



Standing Committee (Audit and Risk)

Item 11.2 refers

Attachment 1

**Terms of Reference –
Standing Committee
(Audit and Risk) - Amended**

TERMS OF REFERENCE
STANDING COMMITTEE (AUDIT AND RISK)

Purpose

To assist the Council to discharge its responsibilities with regard to the exercise of due care and diligence in relation to the reporting of financial information, the application of accounting policies, and the management of the financial affairs of the City in accordance with the provisions of the *Local Government Act 1995* and associated Regulations including an assessment of the management of risk.

The Committee is a formally appointed committee of Council and is responsible to that body. The Committee does not have executive powers or authority to implement actions in areas over which the Chief Executive Officer (CEO) has legislative responsibility and does not have any delegated power from Council. The Committee does not have any management functions and cannot involve itself in management processes or procedures.

The Committee is to report to Council and provide appropriate advice and recommendations on matters relevant to its terms of reference in order to facilitate informed decision making by Council in relation to the legislative functions and duties of the local government that have not been delegated to the CEO.

Objective

The primary objective of the Standing Committee (Audit and Risk) is to accept responsibility for the annual external audit and liaise with the local government's Office of the Auditor General so that Council can be satisfied with the performance of the local government in managing its financial affairs.

Reports from the Committee will assist Council in discharging its legislative responsibilities of governing the local government's affairs, performing the local government's functions, determining the local government's policies and overseeing the allocation of the local government's finances and resources. The Committee will ensure openness in the local government's financial reporting and will liaise with the CEO to ensure that effective management of local government's financial accounting systems and compliance with legislation.

The Committee is to facilitate;

- The enhancement of the credibility and objectivity of internal and external financial reporting;
- Effective management of financial and other risks and the protection of Council assets;
- Compliance with laws and regulations as well as use of best practice guidelines relative to the appropriateness and effectiveness of the City's systems and procedures for risk management, internal control and legislative compliance;
- The coordination of the internal audit function with the external audit; and
- The provision of an effective means of communication between the external auditor, internal auditor, the CEO and the Council.

Duties and Responsibilities

The duties and responsibilities of the Committee members will be to –

1. Internal and External Audit Planning and Reporting

- a. Provide guidance and assistance to Council as to carrying out the functions of the local government in relation to audits;
- b. Meet with the auditor once in each year and provide a report to Council on the matters discussed and outcome of those discussions;
- c. Liaise with the CEO to ensure that the local government does everything in its power to-
 - i. Assist the auditor to conduct the audit and carry out his or her duties under the *Local Government Act 1995*; and
 - ii. Ensure that audits are conducted successfully and expeditiously;
- d. Examine the reports of the auditor after receiving a report from the CEO on the matters and –
 - i. Determine if any matters raised require action to be taken by the local government; and
 - ii. Ensure that appropriate action is taken in respect of those matters;
- e. Review the report prepared by the CEO on any actions taken in respect of any matters raised in the report of the auditor and presenting the report to Council for adoption prior to the end of the next financial year or 6 months after the last report prepared by the auditor is received, whichever is the latest in time;
- f. Review the scope of the audit plan and program and its effectiveness;
- g. Review the appropriateness of special internal audit assignments undertaken by internal audit at the request of the Council or CEO;
- h. Review the level of resources allocated to internal audit and the scope of its authority;
- i. Facilitate liaison between the internal and external auditor to promote compatibility to the extent appropriate, between their audit programs.
- j. Support the auditor as required and have functions to oversee:
 - i. the implementation of audit recommendations made by the auditor, which have been accepted by council; and
 - ii. Accepted recommendations arising from reviews of local government systems and procedures

2. Financial Management

- a. Review reports of internal audits and by monitoring the implementation of recommendations made by the audit and reviewing the extent to which Council and management reacts to matters raised;
- b. Review the local government's draft annual financial report, focusing on –
 - i. Accounting policies and practices;
 - ii. Changes to accounting policies and practices;
 - iii. The process used in making significant accounting estimates;
 - iv. Significant adjustments to the financial report (if any) arising from the audit process;
 - v. Compliance with accounting standards and other reporting requirements; and significant variances from prior years;
- c. Consider and recommend adoption of the annual financial report to Council. Review any significant changes that may arise subsequent to any such recommendation but before the annual financial report is signed;
- d. 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.

3. Legislative Compliance

- a. Seek information or obtain expert advice through the CEO on matters of concern within the scope of the committee's terms of reference following authorisation from the Council.
- b. Review the annual Statutory Compliance Audit Return and make a recommendation on its adoption to Council;
- c. Review and submit to Council reports prepared by the CEO on the results of the review of appropriateness and effectiveness of systems and procedures in relation to:
 - i. Risk management;
 - ii. Internal controls; and
 - iii. Legislative complianceWhich are each subject to review not less than once in every three financial years.

4. Risk Management

- a. At least once every year consider a report in relation to the management of risk within the City of Belmont, and satisfy itself that appropriate controls and processes are in operation, and are adequate for dealing with the risks that impact on the City;
- b. To examine and consider the transfer of risk through an annual review of Council's insurance's;
- c. To address any specific requests referred to it from Council in relation to issues of risk and risk management.

Membership

1. The membership of the Committee shall comprise the Mayor (Ex Officio) and an Elected Member from each of the three wards. The Elected Members being determined by nomination and if necessary a ballot conducted at a Council Meeting following the local government ordinary election;
2. The membership of the Committee shall also comprise of an independent member who is to be appointed for a term of two years to expire immediately prior to the next local government ordinary election. This independent member is not to be a staff member or Elected Member.
3. If a vacancy on the Committee occurs for whatever reason then Council shall appoint a replacement in accordance with the same arrangements as for the original appointment set out in 1 and (if considered appropriate) 2 above.

Staff

The following staff will attend Committee meetings to provide technical support and advice:

- Chief Executive Officer;
- Internal Auditor;
- Director Corporate and Governance;
- Manager Finance, as required;
- Manager Governance, as required;
- Manager Business Planning and Improvement; and
- Additional staff where relevant to the agenda, with Director approval.

Invitees / Attendees

Relevant persons may be invited to attend and address or advise the Committee, within the ambit of its scope and where necessary with the approval of the Director Corporate and Governance and the Presiding Member.

Meetings

The Committee shall have flexibility in relation to when it needs to meet, but as a minimum shall meet twice a year. It is the responsibility of the Presiding Member to call the meetings of the Committee.