Audit & Risk Committee Terms of Reference

CITY OF PROSPECT

Audit and Risk Committee
Terms of Reference

Reference Number:	CR25/28308
Type:	Terms of Reference
Responsibility:	Director City Corporate
Lead Reviewer (s):	Manager Corporate Services
Initial Adopted Date:	2006
Last Review Date:	2024
Next Review Date:	2028
Legislation:	*Local Government Act 1999* *Local Government (Financial Management) Regulations 2011* *Local Government (Procedures at Meetings) Regulations 2011*
Related Documents:	Code of Practice – Meeting Procedures Better Practice Model – Internal Financial Controls

1. Establishment and Purpose

1.1 The purpose of the Audit and Risk Committee (the Committee) is to provide independent assurance and advice to Council on accounting, financial management, internal controls, risk management and governance matters.

1.2 The Committee is established in accordance with the requirements of Sections 126 and 41 of the *Local Government Act 1999* (the Act).

2. Functions

2.1 The Act assigns the following functions to Audit and Risk Committees:

a. Review annual financial statements to ensure that they present fairly the state of affairs of the Council.
b. Propose and provide information relevant to, a review of the Council's strategic management plans or annual business plan.
c. Monitor the responsiveness of the Council to recommendations for improvement based on previous audits and risk assessments, including those raised by the Council's auditor.
d. Propose and review the exercise of powers under Section 130A.
e. Liaise with the Council's auditor in accordance with any requirements prescribed by the Regulations.
f. Review the adequacy of the accounting, internal control, reporting and other financial management systems and practices of the Council on a regular basis.

g. If the Council has an internal audit function, provide oversight of planning and scoping of the internal audit work plan and review and comment on reports provided by the person primarily responsible for the internal audit function on at least a quarterly basis.
   If the Council does not have an internal audit function, review and comment on an annual report provided by the chief executive officer in relation to the policies and processes adopted by the Council to evaluate and improve the effectiveness of its internal control practices and procedures.
h. Review and evaluate the effectiveness of policies, systems and procedures established and maintained for the identification, assessment, monitoring, management and review of strategic, financial and operational risks on a regular basis.
i. Review any prudential report obtained by the Council under Section 48(1).
j. Make recommendations to the Council on the appointment of the Auditor pursuant to Section 128 of the Act.
k. Perform any other function referred to it by the Council, another Council Committee or prescribed by the Regulations.

3. Activities

3.1 Consistent with the legislative functions assigned to Audit and Risk Committees, City of Prospect's Committee will undertake the following activities:

3.2 **Financial Reporting**

3.2.1 Monitor the integrity of the financial statements of the Council, reviewing significant financial reporting issues and judgements which they contain.

3.2.2 Review and challenge where necessary:

- The consistency of, and/or any changes to, accounting policies.
- The methods used to account for significant or unusual transactions where different approaches are possible.
- Whether the Council has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor.
- The clarity of disclosure in the Council's financial reports and the context in which statements are made.
- All material information presented with the financial statements.

3.2.3 Provide advice to Council relevant to budget reviews undertaken in accordance with the Act and Regulation 9 of the *Local Government (Financial Management) Regulations 2011*, including in relation to any revisions to the forecast Key Financial Indicators.

3.3 Management Plans and Business Plans

3.3.1 As the time of preparation or scheduled review, provide advice relevant to the scope of the Committees functions on the Council's strategic management plans, which may include:

- Community/Strategic Plan
- Long Term Financial Plan
- Annual Business Plan and Budget
- Infrastructure and Asset Management Plan.

3.4 Internal Controls

3.4.1 Review the adequacy of Council's internal controls framework, processes and systems.

3.5 Risk Management

3.5.1 Review the effectiveness of policies, systems and procedures established and maintained for the identification, assessment, monitoring, management and review of strategic, financial and operational risks on a regular basis.

3.5.2 Monitor responsiveness to recommendations for improvement based on previous audits and risk assessments, including those raised by Council's auditor.

3.6 Internal Audit

3.6.1 Advise the CEO in relation to the appointment of a person, or the assignment of responsibility to an employee of the Council, to be primarily responsible for the internal audit function.

