

# Augusta Margaret River Audit and Risk Management Committee

23 September 2015

## Instrument of Appointment and Delegation

### 1.0 INTRODUCTION

The Council of the Shire of Augusta Margaret River (hereinafter called the "Council") hereby establishes a committee under the powers given in section 5.8 and section 7.1 A of the *Local Government Act 1995*, and *Local Government (Audit) Regulations 1996*, such committee to be known as the Audit and Risk Management Committee, (hereinafter called the "Committee").

The Council appoints to the Committee those persons whose names appear in Section 4.0 below. Membership of the Committee shall, unless otherwise specified, be for a term ceasing at the date of the Local Government election in the year the Shire's local government elections are held, after which time the Council may appoint members for a further term.

The Committee shall act for and on behalf of Council in accordance with provisions of the *Local Government Act 1995*, and the *Local Government (Audit) Regulations 1996*, local laws and policies of the Shire of Augusta Margaret River and this Instrument.

### 2.0 NAME

The name of the Committee shall be the Audit and Risk Management Committee.

### 3.0 OBJECTIVES OF THE COMMITTEE

1. To provide guidance and assistance to the Council in:
  - a) carrying out its audit functions under Part 7 of the *Local Government Act 1995*;
  - b) the development of a process to be used to select and appoint an auditor;
  - c) determining the scope and content of the external and internal audit and advising on the general financial management of the Shire;
  - d) overseeing the audit process and meeting with the external auditor after each visit to discuss management issues and monitoring administration's actions on, and responses to, any significant matters raised by the auditor;
  - e) evaluating and making recommendations to Council on internal and external audit reports prior to them being presented to Council;
  - f) receiving and verifying the annual Local Government Statutory Compliance Return;
  - g) review reports provided by the CEO on the Shire's systems and procedures in relation to –
    - i. risk management;
    - ii. internal control; and

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iii. legislative compliance  
at least once every 2 years and report to Council the results of that review.  
Ref: s16-17 *Local Government (Audit) Regulations 1996*

2. To advise Council on significant high level strategic risk management issues related to the Shire of Augusta Margaret River.

## 4.0 MEMBERSHIP

The Audit & Risk Management Committee shall consist of all Councillors. Additionally up to two independent consultants with expertise in financial or legal matters will be called upon as required to provide additional independent external advice to the Committee. The external independent persons will have senior business, legal or financial management/reporting knowledge and experience, and be conversant with the financial and other reporting requirements. Appointments of external consultants shall be made by the CEO following a decision of Council and the allocation of sufficient funds to provide consultation fees using relevant professional fee schedules.

No member of staff including the CEO is to be a member of the Committee, but the CEO may participate as Council's principal advisor, unless expressly excluded by resolution of the Committee.

## 5.0 PRESIDING MEMBER

The Committee shall appoint a Presiding Member and Deputy Presiding Member to conduct its business. The Presiding Member shall ensure that minutes of the proceedings are kept and that business is conducted in accordance with the Shire of Augusta Margaret River Standing Orders (Local Law).

The *Local Government Act 1995* places responsibility for speaking on behalf of Council with the President, or the CEO if the President agrees.

The Presiding Member if different from the President is to refrain from speaking publicly on behalf of the committee or Council, or to issue any form of written material purporting to speak on behalf of the committee or Council without the prior approval of the President.

## 6.0 CONDUCT OF MEETINGS

The Committee shall meet at least three times per year. A schedule of meetings will be developed and agreed to by the members. As an indicative guide, meetings would be arranged to coincide with relevant Council reporting deadlines, for example in February to discuss the Statutory Compliance Return, in July to discuss the year's financial performance and to discuss the annual audit program and in November to discuss the Annual Financial Report.

Additional meetings shall be convened at the discretion of the Presiding Member. Any three members of the Committee collectively or the internal or external auditor themselves may request the Presiding Member to convene a meeting.

