



Audit and Risk Committee Terms of Reference

Policy Classification	Terms of Reference
First Issued:	December 2010
Next Date of Review:	June 2029
Version Number:	12
Applicable Legislation:	<i>Local Government Act 1999</i> <i>Local Government (Financial Management) Regulations 2011</i>
Related Policies or Documents:	Code of Practice – Meeting Procedures Code of Practice – Access to Council & Committee Meetings and Documents
Associated Forms:	Nil
Responsible Manager:	Chief Executive Officer
Approved by Council:	12 May 2026
Minutes Reference:	OM149:2026

Audit and Risk Committee Terms of Reference

1. Preamble

- 1.1. Kangaroo Island Council has established an Audit and Risk Committee in compliance with Section 126 and 41 of the *Local Government Act 1999*.
- 1.2. These terms of reference set out the committee's objectives, authority, composition, roles and responsibilities, reporting and administrative arrangements.

2. Purpose

- 2.1. The purpose of Kangaroo Island's Audit and Risk Committee is to provide independent assurance and advice to Kangaroo Island Council on accounting, financial management, internal controls, risk management, governance matters and overall performance.
- 2.2. The committee is to have an advisory and assurance role only and is to exercise no administrative functions, delegated financial responsibilities or any management functions of the Council. The committee will provide independent advice to the Council that is informed by the Council's internal audit and risk management activities and information and advice provided by staff, relevant external bodies and subject matter experts.

3. Authority

- 3.1. Kangaroo Island Council authorises the committee, for the purposes of exercising its responsibilities, to:
 - 3.1.1. Access any information it needs from the Council.
 - 3.1.2. Use any Council resources it needs.
 - 3.1.3. Have direct and unrestricted access to the Director Corporate Services, Director Works & Infrastructure, Finance Manager and Senior Manager Governance & Legal.
 - 3.1.4. Seek permission to meet with any other staff member or contractor.
 - 3.1.5. Discuss any matters with the external and internal auditor.
 - 3.1.6. Direct Access to the Chief Executive Officer.
 - 3.1.7. Request the attendance of any employee at committee meetings; and
 - 3.1.8. Obtain external legal or other advice through the Senior Manager Governance and Legal and in line with Council's procurement policy.

4. Membership

- 4.1. Council will resolve the membership of the Audit and Risk Committee.
- 4.2. The committee will consist of an independent Presiding Member, three further independent members and one Council Member all of whom have voting rights.

- 4.3. Independent Members will be appointed for up to a three-year term appointed by the Council, the total period of continuous membership cannot exceed 6 years. This included any term as Presiding Member of the committee.
- 4.4. Independent Members who have served a 6-year term (either as a member or as Presiding Member) must have a two-year break from serving on the committee before being appointed again.
- 4.5. Council Members will be appointed at the first meeting of the Council after a general election. The Council Members appointed will hold office for the period of the Council Term or an alternate period as resolved by Council.
- 4.6. The terms and conditions of each member appointment to the committee are to be set out in a letter of appointment. New members will be inducted to their role and receive relevant information on their appointment to assist them to meet their responsibilities.
- 4.7. Prior to approving the reappointment or extension of the Presiding Member's or an independent member's term, the Council is to undertake an assessment of the Presiding Member's or committee member's performance. Reappointment of the Presiding Member or an independent committee member is also to be subject to that person still meeting the requirements of section 126(2)(b) of the *Local Government Act 1999*.
- 4.8. Members of the committee must possess and maintain a broad range of skills, knowledge and experience relevant to the functions of the committee, including in financial management, risk management and governance and any other prescribed matter.
- 4.9. Members of the committee may be removed from office by Council resolution at any time.

5. Role of the Committee

- 5.1. The Local Government Act assigns the following functions to audit and risk committees:
 - (a) Review annual financial statements to ensure that they present fairly the state of affairs of the council.
 - (b) Propose and provide information relevant to, a review of the council's strategic management plans or annual business plan.
 - (c) Monitor the responsiveness of the Council to recommendations for improvement based on previous audits and risk assessments, including those raised by the Council's auditor.
 - (d) Propose and review the exercise of powers under section 130A.
 - (e) Liaise with the Council's auditor in accordance with any requirements prescribed by the regulations.
 - (f) Review the adequacy of the accounting, internal control, reporting and other financial management systems and practices of the Council on a regular basis.

(g) —

If the council has an internal audit function, 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.

If the council does not have an internal audit function, review and comment 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.

- (h) Review and evaluate 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.
- (i) Review any prudential report obtained by the council under section 48(1).
- (j) Make recommendations to the Council on the appointment of the Auditor pursuant to section 128 of the Local Government Act.
- (j) Perform any other function referred to it by the Council, another Council Committee or prescribed by the regulations.
- (k) Review the Fraud and Corruption Prevention Policy and seek reports on compliance.

