



## **Audit, ~~and Risk~~ and Improvement Committee**

### **Terms of Reference**

(LAST UPDATE 28/08/2018)

~~The Council of the City of Kalamunda has resolved to establish an Audit and Risk Committee with responsibility for supporting the City in fulfilling its governance and oversight responsibilities as they relate to financial reporting, internal control structure, risk management systems, internal and external audit functions and ethical accountability.~~

#### **1. Name**

The name of the Committee ~~is shall remain as~~ the Audit, ~~& Risk~~ and Improvement Committee ~~(the Committee).~~

#### **2. Purpose**

~~The Committee is responsible for providing guidance and assistance to Council in relation to the annual external audit and liaises with the external auditor to ensure that Council can be satisfied with the performance of the Administration in managing its financial and governance affairs.~~

~~The Committee will work with the Internal Auditor to ensure that internal audit work complements that of the external auditor and is effective in improving the efficiency of City operations and internal control systems. The review and assessment of risk management and risk management projects is part of the Internal Auditor role and the Committee will review the work of the Internal Auditor. It is noted that internal audit has been outsourced and that the Internal Auditor will present his first report in 2018.~~

~~The Committee will also review the Annual Compliance Audit Return and the CEO's biennial reviews of systems.~~

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

#### **3. Responsibilities Objectives**

##### **3.1 External Audit**

To provide guidance and assistance to the City to carry out its functions under Part 7 of the Local Government Act 1995 (the Act) as well as other functions relating to other audits and matters related to financial management. local government—

- a) Meet with the auditor at least once every year and report to Council on the matters discussed and the outcome of discussions.

- b) Examine and review the reports of the auditor, together with accompanying reports of the Administration to ensure adequate measures have been taken in respect of any matters of concern raised.
- c) Review the draft annual financial report focusing on accounting policies and practices and changes thereto, process used in making significant accounting estimates, adjustments to financial statement arising from the audit process, compliance with Accounting Standards and other legislation, and significant variances when compared to prior year.

- i. ~~To carry out its functions in relation to audits under Part 7 of the Act;~~
- ii. ~~To develop process to be used to select and appoint a person to be an auditor and recommend to Council the person or persons to be appointed as auditor;~~
- iii. ~~To perform its functions under Part 7 of the Act; and~~
- iv. ~~To carry out functions relating to other audits and other matters related to financial management, including particularly a review of the draft Annual Financial Report.~~

### 3.2 Internal Audit

~~To review regular reports and audit plans in accordance with, and in terms of the integrity, adequacy and effectiveness, of such plans.~~

- i. ~~Review of compliance with Council Policies and Practices;~~
- ii. ~~Review of key internal controls within accounting systems;~~
- iii. ~~Review of accounting systems and procedures;~~
- iv. ~~Review the annual statutory Compliance Audit Return;~~
- v. ~~Ensure monthly and annual financial reports to Council complies with legislation and Australian Accounting Standards;~~
- vi. ~~Special reports as required from time to time by the Audit Committee; and~~
- vii. ~~An assessment of risk management practices, policies and procedures used as part of operational planning processes and procedures.~~

Receive and review regular reports from the Chief Executive Officer and / or Internal Auditor on the relevance, appropriateness, integrity and adequacy of the internal audit processes being utilised at the City.

- a) Provide direction on the development of the City's Audit Plan
- b) Review of key internal controls within accounting systems
- c) Review of accounting systems and procedures
- d) Review compliance of Council Policies and Practices with relevant legislation
- e) Review the annual statutory Compliance Audit Return, making recommendation to Council on the completed return.
- f) Review the Chief Executive Officer's biennial review of systems
- g) Review monthly and annual financial reports to Council, ensuring compliance with legislation and Australian Accounting Standards
- h) Special reports as required from time to time by the Committee.

### 3.3 Risk Management

~~To identify and assess risks and manage the mitigation of risk overall:~~

- ~~i. To review and make recommendations to the Council on the City's risk management strategies, policies, systems and practices and the adequacy of same, the management of strategic risk, and identifying as appropriate, specific risks for more detailed review and assessment.~~
- ~~ii. To review the assessment of control activities and business processes, including an assessment of risk and compliance with legislation and accounting policies.~~

~~To identify and assess risks and manage the mitigation of risk overall.~~

- ~~a) Review and assess risk management practices, policies and procedures used as part of operational planning processes, making recommendations to Council on the adequacies of these systems.~~
- ~~b) To review the assessment of control activities and business processes, including an assessment of risk and compliance with legislation and accounting policies.~~
- ~~c) Identify as appropriate, specific risks for more detailed review and assessment.~~

#### 3.4 Performance and Process Improvement

~~To review the performance of the City's business units with regards to:~~

- ~~i. Assessing the effectiveness of the City's business units in achieving its outcomes;~~
- ~~ii. Assessing the efficiency of the City's business units in delivering outcomes~~

~~Review the performance of the City's Business Units and provide direction and input on:~~

- ~~a) Efficiency and effectiveness in achieving outcomes~~
- ~~b) Efficiency and effectiveness in delivering outcomes~~
- ~~c) Identification of business process improvement opportunities.~~

## 4. **Council's Strategic Alignment**

*Kalamunda Advancing - Strategic Community Plan to 2031~~27~~*

Strategy 4.1.1 Provide good governance.

