



## TERMS OF REFERENCE

### 1. OBJECTIVES

The primary objectives of the Audit Committee ("Committee") are to:

- Accept responsibility for the annual external audit; and
- Liaise with the local government's internal and external auditors so that Council can be satisfied with the performance of the local government in managing its affairs.

Reports from the Committee will assist Council in discharging its legislative responsibility 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 the local government's financial accounting systems and compliance with legislation.

The committee is to facilitate:

- The enhancement of the credibility and objectivity of internal and external financial reporting;
- Effective management of financial and other risks and the protection of Council assets;
- Compliance with laws and regulations as well as use of best practice guidelines relative to audit, risk management, internal control and legislative compliance;
- The coordination of the internal audit function with the external audit; and
- The provision of an effective means of communication between the external auditor, internal auditor, the CEO and the Council.

### 2. POWERS

- The committee is to report to Council and provide appropriate advice and recommendations on matters relevant to its terms of reference. This is 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.
- The committee is a formally appointed committee of the Council and is responsible to the Council.
- 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.

### 3. MEMBERSHIP

- The committee shall comprise 6 members, consisting of :
  - Up to two external independent members; and
  - Council Members from the City of Vincent.
- External independent Members will be selected based on the following criteria:
  - A demonstrated high level of expertise and knowledge in financial management, reporting, governance and audit;
  - Relevant skills and experience in providing independent expert advice; and
  - They must be a resident or property owner within the City of Vincent.

- An external independent member will be a person with no operating responsibilities with the City of Vincent, nor will that person provide paid services to the City either directly or indirectly.
- Appointments of external independent persons will be made following a public advertisement. The evaluation of potential members will be reviewed by the CEO and appointments will be approved by Council.
- Council may terminate the appointment any member prior to the expiry of his/her term, if:
  - The Chairperson considers that the member is not making a positive contribution to the committee; or
  - The member is found to be in breach of the City of Vincent Code of Conduct or a serious contravention of the *Local Government Act 1995*; or
  - A member's conduct, action or comments brings the City of Vincent into disrepute.
- The CEO or his/her nominee is to attend all meetings to provide advice and guidance to the committee, however the CEO and employees are not members of the committee
- The City shall provide secretarial and administrative support to the committee.
- Membership shall be for a period of up to 2 years terminating on the day of the Ordinary Council elections.
- Members will be eligible for reappointment. Members will be entitled to receive reimbursement of reasonable expenses.
- Members will be provided with appropriate training and professional development to be determined by the committee and provided that adequate funds are available in the Council budget for this purpose.

#### 4. CHAIRPERSON

- The position of Chairperson shall be appointed by a vote of the committee following a call for nominations for the position;
- The Chairperson shall be appointed for a period of not more than 12 months, after which a new process of appointment shall occur;
- A Chairperson may be reappointed; and
- The Chairperson shall not be the Mayor.

#### 5. MEETINGS

- The committee shall meet every two months and more regularly as required at the discretion of the Chairperson.

#### 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:

- provide guidance and assistance to Council as to the carrying out of the functions of the local government in relation to audits.
- ~~develop and recommend to Council an appropriate process for the selection and appointment of a person as the local government's auditor.~~
- ~~develop and recommend to Council:~~
  - ~~a list of those matters to be audited; and~~
  - ~~the scope of the audit to be undertaken.~~
- ~~recommend to Council the person or persons to be appointed as auditor.~~
- ~~develop and recommend to Council a written agreement for the appointment of the external 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.~~
- meet with the auditor at least once in each year and report to Council on the matters discussed and outcome of those discussions.
- ~~liaise with the CEO to ensure that the local government does everything in its power to:~~
  - ~~assistsupport~~ the auditor to conduct the audit and carry out his or her other duties under the *Local Government Act 1995*; and
  - ~~ensure thatfacilitate~~ audits ~~are-being~~ conducted successfully and expeditiously.
- 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.
- 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 six months after the last report prepared by the auditor is received, whichever is the latest in time.
- ~~review monitor and advise the CEO on~~ the scope of the internal audit plan and program and its effectiveness.
- review the appropriateness of special internal audit assignments undertaken by internal audit at the request of Council or CEO.
- review the level of resources allocated to internal audit and the scope of its authority.
- 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.
- facilitate liaison between the internal and external auditor to promote compatibility, to the extent appropriate, between their audit programs.
- 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.
- 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.
- 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.
- 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.
- review the annual Compliance Audit Return and report to the Council the results of that review.
- ~~consider the CEO's biennial reviews of the appropriateness and effectiveness of the local governments systems and procedures in regard to risk management, internal control and legislative compliance; required to be provided to the committee, and to report to the Council the results of those reviews.~~
- to monitor and advise the CEO when the CEO is carrying out functions in relation to a review under *Local Government (Audit) Regulations 1996* regulation 17(1) and the *Local Government (Financial Management) Regulations 1996* regulation 5(2)(c);
- oversee the implementation of any action arising from an audit that the City is required to take; or has stated it has taken or intends to take; or has accepted should be taken.

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## 8. DELEGATED AUTHORITY

In accordance with Section 7.1B of the *Local Government Act 1995*, the only powers and duties that can be delegated to a committee are any of the powers and duties of the local government under Part 7 of the Act; that is, those relating to audit. The Committee cannot on-delegate the powers and duties delegated to it.