



## **Audit and Risk Committee**

### **TERMS OF REFERENCE**

A Committee of Council  
established pursuant to the provisions of  
Sections 41 and 126  
of the Local Government Act 1999

Terms of Reference for the conduct of the business of the Audit and Risk Committee were approved and adopted by the City of Mount Gambier at its meeting held on 18 February 2025.

## **Audit and Risk Committee**

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## 1. ESTABLISHMENT:

- 1.1 **Legislation** - Pursuant to Sections 41 and 126 of the Local Government Act 1999 the Council has established a Committee to be known as the City of Mount Gambier Audit and Risk Committee (“the Committee”).
- 1.2 **Purpose** – According to Section 126 (1a) The purpose of an audit and risk committee established by a council is to provide independent assurance and advice to the council on accounting, financial management, internal controls, risk management and governance matters.
- 1.3 **Functions** - The functions of the Audit and Risk Committee include, per the Local Government Act 1999, Division 2, Section 126 (4):
- (a) reviewing annual financial statements to ensure that they present fairly the state of affairs of the council; and
  - (b) proposing and providing information relevant to, a review of the council’s strategic management plans or annual business plan; and
  - (c) monitoring the responsiveness of the council to recommendations for improvement based on previous audits and risk assessments, including those raised by a council’s auditor; and
  - (d) proposing and reviewing, the exercise of powers under section 130A; and
  - (e) liaising with the council’s auditor in accordance with any requirements prescribed by the regulations; and
  - (f) reviewing the adequacy of the accounting, internal control, reporting and other financial management systems and practices of the council on a regular basis; and
  - (g) —
    - (i) if the council has an internal audit function—
      - (A) providing oversight of planning and scoping of the internal audit work plan; and
      - (B) reviewing and commenting on reports provided by the person primarily responsible for the internal audit function at least on a quarterly basis; or
    - (ii) if the council does not have an internal audit function, reviewing and commenting 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; and
  - (h) reviewing and evaluating 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; and
  - (i) reviewing any report obtained by the council under section 48(1); and
  - (j) performing any other function determined by the council or prescribed by the regulations or in accordance with its Terms of Reference.

- 1.4 **Delegation** - The Committee has no delegation to act, with all recommendations of the Committee (and of any Sub-Committees established by the Committee) to be endorsed by Council.

## 2. INTERPRETATION:

- 2.1 For the purpose of these Terms of Reference, unless inconsistent with the subject matter or context:

Term	Interpretation
<b>Act</b>	The Local Government Act 1999 and includes all Regulations and Schedules.
<b>CEO</b>	Refers to the Chief Executive Officer of the City of Mount Gambier.
<b>Commencement Date</b>	The date on which the Committee is established and becomes operative pursuant to clause 3.
<b>Committee</b>	The Committee of Council established pursuant to clause 3.
<b>Committee Member</b>	The persons appointed by the Council to the Committee pursuant to clause 4.
<b>Council</b>	The City of Mount Gambier that established the Committee and to which the Committee reports.
<b>Ex-Officio</b>	By virtue of the Mayor's position, the Mayor has the right but not the obligation to participate in proceedings of the Committee and when present at meetings, has voting rights.
<b>Internal Auditor</b>	The person appointed as being primarily responsible for the internal audit function of Council in accordance with section 125A of the Act.
<b>Observers</b>	Those persons attending any meeting of the Committee of Council, but not having a vote on any matter to be determined by the Committee and not having been appointed as Committee Members.
<b>Presiding Member</b>	The person appointed to that position pursuant to clause 5.
<b>Sub-Committee</b>	A sub-committee of the Audit and Risk Committee established in accordance with the Act.

- 2.2 Any words, phrases or terms used in these Terms of Reference that are defined in the Act shall have the same meaning as are given in the Act.
- 2.3 A reference in these Terms of Reference to a "singular" includes a reference to the "plural" and a reference to a "plural" includes a reference to the "singular".
- 2.4 These Terms of Reference shall be interpreted in line with the provisions of the Act.
- 2.5 **Notices** – All communications to be given to the Committee shall be addressed to: City of Mount Gambier Audit and Risk Committee  
PO Box 56

### 3. **AUTHORITY:**

- 3.1 **Overall Objective** – The Committee is created with the express objective of providing considered advice to Council within the scope of its purpose and reasons for establishment.
- 3.2 **Delegation Status** – The Committee does not have delegated powers or delegated financial responsibilities or authority to implement actions in areas over which management has responsibility.
- 3.3 **Management Function** – Therefore, the Committee does not have any management function and is independent to management.
- 3.4 **Council Authorisation** – Within its scope of responsibility, Council authorises the Committee to:
- (a) perform activities within the scope of this Terms of Reference;
  - (b) require the attendance of Senior Council Officers at meetings as required;
  - (c) have access to members of Executive Leadership Team, Management, employees and relevant information;
  - (d) oversee the performance and meet with both the external auditor and the internal auditor;
  - (e) request necessary financial resources to be provided to enable the Committee to receive any necessary legal, accounting or other professional advice.

