

Audit and Risk Committee

1. Establishment

In accordance with section 7.1A of the *Local Government Act 1995* (the Act) the Council of the City of Swan (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*.

2. Authority

As prescribed in Regulation 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 Chief Executive Officer (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 legislated responsibility and it does not have any delegated financial responsibility. The Committee does not have management functions and cannot involve itself in management processes or procedures.

3. Membership

3.1 Composition

The Committee will consist of six members, consisting of:

- a) Five Council Members; and
- b) One Independent Member.

The Council can appoint one or more deputies to the Audit and Risk Committee at any time. Members of the Committee shall be appointed by Council in accordance with section 7.1A of the Act, which states:

1. *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.*
2. *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.*
3. *An employee is not to be a member of an audit committee.*

An induction session will be conducted for Members who are appointed to the Committee at the first meeting following the appointment to equip the members to fulfil their duties on the committee.

Committee members must declare conflicts of interest in accordance with regulation 22 of the *Local Government (Model Code of Conduct) Regulations 2021*, in a written notice given to the CEO before the meeting or at the meeting immediately before the matter is discussed.

All members of the Committee are bound by the Code of Conduct for Elected Members, Committee Members and Candidates.

3.2 Presiding Member

The members of the Committee are to elect a presiding member from amongst themselves in accordance with section 5.12 of the Act.

3.3 Independent Member

Appointment of external independent person(s) 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 based on the potential member's experience and qualifications in any or all of the following:

- a) Internal audit;
- b) Risk management;
- c) Financial management/reporting;
- d) Understanding of complexities associated with the City.

An external independent member will be a person with no operating responsibilities with the City, 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 CEO before or at the relevant Committee meeting.

3.4 Tenure

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 members will be eligible for appointment.

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

- a) The Committee Chairperson considers that the member is not making a positive contribution to the Committee.
- b) The member is found to be in breach of the Council's Code of Conduct for Elected Members, Committee Members and Candidates or a serious contravention of the Act.
- c) A member's conduct, action or comments bring the City into disrepute.

3.5 Entitlements

All Committee members will be provided with appropriate training and professional development to be determined by the Committee and provided that adequate funds are available in the City budget for this purpose.

The external independent member will be entitled to a meeting fee at the maximum allowable under Band 1, acknowledging not only the attendance time of the independent member per meeting but also the reading and preparation time for the meeting by the independent member and may also apply for reimbursement of expenses for professional accreditation and travel up to the value of \$2,000.00 per annum.

4. City Staff

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

- a) CEO;
- b) Executive Management Team;
- c) Chief Audit Executive (CAE) (or some other person as determined by the CEO to act as the CAE);
- d) Executive Manager Governance; and
- e) Representatives of the Office of the Auditor General.

Where applicable, a representative of the co-sourcing internal audit service provider or other specialist resource providers may 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.

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

A Minutes Officer will be appointed by the CEO 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:
 - i. Obtaining information for the next or future meetings;
 - ii. Preparing a paper for the next or future meetings;
 - iii. Coordinating relevant staff of the City to provide advice at the next or at a future meeting;
 - iv. 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. Objectives

The role of the Committee is to support Council in fulfilling its governance and oversight responsibilities in relation to financial reporting, internal control structure, risk management systems, audit functions and ethical accountability.

The Committee is to guide and assist the Council to fulfil its responsibilities relating to:

- a) External Audit;
- b) Internal Audit;
- c) Financial Management;
- d) Risk Management;
- e) Internal Controls; and
- f) Compliance and Integrity.

Members of the audit committee are expected to:

- a) understand the legal and regulatory obligations of the accountable authority for governing the City;
- b) understand the City's governance arrangements that support achievement of the City's strategies and objectives;
- c) understand subject matter expert reporting; and
- d) adhere to the City's code of conduct.

6. Functions

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 regulation 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's responsibilities include, but are not limited to:

6.1 External Audit

The Committee is responsible for communicating and liaising with the Office of the Auditor General (OAG). This includes understanding the results of financial and performance audits conducted within the City and overseeing whether recommendations are implemented by management. The Committee will:

- a) meet with the OAG to discuss the audit plan (audit entrance meeting) and the results of the financial audit (audit exit meeting);
- b) review external audit reports and assess whether matters are being managed and rectified in an appropriate and timely manner;
- c) discuss with the OAG any significant resolved or unresolved disagreements with management;
- d) review reports from the OAG including auditor's reports, closing reports, management letters and management response to OAG findings;
- e) review all representation letters signed by management to assess whether the information appears complete and appropriate; and
- f) meet with the OAG at least once per year without the presence of management. At this meeting, the committee will discuss matters relating to the conduct of the audit, including any difficulties encountered, restrictions on scope of activities or access to information, significant disagreements with management and adequacy of management responses.

6.2 Internal Audit

The Committee is responsible for guiding and overseeing the activities, resources and structure of the internal audit function. The Committee will:

- a) review the Internal Audit Charter and where appropriate recommend amendments to the Internal Audit Charter to Council for their approval;
- b) review and approve the internal audit plan and monitor its implementation;
- c) review internal and external (non-financial) audit reports and assess whether matters are being managed and rectified in an appropriate and timely manner;
- d) review performance audits conducted at the City and ensuring that agreed recommendations are implemented; and
- e) meet with the internal auditor / or officer designated as the Chief Audit Executive at least once per year without management presence.

6.3 Financial Management

The Committee oversees the integrity of financial and performance reporting processes within the City. The Committee will:

- a) review the annual financial statements and recommend whether Council should receive the annual financial statements;
- b) review performance audits conducted at the City and ensuring that agreed recommendations are implemented (Financial);
- c) review significant financial and reporting issues, including related party transactions, complex or unusual transactions and significant accounting and financial reporting issues;
- d) consider the appropriateness of the accounting controls, principles and policies adopted and the methods of applying those principles and policies;
- e) review the City's insurances on the adequacy of cover having regard to the city's financial position and the risks that the City has already assumed; and
- f) other matters for noting or reporting to Council.

