

Audit Committee Terms of Reference – May 2019

Name of Committee	Terms of Reference	Membership	Review Date	Comments
Audit Committee	<p>The following comprise the Terms of Reference for Whyalla City Council's Audit Committee.</p> <p>Council to report the existence of Section 41 Committees on formation, and Committee to provide annual advice to Council of potential civil liability claims against the committee or its members.</p> <p>1. Members</p> <p>1.1 Members of the Committee shall be appointed by the Council. The Committee shall consist on two Independent Members and three Elected Members. Council may appoint a proxy in the event that an Elected Member cannot attend a meeting.</p> <p>1.2 Independent member(s) of the Committee shall have recent and relevant financial experience. The Presiding Member of the Council (shall) be a member of the Committee.</p> <p><i><u>Note:</u> That a person would not be considered independent if he or she was an employee or an existing or previous Elected Member of that Council. Subject to any codes of conduct adopted by Councils, this does not preclude an Elected Member or an employee of a Council from being a member of an Audit Committee of <u>another</u> Council.</i></p>	<p>Members</p> <p>1st Independent – Chair</p> <p>2nd Independent</p> <p>Mayor</p> <p>Councillor 1 Councillor 2 Councillor 3 – Proxy</p> <p>Staff Observers</p> <p>Chief Executive Officer</p> <p>Director Corporate</p> <p>Senior Finance Officer</p> <p>Corporate Strategy Business Partner</p>	<p>First meeting – 6 May 2019</p>	<p>The Committee is to meet <u>at least</u> three times per year.</p> <p>The Committee has power of recommendation only.</p> <p>Meetings to be held in the Council Chamber.</p> <p>Administrative support for Agenda, Minutes and correspondence to be provided by the Executive Assistant – Elected Body / Executive.</p>

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	<p>1.3 Only members of the Committee are entitled to vote in Committee meetings, however, (other individuals such as the Chief Executive Officer, Finance Manager and if applicable the heads of risk, compliance and internal audit and representatives from the finance function) may attend any meetings as advisers or be responsible for preparing papers 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 the relevant legislative provisions, are also required to be made available to the public.</p> <p>1.4 Council's external auditors and internal auditors, may be invited to attend meetings of the Committee.</p> <p>1.5 Appointments of Elected Members to the Committee shall be for a period until the end of the term of the Council.</p> <p>1.6 Appointment of the Independent Member(s) shall be across 2 terms of Council but not exceed a period of 4 years without reappointment.</p> <p>1.7 The Council shall appoint the Independent Committee Chair for the term of their appointment not exceeding a period of 4 years.</p>			

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	<p>2. Secretarial Resources</p> <p>2.1 The Chief Executive Officer shall provide sufficient secretarial resources to the Committee to adequately carry out its functions.</p> <p>3. Quorum</p> <p>3.1 The quorum necessary for the transaction of business shall be 50% of the number of members of the Committee plus one. 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.</p> <p>4. Frequency of Meetings</p> <p>4.1 The Committee shall meet <u>at least</u> three times a year at appropriate times in the reporting and audit cycle.</p> <p>5. Notice of Meetings</p> <p>5.1 Ordinary meetings of the Committee will be held at times and places appointed by Council or, subject to a decision of Council, the Committee. A Special Meeting of the Committee shall be called by the Chief Executive Officer at the request of its Presiding Member or any two members of the Committee.</p>			

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	<p>5.2 Unless otherwise agreed, 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 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.</p> <p>6. Minutes of Meetings</p> <p>6.1 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.</p> <p>6.2 The Chief Executive Officer shall include on the Agenda the declaration by any Committee member, the existence if any conflicts of interest and minute them accordingly.</p> <p>6.3 Minutes of a meeting of the Committee shall be presented to the next meeting of the Council.</p> <p>6.4 Minutes of Committee meetings shall be circulated within five days after a meeting to all members of the Committee and members of the Council.</p>			

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	<p>7. Role of the Committee</p> <p>7.1 <u>Financial Reporting</u></p> <p>7.1.1 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.</p> <p>7.1.2 The Committee shall review and consider where necessary:</p> <p>7.1.2.1 the consistency of improvement to and /or any changes to, accounting policies;</p> <p>7.1.2.2 the methods used to account for significant or unusual transactions where different approaches are possible;</p> <p>7.1.2.3 whether the Council has followed appropriate accounting standards and made appropriate estimates and judgments, taking into account the views of the external auditor;</p> <p>7.1.2.4 the clarity of disclosure in the Council's financial reports and the context in which statements are made; and</p> <p>7.1.2.5 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.</p>			

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	<p>7.2 <u>Internal Controls and Risk Management Systems</u></p> <p>The Committee shall:</p> <p>7.2.1 Consider and make recommendations on the program of the internal controls and audit including the adequacy of resources and access to information to enable it to perform its function effectively and in accordance with the relevant professional standards.</p> <p>7.2.2 Ensure that appropriate policies, practices and procedures of internal control (and other financial and risk management systems) are implemented, reviewed and maintained in order to assist the Council to carry out its activities in an efficient and orderly manner to achieve its objectives.</p> <p>7.2.3 Review Council's risk management framework and monitor the performance of Council's risk management program.</p> <p><i><u>Note:</u> That it is important that the Audit Committee 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 this business risk. This will include insurance matters, financial reporting, legal and regulatory compliance, business continuity, and statutory compliance. This can be facilitated by discussions with the internal and external auditors and by presentations by management on how business risks are managed.</i></p>			

