



Yorke Peninsula Council Audit and Risk Committee Terms of Reference

1. Establishment and Purpose

- 1.1 The purpose of the Audit and Risk Committee (the Committee) is to provide independent assurance and advice to Council on accounting, financial management, internal controls, risk management and governance matters.
- 1.2 The Committee is established in accordance with the requirements of sections 126 and 41 of the *Local Government Act 1999* (the Local Government Act).

2. Functions

- 2.1 The Local Government Act assigns the following functions to audit and risk committees:
 - (a) Review annual financial statements to ensure that they present fairly the state of affairs of the council.
 - (b) Propose and provide information relevant to, a review of the council's strategic management plans or annual business plan.
 - (c) Monitor the responsiveness of the Council to recommendations for improvement based on previous audits and risk assessments, including those raised by the Council's auditor.
 - (d) Propose and review the exercise of powers under section 130A.
 - (e) Liaise with the Council's auditor in accordance with any requirements prescribed by the regulations.
 - (f) Review the adequacy of the accounting, internal control, reporting and other financial management systems and practices of the Council on a regular basis.
 - (g) If the council has an internal audit function, provide oversight of planning and scoping of the internal audit work plan and review and comment on reports provided by the person primarily responsible for the internal audit function on at least a quarterly basis.
If the council does not have an internal audit function, review and comment 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.
 - (h) Review and evaluate 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.
 - (i) Review any prudential report obtained by the council under section 48(1).

- (j) Make recommendations to the Council on the appointment of the Auditor pursuant to section 128 of the Local Government Act.
 - (j) Perform any other function referred to it by the Council, another Council Committee or prescribed by the regulations.
- 2.2 Consistent with the legislative functions assigned to audit and risk committees, the Committee will undertake the following activities:
- 2.3 **Financial Reporting**
 - 2.3.1 Monitor the integrity of the financial statements of the Council, reviewing significant financial reporting issues and judgements which they contain.
 - 2.3.2 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.
 - All material information presented with the financial statements.
 - 2.3.3 Provide advice to Council relevant to budget reviews undertaken in accordance with the Local Government Act and Regulation 9 of the *Local Government (Financial Management) Regulations 2011*, including in relation to any revisions to the forecast Key Financial Indicators.
- 2.4 **Management plans and business plans**
 - 2.4.1 At the time of preparation or scheduled review, provide advice relevant to the scope of the Committees functions on the Council's strategic management plans, which may include:
 - Strategic Plan
 - Long Term Financial Plan
 - Annual Business Plan and Budget
 - Infrastructure and Asset Management Plan.
- 2.5 **Internal controls**
 - 2.5.1 Review the adequacy of Council's internal controls framework, processes and systems.
 - 2.5.2 Review and consider the approval, where appropriate, of any material to be included in the annual report concerning internal controls and risk management.
- 2.6 **Risk management**
 - 2.6.1 Review 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.

- 2.6.2 Monitor responsiveness to recommendations for improvement based on previous audits and risk assessments, including those raised by Council's auditor.

2.7 Internal audit

- 2.7.1 Liaise with the CEO in relation to the appointment of a person, or the assignment of responsibility to an employee of the council, to be primarily responsible for the internal audit function.
- 2.7.2 Receive and comment on reports provided by the person primarily responsible for the internal audit function.
- 2.7.3 Provide oversight of planning and scoping of the internal audit work plan.
- 2.7.4 Review internal audit reports on the council operations.
- 2.7.5 Review and monitor management's responsiveness to internal audit findings and recommendations.

2.8 External audit

- 2.8.1 Make recommendations to the Council in relation to the selection, appointment and removal of the Council's external auditor.
- 2.8.2 Assess the quality and effectiveness of the external audit conducted and evaluate the performance of the auditor, including:
 - Review the scope and terms of the audit and the audit fee, including a review on non-audit services provided by the external auditor.
 - Review the audit plan for coverage of material risks and financial reporting requirements.
 - Monitor and review the auditors independence and objectivity.
 - Discuss matters relating to the conduct of the audit, including any difficulties encountered, any restrictions on scope of activities or access to information, significant disagreements with management and the adequacy of management response.
- 2.8.3 Review the findings of the audit with the external auditor, including:
 - A discussion of any major issues which arose during the external audit.
 - Any accounting and audit judgements.
 - Levels of errors identified during the external audit.
- 2.8.4 Review any representation letter requested by the external auditor before they are signed by management.
- 2.8.5 Review the subsequent audit management letter from the external auditor and management's proposed response, by the Council, to the external auditor's findings and recommendations in that audit management letter.
- 2.8.6 Meet with the external auditor on at least one occasion each year on a confidential basis, ensuring that a majority of members of the Committee are present for the meeting and that no members or employees of the council are present (other than council members who are members of the Committee).

