

Audit and Risk Committee

TERMS OF REFERENCE



District Council of Coober Pedy

1. Establishment

Pursuant to Section 41 of the Local Government Act, 1999 the Council establishes a Committee to be known as the Audit and Risk Committee. ("The Committee").

2. Committee Objectives

The Committee provides an essential independent overview of the Council and its management to enhance governance and consider what is in the community's best interests. It provides independent assurance and advice to the council on accounting, financial management, internal controls, risk management and governance matters.

Under Section 126 (4) of the Local Government Act 1999 ("The Act"), the functions of the Audit Committee are to include—

- (a) reviewing annual financial statements to ensure that they present fairly the state of affairs of the council; and
- (b) proposing, and providing information relevant to, a review of the council's strategic management plans or annual business plan; and
- (c) proposing, and reviewing, the exercise of powers under Section 130A of the Act; and
- (d) liaising with the council's auditor; and
- (e) reviewing the adequacy of the accounting, internal control, reporting and other financial management systems and practices of the council on a regular basis.

3. Role of the Committee

3.1 Financial Reporting

- 3.1.1 The Committee shall monitor the integrity of the financial statements of Council, review significant financial reporting issues and the judgements that they contain, and review the Annual Financial Statements to ensure that they present fairly the state of affairs of Council.
- 3.1.2 The Committee shall review and challenge where necessary:
 - the consistency of, and any changes to, accounting policies;
 - the methods used to account for significant or unusual transactions where different approaches are possible;
 - whether 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, such as the operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management).

3.2 Internal Controls

Having regard to the challenges and implications arising from the Council's current financial difficulties the Committee shall:

- 3.2.1 review the effectiveness of the Council's internal controls framework, processes and systems and risk management systems; and
- 3.2.2 review and recommend, where appropriate, any material to be included in the annual report concerning internal controls processes and systems.

3.3 Risk Management

Having regard to the challenges and implications arising from the Council's current financial difficulties the Committee shall:

- 3.3.1 Review the effectiveness of Council's risk management framework, processes and systems;
- 3.3.2 Keep under review Council's overall risk appetite (relative to reward) and monitor risk exposure and management;
- 3.3.3 review and consider the risk management implications of policies that pose a financial or business risk to Council before recommending their adoption by Council; and
- 3.3.4 recommend the approval, where appropriate, of statements to be included in the annual report concerning internal controls and risk management. (Note that it is important that the Committee understand the business of Council to appreciate the risks it manages on a daily basis and to ensure that there are appropriate management plans to manage and mitigate this business risk. This will include insurance matters, financial reporting, legal and regulatory compliance, business continuity, and statutory compliance. This can be facilitated by discussions with the auditors and by presentations by management on how business risks are identified and managed).

3.4 Public Interest Disclosure

- 3.4.1 The Committee shall review Council's arrangements and processes 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.

3.5 External Audit

The Committee shall:

- 3.5.1 consider and make recommendations to the Council regarding the appointment, re-appointment, and removal of the Council's external auditor.
- 3.5.2 oversee the selection process for new auditors, and if an auditor resigns, the

Committee shall investigate the issues leading to this and decide whether any action is required;

3.5.3 oversee Council's relationship with the external auditor including, but not limited to:

- recommending the approval of the external auditor's remuneration, whether fees for 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; and
- assessing the external auditor's qualifications, expertise and resources.

3.5.4 meet as needed with the external auditor. 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;

3.5.5 review and make recommendations on the annual audit plan, and in particular its consistency with the scope of the external audit engagement;

3.5.6 review the findings of the audit with the external auditor. This will include, but not be limited to, the following;

- a discussion of any significant issues that arose during the external audit;
- any accounting and audit judgements; and
- levels of errors identified during the external audit. The Committee shall also review the effectiveness of the external audit.

3.5.7 review the management letter and management's response to the external auditor's findings and recommendations.

3.6 Section 130A of the Act "Other Investigations"

3.6.1 The Committee shall review any report of examination undertaken pursuant to Section 130A of the Act on a matter that the council has considered to be of such significance as to justify an investigation.

3.7 Review of Strategic Management and Business Plans

3.7.1 Having regard to the challenges and implications arising from the Council's current financial difficulties the Committee shall:

3.7.2 Review and provide advice on Council's strategic management plans (at the time of their preparation and scheduled review), which include the following:

- Strategic Plan;
- Long Term financial Plan (including fundamental principles and assumptions);
- Annual Business Plan and Budget; and
- Asset Management Plans.

3.7.3 The review and provision of advice by the Committee on such plans shall include the consideration of future community needs, risks and opportunities 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.

3.8 Commercial Undertakings

Having regard to the challenges and implications arising from the Council's current financial difficulties the Committee shall:

- 3.8.1 provide advice on the management of strategic risk and the implications to Council associated with its commercial undertakings including governance and stand-alone financial reporting needs and arrangements.
- 3.8.2 review the long-term financial modelling and associated assumptions prepared for commercial undertakings, including pricing, service levels, and the allocation of corporate overheads.

