

DRAFT
TOWN OF BASSENDEAN
AUDIT AND GOVERNANCE COMMITTEE CHARTER

Role

Council has established the audit and governance committee under the *Local Government Act 1995*, section 7.1A.

The audit and governance committee assists Council in fulfilling its oversight responsibilities in relation to systems of risk management and internal control, the Town of Bassendean's (**Town**) processes for monitoring compliance with laws and regulations, including the code of conduct, financial and performance reporting and external and internal audit. The audit and governance committee is not responsible for the management of these functions.

The audit and governance committee will engage with management in a constructive and professional manner to perform its oversight responsibilities. The Chair of the audit and governance committee is responsible to, and reports to Council.

Members of the audit and governance committee are expected to:

- understand the legal and regulatory obligations of Council for governing the Town
- understand Council's governance arrangements that support achievement of Council's strategies and objectives
- exercise due care, diligence and skill when performing their duties
- adhere to the entities code of conduct and the code of ethics of any professional body which they are a member of
- help to set the right tone in the Town by demonstrating behaviours which reflect the Town's desired culture
- be aware of contemporary and relevant issues impacting the local government sector
- only use information provided to the audit and governance committee to carry out their responsibilities, unless expressly agreed by Council.

To help support the audit and governance committee's role in overseeing the internal audit function, the Manager Strategy and Governance will functionally report to the audit and governance committee.

The audit and governance committee may prepare an annual work plan that outlines when it will perform key activities, in consultation with Council.

Authority

Commented [PW1]: In local government, the CEO is responsible for the internal audit function. The Better Practice Guide states that the Manager Strategy and Governance should not perform key management duties, but should be a capable and respected professional internal to the entity. The appropriate role at the Town is the Manager Strategy and Governance.

Council authorises the audit and governance committee, in accordance with this Charter, to:

- obtain any information it requires from any official or external party (subject to any legal obligation to protect information)
- discuss any matters with the internal auditors, Office of the Auditor General (OAG), or other external parties (subject to confidentiality considerations)
- request the attendance of any official Council at audit and governance committee meetings
- obtain legal or other professional advice when necessary to fulfil its role, at the Town's expense, subject to approval by Council or delegate
- provide advice to Council on the appointment and replacement of the Manager Strategy and Governance.

Commented [PW2]: Propose deletion as employment of staff is a function of the CEO in local government.

The audit and governance committee may undertake other activities as requested by Council.

Membership

The audit and governance committee comprises up to seven (7) members of whom at least two (2) must be independent, appointed by Council. The audit and governance committee will be led by an independent Chair, appointed by Council. The Chair will be appointed for an initial period of two (2) years and may be extended or reappointed for further periods as determined by Council.

Audit and governance committee members will be appointed for an initial period of two (2) years as determined by Council.

Council will review the membership of the committee every two (2) years to ensure that there is an appropriate balance between continuity of membership, the contribution of fresh perspectives and a suitable mix of qualifications, knowledge, skills and experience. Council may choose to re-appoint members based on their ability to contribute to the work of the audit and governance committee. However, the total length of time a member can sit on the committee will not exceed six (6) years.

Council may remove an audit and governance committee member at any time before their term expires, or a member may resign.

Audit and governance committee members will collectively have a broad range of skills and experience relevant to the operations of Council. At least one member of the audit and governance committee will have accounting or related financial management experience, with an understanding of accounting and auditing requirements in the local government sector. To support the skills and experience of committee members, the audit and governance committee will implement an induction and training program for new members.

The audit and governance committee may invite Council, Directors, Executive Managers, Manager Strategy and Governance, Manager Finance, Manager

Information Technology, Manager Organisational Development, or other management representatives to present information and participate in the meeting. An officer from the OAG will be invited to attend audit and governance committee meetings as an observer.

The audit and governance committee will be administratively supported by a secretary who is appointed by management.

Responsibilities

The audit and governance committee will be responsible for the following:

The following part of the model charter provides an extensive list of many functions that the audit and governance committee can perform. It is not intended that entities copy all of the functions in these lists. Instead, Council should review and modify the functions to suit the Town. It is important that Council and the audit and governance committee agree on these functions.

