

Audit and Risk Committee Charter

Adopted by Council on 24 Jan 2024

Role

Council has established under section 7.1A of the *Local Government Act 1995*, the Audit and Risk Committee, whose role is prescribed by the *Local Government Act 1995* and *Local Government (Audit) Regulations 1996*.

The Audit and Risk Committee does not have powers or authority to implement actions in areas over which the CEO has legislated responsibility and does not have any delegated financial responsibility.

The Audit and Risk Committee assists the Council in fulfilling its oversight responsibilities in relation to systems of risk management and internal control, the entity'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.

The Audit and Risk Committee will engage with management in a constructive and professional manner to perform its oversight responsibilities. The committee does not have management functions and cannot involve itself in management processes or procedures.

The Chair of the Audit and Risk Committee is responsible to and reports to Council.

Members of the Audit and Risk Committee are expected to:

- understand the legal and regulatory obligations of the Council for governing the local government;
- understand the Shire of Toodyay governance arrangements that support achievement of the Shire of Toodyay strategies and objectives;
- exercise due care, diligence and skill when performing their duties;
- adhere to the entities code of conduct and the code of ethics of any professional body which they are a member of;
- help to set the right tone in the local government by demonstrating behaviours which reflect the local government's desired culture;
- be aware of contemporary and relevant issues impacting the public sector; and
- only use information provided to the audit committee to carry out their responsibilities, unless expressly agreed by the accountable authority.

Authority

The Council authorises the Audit and Risk Committee, in accordance with this Charter, to:

- obtain any information it requires (subject to any legal obligation to protect information) subject to approval by the Council or Chief Executive Officer.

- request the attendance of any official, including the accountable authority, at audit committee meetings
- provide advice and guidance to Council in terms of achieving Council's strategic direction which is illustrated via the adoption of the Shire's Community Strategic Plan and associated Integrated Planning Strategic documents

Note: 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.*

Title of Committee

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

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.

Membership

All members of the Audit and Risk Committee are formally appointed (*by absolute majority) by Council in accordance with s.7.1A of the *Local Government Act 1995*.

The Audit and Risk Committee shall be at least 3 or more persons and the majority of the membership of the Audit and Risk Committee are to be Council Members, in accordance with s.7.1A of the Act.

The Chair should have the right interpersonal and leadership skills to effectively run the committee. An understanding of financial and other reporting requirements is also important.

Council will review the membership of the Audit and Risk Committee after every ordinary election day, in accordance with Section 5.11 of the *Local Government Act 1995*, to ensure that there is an appropriate balance between continuity of membership, the contribution of fresh perspectives and a suitable mix of qualifications, knowledge, skills and experience.

Council may choose to re-appoint members based on their ability to contribute to the work of the committee. However, the total length of time a member can sit on the committee will not exceed 6 years.

Council may remove an Audit and Risk Committee member at any time before their term expires, or a member may resign.

While the CEO, nor his or her delegate, must not be a member of the Audit and Risk Committee, it is important that they attend meetings as an observer to provide context on important issues impacting the entity where useful or necessary, preferably meeting with the committee at least annually.

Audit and Risk Committee members will collectively have a broad range of skills, knowledge and experience to competently perform their duties. 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 public sector. To support the skills and experience of committee members, the committee will implement an induction and training program for new members.

The Chairperson of the Audit and Risk Committee may, through the Chief Executive Officer, invite other Council representatives, the CEO, Shire Officers, or the Auditor to present information to the meeting. An Officer from the Office of the Auditor-General may be invited to attend Audit and Risk Committee meetings as an observer.

The Audit and Risk Committee will be administratively supported by the Chief Executive Officer or his/her delegate.

