

## Audit and Risk Committee Terms of Reference

### 1. Establishment

- 1.1 Pursuant to section 41 of the *Local Government Act 1999* (the Act) the Council hereby establishes a committee to be known as the Audit and Risk Committee, in order to fulfill the role of an audit committee as required by section 126 of the Act.
- 1.2 The purpose of this Audit and Risk Committee is to provide independent assurance and advice to the council on accounting, risk management and governance matters.

### 2. Membership

- 2.1 The Audit and Risk Committee shall consist of five persons with the majority being Independent Members.
- 2.2 Independent Members of the Audit and Risk Committee must have recent and relevant financial, risk management or internal audit experience and must not be an employee of City of Holdfast Bay.
- 2.3 Members of the Audit and Risk Committee are appointed by Council. Elected Members are appointed for a term agreed by Council, and Independent Members are appointed for a term not exceeding three years. On expiry of their term, a member may be re-appointed by Council.
- 2.4 If Council proposes to remove an Independent Member from the Committee, it must give written notice to the Independent Member of its intention to do so and provide that Independent Member with the opportunity to be heard at an Executive Committee meeting, if that Independent Member so requests.
- 2.5 The Audit and Risk Committee shall recommend, and Council shall appoint, the Presiding Member of the Audit and Risk Committee. The Presiding Member must already be a member of the Audit and Risk Committee. The Mayor may not be appointed to the Role of Presiding Member of the Audit and Risk Committee.

### 3. Method of Appointment of Independent Committee Members

The method of appointment of Independent Committee Members will be as follows:

- 3.1 Council will advertise the vacancy in line with regular policy and procedure.
- 3.2 A selection panel will be convened comprising: two Elected Members appointed to the Committee; the Chief Executive Officer; and General Manager Strategy and Corporate.

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- 3.3 The selection panel will make a recommendation to Council as to the appointment of the independent member for consideration and appointment by the Council.

#### **4. Secretariat and Support**

- 4.1 The Chief Executive Officer shall ensure that the Audit and Risk Committee has access to reasonable administrative resources in order to carry out its duties (subject to any budget allocation being approved by Council).
- 4.2 The Chief Executive Officer shall ensure effective policies, systems and procedures are in place for the identification, assessment, monitoring, management and annual review of strategic, financial and operational risks.
- 4.3 The Audit and Risk Committee shall be provided with appropriate and timely training, both in the form of an induction program for new members and on an ongoing basis for all members.

#### **5. Meetings**

- 5.1 The Audit and Risk Committee shall meet at least four times each year, at least once per quarter, at appropriate times in the budgeting and financial reporting cycle, and otherwise as required. Pursuant to section 90 of the Act, meetings are public (except in special circumstances as defined by the Act) and will be conducted in a place open to the public.
- 5.2 Meetings of the Audit and Risk Committee are governed by the *Local Government (Procedures at Meetings) Regulations 2013*.
- 5.3 Unless required by legislation not to vote, each member must vote on every matter that is before the Audit and Risk Committee for decision.
- 5.4 The Presiding Member has a deliberative vote but not a casting vote in the event of a tie. A tied vote means that the motion is lost.
- 5.5 The quorum necessary for the transaction of business shall be three members. A duly convened meeting of the Audit and Risk Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by it.
- 5.6 The Chief Executive Officer, General Manager, Strategy and Corporate and other officers of Council may attend any meeting as observers or in support of matters being considered by the Audit and Risk Committee.
- 5.7 Council's External Auditor and Internal Auditor may be invited to attend meetings of the Audit and Risk Committee.

