



## **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 3 December 2018

### **1. ROLE OF THE COMMITTEE**

#### **1.1 Financial Reporting**

1.1.1 The Committee shall monitor the integrity of the financial statements of the Council, including its annual report, reviewing significant financial reporting issues and judgements which they contain.

1.1.2 The Committee shall 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 the 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.

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

The Committee shall:

1.2.1 Review the effectiveness of the Council's internal controls and risk management systems; and

1.2.2 Review and recommend the approval, where appropriate, of any material to be included in the annual report concerning internal controls and risk management

1.2.3 Review Council's Risk Management Framework and monitor the performance of Council's risk management program.

1.2.4 Keep under review Council's overall risk profile and monitor risk exposure.

### **1.3 Whistle Blowing**

The Committee:

- 1.3.1 Shall review the Council's arrangements for its employees to raise concerns, in confidence, about possible wrongdoings in financial reporting and other matters.
- 1.3.2 Shall ensure these arrangements allow independent investigation of such matters and appropriate follow-up action.

### **1.4 Internal Audit**

The Committee shall:

- 1.4.1 Monitor and review the effectiveness of the Council's Internal Audit function in the context of the Council's overall risk management system.
- 1.4.2 Consider and make recommendation on the Internal Audit function and the adequacy of its resources and access to information to enable it to perform its function effectively and in accordance with the relevant professional standards.
- 1.4.3 Receive reports on the Council's operations from the internal auditors.
- 1.4.4 Review and monitor management's responsiveness to the findings and recommendations of the Internal auditor
- 1.4.5 When requested meet the head of internal audit (internal or outsourced) at least once per year, without management being present, to discuss any issues arising from the internal audits carried out. In addition, the head of internal audit shall be given the right of direct access to the Principal Member of the Council and to the Chairperson of the Committee.

### **1.5 External Audit**

The Committee shall:

- 1.5.1 Consider and make recommendations to the Council, in relation to the appointment, re-appointment and removal of the Council's External Auditor;
- 1.5.2 Oversee Council's relationship with the External Auditor including, but not limited to:
  - 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;
  - 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 (which shall include a report from the external auditor on the Audit Committee's own internal quality procedures);

1.5.3 Meet as needed with the external auditor. When requested the Committee shall 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.

1.5.4 Review and make recommendations on the annual Audit Plan and in particular its consistency with the scope of the External Audit engagement.

1.5.5 Review the findings of the audit with the External Auditor.

This shall include, but not be limited to, the following:

- a discussion of any major issues which arose during the External Audit;
- any accounting and audit judgements; and
- levels of errors identified during the External Audit.

1.5.6 Review the effectiveness of the External Audit.

1.5.7 Review any representation letter(s) requested by the External Auditor before they are signed by management.

1.5.8 Review the management letter and management's response to the External Auditor's findings and recommendations.

1.5.9 Oversee action to follow up on matters raised by the external auditors

## **2. REPORTING RESPONSIBILITIES**

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

2.2 The Committee does not have any power, authority or delegated financial responsibility

### **3. FREQUENCY OF MEETINGS**

- 3.1 The Committee shall meet at least six (6) times each year.
- 3.2 The first meeting of the Audit Committee will be called by the Chief Executive Officer in consultation with the Chairperson. A schedule of meetings shall be determined by the Audit Committee at its first meeting.
- 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 Audit 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 The *Local Government (Financial Management) Regulations 2011* requires that Council's Audit Committee must:
  - have between 3 and 5 members (inclusive); and
  - must include at least 1 person who is not a member of the Council and who is determined by the Council to have financial experience relevant to the functions of an Audit Committee; and
  - must not include, as a member, the Council's auditor under section 128 of the *Local Government Act 1999*
- 4.2 Members of the Audit Committee are appointed by the Council.
- 4.3 Following recruitment for independent members the Council will determine which independent member will be the Chairperson of the Committee.
- 4.4 An Acting Chairperson will be appointed by a vote of the Committee at the commencement of the Meeting where required.
- 4.5 Independent Members of the Committee will receive a sitting fee which will be reviewed on a regular basis by Council.
- 4.6 Only members of the Committee are entitled to vote in Committee meetings.
- 4.7 One member of the Committee (other than the Chairperson) can participate in the meeting via electronic means provided advance notice has been provided to the Chairperson and Minute Secretary.

- 4.8 Individual members of the Council’s administration may attend any meeting as observers or be responsible for the preparation of papers for the Committee. The Council’s External Auditor, and General Managers may also be invited to attend meetings of the Committee, as appropriate.
- 4.9 Independent member appointments will not align with timing of Council elections (to maintain membership over the election period). There will be a maximum period of 8 years for future independent member appointments.

<b>Committee Member</b>	<b>Nomination Process</b>	<b>Term of Office</b>
Council Member	Endorsed by Council Resolution	Four years – until next General Council Election
Independent Members	Public notice will request application, followed by an interview process then reported to Council and endorsed via resolution.	Four years

- 4.10 Members of the Committee may be removed from office by Council resolution at any time.
- 4.11 Members of the Committee may resign their position at any time by giving notice of their intention in writing to the Chairperson of the Committee.
- 4.12 If a vacancy occurs on the Committee then Council may appoint a replacement Member to the Committee.

**5. CHAIRPERSON’S ROLE**

- 5.1 The role of the Chairperson is to:
  - 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 ;
  - 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

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.
- 6.2 A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

## **7. NOTICE OF MEETINGS**

- 7.1 The Audit Committee shall conduct its meetings in the Council Chamber, Local Government Centre, 6 Dutton Road, Mount Barker.
- 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 observers, no later than three (3) clear days before the date of the meetings. Supporting papers shall 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 the 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 Act.
- 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 present and 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 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 Audit 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 S 73 - 75B of the Local Government Act 1999.

## **11. OTHER MATTERS**

The Committee shall:

- 11.1 shall oversee any investigation of activities which 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 and on an ongoing basis for all members.
- 11.5 give due consideration to the *Local Government Act 1999* and regulations made under the Act.
- 11.6 shall advise the Council’s insurers of any civil liability or risk management issue

## **12. REVIEW**

The Committee shall, at least every four years review its Terms of Reference, and every year review its own performance, so that it is operating at maximum effectiveness and recommend changes it considers necessary to the Council for approval.

## **13. ACCESS TO THE TERMS OF REFERENCE**

The Audit Committee Terms of Reference is available for public inspection at the Customer Service Centre, at the Local Government Centre, 6 Dutton Road, Mount Barker, South Australia and on the Council’s website [www.mountbarker.sa.gov.au](http://www.mountbarker.sa.gov.au)

#### 14. FURTHER INFORMATION

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

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