



AUDIT, RISK AND IMPROVEMENT COMMITTEE

TERMS OF REFERENCE

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SHIRE OF KULIN

AUDIT, RISK AND IMPROVEMENT COMMITTEE

TERMS OF REFERENCE

1. Introduction

The Audit, Risk and Improvement Committee ("ARIC") is an advisory Committee of the Shire of Kulin, established pursuant to sections 5.8 and 7.1A of the *Local Government Act 1995* ("the Act").

The ARIC provides recommendations and appropriate advice for consideration by the Council of the Shire of Kulin ("Council") to assist Council in making informed decisions regarding legislative functions and duties that have not already been delegated by Council to the Chief Executive Officer ("CEO") of the Shire of Kulin.

These Terms of Reference provide guidance regarding the:

- Scope of the powers and functions of the ARIC;
- Role of the ARIC in supporting Council in fulfilling its responsibilities; and
- Membership of the ARIC and meeting requirements.

The Terms of Reference are to be read together with the Act.

Terms and expressions used have the meaning provided by the Act, unless where otherwise stated.

2. Functions of the ARIC

The ARIC operates within the scope of the Act and Regulation 16 of the *Local Government (Audit) Regulations 1996*. Regulation 16 is set out below.

16. Functions of audit, risk and improvement committee

An audit, risk and improvement committee has the following functions —

(a) to receive and review reports on, and recommend to the council actions to be taken in relation to -

(i) audits under Part 7 of the Act; and

(ii) compliance audits; and

(iii) reviews under regulation 17;

(b) to otherwise receive and review reports on the appropriateness and effectiveness of, and recommend to the council improvements to, the local government's systems and procedures in relation to —

(i) financial management; and

(ii) legislative compliance; and

(iii) risk management;

(c) to receive and review reports on, and recommend to the council improvements to, the implementation of any actions that the local government -

(i) is required to take under section 7.12A(3); and

(ii) has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a); and

(iii) has otherwise decided to take in response to a report or recommendation referred to in paragraph (a) or (b); and

(iv) has stated it has done or proposes to do in written advice prepared under section 8.6(1)(a) or 8.23(4)(a);

(d) any other function conferred on the audit, risk and improvement committee under these regulations or another written law.

3. Role and responsibilities of the ARIC

The ARIC has oversight responsibilities on matters regarding:

- The Shire's systems of internal controls and risk management;
- Internal and external audit functions;
- Processes for monitoring compliance with legislative requirements; and
- Financial and performance reporting practices

The purpose is to oversee significant risk exposures and control issues, including fraud risks, governance issues and other matters as necessary or requested by Council.

This assists Council in fulfilling its legislative and governance responsibilities as they relate to financial reporting, internal controls, internal and external audit functions and risk management systems.

The duties and responsibilities of the ARIC include, but are not limited to:

3.1 Overseeing the Shire's risk management, through:

- Annual review of the Shire's Risk Management Policy.
- Reviewing reports on the movement of the Shire's current strategic risks, and the emergency of new strategic risks.
- Overseeing strategic risks which fall outside the Shire's adopted risk management framework, including approved risk tolerances and controls.

3.2 Overseeing the Shire's processes for managing fraud and corruption, by:

- Enquiring with the CEO and Office of the Auditor General ("OAG") about whether they are aware of any actual, suspected or alleged fraud or corruption affecting the Shire.
- Reviewing summary reports from the CEO on communication from external parties, including regulators that indicate problems in the internal control system or inappropriate management actions.

3.3 Overseeing the Shire's financial management and legislative compliance, by:

- Reviewing the Shire's annual Compliance Audit Return and reporting the results of that review to Council, in accordance with the *Local Government (Audit) Regulations 1996*.
- Receiving and reviewing reports from the CEO relating to Regulation 5 of the *Local Government (Financial Management) Regulations 1996* and Regulation 17 of the *Local Government (Audit) Regulations 1996*.

