



**Shire of Ngaanyatjaraku**  
ON A JOURNEY

**AUDIT COMMITTEE MEETING**

**ATTACHMENTS**

**Tjulyuru Cultural and Civic Centre  
Warburton Community**

**25 November 2020**

**at**

**2.00 pm**

**Following the Ordinary Council Meeting**

## 1.11 Audit and Risk Committee Charter

### Policy Objective

To support the Audit and Risk Committee (committee) in understanding its role and oversight responsibilities in monitoring compliance with legislation, performance, risk and internal controls, internal audit, liaising with external auditors and reporting to Council.

### Policy Statement

#### Powers of the Committee

The committee is to report to Council and provide appropriate advice and recommendations on matters relevant to its charter. 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.

Where the committee considers it necessary to seek information or obtain expert advice on matters of concern within the scope of the committee's charter, it may do so through the CEO following authorisation from the Council.

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 authority except as provided by legislation. The committee does not have any management functions and cannot involve itself in management processes or procedures.

#### Membership of the Committee

Membership composition of the committee, as well as the appointment of members to the committee, will be in accordance with legislation and shall be reviewed every two years (following each ordinary local government election). Committee members will collectively have a broad range of skills and experience relevant to the operations of the Shire.

Appointment of external persons will be made in accordance with legislation, and where an identified skills gap within the committee exists. The terms of the appointment should be arranged to ensure an orderly rotation and continuity of membership despite changes to Council's elected representatives.

To support the committee in executing its duties, the committee will implement an induction and regular training program as determined necessary by the committee, to complement the experience and skills required by committee members.

Reimbursement of reasonable expenses incurred in the performance of the duties of a committee member will be approved in accordance with legislation and paid to each member of the committee.

The CEO and employees are not members of the committee, and the CEO cannot nominate representatives to the committee. The CEO or his/her nominee is to be available to attend meetings to provide advice and guidance to the committee.

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

## **Meetings of the Committee**

The committee should meet at least quarterly. Additional meetings shall be convened at the discretion of the presiding person.

A quorum for the meeting is majority of all members on the committee and not just those attending the relevant meeting. Proxies are not permitted for meetings, due to the requisite skills and competence of the proxy not being assessed for the relevant meeting.

An agenda and meeting papers will be prepared and circulated to members along with relevant briefing materials.

The committee may invite any non-members to attend the committee meeting, subject to exclusion as deemed appropriate by the Chair. The CEO, chief financial officer, internal and external auditors shall normally be invited to attend committee meetings. The committee may ask Management to attend and present on issues relevant to the committee's duties and responsibilities.

The committee should meet privately and separately with the internal auditors and external auditor to discuss any matters the committee or the parties believe should be discussed privately with the committee.

## **Reporting of the Committee**

The committee shall report regularly to Council to make appropriate recommendations and to summarise its activities. Unconfirmed minutes (or confirmed where available) shall be presented to Council as soon as practicable after each committee meeting.

## **Duties and Responsibilities of the Committee**

The duties and responsibilities of the committee will be –

### *Compliance and ethics:*

- a) Consider the impact of the Shires culture on compliance activities;
- b) Review the annual Compliance Audit Return and report to the council the results of that review;
- c) Monitor the implementation of actions adopted by Council to be taken as a result of a review as required by regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996*;
- d) Review and monitor related parties transactions;
- e) Provide leadership in supporting desired organisational culture relating to compliance processes and management;
- f) Monitor the effectiveness of systems, policies and practices recording the impact and actions relating to changes to statutory obligations with operations as well as internal policies, accounting standards etc;
- g) Obtain regular updates from Management about compliance and ethical matters that may have a material impact on the Shire's financial statements, strategy, operations, or reputation including material breaches of laws, regulations, standards, and policies;
- h) Review Management approach and actions taken in relation to identified instances of ethical matters and non-compliance;
- i) Monitor and review systems and processes relating to complaints management including whistleblowing;
- j) Review the Shires process for communicating the code of conduct to staff, elected members, contractors and volunteers and assess the effectiveness of, and compliance with the code; and
- k) Enquire with Management and assess whether all regulatory requirements and professional announcements have been considered in the preparation of financial statements, such as compliance with the accounting standards.

