

Audit and Risk Committee Charter

Approved and adopted by Council on 22 May 2024 (CRN: OCM/05/24)

1. Introduction

- 1.1 Council must establish an Audit Committee of 3 or more persons to exercise the powers and discharge the duties conferred on it, pursuant to section 7.1A(1) of the *Local Government Act 1995*.

2. Role

- 2.1 The Committee assists the Council in fulfilling its oversight responsibilities in relation to the systems of risk management and internal control, the Shire's processes for monitoring compliance with laws and regulations, including the code of conduct, financial and performance reporting, and audit. The committee is not responsible for the management of these functions and cannot involve itself in management processes or procedures;
- 2.2 The Committee will engage with management in a constructive and professional manner to perform its responsibilities;
- 2.3 The Committee is responsible to and reports to Council;
- 2.4 Members of the Committee are expected to:
 - (a) understand the legal and regulatory obligations of the Council for governing the Shire of Toodyay;
 - (b) understand the Shire of Toodyay governance arrangements that support achievement of the Shire of Toodyay strategies and objectives;
 - (c) exercise due care, diligence and skill when performing their duties;
 - (d) adhere to the Shire of Toodyay's Code of Conduct for Council Members, Committee Members and Candidates, and the Code of Ethics of any professional body which they are a member of;
 - (e) help to set the right tone in the Shire of Toodyay, by demonstrating behaviours which reflect the Shire of Toodyay's vision, primary values and desired culture;
 - (f) be aware of contemporary and relevant issues impacting the local government sector; and
 - (g) respect that information provided to the Committee is to be used only to carry out their responsibilities, unless expressly agreed by Council; and
- 2.5 The Committee will prepare an annual work plan that outlines when it will perform key activities, in consultation with Council.

3. Authority

- 3.1 The Committee does not have executive powers or authority to implement actions in areas over which the Chief Executive Officer has legislative responsibility and

does not have any delegated financial responsibility or powers pursuant to section 7.1B of the *Local Government Act 1995*.

- 3.2 The Council authorises the Committee, in accordance with this Charter, to:
- (a) obtain any information it requires (subject to any legal obligation to protect information) for the purpose of fulfilling its duties, in consultation with the Chief Executive Officer;
 - (b) request the attendance of any official, including the Council, at committee meetings in consultation with the Chief Executive Officer; and
 - (c) provide advice and guidance to Council in terms of achieving Council's strategic direction which is illustrated via the adoption of the Shire of Toodyay Council Plan 2023-2033 and associated Integrated Planning Strategic documents.
- 3.3 The Audit and Risk Committee may undertake other activities as requested by the Council, subject to section 7.1B of the *Local Government Act 1995* "Delegation of some powers and duties to Audit Committees" which states:
- (1) *Despite section 5.16, the only powers and duties that a local government may delegate* to its audit committee are any of its powers and duties under this Part other than this power of delegation.*
** Absolute majority required.*
 - (2) *A delegation to an audit committee is not subject to section 5.17.*

4. Title of Committee

The committee shall be known as the 'Audit and Risk Committee.'

5. Decisions made by Audit Committees

Decisions made by the Audit and Risk Committee are to be made at an Audit and Risk Committee Meeting, in accordance with section 7.1C of the *Local Government Act 1995* which states as follows:

7.1C. Decisions of audit committees

Despite section 5.20, a decision of an audit committee is to be made by a simple majority.

6. Membership

- 6.1 When members of the Audit and Risk Committee are formally appointed (*by absolute majority) by Council at least 3 of the members, and the majority of the members are to be Council Members pursuant to s.7.1A(2) of the *Local Government Act 1995*;
- 6.2 Council is required to review the membership of the Audit and Risk Committee after every ordinary election day in accordance with s.5.11 of the *Local Government Act 1995*;
- 6.3 Election of Presiding Members to Committees is as per section 5.12 of the *Local Government Act 1995* however the Audit and Risk Committee will be led by an independent Chair;

