



# Terms of Reference

## Section 126

### Audit & Risk Committee

#### 1. ESTABLISHMENT

- 1.1 The Audit & Risk Committee (the Committee) is established pursuant to Sections 41 and 126 of the [Local Government Act 1999](#) (the Act).
- 1.2 These Terms of Reference were adopted by Council on 13 December 2022 (Resolution No. CM 12-2022/020).
- 1.3 The Committee is a prescribed committee as defined in the Remuneration Tribunal Determination No. 2 of 2022, [Allowances for Members of Local Government Councils](#), as published in the [Government Gazette](#) on 7 July 2022.
- 1.4 The term of the Committee shall be for a period not exceeding the term of Council, unless terminated earlier by resolution of Council.

#### 2. OBJECTIVES

The functions of the Committee include:

- 2.1 reviewing annual financial statements to ensure that they present fairly the state of affairs of Council;
- 2.2 proposing, and providing information relevant to, a review of Council's strategic management plans or annual business plan; and
- 2.3 monitoring the responsiveness of Council to recommendations for improvement based on previous audits and risk assessments, including those raised by a council's auditor;
- 2.4 proposing, and reviewing, the exercise of powers under Section 130A;
- 2.5 liaising with Council's auditor in accordance with any requirements prescribed by the regulations;
- 2.6 reviewing the adequacy of the accounting, internal control, reporting and other financial management systems and practices of Council on a regular basis; and:

- i. if Council has an internal audit function—
    - (A) providing oversight of planning and scoping of the internal audit work plan; and
    - (B) reviewing and commenting on reports provided by the person primarily responsible for the internal audit function at least on a quarterly basis; or
  - ii. if Council does not have an internal audit function, reviewing and commenting on an annual report provided by the chief executive officer in relation to the policies and processes adopted by Council to evaluate and improve the effectiveness of its internal control practices and procedures;
- 2.7 reviewing and evaluating the effectiveness of policies, systems and procedures established and maintained for the identification, assessment, monitoring, management and review of strategic, financial and operational risks on a regular basis;
  - 2.8 reviewing any report obtained by Council under Section 48(1) of the Act, being the prudential requirements of Council for certain activities; and
  - 2.9 performing any other function determined by Council or prescribed by the regulations

### **3. PURPOSE AND FUNCTIONS OF THE COMMITTEE**

Specifically, the Committee will undertake the following:

#### **3.1 Financial Reporting**

- 3.1.1 The Committee shall review the integrity of the financial reports of Council including Annual Financial Statements, Annual Business Plan, Strategic Management Plans, and reviewing significant financial reporting issues and judgements which they contain.
- 3.1.2 The Committee shall review where necessary:
  - 3.1.2.1 The consistency of, and/or any changes to accounting policies.
- 3.1.3 The methods used to account for significant or unusual transactions where different approaches are possible.

#### **3.2 Internal Controls and Risk Management Systems**

- 3.2.1 The Committee shall review the adequacy of the accounting, internal control, reporting and other financial management systems and practices of Council on a regular basis.
- 3.2.2 Review the effectiveness of policies, systems and procedures established for the identification, assessment, monitoring management and review of strategic and operational risks on a regular basis.

### **3.3 External Audit**

- 3.3.1 The Committee shall consider and make recommendations to Council in relation to the appointment, re-appointment and removal of Council's external auditor.
- 3.3.2 The Committee will oversee Council's relationship with the external auditor including, but not limited to:
  - 3.3.2.1 recommending the approval of external auditor's terms of engagement, including any engagement letter issued at the commencement of each audit and the scope of the audit;
  - 3.3.2.2 assess the external auditor's qualifications, expertise and resources and the effectiveness of the audit process;
  - 3.3.2.3 receive the interim and annual audit reports and if deemed necessary by the Committee, meet with the auditor, with or without management being present, to discuss the external auditor's report and any issues arising from the audit; and
  - 3.3.2.4 make recommendations on the annual audit plan, and in particular its consistency with the scope of the external audit engagement.

