

NARACOORTE LUCINDALE COUNCIL

COMMITTEE TERMS OF REFERENCE - AUDIT & RISK COMMITTEE

The **AUDIT COMMITTEE** is established under the provisions of Section 125 of the *Local Government Act, 1999* by resolution of Council at meeting held on 27th March 2007 (resolution 408/07), having immediate effect. Council's Audit Committee held its first meeting on the 27th November 2007.

DELEGATED PURPOSE AND AUTHORITY

FINANCIAL REPORTING

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

The Committee will 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, such as the operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management).

NARACOORTE REGIONAL LIVESTOCK EXCHANGE (NRLE)

The Committee will have monitor and have oversight of the NRLE including:

- the financial status and financial reporting;
- asset management planning
- infrastructure projects
- risk and governance matters

INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEMS

The Committee will:

- keep under review the effectiveness of the Council's internal controls and risk management systems; and
- review and recommend the approval, where appropriate, of statements to be included in the annual report concerning internal controls and risk management.
- Keep under review the effectiveness of the Councils governance systems

[Note that it is important that the Committee understands the business of the 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 internal and external auditors and by presentations by management on how business risks are identified and managed.]

WHISTLE BLOWING

The Committee will review the Council's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee will ensure these arrangements allow independent investigation of such matters and appropriate follow-up action.

INTERNAL AUDIT (WHERE COUNCIL HAS A SEPARATE INTERNAL AUDIT FUNCTION)

The Committee will:

- monitor and review the effectiveness of the Council's internal audit function in the context of the Council's overall risk management system;
- consider and make recommendation on the program of 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.

[Note that this may include the review of the areas that have been identified for review and the frequency of review. The Committee should also monitor whether the function of internal audit has adequate standing and is free from management or other restrictions. Whilst internal audit focuses on a Council's systems and procedures, it is important that audit retains its independence and is not subject to any influence from management or Council that impedes its ability to report objectively.]

- review all reports on the Council's operations from the internal auditors;

[Note that the reports to the Audit Committee need not be the detailed reports that are presented to management for their review. Ordinarily a high level review report is all that is required detailing the work undertaken, the findings and management response.]

- review and monitor management's responsiveness to the findings and recommendations of the internal auditor; and
- where appropriate, meet the "head" of internal audit (internal or outsourced) at least once a year, without management being present, to discuss any issues arising from the internal audits carried out. In addition, the head of internal audit will be given the right of direct access to the Principal Member of the Council and to the Presiding Member of the Committee.

EXTERNAL AUDIT

The Committee will:

- develop and implement a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter;
- consider and make recommendations to the Council, in relation to the appointment, re-appointment and removal of the Council's external auditor. The Committee will oversee the selection process for new auditors and if an auditor resigns the Committee will investigate the issues leading to this and decide whether any action is required;
- 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 requirements on the rotation of audit partners; and
- assessing the external auditor's qualifications, expertise and resources and the effectiveness of the audit process;
- meet as needed with the external auditor. The Committee will 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;
- review and make recommendations on the annual audit plan, and in particular its consistency with the scope of the external audit engagement;
- review the findings of the audit with the external auditor. This will 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.
- The Committee will also review the effectiveness of the external audit.
- review any representation letter(s) requested by the external auditor before they are signed by management;

[Note that these representation letters are a standard practice of any audit and provide the auditor confirmation from management, (in particular the Chief Financial Officer) that, amongst other matters, accounting standards have been consistently applied, that all matters that need to be disclosed have been so disclosed and that the valuation of assets has been consistently applied.];

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

MEMBERS

Members of the Committee are appointed by the Council. The Committee must have a majority of members who are not members of any Council.

The committee will consist of a maximum of five (5) members;

- two (2) Elected Members; and
- three (3) independent members

Independent member(s) of the committee will have recent and relevant financial, risk management, internal audit, governance, etc. experience.

Elected Members nominated by Council will be appointed biennially in December or as otherwise determined by Council.

Only members of the Committee are entitled to vote in Committee meetings. Unless otherwise required by the Act not to vote, each member must vote on every matter that is before the Committee for decision.

In accordance with the principles of open, transparent and informed decision making, Committee meetings will be conducted in a place open to the public. The agenda and minutes of the Committee meetings, subject to any items that are discussed in confidence under section 90 of the Act and subsequently retained as confidential under section 91 of the Act, are also required to be made available to the public.

