



## AUDIT, RISK AND IMPROVEMENT COMMITTEE TERMS OF REFERENCE

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### 1. Establishment

In accordance with section 7.1A of the *Local Government Act 1995* (the Act) the Council of the Shire of Derby / West Kimberley (the Shire) has established an Audit, Risk and Improvement 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*.

These terms of reference set out the committee's objectives, authority, composition and tenure, roles and responsibilities, reporting and administrative arrangements.

### 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 Terms of Reference imposes the obligations above on the Committee from the date the Committee commences

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. The Committee does not have decision making authority, the power to bind Council, nor the power to incur expenditure.

All Committee members will be required to adhere to the Shire's confidentiality 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.

### 3. Membership

#### 3.1 Composition

The Committee will consist of five members:

- a. A Presiding Member;
- b. A Deputy Presiding Member; and
- c. Three Council Members.

The Council Members can appoint one or more deputies of the Audit, Risk and Improvement Committee at any time.

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. Any instances where a Committee member has a commercial interest or is closely associated with an organisation that has an interest in the business of the Shire which represents a conflict of interest or pecuniary interest, or there is a risk or perception of conflict of interest, must be declared to the CEO before or at the Committee meeting.

The quorum at any meeting shall be three voting members.

### **3.2 Presiding and Deputy Presiding Member**

Appointment of independent Presiding and Deputy Presiding Member will be made following a public advertisement. The evaluation of potential members will be reviewed by the CEO for recommendation to Council.

Appointments will be approved through absolute majority of Council based on experience and qualifications in any or all the following:

- a) Internal audit;
- b) Risk management;
- c) Financial management/reporting;
- d) Information and Systems Technology;
- e) Audit Committee practices; and
- f) Understanding of complexities associated with regional local government.

Per section 7.1B (3) of the Act, if the office of Presiding Member is vacant; or the Presiding Member is not available or is not able or unwilling to perform the functions of Presiding Member, then the Committee Members present at the meeting must choose the Presiding Member.

### **3.3 Tenure**

The tenure of all 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 positions will become vacant.

The terms and conditions of each independent member's appointment to the Committee are to be set out in a letter of appointment.

## **4. Meetings**

- The committee shall meet every three months or more regularly as required at the discretion of the Presiding Member of the committee, the Shire President or the CEO.
- Members are expected to attend the committee in person, however, electronic attendance is permitted where a member is unable to be present in person. The Presiding Member and CEO must be informed of electronic attendance by a member 24 hours prior to the meeting.
- Elected Members who are not part of the committee are invited to observe meetings, however they are not entitled to participate in the meeting.
- The CEO, Director Corporate Services and relevant staff will attend meetings to provide advice and guidance to the committee, however they are not members of the committee.

- The CEO will invite staff, auditors and other relevant persons to attend meetings as observers and to provide pertinent information, as necessary.
- The Presiding Member will preside at all meetings and in their absence, the Deputy Presiding Member will assume the Presiding Member role for that meeting.
- Each member of the Committee will have one vote. The Presiding Member will have a casting vote and simple majority will prevail. A simple majority is the agreement of not less than half of the members present at the meeting.
- As prescribed in section 5.19 of the Act, the quorum shall be at least 50% of the number of members of the Committee, including at least one of the Presiding Member or Deputy Presiding Member, which equates to three (3) members.
- Meeting agendas will be prepared and will be provided at least three days prior to the meeting.
- Minutes will be taken at each meeting and presented to the next available Council meeting for adoption.

## **5. Role**

The Committee is to undertake the tasks as outlined in the *Local Government (Audit) Regulations 1996*, namely:

1. Guide and assist the local government in carrying out:
  - a. Its functions under Part 6 (Financial management);
  - b. Its functions relating to other audits and matters related to financial management; and
  - c. The local government's functions in relation to audits.
2. Review the Chief Executive Officer's (CEO) Systems & Procedures ("Regulation 17" report) and progress its implementation;
3. Support the auditor to conduct the Shire's audits and the auditor's other functions;
4. Oversee the implementation of any action that the local government is required to take in respect to:
  - a. Examining the audit report received by the local government;
  - b. Determining if any matters raised by the audit report require action to be taken and ensuring that appropriate action is taken in respect of those matters;
  - c. Reviewing what actions, the Shire has stated it has taken or intends to take, in a report prepared to address any matters identified as significant by the auditor in the audit report; and
  - d. Ensuring that a copy of that report is provided to the Minister within three months after the audit report is received by the local government.
5. Review the Compliance Audit Return and report to Council the results of that review; and
6. Advise on how the Shire should proactively consider and deal with risk management.

## **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 duties and responsibilities of the Committee are as follows:

### **5.1 Risk Management**

- Review whether management has in place a current and comprehensive risk management framework and associated procedures for effective identification and management of the Shire's business and financial risks, including fraud.
- Assess whether a sound and effective approach has been followed in managing the Shire's major risks including those associated with individual projects, program implementation, and activities.
- Assess the impact of the Shire's risk management framework on its control environment and insurance arrangements.
- Review the process of developing and implementing the Shire's fraud control arrangements and satisfy itself that the Shire has appropriate processes and systems in place to detect, capture and effectively respond to fraud-related information.
- Review results of relevant OAG audit reports and better practice publications for guidance on good practices, including any self-assessment by management

### **5.2 Business Continuity**

- Assess whether a sound and effective approach has been followed in establishing the Shire's business continuity planning arrangements, including whether business continuity and disaster recovery plans have been periodically updated and tested.

### **5.3 Internal Control**

- Review whether management's approach to maintaining an effective internal control framework is sound and effective.
- Review whether management has in place relevant policies and procedures and that they are periodically reviewed and updated.
- Assess whether the appropriate processes are in place to assess whether key policies and procedures are complied with.
- Review whether appropriate policies and supporting procedures are in place for the management and exercise of delegations.
- Consider how management identifies any required changes to the design or implementation of key internal controls.

### **5.4 Financial Reporting**

- Review the annual financial statements and recommend whether Council should receive the annual financial statements.
- Review performance audits conducted at the Shire and ensuring that agreed recommendations are implemented.
- Review significant financial and reporting issues, including related party transactions, complex or unusual transactions and significant accounting and financial reporting issues.
- Consider the appropriateness of the accounting controls, principles and policies adopted and the methods of applying those principles and policies.
- Other matters for noting or reporting to Council.

## 5.5 Compliance

- Review the processes that track the effectiveness of compliance monitoring systems with legislation and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.
- Keep informed of the findings of any examinations by regulatory agencies and any auditor (internal or external) observations and monitor management's response to those findings.
- Obtain regular updates from management about compliance matters.
- Review the annual Compliance Audit Return and report to the Council the results of the review.

## 5.6 Audit

- Note the auditor's proposed audit scope and approach for financial performance audits.
- Review all audit reports and provide advice to the Council on significant issues identified in audit reports and action to be taken on issues raised, including identification and dissemination of good practice.
- Provide an opportunity for the Committee to meet with the external auditors to discuss any matters that the Committee or the external auditors believe should be discussed privately.
- Annually review the performance of external audit including the level of satisfaction with external audit function.
- Monitor management's implementation of audit recommendations.

## Document Control

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<b>Industry:</b> 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	