

AUDIT AND RISK COMMITTEE

TERMS OF REFERENCE



1. ESTABLISHMENT

- 1.1** The Audit and Risk Committee (the Committee) is a formally constituted Committee of Council pursuant to sections [41](#) and [126](#) of the *Local Government Act 1999* and operates as an independent and objective advisory Committee to Council.

2. OBJECTIVES

- 2.1** The primary objective of the Committee is to add value through the provision of independent advice and assurance to Council on accounting, financial management, internal controls, risk management and governance matters.
- 2.2** It will ensure that the resources of the City of Whyalla are being optimised and will assist Council accomplish its objectives by contributing to a systematic and disciplined approach to evaluating and improving the effectiveness of financial and risk management, control, and governance frameworks and policies.
- 2.3** As part of Council's governance obligations to the community, Council has constituted the Committee to facilitate:
- 2.3.1. Oversight of relevant activities to achieve City of Whyalla's objectives.
 - 2.3.2. Enhancing the credibility and objectivity of internal and external financial reporting.
 - 2.3.3. Effective management of risk and the protection of Council assets.
 - 2.3.4. Compliance with laws and regulations as well as use of best practice guidelines.
 - 2.3.5. The effectiveness of internal audit and maintaining a reliable system of internal control.
 - 2.3.6. The provision of an effective means of communication between the external auditor, any internal audit function, management/administration, and Council.
 - 2.3.7. The continuous development and review of Council's ethical practices.

3. COMPOSITION

- 3.1** The Committee will comprise:
- 3.1.1. Three independent persons who are not members of any council.
 - 3.1.2.1 Council Member (who is not the Mayor).
- 3.2** Members of the Committee (when considered as a whole) will have skills, knowledge and experience in financial management, risk management and governance.
- 3.3** The Chair of the Committee will be appointed by Council from one of the three (3) independent members.
- 3.4** In the absence of the Chair, an independent member will act as Chair.
- 3.5** The Chief Executive Officer will ensure appropriate support is provided to Committee. This resource will ordinarily be the Council's General Manager Corporate or their designate.



AUDIT AND RISK COMMITTEE

TERMS OF REFERENCE



4. INDEPENDENT MEMBERS

- 4.1 The term of an independent member will be 4 years or as otherwise determined by Council to facilitate appointments being made on a rotational basis, which in turn will ensure succession planning and continuity of membership despite changes to Council's elected representative.
- 4.2 Council may resolve to re-appoint an independent member.
- 4.3 If Council proposes to remove an independent member from the Committee, it must give written notice to the independent member of its intention to do so and provide that independent member with the opportunity to be heard at a Council meeting which is open to the public if that independent member so requests.
- 4.4 Remuneration will be paid to each independent member of the Committee, to be set by Council from time to time.
- 4.5 At a minimum, the remuneration paid to the independent member will be reviewed within 12 months from the date of a Council (periodic) election.

5. COUNCIL MEMBER REPRESENTATIVE

- 5.1 The term of the Council Member representative will be as determined by Council resolution.
- 5.2 Council may appoint up to two proxies for the Council Member representative to attend meetings in the event the Council Member representative is unavailable.
- 5.3 No additional allowance will be paid to the Council Member representative (or proxy) over and above the allowance already received by the Council Member.
- 5.4 The Council Member representative will update the Committee on relevant Council considerations since the last meeting, will raise matters (within the scope of the Committee's Terms of Reference) with the Committee on behalf of the Council, and act as a conduit of information between the Council and the Committee, and the Committee and Council.
- 5.5 The Council Member representative will provide a verbal report to Council on the key matters and recommendations from the Committee meeting when the minutes and/or Committee recommendation reports are presented to Council for adoption.

6. AUTHORITY

- 6.1 The Committee reports to Council and provides appropriate advice and recommendations on matters relevant to the Committee's Terms of Reference.
- 6.2 The ability of the Committee to operate in a manner that adds value and maintain independent judgment is vital. In doing so, the Committee:
 - 6.2.1 Has the authority to conduct or direct any investigation (see also Clause 11.3.1 of this Terms of Reference) required to fulfil its responsibilities including, through the Chief Executive Officer, the authority to seek any information it requires from Council employees.
 - 6.2.2 Through the Chief Executive Officer, may request any information or request external resources such as legal, accounting or other advisers, consultants or experts be engaged as it considers necessary from time to time in the performance of its duties.



AUDIT AND RISK COMMITTEE

TERMS OF REFERENCE



6.2.3. May make recommendations to the Council as it sees fit.

6.3 Council or the Chief Executive Officer may refer any matter to the Committee within its Terms of Reference.

7. MEETINGS

7.1 The Committee shall hold at least one meeting in each quarter.

7.2 Special meetings of the Committee must be convened at the request of the Chair or at least two members of the Committee.

