

Audit and Risk Committee

Terms of Reference

Established pursuant to S126 & 41
of the Local Government Act 1999
Endorsed by Council at its meeting on 15 May 2023

1. ROLE OF THE COMMITTEE

The purpose of an Audit and Risk Committee (the Committee) established by a Council is to provide independent assurance and advice to Council on accounting, financial management, internal controls, risk management and governance matters.

1.1 Financial Reporting

- 1.1.1 The Committee shall monitor the integrity of the financial statements of the Council, reviewing significant financial reporting issues and judgements which they contain.
- 1.1.2 The Committee shall review and challenge where necessary:
 - a) The consistency of, and/or any changes to, accounting policies
 - b) The methods used to account for significant or unusual transactions where different approaches are possible
 - c) Whether the Council has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor
 - d) The clarity of disclosure in the Council's financial reports and the context in which statements are made; and
 - e) All material information presented with the financial statements.

1.2 Internal Controls

Having regard to the challenges and implications arising from the continuing significant population growth in the Council area, the Committee shall:

- 1.2.1 Review the effectiveness of Council's internal controls framework, processes and systems; and
- 1.2.2 Review and recommend, where appropriate, any material to be included in the annual report concerning internal controls processes and systems.

1.3 Risk Management

Having regard to the challenges and implications arising from the continuing significant population growth in the Council area, the Committee shall:

- 1.3.1 Review the effectiveness of Council's risk management framework, processes and systems
- 1.3.2 Keep under review Council's overall risk appetite (relative to reward) and monitor risk exposure and management
- 1.3.3 Provide advice on the financial risk and implications to Council associated with climate change mitigation and adaptation; and
- 1.3.4 Review and recommend, where appropriate, any material to be included in the annual report concerning risk management processes and systems.

1.4 Public Interest Disclosure Act 2018 ("the Act")

The Committee shall review Council's arrangements for:

- 1.4.1 Providing appropriate protection for those who make Disclosures in accordance with the Act; and
- 1.4.2 Ensuring these arrangements include investigation and reporting of such matters in accordance with the Public Interest Disclosure Act 2018.

1.5 Internal Audit

The Committee shall:

- 1.5.1 Review the Internal Audit Program
- 1.5.2 Monitor and review the effectiveness of the Council's internal audit processes in the context of the Council's overall risk management system
- 1.5.3 Receive and review internal audit reports with significant findings; and

- 1.5.4 Review and comment 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 audit practices and procedures.

1.6 External Audit

The Committee shall:

- 1.6.1 Consider and make recommendations to Council in relation to the appointment and removal of Council's External Auditor
- 1.6.2 Oversee Council's relationship with the External Auditor including, but not limited to:
- a) Recommending the approval of the External Auditor's remuneration covering fees for both audit or non-audit services, and recommending whether the level of fees is appropriate to enable an adequate audit to be conducted
 - b) 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
 - c) 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
 - d) Satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the External Auditor and Council (other than in the ordinary course of business)
 - e) Monitoring the External Auditor's compliance with legislative requirements on the rotation of audit partners; and
 - f) Assessing the External Auditor's qualifications, expertise and resources and the effectiveness of the audit process
- 1.6.3 Meet as needed with the External Auditor. When requested the Committee shall meet the External Auditor at least once a year, in confidence, without management being present, to discuss the External Auditor's report and any issues arising from the audit
- 1.6.4 Review and make recommendations on the annual External Audit Plan and in particular its consistency with the scope of the External Audit engagement
- 1.6.5 Review the findings of the audit with the External Auditor. This shall include, but not be limited to, the following:
- a) A discussion of any major issues which arose during the External Audit;
 - b) Any accounting and audit judgements; and
 - c) Levels of errors identified during the External Audit

- 1.6.6 Review the effectiveness of the External Audit
- 1.6.7 Review any representation letter(s) requested by the External Auditor be tabled or presented to the Committee
- 1.6.8 Review the management letter and management's response to the External Auditor's findings and recommendations; and
- 1.6.9 Oversee action to follow up on matters raised by the External Auditors.

1.7 Review of Strategic Management and Business Plans

Having regard to the challenges and implications arising from the continuing significant population growth in the Council area the Committee shall:

- 1.7.1 Review and provide advice on Council's strategic management plans (at the time of their preparation and scheduled review), which include the:
 - Community Plan
 - Key principles and assumptions of the consolidated Council Long Term Financial Plan
 - Annual Business Plan and Budget
 - Asset Management Plans; and
 - Climate Change Adaptation Plan.
- 1.7.2 The review and provision of advice by the Committee on such plans shall include the consideration of future community needs, risks and opportunities so as to assist Council with the identification and implementation of required strategies and policies to enable the delivery of short, medium and long term objectives in relation to financial sustainability, infrastructure and services.

1.8 Value and Efficiency

- 1.8.1 The Committee shall, when necessary, review Council's value management processes, program reviews and service delivery reviews in the context of efficient and effective delivery of the Community Plan and Annual Business Plan.