*Financial and performance reporting:*

- a) Review the local government's 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;
  - reports and opinions from the external auditor;
  - compliance with accounting standards and other reporting requirements; and
  - significant variances from prior years; and
  - disclosures in the financial statements and financial reporting to stakeholders,
- b) Consider and recommend adoption of the annual report (including the annual financial report) to Council, focusing on compliance with statutory and other requirements;
- c) Review Management representation, including the CEO and CFO declarations regarding the financial report and financial records; and
- d) Consider the quality of processes undertaken in preparing the financial statements, including how management has reviewed compliance with current requirements.

*Risk management, fraud and internal controls:*

- a) Consider the impact of the Shires culture on the risk management and internal control;
- b) Review the appropriateness and effectiveness of risk management processes and activities to maintain operations within Council's risk adopted appetite by reviewing reports from Management, internal audit, external audit and by monitoring Management's responses and actions to correct noted deficiencies;
- c) Monitor reports prepared by the administration relating to internal control and risk management to consider the suitability of planned actions/responses to address identified gaps and deficiencies;
- d) Consider the CEO's triennial 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;
- e) Comprehend Management processes for review of insurance cover and assess adequacy of insurance cover through risk management processes;
- f) Consider the impact of emerging trends relating to the Shire's risk profiles through routine risk management activities;
- g) Consider new risks and changes in the risk ratings of existing risks and the impact on the risk management activities;
- h) Provide leadership in supporting desired organisational culture relating to risk management and internal controls;
- i) Review, and where appropriate discuss with external auditors and/or other independent bodies, processes and strategies relating to the prevention of fraud as well as review of the fraud and corruption control plan, assessing any instances of fraud/corruption and actions implemented in response; and
- j) Review business continuity management, processes and plans including their testing.
- k) Enquire of Management, internal auditor and external auditor regarding their assessment of the risk of material misstatement in the financial report due to fraud and their understanding of actual, suspected or alleged fraud or corruption affecting the Shire and how they respond to such instances.

*Internal audit:*

- a) Review and approve the Internal Audit Charter;
- b) Review the internal audit structure, independence and access to senior Management, the committee and the Council;
- c) Review and approve the Strategic and Annual Internal Audit Plans and any significant changes made to the plan, to ensure they continually address the current and emerging risks of the Shire;
- d) Ensure the internal audit budget does not impede the execution of internal audit functions as outlined in this charter;
- e) Review the appropriateness of special internal audit assignments undertaken by internal audit at the request of Council or CEO;
- f) Review the level of resources allocated to internal audit and the scope of its authority;
- g) 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; and
- h) Facilitate liaison between the internal and external auditor to promote compatibility, to the extent appropriate, between their audit programs.
- i) Assess the quality, effectiveness and evaluate performance of the internal audit and identify improvement opportunities.

*External audit:*

- a) Establish ongoing communications with the external auditor (OAG) and their contractor (if appointed) in the performance of financial and performance audits
- b) Provide guidance and assistance to Council as to the carrying out the functions of the local government in relation to audits, including communicating and liaising with the OAG;
- c) Meet with the OAG twice in each year (and no less than once in each year) and provide a report to Council on the matters discussed and outcome of those discussions;
- d) Review the results of the audit with the external auditor including any significant adjustments, uncorrected misstatements, recommendations and any difficulties encountered or unresolved disagreements with Management.
- e) 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;
- f) Examine the reports of the auditor after receiving a report from the CEO on the matters to:
  - 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;
- g) 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; and
- h) Review results of better practice publications, relevant reports published by the OAG and other reputable parties and considerations by the administration on relevant action required to address noted and self assessed deficiencies.
- i) Assess the quality and effectiveness of the external financial and performance audit and identify improvement opportunities.
- j) Review the Audit Plan of the external auditors for coverage of material risks and financial reporting requirements
- k) Discuss with the external auditors matters relating to the conduct of their audit, including any difficulties encountered, restrictions on scope of activities, or access to information, significant disagreements with Management and the adequacy of Management response.

