

1. ESTABLISHMENT

- 1.1 The Finance, Risk and Audit Committee is a formally constituted Committee of Council pursuant to *Section 41 and 126 of the Local Government Act 1999* and is responsible to Council. It operates as an independent and objective advisory Committee to Council and does not have any delegated decision making or authority to implement actions in areas over which the Chief Executive Officer has delegation.

2. OBJECTIVES

- 2.1 The primary objective of the Finance, Risk and Audit Committee is to add value through the provision of advice to ensure that the resources of the City of Marion are being used efficiently and effectively. It will assist Council accomplish its objectives by contributing to a systematic and disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.
- 2.2 As part of Council's governance obligations to the community, Council has constituted the Finance, Risk and Audit Committee to facilitate:
- 2.2.1 Oversight of relevant activities to facilitate achieving the City of Marion's objectives in an efficient and orderly manner.
 - 2.2.2 Enhancing the credibility and objectivity of internal and external financial reporting.
 - 2.2.3 Effective management of risk and the protection of Council assets.
 - 2.2.4 Compliance with laws and regulations as well as use of best practice guidelines.
 - 2.2.5 The provision of an effective means of communication between the external auditor, internal auditor and service reviews provider, management and Council.
 - 2.2.6 The City of Marion's ethical development.

3. MEMBERSHIP

- 3.1 Membership of the Committee will comprise:
- (i) Two Council Members (who are not the Mayor)
 - (ii) One Proxy Council Member (who is not the Mayor)
 - (iii) Three Independent members
- Council Member Representatives
- 3.2 Ideally, the Council Members on this Committee will have experience in business, legal, risk management, audit or financial management / reporting knowledge and experience.
- 3.3 Appointment of the Council Members to this Committee will be made by Council on a rotational basis, as resolved from time to time. Council may resolve to re-appoint the Council Members on this Committee for consecutive terms.

- 3.4 No additional allowance will be paid to the Council Member representatives over and above the allowance already received by the Council Members.
- 3.5 If required, training and development will be sourced and provided to the Council Member Representatives on matters/subjects within the Finance, Risk and Audit Committee Terms of Reference.
- 3.6 The Council Member representatives will raise matters (within the scope of the Finance, Risk and Audit Committee Terms of Reference) with the Committee, on behalf of Council and act as a conduit of information between Council and the Committee, and the Committee and Council.
- 3.7 The Council Member representatives will provide a verbal report to Council on the key matters and recommendations within the Committee meeting, when the minutes and / or Committee recommendation reports, are presented to Council for adoption.
- 3.8 The Council Member representatives will provide a report to the Committee on any Council decisions or discussions that are relevant to the Committee's Terms of Reference.

Independent Members

- 3.9 Independent members will collectively have skills, knowledge and experience in senior business roles, legal, audit, financial management / reporting, risk management, governance and be conversant with the local government environment.
- 3.10 The Council will determine the process for appointing an independent member.
- 3.11 Appointment of external representatives will be made by Council for a term to be determined by Council. To ensure succession planning for the Committee, the terms of appointment should be arranged on a rotational basis and continuity of membership despite changes to Council's elected representatives. Council may resolve to re-appoint an independent member for consecutive terms.
- 3.12 If Council proposes to remove an independent member from the Committee, it must give written notice to the independent member of its intention to do so and provide that independent member with the opportunity to be heard at a Council meeting which is open to the public, if that independent member so requests.
- 3.13 Remuneration will be paid to each independent member of the Committee to be set by Council from time to time. At a minimum, the remuneration paid to the independent member will be reviewed within 12 months from the date of a Council (periodic) election.

4. BASIS FOR OPERATION

- 4.1 The Committee's role is to report to Council and provide appropriate advice and recommendations on matters relevant to the Committee's Terms of Reference in order to facilitate decision-making by Council in relation to the discharge of its responsibilities.
- 4.2 The City of Marion considers that the ability of the Finance, Risk and Audit Committee to operate in a manner that adds value and also maintain independent judgement is vital. As such, the City of Marion has based the Committee's Terms of Reference on the ASX

Principles of Good Corporate Governance and the Australian Standard AS 8000-2003 Good Governance Principles.

