

**Charter for Financial Management, Audit, Risk and Compliance Committee
(Terms of Reference)
Updated 18 November 2014**

1. Operation

The Committee will operate in accordance with the requirements of the *Local Government Act 1995* (the Act) and Regulations, City of Melville policies, Australian Accounting, Audit and relevant best practice standards.

2. Objectives/Terms of Reference

To provide guidance and assistance to the Council as to matters under Part 7 – Audit - of the *Local Government Act 1995* including:-

- The composition, delegation and decision of an audit committee
- The appointment of auditors
- The conduct of an audit
- The duties of local Government with respect to audits

To also provide guidance and assistance to the Council in relation to a range of other financial and risk management matters including:-

- Engaging and monitoring the performance of internal and external audit firms;
- Agreeing the scope of works of the internal and external audit programmes with the respective auditors;
- Safeguarding the independence of the audit firms;
- Ensuring that Elected Members are provided with financial and non-financial information that is of high quality and relevant to the judgements to be made by them;
- Ensuring that controls are established and maintained in order to safeguard the City of Melville's financial and physical resources;
- Ensuring that systems or procedures are in place so that the City of Melville complies with relevant statutory and regulatory requirements;
- Assessing enterprise risks arising from the City of Melville's operations and considering the adequacy of measures taken to treat or insure against those risks;
- Acting as the principal line of communication between Elected Members, the City of Melville's External and Internal Auditors.

3. Membership

- In accordance with Section 7.1A (2) of the *Local Government Act 1995* members of the Committee will be appointed by absolute majority decision of the Council;
- The Committee will comprise at least four persons of which at least three are to be Elected Members of the City of Melville and one other member who will be an independent person;
- Independent members will have no association with the Council either as a member, an officer or closely associated person;
- Where possible the majority of members shall have experience in business and/or financial and management reporting and risk management;
- The independent member shall be selected on the basis of their skills and experience in the financial and/or risk management environment;
- The CEO and designated City of Melville employees, whilst not permitted to be members of this Committee, will when requested be required to attend meetings of the Committee to provide advice and guidance to the committee;
- Membership of the Committee will be reviewed after every Local Government Election.

4. Meetings

- The Chairperson will call and conduct meetings of the Committee in accordance with the City of Melville's Standing Orders and the *Local Government Act 1995* and Regulations;
- The Committee will meet at least four times per annum, with the timing of each meeting coinciding with the conduct of particular aspects of the City of Melville's audit, risk management and financial reporting cycle;
- An agenda, and written reports on the business to be conducted at the meeting, will be prepared and distributed to Committee members at least 72 hours prior to the meeting;
- Minutes of the Committee meeting proceedings and recommendations will be taken and submitted to Council for decision ;
- The External and Internal auditors will be invited to attend at least one meeting per calendar year, but may be invited at any time to address the Committee on any issues the Committee believes necessary.

5. Reporting

Reports and recommendations of each Committee meeting shall be presented to the next ordinary meeting of the Council. The Committee may make recommendations to the Council on any aspect of the Committee's responsibilities.

6. Responsibilities

The Committee will consider any matters relating to the financial, audit, internal controls, statutory compliance and risk management practices of the City as it considers relevant.

Specific responsibilities will include:-

- **Financial reporting**

- Overseeing compliance with statutory responsibilities relating to financial disclosure;
- Reviewing the adequacy of financial management reporting to the Council;
- Ensuring that Elected Members are provided with financial and non-financial information that is of high quality and relevant to the judgements to be made by them;
- Reviewing the draft annual financial report and all publicly published financial statements, focusing on:
 - significant changes in accounting policies;
 - significant adjustments to the financial report arising from the audit process;
 - compliance with accounting standards and other reporting requirements.

- **Accounting Policies**

- Reviewing any changes to accounting standards and policies and their impact on financial statements.

- **Internal Controls, Risk and Insurance**

- Reviewing the City of Melville's enterprise risk management framework;
- Reviewing and assessing the City of Melville's approach to the management of risks to ensure that risks are appropriately managed and where economical and practicable to do so, residual risks are appropriately insured;
- Ensuring that opportunities to better manage risks are identified and if feasible, implemented;
- Ensuring business continuity and disaster recovery plans are in place and causing such plans to be tested on a periodic basis;
- Ensuring that controls are established and maintained in order to safeguard the City of Melville's financial and physical resources;
- Reviewing and assessing management programs and policies in relation to internal controls over the financial and reporting systems including delegations of authority.

- **Audit**
 - Providing guidance and assistance to the Council in relation to:
 - The process for the selection and appointment of external auditor;
 - Recommending to the Council the person to be appointed as auditor;
 - Develop and recommend to the Council a written agreement for the appointment of the auditor including conditions;
 - Reviewing the annual audit plan with the external and internal auditors to consider its scope and effectiveness;
 - Reviewing the information and recommendations provided by external and internal auditors including the responses of management;
 - Reviewing any unresolved issues between management and the external and internal auditors and actions planned to obtain resolution;
 - Reviewing the performance of external and internal auditors.

- **Compliance**
 - Ensuring that the procedures established to monitor compliance with statutory requirements, regulations and contractual obligations are appropriate;
 - Reviewing the annual Statutory Compliance Audit Return and make recommendations to the Council on acceptance and any actions identified as a result of the Return.

The Financial Management, Audit, Risk and Compliance Committee's objectives are:

- Monitoring the Performance of the City.
- Reviewing the scope of works of internal and external audit programs.
- Ensure that financial and non-financial information of a high quality is available to Elected Members.
- Ensure controls are established in financial and physical resources.
- Compliance with statutory and regulatory requirements.
- Assessing risks
- Communicating with auditors.

Knowledge and Experience

The successful person, who must be independent of the Council, will ideally be able to demonstrate extensive knowledge and experience of:

- Financial Management, risk management, governance and audit (internal and external).
- Understanding of the duties and responsibilities of the position; ideally with respect to local government financial reporting and auditing requirements.
- Strong communication skills.
- Skills and experience in providing independent expert advice.

Meeting Details

- Venue – City of Melville Civic Centre, 10 Almondbury Road Booragoon
- Each Meeting is held on a Monday evening each quarter but there may be an occasion when an additional meeting is required.
- The Meeting commences at 6.30pm after a meal that is available from 5.45pm.
- Each Meeting usually takes between 50 minutes to 2 hours 40 minutes.