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	<p>7.3 <u>Whistleblowing</u></p> <p>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 independent investigation of such matters and appropriate follow-up actions and are referred to Whyalla City Council's Whistleblowers Protection Policy.</p> <p>7.4 <u>Internal Audit</u></p> <p>The Committee shall:</p> <p>7.4.1 Monitor and review the effectiveness of the Council's internal audit function in the context of the Council's overall risk management systems;</p> <p>7.4.2 Consider and make recommendation on the programme 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.</p> <p><i><u>Note:</u> That this may include the review of the areas that have been identified for review and the frequency of review. The Committee should also monitor whether the function of internal audit has adequate standing and is free from management or other restrictions. Whilst internal audit focuses on a Council's systems and procedures, it is important that internal audit retains its independence and is not subject to any influence from management or Council that impedes its ability to report objectively.</i></p>			

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	<p>7.4.3 Review all reports on the Council's operations from the internal auditors;</p> <p><i>Note: That the reports to the Audit Committee need not be the detailed reports that are presented to management for their review. Ordinarily a high level review report is all that is required detailing the work undertaken, the findings and management response.</i></p> <p>7.4.4 Review and monitor management's responsiveness to the findings and recommendations of the internal auditor; and</p> <p>7.4.5 Where appropriate, meet the officer who undertakes the 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 officer / agent undertakes the internal audit shall be given the right of direct access to the Presiding Officer of the Council and to the Chairperson of the Committee.</p> <p>7.5. <u>External Audit</u></p> <p>The Committee shall:</p> <p>7.5.1 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;</p>			

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	<p>7.5.2 Consider and make recommendations to the Council, in relation to 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;</p> <p>7.5.3 Oversee Council's relationship with the external auditor including, but not limited to:</p> <p>7.5.3.1 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;</p> <p>7.5.3.2 recommending the approval of the external auditor's terms of engagement, including any engagement letter issued at the commencement.</p> <p>7.5.3.3 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.</p>			

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	<p>7.5.3.4 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;</p> <p>7.5.3.5 monitoring the external auditor's compliance with legislative requirements on the rotation of audit partners; and</p> <p>7.5.3.6 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 Committee's own internal quality procedures;</p> <p>7.5.4 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;</p> <p>7.5.5 Review and make recommendations on the annual audit plan, and in particular its consistency with the scope of the external audit engagement;</p>			

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	<p>7.5.6 Review the findings of the audit with the external auditor. This shall include, but not be limited to, the following:</p> <p>7.5.6.1 a discussion of any major issues which arose during the external audit;</p> <p>7.5.6.2 any accounting and audit judgments; and</p> <p>7.5.6.3 levels of errors identified during the external audit.</p> <p>7.5.7 The Committee shall review the effectiveness of the external audit.</p> <p>7.5.8 Review any representation letter(s) requested by the external auditor before they are signed by management;</p> <p><i><u>Note:</u> That these representation letters are a standard practice of any audit and provide the auditor confirmation from management, (in particular the Senior Financial Officer) that, amongst other matters, accounting standards have been consistently applied, that all matters that need to be disclosed have been so disclosed and that the valuation of assets has been consistently applied.</i></p> <p>7.5.9 Review the management letter and management's response to the external auditor's findings and recommendations.</p>			

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	<p>7.6 <u>Economy and Efficiency Audits</u></p> <p>7.6.1 To monitor and review any report resulting from the exercise of powers under Section 130A of the Local Government Act. To examine any matter relating to financial management, or the efficiency and economy with which the Council manages or uses its resources to achieve its objectives and make recommendations to Council regarding outcomes and proposed actions.</p> <p>8. <u>Reporting Responsibilities</u></p> <p>8.1 The minutes of the proceedings of the Audit Committee will be circulated to all Council members. If requested by Council, the Committee Chair shall report to the Council, either in writing as a Presiding Member's report or verbal.</p> <p>8.2 The minutes will also, after confirmation, be made available to the public:</p> <p>8.3 The Presiding Member may attend a Council meeting at any time that the Presiding Member sees fit to discuss any issue or concern relating to the Audit Committee's responsibilities. Depending on the nature of the matter, this may be held in confidence in accordance with Section 90 of the Local Government Act 1999 and staff may be requested to withdraw from the meeting.</p>			

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	<p>The Committee shall:</p> <p>9.1 Have access to reasonable resources in order to carry out its duties;</p> <p><i><u>Note:</u> That this is subject to any budget allocation being approved by Council.</i></p> <p>9.2 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;</p> <p>9.3 Give due consideration to laws and regulations of the Local Government Act, 1999;</p> <p>9.4 Make recommendations on co-ordination of the internal and external auditors;</p> <p>9.5 Oversee any investigation of activities which are within its terms of reference; and</p> <p>9.6 Oversee action to follow up on matters raised by the external auditors;</p> <p>9.7 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.</p>			

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	<p>9.8 Independent members of the committee are entitled to a sitting fee, as set by Council, where the presiding member is an independent member, a higher sitting fee, as set by Council, will apply.</p> <p>10. Authority</p> <p>10.1 To seek any information it requires from any employee of the Council (after advising the CEO) in order to perform its duties;</p> <p>10.2 To obtain, at the Council's expense, (after consultation with the CEO) outside legal or other professional advice on any matter within its terms of reference.</p>			