- 4.3 Council or the Chief Executive may refer any matter to the Finance Risk and Audit Committee within its Terms of Reference.
- 4.4 The Chairperson of the Committee shall be appointed from the independent representatives of the Committee by Council. In the absence of the appointed Chairperson from a meeting, the meeting will appoint an acting Chairperson from the independent members present.
- 4.5 A quorum for a meeting of the Committee shall be 3 persons present from the total membership and must include one Council Member.
- 4.6 The Finance, Risk and Audit Committee, through the Chief Executive Officer, may seek information or obtain expert advice on matters of concern within the scope of its responsibilities.
- 4.7 The Chief Executive Officer will attend all meetings on an ex-officio basis, except when the Committee chooses otherwise. Other Council Members or staff may be invited to attend at the discretion of the Committee to advise and provide information when required.
- 4.8 The Finance, Risk and Audit Committee will review its performance on a bi-annual basis to ensure the continual improvement to its performance.
- 4.9 Representatives of the external auditor will be invited to attend meetings at the discretion of the Committee but must attend meetings at which there will be consideration of the annual financial report and results of the external audit.
- 4.10 The Finance, Risk and Audit Committee will meet with both the external auditor and internal auditor without management present at least once a year.
- 4.11 The Chief Executive Officer will ensure appropriate support is provided to the Committee.

Meetings

- 4.12 The Committee shall meet at least quarterly.
- 4.13 The time and place for the conduct of meetings will be determined by the Committee provided that all meetings will be held in a public environment within a City of Marion building.
- 4.14 The Committee will consider and determine its own meeting practice, processes and procedures within the parameters of the Local Government Act 1999 and the Local Government (Procedures at Meetings) Regulations 2000.
- 4.15 An annual schedule of meetings will be developed and agreed to by the Committee members. This schedule of meetings will include at least one joint workshop with the Council and the Committee.
- 4.16 Additional meetings shall be convened at the discretion of the Chairperson, or at the written

request of Council or any member of the Committee or external auditor.

Reporting

- 4.17 A copy of all agenda and reports forwarded to the Finance, Risk and Audit Committee will also be forwarded to Council Members for information prior to the conduct of the Finance, Risk and Audit Committee meeting.
- 4.18 A summary report including the minutes of each Finance, Risk and Audit Committee Meeting, shall be forwarded (as soon as practicable after the meeting) to a General Council meeting.
- 4.19 Where the Finance, Risk and Audit Committee makes a recommendation to Council on a matter within the scope of its Terms of Reference, the matter will be listed as a separate agenda item for consideration by Council at the next General Council meeting that is not being held on the same day as the Audit Committee meeting. A Council Member Representative on the Committee will inform the Council during the Council meeting of the recommendation, and any provide any relevant context.
- 4.20 Where the Council makes a decision relevant to the Committee's Terms of Reference, a Council Member Representative will report the decision to the Committee at the next Committee meeting and provide any relevant context.
- 4.21 The Committee shall report annually to the Council, summarising the activities of the Committee during the previous year. The Committee's annual report will be included in the Council's annual report each year.

Authority

- 4.22 The Committee is authorised to seek any information it requires from any employee in the Council (after advising the CEO) in order to perform its duties.
- 4.23 The Committee is authorized, at the Council's expense, (after consultation with the CEO) to obtain outside legal or other professional advice on any matter within its Terms of Reference.

5. FUNCTIONS

The primary functions of the Finance, Risk and Audit Committee is to add value through the provision of advice to ensure that the resources of the City of Marion are used efficiently and effectively. It will assist Council to accomplish its objectives by contributing to a systematic and disciplined approach to evaluating and improving the effectiveness of financial management, risk management, internal controls, and governance processes through the following activities:

5.1 External Audit

- 5.1.1 Review and recommend for endorsement by Council the engagement of the City of Marion's external auditor. The review should look to satisfy Council that the provider of external audit services can demonstrate adequate independence from the operations of the City of Marion.