5.2. Consistent with the legislative functions assigned to audit and risk committees, the Committee will undertake the following activities:

5.2.1. Financial Reporting

- a) Monitor the integrity of the financial statements of the Council, reviewing significant financial reporting issues and judgements which they contain.
- b) 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.
 - Whether the Council has followed appropriate accounting standards and made 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.
 - All material information presented with the financial statements.
- c) Provide advice to Council relevant to budget reviews undertaken in accordance with the Local Government Act and Regulation 9 of the Local Government (Financial Management) Regulations 2011, including in relation to any revisions to the forecast Key Financial Indicators.

5.2.2. Management plans and business plans

- a) As the time of preparation or scheduled review, provide advice relevant to the scope of the Committees functions on the Council's strategic management plans, which may include:
 - Community/Strategic Plan
 - Long Term Financial Plan
 - Annual Business Plan and Budget
 - Infrastructure and Asset Management Plan.

5.2.3. Internal controls

- a) Review the adequacy of Council's internal controls framework, processes and systems.

5.2.4. Risk management

- a) Review 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.
- b) Monitor responsiveness to recommendations for improvement based on previous audits and risk assessments, including those raised by Council's auditor.
- c) Review and monitor reporting from Administration on Work Health and Safety reports.

5.2.5. Internal audit

- a) Liaise with the CEO in relation to the appointment of a person, or the assignment of responsibility to an employee of the council, to be primarily responsible for the internal audit function.
- b) Receive and comment on reports provided by the person primarily responsible for the internal audit function.
- c) If the council has an internal audit function provide oversight of planning and scoping of the internal audit work plan.
- d) Review internal audit reports on the council operations.
- e) Review and monitor management's responsiveness to internal audit findings and recommendations.
- f) If the council does not have an internal audit function review and comment 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.

5.2.6. External auditor

- a) Make recommendations to the Council in relation to the selection, appointment and removal of the Council's external auditor.
- b) Assess the quality and effectiveness of the external audit conducted and evaluate the performance of the auditor, including:
 - Review the scope and terms of the audit and the audit fee, including a review on non-audit services provided by the external auditor.

- Review the audit plan for coverage of material risks and financial reporting requirements.
 - Monitor and review the auditors independence and objectivity.
 - Discuss matters relating to the conduct of the audit, including any difficulties encountered, any restrictions on scope of activities or access to information, significant disagreements with management and the adequacy of management response.
- c) Review the findings of the audit with the external auditor, including but not limited to:
- A discussion of any major issues which arose during the external audit.
 - Any accounting and audit judgements.
 - Levels of errors identified during the external audit.
- d) Review any representation letter requested by the external auditor before they are signed by management.
- e) Review the subsequent audit management letter from the external auditor and management's proposed response, by the Council, to the external auditor's findings and recommendations in that audit management letter.
- f) Meet with the external auditor on at least one occasion each year on a confidential basis, ensuring that a majority of members of the Committee are present for the meeting and that no members or employees of the council are present (other than council members who are members of the Committee).

5.2.7. Other matters

- a) Review any report obtained by Council under section 48(1) of the Act in accordance with Council's Prudential Management Policy.
- b) Propose and review the exercise of powers under section 130A of the Local Government Act 1999 to examine and report on any matter relating to financial management or the efficiency and economy of resource use to achieve council objectives not otherwise addressed as part of an annual audit and of such significance to warrant specific consideration.
- c) Make recommendations to Council in relation to development of new and review of existing policies within the scope of the Committee's functions.

6. Responsibilities of members

6.1. Members are expected to:

- 6.1.1. Make themselves available as required to attend and participate in meetings.
- 6.1.2. Contribute the time needed to review and understand information provided.
- 6.1.3. Apply good analytical skills, objectivity and judgement
- 6.1.4. Act In the best interests of the Council

- 6.1.5. Have the personal courage to raise and deal with tough issues, express opinions, ask questions that go the fundamental core of the issue and pursue independent lines of inquiry.
- 6.1.6. Maintain effective working relationships with the Council.
- 6.1.7. Oversee the Council's internal audit function.
- 6.2. The role of the Presiding Member is to:
 - 6.2.1. Oversee the orderly conduct of meetings in accordance with the Local Government Act 1999, the Local Government (Procedures at Meetings) Regulations 2013 and Council's Code of Practice – Meeting Procedures.
 - 6.2.2. Ensure that the Guiding Principles at Regulation 4 are observed and that all Committee Members have an opportunity to participate in discussions in an open and responsible manner.
 - 6.2.3. Ensure when a matter has been debated significantly and no new information is being discussed to call the meeting to order and move the debate towards finalisation.
- 6.3. The Presiding Member is not excluded from debate and may add to the debate nearing its end (so as not to 'lead from the Chair'). The Presiding Member has a deliberative vote and does not have a casting vote.
- 6.4. If the Presiding Member is absent from a meeting, an interim Presiding Member will be appointed from amongst the members present, with preference given to this being another independent member and will preside at the meeting.
- 6.5. The Presiding Member must certify, along with the Chief Executive Officer and in accordance with Regulation 22 of the Local Government (Financial Management) Regulations 2001, the 'Independence of External Auditor' as part of the end of financial year audit process.

