

NUMBER & SUBJECT:	11.2 - Audit, Risk and Improvement Committee Terms of Reference
FILE REFERENCE:	ASSI35
AUTHOR:	Nicky Barker – Governance Officer
REPORTING OFFICER:	Kim Dolzadelli – Executive Manager Corporate Services
DISCLOSURE OF INTEREST:	Nil
DATE OF REPORT:	4 March 2026
PREVIOUS MEETING REFERENCE:	Nil
ATTACHMENT:	11.2.1 - Audit, Risk and Improvement Committee Terms of Reference 11.2.2 - Delegation to Audit, Risk and Improvement Committee

### BACKGROUND:

The Shire of Nannup's (the Shire) Audit and Risk Advisory Committee (the Committee) is a standing committee of the Council under the *Local Government Act 1995* (the Act). All elected members were appointed to the Committee at the 21 October 2025 Special Council Meeting, for a term ending on the 2027 Local Government election day.

Recent legislative reforms under the *Local Government Amendment Act 2024* have mandated changes to the structure and function of audit committees across Western Australia.

The transition from traditional audit committees to Audit, Risk, and Improvement Committees (ARICs) is part of the *Local Government Regulations Amendment Regulations (No. 4) 2025*, which came into effect on January 1, 2026. This reform aims to strengthen local government practices by ensuring that ARICs have an external independent presiding member and an external independent deputy to the presiding member, enhancing transparency and accountability in financial and risk management.

### COMMENT:

All local governments must transition their existing committees into ARICs by June 2026.

The functions of ARIC include:

- receive and review reports related to local government compliance audits required under the *Local Government Act 1995* and regulations;
- make recommendations to the council on actions to be taken in relation to those reports;
- receive and review reports on the effectiveness of the local government's systems and procedures in relation to financial management, legislative compliance and risk management, and make recommendations to the council on improvements to those systems and procedures;
- receive and review reports on any actions the local government is required to take under the *Local Government Act 1995*, or has decided to take in relation to a compliance audit report or report into the effectiveness of the local government's systems and procedures;
- perform any function conferred on the ARIC prescribed in the regulations or another written law.

In addition, the repealed requirement for the local government CEO to conduct a review of the local government's financial management systems and procedures every 3 years under regulation 5(2)(c) of

the *Local Government (Financial Management) Regulations 1996* (the Financial Management Regulations) is now addressed by amended regulations 16 and 17 of the *Local Government (Audit) Regulations 1996* as part of a broader review of a local government's systems and procedures that must be reported to the ARIC.

Regulation 16 sets out the functions of the ARIC and regulation 17 requires that the CEO –

- (1) *The CEO must review the appropriateness and effectiveness of the local government's systems and procedures in relation to the following matters –*
  - (a) *financial management;*
  - (b) *legislative compliance;*
  - (c) *risk management.*
- (2) *Under sub regulation (1), the CEO may review any or all of the matters referred to in sub regulation (1)(a) to (c) at any time but must review each of those matters not less than once in every 4 financial years.*
- (3) *The CEO must report to the audit, risk and improvement committee the results of each review carried out under sub regulation (1).*

These amendments streamline internal review processes and avoid duplication. As part of the ARIC's role and function, the Committee is required to review the CEO's report of the internal review under regulation 17 and make recommendations to the council on actions that may be required to address any issues identified in the report.

There are no transitional provisions relating to the above amendments and it is therefore suggested that the next Regulation 17 review be conducted 4 years from the last review undertaken by the Council which concluded in March 2023.

#### ARIC's – Open to the Public

The move to ARICs becoming public meetings arises from the recent reform package that shifts the focus to stronger governance and transparency, including improved rules on closing meetings to the public. All ARIC meeting dates must be publicly advertised at the beginning of the annual year along with Ordinary Council meeting dates. Any changes to these dates will require the same advertising process. Meetings may be called as required but must comply with public notice requirements.

The *Local Government Act 1995* and the *Administration Regulations* tightly define when a meeting *may* be closed. These include matters such as:

- Personal information.
- Legal advice.
- Commercial confidentiality.
- Audit matters that involve sensitive vulnerabilities or fraud risk (These categories fall under s.5.23(2) of the LGA 1995).

Despite public meeting requirements, ARIC functions often involve reviewing material that is inherently sensitive, including:

- Preliminary or confidential external audit findings;
- Identified control weaknesses;
- Financial irregularities or potential fraud indicators;
- Cybersecurity and risk vulnerabilities; and
- Legal compliance risks.

These matters fall within the categories that permit a meeting to be closed where disclosure could cause harm or expose vulnerabilities. External auditors are also required to meet formally with the ARIC and therefore, ARIC can move into closed session for the portion of the meeting involving sensitive audit matters.

