

# Audit, Risk and Improvement Committee Terms of Reference

## Introduction

The Audit, Risk and Improvement Committee (ARIC) of the City of Kwinana is constituted by Council pursuant to section 5.8 of the *Local Government Act 1995* (Act) and in accordance with the requirements of section 7.1A of the Act. The establishment of the ARIC is a statutory requirement and forms a key component of the City's governance and accountability framework.

The ARIC operates as an advisory committee to Council. Its role is to provide independent oversight, assurance, advice and recommendations to support Council on matters relevant to these Terms of Reference. The ARIC does not exercise executive authority, does not make operational decisions and does not direct City employees.

## Purpose

The purpose of the ARIC is to assist Council by providing independent and informed oversight of the City's governance, assurance and improvement arrangements, in accordance with Part 7, Division 1A of the Act.

The ARIC's statutory functions include (but are not limited to):

- receive and review reports related to local government compliance audits required under the Act and regulations;
- make recommendations to Council on actions to be taken in relation to those reports;
- receive and review reports on the effectiveness of the City's systems and procedures in relation to financial management, legislative compliance and risk management, and make recommendations to Council on improvements;
- receive and review reports on any actions the City is required to take under the Act, or has decided to take, in relation to a compliance audit report or a report about the effectiveness of the City's systems and procedures; and
- perform any function conferred on the ARIC by the regulations or another written law.

In addition, regulation 17 of the Local Government (Audit) Regulations 1996 (Audit Regulations) requires the CEO to review the City's systems and procedures for financial management, legislative compliance and risk management at least once every 4 financial years, and to report the results of those reviews to the ARIC.

The ARIC operates in accordance with the principles of independence, clarity of purpose, competence, open and respectful relationships, and a transparent "no surprises" ethos.

## Membership and participation

To meet the requirements of the Act, the ARIC must comprise a minimum of three members appointed by an absolute majority decision of Council.

The Act provides for the following ARIC appointment types:

- independent Presiding Member (mandatory)  
The presiding member chairs ARIC meetings and performs the functions of the office of Presiding Member in accordance with sections 5.12 and 7.1A of the Act.
- independent Deputy of the Presiding Member (mandatory)  
This appointment is a deputy committee member under section 5.11A and is made in accordance with section 7.1B of the Act.  
A deputy committee member is not a Committee Member and only performs the functions of a Committee Member when the relevant Committee Member is unable to do so. In the context of the ARIC, the Deputy of the Presiding Member does not attend meetings unless the presiding member is unable to attend.
- independent Deputy Presiding Member (optional)  
If appointed, the deputy presiding member must be a committee member and must be independent. The appointment is made in accordance with section 5.12(2) and section 7.1A of the Act.  
If the City appoints a Deputy Presiding Member, the Deputy Presiding Member attends meetings (unless unable to attend) and is entitled to meeting fees and reimbursable expenses in accordance with the current State Administrative Tribunal determination.
- independent Committee Member  
Independent members may be appointed as committee members in accordance with section 5.10(1) of the Act and is entitled to meeting fees and reimbursable expenses in accordance with the current State Administrative Tribunal determination.
- Council Member  
Council Members may be appointed as committee members in accordance with section 5.10(1) of the Act.

Council Members may be appointed as Committee Members of the ARIC; however, the Presiding Member, the Deputy of the Presiding Member and any Deputy Presiding Member must be independent and must not be Council Members of the City or of any other local government. These requirements ensure the independence of the ARIC's leadership and its ability to provide objective advice to Council.

The collective membership of the ARIC will have an appropriate balance of skills, knowledge and experience relevant to local government audit, financial management, risk management, governance and continuous improvement.

The City's ARIC comprises six members, namely:

- Presiding Member;
- Deputy of the Presiding Member (attends only when the presiding member is unavailable)
- Independent Member; and
- Four Council Members (Mayor, Deputy Mayor and two Councillors)

ARIC Committee Members must comply with the City's Council Members, Committee Members and Candidates Code of Conduct and always perform their duties with impartiality and independence.

The CEO and members of the Executive Leadership Team are not members of the ARIC. The CEO should attend each ARIC meeting (unless otherwise agreed by the Presiding Member) to provide advice and information to support the ARIC to discharge its functions.

Collectively, Committee Members should have a broad range of skills and experience relevant to local government audit, financial management, risk management, governance and continuous improvement. At least one independent member should have accounting or related financial management experience and an understanding of accounting and auditing standards in a public sector/local government environment.

Employees of the City are not eligible to be members of the ARIC, and no Committee Member may be nominated by, or appointed to represent, a City employee.

### **Appointment and Terms**

The expression of interest process for independent members will be undertaken by the administration together with the appointment panel appointed by Council. Following the assessment process, a recommendation for appointment will be submitted to Council for decision.

Independent members are appointed for two-year terms aligned with the City's ordinary election cycle, in accordance with section 5.11 of the Act.