*Other:*

- a) Address issues brought to the attention of the committee, including responding to requests from Council for advice within the parameters of the committee's charter;
- b) Assess effectiveness of and review the charter of the committee biennially including compliance with legislation; and
- c) Perform other activities related to this charter as requested by the Council.

**Amendments to this Policy**

Amendments to this policy require a simple majority decision of council.

**History:**

Policy adopted: 24 June 2020

Policy reviewed 28 October 2020

Policy amended 28 October 2020

**Previous Policy:**

Policy No. N/A



## Audit and Risk Committee (A&RC) Member Induction Checklist

### Objective

This checklist includes a list of activities for inducting new Audit and Risk Committee members.

| Activity   | Completed By | Date Completed |
|--|--------------|----------------|
| <b>Understanding of the Shire</b>  |              |                |
| Understand the Shire business operations, risk, challenges and opportunities. Read the following documents: <ul style="list-style-type: none"> <li>- Audit and Risk Committee Charter</li> <li>- Code of Conduct</li> <li>- Local Government legislation</li> <li>- Previous minutes of A&amp;RC</li> <li>- Financial Report, including OAG's audit findings.</li> </ul> |              |                |
| Provide Induction pack for the new member, including: <ul style="list-style-type: none"> <li>- Role and responsibilities</li> <li>- Time commitments</li> <li>- Training needs</li> </ul>  |              |                |
| <b>Conflict of Interest</b>  |              |                |
| Understand the members declarations of interests in accordance with legislation and how they may impact on their role on the Audit and Risk Committee  |              |                |
| <b>External audit</b>  |              |                |
| Meet with the senior members of the Office of the Auditor General's (OAG) financial audit team.  |              |                |
| <b>Internal audit</b>  |              |                |
| Meet with the Director Governance and Corporate  |              |                |
| Read the following: <ul style="list-style-type: none"> <li>- Internal audit plan</li> <li>- Internal audit findings' and recommendations</li> <li>- Internal audit processes</li> </ul>  |              |                |
| <b>System of internal control and risk management.</b>   |              |                |
| Meet with the Director of Governance and Corporate.  |              |                |
| Read the following: <ul style="list-style-type: none"> <li>- Risk management framework</li> <li>- Security processes and controls</li> <li>- Summary reports on fraud</li> </ul>   |              |                |
| <b>Compliance and ethics</b>   |              |                |
| Read the following: <ul style="list-style-type: none"> <li>- Processes for managing complaints</li> <li>- Any significant issues</li> <li>- Shires fraud prevention framework</li> <li>- Related third party transactions</li> </ul>   |              |                |
| <b>Governance framework</b>  |              |                |
| Read the following: <ul style="list-style-type: none"> <li>- The Shires organisational structure</li> <li>- Delegation schedule and register</li> </ul>  |              |                |



Audit and Risk Committee Member:

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Dated:

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Audit and Risk Committee Chair:

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Dated:

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## INTERNAL AUDIT CHARTER

### Purpose and Mission

The purpose of the internal audit function is to provide independent, objective assurance designed to add value and improve the Shire of Ngaanyatjarraku (the Shire) operations. The mission of internal audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. It helps the Shire accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

### Core Principles

The Core Principles, taken as a whole, articulate internal audit effectiveness. Internal auditors will possess and demonstrate the Core Principles for the Professional Practice of Internal Auditing:

- Demonstrates integrity
- Demonstrates competence and due professional care
- Is objective and free from undue influence (independent)
- Aligns with the strategies, objectives, and risks of the organisation
- Is appropriately positioned and adequately resourced
- Demonstrates quality and continuous improvement
- Communicates effectively
- Provides risk-based assurance
- Is insightful, proactive, and future-focused
- Promotes organisational improvement

The internal audit function is appropriately positioned and adequately resourced.

### Code of Ethics

Internal auditors will apply and uphold the following principles and rules of conduct as outlined in the Code of Ethics:

- integrity
- objectivity
- confidentiality
- competency.