When confidential matters must be discussed, ARIC must pass a formal resolution to close the meeting, state the specific statutory ground under s.5.23(2), and record the reason and time of closure and reopening in the minutes.

### Membership

The Committee membership must include -

- Mandatory External Independent Presiding Member (Presiding Member) and Deputy to the Presiding Member (Deputy) whose function is only to attend a meeting when the Presiding Member is unavailable.
- At least three Elected Members (number determined by Council).
- Independent external member(s) with skills in audit, finance, governance or risk (optional).
- The CEO and other local government employees cannot be members of the ARIC.

Committee Members including the Presiding Member and Deputy will serve a term of two (2) years which ends at the next ordinary election day, in accordance with the *Local Government Act 1995*.

Under Part 2, Regulation 4 of the *Local Government (Administration) Regulations 1996*, members may resign from the ARIC by giving the CEO or the ARIC's Presiding Member written notice of their intent to resign.

### Independent Presiding Member and Deputy

As stated above, the Shire must appoint (mandatory) –

- An independent presiding member (s.7.1A(3) of the Act) – appointed first as a committee member under s.5.10(1) and then appointed as the Presiding Member under s.5.12(1).
- An independent deputy of the presiding member (s.7.1B of the Act) – this appointment is a deputy committee member, specific to the office of presiding member in accordance with the Act (s.5.11A). The deputy of the presiding member only attends a committee meeting if the presiding member is unable to attend (s.5.11A(3)).

The following order of precedence will apply to presiding at an ARIC meeting:

- If the presiding member cannot attend a committee meeting, the deputy presides at the meeting.
- If the presiding member and the deputy cannot attend the meeting, then the committee members present at the meeting must choose one of themselves to preside at the meeting in accordance with s5.14. of the Act.

### Expressions of Interest (EOI) Process and Criteria

The role description for a Presiding Member and Deputy is to support the ARIC to fulfil its statutory functions, including –

- Reviewing compliance audits, financial reports, and risk management systems.
- Assessing the effectiveness of internal controls and continuous improvement processes.
- Providing objective advice to Council.
- Preparing for and attending a minimum of four ARIC meetings per year.
- The Deputy acts in the Presiding Member's role when the Presiding Member is unavailable.

Council is therefore requested to authorise the CEO to undertake an EOI process to recruit an independent presiding member and deputy based on the following criteria which would support the required role description:

#### *Mandatory*

- Australian Citizen or Permanent Resident.
- Not be a current elected member or employee of any WA Local Government.
- Qualifications and/or senior experience in financial management, audit, governance, risk, fraud, cyber security or internal controls.
- Not subject to bankruptcy or serious offences as defined by the *Local Government Act 1995*.

#### *Desirable*

- Experience presiding over or contributing to formal committee meetings.
- Knowledge of the *Local Government Act 1995* and associated regulations.
- Experience within or working alongside government institutions.
- Strong communication, facilitation, and leadership capability.
- Demonstrated commitment to integrity, accountability, and continuous improvement.

#### Meeting Fees

The Salaries and Allowances Tribunal has issued a determination variation to reflect the recent proclamation of sections of the *Local Government Amendment Act 2024* and the issuing of Local Government Audit Regulations with respect to ARICs.

*“Part 6.4 of the Determination states –*

*6.4 A Meeting attendance fees for Independent Audit, Risk and Improvement Committee members – per meeting.*

*(1) In accordance with section 5.100(2)(b) of the LG Act, the fee payable by a local government or regional local government council to an Independent Audit, Risk and Improvement Committee (ARIC) Member (whether Presiding Member, Deputy Presiding Member, Deputy Member or Member) for attendance at an ARIC meeting must be set within the range provided in table 8A.*

*(2) The fees provided in table 8A are exclusive of superannuation. Local government bodies should seek their own professional advice in regard to whether or not independent committee members are to be paid superannuation. The range in table 8A is provided to enable local governments to appropriately compensate independent ARIC members depending on the skills and expertise required to undertake the roles.*

*(3) The local government must resolve that the fee represents value for money. The State Government's Audit and Financial Advisory Services Common Use Agreement (CUAFA2024) may be used as guide.*

*Fees – Bands 1 – 4 - Min \$105 and max \$1,215*

*(4) In accordance with sections 5.100(4), (5) and (6) of the LG Act, an independent ARIC member can be reimbursed for attending ARIC meetings. The extent to which an independent committee member can be reimbursed for expenses attending ARIC meetings is the actual travel and associated costs incurred by the independent member demonstrated to the satisfaction of the local government.”*

It is recommended that Council resolve to remunerate the Presiding Member and Deputy at \$200 each and acknowledge that a reimbursement of travel and other expenses may be required in accordance with the Tribunal’s determination.