2.9 Public Interest Disclosure

- 2.9.1 Review the Council's arrangements for making and dealing with appropriate Disclosures of Public Interest, financial reporting and other financial matters.
- 2.9.2 Ensure these arrangements allow independent investigation of such matters and appropriate follow up action.

2.10 Other matters

- 2.10.1 Review any report obtained by Council under section 48(1) of the Act in accordance with Council's Prudential Management Policy.
- 2.10.2 Propose and review the exercise of powers under section 130A of the *Local Government Act 1999* to examine and report on any matter relating to financial management or the efficiency and economy of resource use to achieve council objectives not otherwise addressed as part of an annual audit and of such significance to warrant specific consideration.
- 2.10.3 Make recommendations to Council in relation to development of new, and review of existing, policies within the scope of the Committee's functions.

3. Membership

- 3.1 The Committee shall comprise five members appointed by the Council, with three being independent members and two Council Members.
- 3.2 When considered as a whole, the Committee must have skills, knowledge and experience relevant to the functions of the Committee, including in financial management, risk management, governance and any other prescribed matter.
- 3.3 Independent member(s) of the Committee:
 - Shall be individuals (not corporations or an organisation);
 - Have recent and relevant financial, business, accounting, risk management, corporate governance or internal audit skills and experience;
 - Have no conflicts of interest (as per Chapter 5, Part 4, Division 1 of the Act);
 - Preferably have experience in formal meeting procedures; and
 - Have an understanding of the Act and supporting regulations
- 3.4 A selection panel comprising of four persons shall review and make recommendation for endorsement to Council of the independent member to be appointed. The panel will comprise of two Elected Members (preferably those on the Committee), the Director Corporate and Community Services and the CEO (or Proxy).
- 3.5 The term of appointment for independent members will be up to four years and appointment timing will be managed such that it does not align with council elections, to provide for continuity of Committee membership across terms of Council. Appointees may be reappointed by Council.
- 3.6 Nominations for membership, from the Elected Members, shall be sought by the Council and where the number of nominations is greater than the number of positions available, a vote by secret ballot shall be undertaken using a preferential voting system.

- 3.7 The term of appointment for Council Members will be for the period of the current Council term.
- 3.8 All members of the Committee shall be subject to the Register of Interests provisions of the Act, Chapter 5, Part 4, Subdivision 2.
- 3.9 Independent members of the Committee are Public Officers for the purpose of the Independent Commission Against Corruption Act 2012 and are subject to the provisions of the Criminal Law Consolidation Act 1935, Ombudsman Act 1972 and Public Interest Disclosure Act 2018, including reporting requirements.
- 3.10 All members of the Committee shall act honestly and with reasonable care and diligence, not make improper use of information acquired as a result of being a member of the Committee and must disclose an interest if they have an interest in a matter that is before the Committee (as per Chapter 5, Part 4, Division 1 of the Act).
- 3.11 All members of the Committee must comply with the integrity and behavioural requirements set out in Chapter 5, Part 4, Division 1 of the Act.
- 3.12 Where a member resigns or decides not to continue as a member of the Committee, a new member shall be appointed consistent with this ToR.

4. Presiding Member

- 4.1 The Council shall appoint the Presiding Member from amongst the Independent Members.
- 4.2 The role of the Presiding Member is to:
 - 4.2.1 Oversee the orderly conduct of meetings in accordance with the Local Government Act, the *Local Government (Procedures at Meetings) Regulations 2013* and other procedures relevant to the Committee.
 - 4.2.2 Ensure that the Guiding Principles at Regulation 4 of the *Local Government (Procedures at Meetings) Regulations 2013* are observed and that all Committee members have an opportunity to participate in deliberations of the Committee.
 - 4.2.3 Certify, along with the CEO and in accordance with Regulation 22 of the *Local Government (Financial Management) Regulations 2001*, the 'Independence of External Auditor' as part of the end of financial year audit process.
 - 4.2.4 If the Presiding Member of the Committee is absent from a meeting of the Committee, then a member of the Committee will be appointed by those Committee members who are present to preside until the Presiding Member is present.

