



## **Audit, Risk and Improvement Committee Terms of Reference**

### **1. Establishment**

An amendment to the *Local Government Act 1995* (the Act) in 2005 introduced a requirement that all local governments establish an audit committee.

Pursuant to section 7.1A of the *Local Government Act 1995*, Council established on 21 November 2005 an Audit Committee. Given its expanded scope, Council on 19 April 2010 considered that the Committee be renamed the Audit and Organisational Risk Committee.

The *Local Government Amendment Act 2024* (the Amendment Act) amends the *Local Government Act 1995* (the Act) to change the name and purpose and representation on audit committees to have an improved focus as 'audit, risk and improvement committees' (the Committee) that will be independently chaired.

### **2. Objective**

The objective of the Committee is to provide independent assurance to the City by monitoring, reviewing and providing advice about the Council's governance processes, compliance, risk management and control frameworks, external accountability obligations and overall performance.

### **3. Independence**

The Committee is to be independent to ensure it has no real or perceived bias or conflicts of interest that may interfere with its ability to act independently and to provide Council with robust, objective and unbiased advice and assurance.

The Committee is to have an advisory and assurance role only and is to exercise no administrative functions, delegated financial responsibilities or any management functions of the Council. The Committee will provide independent advice to the Council that is informed by through internal audit and risk management activities, information and advice provided by staff, relevant external bodies and subject matter experts.

The Committee must always ensure it maintains a direct reporting line to and from the Council's internal audit function and act as a mechanism for internal audit to report to the governing body and the Chief Executive Officer on matters affecting the performance of the internal audit function.

### **4. Composition**

#### **4.1 Independent Members**

In accordance with 7.1A(2) of the *Local Government Act 1995* members of the Audit, Risk and Improvement Committee will be appointed by an absolute majority decision of the Council. The appointment of an external members shall be made by the Council, by way of a public advertisement and be for a term of two years, to a maximum of three terms. The external member will have no association with the City of Karratha either as an Elected Member, an officer or

a closely associated person. The external member shall be paid in accordance with s.5.1 of the *Local Government Act 1995* and as determined by the Salary and Allowance Tribunal.

#### 4.2 Voting Members

Membership shall comprise a minimum of three (3) Council Members appointed by the Council following each local government ordinary election. Each member shall have full voting rights.

#### 4.3 Proxy Members: Nil

The Audit Committee shall have a minimum membership of three (3) elected members. If the Committee is to have a larger membership, then the majority of members must be members of Council – Section 7.1A(2) of the *Local Government Act 1995*.

#### 4.4 Ex-Officio Participants

The following City officers shall be support to this Committee. Officers are not members of this Committee and do not carry any voting entitlements in terms of decision making.

- Chief Executive Officer
- Director Corporate Services
- Manager Governance
- Chief Financial Officer

Other staff may be co-opted onto the Committee from time to time as appropriate to facilitate discussions on agenda related matters.

#### 4.5 Attendance at Meetings

Attendance at Committee meetings must align with provisions of the *Local Government Act 1995* and the *Local Government (Administration) Regulations 1996* as it relates to remote and online attendance and participation at meetings each year.

### 5. Functions

The role of the Committee is to review and provide independent advice to the Council regarding the following aspects of the Council's operations:

- governance and compliance with laws and regulations
- effective risk management (including fraud control)
- internal and external audits
- information and communications technology governance
- financial management
- implementation of the Council Plan, delivery program and strategies
- service reviews, and
- collection of performance measurement data by the Council.

The Committee must also provide information to the Council for the purpose of improving Council's performance of its functions. The Committee's specific audit, risk and improvement responsibilities are outlined in Schedule 1. The Committee will act as a forum for the Council's internal audit function and oversee its planning, monitoring and reporting to ensure it operates effectively.

The Committee will have no power of direction over external audit or the manner in which the external audit is planned or undertaken but will act as a forum for the consideration of external audit findings. The Committee is directly responsible and accountable to Council for the exercise of its responsibilities. In carrying out its responsibilities, the Committee must at all times recognise that responsibility for management rests with the Council. The responsibilities of the Committee may be revised or expanded in consultation with, or as requested by, the Council from time to time.

**6. Powers of the Audit 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.

**7. Conduct**

All Committee members are required to comply with the Council's [Code of Conduct for Council Members, Committee Members and Candidates](#) and be held to the same ethical, behavioural and conduct standards as officials of the Council. Committee members must sign an acknowledgement of the code of conduct before commencement of their roles and must confirm acknowledgement if the code changes.

**8. Conflicts of interest**

Committee members and observers must declare any pecuniary or non-pecuniary conflicts of interest they may have in a matter being considered at the meeting at the start of each meeting or as soon as they become aware of the conflict of interest. Where a Committee member or observer declares a pecuniary or a significant non-pecuniary conflict of interest, they must remove themselves from Committee deliberations on the issue. Details of conflicts of interest declared at meetings must be appropriately minuted.