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- 5.8 Ordinary meetings of the Audit and Risk Committee will be held at times and places determined by Council or, subject to a decision of Council, the Audit and Risk Committee.
- 5.9 If necessary, Members may participate in the meeting by telephone or other electronic means provided that members of the public can hear the discussion between all members.
- 5.10 A special meeting of the Audit and Risk Committee may be called by the Chief Executive Officer in accordance with section 87(5) of the Act, at the request of the Presiding Member or at least two members of the Audit and Risk Committee.
- 5.11 The agenda and minutes of Audit and Risk Committee meetings, subject to any items that are discussed in confidence under section 90 of the Act and subsequently retained under section 91 of the Act, are also required to be made available to the public.
- 5.12 Notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Audit and Risk Committee, no later than three business days before the date of the meeting. Supporting papers shall be sent to committee members (and to other attendees as appropriate) at the same time.
- 5.13 The Chief Executive Officer shall ensure that the proceedings and resolutions of all meetings of the Audit and Risk Committee are minuted and that the minutes comply with the requirements of the *Local Government (Procedure at Meetings) Regulations 2013*.
- 5.14 Minutes of Audit and Risk Committee meetings shall be circulated within five days after a meeting to all members of the Audit and Risk Committee and to members of the Council and will (as appropriate) be available to the public.

## 6. **Review**

- 6.1 The Audit and Risk Committee shall, at least once per year following the adoption of the audited financial statements by Council, review its own performance, terms of reference and provide a report to Council including any recommended changes.

## 7. **Role of the Committee**

- 7.1 The Audit and Risk Committee has no authority to act independently of Council. The primary role of the Audit and Risk Committee is to provide suggestions and recommendations to Council about matters relating to financial governance.
- 7.2 ***Financial Reporting***

The Audit Committee shall:

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- 7.2.1 pursuant to section 126 of the Act, review Council's annual financial statements to ensure that they present fairly the state of affairs of the Council;
- 7.2.2 monitor the integrity of the financial statements of Council, including its annual report, reviewing significant financial reporting issues and judgements which they contain;
- 7.2.3 review:
  - 7.2.3.1 the consistency of, and/or changes to, accounting policies;
  - 7.2.3.2 the application of accounting standards and appropriate estimates and judgements, taking into account the views of the external auditor;
  - 7.2.3.3 the clarity of disclosure in the Council's financial reports and the context in which statements are made; and
  - 7.2.3.4 all material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management).

### 7.3 ***Strategic Management Plans and Annual Business Plan***

The Audit and Risk Committee shall:

- 7.3.1 pursuant to section 126 of the Act, propose and provide information relevant to a review of Council's strategic management plans or annual business plan; and
- 7.3.2 review and provide recommendations to Council on the sustainability of Council's financial performance and proposals with respect to debt levels included in the strategic management plans and, in particular, the long-term financial plan.
- 7.3.3 provide an annual report to Council, outlining a summary of key advisory content from the previous twelve-month period.

### 7.4 ***Internal Controls and Risk Management Systems***

The Audit and Risk Committee shall:

- 7.4.1 pursuant to section 126 of the Act, review the adequacy of the accounting, internal control, reporting and other financial management systems and practices of the Council on a regular basis;

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- 7.4.2 receive reports on risks rated high and above, pursuant to Council's Risk Management Policy and Procedure;
- 7.4.3 verify annually that risks are controlled within risk appetite and tolerances and propose emerging risks for consideration as relevant;
- 7.4.4 review and assess the effectiveness and maintenance of Council's internal controls and risk management policies, systems and procedures; and
- 7.4.5 review and recommend the approval, where appropriate, of statements to be included in the annual report concerning internal controls and risk management.

7.5 ***Public Interest Disclosures***

The Audit and Risk Committee shall:

- 7.5.1 review the Council's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters; and
- 7.5.2 ensure these arrangements allow independent investigation of such matters and appropriate follow-up action.

7.6 ***Internal Audit***

The Audit and Risk Committee shall, in accordance with Council's Internal Audit Policy and Procedure:

- 7.6.1 endorse the internal audit program;
- 7.6.2 receive and review internal audit reports on a regular basis;
- 7.6.3 review the status of internal audit recommendations;
- 7.6.4 provide advice and recommendations to Council in relation to internal audit program and matters;
- 7.6.5 monitor and review the effectiveness of Council's internal audit function;
- 7.6.6 meet with the Internal Audit Partner at least once a year, without management being present, to discuss any issues arising from the Internal Audits carried out during the year. In addition, the Internal Audit Partner shall be given the right of direct access to the Mayor and the Presiding Member of the Audit and Risk Committee;

- 7.6.7 monitor and review the selection process for the Internal Auditor. Appointment of Internal Auditor is the responsibility of management. If the Internal Auditor resigns, the Audit Committee shall investigate the issues leading to the resignation and decide whether any action is required.