- 5.1.2 Critically analyse and follow up any external audit report that raises significant issues relating to risk management, accounting, internal controls, financial reporting and other accountability or governance issues. Review management's response to, and actions taken as a result of, issues raised.
- 5.1.3 Liaise with the City of Marion's external auditor including discussion on:
- 5.1.4 The scope and planning of annual audits.
- 5.1.5 Any issues arising from audits, including any management letter issued by the auditor and the resolution of such matters.
- 5.1.6 Recommend to Council, if considered appropriate, that the external auditor, or some other person suitably qualified in the circumstances, examine and report on any matter related to financial management, or the efficiency and economy with which the City of Marion manages or uses its resources to achieve its objectives, that would not otherwise be addressed or included as part of the annual audit (under Div. 4 of Part 3 of Ch. 8 of the Act).

5.2 Internal Audit

- 5.2.1 Review and recommend for endorsement by Council the engagement of the City of Marion's internal audit provider. The review should look to satisfy Council that the provider of the services can demonstrate adequate independence from the operations of the City of Marion.
- 5.2.2 Review, and provide information relevant to, the scope of the internal audit program, including whether the program systematically addresses:
 - Internal controls over significant risk, including non-financial management control systems.
 - Internal controls over revenue, expenditure, assets and liability processes. and activities.
 - Compliance with regulations, policies, best practice guidelines, instructions and contractual arrangements.
 - Whether employees have sufficient competencies (facilitated by up-to-date training) to enable them to fulfil their roles.
 - A review of the City of Marion's strategic management plans and annual business plans to ensure appropriate allocation of resources necessary to achieve the objectives of the plans.
- 5.2.3 Monitor, critically analyse and follow up any internal audit, or risk assessments that raises significant issues and review management's response to, and actions taken as a result of issues raised.
- 5.2.4 Review the appropriateness of special assignments undertaken by the internal audit and provider at the request of the Chief Executive.

- 5.2.5 Facilitate liaison between the internal audit provider, and external auditor to promote compatibility, to the extent appropriate, between their programs.

5.3 Financial Reporting and Prudential Requirements

- 5.3.1 Review Council's annual financial statements (prepared in accordance with Section 10 of the *Local Government (Financial Management) Regulations 2011* to ensure that they present fairly the state of affairs of the City of Marion, including focus on:
- Accounting policies and practices and any changes to them.
 - 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.
 - Significant variances from prior years.
- 5.3.2 Provide comment on the assumptions underpinning Council's Strategic Management Plans (Strategic Plan, Annual Business Plan, Budget and Long Term Financial Plan), the consistency between plans, and the adequacy of Council's plans in the context of maintaining financial sustainability.
- 5.3.3 Recommend adoption of the annual financial statements to Council. Review any significant changes that may arise, subsequent to any such recommendation but before the financial report is signed.
- 5.3.4 Review the recommendations of business cases developed by Management in association with significant activities or major projects. Such reviews should have regard to the requirements of Section 48 of the Local Government Act 1999, which relates to prudential requirements for certain activities.
- 5.3.5 The Quarterly Budget Review Reports (required under S9 of the Local Government (Financial Management) Regulations 2011 – Statutory reports to Council) to be presented to the Finance, Risk and Audit Committee.

5.4 Internal Controls and Risk Management Systems

- 5.4.1 Review the City of Marion's annual Risk Profile and monitor the risk exposure of Council. Review risk management processes and management information systems.
- 5.4.2 Review the adequacy of the accounting, internal control, reporting and other resource and financial management systems and practices of the City of Marion on a regular basis.
- 5.4.3 Ensure appropriate policies, systems and procedures relating to risk management are implemented and maintained in order to assist the council to carry out its activities in an efficient and orderly manner to achieve its objectives, inform appropriate decision making, facilitate appropriate prioritisation of finite resources and promote appropriate mitigation of strategic, financial and operational risks relevant to the council.

5.5 Other

- 5.5.1 Where Council has exempted a subsidiary from the requirement to have an audit committee, undertake the functions that would have been performed by the subsidiary's audit committee.
- 5.5.2 Monitor ethical standards and conflicts of interest by determining whether the systems of control are adequate.
- 5.5.3 Address issues brought to the attention of the Committee, including responding to requests from Council or the Chief Executive for advice that are within the parameters of this Terms of Reference.
- 5.5.4 Make recommendations to the Council to amend these Terms of Reference if the Committee forms the opinion that such amendments are necessary to improve its performance.
- 5.5.5 Review the Committee's performance on a bi-annual basis using performance indicators developed for that purpose.