### 4. **MEMBERSHIP / COMPOSITION:**

- 4.1 **Membership** – Members of the Audit & Risk Committee are appointed by Council. The size of the Committee be between three (3) and five (5) members (inclusive) consistent with any Regulations and shall consist of:
- At least one (1) Councillor;
  - At least two (2) Independent members,
- and shall be compliant with the requirements under section 126(2)(c) of the Local Government Act 1999.
- 4.2 **Appointment to Committee** – Independent member appointments to the Committee shall be for a period of at least two years, reviewed at a common appointment date every two years, aligned to the Council term.. Appointees may be reappointed by Council. Refer section 6 for Council Member appointment.
- 4.3 **Resignation** – Committee Members must resign in writing, addressed to the Committee, Mayor and CEO. Resignations should provide flexibility and consideration of the time required to recruit a suitable replacement.
- 4.4 **Confidentiality** – Committee members shall not directly or indirectly release or make available to any person any information relating to the work or discussions of the Committee of which he or she is a member or was in his or her possession except in accordance with such terms and in such a manner as stipulated by City of Mount Gambier Council.

- 4.5 **Vacancies** – A vacancy in the membership of the committee will not invalidate any decisions of the committee, provided a quorum is maintained during meetings.
- 4.6 **Advisors** – The Chief Executive Officer (CEO) and delegates are not members of the Committee, but should attend meetings in an advisory capacity.
- 4.7 **Role of Mayor** – Is an ex officio member of the Committee.
- 4.8 **External Auditors** - Council's external auditors shall be invited to attend a minimum of two (2) meetings of the Committee each financial year. Attendance is at the external auditor's discretion.
- 4.9 **Voting Rights** - Only members of the Committee are entitled to vote (move and second) in Committee meetings.
- 4.10 **Role of Council Staff** - Members of Council's staff:
- may attend any meeting as observers
  - are responsible for preparing reports and papers for the Committee
  - are responsible for preparing and publishing agenda's and minutes in accordance with the Act.

## 5 **INDEPENDENT MEMBERS**

Independent Members are external members who are neither Councillors nor a member of Council staff, as outlined in section 126(2) of the Act.

- 5.1 **Required Skills & Experience** - Independent Members shall have senior business or financial management/reporting knowledge and expertise, and be conversant with the financial, risk management and governance issues, and have extensive accounting, auditing or legal skills and other reporting requirements of Local Government.
- 5.2 **Appointment** - The appointment of external independent members shall be made by Council resolution following public advertisement in the local newspaper or appropriate website/online platform and Council website.
- 5.3 **Tenure** - Independent members shall be appointed for a term of two years, after which time Council can choose to exercise an option to renew the appointment for another term. Independent members can only serve for two consecutive terms without public advertisement, however, members may re-apply at the end of their term(s) and be re-appointed for further terms through the public advertisement process.
- 5.4 **Remuneration** - Remuneration paid to independent members will be a set fee per meeting as resolved by Council with an additional amount paid to the Presiding Member. Travelling costs will also be reimbursed.
- 5.5 **Resignation** - In the event of a resignation of an external independent member or statutory change, the Committee has the option to review unsuccessful applicants from the initial recruitment process and recommend to Council to appoint an applicant, if this occurs within the previous 12 month period.

## 6. COUNCIL MEMBERS

- 6.1 **Appointment** - The Council members of the Committee shall be appointed by Council at the first meeting of the incoming Council and upon the expiry of any initial term, or as otherwise required to maintain membership of the Committee.
- 6.2 **Proxy Member** - May be appointed by the Presiding Member or Council. Only members of the Committee are entitled to vote in Committee meetings. If the member of Council who is a Committee member is unable to participate in a Committee meeting and a proxy is appointed, then the proxy member is able to participate in the Committee meeting and is entitled to vote. A Proxy appointment must not be made for 2 meetings held in succession. Committee members must be notified in advance of a meeting where a proxy has been appointed. All information made available to Committee members must be made available to Proxy Member.
- 6.3 **Tenure** - The tenure of the Council member on the Committee will be for the term of Council unless otherwise determined.
- 6.4 **Remuneration** - Council members appointed to the Committee shall not receive any additional remuneration.