These principles reflect the behavioural standards of The Institute of Internal Auditors (IIA) as the peak professional body globally. They promote an ethical culture in professional internal auditing. The IIA's Code of Ethics applies to entities and individuals that perform internal audit services.

### Standards of audit practice

The internal audit function will be subject to the requirements of The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

In the conduct of internal audit work, internal audit staff will:

- comply with relevant professional standards of conduct
- possess the knowledge, skills and technical proficiency relevant to the performance of their duties
- be skilled in dealing with people and communicating audit, risk management and related issues effectively
- exercise due professional care in performing their duties

### **Authority**

The outsourced Internal Audit Provider is authorised to:

- Have unrestricted access to all relevant functions, records, property, and personnel within the law.
- Have full and free access to the Audit & Risk Committee.
- Meet with the Audit & Risk Committee chair without management.
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives for the approval of the Audit & Risk Committee.
- Obtain the necessary assistance of the Shire personnel, as well as other specialised services from within or outside the Shire.

All internal audit documentation is to remain the property of the Shire, including where internal audit services are performed by an external third-party provider.

### **Confidentiality**

All records, documentation and information accessed in the course of undertaking internal audit activities are to be used solely for the conduct of these activities. The Chief Audit Executive and individual internal audit staff are responsible and accountable for maintaining the confidentiality of the information they receive during the course of their work.

### **Independence & objectivity**

Independence is essential to the effectiveness of the internal audit function. Internal audit activity must be independent, and internal auditors must be objective in performing their work. Internal auditors must have an impartial, unbiased attitude and avoid any conflicts of interest.

The internal audit function has no direct authority or responsibility for the activities it reviews. Where the person occupying the position of Director Governance and Corporate or persons delegated to perform internal audit activity, are responsible for an activity to be audited, the audit will be conducted, managed and reported independently of these people. In these cases, the Chief Executive Officer will nominate an independent person to oversee the audit.

The internal audit function is responsible on a day-to-day basis to the Director Governance and Corporate. The internal audit function, through the Director Governance and Corporate, reports functionally to the Audit and Risk Committee on the results of completed audits, and for strategic direction and accountability purposes and reports administratively to the Chief Executive Officer to facilitate day-to-day operations.

To provide for the independence<sup>1</sup> and objectivity<sup>22</sup> of the internal audit function, an outsourced Internal Audit Provider will report to the Audit & Risk Committee in a manner outlined in the below section on Accountability. It will include as part of its reports to the Audit & Risk Committee, a periodic report on internal audit resourcing.

### **Scope of Internal Audit Activities**

The scope of work of the internal audit function is to determine whether the governance, risk management and control processes of the Shire, as designed and represented by management, are adequate and functioning in a manner to provide a reasonable level of confidence:

- Significant key risks are appropriately identified and managed.
- Significant financial, managerial, and operating information is accurate, reliable, and timely.
- Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
- Resources are acquired economically, used efficiently, and protected adequately.
- Programs, plans, and objectives are achieved.
- Quality and continuous improvement are fostered in the Shire's control process.
- Significant legislative or regulatory issues impacting the Shire are recognised and addressed properly.

Opportunities for improving management control, profitability, and the image of the Shire may be identified during audits. They will be communicated to the appropriate level of management.

The Internal Audit function will apply and uphold the principles of integrity, objectivity, confidentiality, and competence as required by the Institute of Internal Auditors Code of Ethics.

### **Accountability**

The outsourced Internal Audit Provider, in the discharge of his/her duties, shall be accountable to the Audit & Risk Committee to:

- Provide annually an assessment, based on the work completed, of the adequacy and effectiveness of the Shires processes for controlling its activities and managing its risks in the areas set forth under the mission and scope of work.
- Report significant issues related to the processes for controlling the activities of the Shire, including potential improvements to those processes, and provide information concerning such issues through resolution.
- Provide information periodically on the status and results of the annual audit plan and the sufficiency of resources.

