

### 1. Establishment

In accordance with section 7.1A of the *Local Government Act 1995* (the Act) the Council has established an Audit Committee (the Committee).

The Committee will operate in accordance with all relevant provisions of the Act and relevant subsidiary legislation.

### 2. Authority

The Committee is a committee established by Council and is responsible to that body.

At least annually the Audit Committee will meet with the City's auditors.

The audit committee members may meet with the City's auditors (external or internal) confidentially; however members do not have any management functions and cannot become involved in management processes or procedures.

The role of audit committee is prescribed by the *Act and Local Government (Audit) Regulations 1996*. The committee does not have powers or authority to implement actions in areas over which the CEO has legislated responsibility and they do not have any delegated responsibility. The committee does not have management functions and cannot involve itself in management processes or procedures.

### 3. Membership

#### 3.1 Composition

The Committee will consist of six members; five Council Members and one Independent Member. Two Council Members will be elected as deputies.

Members and deputy members of the Committee are to be appointed in accordance with sections 5.10 and 5.11A of the Act.

The appointment of the Independent Member will be in accordance with the Guideline - Appointment of Independent Audit Committee Member.

The CEO or their nominee is to attend all meetings to provide advice and guidance to the Committee. Other officers will also attend where necessary. The CEO and officers are not members of the Committee.

#### 3.2 Presiding Member

The members of the Committee are to elect a presiding member from amongst themselves in accordance with section 5.12 of the Act.

#### 3.3 Tenure

Tenure of membership of the Committee will be in accordance with section 5.11 of the Act.

## 4. Objectives

The role of the audit committee is to support Council in fulfilling its governance and oversight responsibilities in relation to financial reporting, internal control structure, risk management systems, internal and external audit functions and ethical accountability.

The Committee is to guide and assist the Council to fulfil its responsibilities relating to:

- i. External Audit;
- ii. Internal Audit;
- iii. Financial Management;
- iv. Risk Management;
- v. Internal Controls; and
- vi. Compliance and Integrity

Members of the audit committee are expected to:

- i. understand the legal and regulatory obligations of the accountable authority for governing the City;
- ii. understand the City's governance arrangements that support achievement of the City's strategies and objectives;
- iii. understand subject matter expert reporting; and
- iv. adhere to the City's code of conduct.

## 5. Functions

The Committee will operate in accordance with all relevant provisions of the Act, the *Local Government (Audit) Regulations 1996* and the *Local Government (Administration) Regulations 1996*.

As prescribed in section 16 of the *Local Government (Audit) Regulations 1996*, the Committee is to provide guidance and assistance to Council on matters relevant to its terms of reference. This role is designed to facilitate informed decision-making by Council in relation to its legislative functions and duties that have not been delegated to the CEO.

The Committee's responsibilities include, but are not limited to:

### 5.1 External Audit

The audit committee is responsible for communicating and liaising with the Office of the Auditor General (OAG). This includes understanding the results of financial and performance audits conducted within the entity and overseeing whether recommendations are implemented by management. The Audit Committee will:

- i. meet with the OAG to discuss the audit plan (audit entrance meeting) and the results of the financial audit (audit exit meeting);

- ii. review external audit reports and assess whether matters are being managed and rectified in an appropriate and timely manner;
- iii. discuss with the OAG any significant resolved or unresolved disagreements with management;
- iv. review reports from the OAG including auditor's reports, closing reports, management letters and management response to OAG findings;
- v. review all representation letters signed by management to assess whether the information appears complete and appropriate; and
- vi. meet with the OAG at least once per year without management presence. At this meeting, the committee will discuss matters relating to the conduct of the audit, including any difficulties encountered, restrictions on scope of activities or access to information, significant disagreements with management and adequacy of management responses.

## 5.2 Internal Audit

The audit committee is responsible for guiding and overseeing the activities, resources and structure of the internal audit function. The Audit Committee will:

- i. review the Internal Audit Charter and where appropriate recommend amendments to Council;
- ii. review and approve the internal audit plan and monitor its implementation;
- iii. review internal and external (non-financial) audit reports and assess whether matters are being managed and rectified in an appropriate and timely manner;
- iv. review performance audits conducted at the City and ensuring that agreed recommendations are implemented; and
- v. meet with the internal auditor at least once per year without management presence.

## 5.3 Financial Management

The audit committee oversees the integrity of financial and performance reporting processes within the City. The Audit Committee will:

- i. review the annual financial statements and recommend whether Council should receive reports;
- ii. review performance audits conducted at the City and ensuring that agreed recommendations are implemented (Financial);
- iii. review significant financial and reporting issues, including related party transactions, complex or unusual transactions and significant accounting and financial reporting issues;
- iv. consider the appropriateness of the accounting principles and policies adopted and the methods of applying those principles and policies;
- v. review the City's insurances on the adequacy of cover; and
- vi. other matters for noting or reporting to Council.

## 5.4 Risk Management

The audit committee oversees the entity's system of risk management. The Audit Committee will:

- i. determine whether the City has in place an effective and appropriate risk management framework, under which all significant or material risks are identified, analysed, managed and reported;
- ii. review whether appropriate business continuity planning arrangements are in place; and

- iii. review results of relevant OAG audit reports and better practice publications for guidance on good practices, including any self-assessment by management.

## 5.5 Internal Controls

The audit committee oversees the entity's system of internal controls. The Audit Committee will:

- i. review whether appropriate fraud control arrangements processes and systems are in place to detect, capture and effectively respond to fraud-related information; and
- ii. monitor and review the effectiveness of the City's systems for internal control, as well as its systems for compliance with laws, standards, legislation and policy, and other requirements.