Independent members may be re-appointed for up to two terms. Council may approve additional terms to support continuity of expertise and institutional knowledge.

The term of a Council Member appointed to the ARIC is two years (aligned with the City's ordinary election cycle) in accordance with section 5.11 of the Act. Following an ordinary election, Council will confirm appointments; if required, a ballot may be conducted in accordance with the Act and the City's meeting procedures.

## Quorum

A quorum shall consist of at least 50% of the number of members of the ARIC, one of whom is to be an independent member, unless a reduction is approved by the local government under section 5.15 of the Act.

## Meetings

Council schedules the ARIC meetings at strategic times throughout the year, ensuring they align with legislation requirements and operational activities. This approach aims to facilitate the timely preparation and submission of necessary reports well in advance of their deadlines.

The scheduling of the ARIC meetings should be guided by the following principles:

- The ARIC is required to meet at least four times each calendar year.
- The Chief Executive Officer (CEO) has the authority to modify the meeting schedule in consultation with the Presiding Member.
- Special meetings may be convened in accordance with the Act.
- Meetings are open to the public and will be held at a location determined by the City that is accessible to the public.
- Public notice of meetings and access to agendas and minutes will be provided in accordance with the Act, relevant regulations and the City's meeting procedures.
- Where a matter is confidential, the ARIC may resolve to close the meeting (or that part of the meeting) to the public in accordance with the Act and the City's meeting procedures; the resolution and reasons are to be recorded in the minutes.

## Procedure

The ARIC's role is strictly advisory. Where the Terms of Reference mention review or endorsement of documents, plans, or reports, this should be interpreted as review and recommendation to Council or Management, not as approval authority.

The ARIC may also provide advice to the CEO, and through the CEO, Management, on matters within these Terms of Reference, but does not exercise executive authority or direct City employees.

Decisions of the ARIC are to be made by a simple majority.

Each Committee Member present at a meeting is to vote on each matter. Where votes are equal, the Presiding Member has a casting vote. Decisions and recommendations are to be clearly recorded in the minutes, including any opposing views if requested by a Committee Member.

Meeting procedures (including agendas, convening of meetings, circulation of papers, minute-taking, and access to minutes) are to be conducted in accordance with the City's applicable meeting procedures for committees established under the Act, and any relevant regulations/local laws.

Administrative support to the ARIC, including preparation of agendas, minutes, and action tracking, is to be provided by the City's Governance and Legal Team or another officer as determined by the Chief Executive Officer.

Committee Members must maintain the confidentiality of information obtained through their role, including information discussed in closed meetings or provided in confidence, except where disclosure is authorised or required by law.

Where the matter is confidential, the ARIC should handle it in accordance with the City's procedures for confidential items, while ensuring the decision and any resolution to exclude the public is appropriately documented.

Members must disclose any interest (including any material personal interest) in accordance with the Act and the City's relevant policy/procedures and must manage that interest as required (including abstaining from discussion and/or voting where required). Disclosures and actions taken are to be recorded in the minutes.

The external auditor, the internal audit function, and any co-sourced internal audit provider (if appointed) may meet with the presiding member outside of formal meetings where appropriate, including discussing planning, emerging risks, findings, and management responses.

Where necessary, the presiding member will meet with the CEO (or delegate) before each ARIC meeting and at other times as required

## **Duties and responsibilities**

The duties and responsibilities of the ARIC shall include the following:

### **Improvement**

- Review performance and suggest improvements in relation to the City's processes with regards to the below listed duties and responsibilities;
- Review performance reporting mechanisms to ensure they support continuous improvement and informed decisions-making; and
- Support management in exploring and adopting innovative practices to enhance service delivery in alignment with the City's Strategic Community Plan, Council Plans and major projects.

### **Internal control framework**

- Consider the adequacy and effectiveness of internal controls and the internal control framework including overseeing privacy and cyber security;
- Critically examine the steps Management has taken to embed a culture that is committed to probity and ethical behaviour;
- Review the organisation's processes or systems in place to capture and effectively detect and/or investigate fraud or material litigation should it be required; and
- Seek confirmation annually and as necessary from internal and external auditors, attending Elected Members, and Management, regarding the completeness, quality and appropriateness of financial and operational information that is provided to the Council.

## **Risk management**

- Review and consider Management's risk management framework in line with Council's risk appetite, which includes policies and procedures to effectively identify, treat and monitor significant risks, and regular reporting to the Council;
- Assist the Council to determine its appetite for risk;
- Review the principal risks that are determined by Council and Management, and consider whether appropriate action is being taken by Management to treat Council's significant risks;
- Assess the effectiveness of, and monitor compliance with, the risk management framework; and
- Consider any emerging risks trends and report these to Council where appropriate.
- To examine and consider the transfer of risk through an annual review of Council's insurances.