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<sup>1</sup> Independence is the freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner. To achieve the degree of independence necessary to effectively carry out the responsibilities of the internal audit activity, the chief audit executive has direct and unrestricted access to senior management and the board. This can be achieved through a dual-reporting relationship. Threats to independence must be managed at the individual auditor, engagement, functional, and organisational levels. (Source: Institute of Internal Auditors, Standard 1100 Independence and Objectivity, <http://www.iaa.org.au/technicalresources/professionalGuidance/standards.aspx> January 2017)

<sup>2</sup> Objectivity is an unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgement on audit matters to others. Threats to objectivity must be managed at the individual auditor, engagement, functional, and organisational levels. (Source: Institute of Internal Auditors, Standard 1100 Independence and Objectivity, <http://www.iaa.org.au/technicalresources/professionalGuidance/standards.aspx> January 2017)

- Coordinate with, and provide oversight of, other control and monitoring functions, e.g. risk management.

## **Responsibility**

The Chief Audit Executive will be the contract manager for the outsourced Internal Audit Provider and will be responsible for ensuring internal audits and other agreed activities are conducted in compliance with this Charter and the Internal Audit Contract.

The outsourced Internal Audit Provider has responsibility to:

- Develop flexible annual and strategic audit plans using an appropriate risk-based methodology, including any risks or control concerns identified by management, and submit the plans to the Audit & Risk Committee for review and approval.
- Coordinate implementation of the approved annual audit plan including, as appropriate, any special tasks or projects requested by management and the Audit & Risk Committee.
- Supply professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this charter.
- Establish a quality assurance & improvement program to assure the operation of internal audit activities.
- Coordinate consulting services, beyond internal auditing's assurance services, to assist management in meeting its objectives. Examples may include facilitation, advice on process design, training, and advisory services.
- Coordinate evaluation and assessment of significant changes to operations and control processes coincident with their development, implementation, and/or expansion.
- Coordinate management responses to internal audit reports.
- Follow up implementation of outstanding audit recommendations and report results to Audit & Risk Committee.
- Issue periodic reports to the Audit & Risk Committee and management summarizing results of audit activities.
- Keep the Audit & Risk Committee informed of emerging trends and successful practices in internal auditing, risk or financial management.
- Provide a list of significant measurement goals and results to the Audit & Risk Committee.
- Assist in the investigation of significant suspected fraudulent activities within the Shire and notify management and the Audit & Risk Committee of the results.
- Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the Shire at a reasonable overall cost.

In the conduct of its activities, the internal audit function will play an active role in:

- developing and maintaining a culture of accountability and integrity
- facilitating the integration of risk management into day-to-day business activities and processes
- promoting a culture of cost-consciousness, self-assessment and adherence to high ethical standards.



### **Relationship with external audit**

Internal and external audit activities will be coordinated to help ensure the adequacy of overall audit coverage and to minimise duplication of effort. Periodic meetings and contact between internal and external audit shall be held to discuss matters of mutual interest and facilitate coordination. External audit will have full and free access to all internal audit plans, working papers and reports.

### **Administrative arrangements**

Any change to the role of the Director Governance and Corporate, and the external service provider undertaking the internal audit function, will be approved by the Chief Executive Officer in consultation with the Audit and Risk Committee.

The Director Governance and Corporate will arrange for an internal review, at least annually, and a periodic independent review, at least every 5 years, of the efficiency and effectiveness of the operations of the internal audit function. The results of the reviews will be reported to the Audit and Risk Committee who will provide advice to the Chief Executive Officer on those results.

### **Approval and amendment of charter**

The Audit & Risk Committee will review the Charter every two years and make recommendations to the Chief Executive Officer for approval of any changes.

Chief Executive Officer:

Name: \_\_\_\_\_

Dated: \_\_\_\_\_

Audit & Risk Committee Chair

Name: \_\_\_\_\_

Dated: \_\_\_\_\_

Noted by Internal Auditor:

Name: \_\_\_\_\_

Dated: \_\_\_\_\_



## Annual Work Plan

### Objective:

The Annual Work Plan for audit committees helps schedule activities across the year. A minimum of four meetings per annum is recommended, often with a fifth focussed meeting for the financial statements.