3.6.2 Receive and comment on reports provided by the person primarily responsible for the internal audit function.

3.6.3 Provide oversight of planning and scoping of the Internal Work Plan.

3.6.4 Review internal audit reports on the Council operations.

3.6.5 Review and monitor the organisation's responsiveness to internal audit findings and recommendations.

3.7 **External Audit**

3.7.1 Make recommendations to the Council in relation to the selection, appointment, and removal of the Council's external auditor.

3.7.2 Assess the quality and effectiveness of the external audit conducted and evaluate the performance of the auditor, including:

- Review the scope and terms of the audit and the audit fee, including a review on non-audit services provided by the external auditor.
- Review the audit plan for coverage of material risks and financial reporting requirements.
- Monitor and review the auditors' independence and objectivity.
- Discuss matters relating to the conduct of the audit, including any difficulties encountered, any restrictions on scope of activities or access to information, significant disagreements with management and the adequacy of management response.

3.7.3 Review the findings of the audit with the external auditor, including but not limited to:

- A discussion of any major issues which arose during the external audit.
- Any accounting and audit judgements.
- Levels of errors identified during the external audit.

3.7.4 Review any representation letter requested by the external auditor before they are signed by management.

3.7.5 Review the subsequent audit management letter from the external auditor and management's proposed response, by the Council, to the external auditor's findings and recommendations in that audit management letter.

3.7.6 Meet with the external auditor on at least one occasion each year on a confidential basis, ensuring that a majority of Members of the Committee are present for the meeting and that no Members or employees of the Council are present (other than Council Members who are Members of the Committee).

3.8 **Other Matters**

3.8.1 Review any report obtained by Council under Section 48(1) of the Act in accordance with Council's Prudential Review Policy.

3.8.2 Propose and review the exercise of powers under Section 130A of the Act to examine and report on any matter relating to financial management or the efficiency and economy of resource use to achieve Council objectives not otherwise addressed as part of an annual audit and of such significance to warrant specific consideration.

3.8.3 Make recommendations to Council in relation to development of new and review of existing policies within the scope of the Committee's functions.

4. Membership

4.1 The Committee shall comprise five (5) Members appointed by the Council, with three (3) being Independent Members, and two (2) Council Members, with one (1) of these being the Mayor.

4.1.1 the function of the Council Members is to provide a conduit from the Committee back to the Chamber and provide Council context to discussions, they are appointed by Council to represent the Chamber at Committee meetings.

4.1.2 the function of the Independent Members is to provide expertise and have the applicable qualifications to support this expertise. The recruitment and appointment of Independent Members encompasses consideration of their qualifications to ensure they meet the requirements and are able to provide meaningful advice to the Committee.

4.2 When considered as a whole, the Committee must have skills, knowledge and experience relevant to the functions of the Committee, including in financial management, risk management, governance and any other prescribed matter.

4.3 A Skills Matrix (Appendix 1) will be completed annually by Committee Members.

4.4 The term of appointment for Independent Members will be up to three (3) years and appointment timing will be managed such that it does not align with Council elections, to provide for continuity of Committee membership across terms of Council.

4.5 Independent Committee Members are eligible for re-appointment at the expiration of their term of office to a maximum of six (6) years, without the need to call for Expressions of Interest.

4.6 Independent Members are limited to a maximum of up to three (3) consecutive terms of three (3) years on the Committee.

4.7 In promotion of diversity and equality of opportunity, there must be no more than two people of the same gender appointed as Independent Members.

4.8 The Mayor shall be appointed for the term of Council.

4.9 A Council Member will be appointed for a term of one (1) year.

5. Presiding Member

5.1 The Audit and Risk Committee shall appoint the Presiding Member from amongst the Independent Members, for a term of one (1) year.

5.2 The role of the Presiding Member is to:

5.2.1 Oversee the orderly conduct of meetings in accordance with the Local Government Act, the *Local Government (Procedures at Meetings) Regulations 2013* and other procedures relevant to the Committee.

5.2.2 Ensure that the Guiding Principles at Regulation 4 of the *Local Government (Procedures at Meetings) Regulations 2013* are observed and that all Committee Members have an opportunity to participate in deliberations of the Committee.

5.2.3 Certify, along with the Chief Executive Officer and in accordance with Regulation 22 of the *Local Government (Financial Management) Regulations 2001*, the 'Independence of External Auditor' as part of the end of financial year audit process.

5.3 If the Presiding Member is unavailable to chair the meeting, then a vote is to be held to appoint an Independent Member, by the attending Members, to chair that particular meeting.