**9. Quorum**

A quorum is constituted to be not less than fifty percent of the total number of members of the Committee and further, there must be more elected members than independent members.

**10. Place and Duration of Meeting**

A minimum of four (4) meetings are to be held each financial year and will be conducted at the City Council Chambers in Welcome Road, Karratha unless as otherwise agreed. Meetings will have a duration that generally does not exceed two (2) hours.

**11. Public Attendance at Meetings**

In accordance with Section 5.23 of the Act, meetings of the Committee will be open to members of the public. However due to the inherent nature of the meeting dealing with several aspects as defined by Section 5.23 of the Act, the Committee will consider closing the meeting to the public at the commencement of the meeting.

**12. Reporting**

Agenda are to be prepared and circulated to Members 10 days prior to the scheduled meeting. Minutes from the meeting shall be presented to the next

ordinary meeting of Council where the Minutes and recommendations will be considered where delegated authority has not been provided.

The Committee is to report to Council and provide appropriate advice and recommendations on matters relevant to its term 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.

In the absence of the independent Chairperson and Deputy Chairperson, the Committee may nominate an Elected Member to be the spokesperson to Council on behalf of the Committee.

Minutes shall also be re-presented to the next meeting of the Committee for endorsement.

**13. Delegated Authority**

There are no delegations provided to this Committee.

**14. Liabilities of Members**

No civil liability attaches to a member of this Committee for an honest act or omission in the exercise, performance or discharge, or purported exercise, performance or discharge, of the members' or committee's powers, functions or duties.

**15. Amendments to Terms of Reference**

These Terms of Reference can only be amended by resolution of Council on the basis of a report directly to Council.

Original Date of Establishment	21 November 2005
Amendment #1	22 October 2007
Amendment #2	19 October 2009
Amendment #3	19 April 2010
Amendment #4	16 May 2011
Amendment #5	20 February 2012
Amendment #6 (Resolution No 152639)	28 October 2013
Amendment #7 (Resolution No 154031)	19 March 2018
Amendment #8 (Resolution No 154539)	16 March 2020
Amendment #9 (Resolution No 154969)	28 March 2022
Amendment #10 (Resolution No. OCM251215-09)	15 December 2025

## **Schedule 1 – Audit, risk and improvement committee responsibilities**

### **Audit**

#### **Internal audit**

- Provide overall strategic oversight of internal audit activities;
- Act as a forum for communication between the Council, Chief Executive Officer, senior management, on the internal audit function;
- Coordinate, as far as is practicable, the work programs of internal audit and other assurance and review functions;
- Review and advise the Council:
  - on whether the Council is providing the resources necessary to successfully deliver the internal audit function,
  - if the Council is complying with internal audit requirements,
  - if the Council's internal audit charter is appropriate and whether the internal audit policies and procedures and audit/risk methodologies used by the Council are suitable,
  - on the strategic four-year work plan and annual work plan of internal audits to be undertaken by the Council's internal audit function,
  - if the Council's internal audit activities and the internal audit function are effective,
  - of the findings and recommendations of internal audits conducted, and corrective actions needed to address issues raised,
  - of the implementation by the Council of these corrective actions,
  - on the appointment of the head of the internal audit function and external providers, and
  - if the internal audit function is structured appropriately and has sufficient skills and expertise to meet its responsibilities.
- Meet with appointed internal auditors, as required, to discuss the results of internal audit engagements.

#### **External audit**

- Meet with the Office of the Auditor General (OAG) annually to discuss the annual audit plan (audit entrance meeting) and the results of the financial audit (audit exit meeting);
- Act as a forum for communication between the governing body, Chief Executive Officer, senior management, on the external audit function;
- Provide input and feedback on the financial statement and performance audit coverage proposed by external audit and provide feedback on the audit services provided;
- Review all external plans and reports in respect of planned or completed audits and monitor Council's implementation of audit recommendations;
- Provide advice to the Council and/or Chief Executive Officer on action taken on significant issues raised in relevant external audit reports and better practice guides; and
- Ensure that a report on any significant issues is prepared for Council and reported appropriately to the Minister and published on the City's website within 14 days of the annual report being accepted by Council.