From a time management point of view, urgent matters which may arise should be referred directly to Council through the bi-monthly meetings or to a Special Council meeting.

6.1 Notice of meetings shall be given to members at least 3 days prior to each meeting.

- 6.2 The Presiding Member shall ensure that detailed minutes of all meetings are kept and shall, not later than 5 days after each meeting, provide Council with a copy of such minutes. Council shall provide secretarial and administrative support to the Committee.
- 6.3 All members of the Committee shall have one vote. If the vote of the members present is equally divided, the person presiding must cast a second vote.
- 6.4 The Chief Executive Officer should attend all meetings, except when the Committee chooses to meet in camera with the exclusion of the CEO.
- 6.5 Representatives of the external auditor should be invited to attend at the discretion of the Committee but must attend meetings either in person or by telephone link up considering the draft annual financial report and results of the external audit.
- 6.6 The internal auditor or representative shall be invited to attend meetings, at the discretion of the Committee, to consider internal audit matters.

## 7.0 QUORUM

Quorum for a meeting shall be at least 50% of the number of members, whether vacant or not. A decision of the Committee does not have effect unless a simple majority has made it.

## 8.0 DELEGATED POWERS

The Committee has no delegated powers under the *Local Government Act 1995* and is to advise and make recommendations to Council only. The Audit and Risk Management Committee is a formally appointed committee of Council and is responsible to that body. The Audit and Risk Management Committee does not have executive powers or authority to implement actions in areas over which management has responsibility and does not have any delegated financial responsibility.

The Audit & Risk Management Committee does not have any management functions and is therefore independent of management.

*The Committee's role is to report to Council and provide appropriate advice and recommendations on matters relevant to its objectives in order to facilitate decision-making by Council in relation to the discharge of its responsibilities.*

The following guidelines are to provide further direction from Council for the operation of the Audit and Risk Management Committee:

### 8.1 The External Audit

The Committee shall develop the process of appointment of the external auditor and recommend a suitable Auditor for appointment by Council. Prior to appointment, discuss the scope of the audit and any additional procedures required from the external auditor.

Invite the external auditor to attend committee meetings to discuss the audit results and consider the implications of the external audit findings. Inquire of the auditor if there have been any significant disagreements with management and whether they have been resolved.

Monitor management responses to the auditor's findings and recommendations. Review the progress by management in implementing audit recommendations and provide assistance on matters of conflict. Provide a report and recommendations to Council on the outcome of the external audit.

## 8.2 Co-ordination of Auditors

Oversee the work of the internal audit function to facilitate co-ordination with the external auditor.

The Audit and Risk Management Committee should meet periodically with the Chief Executive Officer, senior management staff and internal and external auditors to understand the organisation's control environment and processes.

## 8.3 Duties and Responsibilities

The following duties and responsibilities of the Audit and Risk Management Committee will include:

- (i) To review the scope of the internal audit plan and program and the effectiveness of the function. This review should consider whether, over a period of years the internal audit plan systematically addresses:
  - internal controls over significant areas of risk, including non-financial management control systems;
  - internal controls over revenue, expenditure, assets and liability processes;
  - the efficiency, effectiveness and economy of significant Council programs; and
  - compliance with regulations, policies, best practice guidelines, instructions and contractual arrangements.
- (ii) Review the appropriateness of special internal audit assignments undertaken by internal audit at the request of Council or Chief Executive Officer.
- (iii) Review the level of resources allocated to internal audit and the scope of its authority.
- (iv) Review reports of internal audit and the extent to which Council and management react to matters raised by internal audit, by monitoring the implementation of recommendations made by internal audit.
- (v) Facilitate liaison between the internal and external auditor to promote compatibility, to the extent appropriate, between their audit programs.
- (vi) Critically analyse and follow up any internal or external audit report that raises significant issues relating to risk management, internal control, financial reporting and other accountability or governance issues, and any other matters relevant under the Committee's terms of reference. Review management's response to, and actions taken as a result of the issues raised.
- (vii) Monitor the risk exposure of Council by determining if management has appropriate risk management processes and adequate management information systems.
- (viii) Monitor ethical standards and related party transactions by determining whether the systems of control are adequate.
- (ix) Review Council's draft annual financial report, focusing on:
  - accounting policies and practices;
  - changes to accounting policies and practices;
  - the process used in making significant accounting estimates;
  - significant adjustments to the financial report (if any) arising from the audit process;
  - compliance with accounting standards and other reporting requirements;
  - significant variances from prior years.