## 7 COMMITTEE PRESIDING MEMBER:

- 7.1 **Role** – The role of the Presiding Member is to:
- **Meeting Conduct** – 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 Conduct for Meeting Procedures;
  - **Guiding Principles** – Ensure that the Guiding Principles in Regulation 4 are observed and that all Committee Members have an opportunity to participate in discussions in an open and responsible manner.
- 7.2 **Appointment** – The Presiding Member of the Committee must be appointed by Council resolution and be an independent member. The Presiding Member will be appointed for two years and reviewed in alignment with item 4.2..
- 7.3 **Tenure** – After serving two years, the Committee may choose to appoint the Presiding Member for a period of up to 2 years or the Committee may choose to nominate another Presiding Member from the independent membership. The process will be dependent on the Committee seeking nominations from the current independent membership and providing a report to Council for endorsement.
- 7.4 **Acting Presiding Member** – In the absence of the appointed Presiding Member from a meeting, a Council Officer will chair the meeting and seek nominations for the appointment of an acting Presiding Member from the Independent members present at the meeting.

## 8. NOTICE OF MEETINGS:

- 8.1 The Committee shall conduct its meetings at the Council building, 10 Watson Terrace, Mount Gambier. Committee Members may attend via electronic means in accordance with item 9.7.
- 8.2 In accordance with Section 87 of the Act a notice of each meeting confirming the venue, date and time, 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.

9. **MEETINGS AND DOCUMENTATION:**

- 9.1 **Number of Meetings** – Aligned with legislation there must be at least 1 meeting of an audit and risk committee in each quarter at appropriate times in the reporting and audit cycle and otherwise as required.
- 9.2 **Additional Meetings** – Shall be convened at the discretion of the Presiding Member or at the written request of a Committee member, the CEO or the internal or external auditors.
- 9.3 **Quorum** – At all meetings of the Committee a quorum must be present, noting the following:
- No business shall be transacted at any meeting of the Committee unless a quorum of Members is present.
  - A quorum will be determined by dividing by 2 the number of Members formally appointed to the Committee ignoring any fraction and adding 1. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any authorities, powers and discretions vested in or exercisable by the Committee.
- 9.4 **Role of Presiding Member** – The Presiding Member, when present in person or via electronic means, shall preside at all meetings of the Committee and at any other time the Committee shall appoint an Acting Presiding Member who shall preside at that meeting.
- 9.5 **Voting Rights** – Each Member of the Committee including the Presiding Member present at any meeting of the Committee must vote on any matter requiring determination and all decisions shall be decided on a simple majority of votes cast.
- 9.6 **Deliberate Vote** – Each Member of the Committee including the Presiding Member present at any meeting of the Committee shall have one deliberate vote only.
- 9.7 **Meeting Access** – 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 1999 and subsequently retained as confidential under Section 91 of the Act, are also required to be made available to the public.
- 9.8 **Participation via electronic means** – A Committee Member may participate, and is considered as being present at a meeting if the Member:



- can hear all other members present at the meeting;
- can be seen and heard by all other members present at the meeting;
- can be seen and heard by the person recording the minutes of the meeting; and
- can express their vote on each and every question in a manner that can be identified by all other persons present at the meeting (whether all other persons at the meeting are physically present or present by electronic means).

Where a Committee Member attends via electronic means and is unable to meet the above requirements, , they will not be considered present for Quorum, but may still participate in discussion and listen to proceedings.

- 9.9 **Documents** - Members of the public shall have access to all documents related to the Committee unless prohibited by resolution of the Committee under the confidentiality provisions of Section 90 and 91 of the Local Government Act 1999.