### **3.4 Reporting Responsibilities**

The Committee shall make recommendations to Council it deems appropriate on any area within its Terms of Reference where in its view action or improvement is needed.

### **3.5 Work Plan**

An annual work plan shall be developed for the Audit & Risk Committee.

### **3.6 Other Matters**

The Committee shall:

- 3.6.1 oversee any investigation of activities which are within its Terms of Reference;
- 3.6.2 oversee action resulting from matters raised by the external auditors;
- 3.6.3 review the Terms of Reference at least every two (2) years and, if revised, report to Council for ratification;
- 3.6.4 consider reports from Staff or Consultants in relation to the management and reporting of Council's financial assets, activities and risks;
- 3.6.5 perform an annual review of Council's Asset Revaluation Schedule including insurance revaluation;
- 3.6.6 review Council's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure these arrangements allow independent investigation of such matters and appropriate follow-up action; and

- 3.6.7 proposing and reviewing, the exercise of powers under Section 130A: Other Investigations.

#### **4. MEMBERSHIP**

- 4.1 The Committee will consist of five (5) members, comprising of:
- 4.1.1 Three (3) Independent Members; and
  - 4.1.2 Two (2) Elected Members.
- 4.2 The three (3) Independent Members shall have relevant experience in financial management, risk management, internal or external audit or other disciplines as so determined by Council.
- 4.3 Independent Member vacancies shall be considered through registrations of interest in response to advertisements of a vacancy.
- 4.4 Upon completion of the advertising period, a report will be provided to Council recommending the preferred applicant/s.
- 4.5 Appointments will be made for four (4) years to ensure continuity is maintained due to Local Government Elections, however appointment is at Council's discretion.
- 4.6 Membership of the Committee continues for the term of appointment unless a member resigns, is otherwise incapable of continuing as a member, or is removed from office by Council.
- 4.7 In the event of an Independent Member vacancy of the Audit & Risk Committee the appointment of another person shall be on the same basis as, and for the balance of the term of the original appointment.
- 4.8 The Committee may, by a vote supported by at least half plus one (1) of the members of the Committee, make a recommendation to Council to remove a member of the Committee from office where a member has failed (without the leave of the Committee) to attend three (3) consecutive meetings of the Committee.
- 4.9 Members of the Committee are eligible for re-appointment at the expiration of their term of office.
- 4.10 Council will determine the sitting fees for independent members. Sitting fees are payable based on attendance at meetings.
- 4.11 Independent Members of the Committee are required to complete and submit Primary and Ordinary Returns and comply with Conflict of Interest provisions set out in the Act.

#### **MEMBERSHIP CRITERIA**

- 4.12 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 financial management, risk management, governance and any other prescribed matter;

- 4.13 Independent Members of the Committee must have recent and relevant experience in professions such as, but not limited to, accounting, audit, financial management, legal, risk management and governance.
- 4.14 It is desirable for Elected Members appointed to the Committee to have a sound understanding of financial and risk management principles, and skills and knowledge in areas such as, but not limited to, risk management and governance.

## **5. PRESIDING MEMBER**

- 5.1 The Presiding Member shall be appointed from the Membership of the Committee by Council for a two (2) year period.
- 5.2 Council authorises the Committee to determine if there will be a Deputy Presiding Member of the Committee and, if so, authorises, the Committee to make the appointment to that position for a term determined by the Committee.
- 5.3 Should the Presiding Member, and, if appointed, the Deputy Presiding Member be absent from a meeting, the Committee members present may appoint a person to act as acting Presiding Member for that meeting.
- 5.4 The role of the Presiding Member includes:
  - 5.4.1 overseeing and facilitating the conduct of meetings in accordance with the Act, and the *Local Government (Procedures at Meetings) Regulations 2013*.
  - 5.4.2 ensuring all Committee members have an opportunity to participate in discussions in an open and encouraging manner.

