

## **Shire of Dowerin Audit Committee Terms of Reference**

### **Objectives of Audit Committees:**

The primary objective of the Audit Committee is to accept responsibility for the annual external audit and liaise with the Shire's auditor so that Council can be satisfied with the performance of the Shire in managing its financial affairs.

Reports from the Audit Committee will assist Council in discharging its legislative responsibilities

The Audit 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 Council.

### **Powers of the Audit Committee**

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

The Audit 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 and does not have any delegated financial responsibility.

### **Membership**

The Audit Committee will consist of four members with three elected members and one external person. Membership will be reviewed biennially immediately following Local Government elections unless, by a decision of Council, an interim appointment is required.

All members shall have full voting rights.

Appointment of external persons shall be made by Council by way of invitation to a suitably qualified and experienced Local Government CEO or Corporate Services Executive and be for a maximum term of two years.

The terms of the appointment should be arranged to ensure an orderly rotation and continuity of membership despite changes to Council's elected representatives.

Reimbursement of approved expenses will be paid to the external person who is a member of the committee.

The CEO and Finance Manager shall be ex-officio members of the Committee and shall provide secretarial and administrative support to the committee.

### **Meetings**

The Audit Committee shall meet at least quarterly.

### **Reporting**

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

## **Duties and Responsibilities**

The duties and responsibilities of the Audit Committee will be to:

- 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 an appropriate process for the selection and appointment of a person as the Shire's auditor;
- c) Develop and recommend to Council a list of those matters to be audited and the scope of the audit to be undertaken;
- d) Recommend to Council the person or persons to be appointed as auditor;
- e) 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;
- f) Meet with the auditor at least once in each year and provide a report to Council on the matters discussed and outcome of those discussions;
- g) 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;
- h) 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;
- i) 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;

j) Review the scope of the audit plan and program and its effectiveness;

k) Review the appropriateness of special internal audit assignments undertaken by internal audit at the request of Council or CEO;

l) Review the level of resources allocated to internal audit and the scope of its authority;

m) 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;

n) Facilitate liaison between the internal and external auditor to promote compatibility, to the extent appropriate, between their audit programs;

o) 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;

p) 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;

q) Review the annual Compliance Audit Return and report to Council the results of that review, and

r) Consider the CEO's biennial reviews of the appropriateness and effectiveness of the Shire'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.