

<p style="text-align: center;">TERMS OF REFERENCE</p> <p style="text-align: center;">SHIRE OF NORTHAM AUDIT & RISK MANAGEMENT COMMITTEE</p>

1. Objectives of Audit & Risk Management Committee

The primary objective of the Audit and Risk Management Committee is to accept responsibility for the annual external audit and liaise with the local government's auditor so that Council can be satisfied with the performance of the local government in managing its financial affairs. The Committee will also oversee critical areas including risk management & internal audit.

Reports from the committee will assist Council in discharging its legislative responsibilities of controlling the local government's affairs, 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 the effective and efficient 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 external & internal financial reporting;
- compliance with laws and regulations as well as use of best practise guidelines relative to auditing;
 - the coordination of the internal audit
 - function with the external audit
- effective oversight of financial and other risks and the protection of Council assets
- the provision of an effective means of communication between the external auditor, the CEO and the Council.

2. Powers of the Audit & Risk Management Committee

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 CEO has legislative responsibility and does not have any delegated financial responsibility. 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 term 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.

3. Membership

The committee shall consist of four elected members. All members shall have full voting rights.

The CEO and employees are not members of the committee.

The CEO and or their nominee is to attend all meetings to provide advice and guidance to the committee.

The local government shall provide secretarial and administrative support to the committee.

4. Quorum

The quorum at any meeting shall be half plus one of the number of offices. Therefore the number for a Quorum shall be 3 voting members.

5. Meetings

The committee shall meet at least four times annually.

Additional meetings shall be convened at the discretion of the presiding person.

6. Reporting

Reports and recommendations of each committee meeting shall be presented to the next ordinary meeting of the Council.

7. Duties and Responsibilities

The duties and responsibilities of the committee will be -

- a) Provide guidance and assistance to Council as to the carrying out the functions of the local government in relation to audits.
- b) Develop and recommend to Council –
 - a list of those matters to be audited; and
 - the scope to be undertaken.
 - Recommend to Council the person or persons to be appointed for internal audits.
 - Develop and recommend to Council a written agreement for the appointment of the auditor. The agreement is to include –

- the objectives of the audit;
 - the scope of the audit;
 - a plan of the audit;
 - details of the remuneration and expenses to be paid to the auditor; and
 - the method to be used by the local government to communicate with, and supply information to, the auditor.
- c) Meet with the auditor once in each year.
- d) Liaise with the CEO to ensure that the local government does everything in its power to –
- assist the auditor to conduct the audit and carry out his or her other duties under the Local Government Act 1995; and
 - ensure that audits are conducted successfully and expeditiously.
- e) Examine the reports of the auditor after receiving a report from the CEO on the matters and –
- determine if any matters raised require action to be taken by the local government; and
 - ensure that appropriate action is taken in respect of those matters.
- f) 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.
- g) Review the scope of the audit plan and program and its effectiveness.
- h) Address issues brought to the attention of the committee that are within the parameters of the committee's terms of reference.
- i) 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.
- j) Review the appropriateness of special internal audit assignments undertaken by internal audit at the request of Council or CEO

- k) Review reports of internal audits, monitor the implementation of recommendations made by the audit and review the extent to which Council and management reacts to matters raised;
- l) Facilitate liaison between the internal and external auditor to promote compatibility, to the extent appropriate, between their audit programs
- m) Review the local government's draft annual financial report, focusing on –
 - accounting policies and practices;
 - changes to accounting policies and practices;
 - the process used in making significant accounting estimates;
 - significant adjustments to the financial report (if any) arising from the audit process;
 - compliance with accounting standards and other reporting requirements; and
 - significant variances from prior years;
- n) 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;
- o) 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;
- p) 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;
- q) Oversee the effective management of risk within the Shire of Northam, including review of risk management policies & procedures, reviewing outstanding risk mitigation actions and periodically reviewing the Shire of Northam risk register.
- r) Review the annual Compliance Audit Return and report to the council the results of that review, and
- s) Consider the CEO's biennial reviews of the appropriateness and effectiveness of the local government's systems and procedures in regard to risk management, internal control and legislative compliance, required to be provided to the committee, and report to the council the results of those reviews.