



Audit and Risk Committee

TERMS OF REFERENCE

A Committee of Council

established pursuant to the provisions of

Sections 126 and 41
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 16 November 2021.

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 & Risk Committee ("the Committee").
- 1.2 **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) proposing and reviewing, the exercise of powers under section 130A; and
 - (d) liaising with the council's auditor; and
 - (e) reviewing the adequacy of the accounting, internal control, reporting and other financial management systems and practices of the council on a regular basis.
- 1.3 **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 considered by full Council for final decision and resolution.

2. INTERPRETATION:

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

Term	Interpretation
Act	The Local Government Act 1999 and includes all Regulations and Schedules.
Committee	The Committee of Council established pursuant to clause 3.
Committee Member	The persons appointed by the Council to the Committee pursuant to clause 4.
Commencement Date	The date on which the Committee is established and becomes operative pursuant to clause 3.
Council	The City of Mount Gambier that established the Committee and to which the Committee reports.
Chair Person	The person appointed to that position pursuant to clause 5.
Observers	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.
Sub-Committee	A sub-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

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, 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.
- 4.2 **Appointment to Committee** - Appointments to the Committee shall be for a period of at least two years, reviewed at a common appointment date every two years. The common appointment date for existing appointees is 31 December. Appointees may be reappointed by Council.
- 4.3 **Resignation** - Of the appointment must be in writing.
- 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), the General Manager Shared Services (GMSS) and the Manager Finance 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 **Council Members** - The Council members of the Committee shall be appointed by Council at its Statutory Meeting, unless otherwise determined by the Chairperson of the Committee.
- 4.9 **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.
- 4.10 **Voting Rights** - Only members of the Committee are entitled to vote (move and second) in Committee meetings.
- 4.11 **Role of Council Staff** - Members of Council's staff may attend any meeting as observers and be responsible for preparing papers for the Committee.
- 4.12 **Committee Meeting Location** - In accordance with the principles of open, transparent and informed decision making, Committee meetings must be conducted in a place open to the public.

5 **INDEPENDENT MEMBERS**

Independent Members are external members who are neither Councillors or 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 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 with an additional amount paid to the Chairperson. 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 member(s) of the Committee shall be appointed by Council at its Statutory Meeting, unless otherwise determined by the Chairperson of the Committee.

7 COMMITTEE CHAIRPERSON:

- 7.1 **Role** – The role of the Chairperson 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.
- **Voting Rights** - The Chairperson of the Committee shall have a casting vote on occasions where there is an equal number of votes on a matter.

- 7.2 **Appointment** - The Chairperson of the Committee must be appointed by Council resolution and be an independent member. The Chairperson will be appointed for two years.

- 7.3 **Tenure** - After serving two years, the Committee may choose to appoint the Chairperson for a further one year term or the Committee may choose to nominate another Chairperson from the independent membership for a one year term. The process will be dependent on the Committee seeking nominations from the current independent membership and providing a report for noting to the Council.

- 7.4 **Acting Chairperson** - In the absence of the appointed Chairperson from a meeting, the meeting will appoint an acting Chairperson from the Independent members present at the meeting.

8. NOTICE OF MEETINGS:

- 8.1 The Committee shall conduct its meetings in the Council Chamber, 10 Watson Terrace, Mount Gambier.

- 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** - The Committee have an ordinary meeting at least four times a year 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 Chairperson 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 Chairperson** - The Chairperson, when physically present, shall preside at all meetings of the Committee and at any other time the Committee shall appoint an Acting Chairperson who shall preside at that meeting.
- 9.5 **Voting Rights** - Each Member of the Committee including the Chairperson 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 Chairperson 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 **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 Chairperson 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.
- 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 Chairperson 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 PROCEDURE:

11.1 **Legislation** - The Committee shall conduct meetings in accordance with the *Local Government Act 1999* and *Local Government (Procedures at Meetings) Regulations 2013*.

11.2 **Conflict of Interest** – Conflict of Interest declarations pursuant to S 73 – 75B of the Local Government Act 1999.

12. ROLE OF THE AUDIT AND RISK COMMITTEE:

12.1 Financial Reporting:

The Committee shall:

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 does not have 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.

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 Chairperson of the Committee.

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.

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 **Biannual Report** – The Committee must prepare a biannual report to Council describing the activities of the Committee including its findings and recommendations. This report will be provided 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.

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