

	<b>TERMS OF REFERENCE</b> <b>Section 41 Audit &amp; Risk Committee</b>
<b>File Number</b>	7.6.2
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## 1 Introduction

Council reaffirms the establishment of the Audit & Risk Committee directed by Section 126 of the *Local Government Act 1999* (the Act), established under Section 41 of the *Local Government Act 1999* and subject to the operation of Part 2 of the Local Government (Procedures at Meetings) Regulations 2013 and amended under S84 of the *Statutes Amendment (Local Government Review) Act 2021*.

## 2 Membership

- 2.1 The Council appoints members of the Committee. The Committee shall consist of three Independent Members with two additional members from the Elected Members of the Council
- 2.2 The size of the Committee shall be five members.
- 2.3 Independent Members of the Committee shall have relevant skills, knowledge and experience, including financial management, risk management and governance.
- 2.4 Only members of the Committee are entitled to vote in committee meetings. Unless otherwise required by the *Local Government Act 1999* (the Act) not to vote, each member must vote on every matter before the Committee for decision. However, other individuals such as Council's Executive Leadership and Administration Officers may attend any meeting as observers or prepare papers for the Committee. Following 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 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.
- 2.5 Council's external auditors and internal auditors may be invited to attend meetings of the Committee.
- 2.6 The Council shall appoint the Presiding Member of the Committee.
- 2.7 The Presiding Member will be one of the Independents

## 3. Secretarial Resources

- 3.1 The Chief Executive Officer shall provide sufficient administrative resources to the Committee to enable it to adequately carry out its functions.



**4. Quorum**

4.1 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. 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. A committee member may also attend by phone/video link under Regulation 16 of Meeting Procedures Regulations, and this attendance will be included in the quorum.

**5. Meetings Subject to the Regulations**

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

**6. Frequency of Meetings**

6.1 There must be at least one(1) meeting of the Committee in each quarter

**7. Notice of Meetings**

7.1 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.

7.2 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.

**8. Minutes of Meetings**

8.1 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.

8.2 Minutes of committee meetings shall be circulated within five days after a meeting to all C Committee members and all members of the Council. They will (as appropriate) be available to the public.

**9. Purpose of the Committee**

9.1 The purpose of the Audit and Risk Committee is to provide independent assurance and advice to the Council on accounting, financial management, internal controls, risk management and governance matters.

**10. Functions of the Committee**

10.1 Reviewing the annual financial statements to ensure that they present fairly the state of affairs of the Council

10.2 Proposing and providing information relevant to, a review of Council's Strategic Management Plans and Annual Business Plan

10.3 Monitor the responsiveness of the Council to recommendations for improvement based on previous audits and risk assessments, including those raised by Council's auditor

10.4 Propose and review the exercise of powers under section 130A of the Act

**10.5 Liaise with Council's auditor**

- 10.5.1 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;
- 10.5.2 Consider and make recommendations to the Council regarding the appointment, re-appointment, and removal of the Council's external auditor. The Committee shall oversee the selection process for new auditors, and if an auditor resigns, the Committee shall investigate the issues leading to this and decide whether any action is required;
- 10.5.3 Oversee Council's relationship with the external auditor including, but not limited to:
  - 10.5.3.1 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;
  - 10.5.3.2 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;
  - 10.5.3.3 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;
  - 10.5.3.4 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);
  - 10.5.3.5 monitoring the external auditor's compliance with legislative requirements on the rotation of audit partners; and
  - 10.5.3.6 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 & risk committee's own internal quality procedures);
  - 10.5.3.7 Meet as needed with the external auditor. The Committee shall meet the external auditor at least once a year, without management being present; to discuss the external auditor's report and any issues arising from the audit;
  - 10.5.3.8 Review and make recommendations on the annual audit plan and, in particular, its consistency with the scope of the external audit engagement
  - 10.5.3.9 Review the findings of the audit with the external auditor. This shall include, but not be limited to, the following;



- 10.5.3.9.1 a discussion of any significant issues which arose during the external audit;
- 10.5.3.9.2 any accounting and audit judgements;
- 10.5.3.9.3 levels of errors identified during the external audit; and

10.5.4 The Committee shall also review the effectiveness of the external audit.

10.5.5 Review any representation letter(s) requested by the external auditor before they are signed by management;

10.5.6 Review the management letter and management's response to the external auditor's findings and recommendations.

10.6 Review the adequacy of the accounting, internal control, reporting and other financial management systems and practices of the Council on a regular basis and

10.7 If Council has an internal audit function

10.7.1 Provide oversight of planning and scoping of the internal audit work plan

10.7.2. Review and comment on reports provided by the person primarily responsible for the internal audit function at least on a quarterly basis;

10.7.3 Meet the "head" of internal audit (internal or outsourced) at least once a year, without management being present, to discuss any issues arising from the internal audits carried out. In addition, the head of internal audit shall be given the right of direct access to the Principal Member of the Council and the Presiding Member of the Committee

10.8 If 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

10.9 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

10.10 Review any Prudential Reports obtained by Council under Section 48 of the Act.

## **11. Major Project Reporting**

11.1 Review the financial status of Major Projects on a regular basis and recommend corrective action, if any, to the Council for consideration.

## **12. External Audit**

The Committee shall:

12.1 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;

12.2 Consider and make recommendations to the Council regarding the appointment, re-appointment, and removal of the Council's external auditor. The

Committee shall oversee the selection process for new auditors, and if an auditor resigns, the Committee shall investigate the issues leading to this and decide whether any action is required;

### **13. Annual Reports**

- 13.1.1 That the Committee review the Kangaroo Island Annual Report, all subsidiary Annual Reports, e.g. FRWA & Southern & Hills Association

### **14. Reporting Responsibilities**

- 14.1 The Committee shall make whatever recommendations to the Council it deems appropriate on any area within its terms of reference wherein its view, action or improvement is needed.

### **15. Public Information Disclosure**

- 15.1 The Committee shall review the 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 an independent investigation of such matters and appropriate follow-up action.

### **16. Code of Conduct**

- 16.1 All members shall abide with:-
- *Local Government Act* 1999 Section 62 (7) and associated Regulations
  - Code of Conduct for Elected Members
  - ICAC Act 2012

### **17. Delegations**

- 17.1 The Committee has no delegated authority under Section 44 of the *Local Government Act* 1999.

### **18. Other Matters**

The Committee shall

- 18.1 Have access to reasonable resources in order to carry out its duties;
- 18.2 Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- 18.3 Give due consideration to laws and regulations of the *Local Government Act*, 1999;
- 18.4 Make recommendations on the co-ordination of the internal and external auditors;
- 18.5 Oversee any investigation of activities that are within its terms of reference;
- 18.6 Oversee action to follow up on matters raised by the external auditors; and

18.7 At least once a year, review its own 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.

18.8 Review Fraud and Corruption Prevention Policy and seek reports on compliance.

<b>DATE</b>	<b>REVISION NO</b>	<b>REASON FOR AMENDMENT</b>
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

