



Terms of Reference

Name	Audit & Risk Committee
Document Number	ToR_4
Responsible Department	Chief Executive Office
Adopted	September 2023
Minutes reference	2023/09-18
Next review date	September 2025
Applicable Legislation	<i>Local Government Act 1999; Local Government (Procedures at Meetings) Regulations 2013.</i>
Related Policies	Code of Practice for Access to Meetings and Documents.

1. ESTABLISHMENT

Pursuant to section 126 of the *Local Government Act 1999* ("the Act"), Council must establish an Audit and Risk Committee. Pursuant to section 41 of the Act, the Council establishes a committee to be known as the Audit & Risk Committee ("the Committee").

2. OBJECTIVES

The objective of the Committee is to provide independent assurance and advice to Council on accounting, financial management, internal controls, risk management and governance matters. The Committee provides an importance independent role between a Council and its management and between a Council and its community.

The Committee plays a critical role in the financial reporting framework of a Council, by overseeing and monitoring the participation of management and external auditors in the financial reporting process. The Committee also monitors matters such as the approach being adopted by Council and management to address business risks, corporate and financial governance responsibilities and legal compliance. Council may also refer issues of a strategic nature to the committee.

3. ROLES AND RESPONSIBILITIES

3.1 Financial Reporting

3.1.1 The Committee will monitor the integrity of the financial statements of Council, review significant financial reporting issues and the judgements that they contain, and review the Annual Financial Statements to ensure that they present fairly the state of affairs of Council.

3.1.2 The Committee will review and challenge where necessary:

- the consistency of, and/or any changes to, accounting policies;
- the methods used to account for significant or unusual transactions where different approaches are possible;

- whether Council has followed appropriate accounting standards and made
- appropriate estimates and judgements, taking into account the views of the external auditor;
- the clarity of disclosure in the Council's financial reports and the context in which statements are made; and
- all material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management).

3.2 Internal Controls and Risk Management Systems

The Committee will review:

- the effectiveness of the Council's internal controls and risk management systems; and
- the adequacy of the accounting, internal control, reporting and other financial management systems and practices of the council on a regular basis; and
- Council's Risk Framework and Strategic Risk Register; and
- review and consider the risk management implications of policies that pose a financial or business risk to Council before recommending their adoption by Council; and
- recommend the approval, where appropriate, of statements to be included in the annual report concerning internal controls and risk management. (Note that it is important that the Committee understand the business of Council to appreciate the risks it manages on a daily basis, and to ensure that there are appropriate management plans to manage and mitigate this business risk. This will include insurance matters, financial reporting, legal and regulatory compliance, business continuity, and statutory compliance. This can be facilitated by discussions with the auditors and by presentations by management on how business risks are identified and managed).

3.3 Public Interest Disclosure

The Committee will review Council's arrangements and processes for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee will ensure these arrangements allow independent investigation of such matters and appropriate follow-up action.

3.4 External Audit

The Committee will:

- consider and make recommendations to the Council, in relation to the appointment, re-appointment and removal of the Council's external auditor. The Committee will oversee the selection process for new auditors and if an auditor resigns the Committee will investigate the issues leading to this and decide whether any action is required;
- oversee Council's relationship with the external auditor including, but not limited to:
 - recommending the approval of the external auditor's remuneration, whether fees for audit or non-audit services, and recommending whether the level of fees is appropriate to enable an adequate audit to be conducted;
 - recommending the approval of the external auditor's terms of engagement, including any engagement letter issued at the commencement of each audit and the scope of

the audit;

- assessing the external auditor's independence and objectivity taking into account relevant professional and regulatory requirements and the extent of Council's relationship with the auditor, including the provision of any non-audit services;
 - satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the external auditor and the Council (other than in the ordinary course of business);
 - monitoring the external auditor's compliance with legislative requirements on the rotation of audit partners; and
 - assessing the external auditor's qualifications, expertise and resources and the effectiveness of the audit process.
- meet as needed with the external auditor. The Committee will meet the external auditor at least once a year, without management being present; to discuss the external auditor's report and any issues arising from the audit;
 - review and make recommendations to the Council on the annual audit plan, and in particular its consistency with the scope of the external audit engagement;
 - review the findings of the audit with the external auditor. This will include, but not be limited to, the following;
 - a discussion of any major issues that arose during the external audit;
 - any accounting and audit judgements; and
 - levels of errors identified during the external audit. The Committee will also review the effectiveness of the external audit.
 - review the management letter and management's response to the external auditor's findings and recommendations.

3.5 Section 48(1) ("Prudential Issues") and Section 130A ("Other Investigations") of the Act

3.5.1 Review any report obtained by Council under section 48(1) of the Act; and

3.5.2 Review any report of examination that has been undertaken pursuant to Section 130A of the Act, on a matter that that has been considered by the council to be of such significance as to justify an investigation.