- 6.4 The Presiding Member should have interpersonal and leadership skills to effectively run the committee. An understanding of meeting procedures, financial and other reporting requirements is also important;
- 6.5 When Council reviews the membership of the Committee, they may choose to re-appoint members based on their ability to contribute to the work of the committee. This ensures an appropriate balance between continuity of membership, the contribution of fresh perspectives and a suitable mix of qualifications, knowledge, skills, and experience. However, the total length of time a member can sit on the committee will not exceed 6 years;
- 6.6 Where a person is appointed as a member of a committee the person's membership of the committee continues until:
- (a) the person resigns from membership of the committee; or
 - (b) Council removes the person from the office of committee member, or the office of committee member otherwise becomes vacant; or
 - (c) the committee is disbanded; or
 - (d) the next ordinary elections day,
- whichever happens first.
- 6.7 While the CEO, nor his or her delegate, must not be a member of the Committee, it is important that they attend meetings to provide context on important issues impacting the Shire of Toodyay;
- 6.8 Committee members will collectively have a broad range of skills, knowledge, and experience to competently perform their duties;
- 6.9 At least 1 member of the committee will have accounting or related financial management experience, with an understanding of accounting and auditing requirements in the local government or public sector. To support the skills and experience of committee members, the Administration will implement an induction and training program for new members;
- 6.10 The Presiding Member of the Committee may, through the office of the Chief Executive Officer, invite other Council representatives, the CEO, Shire Officers, an Officer from the Auditor-General's Office, or the Auditor to present information to the meeting or to attend as an observer;
- 6.11 The Audit and Risk Committee will be administratively supported by a Shire Officer appointed by the Chief Executive Officer;
- 6.12 Committee members can request attendance by electronic means pursuant to regulation 14C(2)(b) of the Local Government (Administration) Regulations 1996, when authorised to attend the meeting electronically by the Shire President or by Council; however the Shire President cannot authorise a member to attend a meeting electronically if the member's attendance would result in the member attending more than half of the meetings (including the proposed meeting) of the committee scheduled for the calendar year, pursuant to the provisions of Regulation 14C(3) of the *Local Government (Administration) Regulations 1996*; and

- 6.13 Members must not attend the meeting or the closed part of the meeting unless, before the meeting, or the part of the meeting is closed, the member declares that the member can maintain confidentiality during the meeting or the closed part of the meeting pursuant to regulation 14CA(5) of the *Local Government (Administration) Regulations 1996*.

7. Responsibilities

- 7.1 The Committee is an independent committee whose functions are in accordance with Regulation 16 of the Local Government (Audit) Regulations 1996 which state as follows:

16. *Functions of audit committee*

An audit committee has the following functions —

- (a) *to guide and assist the local government in carrying out —*
 - (i) *its functions under Part 6 of the Act; and*
 - (ii) *its functions relating to other audits and other matters related to financial management;*
- (b) *to guide and assist the local government in carrying out the local government's functions in relation to audits conducted under Part 7 of the Act;*
- (c) *to 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;*
- (d) *to 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);*
- (e) *to 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;*
- (f) *to 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)
regulation 5(2)(c);

Regulations 1996

- (g) *to perform any other function conferred on the audit committee by these regulations or another written law.*

7.2 The Committee assists Council in fulfilling its responsibilities in relation to:

(a) Risk management, fraud and internal control

- i. providing oversight on significant risk exposures and control issues, including fraud risks, corporate governance issues, or other matters as necessary when requested by the Chief Executive Officer or Council;
- ii. review financial policies, governance policies, complaints management, conflict of interest, or public interest disclosure policies and make a recommendation to Council;
- iii. reviewing summary reports from the Chief Executive Officer on communication from external parties including regulators that indicate problems in the internal control system or inappropriate management of risk actions in accordance with Regulation 16 (c) of the *Local Government (Audit) Regulations 1996*;
- iv. annually reviewing the Shire of Toodyay's assurance map to ensure that risk and control activities are coordinated, communicated, and managed effectively;
- v. bi-annually reviewing the Shire of Toodyay's risk management framework and risk register dashboard to ensure that the Shire will achieve its strategic objectives related to governance;
- vi. reviewing the effectiveness of business operations and oversight frameworks, as the third line of defence within the Shire's risk management framework by considering and reviewing reports from the Chief Executive Officer on the appropriateness and effectiveness of the Shire's systems and procedures in relation to risk management, risk profiles, internal control, and legislative compliance. The Audit and Risk Committee will make a recommendation to Council on the results of that review;
- vii. monitoring changes in government strategies, the economic and business environment and other trends and factors related to the Shire's risk profile by meeting periodically with key management, internal auditors, the OAG, and compliance staff, to understand and discuss the impact of these changes or trends on the risk profile;
- viii. reviewing whether Council has an effective Risk Management Framework, and, based on knowledge and understanding of the Shire's risks, that material business risks are appropriately reflected in the risk profile and reported to Council;
- ix. reviewing and assessing the effectiveness of processes for identifying, managing, treating, and mitigating the Shire's risks in accordance with

the Shire's Risk Management Framework and ensuring that remaining risks align with the Shire's risk appetite;