## 10. MINUTES OF MEETINGS:

- 10.1 **Role of The CEO** - The CEO shall ensure that the proceedings and resolutions of all meetings of the Committee, including recording the names of those present are minuted and that the minutes otherwise comply with the requirements of the *Local Government (Procedure at Meetings) Regulations 2013*.
- 10.2 **Minutes Review** - The Presiding Member will review the minutes within one week of the meeting and these will be presented to the next practicable Council meeting. The minutes will then be formally approved at the subsequent meeting of the Committee.
- 10.3 **Minutes Availability** – Minutes shall be made available to all Members of the Committee, Council and the public unless section 90 of the Local Government Act applies.
- 10.4 **Minutes Confirmation** - Minutes of the Committee Meeting shall be submitted for confirmation at the next meeting of the Committee and if confirmed, shall be signed by the Presiding Member or other person presiding at the subsequent meeting.
- 10.5 **Submission to Council** - Minutes of the Committee Meeting and any recommendations (including the minutes and recommendations of any Sub-Committee established by the Committee) shall be submitted to Council and shall be of no effect until endorsed as a resolution of Council.

## 11. MEETING PROCEDURES:

- 11.1 **Legislation** - The Committee shall conduct meetings in accordance with the *Local Government Act 1999*, *Local Government (Procedures at Meetings) Regulations 2013* and Council Determined Meeting Procedures Policy.
- 11.2 **Conflict of Interest** - Conflict of Interest declarations pursuant to s73 - 75C of the Local Government Act 1999.

## 12. ROLE OF THE AUDIT AND RISK COMMITTEE:

### 12.1 **Financial Reporting:** The Committee shall:

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- 12.1.1 **Financial Statements** - Monitor the integrity of the financial statements of the Council, including in its annual report, reviewing significant financial reporting issues and judgements which they contain.
- 12.1.2 **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.
  - The compliance with appropriate accounting standards and use of 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).

### 12.2 **Internal Controls and Risk Management Systems**

The Committee shall:

- 12.2.1 **Effectiveness** - Monitor the effectiveness of the Council's internal controls and risk management systems; and
- 12.2.2 **Review and recommend the approval** - Where appropriate, of statements to be included in the annual report concerning internal controls and risk management.
- 12.2.3 **Risk Profile** - Keep under review Council's overall risk profile and monitor risk exposure.
- 12.2.4 **Risk Management** - Monitor the risk exposure of Council by determining if management has appropriate risk management processes and adequate management information systems.
- 12.2.5 **Risk Management Framework** - Review Council's Risk Management Policy and Framework and risk profile. Monitor the process of review of Council's risk profile to ensure that material risks are dealt with appropriately.
- 12.2.6 **Risk Register** - Receive status reports on a regular basis of the risk register and actions being taken to manage identified risks.

### 12.3 **Public Interest Disclosure Act**

The Committee shall:

- 12.3.1 **Council's Arrangements** - Review the Council's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters.
- 12.3.2 The Committee shall ensure these arrangements allow independent

investigation of such matters and appropriate follow-up action.

12.4 **Internal Audit** (where Council has a separate internal audit function) The Committee shall:

- 12.4.1 **Monitor and Review** - The effectiveness of the Council's internal audit function in the context of the Council's overall risk management system.
- 12.4.2 **Program** - 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.
- 12.4.3 **Reports** - Review all reports on the Council's operations from the internal auditors.

Aligned with **Section 126(4)** of the Local Government Act one of the functions of the Audit and Risk Committee will be as follows:

*(i) if the council has an internal audit function—*

*(A) providing oversight of planning and scoping of the internal audit work plan; and*

*(B) reviewing and commenting on reports provided by the person primarily responsible for the internal audit function at least on a quarterly basis;*

Aligned with **Section 125A** of the Local Government Act as follows:

*(1) Despite any other law or instrument to the contrary, the person primarily responsible for the internal audit function –*

*(a) must ensure that any reports they prepare relating to the internal audit function are provided directly to the audit and risk committee; and*

*(b) may report any matters relating to the internal audit function directly to the audit and risk committee.*

As such quarterly reporting will be provided to the Council Executive and the Audit and Risk Committee.

Aligned with **Section 99** of the Local Government Act the CEO will:

*(ib) to report annually to the relevant audit and risk committee on the council's internal audit processes.*

12.4.4 **Findings and Recommendations** - Review and monitor management's responsiveness to the findings and recommendations of the Internal Auditor; and

12.4.5 **Direct Access** - Provide the Internal Auditor with the right of direct

access to the Mayor of the Council and to the Presiding Member of the Committee.

- 12.4.6 **Consult** – Consult with the CEO prior to appointing a person primarily responsible for the internal audit functions in accordance with section 125A (**Internal Auditor**).

12.5 **External Audit:**

The Committee shall:

- 12.5.1 Consider and make recommendations to the Council, in relation to the appointment, re-appointment and removal of the Council's external auditor.