4. OTHER MATTERS

The Committee will:

- examine, and provide comment on, the review of Council's Strategic Management Plans, including the Long Term Financial Plan and Infrastructure & Asset Management Plans, and Council's Annual Business Plan and supporting financial information prior to community consultation;
- have access to reasonable resources in order to carry out its duties (Note that this is subject to any budget allocation being approved by Council);
- be provided with appropriate and timely training, both in the form of an induction program for new members and on an ongoing basis for all members;

- give due consideration to laws and regulations of the Act,
- make recommendations to the Council on co-ordination of the internal and external auditors;
- oversee any investigation of activities which are within its terms of reference;
- oversee action to follow up on matters raised by the external auditors; and
- review its own performance at least once a year and review its terms of reference at least once in every two years to ensure it is operating at maximum effectiveness and recommend changes it considers necessary to the Council for approval.

5. REPORTING

5.1 The Committee must:

- a) Provide a report to the Council following each meeting summarising the work of the Committee during the period preceding the meeting and the outcomes of the meeting; and
- b) Provide an annual report to the Council on the work of the Committee during the period to which the report relates, this report is to be included in the Council's annual report.

5.2 The Committee will inform Council and the Local Government Association of SA Mutual Liability Scheme (LGAMLS) of any potential civil liability claim or the development of any "special risk" in accordance with LGAMLS rules.

6. DELEGATIONS

Pursuant to section 44 of the Act, the Committee shall have delegated authority relative to section 126(4) of the Act. For other matters the Committee will make recommendations to Council.

7. MEMBERSHIP

- 7.1 The Committee is to consist of five (5) members to be appointed by Council. The members of the Committee (when considered as a whole) must have skills, knowledge and experience relevant to the functions of the committee, including in a financial management, risk management, governance and any other prescribed matter. The membership is comprised as follows;
 - a) Two (2) persons who are members of the Council; and
 - b) Three (3) independent persons.
- 7.2 Council will appoint the Presiding Member of the Committee, as well as a Deputy Presiding Member. It is preferable that the Presiding Member of the Committee is an Independent Member.
- 7.3 Council members are appointed to the Committee for a period of up to four years, or until the end of the term of Council. Council Members may be reappointed by Council.
- 7.4 Independent Members should be appointed mid council term for a period of up to four years to ensure continuity of the committee.

- 7.5 Only members of the Committee are entitled to vote in Committee meetings. Unless otherwise required by the Act not to vote, each member must vote on every matter that is before the Committee for decision. However, Council staff may attend meetings as observers or be responsible for preparing papers for the Committee.
- 7.6 In accordance with the principles of open, transparent and informed decision making, Committee meetings must be conducted in a place open to the public. The agenda and minutes of the Committee meetings, subject to any items that are discussed in confidence under Section 90 of the Act and subsequently retained as confidential under Section 91 of the Act, are to also be made available to the public.
- 7.7 Council's external auditors may be invited to attend meetings of the Committee.

8. MEETING PROCEDURES

- 8.1 The Committee shall act at all times in strict accordance with Chapter 6 of the Act, the *Local Government (Procedures at Meetings) Regulations 2013*, these Terms of Reference and any Code of Practice for Meeting Procedures that may apply.
- 8.2 The Committee shall have regard to the Guiding Principles pursuant to Regulation 4 of the *Local Government (Procedures at Meetings) Regulations 2013* in all of its dealings and activities.

9. FREQUENCY OF MEETINGS

- 9.1 The date and time of the Committee meetings will be determined by the Committee.
- 9.2 The Committee will meet at least once in each quarter and otherwise as required.

10. QUORUM

The quorum necessary for the transaction of business is three.

11. NOTICE OF MEETINGS

- 11.1 Ordinary meetings of the Committee will be held at times and places determined by the Committee. A special meeting of the Committee may be called in accordance with the Act.
- 11.2 Notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, is to be forwarded to each member of the Committee and observers, no later than 3 clear days before the date of the meeting. Supporting papers shall be sent to Committee members (and to other attendees as appropriate) at the same time.

12. MINUTES OF MEETINGS

- 12.1 The Chief Executive Officer is responsible to ensure that the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance, are minuted and that the minutes otherwise comply with the requirements of the *Local Government (Procedure at Meetings) Regulations 2000*.
- 12.2 Minutes of Committee meetings are circulated within five days after a meeting to all members of the Committee and to all members of Council and will (as appropriate) be available to the public.

13. ADMINISTRATIVE SUPPORT

The Chief Executive Officer shall provide sufficient administrative resources to the Committee to enable it

to adequately carry out its functions.

14. REVIEW

These Terms of Reference shall be reviewed every 24 months, or more frequently as determined by Council.

Document history:

Version	Adopted	Description of Change
1.0	May 2020	Adopted.
2.0	September	Reviewed in line with legislative reform.