

**8.6 APPOINTMENT OF COUNCIL MEMBERS AND COMMUNITY MEMBERS TO THE CITY OF VINCENT AUDIT COMMITTEE AND AMENDMENT OF TERMS OF REFERENCE**

**Attachments:** 1. **Audit Committee Terms of Reference**

**RECOMMENDATION:**

1. In accordance with the provisions of sections 5.10 and 7.1A of the *Local Government Act 1995*, **APPROVES BY ABSOLUTE MAJORITY** the appointment of the following Council Members to the Audit Committee for the term 19 October 2021 to the date of the next ordinary local government election, 21 October 2023:

1. Cr \_\_\_\_\_;
2. Cr \_\_\_\_\_; and
3. Cr \_\_\_\_\_.

2. In accordance with the provisions of sections 5.10 and 7.1A of the *Local Government Act 1995*, **APPROVES BY ABSOLUTE MAJORITY** the appointment of the external independent members to the Audit Committee for the term 2 November 2021 to the date of the next ordinary local government election, 15 October 2023:

1. \_\_\_\_\_;
2. \_\_\_\_\_; and
3. \_\_\_\_\_.

**PURPOSE OF REPORT:**

To appoint new members to the City's Audit Committee.

**BACKGROUND:**

The primary functions of the City's Audit Committee is to review the City's annual external audit and to liaise with the City's internal and external auditors to ensure that the City is appropriately managing its affairs. The objectives and powers of the Audit Committee are set out in its Terms of Reference, at **Attachment 1**.

The Audit Committee members for the period 12 November 2019 to 16 October 2021 were:

- Mr Conley Manifis (independent external member) (Chair)
- Cr Joshua Topelberg (Deputy Chair);
- Mr Robert Piper (independent external member);
- Ms Elizabeth Hunt (independent external member);
- Mr Aaron Smith (independent external member);
- Cr Ashley Wallace;
- Cr Susan Gontaszewski; and
- Cr Dan Loden.

Ms Elizabeth Hunt resigned and was replaced by Mr Aaron Hunt on 20 October 2020.

In accordance with the Terms of Reference, the term of membership of the City's current Audit Committee members expired on the day of the ordinary local government election, 16 October 2021.

**DETAILS:**

The Audit Committee currently comprises of seven members, with up to three external independent members.

Administration invited expressions of interest for suitably qualified persons to nominate for the external independent member positions. Advertisements were placed in the City's local papers, on the City's website and on the City's social media.

Nominees were requested to provide a current resume and a covering letter to demonstrate their knowledge and experience of:

- business or financial management/reporting;
- risk management systems and procedures;
- internal business controls; and
- legislative compliance programs.

A total of ten nominations have been received at the time of writing this report. Nominations close 5:00pm on 3 November 2021. Administration will undertake an assessment of the nominations in accordance with the selection criteria above. This will be submitted along with recommended nominees as a Confidential Attachment for the Council Meeting.

The Audit Committee meetings are held approximately every two months, or more regularly as required. In 2021 there were 6 meetings. The proposed meeting dates for 2022 will be presented to the Audit Committee meeting on 30 November 2021 for approval.

#### **CONSULTATION/ADVERTISING:**

Nil.

#### **LEGAL/POLICY:**

Council Policy No. 4.2.14 – Local Government Elections provides that:

*Election to Statutory Authorities, Committees, Advisory and Working Groups*

- (a) *The Chief Executive Officer shall prepare a report for consideration of the Council at the first Ordinary Meeting of the Council to enable Council Members to be nominated and elected to a Committee of Council (in accordance with s.5.10 (2) of the Local Government Act 1995) as well as to be nominated and elected as delegates to Advisory and Working Groups and various organisations.*

Division 7.1A of the *Local Government Act 1995* sets out the requirement for Local Governments to establish an Audit Committee and sets out a range of requirements applicable to Audit Committees. Importantly, an Audit Committee must have at least 3 members, and the majority of members are to be Council Members.

The *Local Government (Audit) Regulations 1996* further prescribe the functions of an Audit Committee.

The Audit Committee Terms of Reference sets out in detail how the City's Audit Committee will function.

#### **RISK MANAGEMENT IMPLICATIONS:**

Low: The Audit Committee plays a key role in addressing the City's corporate risks and ensuring legislative compliance. The selection of appropriately skilled and qualified members of the Audit Committee is important in addressing organisational risk and ensuring good corporate governance.

#### **STRATEGIC IMPLICATIONS:**

This is in keeping with the City's *Strategic Community Plan 2018-2028*:

Innovative and Accountable

*We are open and accountable to an engaged community.*

*Our community is aware of what we are doing and how we are meeting our goals.*

**SUSTAINABILITY IMPLICATIONS:**

This does not contribute to any environmental sustainability outcomes. This action/activity is environmentally neutral.