## 5. **Membership**

- ~~a) The Committee shall consist of seven members.~~
- ~~b) The membership of the Committee shall consist of- the Mayor, one~~all~~ Elected ~~Member~~ from each ward and two independent external members.~~
- ~~c) The Committee shall have four deputy members, three of whom will be Elected Members, one will be an independent external member. s- In addition, a suitable qualified external member shall be appointed to the Audit & Risk Committee.~~

All Committee members are required to adhere to the City of Kalamunda Code of Conduct - Elected Members, Committee Members and Candidates.

#### **5.6. Term of Membership**

Members are appointed for two (2) year terms to coincide with the local government election cycle.

#### **6.7. Committee Support Observers**

The CEO, Director of Corporate Services, ~~and~~ Manager Financial & Risk Services and Manager Governance can will attend meetings of the Committee. Other members of staff may attend as required by invitation and may speak at the meeting.

Auditors, external and internal, ~~may~~ be invited by the ~~p~~Presiding ~~m~~Member to the meeting.

#### **7.8. Meetings**

The ~~Audit and Risk~~ Committee shall meet at least once every three months and such additional meetings as determined the chairperson shall decide in order for the Committee to fulfil its duties. Meetings will be open meetings in the context of Section 5.23(1) of the ~~Act Local Government Act 1995~~. Decisions of the Committee are to be made by a simple majority and will be considered by Council at the next Ordinary Council Meeting after the committee meeting. A quorum, as identified in section 5.19 of the Act, is at least 50% of the number of members of the Committee.

#### **8.9. Access**

The ~~Audit~~ Committee shall have access to both the internal and external auditors.

#### **9.10. Powers of the Audit, Risk and Improvement Committee**

The Committee is responsible for the provision of guidance and assistance to Council in relation to the annual external audit, liaises with the external auditor to ensure that Council can be satisfied with the performance of the Administration in managing its financial and governance affairs and for ensuring that the City effectively manages risk. The Committee has no delegated authority.

#### **10. Duties and Responsibilities**

~~The duties and responsibilities of the Committee are outlined within the four primary focus areas:~~

##### ~~11.1 External Audit~~

- ~~a) Develop and recommend to Council an appropriate process for the selection and appointment of the City's auditor and recommend an auditor after the appropriate tender process.~~
- ~~b) Develop and recommend to Council a written agreement for the appointment of an auditor, including objectives, scope, audit planning, remuneration, communication methodology and requirements for evaluation of financial systems.~~
- ~~c) Meet with the auditor at least once every year and report to Council on the matters discussed and the outcome of discussions.~~

- d) — Examine and review the reports of the Auditor, together with accompanying reports of the Chief Executive Officer or Manager Financial & Risk Services to ensure that adequate measures have been taken in respect of any matters of concern raised.
- e) — Review the draft annual financial report focusing on, accounting policies and practices and changes thereto, processes used in making significant accounting estimates, adjustments to financial statements arising from the audit process, compliance with Accounting Standards and other legislation, and significant variances when compared to prior years.

#### 11.2 — Internal Audit

Receive regular reports from the Chief Executive Officer, the Manager Finance and Risk and/or the Internal Auditor on the relevance, appropriateness and adequacy of the internal audit processes being utilised at the City;

- a) — Provide direction with regard to the development of the City's Audit Plan;
- b) — Review of compliance with Council Policies and Practices and with relevant legislation;
- c) — Review of key internal controls within accounting systems;
- d) — Review of accounting systems and procedures;
- e) — Review the annual statutory Compliance Audit Return;
- f) — Review the CEO's biennial review of systems;
- g) — Review the format and content of and of monthly and annual financial reports to Council, ensuring compliance with legislation and Australian Accounting Standards;
- h) — Encourage and require the preparation of special reports as required from time to time by the Audit Committee which may extend to process and performance improvement.; and
- i) — Review and make recommendations to Council on the completed Compliance Audit Return.

#### 11.3 — Risk Management

- a) — Assess risk management practices, policies and procedures used as part of operational planning processes and procedure.
- b) — Ensure that adequate steps are taken to identify, analyse, evaluate and treat or mitigate risks.
- c) — Ensure that the City complies with legislation and accounting principles.

#### 11.4 — Performance and Process Improvement

Provide direction and input into the City's efficiency and effectiveness program focusing on:

- a) — Evaluating business unit effectiveness in achieving outcomes;
- b) — Evaluating business unit efficiency in delivering outcomes.

Identification of business process improvement opportunities.