



G4 Audit Committee Terms of Reference

Policy Objective

The primary objective of the Audit Committee is to accept 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 and assurance systems.

Policy

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

The committee is to facilitate –

- the enhancement of the credibility and objectivity of external financial reporting;
- effective management of financial and other risks and the protection of Council assets;
- compliance with laws and regulations as well as use of best practice guidelines relative to audit, risk management, internal control and legislative compliance;
- the provision of an effective means of communication between the external auditor, the CEO and the Council.

G4.1 Powers of the Audit Committee

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.

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

G4.2 Membership

The committee will consist of all seven Council positions. All members shall have full voting rights.

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 local government shall provide secretarial and administrative support to the committee.

G4.3 Meetings

The committee shall meet at least once each year.

Additional meetings shall be convened at the discretion of the presiding person.



G4.4 Reporting

The Audit Committee's role, in accordance with Regulation 16 of the Local Government (Audit) Regulations 1996, is to:

- (a) guide and assist the local government in carrying out:
 - i) its functions under Part 6 of the Act;
 - ii) its functions relating to other audits and other matters related to financial management; and
 - iii) functions in relation to audits conducted under Part 7 of the Act.
- (b) review a report given to it by the CEO under regulation 17(3) (the CEO's report) and is to —
 - i) report to the council the results of that review; and
 - ii) give a copy of the CEO's report to the Council.
- (c) monitor and advise the CEO when the CEO is carrying out functions in relation to a review under —
 - i) regulation 17(1); and
 - ii) the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);
- (d) support the auditor of the local government to conduct an audit and carry out the auditor's other duties under the Act in respect of the local government;
- (e) oversee the implementation of any action that the local government —
 - i) is required to take by section 7.12A(3); and
 - ii) has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a); and
 - iii) has accepted should be taken following receipt of a report of a review conducted under regulation 17(1); and
 - iv) has accepted should be taken following receipt of a report of a review conducted under the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);
 - v) perform any other function conferred on the audit committee by these regulations or another written law.

The Committee may provide guidance and assistance to the local government regarding:

- (a) other matters to be audited;
- (b) the scope of audits; and
- (c) financial, risk and compliance management functions as prescribed in the Local Government Act 1995; as well as
- (d) other matters specified in these Terms of Reference.

The Committee may resolve to request the Chief Executive Officer (CEO) to provide any information or make arrangements to provide independent expert advice, as appropriate and required by the Committee in order to fulfil its duties and responsibilities.

The Committee is to review and make recommendations to the Council regarding:

- (a) Financial Management
 - i) changes in accounting practices, policies and material changes in accounting treatment, providing advice on the appropriateness of implementation strategies; and
 - ii) the Shire's financial status and performance.
- (b) Risk Management
 - i) the Shire's risk management strategies and policies;
 - ii) the adequacy of the Shire's risk management systems and practices; and
 - iii) the management of strategic risks, identifying as appropriate, specific risks for more detailed review and response.



- (c) Internal Controls
- i) the standard and effectiveness of the Shire's corporate governance and ethical considerations;
 - ii) the integrity, adequacy and effectiveness of the Shire's financial and administration policies, systems and controls in providing financial and governance information which:
 - is accurate and reliable;
 - complies with legislative obligations and requirements; and
 - minimises the risk of error, fraud, misconduct or corruption; and
 - iii) the efficiency and effectiveness on achievement of objectives.
- (d) Legislative Compliance
- i) the integrity, adequacy and effectiveness of the Shire's systems and controls for legislative compliance;
 - ii) the level of compliance with legislative obligations as well as the Shire's policies;
 - iii) the CEO's report on the review of the Shire's Legislative Compliance systems, at least once triennially; and
 - iv) the annual statutory Compliance Audit.
- (e) Internal and External Audit Planning and Reporting
- i) the integrity, adequacy and effectiveness of Shire's Audit Plan;
 - ii) reports, findings and recommendations arising from Internal and External Audits;
 - iii) the audit of the Shire's Annual financial statements;
 - iv) the integrity, adequacy and effectiveness of the management response and any actions proposed to be taken to address issues raised by the Auditor; and
 - v) the oversight and monitoring of implementation of agreed actions.

| DOCUMENT CONTROL BOX | | |
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| Custodian: Chief Executive Officer | Decision Maker: Council | |
| Compliance Requirements: Delegated Authority – DA 1.1 – Audit Committee provides authority for the Committee to fulfil the duty of the Council to meet with the Shire's External Auditor at least once per year [s.7.12A(2)]. | | |
| Legislation: S7.1A. [Audit Committee] of the Local Government Act 1995 | | |
| Industry: | Local Government Operational Guidelines Number 5 January 2004 Council Forums | |
| Organisational: | https://www.dlgsc.wa.gov.au/docs/default-source/local-government/operational-guidelines/operational-guideline-9-the-appointment-function-and-responsibilities-of-audit-committess.pdf?sfvrsn=77bf5a06_1 | |
| Document Management: | | |
| Risk Rating: Low | Review Frequency: 4 Years | Next Due: |
| Version # | Decision Reference: | Description: |
| a | OCM 18/08/2020 Item 13.3 | Comprehensive Policy Register Review |
| b | OCM 19/07/2022 Item 12.1.2 | Comprehensive Policy Register Review |
| c | OCM 17/12/2024 Item 12.1.2 | Policy Reconfirmed – No Amendments |