**PUBLIC HEALTH IMPLICATIONS:**

This does not contribute to any public health outcomes in the *City's Public Health Plan 2020-2025*.

**FINANCIAL/BUDGET IMPLICATIONS:**

Nil.

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# AUDIT COMMITTEE TERMS OF REFERENCE



CITY OF VINCENT

## 1. OBJECTIVES

The Audit Committee (**Committee**) provides independent advice and assurance to Council over the City of Vincent's (**City's**) risk management, internal controls, financial management and performance reporting.

## 2. POWERS

- The role of the Committee is prescribed by the *Local Government Act 1995* and *Local Government (Audit) Regulations 1996*.
- 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 up to 7 members, consisting of :
  - Up to three external independent members; and
  - Elected Members from the City.
- 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, 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's 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 will appoint a Chief Audit Executive (**CAE**) to be responsible for internal audit and communication with the Audit Committee. The CAE must be independent of management of the financial functions. The CAE is not a member of the Audit Committee. The CAE has the following functions:
  - Communicates with the Audit Committee
  - Manages the induction of new members and any training during the membership term;
  - Finalises the meeting agendas in consultation with the Chair;
  - Oversees the internal audit program and provides updates to the Audit Committee;
  - Prepares a forward agenda for the Audit Committee meetings each year; and
  - Provides updates on any external or performance audits or emerging issues.
- The CAE, CEO and any other staff as directed by the CAE will attend all meetings to provide advice and guidance to the committee, however the CEO and any other staff are

Page 1 of 3

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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.
- An annual forward agenda will be prepared and approved by the Committee each year to govern the matters to be discussed at each meeting.
- The agenda for each meeting will be finalised by the CAE in consultation with the Chair.
- The agenda for each meeting will be provided to the Committee members one week prior to the meeting.

#### 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.
- meet with the auditor at least once in each year, prior to the auditor meeting with Council in accordance with section 7.12(A)(2) of the *Local Government Act 1995*, to ensure that:
  - the auditor is supported in carrying out his or her other duties under the *Local Government Act 1995*
  - the audit is 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.
- 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.

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- 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.
  - 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.

## 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. Council has not delegated any of its powers or duties to the Audit Committee.

## ANNEXURE 1: AUDIT COMMITTEE MEMBER INDUCTION CHECKLIST

Activity	Completed
<b>Authority, composition and meetings</b>	
Meet with all members of the City's Executive Management Team.	
Read and understand the Audit Committee Terms of Reference	
Read the audit committee minutes for the last 2 years.	
Review the Audit Committee Forward Agenda	
<b>External reporting</b>	
Read and understand the City's summary of significant accounting policies and significant judgements made in preparing the financial statements	
Read and understand the City's legislative compliance requirements, as set out in the City's Compliance Calendar and reported in the Compliance Audit Return (CAR)	
Read the financial reports and any associated non-financial disclosures for the past 3 years	
<b>External Audit</b>	
Meet with senior members of the external auditor's audit team at the entrance meeting (May)	
Read and understand the external auditor's findings and recommendations, and management's response for the last 3 years. This includes any OAG performance audits.	
<b>Internal audit</b>	
Meet with the Chief Audit Executive (head of internal audit) and internal auditors (firm engaged for the internal audit, if applicable)	
Review the City's internal audit plan	
Read and understand the City's Audit Log	
Read and understand the process for coordinating the planned activities of internal audit and the OAG, and risk and compliance management, including the reg 17 review	
<b>System of internal control and risk management</b>	
Read and understand the City's risk management framework, including the risk management policy and risk appetite and tolerance statements	
Read and understand the City's processes for identifying and managing material risks including business, financial, legal and compliance risks, including the reporting process via the Corporate Calendar	
Read any reports on suspected, alleged and actual frauds, thefts and material breaches of laws for the last 3 years.	
<b>Compliance and ethics</b>	
Read and understand the entity's processes for managing complaints and public interest disclosures.	
Attend a briefing or training on public sector probity and accountability requirements, including ethical considerations.	
<b>Fraud</b>	
Read and understand the City's fraud prevention and detection framework and monitor suspected, alleged and actual instances of fraud.	
Read any instances of fraud reported during the last 3 years.	
<b>Related-party transactions</b>	
Read and understand processes for related-party transactions.	
Read related-party transaction reporting for the last 3 years.	
<b>Governance framework</b>	
Read and understand the City's governance framework	
Read and understand the organisational structure.	
Read and understand the City's delegation register.	

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