## 5.6 Compliance and Integrity

The audit committee oversees the City's processes to ensure compliance with relevant laws and regulations and for promoting a strong governance culture within the City. The Audit Committee will:

- i. understand the City's compliance framework including its obligations, the officers responsible for compliance activities and management oversight and review of these processes;
- ii. review management's investigation of non-compliance matters and obtaining assurance from management that appropriate follow-up action was taken; and
- iii. enquire with management, internal audit and the OAG on their assessment of the compliance culture, the risk of non-compliance, or whether they have any knowledge of any actual, suspected or alleged non-compliance affecting the entity. The role of the audit committee is to support Council in fulfilling its governance and oversight responsibilities in relation to financial reporting, internal control structure, risk management systems, internal and external audit functions and ethical accountability

## 6. Functions

### Quorum

As prescribed in section 5.19 of the Act, the quorum shall be at least 50% of the number of offices of the Committee, which equates to three (3) members.

### Meeting Frequency

The Committee will meet as frequently as required, usually four times a year.

A schedule of meetings and work program will be developed and agreed to by the members annually. Additional meetings may be convened as required.

### Meeting Location and Time

Meetings of the Committee will be held in the Council Chambers, Midland Town Hall.

Meetings will generally commence at 5pm.

### Role of City staff

The following staff will be issued with a standing invitation to attend Committee meetings, in order to provide advice and guidance to the Committee:

# Terms of Reference - Audit Committee

- Chief Executive Officer;
- Executive Directors;
- Manager Governance;
- Manager Financial Services and Rates; and
- Risk and Assurance Officer.

The External Auditor (OAG), Internal Auditor or internal audit service provider will be invited to present reports as and when required by the Committee.

Other staff may be invited to attend meetings to discuss specific issues or reviews as and when required.

Such attendees may take part in the discussions and business of the meetings, but have no voting rights.

A Minute Officer will be appointed by the Chief Executive Officer to assist the Committee.

## Agenda and Minutes

The agenda for the Committee will be distributed to all members and deputy members of the Committee on the Friday prior to the meeting (in most instances).

Unconfirmed minutes of the meeting will be made available to all Council Members and the Independent Members within seven days.

A public agenda and an abridged set of minutes will be published on the City's website.

## Reporting

There are two types of reports presented to the Audit Committee:

- Reports for information purposes and noting; and
- Reports requiring approval. These reports are then presented to Council for final endorsement upon the Committees recommendation.

The audit committee may at any time, report to Council on any matters it deems to be sufficiently important.

The audit committee will, as often as necessary, and at least once a year, report to Council on its operations and activities during the year and confirm that all functions outlined in this charter have been satisfactorily addressed.

## Confidentiality

The committee shall provide reports and advise of their confidentiality in accordance with section 5.23 of the Act.

The meeting is not open to the public.

# Terms of Reference - Audit Committee



## Induction

Following each local government election, where new members are appointed to the Committee, at the first meeting following the appointment, an induction session will be conducted to relevantly equip the members of their duties on the committee.

## Document control

Document approvals:	
Version #	Council adoption
1.	Ordinary Meeting of Council - 25 February 2004 - Audit Committee Charter adopted
2.	Ordinary Meeting of Council - 28 November 2007 - Audit Committee Charter revised
3.	Ordinary Meeting of Council - 1 July 2009 - Audit Committee Charter and Terms of Reference revised
4.	Ordinary Meeting of Council - 14 August 2013 - Audit Committee Charter and Terms of Reference revised
5.	Ordinary Meeting of Council - 14 December 2016 - Audit Committee Terms of Reference amended
6.	Ordinary Meeting of Council - 5 July 2017 - Audit Committee Terms of Reference reviewed and amended
7.	Ordinary Meeting of Council - 16 January 2019 - Audit Committee Terms of Reference reviewed and amended
8.	Ordinary Meeting of Council - 5 June 2019 - Terms of Reference reviewed and adopted (no amendments made)
9.	Ordinary Meeting of Council – 25 August 2021 - Terms of Reference reviewed and adopted
10	Special Meeting of Council – 20 October 2021 – Membership updated
11.	Ordinary Meeting of Council – 13 September 2023 – minor amendments

Document responsibilities	
<b>Custodian:</b>	Manager Legal & Governance
<b>Custodian Unit:</b>	Governance
Document management:	
<b>Risk rating:</b>	Low
<b>Review frequency:</b>	Biennial
<b>Next review:</b>	July 2025
<b>ECM Ref:</b>	
Compliance requirements:	
<b>Legislation:</b>	<i>Local Government Act 1995</i> <i>Local Government (Administration) Regulations 1996</i> City of Swan Meeting Procedures Local Law 2019
<b>Industry:</b>	Department of Local Government and Communities- Operational Guideline Audit in Local Government: The appointment, function and responsibilities of Audit Committees A Guide to Local Government Auditing Reforms - June 2018 A Guide to Meetings (Department of Local Government, Communities and Cultural Industry publication) Office of the Auditor General WA Public Sector Audit Committees – Better Practice Guide
<b>Organisational:</b>	Nil

# Terms of Reference - Audit Committee



**Strategic Community Plan:** Governance

G1 Outcome:

G1 Aligned leadership and direction Objective

G1.1 Provide accountable and transparent leadership

G1.2 Engage, communicate and consult with our community stakeholders.

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