## **6. OPERATIONAL MATTERS OF THE COMMITTEE**

### **6.1 Frequency of Meetings**

- 6.1.1 The Committee must meet at least once in each quarter, and may meet otherwise where appropriate in the financial reporting cycle.
- 6.1.2 The Chief Executive Officer is authorised to determine the time and date of each meeting of the Committee.
- 6.1.3 The Chief Executive Officer is authorised, after consulting with the Presiding Member of the Committee, to cancel the respective Committee meeting, if it is clear that there is no business to transact for that designated meeting. Members are to be advised at least three (3) clear days before the scheduled meeting. Advice of the same will also be posted on Council's website.
- 6.1.4 A Special Meeting of the Committee may be called in accordance with the Act.

### **6.2 Notice of Meetings**

- 6.2.1 Notice, inclusive of the agenda and reports, for all meetings of the Committee will be given in accordance with Sections 87 and 88 of the Act, namely:

- 6.2.1.1 to members of the Committee by email, or in a form as otherwise agreed by Committee members, at least three (3) clear days before the date of the meeting; and
- 6.2.1.2 to the public as soon as practicable after the time that notice of the meeting is given to members by causing a copy of the notice and agenda to be displayed at Council's offices and on Council's [website](#).

### **6.3 Public Access to Meetings**

- 6.3.1 The Committee shall meet at Council's Principal Office, 49 Adelaide Road, Mannum SA 5238.
- 6.3.2 Meetings of the Committee will be recorded and accessible via Council's [YouTube Channel](#).
- 6.3.3 Members of the public are able to attend all meetings of the Committee, unless prohibited by resolution of the Committee under the confidentiality provisions of Section 90 of the Act.

### **6.4 Reporting**

- 6.4.1 The Committee shall make recommendations to Council it deems appropriate on any area within its Terms of Reference, where in its view action or improvement is needed.
- 6.4.2 Council will be informed at its next Ordinary meeting of the matters considered by the Committee through the provision of a written report if business arises through a recommendation of the Committee.
- 6.4.3 If no business is arising from the Committee meeting, the Minutes of the meeting will be submitted for receipt by Council at its next Ordinary meeting.

### **6.5 Sub-Committees**

The Committee shall appoint such sub-committees as it considers necessary provided that all actions of such sub-committees are approved or confirmed by the Committee. A sub-committee of the Committee may co-opt community members for specific purposes.

## **7. MEETING PROCEDURES**

- 7.1 Council has resolved to apply Part 2 of the [Local Government \(Procedures at Meetings\) Regulations 2013](#) to this Committee.
- 7.2 Insofar as the Act, the Regulations, or these Terms of Reference do not prescribe a procedure to be observed in relation to the conduct of a meeting of the Committee, the Committee may determine its own procedure.
- 7.3 Subject to clause 7.4 of these Terms of Reference, all decisions of the Committee shall be made on the basis of a majority of the members present.
- 7.4 A quorum is ascertained by dividing the total number of Committee members by two (2), and adding one (1).

- 7.5 All members of the Committee must (subject to a provision of the Act or Regulations to the contrary) vote on any matter arising for decision at a meeting of the Committee.
- 7.6 Every member of the Committee has a deliberative vote only. In the event of a tied vote the Presiding Member does not have a second or casting vote and the matter will be referred to Council for decision.
- 7.7 Members of the Committee may participate in the meeting by telephone or other electronic means in accordance with any procedures prescribed by regulation or determined by Council under Section 89 of the Act.
- 7.8 Any recommendation of the Committee which does not arise from a recommendation of a Council officer must be supported in the minutes of the meeting by clear reasons for the decision.

## **8. DELEGATION**

The Committee is not delegated any of the decision making powers, functions or duties of Council. All decisions of the Committee will therefore constitute recommendations to Council to consider and determine.