

Audit & Risk Committee Terms of Reference

1. Establishment

- 1.1 The Audit & Risk Committee of Council¹ (Committee) is established under sections 41 and 126 of the *Local Government Act 1999* (the Act) and in compliance with regulation 17 of the *Local Government (Financial Management) Regulations 2011*.
- 1.2 The Committee is established to provide independent assurance and advice to the Council on accounting, financial management, internal controls, risk management and governance matters.

2. Objectives

- 2.1 The Committee is established to:
 - 2.1.1 Review annual financial statements to ensure that they present fairly the state of affairs of the Council.
 - 2.1.2 Propose and provide information relevant to reviewing the Council's strategic management plans or annual business plans.
 - 2.1.3 Monitor the responsiveness of the Council to recommendations for improvements based on previous audits and risk assessments, including those raised by a council's auditor.
 - 2.1.4 Propose and review the exercise of powers under section 130A of the Act.
 - 2.1.5 Liaise with the Council's external auditor.
 - 2.1.6 Review the adequacy of the accounting, internal control, reporting and other financial management systems and processes of the Council.
 - 2.1.7 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 a quarterly basis.
 - 2.1.8 Recommend to Council the appointment of and oversee any external auditor appointed by the City of Burnside.
 - 2.1.9 Review and evaluate the effectiveness of policies, systems and procedures established and maintained to identify, assess, monitor, manage and review strategic, operational risks.
 - 2.1.10 Review any reports prepared for the Council under section 48(1) of the Act (Prudential requirements for certain activities).

¹ C8044 of 14 December 2010

3. Membership

- 3.1 The Council appoints members of the Committee, and the Committee shall have a maximum of five (5) members, with a majority of these being Independent Members.
- 3.2 The members of the Committee, when considered as a whole, must have skills, knowledge and experience relevant to the functions of the Committee, including financial management, risk management, governance and any other prescribed matter.
- 3.3 Members of the Committee may not include an employee of the Council.
- 3.4 Members of the Committee may be removed from office by Council resolution at any time.
- 3.5 Members of the Committee may resign their position at any time by giving notice of their intention in writing to the Chief Executive Officer.
- 3.6 A committee member's position on the Committee will be declared vacant if the member misses three consecutive meetings or more than 50 per cent of meetings in a financial year without tendering an apology or requesting the leave of the Council.
- 3.7 **Independent Members**
 - 3.7.1 Independent Members are initially appointed to the Committee for up to three years from the date of appointment.
 - 3.7.2 To provide continuity, the terms of the Independent Members will overlap on a three-year rotation, with one Independent Member being sought through an expression of interest and interview process each year.
 - 3.7.3 Independent Members are eligible for reappointment at the end of their initial term for a maximum of two further consecutive (3 year) terms or a maximum of 9 continuous years.
- 3.8 **Council Members**
 - 3.8.1 Council Member appointments to the Committee shall be for twelve months from the date of appointment.
 - 3.8.2 Council Members are eligible for reappointment at the end of their term.
 - 3.8.3 The Council may also appoint a Council Member as a Proxy Member to the Committee to fill in for an Council Member who is a member of the Committee and cannot attend a Committee meeting.
- 3.9 **Sitting Fees**
 - 3.9.1 Independent Members of the Committee, when attending Committee Meetings, will be paid a sitting fee for their attendance. Sitting fees are not paid to Council Members.

- 3.9.2 The sitting fee will be determined by Council every four years, following a Council Election.
- 3.9.3 The annual allowance for an Independent Member who is the Presiding Member of the Committee will be equal to one and a quarter (1.25) times the Independent Member sitting fee per meeting, as determined by Council.
- 3.9.4 Sitting fees are paid following each meeting and are GST exclusive.
- 3.9.5 Sitting fees will be indexed by the September Quarter Adelaide All groups CPI annually.

3.10 **Reimbursement of Expenses**

- 3.10.1 Reimbursement of Expenses incurred by members of the Committee will be paid in accordance with the Council's "Council Members' Allowances and Benefits Policy".

3.11 **Conduct and Disclosure of Interests**

- 3.11.1 Members of the Committee must comply with the conduct and conflict of interest provisions of the Act. In particular, sections 62, 63, 64, 73 and 74 must be observed.

3.12 **Register of Interests**

- 3.12.1 All independent members on section 41 Committees need to complete a Register of Interest in accordance with chapter 5 part 4 – Division 2 of the *Local Government Act 1999*.

4. **Presiding Member**

- 4.1 The Presiding Member of the Committee will be one of the Independent Members and appointed by Council based on Expressions of Interest for a maximum 12-month term.
- 4.2 At the end of the term, Council can re-appoint the same Committee Member as Presiding Member or elect to appoint a new Independent Committee Member to this position.
- 4.3 No Deputy Presiding Member will be appointed.
- 4.4 In the absence of the Presiding Member, the Committee will appoint one of the other Independent Members as Acting Presiding Member for the meeting duration.

5. **Administrative Support**

- 5.1 The Committee will be provided sufficient administrative resources to enable it to carry out its functions adequately.

