

Audit & Risk Committee Terms of Reference

1 Establishment

- 1.1** The Audit and Risk Committee (‘the Committee’) is established by Council pursuant to Sections 41 and 126 of the *Local Government Act 1999* (the Act).

2 Objectives

- 2.1** The Committee is established for the following functions as outlined in the Act Section 126(4):¹
- 2.1.1 reviewing annual financial statements to ensure that they present fairly the state of affairs of the Council; and
 - 2.1.2 proposing, and providing information relevant to, a review of the council's strategic management plans or annual business plan; and
 - 2.1.3 proposing, and reviewing, the exercise of powers under section 130A; and
 - 2.1.4 liaising with the council's auditor; and
 - 2.1.5 reviewing the adequacy of the accounting, internal control, reporting and other financial management systems and practices of the council on a regular basis.

3 Membership

- 3.1** The Committee will comprise five (5) appointments by the Council as follows:
- 3.1.1 The Mayor of Council, and
 - 3.1.2 One (1) Council Member, and
 - 3.1.3 Three (3) Independent Members.
- 3.2** Of the Independent members, at least one must be a man and at least one must be a woman with diversity a core consideration that promotes equality of opportunity when determining membership representation. ²
- 3.3** One of the independent appointments shall be appointed by the Audit Committee as Chairperson of the Committee, for one year.
- 3.4** If the Chairperson is unavailable to chair the meeting, then a vote is to be held to appoint an independent member, by the attending members, to chair that particular meeting.
- 3.5** The Mayor shall be appointed for the term of Council.
- 3.6** A Council Member shall be appointed for a term of one year.*

¹ *Local Government Act 1999* (SA) s 126

² *Equal Opportunity Act 1984* (SA)

* Resolution 184, 22 November 2022 - Item 10.2 City of Prospect Audit & Risk Committee

- 3.7** Independent Members of the Committee shall be appointed for a term of up to three years. Members are eligible for re-appointment at the expiration of their term of office to a maximum of six years, without the need to call for Expressions of Interest.
- 3.8** The Remuneration Tribunal of South Australia determines sitting fees for Elected Members (if appropriate) and Council sets sitting fees for Independent Members.³ Sitting fees are payable based on attendance at meetings.
- 3.9** In considering appointments to the Committee it is highly desirable that Committee members possess the following qualities between them:
- financial reporting/auditing background
 - inquisitiveness
 - knowledge of Council business and/or public sector administration.
- 3.10** All members of the Committee in attendance must vote on a question being put to the committee meeting.

Conduct and Disclosure of Interests

- 3.11** Members must comply with the conduct and conflict of interest provisions of the *Local Government Act 1999*. In particular Sections 62 (General duties), Section 75E (Behavioural Standards) and 73 -75, (Conflicts of interest) must be adhered to.
- 3.12** If a member does not attend any scheduled meeting within a six (6) month period (without the leave of the Committee), Council reserves the right to remove a member from office.

4 Role of the Committee

4.1 Financial Reporting and Sustainability

- 4.1.1 Review the annual financial statements of the Council to ensure that they present fairly the position of the Council, reviewing significant financial reporting issues and judgements which they contain.
- 4.1.2 Review and make recommendations to the Council regarding assumptions, financial indicators and targets in the Long Term Financial Plan. Including financial sustainability of the Council and any risks in relation to the adoption of the Long Term Financial Plan and Annual Budget.
- 4.1.3 Review; make recommendations and observations to Council on the financial outcomes of the Asset Management Plans.

³ <https://www.remtribunal.sa.gov.au/documents/2022/20220705-Determination-2-of-2022-Members-of-Local-Government.pdf>

- 4.1.4 Propose and provide information relevant to a review of the Council's strategic management plan or annual business plans.
- 4.1.5 Review and make recommendations to the Council regarding any other significant financial, accounting and reporting issues, including reviews of Council's financial policies, as deemed necessary by the Committee, Council or Management.

4.2 Internal Controls and Risk Management

- 4.2.1 Monitor and review the performance and adequacy of Council's risk management framework for identifying, monitoring and managing significant strategic risks, including Work Health and Safety, and Business Continuity Planning.
- 4.2.2 Review and comment on the adequacy of internal controls, internal audit, financial management systems and practices.
- 4.2.3 Ensure an appropriate compliance framework exists to identify risks and controls for compliance with applicable legislation and regulations.
- 4.2.4 Review the Work Plan, Internal Audit Work Plan and management of information systems.