7. Meeting Procedures

- 7.1. The Committee will have at least one meeting in each quarter. Meeting dates and times are set by the Committee under delegation by the Council.
- 7.2. Meetings will be held at the Council Chambers, 43 Dauncey Street, Kingscote.
- 7.3. The committee can hold additional meetings when significant unexpected issues arise, or if the Presiding Member is asked to hold an additional meeting by the Chief Executive Officer or the committee.
- 7.4. In accordance with Section 90(7a) of the Local Government Act 1999, members are able to attend the meeting electronically or via phone provided that members:
 - a. can hear all other members present at the committee meeting; and
 - b. can be heard by all other members present at the committee meeting.
- 7.5. Form of participation by electronic means
 - 7.5.1. Where:

- i. a Committee member is to participate in an Committee meeting by electronic means; and
 - ii. the electronic means has the functionality to allow the member to participate in the Committee meeting by being **both** seen and heard; and
 - iii. the electronic means of the Council has the functionality to allow the Committee member to be **both** seen and heard,
- the member **must** participate by being **both** seen and heard.

7.6. The quorum necessary for the transaction of business shall be 50% of the number of members of the Committee plus one, which will include members attending by telephone or electronic means.

7.7. Voting

7.7.1. Each member of the Committee at a meeting will have one vote.

7.7.2. The Presiding Member will have a deliberative vote and does not, in the event of an equality of votes, have a casting vote.

7.8. The Audit & Risk Committee proceedings are subject to Part 2 of the *Local Government (Procedures at Meetings) Regulations 2013*.

7.9. The meetings of the committee will be held in accordance with:

7.9.1. *Local Government Act 1999*

7.9.2. *Local Government (Procedures at Meetings) Regulations 2013*

7.9.3. Council's Code of Practice: Procedures at Meetings

7.9.4. Council's Code of Practice: Access to Council and Committee Meetings and Documents.

7.10. 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.

7.11. 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 (Procedure at Meetings) Regulations 2013*.

7.12. Minutes of committee meetings shall be circulated within five days after a meeting to all committee members and all members of the Council. They will also be published on Council's website.

7.13. Subject to the operation of section 90 of the Local Government Act, and in accordance with the requirements of section 132 of the Local Government Act, the agenda and minutes of the Committee will be published on a website determined by the Chief Executive Officer.

- 7.14. In accordance with section 88 of the Local Government Act, notice of meetings of the committee must be displayed at the principal office of the Council and on a website determined by the Chief Executive Officer, and must continue to be published and kept on display until the completion of the relevant meeting.
- 7.15. The Chief Executive Officer is authorised to adjourn a scheduled meeting, in circumstances where sufficient apologies have been received to indicate a quorum will not be achieved for the scheduled meeting.

8. Reporting

- 8.1. As required by section 126(8)(a) of the Local Government Act, the Committee will 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.
- 8.2. As required by section 126(8)(b) of the Local Government Act, the Committee will provide an annual report to the Council on the work of the Committee. The Council must include this report in its Annual Report.
- 8.3. As required by section 99(1)(ib) of the Local Government Act, the Chief Executive Officer will provide an annual report to the Committee on the council's internal audit processes.
- 8.4. As part of the preparation of the annual report, the Committee will evaluate its performance, which may include consideration of these Terms of Reference, to ensure the Committee is operating at maximum effectiveness with recommendations for any changes presented to the Council for consideration.

9. Conduct and Interests of Committee Members

- 9.1. All members of the committee must comply with chapter 5 part 4 of *the Local Government Act 1999* relating to Member Integrity and Behaviour.

10. Role of Administration

- 10.1. The Responsible Officer for the Audit and Risk Committee will be the Director of Corporate Services
- 10.2. The Responsible Officer who is the person 'primarily responsible' for the internal audit function (under s125A of the Local Government Act 1999) is the Senior Manager Governance & Legal.
- 10.3. Staff will attend meetings as required and are responsible for to provide advice and recommendations to the Committee.

11. Further information

- 11.1. The Audit and Risk Committee Terms of Reference is available for inspection, downloading or printing from our website www.kangarooisland.sa.gov.au

DATE	REVISION NO	REASON FOR AMENDMENT
December 2010	Rev 01	Date Adopted by Council.
30 November 2012	Rev 02	Minor Amendments including control title box & document reference record.
21 October 2013	Rev 03	Annual Review.
10 November 2015	Rev 04	Annual Review post-election of new Council
31 October 2016	Rev 05	Annual Review, Amendments under Code of Conduct, Quorum, Delegations and Reporting Responsibilities.
6 November 2017	Rev 06	Annual Review.
30 October 2018	Rev 07	Annual Review.
4 November 2019	Rev 08	Annual Review.
13 October 2020	Rev 09	Annual Review Minute: C534:2020
June 2023	Rev 10	Review following introduction of Statutes Amendment (Local Government Review) Act 2021
13 August 2024	Rev 11	Full review, incorporating internal audit functions.
12 May 2026	Rev 12	Changing Composition of Committee to 4 Independent Members and 1 EM