- 12.5.2 **Selection/Resignation Process** - The Committee shall oversee the selection process for a new external auditor and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required.

- 12.5.3 **Relationship** - Oversee Council's relationship with the external auditors including, but not limited to:

- **Remuneration** - 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.
- **Terms of Engagement** - 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.
- **Independence & Objectivity** - 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 external auditors, including the provision of any non-audit services.
- **Relationships** - 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).
- **Assessment** - Assessing the external auditor's qualifications, expertise and resources and the effectiveness of the audit process (which shall include a report from the external auditors on the Committee's own internal quality procedures).
- **Follow up** - Action(s) to follow up on matters raised by the external auditors.

- 12.5.4 **Meeting** - Meet as needed with the external auditor. The Committee shall meet the external auditor at least once a year to discuss the external auditor's report and any issues arising from the audit.

- 12.5.5 **Annual Audit Plan** - Review and make recommendations on the annual audit plan, and in particular its consistency with the scope of the external audit engagement.

12.5.6 **Audit Findings** - Review the findings of the audit with the auditor. This shall 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.

12.5.7 **Effectiveness** - The Committee shall also review the overall effectiveness of the external auditor.

12.5.8 **Representation Letter(s)** - Review any representation letter(s) requested by the auditor before they are signed by management.

12.5.9 **Management Letter** - Review the management letter and management's response to the external auditor's findings and recommendations. Subsequent to the initial review the Committee will oversee action to follow up on matters raised by the external auditors.

**12.6 Review of Strategic Management and Business Plans:**

The Committee shall review and provide advice on Council's strategic management plans (at the time of their preparation and scheduled review), which include the following:

- Strategic Plan;
- Key principles and assumptions of the Long Term Financial Plan;
- Various Asset Management Plans; and
- Annual Business Plan.

**12.7 Prudential Reports:**

12.7.1 **Review** - The Committee shall provide advice on the management of any prudential reports prepared for Council and provide advice to Council.

**12.8 ESCOSA Review:**

Review and provide comment on ESCOSA's advice to Council regarding Council's financial sustainability.

**13. OTHER MATTERS:**

The Committee:

13.1 **Annual Work Program** - The Committee must adopt an annual work program.

13.2 **Oversee Investigations** - Shall oversee any investigation of activities that are within its Terms of Reference.

13.3 **Other Matters** - Shall give consideration to:

- **Relevant Audits** – Consider the findings and recommendations of relevant audits undertaken by the SA Auditor General's Office, the South Australian Ombudsmen, Independent Commissioner Against Corruption (ICAC) and other agencies to ensure Council considers the relevant recommendations.
- **Any Other Matters** - any other matters referred to it by Council meeting resolution or the CEO.

- 13.4 **Resources** - Shall have access to reasonable resources to carry out its duties.
- 13.5 **Training** - Be provided with appropriate and timely training, both in the form of an induction program for new members and an ongoing basis for all members.
- 13.6 **Insurance** - Shall advise Council's insurers of any civil liability or risk management issue. It should also be noted that Members of the Committee will be covered by Council's insurance policies while engaged in the business of the Committee.
- 13.7 **Legislation** - Give due consideration to the *Local Government Act 1999* and regulations made under the Act.
14. **REVIEW / REPORTING:**
- 14.1 **Recommendations** - The Committee shall make whatever recommendations to Council it deems appropriate on any area within these Terms of Reference where in its view action or improvement is needed.
- 14.2 **Self-Assessment Reports** - The Committee will at least once a year, review its own performance and provide a Self-Assessment Report to the CEO for tabling at the next Council meeting.
- 14.3 **Terms of Reference** – The Committee shall at least once every two years review its terms of reference.
- 14.4 **Council Review** - Council may review and amend the Committee Terms of Reference at any time, providing that the Committee has an opportunity to provide Council with any concerns that arise.
- 14.5 **Regular Reporting** - *Section 126 of the Local Government Act effective from 30 November 2023 requires that the following report is prepared as shown below:*
- (8) A council audit and risk committee must— (a) 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;*
- (9) A council must ensure that the annual report of its audit and risk committee is included in its annual report*
15. **ACCESS TO TERMS OF REFERENCE:**
- 15.1 The Audit and Risk Committee Terms of Reference is available for public inspection at the Customer Centre, 10 Watson Terrace, Mount Gambier, South Australia and on the Council's website [www.mountgambier.sa.gov.au](http://www.mountgambier.sa.gov.au)