Council's external auditor may be invited to attend meetings of the Committee.

EX OFFICIO MEMBER

The Mayor is an ex officio member of the committee with voting rights when in attendance and when there is only one other Elected Member with voting rights in attendance. As stated in Section 41(6) of the Local Government Act the Mayor will not be taken to be included in the membership of the committee unless actually present at a meeting of the committee, that is the Mayor is not included in the quorum unless actually present at the meeting.

PRESIDING MEMBER

The Council will appoint the Presiding Member of the Committee. The Presiding Member may be an independent Committee Member.

ADMINISTRATIVE RESOURCES

The Chief Executive Officer will provide sufficient administrative resources to the Committee to enable it to adequately carry out its functions.

Other individuals such as the Chief Executive Officer, Manager Finance & Corporate and any other officer whose attendance is agreeable to the Committee may attend any meeting to assist the Committee in its functions.

MEETINGS

The Committee will meet at least three times a year at appropriate times in the reporting and audit cycle and otherwise as required.

Meetings will be conducted in accordance with Chapter 6, Parts 2, 3 and 4 of the Local Government Act, 1999, Part 3 of the Local Government (Procedures at Meetings) Regulations, 2000, and Council Policy "*Meetings of Council and Council Committees*" and section 92 Code of Practice.

Ordinary meetings of the Committee will be held at times and places determined by the Committee. Special meetings of the Committee may be called in accordance with the Act.

Agendas, attachments and minutes of the Committee will be distributed electronically.

QUORUM

A quorum is determined using the Local Government Procedures at Meetings Regulation 26(2) which is:

- the total number of members of the committee divided by 2, ignoring any fraction resulting from the division, and adding one or
- a number determined by the council

Council has determined that the quorum necessary for the transaction of business will be one elected member and two independent members. A duly convened meeting of the Committee at which a quorum is present will be competent to exercise all or any of the authorities, powers and discretions vested in or exercised by the Committee.

TRAINING AND DEVELOPMENT FOR COMMITTEE MEMBERS

Committee Members may request training and development to specifically assist in their role on the Committee. This may be requested as per the *Elected Members Training and Development Policy*.

REPORTING REQUIREMENTS

Minutes, including recommendations, of the Committee Meeting will be presented to the next available Council meeting.

The Committee will inform the Council, by the earliest practical means, of the development of any special risk arising from the performance of its delegated functions (in accordance with the Rules of the LGA Mutual Liability Scheme).

The Committee will inform the Council, by the earliest practical means, of any civil liability claim which has been made, or is likely to be made in relation to the actions of the Committee pursuant to its delegated responsibilities.

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.

GENERAL DUTIES

Members of the Committee will comply with the general duties contained in Section 62 of the Local Government Act, 1999.

ROLE AND RESPONSIBILITIES OF COMMITTEE MEMBERS

Committee members will:-

- strictly observe the requirements of the relevant Sections of the Local Government Act, 1999 applicable to them as Members of the Committee;
- participate in the deliberations of the Committee with regard to the policy and business which is before it;
- be mindful of the objectives and policies of the Council as they relate to the business of the Committee; and
- be aware of the Council's resources, expenditure and activities, and the need for efficiency and effectiveness in the activities for which the Committee has been established.

CONFLICT OF INTEREST

As required by section 75B of the Local Government Act members of the Committee will comply with the conflict of interest provisions contained in Chapter 5, Part 4, Division 3 of the Local Government Act, 1999.

OTHER MATTERS

The Committee will:

- have access to reasonable resources in order to carry out its duties;
- be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- give due consideration to laws and regulations of the Act;
- make recommendations on co-ordination of the internal control measures and external auditors;
- oversee any investigation of activities which are within its terms of reference; and
- oversee action to follow up on matters raised by the external auditors;

ADOPTION AND AMENDMENT HISTORY

<i>Date</i>	<i>Authorised by</i>	<i>Minute Reference</i>
November 2024		
November 2022	Council	Resolution 95/23
November 2018	Council	Resolution 99/19
November 2016	Council	Resolution 106/17
9 December 2014	Council	Reviewed – Resolution 137/15
23 October 2012	Council	Resolution 160/13