7.3 A quorum for a meeting of the Committee shall be three (3), being at least two (2) independent members and the Council Member representative or their proxy.

7.4 Council members may attend any meeting of the Committee.

7.5 The Chief Executive Officer or their delegate will attend all meetings except when the Committee is meeting on a confidential basis with Council's internal or external auditor.

7.6 Representatives of Council's external auditor will be invited to attend all meetings at their discretion but must attend meetings at which there will be consideration of the annual financial report and results of the external audit.

7.7 The Committee will meet with both the external auditor and internal auditor (if appointed) without management present at least once per year.

7.8 An annual schedule of meetings and work program will be developed and agreed to by the Committee members. The schedule of meetings may include at least one joint workshop with the Council and the Committee.

7.9 The time and place for the conduct of meetings will be determined by the Committee provided that all meetings will be held in a public environment and within a City of Whyalla building except where the meeting shall be virtual.

7.10 The Committee may consider and determine its own meeting practice, processes and procedures within the parameters of the Local Government Act 1999 and the [Local Government \(Procedures at Meetings\) Regulations 2000](#).

8. MINUTES OF MEETINGS

8.1 Minutes will be kept of all Committee meetings including a record of any business arising and progress against recommendations made during internal / external reviews.

8.2 ~~Within 72 hours of a Committee meeting, the Chairperson will receive and review the draft minutes. Once reviewed by the Chairperson,~~ The draft minutes will be circulated to Committee members within five days after a meeting of the Committee ~~for comment.~~

8.3 The endorsed minutes will be forwarded to the next General Council meeting.

8.4 The minutes will be confirmed at the next Committee meeting. On the confirmation of the minutes, the Chairperson will initial each page and place their signature and the date of confirmation at the foot of the last page of the minutes.

AUDIT AND RISK COMMITTEE

TERMS OF REFERENCE



9. REPORTING

- 9.1.** A copy of the agenda and reports will be forwarded to the Committee at least five (5) days before the committee meeting and will also be forwarded to all Council Members for information.
- 9.2** Where the Committee makes a recommendation to Council, the matter will be listed as a separate agenda item for consideration by Council at the next General Council meeting that is not being held in the same week as the Committee meeting.
- 9.3** The Committee shall report annually to the Council, summarising the activities of the Committee during the previous year.
- 9.4** The Committee's annual report will be included in the Council's annual report for the period to which it relates.

10. FUNCTIONS OF THE COMMITTEE

The Committee will meet its objectives and discharge its duties through the following activities.

10.1 Strategic Management

- 10.1.1** Review Council's strategic management plans, long term financial plan, and annual business plans and budget prior to presentation to Council and comment on matters including but not limited to:
- the assumptions underpinning the plans (including rating / funding considerations)
 - the consistency between plans
 - the adequacy of the plans in the context of maintaining financial sustainability
 - the efficiency, effectiveness and sustainability of significant programs and activities
 - managing, deploying, improving and developing the resources available to Council.
- 10.1.2** Review Council's material presented to ESCOSA and then review and provide comment on ESCOSA's advice to Council regarding Council's financial sustainability.

10.2 Financial and Prudential Management

- 10.2.1** Consider and review Council's annual financial statements (and any significant amendment of the financial statements previously considered by the Committee prior to adoption by Council) to ensure they present fairly the state of affairs of Council. The Committee will include in its considerations:
- (a) compliance with accounting standards, policies and practices and any other reporting requirements, and any changes in these since the last annual financial statement were compiled;
 - (b) the process used to make significant accounting estimates;
 - (c) significant adjustments to the financial reports (if any) arising from the external audit process;

AUDIT AND RISK COMMITTEE

TERMS OF REFERENCE



- (d) significant variance in the financial statements from prior years;
 - (e) trends which have become evident from the annual financial statements over the last 5-year period;
 - (f) management representations attesting to the accuracy of the end of year financial statements and any significant matters evident from these statements; and
 - (g) the external auditor's summary management report detailing the results and significant findings from the audit and management responses.
- 10.2.2 Recommend adoption of the annual financial statements to Council after making the above enquiries and if considered appropriate.
- 10.2.3 Review and monitor Quarterly Budget Review Reports (required under s.9 of the Local Government (Financial Management) Regulations 2011 – Statutory reports to Council).
- 10.2.4 Review any prudential report obtained by Council under s. 48(1) of the Local Government Act 1999.
- 10.2.5 Review recommendations contained in business cases or unsolicited proposals in respect of significant activities, business/commercial activities or major projects. Such reviews will have regard to Council's various policies and the requirements of s. 48 of the Local Government Act 1999, which relates to prudential requirements for certain activities.