### Shire of Ngaanyatjarraku

#### Audit and Risk Committee Annual Work Plan 2021- 2023

| Functions, Responsibilities and Associated Activities   | Mar | Jun | Sep | Dec |
|---|-----|-----|-----|-----|
| <b>Governance arrangements</b>  |     |     |     |     |
| Review the Audit and Risk Committee Charter.  | X   |     |     |     |
| Agree on the Annual Work Plan; and set priority areas for the coming year.  | X   |     |     |     |
| <b>Legislative requirements</b>   |     |     |     |     |
| Review the compliance audit return and report to Council the results.   | X   |     |     |     |
| Review the results of the 3 yearly Audit Regulation 17 Review.  |     | X   |     | X   |
| Review the results of the 3 yearly Financial Management Regulation (5c).  |     | X   |     | X   |
| Meet with the OAG at least once per year  |     |     |     | X   |
| <b>Risk management</b>  |     |     |     |     |
| Review the risk management framework, risk register and fraud and corruption control plans to see that the risks represent and address the current environment and strategic direction of the entity and meet legislative compliance and better practice principles.                          | X   |     |     |     |
| <b>System of internal control</b>   |     |     |     |     |
| Review management's approach to maintaining an effective system of internal control   | X   |     |     |     |
| Obtain management assurances on the adequacy of internal controls and compliance by staff.  | X   | X   | X   | X   |
| Review advice from work areas e.g. human resources, finance and information technology on incidents where there was a breakdown in internal controls.<br>Consider standing reports from CFO and HR on key risks, issues and incidents at each meeting except the financial statement meeting. | X   |     |     | X   |
| Consider how findings in internal audit and OAG audit reports impact on the entity's internal controls.   | X   | X   | X   | X   |
| Satisfy itself that management periodically assesses the adequacy of information security arrangements.   |     | X   |     |     |
| Review whether appropriate policies and procedures are in place for the management and exercise of delegations.   |     | X   |     |     |
| Review the Assurance Map.   |     |     |     | X   |
| Review whether management has taken steps to embed a culture which is committed to ethical and lawful behaviour   |     |     | X   |     |



|  |   |   |   |   |
|--|---|---|---|---|
| <b>Compliance and ethics</b>   |   |   |   |   |
| Review the effectiveness of processes to monitor compliance with relevant laws and regulations.  | X |   |   | X |
| Review the Code of Conduct   | X |   |   |   |
| Meet privately with the Deputy CEO   |   |   |   | X |
| <b>Internal audit</b>  |   |   |   |   |
| Review the Internal Audit Charter  | X |   |   |   |
| Provide advice to the CEO on the appointment of internal audit service providers (if applicable).  |   | X |   |   |
| <b>Financial reporting</b>   |   |   |   |   |
| Receive advice on changes in accounting standards, legislation, and regulations.   | X | X | X | X |
| Review briefing from management on significant emerging issues.  |   | X |   | X |
| Review financial management reports, where required  | X |   |   | X |
| Review of financial statements including: <ul style="list-style-type: none"> <li>• consistency with members' understanding and knowledge of the entity</li> <li>• review compliance with accounting standards, Financial Management Act 2006, Treasurer's Instructions, Local Government Act 1995 and relevant regulations</li> <li>• review the appropriateness of accounting policies including any significant changes in policies</li> <li>• review areas subject to significant judgement and/or estimates</li> </ul> |   |   |   | X |
| Discuss lessons learned from the current year financial statement process and the proposed strategy and timetable for next year.   |   |   |   | X |
| Review the processes for ensuring that financial information included in the annual report is consistent with the audited financial statements.  |   |   |   |   |
| <b>Performance reporting</b>   |   |   |   |   |
| Review systems and procedures for developing, measuring and reporting the entity's key performance indicators.   |   | X |   |   |
| Review the key performance indicator results and associated disclosures to ensure they are reasonable, clearly disclosed and consistent with financial and other information about the entity's performance.   |   |   |   |   |
| Review whether key performance indicators are consistent with members' understanding and knowledge of the entity.  | X |   | X |   |
| Ensure that there are adequate documentation and records to support the measurement of key performance indicators.   |   | X |   |   |
| <b>External audit (OAG)</b>  |   |   |   |   |
| Discuss OAG audit planning summary for financial audits.   | X |   |   |   |
| Receive OAG updates on issues arising from financial or performance audits.  |   | X |   | X |
| Review the OAG interim management letter for the financial audit.  |   |   |   | X |
| Meet annually with OAG without management present.   |   |   | X |   |