3.4 Fulfilling responsibilities pertaining to external audit, by:

- Reviewing reports from the OAG, including auditor's reports, closing reports and management letters.
- Reviewing management's response to OAG findings and recommendations.
- Monitoring the implementations of recommendations from external audits.
- Reviewing results of relevant OAG audit reports and better practice publications for guidance on good practices, including any self-assessment by the CEO.

4. No Delegated Authority

The role of the ARIC is advisory and it has no delegations from Council.

The ARIC therefore does not have:

1. Executive powers of authority to implement actions in areas of management responsibility;
2. Responsibility for direct financial management;
3. Management or operational decision-making powers or functions; or
4. Delegated power or authority to implement recommendations, without approval from Council.

5. Independence of the ARIC and Role of Staff

- The ARIC is independent of the management and staff of the Shire of Kulin;
- Through the CEO, the ARIC is to receive administrative support from management and staff including organising meetings and preparation of agendas, minutes and reports;
- The CEO, Executive Managers of the Shire, audit service providers (if required) and other relevant staff, as necessary, are invited and permitted to attend all meetings of the ARIC to provide information, advice and guidance; and
- Staff and other attendees attending at meetings of the ARIC do not have voting rights.

6. Membership of the ARIC

6.1 Appointment

Members of the ARIC are appointed by Council in accordance with section 7.1A of the Act.

6.2 Independent Appointments

Council is required by the Act to make independent appointments to the ARIC.

Council must appoint an independent Presiding Member and an independent Deputy of the Presiding Member, as defined by the Act. Neither of these roles can be held by a member of Council or an employee of the Shire.

The Deputy of the Presiding Member attends meetings and performs the role and responsibilities of the independent Presiding Member when the Presiding Member is unable to attend a meeting.

~~Council may determine whether the Independent Deputy Presiding Member:~~

- ~~a) is appointed as a full voting member of the ARIC; or~~
- ~~b) serves solely in the capacity of deputy to the Independent Presiding Member and attends meetings only when required to act in that capacity.~~

6.3 Composition of the ARIC

Council members are permitted to be members of the ARIC.

Staff members are not permitted to be members of ARIC but are permitted to attend meetings of the ARIC, within the scope of clauses 5 and 7 of these Terms of Reference.

6.3.1 Membership of the ARIC will comprise:

1. All elected members of the Council of the Shire of Kulin (noted to currently be seven (7));
2. One (1) external independent committee member to be the Independent Presiding Member; and
3. ~~Subject to 6.3.2, o~~One (1) external independent ~~committee member~~person to be the Independent Deputy of the Presiding Member.

~~6.3.2 The Independent Deputy Presiding Member may either:~~

- ~~a) be appointed as a full voting member of the ARIC; or~~
- ~~b) attend only when acting in place of the Independent Presiding Member, as determined by Council. Voting rights of the Independent Deputy Presiding Member will apply in accordance with the nature of their appointment determined by Council.~~

6.4 Term of Appointment

6.4.1 All Members

In accordance with section 5.11 of the Act, all members of the ARIC will be appointed by the Council and membership will continue until the earlier of:

1. The next ordinary elections day of the Shire;
2. Expiration of the term of the appointment of the member;
3. The ARIC is disbanded;
4. Resignation by that member pursuant to Regulation 4 of the *Local Government (Administration) Regulations 1996*; or
5. Council removes the person from the office of committee member, or the office of the member otherwise becomes vacant.

6.4.2 Independent Members Fixed Term

The Presiding Member and Deputy of the Presiding Member will each be appointed for a period of two (2) years, subject to the following:

1. The term of appointment of each of the first Presiding Member and first Deputy of the Presiding Member of the ARIC upon its establishment will commence on the respective dates of their appointments, and end on the next ordinary elections day of the Shire (in 2027); and
2. noting the right of the Presiding Member and Deputy of the Presiding Member to resign their respective appointment/s are as provided by Regulation 4 of the *Local Government (Administration) Regulations 1996*.