4.3 Internal Audit and Compliance

- 4.3.1 Make recommendations to the Council in relation to selection, appointment and removal of the Internal Auditor.
- 4.3.2 Monitor and review the effectiveness of the Council's internal audit function in the context of the Council's risk management framework.
- 4.3.3 Contribute to the Internal Audit Work Program, review internal audit reports and meet with Internal Auditors where required.
- 4.3.4 Include in the work program a focus on resource collaboration and innovation to drive business enhancement. Facilitate operational service reviews, with the use of benchmark data to target continuous process improvement.
- 4.3.5 Ensure regular updates from Management regarding compliance matters in relation to Council's statutory requirements, and provide comment to Council where necessary as part of the Committee's reporting responsibilities.
- 4.3.6 Be satisfied that the City has appropriate fraud and corruption prevention strategies and adequate processes are in place to identify and address any fraudulent or corrupt activities.

4.4 External Audit

- 4.4.1 Make recommendations to the Council in relation to selection, appointment and removal of the External Auditor.

- 4.4.2 Meet as needed with the external auditor, where the Committee shall meet the external auditor at least once per year to discuss the external auditor's report and any issue's arising from the audit.
- 4.4.3 Oversee Council's relationship with the External Auditor, including terms of engagement, level of remuneration, independence and all matters of due diligence.
- 4.4.4 Review the findings of the interim and annual audits with the External Auditor. Including discussion of major issues, accounting or audit judgments and levels of errors identified during the external audit.
- 4.4.5 Review any representation letter(s) requested by the external auditor before they are signed by management; and
- 4.4.6 Review the management letter and managements' response (if any) to the external auditor's findings and recommendations.
- 4.4.7 Review the effectiveness of the external audit.

4.5 Governance

- 4.5.1 The Committee shall have access to reasonable resources in order to carry out its functions.
- 4.5.2 Propose and review exercise of powers under Section 130(A) of the *Local Government Act 1999 'Other Investigations'*, where required by Council and/or deemed necessary by the Committee.
- 4.5.3 Keep under review the Public Interest Disclosure Policy and Procedure which support the requirement of the *Public Interest Disclosure Act 2018*.
- 4.5.4 Review and comment on the overall adequacy of Council's Policy Framework.
- 4.5.5 Consider any other matters referred to it by the Council.
- 4.5.6 The Committee shall be provided with appropriate and timely training, relevant to both matters of public administration and ongoing Professional Development.
- 4.5.7 The Committee shall, at least once a year, review its own performance and terms of reference to ensure it is operating effectively, and recommend changes it deems necessary to Council.
- 4.5.8 The Committee shall make whatever recommendations to the Council it deems appropriate on any area within the Terms of Reference, where in its view, action or improvement is needed.

5 Meetings

5.1 Frequency

- 5.1.1 The Committee will meet at least four times a year at appropriate times in the reporting and audit cycle as required. One of the meetings may be a workshop forum to discuss and/or develop the External and Internal audit plans and Audit Committee Work Program.

5.2 Quorum and miscellaneous

- 5.2.1 A quorum for a meeting of the Committee shall be three (3) members.⁴ Meetings are to be rescheduled by the Chief Executive Officer if there is no quorum.⁵
- 5.2.2 The Chairperson has discretionary power to call a Committee meeting if requested by any Committee Member. The Chairperson must call a Committee meeting at the request of or either the Internal or External Auditors.
- 5.2.3 All meetings will be held in accordance with the Act (and relevant Regulations), City of Prospect Code of Practice – Meeting Procedures and City of Prospect Code of Practice for Public Access to Meetings and Documents.
- 5.2.4 Members of Council will be provided with a copy of all minutes of the proceedings of this committee within five days after a meeting.
- 5.2.5 Recommendations made by the committee will be referred to the next council meeting, through presentation of minutes, for final resolution.

END

⁴ *Local Government Procedures at Meetings Regulations 2013 (SA) r 26, City of Prospect Code of Practice Meeting Procedures.*

⁵ Above n 1 (r 7).