6. **Meetings**

6.1 **Frequency of Meetings**

- 6.1.1 The Committee will meet at a minimum once per quarter or more frequently if required.

- 6.1.2 Meetings will be held on the third Monday of each month, except in January and December and when the Committee may otherwise deem necessary.
- 6.1.3 The commencement time of meetings will be flexible.
- 6.1.4 If the Monday is a public holiday, the Committee will meet on the following Monday.
- 6.1.5 The Committee can decide to move a meeting to another day of the week if required.
- 6.1.6 The Committee at its first meeting in each calendar year will determine its meeting dates for that year.
- 6.1.7 The minutes of each meeting must specify the date and time of the next ordinary meeting of the Committee.
- 6.1.8 A special meeting of the Committee may be called in accordance with the Act.
- 6.1.9 After considering advice from the CEO or delegate, the Presiding Member of the Committee is authorised to cancel the respective committee meeting if there is no business to transact for that designated meeting.

6.2 **Notice of Meetings**

- 6.2.1 In accordance with section 87 of the Act, a minimum of three (3) clear days notice of an ordinary meeting of the Committee will be provided to members of the Committee.
- 6.2.2 Public notice of meetings will be given by publishing the annual meeting schedule on the City of Burnside website.
- 6.2.3 A copy of the Notice of Meeting and Committee Agenda will be displayed publicly when published to Committee Members.
- 6.2.4 All meeting papers will be provided to Committee Members electronically.

6.3 **Meeting Procedures**

- 6.3.1 Part 2 of *Local Government (Procedures at Meetings) Regulations 2013* and the City of Burnside's Code of Practice – Procedures at Meetings apply to this Committee.
- 6.3.2 All documents relating to the Committee are published in accordance with the City of Burnside's Code of Practice – Access to Meetings and Documents
- 6.3.3 Members of the public can attend all Committee meetings unless prohibited by the resolution of the Committee under the confidentiality provisions of section 90 of the Act.
- 6.3.4 A member of a Committee (other than the Presiding Member) can participate in the meeting via electronic means provided advance notice has been provided to the Presiding Member and the Chief Executive Officer and facilities are available.

6.3.5 Where a Committee Member is to participate in a meeting by electronic means, and the electronic means has the functionality to allow the Member to participate in the meeting by both being seen and heard, and the electronic means of the Council has the functionality to allow the Member to be both seen and heard, the Member must participate by being both seen and heard.

6.4 Quorum

6.4.1 The quorum for a Committee meeting shall be three (3), of whom at least two (2) must be Independent Members.

6.5 Voting

6.5.1 Only members of the Committee are entitled to vote in Committee meetings. Unless otherwise required (by the conflict of interest provisions in the Act) not to vote, each Member must vote on every matter before the Committee for decision.

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

6.5.3 The Proxy Member is only entitled to vote where a Council Member who is a member of the Committee due to non-attendance has delegated their voting power to the Proxy representative.

6.5.4 All decisions of the Committee shall be made based on a majority decision of the members present.

6.5.5 In the event of a tied vote where the members have not decided, the question is neither carried nor lost.

6.5.6 If a vote is tied, the matter may be referred back to the Committee (with or without additional information to inform the debate and decision making) or referred to Council for a resolution.

6.6 Attendance of Staff and External Parties

6.6.1 The Chief Executive Officer and other Council employees, as directed by the Chief Executive Officer or delegate, may attend any meeting as observers and prepare papers for the Committee.

6.6.2 Council's external auditor will attend meetings where the interim and draft annual financial report and results are being considered

6.6.3 The external auditor must meet with the Committee, at least annually, without management being present; to discuss the Council's financial statements and any issues arising from their audits.

6.6.4 Council's internal auditors will also attend any meeting where any internal audit reports are being discussed and this can be without management being present if requested by the Committee

6.7 Minutes of Meetings

6.7.1 The Chief Executive Officer or delegate will ensure that the proceedings and resolutions of all meetings of the Committee are

recorded in the minutes of the meeting and comply with the requirements of the *Local Government (Procedures at Meetings) Regulations 2013* and Council's Code of Practice – Procedures at Meetings.

- 6.7.2 Minutes of Committee meetings will be circulated within five (5) days after a meeting electronically to all members of the Committee and members of the Council in accordance with the Act.
- 6.7.3 In accordance with Section 41(8) of the Act, the Minutes of the Audit & Risk Committee will be presented to the next meeting of the Council.

7. Reporting Requirements

- 7.1 The Committee:
 - 7.1.1 Must 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.
 - 7.1.2 May make recommendations to the Council as it deems appropriate on any area within these Terms of Reference where in its view, action or improvement is needed. The Presiding Member may attend these meetings and talk on these matters if required.
 - 7.1.3 Must provide an annual report to the Council on the work of the Committee during the period to which the report relates by 31 August each year for inclusion in the Council's Annual Report.
 - 7.1.4 Annually, will present to Council the Committee's view concerning the key areas of responsibility under these Terms of Reference.