5. Meetings

- 5.1 The Committee will meet at least once in each quarter, with meeting dates and times determined by the Committee.
- 5.2 Meetings will be held at times and places determined by Council or, subject to a decision by Council or the Committee.

- 5.3 The Presiding Member shall call a meeting at the written request of the Council's external auditor or any three Members of the Committee.
- 5.4 Notice confirming the venue, time and date, together with an agenda of items to be discussed shall be provided to each member of the Committee no later than three clear days before the meeting. Supporting papers shall be sent to Committee members (and to other attendees as appropriate) at the same time.
- 5.5 Subject to the operation of section 90 of the Local Government Act, and in accordance with the requirements of section 132 of the Local Government Act, the agenda and minutes of the Committee will be published on a website determined by the CEO.
- 5.6 In accordance with section 88 of the Local Government Act, notice of meetings of the committee must be displayed at the principal office of the Council and on a website determined by the CEO, and must continue to be published and kept on display until the completion of the relevant meeting.
- 5.7 The CEO is authorised to adjourn a scheduled meeting, in circumstances where sufficient apologies have been received to indicate a quorum will not be achieved for the scheduled meeting.
- 5.8 The CEO and other employees as directed by the CEO may attend any meeting as observers and/or be responsible for preparing and presenting papers for the Committee.

5.9 Meeting procedures

- 5.9.1 Meetings of the Committee will be held in accordance with:
- Local Government Act 1999
 - Local Government (Procedures at Meetings) Regulations 2013, specifically Part 1—Preliminary, Part 3—Meetings of other committees and Part 4--Miscellaneous

5.10 Attendance at Committee meetings electronically

- 5.10.1 Committee members may participate in a Committee meeting by electronic means.
- 5.10.2 A member of the Committee participating in a committee meeting by electronic means is taken to be present at the committee meeting provided that the member:
- (a) can hear all other members present at the committee meeting; and
 - (b) can be heard by all other members present at the committee meeting.

5.11 Form of participation by electronic means

- 5.11.1 Where:
- (a) a Committee member is to participate in an Committee meeting by electronic means; and

- (b) the electronic means has the functionality to allow the member to participate in the Committee meeting by being **both** seen and heard; and
- (c) the electronic means of the Council has the functionality to allow the Committee member to be **both** seen and heard,

the member **must** participate by being **both** seen and heard.

5.12 **Public access to electronic committee meetings**

- 5.12.1 Council will provide public access to electronic Committee meetings by having at least one staff member physically present at the Council chamber to ensure members of the public can hear the discussion between all Committee members.

Definitions

Electronic means includes a telephone, computer or other electronic device used for communication.

5.13 **Voting**

- 5.13.1 Only members of the Committee are entitled to vote in Committee meetings. Unless otherwise required by the Act not to vote, each Committee member must vote on every matter that is before the Committee for a decision.
- 5.13.2 The Presiding Member will have a deliberative vote and does not, in the event of an equality of votes, have a casting vote.

5.14 **Quorum**

- 5.14.1 A quorum for the Committee will be ascertained by dividing the total number of members of the Committee by 2, ignoring any fraction resulting from the division and adding one (in accordance with regulation 26, *Local Government (Procedures at Meetings) Regulations 2013*).

6. Reporting

- 6.1 As required by section 126(8)(a) of the Local Government Act, the Committee will provide a report to the Council after each meeting summarising the work of the Committee during the period preceding the meeting and the outcomes of the meeting.
- 6.2 As required by section 126(8)(b) of the Local Government Act, the Committee will provide an annual report to the Council on the work of the Committee. The Council must include this report in its Annual Report.
- 6.3 As required by section 99(1)(ib) of the Local Government Act, the CEO will provide an annual report to the Committee on the council's internal audit processes.
- 6.4 As part of the preparation of the annual report, the Committee will evaluate its performance, which may include consideration of these ToR, to ensure the Committee is operating at maximum effectiveness with recommendations for any changes presented to the Council for consideration.

7. Administrative support

- 7.1 The CEO shall provide sufficient administrative resources to the Committee to enable it to adequately carry out its functions.

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Responsible officer:	Manager Financial Services
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Applicable legislation:	<i>Local Government Act 1999</i> <i>Local Government (Financial Management) Regulations 2011</i> <i>Local Government (Procedures at Meetings) Regulations 2011</i>