Risk management, fraud and internal control

The audit and governance committee oversees the Town's system of risk management and internal controls. Its responsibilities include, but are not limited to:

- providing oversight on significant risk exposures and control issues, including fraud risks, governance issues and other matters as necessary or requested by senior management and Council
- considering the impact of Council's culture on risk management and internal controls
- annually reviewing Council's assurance map to ensure that risk and control activities are coordinated, communicated and managed effectively
- annually reviewing Council's risk management framework
- monitoring changes in government strategies, the economic and business environment and other trends and factors related to Council's risk profile. This includes meeting periodically with key management, internal auditors, the OAG, and compliance staff, to understand and discuss the impact of these changes or trends on the risk profile
- reviewing whether Council has an effective risk management framework, and, based on knowledge and understanding of the Town's risks, that material business risks are appropriately reflected in the risk profile and reported to Council
- reviewing and assessing the effectiveness of processes for identifying, managing, treating and mitigating Council's risks and ensuring that remaining risks align with the Town's risk appetite. The audit and governance committee should prioritise risks involving:

- significant business risks, including environmental and occupational health and safety risks
- potential non-compliance with laws, regulations and standards
- fraud and theft
- litigation and claims.
- considering the adequacy and effectiveness of internal controls and the risk management framework by:
 - reviewing reports from management, internal audit, consultants, regulators and the OAG
 - ensuring risk registers consider risks that may impact whether the Town will achieve its strategic objectives
 - reviewing management's response to IT risks, including cyber risks
 - monitoring management responses and ensuring timely correction actions are taken by management
 - understanding the process of managing insurable risks and assessing whether Council has adequate insurance cover for these risks
 - assessing the effectiveness of, and compliance with, the Town's code of conduct
 - assessing whether management has controls in place for non-routine types of transactions and/or any potential transactions that might carry an unacceptable degree of risk
 - enquiring with management and the OAG regarding their assessment of the risk of material misstatement in the financial report due to fraud
 - enquiring with management, internal auditors and the OAG about whether they are aware of any actual, suspected or alleged fraud or corruption affecting Council including the Town's response to the matters
 - reviewing Council's processes and systems to detect, capture and respond to fraud risks, including preventative measures
 - reviewing the business continuity planning process and be assured that material risks are identified and appropriate business continuity plans, including disaster recovery plans, are in place.
- reviewing summary reports from management on all suspected, alleged and actual frauds, thefts and breaches of laws and ensuring these are reported to Council and/or relevant authorities
- reviewing summary reports from management on communication from external parties including regulators that indicate problems in the internal control system or inappropriate management actions
- liaising with other subcommittees on matters relating to risk management, fraud and internal control.
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Internal audit

The audit and governance committee is responsible for guiding and overseeing the activities, resources and structure of the internal audit function. The audit and governance committee's responsibilities include, but are not limited to:

- annually reviewing internal audit's mission, resources and budget and protecting internal audit's independence from management
- reviewing the internal audit structure, composition, skills and experience, service delivery model, independence and access to Council
- advising Council on the adequacy of internal audit resources or budget to perform the approved internal audit plan
- ensuring that the internal audit function, through the Manager Strategy and Governance, has a direct reporting relationship with the audit and governance committee and accountable authority (functional reporting relationship) and has access to all levels of management needed to perform their duties
- monitoring internal audit's participation in non-assurance roles to assess whether it impacts their independence or interferes with the delivery of the internal audit program
- assessing the internal audit plan to ensure that it comprehensively covers material business risks that may threaten the achievement of strategic objectives and allows internal audit to assess culture
- reviewing and recommending the approval of the internal audit plan and work program by Council
- communicating the audit and governance committee's expectations to the Manager Strategy and Governance in writing through the internal audit charter
- reviewing the internal audit charter annually for Council's approval
- reviewing the quality and timeliness of internal audit reports
- considering the implications of internal audit findings on the business, its risks and controls
- monitoring management's implementation of internal audit recommendations
- monitoring the progress of the internal audit plan and work program
- monitoring the quality of internal audit services delivered and compliance with the Institute of Internal Auditors' International Professional Practices Framework
- overseeing the coordination of planned activities between the 4 lines of defence
- reviewing reports from the Manager Strategy and Governance or the internal audit service provider on the overall state of Council's internal controls
- ensuring that internal audit has complete and timely access to all accounts, information, documents and records of the Town as needed to effectively perform their duties. This also includes discussing whether management was cooperative and provided timely responses to internal audit requests
- meeting privately with the Manager Strategy and Governance at least once per year.