1.9 Major Infrastructure Projects

- 1.9.1 The Committee shall review and provide advice on the proposed capital and recurrent funding strategies, timing, risk and due diligence, procurement strategies, governance and public engagement for infrastructure projects of major significance and the estimated cost of which triggers the requirement for a prudential report.

1.10 Prudential Reports

- 1.10.1 The Committee shall review the findings of any prudential reports prepared for Council and provide advice to Council. The amount that triggers a prudential report is as specified in the Local Government Act 1999 and reviewed with indexation and determined annually in January.

1.11 Wastewater and Recycled Water Strategy

- 1.11.1 The Committee shall provide advice on the management of strategic risk and the implications to Council associated with the provision of wastewater and recycled water services including governance and stand-alone financial reporting needs and arrangements.
- 1.11.2 The Committee shall review every six (6) months the long term financial modelling and associated assumptions prepared for wastewater and recycled water services.
- 1.11.3 The Committee shall review every six (6) months the Wastewater Service Long Term Financial Plan.
- 1.11.4 The Committee shall review every six (6) months the internal reconciliations for both revenue and expenditure that substantiate both the Wastewater Infrastructure Reserve and Wastewater Maintenance Reserve.

1.12 Regional Subsidiaries

- 1.12.1 The Committee shall annually review and provide advice to Council on the management of risks and the adequacy of performance reporting associated with regional subsidiaries of which Council is a constituent Council.

2. REPORTING RESPONSIBILITIES

The Committee:

- 2.1 Shall prepare an annual report that is to be presented to Council in November and be publicly available. In addition, the Committee Chairperson shall present to the Council Members on the performance of the Committee and the proposed priorities/work plan for the year ahead. This presentation can occur at a Council meeting or an Informal Gathering of Council Members.
- 2.2 Shall make recommendations to Council that it deems appropriate on any area within its Terms of Reference where in its view action or improvement is needed.

- 2.3 Will undertake an annual self-assessment for inclusion in the Committee's annual report.

3. FREQUENCY OF MEETINGS

- 3.1 The Committee shall meet at least six (6) times each year.
- 3.2 A schedule of meetings shall be determined by the Committee at the time of the annual review in December of the Committee's work plan.
- 3.3 The Chief Executive Officer is delegated the authority to vary the meeting schedule after liaison with the Chairperson.
- 3.4 The Chief Executive Officer is delegated the authority to not call a meeting of the Committee within the meeting schedule should the Committee have no matter for consideration.
- 3.5 Special meetings of the Committee may be called in accordance with the *Local Government Act 1999*.

4. MEMBERSHIP

- 4.1 Consistent with the *Local Government (Financial Management) Regulations 2011* Council's Audit and Risk Committee comprises 5 members:
- a) 1 person who is a member of Council and who is determined by the Council to have experience relevant to the functions of the Audit and Risk Committee; and
 - b) 4 independent persons who are determined by Council to have experience relevant to the functions of the Audit and Risk Committee.
- 4.1.1 A member of Council is to be appointed as a proxy member, solely for the member of Council appointed to the Audit and Risk Committee and who is determined by the Council to have experience relevant to the functions of the Audit and Risk Committee;
- 4.2 Members of the Committee and the 1 proxy member are appointed by Council.
- 4.3 Council will determine which independent member will be the Chairperson of the Committee.
- 4.4 An Acting Chairperson will be appointed by the Committee at the commencement of the meeting where required.
- 4.5 Independent members of the Committee will receive a sitting fee that increases by the Adelaide CPI each year unless otherwise determined by Council.

- 4.6 Only members of the Committee are entitled to vote in Committee meetings. If the member of Council who is a Committee member is unable to participate in a Committee meeting, then the appointed proxy member is able to participate in the Committee meeting and is entitled to vote.
- 4.7 Members of the Committee can participate in the meeting via electronic means provided advance notice has been provided to the Chairperson and Minute Secretary. If the member of Council who is a Committee member is unable to participate in a Committee meeting, then the appointed proxy member is able to participate in the Committee meeting and may do so via electronic means provided advance notice has been provided to the Chairperson and Minute Secretary.
- 4.8 Independent member appointments will not align with timing of Council elections (to maintain membership over the Council election period). There will be a maximum period of 8 years (i.e. two x four year terms, or four x two year terms) for independent member appointments.

Committee Member	Nomination Process	Term of Office
Council Member	Endorsed by Council Resolution	Four years – until the conclusion of the next periodic Council Election
Proxy Council Member	Endorsed by Council Resolution	Four years – until the conclusion of the next periodic Council Election
Independent Members	Public notice will request application, followed by an interview process then reported to Council and determined via Council Resolution.	Up to four years

- 4.9 Members of the Committee and the proxy Council Member may be removed from office by Council resolution at any time.
- 4.10 Members of the Committee and the proxy Council Member may resign their position at any time by giving notice of their intention in writing to the Chairperson of the Committee or if the Chairperson, by notice in writing to the Chief Executive Officer.
- 4.11 If a vacancy occurs on the Committee or for the proxy Council Member then Council shall appoint a replacement Member or proxy Council Member (whichever is the case) to the Committee.

