



Audit and Risk Committee Terms of Reference

Document Control

Effective date	Next review due	Amendment Details	Prepared by	Endorsed by	Approved by
November 2018	November 2020	Expanded description of Committee function, purpose, membership and role of City staff, plus recognition of the new role of the Office of the Auditor General	Manager Governance Services	Chief Audit Executive	Council

1. Committee's authority and purpose

Authority

In accordance with section 7.1A of the *Local Government Act 1995* (**the Act**), the Council of the City of Mandurah (**the City**) has established an Audit and Risk Committee (**the Committee**). The Committee will operate in accordance with all relevant provisions of the Act, the *Local Government (Audit) Regulations 1996* and the *Local Government (Administration) Regulations 1996*.

As prescribed in Section 16 of the *Local Government (Audit) Regulations 1996*, the Committee is to provide guidance and assistance to Council on matters relevant to its terms of reference. This role is designed to facilitate informed decision-making by Council in relation to its legislative functions and duties that have not been delegated to the CEO.

The Committee is a formally appointed committee of the Council and is responsible to the Council. 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.

Purpose

The purpose of the Committee is to:

- Provide advice and assistance to Council as to the carrying out of the function of the City in relation to annual audits of the City's financial statements (**external audit**);
- Monitor and receive reports concerning the development, implementation and on-going management of a City-wide risk management plan, including receiving briefings on significant legal issues;
- Monitor and receive reports concerning the development, implementation and on-going management of the City's internal audit function;
- Receive and review reports from the CEO under regulation 17(3) and report to Council the results of its review.

2. Committee's responsibilities

The Committee is to:

- Meet with the City's external auditor at least once in every year and provide a report to Council on the matter discussed and the outcomes of those discussions;
- Liaise with the CEO to ensure that the City does everything in its power to:
 - Assist the external auditor to conduct the audit and carry out their duties under the Act; and
 - Ensure that external audits are conducted successfully and expeditiously.
- Examine reports of the external auditor after receiving a report from the CEO on the matter, and:
 - Determine if any matter raised requires action to be taken by the City;
 - Ensure that appropriate action is taken in respect of those matters; and
 - Review the report prepared by the CEO in respect of any matters raised in the report of the external auditor and presenting the report to Council for adoption prior to the end of the financial year or six months after the last report prepared by the external auditor is received, whichever is latest.
- Approve the following:
 - Internal Audit Charter;
 - Internal Audit Manual;
 - Appointment of any internal audit service provider;
 - Strategic and Internal Audit Plans; and
 - Recommendations arising from internal audit services.
- Review the level of resources allocated to internal audit and the scope of the functions authority;
- Receive and review reports of internal audits, review the extent to which management reacts to matters raised by those internal audits, and monitor the implementation of action plans developed in response to those matters;
- Review the City's annual compliance audit return and report the results of that review to Council; and
- Receive and review biennial reports from the CEO regarding the appropriateness and effectiveness of the City's risk management, internal controls and legislative compliance.

3. Committee membership

Composition

The Committee shall comprise of up to seven members, consisting of:

- Five elected members; and
- Two external independent members.

Members of the Committee shall be appointed by Council in accordance with section 7.1A of the Act, which states:

- *The members of the audit committee are to be appointed by the local government and at least 3 of the members, and the majority of the members, are to be council members.*
- *A CEO is not to be a member of an audit committee and may not nominate a person to be a member of an audit committee or have a person to represent the CEO as a member of an audit committee.*
- *An employee is not to be a member of an audit committee.*

The Council shall appoint one of the six elected members as Committee Chairperson.

The tenure of members' appointment to the Committee must be compliant with Section 5.11 of the Act, being up to two years terminating on the day of the Ordinary Council elections, at which time all elected members will be eligible for reappointment.

Committee members who are elected members must declare conflict of interest or pecuniary interests in accordance with *Local Government Rules of Conduct Regulations 2007* Section 11 Disclosure of Interest, to the Chief Executive Officer before or at the relevant Committee meeting.

Appointment of external independent persons will be made following a public advertisement. The evaluation of potential members will be reviewed by the CEO and appointments will be approved by Council on the basis of the potential member's experience and qualifications in any or all of the following:

- Internal audit;
- Risk management;
- Financial management/reporting;
- Understanding of complexities associated with the City of Mandurah.