## Risk

### Risk management

Review and advise the Council:

- if the Council has in place a current and appropriate risk management framework that is consistent with the Australian risk management standard;
- whether the Council is providing the resources necessary to successfully implement its risk management framework;
- whether the Council's risk management framework is adequate and effective for identifying and managing the risks the Council faces, including those associated with individual projects, programs and other activities;
- if risk management is integrated across all levels of the Council and across all processes, operations, services, decision-making, functions and reporting;
- of the adequacy of risk reports and documentation, for example, the Council's risk register and risk profile;
- whether a sound approach has been followed in developing risk management plans for major projects or undertakings;
- whether appropriate policies and procedures are in place for the management and exercise of delegations;
- if the Council has taken steps to embed a culture which is committed to ethical and lawful behaviour;
- if there is a positive risk culture within the Council and strong leadership that supports effective risk management;
- of the adequacy of staff training and induction in risk management;
- how the Council's risk management approach impacts on the Council's insurance arrangements;
- of the effectiveness of the Council's management of its assets; and
- of the effectiveness of business continuity arrangements, including business continuity plans, disaster recovery plans and the periodic testing of these plans.

### Internal controls

Review and advise the Council:

- whether the Council's approach to maintaining an effective internal audit framework, including over external parties such as contractors and advisors, is sound and effective;
- whether the Council has in place relevant policies and procedures and that these are periodically reviewed and updated;
- whether appropriate policies and procedures are in place for the management and exercise of delegations;
- whether staff are informed of their responsibilities and processes and procedures to implement controls are complied with;
- if the Council's monitoring and review of controls is sufficient; and
- if internal and external audit recommendations to correct internal control weaknesses are implemented appropriately.

### Compliance

Review and advise the Council of the adequacy and effectiveness of the Council's compliance framework, including:

- if the Council has appropriately considered legal and compliance risks as part of the Council's risk management framework;

- how the Council manages its compliance with applicable laws, regulations, policies, procedures, codes, and contractual arrangements;
- **receive and review the City's annual compliance audits and make recommendations to 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**
- obtain regular updates from management (including through any CEO delegated reporting lines) about compliance matters. This may include reporting on psychosocial risk presenting as behavioural matters and/or non-compliance with work health and safety legislation. and
- whether appropriate processes are in place to assess compliance.

## Fraud and corruption

Review and advise the Council of the adequacy and effectiveness of the Council's fraud and corruption prevention framework and activities, including whether the Council has appropriate processes and systems in place to capture and effectively investigate fraud-related information.

## Financial management

Review and advise the Council:

- if the Council is complying with accounting standards and external accountability requirements;
- of the appropriateness of the Council's accounting policies and disclosures;
- of the implications for the Council of the findings of external audits and performance audits and the Council's responses and implementation of recommendations;
- whether the Council's financial statement preparation procedures and timelines are sound;
- the accuracy of the Council's annual financial statements prior to final sign off, including:
  - management compliance/representations,
  - significant accounting and reporting issues,
  - the methods used by the Council to account for significant or unusual transactions and areas of significant estimates or judgements, and
  - appropriate management signoff on the statements;
- if effective processes are in place to ensure financial information included in the Council's annual report is consistent with signed financial statements;
- if the Council's financial management processes are adequate;
- the adequacy of cash management policies and procedures;
- if there are adequate controls over financial processes, for example:
  - appropriate authorisation and approval of payments and transactions,
  - adequate segregation of duties,
  - timely reconciliation of accounts and balances, and
  - review of unusual and high value purchases;
- if policies and procedures for management review and consideration of the financial position and performance of the Council are adequate; and
- if the Council's grants and tied funding policies and procedures are sound.

## **Governance**

Review and advise the Council regarding its governance framework, including the Council's:

- decision-making processes,
- implementation of governance policies and procedures,
- reporting lines and accountability,
- assignment of key roles and responsibilities,
- committee structure,
- management oversight responsibilities,
- human resources and performance management activities,
- reporting and communication activities,
- information and communications technology (ICT) governance,
- management and governance of the use of data, information and knowledge, and
- AI and cyber security processes and systems.

## **Improvement**

### **Strategic planning**

Review and advise the Council:

- of the adequacy and effectiveness of the Council's integrated, planning and reporting (IP&R) processes,
- if appropriate reporting and monitoring mechanisms are in place to measure progress against objectives, and
- whether the Council is successfully implementing and achieving its IP&R objectives and strategies.

### **Service reviews and business improvement**

- Act as a forum for communication and monitoring of any audits conducted by external bodies and the implementation of corrective actions;
- Review and advise the Council:
  - if the Council has robust systems to set objectives and goals to determine and deliver appropriate levels of service to the community and business performance,
  - if appropriate reporting and monitoring mechanisms are in place to measure service delivery to the community and overall performance, and
  - how the Council can improve its service delivery and the Council's performance of its business and functions generally.

### **Performance data and measurement**

Review and advise the Council:

- if the Council has a robust system to determine appropriate performance indicators to measure the achievement of its strategic objectives;
- if the performance indicators the Council uses are effective; and
- of the adequacy of performance data collection and reporting.