Commented [PW3]: May not be necessary, given Council's role in adopting the budget and the Committee's role in endorsing the internal audit plan.

Commented [PW4]: May not be necessary, given the internal audit function is outsourced and carried out in accordance with the internal audit plan.

Commented [PW5]: As above.

Commented [PW6]: May not be necessary, given the obligations on the outsourced internal auditor.

Commented [PW7]: Consider deleting – more aligned to state government.

Compliance and ethics

The audit and governance committee oversees Council's processes to ensure compliance with relevant laws and regulations and for promoting a strong governance culture within the Town. This includes, but is not limited to:

- understanding Council's compliance framework including its obligations, the officers responsible for compliance activities and management oversight and review of these processes
- considering the impact of Council's culture on compliance processes
- overseeing compliance by reviewing arrangements that monitor the impact of changes in key laws, regulations, internal policies and accounting standards affecting Council's operations
- reviewing management's investigation of non-compliance matters and obtaining assurance from management that appropriate follow-up action was taken
- obtaining updates from management on matters of compliance and ethical matters that may have material impact on Council's financial statements, strategy, operations, health and safety or reputation
- reviewing and monitoring related party transactions and conflicts of interest
- enquiring with management, internal audit and the OAG on their assessment of the compliance culture, the risk of non-compliance, or whether they have any knowledge of any actual, suspected or alleged non-compliance affecting the Town
- overseeing complaints management and whistleblowing policies to ensure that they are recorded and actioned effectively
- reviewing Council's processes for communicating, and assessing the effectiveness of, the Town's code of conduct
- meeting with management to discuss regulatory compliance matters Council has considered in the preparation of the financial statements, such as compliance with accounting standards.

Financial and performance reporting

The audit and governance committee oversees the integrity of financial and performance reporting processes within the Town. The committee's responsibilities include:

- reviewing the financial statements and providing advice to Council about whether they should be adopted by Council. The review includes assessing:
 - whether the financial statements are consistent with the knowledge of the audit and governance committee members
 - whether the financial statements comply with *Local Government Act 1995* and the *Local Government (Financial Management) Regulations 1996*.

- whether the financial statements accurately reflect the Town's financial position and performance, and if not, whether additional disclosures are required
- the appropriateness of accounting policies and disclosures, including changes to accounting policies
- areas of significant judgement, estimation and significant or non-routine transactions
- whether appropriate management action has been taken in response to any issues raised by the OAG, including financial statement adjustments or revised disclosures
- the quality of the Town's processes for preparing the financial statements, including how management has checked that they comply with relevant requirements
- significant issues, errors or discrepancies in the draft financial statements and ensuring members understand the reasons why these occurred
- the representation letter to be provided to the OAG to confirm that the assertions, including any immaterial errors collated during the audit, are appropriate.
- acting as a forum for communication between management and the OAG
- reviewing the Town's process to ensure the financial information included in the annual report is consistent with the audited financial statements

Commented [PW8]: Seems more a role for the auditor – consider deleting.

Commented [PW9]: As above

External audit

The audit and governance committee is responsible for communicating and liaising with the OAG. This includes understanding the results of financial and performance audits conducted within the Town and overseeing whether recommendations are implemented by management. The committee's responsibilities include, but are not limited to:

- meeting with the OAG to discuss the audit plan (audit entrance meeting) and the results of the financial audit (audit exit meeting)
- discussing with the OAG any significant resolved or unresolved disagreements with management
- monitoring and critiquing management's response to OAG findings and recommendations
- reviewing reports from the OAG including auditor's reports, closing reports and management letters
- reviewing all representation letters signed by management to assess whether the information appears complete and appropriate
- meeting with the OAG at least once per year without management presence. At this meeting, the committee will discuss matters relating to the conduct of the audit, including any difficulties encountered, restrictions on scope of activities or access to information, significant disagreements with management and adequacy of management responses