An external independent member will be a person with no operating responsibilities with the City of Mandurah, nor will that person provide paid services to the City either directly or indirectly.

Any instance where an external member has a commercial interest, or is closely associated with an organisation that has an interest in the business of the City which represents a conflict of interest or pecuniary interest, or there is a risk or perception of conflict of interest, should be declared to the Chief Executive Officer before or at the relevant Committee meeting.

Termination of appointment

Council may terminate the appointment of any member prior to the expiry of their term, if:

- The Committee Chairperson considers that the member is not making a positive contribution to the Committee.
- The member is found to be in breach of the City of Mandurah Code of Conduct or a serious contravention of the Act.
- A member's conduct, action or comments bring the City of Mandurah into disrepute.

Committee member entitlements

All Committee members will be:

- Entitled to receive reimbursement of reasonable expenses.
- Provided with appropriate training and professional development to be determined by the Committee and provided that adequate funds are available in the Council budget for this purpose.

4. Role of City staff

The following will be issued with a standing invitation to attend Committee meetings, in order to provide advice and guidance to the Committee:

- Chief Executive Officer and the Executive Leadership Team;
- Chief Audit Executive (or some other person as determined by the CEO to act as the CAE);
- Manager Governance and Tenders or their delegate; and
- Representative of the Office of the Auditor General.

The Internal Auditor or internal audit service provider will be invited to present reports as and when required by the Committee.

Other staff may be invited to attend meetings to discuss specific issues or reviews as and when required.

Such attendees may take part in the discussions and business of the meetings, but have no voting rights.

An Executive Officer, or similar person(s) will be appointed by the Chief Executive Officer to assist the Committee as follows:

- (a) Arranging meetings, preparing agendas, preparing minutes;
- (b) Taking action to implement Committee decisions as guided by the City's Governance section in relation to:
 - Obtaining information for the next or future meeting;
 - Preparing a paper for the next or future meeting;
 - Coordinating relevant staff of the City to provide advice at the next or a future meeting;
 - Preparing correspondence dealing with issues addressed in discussion; or
 - Promulgating decisions e.g. reporting, providing or seeking advice on significant correspondence of all kinds.
- (c) Preparing background notes;
- (d) Providing advice to the Chairperson, committee members and committee users on Committee policy and process matters; and
- (e) Maintaining appropriate committee records in an accessible form.

5. Committee meetings

Quorum

As prescribed by Section 5.19 of the Act, the quorum for Committee meetings shall be at least 50% of the number of appointed Committee members.

In the Chairperson's absence, Committee members who are present will select a Chairperson for that particular meeting.

Frequency

Meetings will be held bi-monthly with additional meetings to be scheduled where necessary to allow the Committee to discharge its functions up to ten times per year.

Agenda

An agenda will be distributed for forward meetings at least five days prior to the meeting, along with the minutes of the previous meeting, action items, reporting registers and other attachments or reports to be addressed.

Public Attendance at Meetings

In accordance with Section 5.23 of the Act, the Council or Committee may close to members of the public the meeting or part of the meeting, if the meeting or the part of the meeting deals with a number of aspects as defined by Section 5.23 of the Act.

Members of the public can attend meetings by invitation only. In all other circumstances the meetings are closed to the public.

Voting

Voting is occur in accordance with Section 5.21 of the Act.

Minutes and matters arising

All meetings shall be minuted by the Committee's Executive Officer, and minutes shall be ratified by the Committee at the next committee meeting.

Reporting

Recommendations of each Committee meeting shall be presented to the next ordinary meeting of the Council.

Confidentiality

All Committee members will be required to adhere to the City's confidentially requirements. In particular, no confidential information received or generated by the Committee will be disclosed to unauthorised persons.

6. Acknowledgement and acceptance

Members of the Audit and Risk Committee understand and agree to this Terms of Reference:

Chairperson	Date	/	/
Name and Title:			

Deputy Chairperson	Date	/	/
Name and Title:			

Member	Date	/	/
Name and Title:			

Member	Date	/	/
Name and Title:			

Member	Date	/	/
Name and Title:			

Member	Date	/	/
Name and Title:			

Member	Date	/	/
Name and Title:			