7 Meetings

7.1 Frequency

Meetings of the ARIC must be held at least quarterly-four (4) times per calendar year. Additional meetings may be convened as required.

7.2 Chairing Meetings

- The Presiding Member of the ARIC will preside at all meetings and is responsible for the proper conduct of the Committee.
- In the absence of the Presiding Member, the Deputy of the Presiding Member will attend and preside over a meeting of the ARIC and fulfil the responsibilities of the Presiding Member. In the absence of the Deputy of the Presiding Member at person at a meeting, the members present may elect a member of the ARIC members present to preside over the meeting.

7.3 Decisions of ARIC Meetings

All decisions of the ARIC are to be made by simple majority.

ARIC does not have any delegated powers or ability to implement or action decisions as provided in clause 4 of these Terms of Reference. Any recommendations or decisions of ARIC are to be presented to Council for consideration at an Ordinary Council Meeting, not later than two (2) months after the date of the relevant ARIC meeting.

7.4 Quorum

The quorum for a meeting of the ARIC is at least 50% of the number of officers of the Committee, whether vacant or not, as provided by section 5.19 of the Act.

The CEO and any staff, guests or observers in attendance at meetings of the ARIC are not members and cannot be included in the quorum calculations.

7.5 Electronic attendance

Electronic attendance at meetings of the ARIC may be permitted within the parameters of regulation 14C of the *Local Government (Administration) Regulations 1996*, where a member is unable to be present in person.

7.6 Agenda and Minutes

Agendas will be circulated to the members of the ARIC in accordance with the Act, at least 72 hours prior to each meeting. Minutes of all meetings will be kept in accordance with the Act.

7.7 Public Attendance

Meetings of the ARIC are open to members of the public as provided by section 5.23(1) of the Act.

7.8 Closed meetings

Meetings of the ARIC may be closed to the public as provided by the provisions of section 5.23 of the Act.

7.9 Voting

Voting at meetings of the ARIC will be in accordance with section 5.21 of the Act, that is:

- Each member of ARIC who is present at a meeting of ARIC will be entitled to one (1) vote;
- If the votes of members present are equally divided, the Presiding Member is required to cast a second vote; and
- Simple majority will prevail.

7.10 Management of Conflicts of interest

Each member of the ARIC must:

- Disclose and manage any conflicts of interest (whether actual, perceived or impartiality interests) in accordance with the Act, any associated Regulations and/or applicable code of conduct;
- declare any conflicts prior to an item being considered; and
- take appropriate action they consider necessary to manage the conflict (such as by departure from the meeting while the item is being considered, depending on the nature of the interest declared).

8 Payments to Independent Committee Members

- Council will pay a meeting attendance fee to a person appointed as the independent Presiding Member
- ~~or independent Deputy Presiding Member of the ARIC~~ Subject to the independent Deputy of the Presiding Member attending a meeting and carrying out the role and responsibilities of the Presiding Member, Council will pay a meeting attendance fee to that person.-
- The meeting attendance fee will be determined by Council through the annual budget and set within the range prescribed by the *Salaries and Allowances Tribunal* for Independent Audit, Risk and Improvement Committee members.
- In determining the fee, Council will have regard to the skills, experience and responsibilities required of the role.

9 Review of Terms of Reference

The ARIC must review these Terms of Reference at least once annually and may recommend to Council amendments it considers necessary.

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Effective Date	Details	Next Review Date	Date endorsed by ARIC	Date adopted by Council
20 May 2026	Initial endorsement and adoption	June 2027	Draft endorsed 15 April 2026	Adopted 20 May 2026 (with amendment to clause 6 – refer Ordinary Council Minutes)
	<u>Review and amendment</u>	<u>June 2027 (or earlier)</u>	<u>Draft endorsed 9 September 2026</u>	

DRAFT FOR REVIEW