# Audit and Risk Committee

## Shire of Ngaanyatjaraku

25 November 2020





## AGENDA

1. Legislative Requirements
2. Better Practice
3. Audit and Risk Committee Charter
4. Powers
5. Membership
6. Meetings
7. Reporting
8. Duties and Responsibilities
9. Induction

## THE “MOORE” TEAM

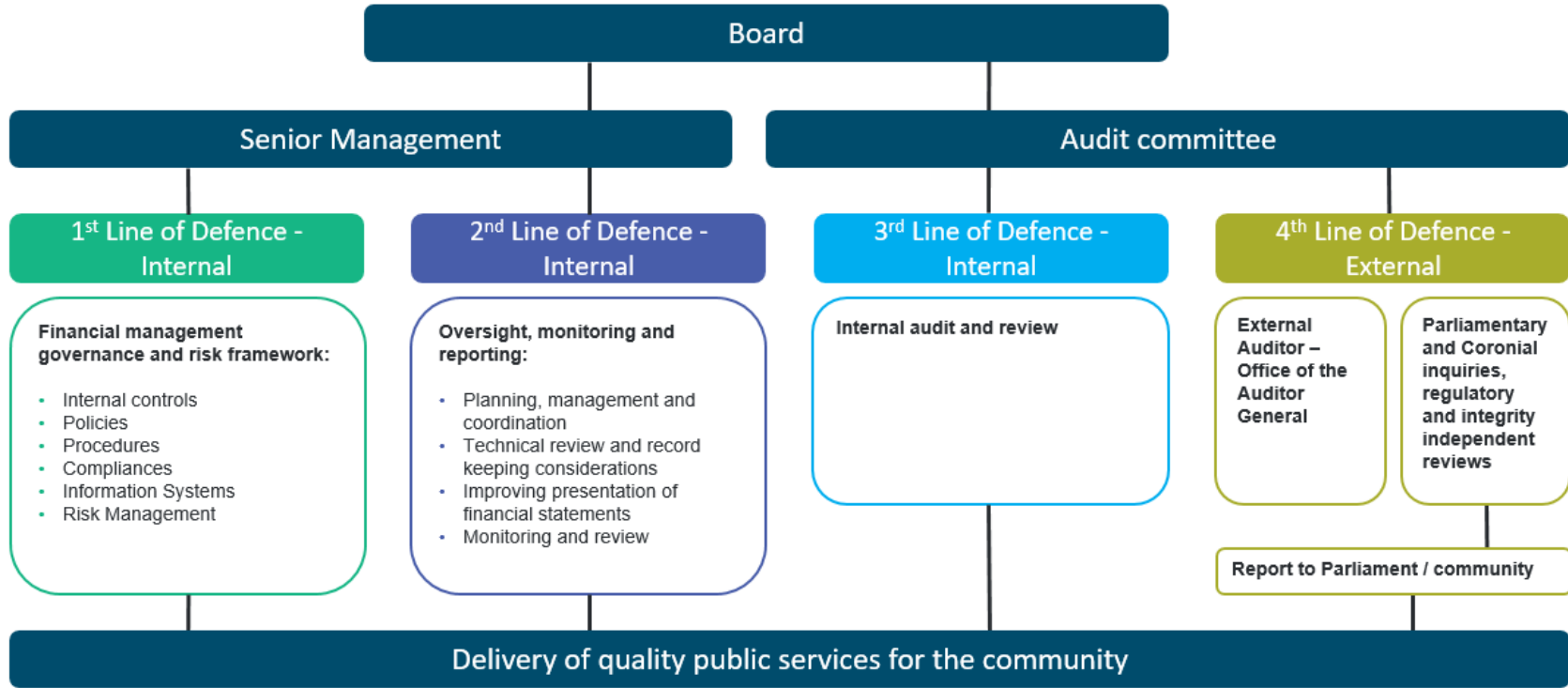


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**Tanya Browning**  
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[tanya.browning@moore-australia.com.au](mailto:tanya.browning@moore-australia.com.au)