5. CHAIRPERSON'S ROLE

- 5.1 The role of the Chairperson is to:

- a) Oversee the orderly conduct of meetings in accordance with *Local Government Act 1999*, the *Local Government (Procedures at Meetings) Regulations 2013* and the Council's Code of Practice – for Meeting Procedures
- b) Ensure that the Guiding Principles at Regulation 4 are observed and that all Committee Members have an opportunity to participate in discussions in an open and responsible manner; and
- c) Liaise with Council administration between meetings regarding the preparation of the Committee's agenda and reporting to Council.

5.2 The Chairperson has a deliberative vote and does not have a casting vote.

6. QUORUM

6.1 The quorum necessary for the transaction of business shall be three (3) members.

7. NOTICE OF MEETINGS

7.1 The Committee shall conduct its meetings in the Council Chamber, Local Government Centre, 6 Dutton Road, Mount Barker unless otherwise determined by the Committee.

7.2 In accordance with Section 87 of the Act a notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and Council Members, no later than three (3) clear days before the date of the meetings. Supporting papers shall whenever possible be sent to Committee Members (and to other attendees as appropriate) at the same time.

7.3 Notice of meeting, agenda and supporting information will be placed on public display at the Customer Service Centre and Council's website.

8. ACCESS TO MEETINGS AND DOCUMENTS

8.1 In accordance with the principles of open, transparent and informed decision-making, Committee meetings must be conducted in a place open to the public. Members of the public are able to attend all meetings unless prohibited by resolution of the Committee under the confidentiality provisions of Section 90 of the Local Government Act 1999.

8.2 Members of the public shall have access to all documents related to the Committee unless prohibited by resolution of the Committee under the confidentiality provisions of Section 90 & 91 of the Local Government Act (1999).

9. MINUTES OF MEETINGS

- 9.1 The Chief Executive Officer shall ensure that the proceedings and resolutions of all meetings of the Committee, including recording the names of those Committee members present and others formally in attendance, are minuted and that the minutes otherwise comply with the requirements of the *Local Government (Procedure at Meetings) Regulations 2013*.
- 9.2 Minutes of Committee meetings shall be circulated within five (5) clear days after a meeting to all members of the Committee, the proxy Council Member and to all members of the Council.
- 9.3 Minutes of the Committee meeting will be placed on Council's website, on public display at the Customer Service Centre within five (5) clear days of the meeting and kept on display from the beginning of the previous year.

10. MEETING PROCEDURE

- 10.1 The Committee shall conduct meetings in accordance with the *Local Government Act 1999* and observing the provisions Part 1 – Preliminary, Part 2 – Meetings of Councils and Key Committees and Part 4 – Miscellaneous of the *Local Government (Procedures at Meetings) Regulations 2013*; and Council's Code of Practice for Meeting Procedures; and Code of Practice (Access to Council and Committee Meetings and Documents).
- 10.2 Conflict of Interest declarations are required pursuant to Section 73 - 75B of the *Local Government Act 1999* and will be recorded in the minutes.

11. OTHER MATTERS

The Committee:

- 11.1 Shall give consideration to any investigation of activities that are within its Terms of Reference
- 11.2 Shall give consideration to any other matters referred to it by Council meeting resolution or the Chief Executive Officer.
- 11.3 Have access to reasonable resources in order to carry out its duties
- 11.4 Be provided with appropriate and timely training, both in the form of an induction program for new members including the proxy Council Member and on an ongoing basis for all members

- 11.5 May request, or be provided with the opportunity to attend, informal gatherings of Council Members as per Council's Informal Gatherings Policy and where the Committee has a role in the matter
- 11.6 Shall give due consideration to the *Local Government Act 1999* and regulations made under the Act; and
- 11.7 Shall give due consideration to the *Statutes Amendment (Local Government Reform) Bill 2021* (the Bill) and regulations made under the Bill.

12. REVIEW

- 12.1 The Committee shall, at least every four years review its Terms of Reference, and every year review its own performance and annual work plan, so that it is operating at maximum effectiveness and recommend any changes it considers necessary to Council for approval.
- 12.2 Council may review and amend the Committee Terms of Reference at any time, providing that the Committee has an opportunity to provide Council with any concerns that arise.

13. ACCESS TO THE TERMS OF REFERENCE

The Audit and Risk Committee Terms of Reference are on the Council's website www.mountbarker.sa.gov.au and hard copies can be purchased on payment of a fee.

14. FURTHER INFORMATION

For further information on this Terms of Reference or the operations of the Audit and Risk Committee, please contact:

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