

 Adelaide Plains Council	Audit and Risk Committee Terms of Reference	
	Adoption by Council:	27 November 2023
	Resolution Number:	2023/353
	Administered by:	Director - Finance
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DOCUMENT NO: D23/53103	Strategic Objective: Proactive Leadership Strategic and sustainable financial management	

1. Establishment

- 1.1 Pursuant to section 41 of the *Local Government Act 1999* (**the Act**) and the Regulations thereunder, for the purposes of section 126 of the Act, the Council maintains a Committee to be known as the Audit and Risk Committee (**the Committee**).
- 1.2 The purpose of the Committee is to provide independent assurance and advice to Council on accounting, financial management, internal controls, risk management and governance matters.¹ The Committee will enquire into and report to Council in respect of those matters conferred upon it, and as set out in these Terms of Reference.

2. Functions

Subject to compliance with all legislation, policies, plans and procedures of the Council, the functions of the Committee are as follows:

2.1 Financial Reporting

- 2.1.1 The Committee shall monitor the integrity of the financial statements of the Council, including its annual report, reviewing significant financial reporting issues and judgments which they contain.
- 2.1.2 The Committee shall review and challenge where necessary:
 - 2.1.2.1 the consistency of, and/or any changes to, accounting policies;
 - 2.1.2.2 the methods used to account for significant or unusual transactions where different approaches are possible;
 - 2.1.2.3 whether the Council has followed appropriate accounting standards and made appropriate estimates and judgments, taking into account the views of the external auditor;
 - 2.1.2.4 the clarity of disclosure in the Council's financial reports and the context in which statements are made; and

¹ *Local Government Act 1999*, section 126(1a).

- 2.1.2.5 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).

2.2 Governance, Internal Controls and Risk Management Systems

The Committee shall:

- 2.2.1 ensure Council's compliance with legislative requirements, as well as use of best practice and Governance principles and guidelines;
- 2.2.2 keep under review the effectiveness of Council's internal controls and risk management framework;
- 2.2.3 review and recommend the approval, where appropriate, of statements to be included in the annual report concerning internal controls and risk management;
- 2.2.4 understand 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 identified business risks. This will include insurance matters, financial reporting, legal and regulatory compliance, business continuity, and statutory compliance. This can be facilitated by discussions with the Committee and external auditors and by presentations by management on how business risks are identified and managed; and
- 2.2.5 review and comment on an annual report provided by the CEO in relation to the policies and processes adopted by the Council to evaluate and improve the effectiveness of its internal control practices and procedures, including Council's internal audit processes.²

2.3 Public Interest Disclosures

- 2.3.1 The Committee shall review Council's arrangements 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.

2.4 External Audit

The Committee shall:

- 2.4.1 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;
- 2.4.2 consider and make recommendations to the Council, in relation to the appointment, re-appointment and removal of the Council's external auditor;
- 2.4.3 oversee Council's relationship with the external auditor including, but not limited to:

² *Local Government Act*, section 99(1)(ib).

- 2.4.3.1 reviewing 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;
- 2.4.3.2 reviewing 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;
- 2.4.3.3 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;
- 2.4.3.4 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);
- 2.4.3.5 monitoring the external auditor's compliance with legislative requirements on the rotation of audit partners; and
- 2.4.3.6 assessing the external auditor's qualifications, expertise and resources and the effectiveness of the audit process (which shall include a report from the external auditor on the audit committee's own internal quality procedures).
- 2.4.4 meet with the external auditor as required. The Committee shall meet the external auditor at least once a year, with or without management being present; to discuss the external auditor's report and any issues arising from the audit;
- 2.4.5 review and make recommendations on the annual audit plan, and in particular its consistency with the scope of the external audit engagement;
- 2.4.6 review the findings of the audit with the external auditor. This shall include, but not be limited to, the following;
 - 2.4.6.1 a discussion of any major issues which arose during the external audit;
 - 2.4.6.2 any accounting and audit judgments; and
 - 2.4.6.3 levels of errors identified during the external audit.

The Committee shall also:

- 2.4.7 review the effectiveness of the external audit.
- 2.4.8 review any representation letter(s) requested by the external auditor.
- 2.4.9 review the management letter and management's response to the external auditor's findings and recommendations.

2.5 Review of Strategic Management and Annual Business Plans

Having regard to the challenges and implications arising from the continuing significant population growth in the Council area the Committee shall:

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

- Key principles and assumptions of the consolidated Council Long Term Financial Plan;
- Annual Business Plan and Budget; and
- Asset Management Plans.

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

2.6 Value and Efficiency Review

The Committee shall, when necessary, review Council's program and service delivery reviews in the context of efficient and effective delivery of the strategic plan and annual business plan.

2.7 Review Major Infrastructure Projects

The Committee shall review and provide advice on the proposed capital and recurrent funding strategies, timing, risk and due diligence, procurement strategies, governance and public engagement for infrastructure projects of major significance and the estimated cost of which triggers the requirement for a prudential report.

2.8 Prudential Reports

The Committee shall review the findings of any prudential reports prepared for Council and provide advice to Council. The amount that triggers a prudential report is as specified in the *Local Government Act 1999*.

2.9 Regional Subsidiaries

The Committee shall annually review and provide advice to Council on the management of risks and the adequacy of performance reporting associated with regional subsidiaries of which Council is a constituent Council.

