to coincide with Local Government elections and any amendments to it require approval of Council.

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**Version Control**

<b>Version No.</b>	<b>Version date</b>	<b>Prepared by</b>	<b>Reviewed by</b>	<b>Council Resolution Number and Date</b>
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