



## **Yorke Peninsula Council**

### **Audit Committee**

#### **Terms of Reference**

#### **1. Establishment**

The Audit Committee (the Committee) is established under Section 41 of the Local Government Act 1999 (the Act) and Local Government (Financial Management) Regulations 2011, to meet the purposes of Section 126 of the Act

#### **2. Objective**

The objective of the Audit Committee is to assist the Council in the conduct of its responsibilities for the management of business risk, corporate and financial governance and legal compliance, related to financial reporting and audit initiatives, the internal control system and the audit functions. The Committee acts as a source of advice to Council and the Chief Executive Officer in relation to these matters.

The Committee will:

- enhance the communication between the external auditor and the Council;
- assist the management of business risks to ensure the protection of Council assets;
- monitor the effectiveness of audit and corporate and financial governance functions;
- enhance the integrity of the financial reporting of the Council; and
- review the effectiveness of the Council's internal controls and risk management systems

#### **3. Authority**

The Committee is appointed by the Council as part of a sound corporate and financial governance structure.

The role of the Committee is to review, consider and make recommendations to the Council in relation to the activities as described in these Terms of Reference to assist the achievement of the organisation objectives in an efficient and effective manner.

The Committee has the authority to require any information it sees as relevant to its activities from any Councillor, the Chief Executive Officer or Council's External Auditor, each of whom are required to respond to such enquiries.

The Committee is authorised to obtain independent professional advice where considered necessary following consultation with the Chief Executive Officer.

The Committee has no authority to act independently of the Council and has no delegated authority.

#### **4. Membership**

- 4.1. Members of the Committee are appointed by Council. The Committee shall consist of five members, with three Elected Members of Council and two independent members.
- 4.2. 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.
- 4.3. 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 Division 3 of the Act);
  - preferably have experience in formal meeting procedures; and
  - have an understanding of the Local Government Act and Regulations

A selection panel of at least four (4) persons shall review and make recommendation for endorsement to Council of the independent member to be appointed. The panel will comprise of at least three (3) Elected Members (preferably those on the Audit Committee), the Director Corporate and Community Services and the Chief Executive Officer.

- 4.4. 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.

The Chairperson/Presiding Member has a deliberative vote but in the event of an equality of votes, does not have a casting vote.

The Chief Executive Officer and other employees as directed by the Chief Executive Officer may attend any meeting as observers and/or be responsible for preparing papers for the Committee.

- 4.5. The Council external auditors may be invited to attend meetings of the Committee.
- 4.6. The appointment of Elected Members to the Committee shall be for the period of the current Council term.
- 4.7. Independent members shall be appointed for a period of up to four (4) years, commencing part-way through an election cycle, so that their terms overlap each Council election and provide some continuity. Appointees may be reappointed by Council.
- 4.8. The Council shall appoint the Chairperson/Presiding Member of the Committee from the endorsed members of the Committee. The Principal Member/Mayor of Council cannot be Chairperson/Presiding Member of the Committee.
- 4.9. All members of the Committee shall be subject to the Register of Interests provisions of the Local Government Act 1999, Chapter 5, Part 4, Division 2.
- 4.10. Independent members of the Committee are public officers for the purpose of the Independent Commissioner Against Corruption Act 2012 and Division 4 of Part 7 (Offences relating to Public Officers) of the Criminal Law Consolidation Act 1935 and subject to the provisions of those Acts, including reporting requirements.
- 4.11. 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 in accordance with the Local Government Act 1999, Chapter 5, Part 4, Divisions 1 and 3.

- 4.12. Where a member resigns or decides not to continue as a member of the Committee, a new member shall be appointed consistent with these Terms of Reference.

## **5. Administration and Resources**

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

## **6. Quorum**

- 6.1. 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.

## **7. Meetings**

- 7.1. The Committee shall meet at least four (4) times a year at appropriate times in the reporting and audit cycle and otherwise as required.
- 7.2. The Chairperson shall call a meeting at the written request of the Council External Auditor or any three (3) Members of the Audit Committee.
- 7.3. In accordance with the principles of open, transparent and informed decision making, Committee meetings must 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 Local Government Act, are also required to be made available to the public.

## **8. Notice of meetings**

- 8.1. Ordinary meetings of the Committee will be held at times and places determined by Council or, subject to a decision by Council, the Committee.
- 8.2. Notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall 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.
- 8.3. A special meeting of the Committee may be called in accordance with the Local Government Act 1999.

## **9. Minutes of Meetings**

- 9.1. The Chief Executive Officer shall ensure that the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance are minuted and that the minutes otherwise comply with the requirements of the Local Government (Procedures at Meetings) Regulations 2013.
- 9.2. Minutes of Committee meetings shall be circulated within five (5) days after a meeting to all members of the Committee and to all members of the Council and will (as appropriate) be available to the public.