- x. considering the adequacy and effectiveness of internal controls and the risk management framework by:
 - a. Reviewing reports from the Administration, Internal Audit, consultants, regulators, and the OAG and/or auditor.
 - b. ensuring risk registers consider risks that may impact whether the Shire of Toodyay will achieve its strategic objectives.
 - c. reviewing Shire's response to IT risks, including cyber risks.
 - d. monitoring the Administration responses and ensuring timely correction actions are taken by the Administration.
 - e. understanding the process of managing insurable risks and assessing whether the Shire of Toodyay has adequate insurance cover for these risks.
 - f. assessing whether the Administration has controls in place for non-routine types of transactions and/or any potential transactions that might carry an unacceptable degree of risk.
 - g. enquiring with the Administration and the OAG and/or auditor regarding their assessment of the risk of material misstatement in the financial report due to fraud.
 - h. enquiring with the Administration and the OAG and/or auditor about whether they are aware of any actual, suspected, or alleged fraud or corruption affecting the Shire, including any response to the matters.
 - i. reviewing the Shire's processes and systems to detect, capture and respond to fraud risks, including preventative measures.
- i. reviewing the business continuity planning process and be assured that material risks are identified and appropriate business continuity plans, including disaster recovery plans, are in place;
- ii. reviewing summary reports on all suspected, alleged, and actual frauds, thefts, and breaches of or non-compliance with laws, regulations and standards and ensuring these are reported to the Council and/or relevant authorities; and
- iii. reviewing summary reports on communication from external parties including regulators that indicate problems in the internal control systems or inappropriate management actions.

(b) Compliance and ethics

- i. understanding Council's compliance framework including its obligations, the officers responsible for compliance activities and Administration oversight and review of these processes;
- ii. considering the impact of Council's culture on compliance processes;

- iii. aware of the Shire's processes for communication and the Shire's Code of Conduct;
- iv. assessing the effectiveness of, and compliance with, the Shire of Toodyay's Code of Conduct;
- v. obtain updates from the Complaints Officer appointed by Council;
- vi. overseeing compliance by reviewing arrangements that monitor the impact of changes in key laws, regulations, internal policies, and accounting standards affecting Shire of Toodyay operations;
- vii. review the annual Compliance Audit Return in accordance with the *Local Government (Audit) Regulations 1996* and report to the Council the results of that review;
- viii. obtaining updates from the Chief Executive Officer on matters of compliance and ethical matters that may have material impact on the Council's financial statements, strategy, operations, health and safety or reputation; and
- ix. review of the Disclosure of Interests Register and the Delegation and Returns Register.

(c) Financial and performance reporting

- i. reviewing the annual financial statements and provide advice to the Council about whether they should be accepted by Council. This review includes assessing:
 - a. whether the financial statements comply with the *Local Government Act 1995* and the *Local Government (Financial Management) Regulations 1996* and the Australian Accounting Standards;
 - b. whether the financial statements accurately reflects the Shire of Toodyay's financial position and performance, and if not, whether additional disclosures are required;
 - c. the appropriateness of accounting policies and disclosures, including changes to accounting policies;
 - d. areas of significant judgement, estimation and significant or non-routine transactions;
 - e. whether appropriate Administration action has been taken in response to any issues raised by the OAG and/or auditor, including financial statement adjustments or revised disclosures;
 - f. the quality of the Shire of Toodyay's processes for preparing the financial statements, including how Administration has checked that they comply with relevant requirements; and

- g. significant issues, errors or discrepancies in the draft financial statements and ensuring members understand the reasons why these occurred.
- ii. receive and review the report from the Chief Executive Officer in regard to the review of the appropriateness and effectiveness of the Shire's systems and procedures in relation to financial management, internal control, and legislative compliance; and
- iii. determine whether appropriate action has been taken in response to any issues reported by the Chief Executive Officer in terms of the quality of the Shire's processes for preparing financial statements, and how significant issues, errors or discrepancies in the financial statements are communicated to members.

(d) Audit

The Committee will have an opportunity to meet with the OAG's Auditor at least once in every year to be able to discuss the results of financial and performance audits conducted within the Shire of Toodyay, including any difficulties encountered during the conduct of the audit, restrictions on scope of activities or access to information.

