

AUDIT AND RISK COMMITTEE - TERMS OF REFERENCE -

1. PURPOSE

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

2. ESTABLISHMENT

- 2.1. The Audit and Risk Committee is established pursuant to sections 41 and 126 of the *Local Government Act 1999* ("the Act").
- 2.2. The Committee is defined as a "prescribed committee" in the Remuneration Tribunal SA *Determination No. 2 of 2022, Allowances for Members of Local Government Councils*, dated 5 July 2022.

3. DEFINITIONS

Strategic Management Plans	<p><i>Section 122 of the Act defines the Strategic Management Plans to include the following:</i></p> <ul style="list-style-type: none"><i>A plan that identifies the council's objectives, and the principal activities that the council intends to undertake to achieve its objectives, over a period of at least 4 years</i><i>a long-term financial plan that relates to a period of at least 10 years</i><i>an infrastructure and asset management plan</i>
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4. MEMBERSHIP

- 4.1. Section 126(2) of the Act prescribes requirements for the membership of an audit and risk committee which include:
- 4.1.1. The majority of the members of the committee must be persons who are not members of any council;
- 4.1.2. The members of the Committee (when considered as a whole) must have the skills, knowledge and experience relevant to the functions of the committee, including financial management, risk management, governance and any other prescribed matter.

- 4.2. The Committee will comprise of five (5) members appointed by Council as follows:
 - 4.2.1. Three (3) independent members; and
 - 4.2.2. Two (2) Elected Members.
- 4.3. The membership of the Committee must be in accordance with the requirements of the Act and associated regulations.
- 4.4. Criteria used to select independent members will have regard to gender balance, diversity of experience, and cultural representation.
- 4.5. Elected Member appointments are for a term determined by Council.
- 4.6. Independent Committee member appointments are for a four year term.
- 4.7. 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 the Council.
- 4.8. The Committee may, by a vote supported by at least half plus one of the members of the Committee, make a recommendation to the Council to remove a member of the Committee from office where a member has failed (without the leave of the Committee) to attend three 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.

5. PRESIDING MEMBER

- 5.1. The Council will appoint an Independent Member as the Presiding Member of the Committee.
- 5.2. The 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. If the Presiding Member of the Committee is absent from a meeting, the Deputy Presiding Member (if such position exists) will preside at that meeting. If there is no position of Deputy Presiding Member, or both the Presiding Member and the Deputy Presiding Member of the Committee are absent from a meeting of the Committee, then a member of the Committee chosen from those present will preside at the meeting until the Presiding Member (or Deputy Presiding Member, if relevant) is present.
- 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.
- 5.5. The Presiding Member, with the CEO, has responsibility for execution of the

Independence of External Auditor declaration as part of the end of financial year audit process.

6. OBJECTIVES

Section 126(4) of the Act prescribes the following functions of an audit and risk committee:

- 6.1. Reviewing annual financial statements to ensure that they present fairly the state of affairs of the council; and
- 6.2. proposing, and providing information relevant to, a review of the council's strategic management plans or annual business plan; and
- 6.3. monitoring the responsiveness of the council to recommendations for improvement based on previous audits and risk assessments, including those raised by a council's auditor; and
- 6.4. proposing, and reviewing, the exercise of powers under section 130A; and
- 6.5. liaising with the council's [external] auditor in accordance with any requirements prescribed by the regulations; and
- 6.6. reviewing the adequacy of the accounting, internal control, reporting and other financial management systems and practices of the council on a regular basis; and
- 6.7. [Internal audit function]:
 - 6.7.1. if the 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
 - 6.7.2. if the 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 the council to evaluate and improve the effectiveness of its internal control practices and procedures; and
- 6.8. 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; and
- 6.9. reviewing any report obtained by the council under section 48(1); and
- 6.10. performing any other function determined by the council or prescribed by the regulations.

In addition to the requirements of the Act, the Committee will:

Annual Workplan

- 6.11. Review and approve an annual workplan for the Audit and Risk Committee, detailing the matters to be considered by the Committee during each meeting in the year.

Financial Reporting and Sustainability

- 6.12. Review and make recommendations to the Council regarding the assumptions, financial indicators and targets in the Long-Term Financial Plan, including the financial sustainability of the Council and any risks in relation to the adoption of the Long-Term Financial Plan and Annual Budget.
- 6.13. Review, make recommendations and observations to Council on the financial outcomes of the Asset Management Plans.
- 6.14. Review and make recommendations to the Council regarding any other significant financial, accounting and reporting issues as deemed necessary by the Committee, Council or Management.