## **Internal audit**

- Review and approve the annual internal audit plan, which is to be based on the Council's risk framework;
- Monitor performance against the annual audit plan at each regular quarterly meeting;
- Monitor all internal audit reports and the adequacy of Management's response to internal audit recommendations;
- oversee the implementation of recommendations arising from internal audit, external audit, compliance audits and other assurance activities.
- Management is to maintain recommendations register and provide periodic status reports to the ARIC, including progress, delays, and completed actions.
- Review six monthly fraud reporting and ensure fraud issues are disclosed to the external auditor;
- Provide a functional reporting line for the internal audit and ensure objectivity and transparency of the internal audit;
- Oversee and monitor the performance and independence of both the internal auditors and co-sourced auditors who may be appointed from time to time;
- Review the range of services provided by the co-sourced partner and make recommendations to Council regarding the conduct of the internal audit function; and
- Monitor compliance with Council's delegation policies.

## **External reporting and accountability**

- Consider the appropriateness of the Council's existing accounting policies and practices and approve any changes as deemed appropriate;
- Contribute to improve the quality, credibility and objectivity of the accounting processes, including financial reporting;
- Consider and review the draft annual financial statements and any other financial reports that are to be publicly released and make recommendations to Management on any matters that arise from those statements or reports;
- Consider the underlying quality of the external financial reporting, including:
  - changes in accounting policy and practice;

- any significant accounting estimates and judgements, accounting implications of new and significant transactions, management practices;
- any significant disagreements between Management and the external auditors; and
- the propriety of any related party transactions and compliance with applicable Australian and international accounting standards and legislative requirements.
- Consider the disclosure of contingent liabilities and contingent assets as well as the clarity of disclosures generally;
- Consider whether the external reporting is consistent with Committee Members' information and knowledge, and whether it is adequate for stakeholder needs;
- Fulfil responsibilities associated with the delegated authority granted to the ARIC, including representing the Council in meetings with the auditor as stipulated by section 7.12A of the Act.
- Recommend to Council:
  - the adoption of the Financial Statements and Reports; and
  - the Statement of Service Performance; and
  - the signing of the Letter of Representation to the Auditors by the Mayor and the CEO.
- Enquire of external auditors any information that affects the quality and clarity of the Council's financial statements, and assess whether appropriate action has been taken by Management;
- Request visibility of appropriate management signoff on the financial reporting and on the adequacy of the systems of internal control; including:
  - certification from the CEO, and other staff that risk management and internal control systems are operating effectively.
- Consider and review the Community Strategic Plan Term and Annual Plans before adoption by the Council;
- Apply similar levels of enquiry, consideration, review and management sign off as are required above for external financial reporting; and
- Review and consider the Summary Financial Statements for consistency with the Annual Report.

#### **External audit**

- Review and monitor whether Management's approach to maintaining an effective internal control framework is sound and effective, and in particular:
- Review whether Management has taken steps to embed a culture that is committed to probity and ethical behaviour;
  - Review whether Management has in place relevant policies and procedures and how such policies and procedures are reviewed and monitored; and
  - Review whether there are appropriate systems processes and controls in place to prevent, detect and effectively investigate fraud.
- Annually review the independence of the audit engagement with the external auditor appointed by the Office of the Auditor General;

- Annually review the term of the audit engagement with the external auditor appointed by the Office of the Auditor General, including the adequacy of the nature and scope of the audit, and the timetable and fees;
- Review all external audit reporting, discuss with the auditors and review action to be taken by Management on significant issues and recommendations and report such actions to Council as appropriate;
- The external audit reporting should describe:
  - Council's internal control procedures relating to external financial reporting, findings from the most recent external audit and any steps taken to deal with such findings;
  - All relationships between the Council and the external auditor;
  - Critical accounting policies used by Council; and
  - Alternative treatments of financial information within Australian Accounting Standards that have been discussed with Management, the ramifications of these treatments and the treatment preferred by the external auditor.
- Ensure that the lead audit engagement and concurring audit directors are rotated in accordance with best practice and Australian Auditing Standards.

#### **Compliance with legislation, standards and best practice guidelines**

- Review the effectiveness of the system for monitoring the Council's compliance with laws (including governance legislation, regulations and associated government policies), with Council's own standards.

## Adoption and review

These Terms of Reference are adopted by Council and take effect from the date of Council resolution.

Council will review these Terms of Reference at least once every two years, and sooner if required due to changes to legislation, regulations or the City's governance arrangements.

Any amendment to these Terms of Reference must be approved by Council by resolution.

The Audit, Risk and Improvement Committee is to periodically review its own performance against these Terms of Reference and better practice governance principles.

The outcome of the performance review, including any identified improvements, is to be reported to Council.

### OFFICER USE ONLY

Officers may amend this section without council approval.

Responsible Team	Governance and Legal	
Initial Council adoption	Date: July 2013	Ref#:
Reviewed/amended	Date: March 2026	Ref#: 76
Next Review Date	Date: August 2027	
Policy Document Number	D13/43967[v11]	