Other committee responsibilities may include:

- i. liaising with the CEO to ensure the effective and efficient management of the local government's financial accounting systems and compliance with legislation;
- ii. receiving the Administration's response to OAG and/or Auditor findings and recommendations;
- iii. receiving reports from the OAG and/or Auditor including Auditor's reports, closing reports and Administration letters, and discussing any significant resolved, or unresolved disagreements within the reports provided to the Shire;
- iv. receiving a copy of representation letters signed by the Chief Executive Officer;
- v. reviewing performance audits conducted at the Shire of Toodyay and ensuring that agreed recommendations are implemented;
- vi. reviewing results of relevant OAG and/or auditor's audit reports and better practice publications for guidance on good practices, including any self-assessment by the Administration;
- vii. reviewing the form and content of the Auditor's report on the local government's financial and performance report. This may include any proposed modification, emphasis of matter, key audit matters, other matters, and uncorrected misstatements in other information;
- viii. examine the reports of External Auditors after receiving a report from the Chief Executive Officer on the matters to:

- (a) determine if any matters raised require action to be taken by the Council;
 - (b) review the implementation of any action so determined in respect of those matters; and
 - (c) determine whether appropriate action has been taken in response to any issues raised by the Office of the Auditor General and/or External Auditors, including financial statement adjustments or revised disclosures.
- (e) Other responsibilities
- Perform other activities related to the role of this Charter as requested by the Council.

8. Meetings

- 8.1 The Committee will meet at least 4 times each calendar year. Meeting dates are set by Council; and
- 8.2 A meeting of the Committee may be called at any time in accordance with the *Shire of Toodyay Standing Orders Local Law 2008*.

9. Independence and conflicts of interest

- 9.1 External members should consider past employment, consultancy arrangements and related party issues when making these declarations to the Council. In consultation with the Presiding Member, the Council should be satisfied that there are sufficient processes in place to manage any actual, perceived, or potential conflicts of interest;
- 9.2 At the start of each Committee meeting, members are required to declare any personal interests that may apply to specific matters on the meeting agenda. The Presiding Member, in consultation with the Committee where appropriate, is responsible for deciding if the members should excuse themselves from the meeting or from the committee's consideration of the relevant agenda item(s); and
- 9.3 Details of any personal interests declared by the Presiding Member and other members, and actions taken to manage the conflicts, should be appropriately recorded in the meeting minutes and the Register of Financial Interests in accordance with Section 5.88(2)(b) of the *Local Government Act 1995*.

10. Performance Assessment arrangements

- 10.1 The Presiding Member of the Committee, in consultation with the Council, will review the performance of the Committee annually;
- 10.2 The review is performed with appropriate input from Council, Committee Members, Shire Officers, and other relevant stakeholders;
- 10.3 The Presiding Member will provide advice to the Council on the members' performance, particularly for external members, or members where an extension of tenure is being considered; and
- 10.4 The Committee will always consider the costs and benefits of activities the Committee performs.

11. Reporting

- 11.1 The Committee will, as often as necessary, and at least once a year, report to the Council on its operations and activities during the year and confirm to the Council that all functions outlined in this charter have been satisfactorily addressed; and
- 11.2 The Committee may at any time, report to the Council on any other matters it deems to be sufficiently important. In addition, any individual Committee members may request a meeting with the Council at any time.


12. Review of charter

- 12.1 The Committee will review the charter once every two years following local government ordinary elections or more frequently if required, with appropriate input from Committee Members and Shire Officers, and other relevant stakeholders;
- 12.2 The Shire will ensure that this charter complies with relevant legislative and regulatory requirements and will consider proposed amendments from the Committee when necessary to ensure that it accurately reflects the committee's role and responsibilities; and
- 12.3 Council will review and formally approve this charter.

Approval by Council – Resolution No OCM156/05/24



Signature – Shire President

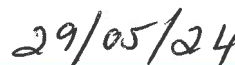


Date

Received by the Audit and Risk Committee:



Signature - Audit & Risk Committee
Presiding Member



Date

Reference Information

- *Committee Book endorsed by Council.*
- *Risk Management Framework endorsed by Council.*

Legislation

- *Local Government Act 1995*
- *Local Government (Audit) Regulations 1996*

Associated documents

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- [Shire of Toodyay Standing Orders](#) (Local Law) 2008(3.4, Part 13, and 17.6);
- [Code of Conduct for Council Members, Committee Members and Candidates](#)
- [Statement of Business Ethics](#)

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