# Four Lines Of Defence



## LEGISLATIVE REQUIREMENTS

|   |                      |
|---|----------------------|
| Establishment of an Audit Committee   | (LG Act 7.1A)        |
| Functions of Audit Committee  | (LG Audit Reg 16)    |
| Review compliance audit return and report to Council  | (LG Audit Reg 14 3A) |
| CEO report to Audit Committee results of review of risk management, internal control and legislative compliance | (LG Audit Reg 17 3)  |

## BETTER PRACTICE

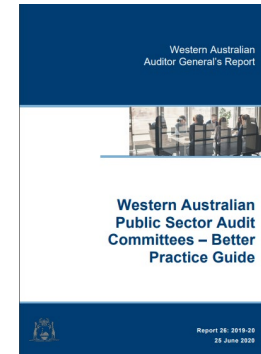
Audit Committees a Guide to Good Practice

- issued by the AICD, AUASB and IIAA



WA Public Sector Audit Committees- Better Practice Guide

- tabled by the Auditor General in Parliament in June 2020



## AUDIT AND RISK COMMITTEE CHARTER

### Objective:

“To support the Audit and Risk Committee in understanding its role and oversight responsibilities in monitoring compliance with legislation, performance, risk and internal controls, internal audit, liaising with external auditors and reporting to Council”

## POWERS

- Formally appointed committee of Council
- Provide advice and recommendations relevant to Charter
- No Management functions. Can't get involved in processes or procedures
- Expert advice can be sought through CEO after Council approval

## MEMBERSHIP

- Skills and capability of members as a collective
- Independent members can be appointed (unpaid)
- Membership reviewed every two years
- Induction and training program
- Reimbursement of reasonable expenses in accordance with legislation
- CEO and employees can't be members and they can't nominate representatives
- No proxies



## MEETINGS

- Meetings at least quarterly. Additional meetings convened at discretion of the presiding person
- Quorum is majority of all members (not just those in attendance)
- Agenda and papers required
- Can invite non-members to attend
- CEO, DCEO/ DGC, internal and external auditors usually attend
- Non-members can't approve minutes
- Separate annual meeting with internal and external auditors without Management

## REPORTING

- Annual reporting to Council with recommendations and to summarise activities
- Unconfirmed or confirmed minutes (where possible) tabled at Council meetings
- All minutes of Committees and Council meetings published on Council website

## DUTIES AND RESPONSIBILITIES

- compliance and ethics
- financial and performance reporting
- risk management, fraud and internal controls
- internal audit- (when implemented)
- external audit – financial and performance audits

## DUTIES AND RESPONSIBILITIES

Key principles for all roles and responsibilities:

1. Tone at the top
2. Training
3. Frameworks, plans, policies, procedures- compliant and better practice
4. Assurance from Management, internal and external auditors, above has been implemented on a timely basis
5. Self assess to identify improvement opportunities
6. Recommendations are implemented, monitored and reported
7. Report to the Council

## INDUCTION

### Key elements

- Audit and Risk Committee Charter
- Shire operations
- Code of Conduct and legislation
- Conflicts of interests
- System of internal control
- Meetings with key stakeholders
- Status of all current work
- Previous reviews and audits
- Induction Checklist

## IN SUMMARY

1. Legislative Requirements
2. Better Practice
3. Audit and Risk Committee Charter
4. Powers
5. Membership
6. Meetings
7. Reporting
8. Duties and Responsibilities
9. Induction
10. Questions



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