6. Meetings

6.1 The Committee will meet at least once in each quarter, with meeting dates and times determined by the Committee. One of the meetings may be a workshop forum to discuss and/or develop the External and Internal audit plans and Audit and Risk Committee Work Plan.

6.2 Meetings will generally be held at Payinthi, 128 Prospect Road, Prospect.

6.3 Notice confirming the venue, time and date, together with an agenda of items to be discussed shall be provided to each Member of the Committee no later than three clear days before the meeting.

6.4 The Presiding Member may allow one or more Members of the Committee to attend Committee meetings via electronic means, in accordance with the *Audit & Risk Committee Electronic Meeting Attendance Guidelines* (Appendix 2).

6.5 Subject to the operation of Section 90 of the Act, and in accordance with the requirements of Section 132 of the Act, the agenda and minutes of the Committee will be published on a website determined by the Chief Executive Officer.

6.6 In accordance with Section 88 of the Act, notice of meetings of the Committee must be displayed at the principal office of the Council and on a website determined by the Chief Executive Officer, and must continue to be published and kept on display until the completion of the relevant meeting.

6.7 The Presiding Member has discretionary power to call a Committee meeting if requested by any Committee Member. The Chairperson must call a Committee meeting at the request of or either the Internal or External Auditors.

6.8 The Chief Executive Officer is authorised to adjourn a scheduled meeting, in circumstances where sufficient apologies have been received to indicate a quorum will not be achieved for the scheduled meeting.

6.9 **Meeting Procedures**

6.9.1 For the purposes of Regulation 5 of the *Local Government (Procedures at Meetings) Regulations 2013*, Council has determined that Part 2—Meetings of Councils and Key Committees apply to the Committee.

6.9.2 Meetings of the Committee will be held in accordance with:

- *Local Government Act 1999*
- *Local Government (Procedures at Meetings) Regulations 2013*
- City of Prospect Code of Practice – Meeting Procedures

6.10 **Voting**

6.10.1 Each Member of the Committee at a meeting will have one vote.

6.10.2 The Presiding Member will have a deliberative vote and does not, in the event of an equality of votes, have a casting vote.

6.11 **Quorum**

6.11.1 A quorum for the Committee will be three (3) Members.

7. Reporting

7.1 Recommendations made by the Committee will be referred to the next Council meeting, through presentation of minutes, for final resolution.

7.2 As required by Section 126(8)(a) of the Act, the Committee will provide a report to the Council after each meeting summarising the work of the Committee during the period preceding the meeting and the outcomes of the meeting.

7.3 As required by Section 126(8)(b) of the Act, the Committee will provide an annual report to the Council on the work of the Committee. The Council must include this report it its Annual Report.

7.4 As required by Section 99(1)(ib) of the Act, the Chief Executive Officer will provide an annual report to the Committee on the Council's internal audit processes.

7.5 As part of the preparation of the annual report, the Committee will evaluate its performance, which may include consideration of these Terms of Reference, to ensure the Committee is operating at maximum effectiveness with recommendations for any changes presented to the Council for consideration.

8. Administrative Support

8.1 The Chief Executive Officer shall provide sufficient administrative resources to the Committee to enable it to adequately carry out its functions.

APPENDIX 1

Audit & Risk Committee – Skills Matrix

The following matrix incorporates the minimum skills, knowledge and experience requirements specified in Section 126 of the *Local Government Act 1999.*

The Skills Matrix should be completed by all Members of the Audit and Risk Committee. For existing Members, it may be appropriate to undertake a self-assessment to determine any skills gaps that may need to be addressed for future Independent Member appointments. For new Independent Members, the Skills Matrix will be completed as part of the appointment process and prior to appointment.