Risk Management and Internal Control

- 6.15. Contribute to the review and development of Council's risk management policy, framework, and risk appetite statements.

Internal Audit and Compliance

- 6.16. Monitor the Council's internal audit function and program in the context of the Council's overall risk management profile, internal control framework, and external audits.
- 6.17. Directly receive and consider:
 - 6.17.1. internal audit reports undertaken by the Council's Internal Auditor, and
 - 6.17.2. reports on any matters related to the internal audit function directly to the Committee.

External Audit

- 6.18. Liaise with, and meet with Council's External Auditor at least once per year.
- 6.19. Consider and make recommendations to the Council in relation to the selection, appointment and removal of the External Auditor. The process to select Council's external auditor will include:
 - 6.19.1. A tender call in accordance with Council's Procurement Policy;
 - 6.19.2. An evaluation of the tender responses by the Administration to short list the external auditor(s);
 - 6.19.3. Presentations by the short listed external auditor(s); and
 - 6.19.4. A recommendation to Council to appoint the external auditor.
- 6.20. Review and make recommendations to Council on the scope of work, reports and activities of the External Audit, including interaction with any internal audit capability.
- 6.21. Monitor the progress of management's agreed actions arising from external audit recommendations.

Governance

- 6.22. Monitor the overall adequacy of Council's Policy Framework.
- 6.23. Review and endorse policies related to financial and treasury management, procurement, prudential management, risk management (including fraud and corruption prevention), and asset management.

- 6.24. Consider significant matters pertaining to Council's subsidiaries, as requested by Council, which are within the powers of the Council and are appropriate to be referred to the Committee by the Council.

7. OPERATIONAL MATTERS

Schedule of Meetings

- 7.1. Section 126(5) of the Act prescribes must be at least one (1) meeting of a council audit and risk committee in each quarter.
- 7.2. Meetings will be scheduled at appropriate times in the financial reporting cycle, with additional meetings may be held as required.
- 7.3. The CEO is authorised to determine the time and date of each meeting of the Committee.
- 7.4. The CEO 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.

Delegation

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

Notice of Meetings

- 7.6. Notice of the meetings of the Committee will be given in accordance with sections 87 and 88 of the Act. Accordingly, notice will be given:-
- 7.6.1. 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
- 7.6.2. 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 the Council's offices and on the Council's website.
- 7.7. The agenda and reports for all meetings of the Committee must be delivered to members of the Committee at least 3 clear days before the meeting.

Minutes

- 7.8. For the purposes of sections 41(8) and 126(8)(a) of the Act, the Council determines that the Committee will satisfy reporting and other accountability requirements through the presentation of the minutes of each meeting of the Committee at the next ordinary meeting of the Council following each Committee meeting.
- 7.9. The Minutes of the Committee shall summarise the work of the committee during the period preceding the meeting and the outcomes of the meeting.

Reporting

- 7.10. The Committee will provide an annual report to the Council on the work of the

committee during the period to which the report relates. This annual report of the Committee will be included in the Council's Annual Report.

- 7.11. The Committee will undertake a self-assessment to evaluate its activities and performance in regard to the functions of the Committee (as contained within these Terms of Reference), including recommendations for improvement. The self-assessment will be provided as a report to Council every two years, and by the second and fourth year anniversary of a General Election of the Council.
- 7.12. At the request of the CEO, the Presiding Member (and other Independent Members as required) shall provide a report and/or presentation to the Council relating to strategic financial, risk or governance matters.

Public Access to Meetings

- 7.13. The Committee shall meet at the Offices of the Council located at 181 Unley Road, Unley SA 5061, or in the event the meeting is held virtually via a video conferencing facility, a link will be made available to the public on the Council's website.
- 7.14. 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 or provisions provided by Section 126(7) of the Act.

8. MEETING PROCEDURE

- 8.1. The Council has resolved to apply Part 2 of the Local Government (Procedures at Meetings) Regulations 2013 to this Committee.
- 8.2. Insofar as the Act, the Regulations, the Code of Practice - Meeting Procedures or these Terms of Reference do not prescribe the procedure to be observed in relation to the conduct of a meeting of the Committee, the Committee may determine its own procedure.
- 8.3. 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.
- 8.4. A quorum is ascertained by dividing the total number of Committee members by two, ignoring any fraction resulting from the division, and adding one.
- 8.5. 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.
- 8.6. Every member of the Committee has a deliberative vote only. In the event of a tied vote the person presiding at the meeting does not have a second or casting vote and the matter will be referred to Council for decision.
- 8.7. Any decision 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.

Responsible Department:	Business Support and Improvement
Responsible Officer:	General Manager Business Support and Improvement
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