#### **STATUTORY ENVIRONMENT:**

*Local Government Act 1995 (WA) – Part 7, Division 1A;  
Local Government Amendment Act 2024;  
Local Government (Audit) Regulations 1996.*

#### **POLICY IMPLICATIONS:**

Nil.

#### **FINANCIAL IMPLICATIONS:**

Provision will need to be made in the Budget to accommodate the Independent Members sitting fees and reimbursement of costs.

#### **RISK MANAGEMENT MATRIX:**

The Shire, through its adopted Risk Management Framework, has identified a number of risk areas that need to be assessed and where necessary treated, like, but not limited to:

Audit risks	Financial and credit risks
Operational risks	Technological and IT risks
Compliance and regulatory risks	Environmental risks
Legal risks	Strategic risks
Political risks	Sustainability and security risks

Officers have undertaken a Risk Assessment which is shown below:

Risk	Likelihood	Consequence	Risk Rating	Risk Description	Mitigation/Controls
Failure to comply with regulations exposes an Organisation to long term governance risks and consequences if not mitigated.	Possible (3)	Moderate (3)	Medium	Compliance and regulatory risks	Manage by adopting the recommendations to reduce organisational risk and improve oversight.

**STRATEGIC IMPLICATIONS:***6.4 We Are One*

We will strive to make decisions and deliver outcomes that are in the best interest of the majority of the community.

**VOTING REQUIREMENTS:**

Absolute Majority.

**OFFICER RECOMMENDATION:**

That Council: -

1. ESTABLISH BY ABSOLUTE MAJORITY an Audit, Risk and Improvement Committee in accordance with section 7.1A of the *Local Government Act 1995*, effective from 1 July 2026;
2. APPOINT BY ABSOLUTE MAJORITY all elected members to the Audit, Risk and Improvement Committee effective from 1 July 2026;
3. ADOPTS the Terms of Reference for the Audit, Risk and Improvement Committee as attached which will be effective from 1 July 2026;
4. APPROVES the Expression of Interest process and criteria to recruit an External Independent Presiding Member and External Independent Deputy to the Presiding Member as detailed in the body of this report;
5. AUTHORISES the Chief Executive Officer to proceed with an EOI process and engagement of suitable candidates and NOTES that a separate report will be provided to Council to formally appoint the successful individuals as a committee member under s.5.10(1) and then appoint them as Presiding Member and Deputy to the Presiding Member under s.5.12(1).
6. DETERMINE that the Independent Presiding Member and the Deputy to the Independent Presiding Member will each be paid a sitting fee of \$200.00 per meeting and acknowledge that reimbursement of travel and other expenses may be required.
7. DELEGATES BY ABSOLUTE MAJORITY to the Audit, Risk and Improvement Committee the authority to meet with the Shire's Auditor as detailed in the Instrument of Delegation shown in the attachment.

**COUNCIL RESOLUTION 260326.4****MOVED: CR HANSEN****SECONDED: CR SLY****That Council: -**

1. **ESTABLISH BY ABSOLUTE MAJORITY an Audit, Risk and Improvement Committee in accordance with section 7.1A of the Local Government Act 1995, effective from 1 July 2026;**
2. **APPOINT BY ABSOLUTE MAJORITY all elected members to the Audit, Risk and Improvement Committee effective from 1 July 2026;**
3. **ADOPTS the Terms of Reference for the Audit, Risk and Improvement Committee as attached which will be effective from 1 July 2026;**
4. **APPROVES the Expression of Interest process and criteria to recruit an External Independent Presiding Member and External Independent Deputy to the Presiding Member as detailed in the body of this report;**
5. **AUTHORISES the Chief Executive Officer to proceed with an EOI process and engagement of suitable candidates and NOTES that a separate report will be provided to Council to formally appoint the successful individuals as a committee member under s.5.10(1) and then appoint them as Presiding Member and Deputy to the Presiding Member under s.5.12(1).**
6. **DETERMINE that the Independent Presiding Member and the Deputy to the Independent Presiding Member will each be paid a sitting fee of \$200.00 per meeting and acknowledge that reimbursement of travel and other expenses may be required.**
7. **DELEGATES BY ABSOLUTE MAJORITY to the Audit, Risk and Improvement Committee the authority to meet with the Shire's Auditor as detailed in the Instrument of Delegation shown in the attachment.**

**CARRIED****TOTAL VOTES FOR: 7****Cr Dean, Cr Hansen, Cr Curtis, Cr Fraser, Cr Brown, Cr Sly, Cr Tang****TOTAL VOTES AGAINST: 0**