## **10. Role of the Committee**

- 10.1. Strategic, Financial and Management Planning**

10.1.1. The Committee shall review and provide information and recommendations in relation to the Council Strategic Management Plan, Long Term Financial Plan, Asset Management Plans and Annual Business Plan.

## **10.2. Financial reporting**

10.2.1. The Committee shall monitor the integrity of the financial statements of the Council, including its annual report, reviewing significant financial reporting issues and judgements which they contain and make sure that they present a fair and accurate record of the affairs of the Council.

10.2.2. The Committee shall review and challenge where necessary:

10.2.2.1. the consistency of and/or any changes to accounting policies;

10.2.2.2. the methods used to account for significant or unusual transactions where different approaches are possible;

10.2.2.3. whether the Council has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;

10.2.2.4. the clarity of disclosure in the Council's financial reports and the context in which statements are made;

10.2.2.5. all material information presented with the financial statements;

## **10.3. Internal controls and risk management systems**

The Committee shall:

10.3.1. review the adequacy and effectiveness of the Council's internal controls and risk management systems; and

10.3.2. review and recommend the approval, where appropriate, of any material to be included in the annual report concerning internal controls and risk management.

## **10.4. Whistle blowing**

The Committee shall:

10.4.1. review the Council's arrangements for its employees to raise concerns, in confidence, about possible wrong doing in financial reporting and other matters; and

10.4.2. ensure these arrangements allow independent investigation of such matters and appropriate follow-up action.

## **10.5. Internal audit**

The Committee shall:

10.5.1. monitor and review the effectiveness of the Council's internal audit function in the context of the Council's overall risk management system.

10.5.2. 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.

- 10.5.3. review all high level reports on the Council's operations from the internal auditors.
- 10.5.4. review and monitor management's responsiveness to the findings and recommendations of the internal auditor.
- 10.5.5. where appropriate meet the Internal Auditor at least once a year, without management being present, to discuss any issues arising from the internal audits carried out.

## **10.6. External audit**

The Committee shall:

- 10.6.1. consider and make recommendations to the Council, in relation to the appointment, re-appointment and removal of the Council's external auditor.
- 10.6.2. oversee Council's relationship with the external auditor including, but not limited to:
  - 10.6.2.1. recommending the approval of the external auditor's remuneration and recommending whether the level of fees is appropriate to enable an adequate audit to be conducted;
  - 10.6.2.2. 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;
  - 10.6.2.3. assessing the 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;
  - 10.6.2.4. 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);
  - 10.6.2.5. monitoring the external auditor's compliance with legislative requirements on the rotation of audit partners; and
  - 10.6.2.6. assessing the external auditor's qualifications, expertise and resources and the effectiveness of the audit process;
- 10.6.3. 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;
- 10.6.4. review and make recommendations on the annual audit plan, and in particular its consistency with the scope of the external audit engagement;
- 10.6.5. review the findings of the audit with the external auditor. This shall include, but not be limited to, the following:
  - 10.6.5.1. a discussion of any major issues which arose during the external audit;
  - 10.6.5.2. any accounting and audit judgements; and
  - 10.6.5.3. levels of errors identified during the external audit.
- 10.6.6. review the effectiveness of the external audit.

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

## **11. Reporting responsibilities**

11.1. The Committee shall 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.

11.2. A copy of the Committee minutes shall be forwarded to Council within five (5) days, for inclusion in the next Ordinary Meeting of Council.

## **12. Other matters**

The Committee shall:

12.1. have access to reasonable resources in order to carry out its duties;

12.2. 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;

12.3. give due consideration to the Local Government Act 1999 and regulations made under the Local Government Act, 1999;

12.4. oversee action to follow up on matters raised by the external auditors.

## **13. Review and Self-Assessment**

13.1. The Committee shall conduct a review and self-assessment of its own performance, The aim of the review is to ensure that it is operating at maximum effectiveness and provide an opportunity to recommend any changes to Council that are considered as necessary.

13.2. The review shall be conducted at least once per year, following the completion of the Annual Audit and report the outcome to Council.

13.3. The review is to include consideration of the Terms of Reference and recommendations for changes to them.

13.4. The Chief Executive Officer is to furnish the Committee with the information necessary to perform the review.

## **14. Fee**

The sitting fee per meeting to be paid to the independent member(s) of the Committee shall be set by Council and is only payable after attendance of meetings on provision of a tax invoice or statement of claim. In addition to the sitting fee a reimbursement for mileage (kms travelled to and from the meeting) is also payable on provision of a tax invoice or statement of claim. Reasonable charges for attendance (other than mileage) may also be paid provided these charges are approved by the Chief Executive Officer in advance.