

Attachment 11.2.1

Shire of Nannup Audit and Risk Committee Terms of Reference

Establishment

The Audit and Risk Committee is established by the Shire of Nannup under Part the *Local Government Act 1995* (the Act) to fulfill the functions of Part 6 (Financial Management) and Part 7 (Audit) of the Act.

Objective

The objective of the Audit and Risk Committee is to oversee the annual internal audit program, liaise with the Shire's internal and external auditors so that Council can be satisfied with the performance of the Shire in managing its financial and compliance obligations and advising on risks to local government operations.

Areas of responsibility

Regulation 16 of the *Local Government (Audit) Regulations 1996* provides that an Audit Committee has the following functions:

1. Guide and assist the local government in carrying out —
 - (i) its functions under Part 6 of the Act; and
 - (ii) its functions relating to other audits and other matters related to financial management.
2. Guide and assist the local government in carrying out the local government's functions in relation to audits conducted under Part 7 of the Act.
3. Review a report given to it by the Chief Executive Officer (CEO) under regulation 17(3) (the CEO's report) and is to —
 - (i) report to the council the results of that review; and
 - (ii) give a copy of the CEO's report to the council.
4. Monitor and advise the CEO when the CEO is carrying out functions in relation to a review under —
 - (i) regulation 17(1); and
 - (ii) the *Local Government (Financial Management) Regulations 1996* regulation 5(2)(c).
5. Support the auditor of the local government to conduct an audit and carry out the auditor's other duties under the Act in respect of the local government.
6. Oversee the implementation of any action that the local government —
 - (i) is required to take by section 7.12A(3); and
 - (ii) has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a); and

- (iii) has accepted should be taken following receipt of a report of a review conducted under regulation 17(1); and
 - (iv) has accepted should be taken following receipt of a report of a review conducted under the *Local Government (Financial Management) Regulations 1996* regulation 5(2)(c).
7. Perform any other function conferred on the audit committee by these regulations or another written law.

In addition to the legislative functions of an Audit Committee, the Audit and Risk Committee is to:

1. Review audit reports and monitor the implementation of their recommendations.
2. Meet at least once with the Shire's external auditors to review their activities.
3. Monitor a risk identification program and recommend strategies to Council to address risk.
4. Receive and consider reports from officers relating to significant strategic risks.
5. Assist the CEO to carry out reviews under Section 17 of the *Local Government (Audit) Regulations 1996* of systems and procedures concerning risk management, internal control, and legislative compliance.
6. Consider specific risks identified in the Shire's risk matrix.

Delegated Powers

1. The Committee is a formally appointed committee of Council.
2. The Committee is delegated the powers to conduct the formal meeting with the Shire's external Auditor required by section 7.12(A)(2) on behalf of the local government Act 1995.
3. In all other matters, Committee recommendations are not binding on Council and must be endorsed by Council to take effect.
4. The Committee does not have executive powers or authority to implement actions in areas over which the CEO has legislative authority and does not have delegated financial authority.
5. The Committee does not have any management functions and cannot involve itself in management processes and procedures.

Membership

6. All (7) Elected Members of Council.
7. One (1) representative of the community with local government experience and/or formal auditing, accounting, or company director experience (External Independent Committee Member).
8. The CEO. Executive Manager Corporate Services and other Shire employees are not members of the committee.

9. The Executive Manager Corporate Services is to attend all meetings to provide advice and guidance to the committee and is responsible for executive support to the Committee.
10. The CEO will attend meetings as required in an advisory capacity as and when required.

Presiding Member

The Shire President will be the Presiding Member. In the absence of the Shire President, the Deputy Shire President will act as the Presiding Member.

Quorum

The Quorum for a meeting will be at least 50% of the number of offices of membership, whether vacant or not.

Meetings

The Committee meets at least two (2) times per year. Special meetings can be initiated by the CEO or the Presiding Member.

Reporting

Recommendations from this Committee will be referred to Council for consideration.

Term of Appointment

Appointment to the Audit and Risk Committee for Councillors is for the Councillors term of office.

The External Independent Committee Member will be appointed in line with the local government elections for a maximum term of two years.

External Independent Committee Members

1. Appointment of the External Independent Committee Member will be made by Council after consideration of the CEO's recommendation. Applications for External Independent Committee Members will be sought through an open and transparent process. The evaluation of potential members will be reviewed by the CEO and appointments will be approved by Council.
2. The External Independent Committee Member will be selected based on the following criteria:
 - Demonstrated high level of expertise and knowledge in financial management, reporting, risk management, governance, and audit (internal and external).
 - Understanding of the duties and responsibilities of the position.
 - Strong communication skills and experience in providing independent expert advice.

- Appreciation of the Shire's values, core activities and capacity to appreciate what the community needs from the Shire.
3. The External Independent Committee Member will be a person with no responsibilities with the Shire, nor will that person provide any services to the Shire, either directly or indirectly.
 4. Council will appoint the preferred applicant at a Special Council Meeting to be held following the local government elections.
 5. The External Independent Committee Member must agree to abide by the Shire's Code of Conduct and Shire of Nannup Council Standing Orders Local Law and must sign and comply with a confidentiality agreement requiring the member not to disclose any information specified in the agreement.
 6. The External Independent Committee Member will be required to complete an induction and any internal and external training programs deemed necessary by the Committee. This includes meeting with relevant internal officers and access to relevant documentation.
 7. The External Independent Committee Member has full voting rights at Committee meetings.
 8. The External Independent Committee Member will be paid a nominal fee per meeting attendance and for attendance at Shire required training or meetings with staff in accordance with s5.100 of the Act.
 9. Membership of the Committee will, unless determined otherwise, cease on the day of the next ordinary election.
 10. The Shire reserves the right to terminate the appointment of the External Independent Committee Member prior to the end of appointment, in the event that there is a breach of confidentiality, an ongoing conflict of interest, a non-disclosure of a conflict of interest, a breach of the Shire's Code of Conduct or performance not meeting expectations.