Responsibilities

The Audit and Risk Committee functions are in accordance with Regulation 16 of the *Local Government (Audit) Regulations 1996*, which states:

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) Regulations 1996 regulation 5(2)(c);*
- (g) *to perform any other function conferred on the audit committee by these regulations or another written law.*

The responsibilities of the Audit and Risk Committee will also be to:

Risk management, fraud and internal control

- providing oversight on significant risk exposures and control issues, including fraud risks, governance issues and other matters as necessary when requested by the Chief Executive Officer or Council;
- reviewing summary reports from Chief Executive Officer on communication from external parties including regulators that indicate problems in the internal control system or inappropriate management actions in accordance with Regulation 16 (c) of the *Local Government (Audit) Regulations 1996*.

Compliance and ethics

The Audit and Risk Committee receives and assesses the effectiveness of reports in relation to the processes to ensure compliance with relevant laws and regulations and for promoting a strong governance culture within the entity. This includes, but is not limited to:

- understanding Council's compliance framework including its obligations, the officers responsible for compliance activities and management oversight and review of these processes;
- considering the impact of Council's culture on compliance processes;
- overseeing compliance by reviewing arrangements that monitor the impact of changes in key laws, regulations, internal policies, and accounting standards affecting the Shire of Toodyay operations;
- Review the annual Compliance Audit Return in accordance with regulation 14(3A) of the *Local Government (Audit) Regulations 1996* and report to the Council the results of that review;
- obtaining updates from 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.

Financial and performance reporting

The Audit and Risk Committee oversees the integrity of financial and performance reporting processes within the entity. The committee's responsibilities include:

- reviewing the annual financial statements and providing advice to the Council about whether they should be accepted by Council.
- reviewing the entity's process to ensure the financial information included in the annual report is consistent with the audited financial statements.

Audit

The Audit and Risk Committee is responsible for communicating and liaising with the Auditor. This includes understanding the results of financial and performance audits conducted within the entity and overseeing whether recommendations are implemented by management. The committee's responsibilities include, but are not limited to:

- reviewing the form and content of the proposed 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.
 - Examine the reports of the Auditor 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; and
 - (b) Oversee the implementation of any action so determined in respect of those matters.

Other responsibilities

Perform other activities related to the role of this Charter as requested by the Council.

Meetings

The Audit and Risk Committee will meet at least 4 times a year. Meeting dates will be set by Council.

A meeting of the Audit and Risk Committee may be called at any time in accordance with the Shire of Toodyay *Standing Orders Local Law 2008* s.17.10. The quorum for an Audit and Risk Committee meeting will be in accordance with s.5.15 and s.5.19 of the *Local Government Act 1995*

The Chief Executive Officer or his/her delegate, will provide administrative support that includes:

- preparing a meeting agenda for each meeting;
- circulating the meeting agenda and supporting papers at least 72 hours before the meeting;
- preparing minutes of the meetings and circulating them no later than seven days after the meeting in accordance with regulation 13 of the *Local Government (Administration) Regulations 1996*; and

- maintaining final meeting papers and minutes in accordance with the recordkeeping requirements of the *State Records Act 2000*.

Independence and conflicts of interest

External members of the Audit and Risk Committee should consider past employment, consultancy arrangements and related party issues when making these declarations to the Council. In consultation with the Chair, the Council should be satisfied that there are sufficient processes in place to manage any actual, perceived or potential conflicts of interest.

At the start of each Audit and Risk Committee meeting, members are required to declare any personal interests that may apply to specific matters on the meeting agenda. The Chair, 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).

Details of any personal interests declared by the Chair and other Audit and Risk Committee 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*.

Review of charter

The Shire will ensure that this charter complies with relevant legislative and regulatory requirements and will propose amendments when necessary to ensure that it accurately reflects the committee's current role and responsibilities.

Council will review this charter once every two years following local government ordinary elections or more frequently if required. The committee will review the charter and any substantive changes to the charter will be recommended by the committee and formally approved by the Council.

Approval by Council – Resolution No SCM010/01/24

Signature – Shire President

Date

Received by the Audit and Risk Committee:

Signature - Audit Committee Chair

Date

Reference Information

- *Committee Book endorsed by Council.*

Legislation

- *Section 5.10 and 5.11 of the Local Government Act 1995;*
- *Section 7.1A of the Local Government Act 1995;*

Associated documents

- 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

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