- reviewing performance audits conducted at the Town and ensuring that agreed recommendations are implemented
- monitoring the relationship between internal auditors and the OAG
- reviewing results of relevant OAG audit reports and better practice publications for guidance on good practices, including any self-assessment by management
- reviewing the form and content of the proposed auditor's report on the Town's financial and performance report. This may include any proposed modification, emphasis of matter, key audit matters, other matters and uncorrected misstatements in other information.

Other responsibilities

Perform other activities related to the role of this charter as requested by Council.

Administrative responsibilities

Meetings

The audit and governance committee will meet at least four (4) times a year or more frequently as necessary.

The Chair is required to call a meeting if asked to do so by Council. If a meeting is requested by another audit and governance committee member, OAG or Manager Strategy and Governance, the Chair will decide whether the meeting is necessary.

The Chair will oversee the planning and conduct of meetings including the approval of the agenda and draft minutes, and reporting to Council.

A quorum will consist of a majority of committee members. Where there is more than one (1) external member on the audit and governance committee, a quorum will include at least one (1) external member. The quorum must be in place at all times during the meeting.

Secretariat

The secretariat will provide services as required by the audit and governance committee that includes:

- preparing a meeting agenda for each meeting that is approved by the Chair
- circulating the meeting agenda and supporting papers at least one (1) week before the meeting
- preparing minutes of the meetings and circulating them no later than two (2) weeks after the meeting
- maintaining final meeting papers and minutes in accordance with the recordkeeping requirements of Council.

Independence and conflicts of interest

The audit and governance committee must be independent from management of Council. Once a year, audit and governance committee members will provide written declarations of any actual or perceived conflicts of interest to Council.

Commented [PW10]: Consider whether required, or whether the ongoing obligation to declare any conflicts is sufficient.

External members should consider past employment, consultancy arrangements and related party issues when making these declarations to Council. In consultation with the Chair, Council should be satisfied that there are sufficient processes in place to manage any actual, perceived or potential conflicts of interest.

At the start of each audit and governance committee meeting, members are required to declare any personal interests that may apply to specific matters on the meeting agenda. The Chair is responsible for deciding if the members should excuse themselves from the meeting or from the audit and governance committee's consideration of the relevant agenda item(s).

Details of any personal interests declared by the Chair and other audit and governance committee members, and actions taken to manage the conflicts, should be appropriately recorded in the meeting minutes and Council register of conflicts of interest in accordance with its policy.

Audit and governance committee performance assessment arrangements

The Chair of the audit and governance committee, in consultation with Council, will review the performance of the audit and governance committee annually, together with the annual review of this charter.

Commented [PW11]: Consider whether required, given a report on each meeting of the Committee is provided to Council.

The review is performed using the approved assessment tool with appropriate input from Council, committee members, senior management, Manager Strategy and Governance, and any other relevant stakeholders.

The Chair may provide advice to Council on the members' performance, particularly for external members, or members where an extension of tenure is being considered.

The Chair will always consider the costs and benefits of the activities that the audit and governance committee performs.

Reporting

The audit and governance committee will, as often as necessary, report to Council on its operations and activities during the year and confirm to Council that all functions outlined in this charter have been satisfactorily addressed.

The audit and governance committee may at any time, report to Council on any other matters it deems to be sufficiently important. In addition, any individual audit and governance committee member may request a meeting with Council at any time.

Review of charter

The audit and governance committee will ensure that this charter complies with relevant legislative and regulatory requirements and will propose amendments when necessary to ensure that it accurately reflects the committee's current role and responsibilities.

The audit and governance committee will review this charter once a year and more frequently if required. The review will include consultation with Council. Any substantive changes to the charter will be recommended by the audit and governance committee and formally approved by Council.

Endorsed:
Audit and governance committee Chair

Approved:
Accountable Authority

[Signature]

[Signature]

[Date]

[Date]

DRAFT - FOR DISCUSSION