8. Role of the Committee

- 8.1 **Financial Reporting and Sustainability**
 - 8.1.1 Review the Annual Report including the Annual Financial Statements and application of accounting policies and provide an opinion to the Council on whether they present fairly the state of affairs of Council and where appropriate, recommend the approval of any material to be included in the Annual Report concerning internal controls and risk management.
 - 8.1.2 Review and make recommendations to the Council regarding the assumptions, financial ratios and financial targets in the Long Term Financial Plan.
 - 8.1.3 Provide commentary and advice on the financial sustainability of Council and any risks concerning, and as part of the adoption of the Strategic Plans, Long Term Financial Plan, Annual Budget and periodic Budget Reviews.
 - 8.1.4 Review and provide recommendations and comments to the Council on Council's Asset Management Plans.

8.1.5 Review and make recommendations to the Council regarding any other significant financial, accounting, and reporting issues deemed necessary by the Committee, Council or Administration.

8.1.6 Consider and provide comment on the financial and risk-related issues associated with any Council business referred to it by the Council for such comment.

8.1.7 Consider and provide comment on the financial and risk-related issues associated with any Council business referred to it by the Council for comment.

8.2 **Internal Controls and Risk Management**

8.2.1 Monitor, review and evaluate the effectiveness of policies, systems and procedures established and maintained to identify, assess, monitor, manage and review financial and strategic operational risks.

8.2.2 Monitor and review the effectiveness of the Council's internal control environment.

8.2.3 Review any reports prepared for the Council under section 48(1) of the Act (Prudential requirements for certain activities).

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

8.3 **Internal Audit**

8.3.1 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.

8.3.2 Monitor the responsiveness of the Council to recommendations for improvements based on previous audits and risk assessments, including those raised by a council's auditor.

8.4 **External Audit**

8.4.1 Oversee Council's engagement with the external auditor including but not limited to:

8.4.1.1 assessing the external auditor's qualifications and expertise

8.4.1.2 recommending the approval of the external auditor's remuneration and terms of engagement to Council

8.4.1.3 assessing the external auditor's independence and objectivity and monitoring the external auditor's compliance with legislative requirements on the rotation of audit partners

8.4.1.4 consider and make recommendations to the Council concerning the appointment, reappointment and removal of the Council's external auditor

8.4.1.5 If an auditor resigns, the Committee shall investigate the issues leading to this and decide whether any action is required

8.4.2 Liaise with the Council's external auditor.

8.4.3 Review and make recommendations on the annual audit plan, and in particular its consistency with the scope of the external audit engagement as well as the internal audit plan;

8.4.3 Review the findings of the audit, paying particular attention to any accounting and audit judgements, any adjusted or unadjusted differences and any other significant issues arising from the audit;

8.4.4 Review any representation letter requested by the external auditor before they are signed by management; and

8.4.5 Review Administration's response to reviews, recommendations and audit letters provided by the External Auditor.

8.5 Other Investigations

8.5.1 The Committee, when necessary, propose and review the exercise of Council's powers under Section 130A of the *Local Government Act 1999*, concerning the conduct of Economy Audits that would not otherwise be addressed or included as part of an annual External Audit.

8.6 Regional Subsidiaries

8.6.1 In accordance with Section 126(4) of the Act, the functions of the Audit & Risk Committee include if the Council has exempted a subsidiary from the requirement to have an Audit & Risk Committee, the functions that would, apart from the exemption, have been performed by the subsidiary's Audit & Risk Committee.

9. Other Matters

9.1 The Committee shall:

9.1.1 Have access to appropriate resources to carry out its duties;

9.1.2 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;

9.1.3 Give due consideration to the Act and regulations made under the Act;

9.1.4 Oversee any investigation of activities that are within its terms of reference;

9.1.5 Address issues brought to the attention of the Committee, including responding to request from Council or the Chief Executive Officer;

- 9.1.6 If appropriate, consider and provide recommendations regarding any other entity the Council has a pecuniary interest in or intends to have a pecuniary interest in;
- 9.1.7 Comply with Council policies, procedures and practices; and
- 9.1.8 Annually, review its performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend changes it considers necessary to the Council for approval.

Document history

Date	Resolution number	Changes made
26/10/2021	C261021/12980	Updated Terms of Reference to reflect changes made to the <i>Local Government Act 1999</i> by the <i>Statutes Amendment (Local Government Review) Act 2021</i> .
14/09/2021	C140921/12941	Amendment to Clause 3.1 – Membership to allow for a majority of independent members on the Committee in accordance with the changes made to the <i>Local Government Act 1999</i> by the <i>Statutes Amendment (Local Government Review) Act 2021</i> .
28/11/2017	C11512	
24/11/2015	C10457	
24/11/2014	C9946	
13/05/2014	C9709	
11/03/2014	C9622	
25/02/2014	C9600	
10/12/2013	C9530	
28/08/2012	C8840	
22/11/2011	C8496	
27/04/2011	C8220	
14/12/2010	C8044	