3. Membership

3.1 Members of the Committee are appointed by the Council.

From 30 November 2023, the Committee shall consist of five (5) members of which at least three (3) are independent members and two (2) members from the Elected Members of Council – consistent with any regulations and the Act.

3.2 Independent member(s) of 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 The Chairperson of the Council shall be a member of the Committee.

- 3.4 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. However other individuals such as the Chief Executive Officer, Directors and other staff with relevant responsibilities may attend any meeting as observers or be responsible for preparing reports for the Committee. 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 Act and subsequently retained as confidential under section 91 of the Act, are also required to be made available to the public.
- 3.5 Council's external auditors may be invited to attend meetings of the Committee.
- 3.6 Membership of an independent member on the Committee shall be for an initial period of two (2) years with an option for further two (2) year renewal. An independent member may be further reappointed by resolution of the Council.
- 3.7 The Council shall appoint the Chairperson of the Committee.
- 3.8 The evaluation of potential independent members of the Audit and Risk Committee will be undertaken by the Mayor and Chief Executive Officer and one (1) Elected Member appointed to the Audit and Risk Committee, taking account of the experience and qualifications of candidates and their likely ability to apply appropriate analytical and strategic management skills, and a recommendation for appointment put to Council.
- 3.9 Expressions of Interest from prospective Independent Members shall be sought by the Council by way of a public advertisement.
- 3.10 Remuneration will be paid to each Independent Member of the Committee (based on a set fee per meeting attended).
- 3.11 Membership of Council members on the Audit and Risk Committee continues for that Council member's term of the office unless a Member resigns from the Committee or is removed earlier by resolution of Council.
- 3.12 If the Council proposes to remove a Member of the Committee, it must give written notice to the Member of its intention to do so and provide that Member with the opportunity to be heard at a Council meeting which is open to the public, if that Member so requests.

4. Chairperson

- 4.1 The role of the Chairperson is to:
- Oversee the orderly conduct of meetings in accordance with the *Local Government Act 1999*, the *Local Government (Procedures at Meetings) Regulations 2013* and the Council's Code of Practice – for Meeting Procedures
 - 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 discussions in an open and responsible manner; and
 - Liaise with Council administration between meetings regarding the preparation of the Committee's agenda and reporting to Council.
- 4.2 When the Chairperson is absent from a meeting the Committee Members may appoint a person from those present to act as Chairperson for the duration of the meeting
- 4.3 The Chairperson has a deliberative vote and does not have a casting vote.

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5. Quorum

- 5.1 The quorum necessary for the transaction of business shall be three (3) members of the Committee, including at least two (2) independent members. 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.

6. Meetings

6.1 Voting

- 6.1.1 All decisions of the Committee shall be made on the basis of a majority decision of the members present.
- 6.1.2 Members present must vote on all resolutions of the Committee. Proxy votes are not permitted.

6.2 Meeting Frequency

- 6.2.1 The Committee must meet at least quarterly at appropriate times in the reporting and audit cycle and otherwise as required.³
- 6.2.2 Ordinary meetings of the Committee will be held at times and places determined by Council or, subject to a decision of Council, the Committee. A special meeting of the Committee may be called in accordance with the Act.
- 6.2.3 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.
- 6.2.4 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*.
- 6.2.5 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.

6.3 Delegations

- 6.3.1 Pursuant to section 44 of the *Local Government Act 1999*, the Audit and Risk Committee does not enjoy the delegation of any powers, functions and duties of the Council. All decisions of the Committee will, therefore, constitute only recommendations to the Council.

³ *Local Government Act 1999*, section 126(5).

6.4 Meeting Procedures

- 6.4.1 Procedures at meetings will be in accordance with Council's Code of Practice – Meeting Procedures and the requirements of the *Local Government (Procedures at Meetings) Regulations 2013*.
- 6.4.2 Meetings are able to be held using electronic means, subject to the requirements of the Act.⁴

6.5 Administrative Resources

- 6.5.1 The Chief Executive Officer shall provide sufficient administrative resources to the Committee to enable it to adequately carry out its functions. The Committee shall:
 - 6.5.1.1 have access to reasonable resources in order to carry out its duties; subject to any budget allocation approved by Council;
 - 6.5.1.2 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;
 - 6.5.1.3 give due consideration to laws and regulations of the Act;
 - 6.5.1.4 make recommendations on co-ordination of the internal and external auditors;
 - 6.5.1.5 oversee any investigation of activities which are within its Terms of Reference;
 - 6.5.1.6 oversee action to follow up on matters raised by the external auditors; and
 - 6.5.1.7 at least once a year, review its own performance and Terms of Reference to ensure it is operating at maximum effectiveness and recommend changes it considers necessary to the Council for approval.

7. Reporting Responsibilities

- 7.1 Pursuant to section 41(8) of the Act, the Committee is responsible to and reports direct to Council.
- 7.2 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.
- 7.3 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.⁵
- 7.4 Provide an annual report to the Council on the work of the committee during the period to which the report relates, which must be included in Councils annual report.⁶

8. Review

⁴ Local Government Act 1999, section 90(7a)

⁵ *Local Government Act 1999*, section 126(8)(a).

⁶ *Local Government Act 1999*, sections 126(8)(b), (9).

These terms of reference will be subject to review by the Council on a two (2) year basis, or as determined by Council.