10.3. External Audit

- 10.3.1 Oversee any tender process undertaken and recommend to Council the appointment of the external auditor.
- 10.3.2 Oversee:
- (a) the adequacy of the terms of arrangement and engagement and audit fees for the external auditor prior to the commencement of each audit;
 - (b) the independence and objectivity of the external auditor and its compliance with all relevant requirements; and
 - (c) the adequacy of the external auditor's proposed audit plan (and any additional agreed upon procedures), approach and scope, including materiality levels.
- 10.3.3 Meet with the external auditor without the presence of management at least once each year to discuss the external audit process and outcomes.
- 10.3.4 Liaise with Council's auditor in accordance with any requirements prescribed by the regulations.
- 10.3.5 If appropriate, recommend to the Council that the external auditor or another appropriately qualified person examine and report on any matter related to financial management, risk management, internal controls and governance processes that would not otherwise be addressed as part of the annual external audit.

AUDIT AND RISK COMMITTEE

TERMS OF REFERENCE



- 10.3.6 Monitor and evaluate management's responses to the findings and recommendations of the external auditor, including progress against agreed actions and the implementation of improvements.

10.4. Risk Management

- 10.4.1 Review and evaluate the effectiveness of policies and systems established and maintained for the identification, assessment, monitoring, management, and review of strategic, financial, and operational risks on a regular basis. This includes providing comment to Council on the adequacy of Council's risk framework and policies, risk appetite statements and management of risks.
- 10.4.2 At least annually, review Council's risk exposure and the adequacy of Council's emergency management, business continuity, strategic and operational risk registers and mitigation measures.
- 10.4.3 Receive reports on any risk, governance or integrity audits undertaken or summary reports made on Council and its activities. Such reports may include, but are not limited to cyber security, public liability, WHS, Ombudsman/ICAC, legislative compliance and go towards ensuring standards of good public administration are achieved and maintained.
- 10.4.4 Monitor and evaluate management's responses to the findings and recommendations of risk reports, including progress against agreed actions and the implementation of improvements

10.5. Internal Audit, Internal Controls and Service Reviews

- 10.5.1 If relevant, oversee Council's engagement of an internal audit and service review service provider(s).
- 10.5.2 Review and monitor the program and scope of the service reviews, including whether the program systematically tests community expectations and the ongoing capacity of Council to deliver the service within acceptable financial sustainability parameters or in other words, the efficiency and effectiveness of services.
- 10.5.3 Review and monitor the outcomes of service reviews and their recommendations. Make recommendations to Council as to service provision and service level standards based on community expectations and the ongoing financial sustainability of Council or in other words, the efficiency and effectiveness of services.
- 10.5.4 Review and monitor the program and scope of internal audit activities, taking into account Council's risk profile.
- 10.5.5 Monitor and evaluate the adequacy of Council's internal controls over significant risk, including financial and non-financial management control systems, revenue, expenditure, assets and liability activities.
- 10.5.6 Monitor and evaluate Council's compliance with regulations, policies, best practice guidelines, instructions and contractual arrangements.
- 10.5.7 Oversee the facilitation between the service review / internal audit service provider and external auditor to promote compatibility, to the extent appropriate, between

AUDIT AND RISK COMMITTEE

TERMS OF REFERENCE



their programs of review.

- 10.5.8 Monitor and evaluate management's responses to the findings and recommendations of service, internal audit and internal control reviews, including progress against agreed actions and the implementation of improvements.

11. OTHER

11.1 Performance assessment, induction and professional development

- 11.1.1 The Committee will review its performance against these Terms of Reference annually.
- 11.1.2 There will be a program for inducting new members to the Committee.
- 11.1.3 The annual performance assessment of the Committee will include reviewing whether there is a need for any professional development to maintain the skills and knowledge needed by Committee members to perform their role effectively.

11.2 Ethics, Integrity and Culture

- 11.2.1 Provide feedback that systems of control on ethical standards, behavioural standards and conflicts of interest for Council Members, senior executives and employees are adequate.
- 11.2.2 Address issues brought to the attention of the Committee, including responding to requests for advice within these Terms of Reference from the Council or the Chief Executive Officer.
- 11.2.3 Review Council's arrangements for its employees to raise concerns, in confidence, that the Council is not acting lawfully, ethically or in a socially responsible manner and that there are suitable protections if they do.
- 11.2.4 Oversee Council's standards of good public administration are achieved and maintained, including that Council has in place a Fraud, Corruption, Misconduct & Maladministration Prevention Policy
- 11.2.5 Ensure that the Council is informed of:
- (a) any material breaches of ethical standards, behavioural standards, conflicts of interest and the Fraud, Corruption, Misconduct & Maladministration Prevention Policy by a Council Member or senior executive; and
 - (b) any other material breaches of ethical standards, behavioural standards, conflicts of interest and fraud and corruption that call into question the culture of the Council

about which the Committee becomes aware of.

11.3 Other

- 11.3.1 Propose and review the exercise of powers under section 130A of the Local Government Act 1999 as considered relevant.
- 11.3.2 Make recommendations to Council on any matter relevant to these Terms of Reference.