4. Reporting Responsibilities

The Committee:

- 4.1 shall prepare an annual report for the previous financial year 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.
- 4.2 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.
- 4.3 shall undertake an annual self-assessment for inclusion in the Committee's annual report.

5. Frequency of Meetings

- 5.1 The Committee shall meet at least six (6) times each year.
- 5.2 A schedule of meetings shall be determined by the Committee at the annual review in December of the Committee's work plan.
- 5.3 The Chief Executive Officer is delegated the authority to vary the meeting schedule after

liaison with the Chairperson.

- 5.4 The Chief Executive Officer is delegated the authority not to call a meeting of the Committee within the meeting schedule should the Committee have no matter for consideration.
- 5.5 Special meetings of the Committee may be called in accordance with the Local Government Act 1999.

6. Membership

- 6.1 Consistent with the Local Government (Financial Management) Regulations 2011 Council's Audit and Risk Committee comprises four (4) members:
 - 6.1.1 One (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
 - 6.1.2 Three (3) independent persons determined by Council to have experience relevant to the Audit and Risk Committee functions.
- 6.2 Council appoints members of the Committee.
- 6.3 Council shall determine which independent member will be the Chairperson of the Committee.
- 6.4 The Committee shall appoint an Acting Chairperson at the commencement of the meeting where required.
- 6.5 Independent members of the Committee will receive a sitting fee determined by the Council.
- 6.6 Only members of the Committee are entitled to vote in Committee meetings.
- 6.7 Members of the Committee can participate in the meeting via electronic means provided advance notice has been provided to the Chairperson and Minute Secretary.
- 6.8 Independent member appointments will not align with the timing of Council elections (to maintain membership over the Council election period). There will be a maximum period of 8 years for independent member appointments.

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

- 6.9 Members of the Committee may be removed from office by Council resolution.

- 6.10 Members of the Committee may resign their position 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.
- 6.11 If a vacancy occurs on the Committee, Council shall appoint a replacement Member to the Committee.

7. The Role of the chairperson

The role of the Chairperson is to:

- 7.1 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
- 7.2 Ensure that the Guiding Principles at Regulation 4 are observed and that all Committee Members have an opportunity to participate in discussions openly and responsibly; and
- 7.3 Liaise with Council administration between meetings regarding preparing the Committee's agenda and reporting to Council.
- 7.4 The Chairperson has a deliberative vote and does not have a casting vote.

8. Quorum

- 8.1 The quorum necessary for the transaction of business shall be 50% of the number of members of the Committee plus one. 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.

9. Notice of Meetings

- 9.1 Ordinary meetings of the Committee will be held at times and places determined by the Committee. A special meeting of the Committee may be called in accordance with the Act.
- 9.2 Notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, is to be forwarded to each member of the Committee and observers, no later than three (3) clear days before the date of the meeting. Supporting papers shall be sent to Committee members (and to other attendees as appropriate) at the same time.

10. Access to Documents

- 10.1 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.
- 10.2 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).

11. Minutes of Meetings

- 11.1 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.
- 11.2 Minutes of Committee meetings shall be circulated within five (5) days after a meeting to all members of the Committee and all members of Council and will (as appropriate) be available to the public.

12. Meeting Procedure

- 12.1 The Committee shall conduct meetings in accordance with the Local Government Act 1999 and observe 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).
- 12.2 Conflict of Interest declarations are required pursuant to Section 73 - 75B of the Local Government Act 1999 and will be recorded in the minutes.

13. Administrative Support

- 13.1 The Chief Executive Officer shall provide sufficient administrative resources to the Committee to adequately carry out its functions.

14. Reporting Responsibilities

Pursuant to Section 41(8) of the Act, the Committee is responsible to and reports directly to Council.

- 14.1 The Committee will make whatever recommendations to the Council it deems appropriate on any area within its terms of reference where in its view, action or improvement is needed.
- 14.2 The Committee shall inform the Council of its activities regularly. This is by way of specific reports and recommendations documented as minutes of the Committee meetings.
- 14.3 The Committee shall inform the Council and the Local Government Association of SA Mutual Liability Scheme (LGAMLS) of any potential civil liability claim or the development of any "special risk" in accordance with LGAMLS rules.
- 14.4 Council may require additional reporting requirements from time to time.

15. Other Matters

The Committee:

- 15.1 Shall consider any investigation of activities that are within its Terms of Reference

- 15.2 Shall consider any other matters referred to it by Council meeting resolution or the Chief Executive Officer.
- 15.3 Have access to reasonable resources to carry out its duties
- 15.4 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
- 15.5 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
- 15.6 Shall give due consideration to the Local Government Act 1999 and regulations made under the Act; and
- 15.7 Shall give due consideration to the Statutes Amendment (Local Government Review) Act.

16. Review

- 16.1 The Committee shall, at least every two (2) years review its Terms of Reference, and every year review its performance and annual work plan, so that it is operating at maximum effectiveness and recommends any changes it considers necessary to Council for approval.
- 16.2 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.