**7.7 External Audit**

The Audit and Risk Committee shall:

- 7.7.1 pursuant to section 126 of the Act, liaise with Council's external auditor;
- 7.7.2 pursuant to section 129 of the Act, receive the external auditor's audit opinion with respect to Council's audited financial statements and the external auditor's report on particular matters arising from the audit;
- 7.7.3 develop and recommend to Council a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter;
- 7.7.4 pursuant to section 128 of the Act, consider and make recommendations to the council, in relation to the appointment, re-appointment and removal of the Council's external auditor;
- 7.7.5 include in the Annual Report, the remuneration payable to external auditor(s) for the annual audit of the Council's financial statements and other remuneration;
- 7.7.6 include in the Annual Report, reference to a person if they ceased to be the auditor of the council during the relevant financial year, other than via expiry of their appointment, including the reason why the appointment came to an end;
- 7.7.7 investigate the issues leading to the resignation of an external auditor and report to Council with any recommendations;
- 7.7.8 oversee Council's relationship with the external auditor including, but not limited to:
- 7.7.8.1 recommending the approval of the external auditor's remuneration, whether fees for audit or non-audit services, and recommending whether the level of fees is appropriate to enable an adequate audit to be conducted;
- 7.7.8.2 recommending the approval of the external auditor's terms of engagement, including any engagement letter issued at the commencement of each audit and the scope of the audit;

- 7.7.8.3 assessing the external auditor's independence and objectivity taking into account relevant professional and regulatory requirements and the extent of Council's relationship with the auditor, including the provision of any non-audit services;
- 7.7.8.4 satisfying itself that there are no relationships that give rise to an actual, perceived or potential conflict of interest in the external auditor carrying out the external audit duties;
- 7.7.8.5 monitoring the external auditor's compliance with legislative requirements on the rotation of audit partners;
- 7.7.8.6 assessing the external auditor's qualifications, expertise and resources and the effectiveness of the audit process (which shall include a report from the external auditor on the Audit Committee's own internal quality control procedures);
- 7.7.9 meet with the external auditor at least once per year, without management being present, to discuss the external auditor's report and any issues arising from the audit and otherwise as need;
- 7.7.10 review and make recommendations on the annual audit plan, and in particular, its consistency with the scope of the external audit engagement;
- 7.7.11 review the findings of the audit with the external auditor including, but not limited to, the following:
  - 7.7.11.1 a discussion of any major issues which arose during the external audit;
  - 7.7.11.2 any accounting and audit judgements; and
  - 7.7.11.3 levels of errors identified during the external audit;
- 7.7.12 review the effectiveness of the external audit;
- 7.7.13 review any representation letter requested by the external auditor before it is signed by administration;
- 7.7.14 review the management letter and administration's response to the external auditor's findings and recommendations; and
- 7.7.15 pursuant to regulation 22 of the *Local Government (Financial Management) Regulations 2011*, consider and authorise the Presiding Member to sign a statement with the Chief Executive Officer on an annual basis certifying that the external auditor is independent of Council.

7.8 ***Economy and Efficiency Audits***

The Audit and Risk Committee shall:

- 7.8.1 propose and review the exercise of powers under section 130A of the Act (relating to economy and efficiency audits); and
- 7.8.2 receive a report prepared by any person appointed by Council pursuant to section 130A of the Act to examine any matter relating to financial management, or the efficiency and economy with which Council manages or uses its resources to achieve its objectives.

7.9 ***Reporting Responsibilities***

- 7.9.1 The Audit and Risk Committee minutes shall be presented to the Council after every meeting to identify and present advice and recommendations.
- 7.9.2 The Chief Executive Officer will identify matters, further to those matters covered elsewhere in these Terms of Reference, to be reported to the Audit and Risk Committee in detail where those matters are considered to be of material affect, have a material impact on the operation of Council as an elected body (e.g. impact on policies relating to Elected Members), or have significant impact on Council's operations.