- (x) Recommend adoption of the annual financial report to Council. Review any significant changes that may arise subsequent to any such recommendation but before the financial report is signed.
- (xi) Discuss with the external auditor the scope of the audit and the planning of the audit.
- (xii) Discuss with the external auditor issues arising from the audit, including any management letter issued by the auditor and the resolution of such matters.
- (xiii) Review tendering arrangements and advise Council.
- (xiv) Review issues relating to national competition policy, financial reporting by Council business units and comparative performance indicators.
- (xv) Identify and refer specific projects or investigations deemed necessary through the Chief Executive Officer, the internal auditor and the Council if appropriate. Oversee any subsequent investigation, including overseeing of the investigation of any suspected cases of fraud within the organisation.
- (xvi) Monitor the progress of any major lawsuits facing the Council.
- (xvii) Address issues brought to the attention of the Committee, including responding to requests from Council for advice that are within the parameters of the Committee's terms of reference.
- (xviii) Report to Council after each meeting, in the form of minutes or otherwise, and as necessary and provide an annual report to Council summarising the activities undertaken during the year.
- (xix) The Audit & Risk Management Committee in conjunction with Council and the Chief Executive Officer, should develop the Committee's performance indicators.
- (xx) The Audit & Risk Management Committee, through the Chief Executive Officer and following authorisation from the Council, and within the scope of its responsibilities, may seek information or obtain expert advice on matters of concern.
- (xxi) Advise Council on significant risk management issues related to the Shire of Augusta Margaret River
- (xxii) Review reports on the appropriateness and effectiveness of the Shire's systems and procedures in relation to –
  - a) risk management;
  - b) internal control; and
  - c) legislative compliance
 and report to Council.

#### 8.4 Reporting Powers

The Audit & Risk Management Committee shall report to Council and provide recommendations on matters pertaining to its terms of reference by assisting elected members in the discharge of their responsibilities for oversight and corporate governance of the local government.

The Audit & Risk Management Committee does not have executive powers or authority to implement actions in areas that management has responsibility. By not having any management functions, the

Audit & Risk Management Committee is therefore independent of the roles of the Chief Executive Officer and senior staff.

The Audit & Risk Management Committee does not have any role pertaining to matters normally addressed by the Local Emergency Management Committee and Council in relation to financial management responsibilities in relation to budgets, financial decisions and expenditure priorities. The Audit & Risk Management Committee is a separate activity and does not have any role in relation to day-to-day financial management issues or any executive role or power.

The Audit & Risk Management Committee shall after every meeting forward the minutes of that meeting to the next Ordinary meeting of the Council, including a report explaining any specific recommendations and key outcomes.

The Committee shall report annually to the Council summarising the activities of the Committee during the previous financial year.

## TERMINATION OF COMMITTEE

Termination of the Committee shall be:

1. in accordance with the *Local Government Act 1995*; or
2. at the direction of the Council.

## AMENDMENT TO THE INSTRUMENT OF APPOINTMENT AND DELEGATION

This document may be altered at any time by the Council.

## COMMITTEE DECISIONS

The Committee recommendations are advisory only and shall not be binding on Council.

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<b>Adopted by Council</b>	<b>Date: 23 September 2015 OM2015/197</b>
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Last reviewed	Date: 23 September 2015
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