Skills Matrix - Rating Scale					
0	**1**	**2**	**3**	**4**	**5**
No prior experience in the relevant subject area	**Limited exposure to the relevant subject area.** For example, one or more of: - Holding a degree or relevant qualification but no specific role or accountability in the subject area - Familiarity with the field through having a senior role in an organisation but no specific role in this field - Familiarity with the field in management of an entity not specialising in this field	**Some experience in relevant subject area** For example – one or more of: - A relevant qualification and 1-3 years' experience in a role within the subject area - Detailed experience in this field gained through management in an entity not specialising in this field	**Demonstrated experience in the relevant subject area** For example – one or more of: - A relevant qualification and 5+ years' experience in a role within the subject area - Professional Membership in the subject area - Management experience in this field in an entity specialising in this field - Audit and Risk Committee positions held in other entities	**Strong expertise and detailed technical understanding of the subject area** For example – one or more of: - A relevant qualification and 2-5 years' experience in an executive or senior leadership role with direct accountability for this subject area. - Professional Membership in the subject area - 5+ years' experience in an executive or senior leadership role in a professional firm with specialisation in the subject area - Audit and Risk Committee positions held for Councils	**Advanced expertise and sophisticated and strategic understanding in the subject area** For example – one or more of: - A relevant qualification and 5+ years' experience in an executive or senior leadership role with direct accountability for this subject area - Professional Membership in the subject area - 10+ years' experience in an executive or senior leadership role in a professional firm with specialisation in the subject area - 8+ years' experience in Audit and Risk Committee positions held for Councils.

APPENDIX 1

The results assessment table provides a consolidated summary of skills held by all Committee Members. It allows for easy identification of any skills/knowledge/experience gaps to inform future Independent Member appointments.

To populate the results assessment table transfer individual member ratings from the Member Assessment form, using one column for each member.

Skills Matrix – Results Assessment						
Skills	**Member 1**	**Member 2**	**Member 3**	**Member 4**	**Member 5**	**Average**
Financial Management						
Risk Management						
Governance						
Local Government						
Other Relevant Experience/Qualifications						

APPENDIX 2

Audit & Risk Committee
Electronic Meeting Attendance Guidelines

It is acknowledged that meetings held in person support robust discussion, meaningful outcomes and are generally preferable to meetings held with Members attending electronically.

It is also noted that there are circumstances when Committee Members may not be able to attend meetings in person and electronic attendance may be a better alternative than non-attendance.

In accordance with Clause 6.4 of the Audit & Risk Committee Terms of Reference, the Presiding Member of the Committee may allow for one or more Members of the Committee to attend a meeting via electronic means.

This Guideline provides the circumstances under which the Presiding Member may allow for electronic attendance at meetings.

1. Attendance at Audit & Risk Committee Meetings Electronically

1.1 In accordance with Section 90(7a) of the *Local Government Act 1999* a Committee meeting is taken to be conducted in a place open to the public, even if one or more Committee Members attend by electronic means (via video conference or other digital means), provided that members of the public can hear the discussion between all Committee Members.

1.2 Members who wish to participate in a meeting via electronic means must seek the approval of the Presiding Member.

- In the case of the Presiding Member requesting to participate via electronic means, the request shall be addressed by the Mayor.

1.3 A Member participating in a meeting by electronic means will be taken to be present at the meeting, providing that the Member:

a. can hear all other Members present at the meeting
b. can be seen and heard by all other Members present at the meeting
c. can be seen and heard by the person recording the Minutes of the meeting
d. can be seen and heard by members of the public.

2. Request to Attend Meeting by Electronic Means

2.1 Requests to participate in a Committee meeting by electronic means must be made to the Presiding Member, in writing, by 5pm on the business day preceding the day of the meeting.

2.3 In the event the Presiding Member approves a request for a Member to attend a meeting by electronic means, all other Members of the Committee will be informed prior to the meeting commencing.

APPENDIX 2

3. Conditions

3.1 Recognising the value of face-to-face decision making, representation and public access to meetings, attendance by Committee Members by electronic means will only be considered under the following circumstances:

- Travel commitments
- Mandated quarantine restrictions
- Illness or injury that could restrict a Member from physically attending, but not to the extent that the illness or injury could potentially impact the Member's decision making ability and/or effective participation in the meeting
- Other exceptional circumstances as deemed by the Presiding Member.

3.2 Should the Presiding Member deem that a Member's request to attend a meeting by electronic means does not meet the criteria outlined above, the Member should either attend the meeting in person, or provide an Apology.

3.3 Committee Members will not be approved to attend a meeting by electronic means more than two (2) times in a calendar year, except in exceptional circumstances as determined by the Presiding Member.

4. Live Streaming and Recording

4.1 Committee meetings will only be live streamed in the event that all Members are attending via electronic means.

4.2 The live stream will be recorded and available for viewing on Council's YouTube channel.

4.3 If one or more Members attend the meeting in person, at Payinthi, the public gallery will be open to members of the public, fulfilling the obligation to hold the meeting in a place open to the public, meaning the meeting will not be live streamed.