6.4 Risk Management

The Committee oversees the City's system of risk management. The Committee will:

- a) determine whether the City has in place an effective and appropriate risk management framework, under which all material risks are identified, analysed, managed and reported;
- b) Recommend to Council the acceptance of the levels of risk escalation and reporting within the risk management framework;
- c) Recommend to Council the acceptance of the risk appetite statements developed by the City's Executive Management;
- d) review whether appropriate business continuity planning arrangements are in place; and
- e) review results of relevant OAG audit reports and better practice publications for guidance on good practices, including any self-assessment by management.

6.5 Internal Controls

The Committee oversees the City's system of internal controls. The Committee will monitor and review the effectiveness of the City's systems for internal control, as well as its systems for compliance with laws, standards, legislation and policy, and other requirements.

6.6 Compliance and Integrity

The Committee oversees the City's processes to ensure compliance with relevant laws and regulations and for promoting a strong governance culture within the City. The Committee will:

- a) review whether appropriate fraud control arrangements, processes and systems are in place to detect, capture and effectively respond to fraud-related information;
- b) understand the City's compliance framework including its obligations, the officers responsible for compliance activities and management oversight and review of these processes;
- c) review management's investigation of non-compliance matters and obtaining assurance from management that appropriate follow-up action was taken; and
- d) enquire with management, internal audit and the OAG on their assessment of the compliance culture, the risk of non-compliance, or whether they have any knowledge of any actual, suspected or alleged non-compliance affecting the entity.

7. Meeting Operation

7.1 Quorum

As prescribed in section 5.19 of the Act, the quorum shall be at least 50% of the number of offices of the Committee, which equates to three (3) members.

7.2 Meeting Frequency

The Committee will meet as frequently as required, usually four times a year.

A schedule of meetings will be developed and agreed by the members annually. Additional meetings may be convened as required.

The Committee will have a Meeting Planner to ensure key matters are addressed and the workload is managed.

7.3 Agenda

An agenda will be distributed at least 72 hours prior to the meeting, along with the minutes of the previous meeting, reports and other attachments or information to be addressed.

7.4 Meeting Location and Time

Meetings of the Committee will be held in person, usually at the Council Chambers, but may be convened at another suitable location if required.

7.5 Public Attendance at Meetings

In accordance with Section 5.23 of the Act, the Committee will be closed to members of the public because of the inherent nature of the meeting dealing with a number of aspects as defined by Section 5.23 of the Act

7.6 Voting

Voting is in accordance with Section 5.21 of the Act.

7.7 Agenda and Minutes

Unconfirmed minutes of the meeting will be made available to all Council Members and the Independent Member(s) within seven days.

A public agenda and an abridged set of minutes will be published on the City's website.

7.8 Reporting

There are two types of reports presented to the Committee:

- Reports for information purposes and noting; and
- Reports requiring approval. These reports are then presented to Council for final endorsement upon the Committees recommendation.

The Committee may at any time report to Council on any matters it deems to be sufficiently important.

The Committee will, as often as necessary, and at least once a year, report to Council on its operations and activities during the year and confirm that all functions outlined in this charter have been satisfactorily addressed.

7.9 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 persons not authorised by the Committee to receive such information.

Document control

Document approvals:	
Version #	Council adoption
1.	Ordinary Meeting of Council - 25 February 2004 - Audit Committee Charter adopted
2.	Ordinary Meeting of Council - 28 November 2007 - Audit Committee Charter revised
3.	Ordinary Meeting of Council - 1 July 2009 - Audit Committee Charter and Terms of Reference revised
4.	Ordinary Meeting of Council - 14 August 2013 - Audit Committee Charter and Terms of Reference revised
5.	Ordinary Meeting of Council - 14 December 2016 - Audit Committee Terms of Reference amended
6.	Ordinary Meeting of Council - 5 July 2017 - Audit Committee Terms of Reference reviewed and amended
7.	Ordinary Meeting of Council - 16 January 2019 - Audit Committee Terms of Reference reviewed and amended
8.	Ordinary Meeting of Council - 5 June 2019 - Terms of Reference reviewed and adopted (no amendments made)
9.	Ordinary Meeting of Council – 25 August 2021 - Terms of Reference reviewed and adopted
10.	Special Meeting of Council – 20 October 2021 – Membership updated
11.	Ordinary Meeting of Council – 13 September 2023 – minor amendments
12.	Ordinary Meeting of Council – 09 September 2024 - alignment with Internal Audit Charter
Document responsibilities	

Terms of Reference

Custodian:	Executive Manager Governance	Custodian Unit:	Governance
Document management:			
Risk rating:	Low	Review frequency:	Biennial
Next review:	July 2026	ECM Ref:	
Compliance requirements:			
Legislation:	<i>Local Government Act 1995</i> <i>Local Government (Administration) Regulations 1996</i> City of Swan Meeting Procedures Local Law 2019		
Industry:	Department of Local Government and Communities- Operational Guideline Audit in Local Government: The appointment, function and responsibilities of Audit Committees A Guide to Local Government Auditing Reforms - June 2018 A Guide to Meetings (Department of Local Government, Communities and Cultural Industry publication) Office of the Auditor General WA Public Sector Audit Committees – Better Practice Guide Institute of Internal Auditors - Global Internal Audit Standards 2024		
Organisational:	Nil		
Strategic Community Plan:	Governance G1 Outcome: G1 Aligned leadership and direction Objective G1.1 Provide accountable and transparent leadership G1.2 Engage, communicate and consult with our community stakeholders.		