



Port Pirie Regional Council

AUDIT & RISK MANAGEMENT COMMITTEE: TERMS OF REFERENCE

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Schedule 1 Committee Membership

1. ESTABLISHMENT

The Audit & Risk Management Committee (the Committee) is established under Section 41 of the Local Government Act 1999 (the Act) and Local Government (Financial Management) Regulations 2011, to meet the purposes of Section 126 of the Act.

2. OBJECTIVE

The objective of the Audit & Risk Management Committee is to assist the Council in the conduct of its responsibilities for the management of risk, related to financial reporting and audit initiatives, the internal control, system and the audit functions and to act as a source of advice to the Council and Chief Executive Officer (CEO) in relation to these matters.

The Committee will:

- enhance the communication between the external auditor and the Council;
- assist the management of financial and other risks to ensure the protection of Council assets;
- monitor the effectiveness of audit and review functions; and
- enhance the integrity of the financial reporting of the Council.

These Terms of Reference are to be read in conjunction with Chapter 8 of the Local Government Act 1999.

3. AUTHORITY

The Committee is appointed by the Council as part of a sound financial governance structure.

The role of the Committee is to review, consider and make recommendations to the Council in relation to the activities as described in these Terms of Reference to assist the achievement of the organisation objectives in an efficient and effective manner.

The Committee has the authority to require any information it sees as relevant to its activities, as outlined in its Council endorsed works plan.

The Committee is authorised to obtain independent professional advice where considered necessary following consultation with the CEO.

The Committee has no authority to act independently of the Council and has no delegated authority.

4. MEMBERSHIP

4.1 Members of the Committee are appointed by the Council. The Committee shall consist of **five (5) members as follows:**

- two (2) Elected Members of Council; and
- three (3) Independent Members.

(The current members (term end November 2022) of the Committee are listed at Schedule 1 to these Terms of Reference.)

4. MEMBERSHIP (Cont'd)

- 4.2 Nominations for membership, from the Elected Members shall be sought by the Council and where the number of nominations is greater than the number of positions available, a vote by secret ballot shall be undertaken using a preferential voting system.

- 4.3 *Independent Members of the Committee*
Expressions of interest shall be sought for the appointment of Independent members using the following criteria.

Independent member(s) of the Committee shall:

- be individuals (not corporations or an organisation);
- have recent and relevant financial, business, accounting, risk management or internal audit skills and experience;
- have no conflict of interest (as per Division 3 of the Act);
- preferably have experience in formal meeting procedures; and
- have an understanding of the Local Government Act and Regulations.

A selection panel of four (4) persons shall review and make recommendation to Council of the Independent Members to be appointed. The panel will comprise of two (2) Elected Members, Director Corporate & Community and the Council CEO.

Independent Members will be paid a sitting fee for each meeting attendance. The fee will be determined by Council at the commencement of each Term and reviewed when necessary.

- 4.4 Only members of the Committee are entitled to vote in Committee meetings. Unless otherwise required by the Act not to vote, each member must vote on every matter that is before the Committee for decision.

The Chairperson has a deliberate vote and on the event of the equality of votes, has a casting vote.

The CEO, Managers and other employees as directed by the CEO may attend any meeting as observers or be responsible for preparing papers for the Committee. Elected Members are able to attend meetings of the Audit & Risk Management Committee as non-voting observers.

- 4.5 Council's external auditors may be invited to attend meetings of the Committee.

- 4.6 Appointments to the Committee shall be for a period of up to four years to provide for differing term end dates for some continuity. Appointees are eligible to be reappointed by Council.

- 4.7 Council shall appoint the Chairperson from the Independent Members on the Committee.

- 4.8 *Register of Interest*

All members of the Committee shall be subject to the Register of Interest, Local Government Act 1999, Division 2 of Part 4, Chapter 5.

4. MEMBERSHIP (Cont'd)

4.9 *Conflict of Interest*

All members of the Committee shall act honestly and with reasonable care and diligence, not make improper use of information acquired as a result of being a member of the Committee and must disclose an interest if they have an interest in a matter that is before the Committee, Local Government Act 1999, Sections 62, 73, 74, Division 1 and 3 of Part 4, Chapter 5.

4.10 Where a member resigns or decides not to continue as a member of the Committee, a new member shall be appointed consistent with these Terms of Reference.

5. ADMINISTRATION AND RESOURCES

5.1 The CEO shall provide sufficient administrative resources to the Committee to enable it to adequately carry out its functions.

5.2 The Council shall approve a budget allocation sufficient for the proposed activities of the Committee.

6. QUORUM

6.1 The quorum necessary for the transaction of business shall be **50% of the number of members of the Committee (ignoring any fraction) 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.

7. MEETINGS

7.1 The Committee shall meet at least three (3) times a year at appropriate times in the reporting and audit cycle and otherwise as required.

7.2 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.

8. NOTICE OF MEETINGS

8.1 Ordinary meetings of the Committee will be held at times and places determined by Council or, subject to a decision of Council, by the Chairperson of the Committee.

8.2 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 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. NOTICE OF MEETINGS (Cont'd)

- 8.3 A special meeting of the Committee may be called in accordance with the Act.

9. MINUTES OF MEETINGS

- 9.1 The CEO 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 comply with the requirements of the Local Government (Procedures at Meetings) Regulations 2000.
- 9.2 Minutes of Committee meetings shall be circulated within five days after a meeting to all members of the Committee, and to all members of the Council and will (as appropriate) be available to the public.

10. ROLE OF THE COMMITTEE

10.1 Strategic, Financial and Management Planning

- 10.1.1 The Committee shall review and provide information and recommendations in relation to the Council's Strategic Management Plan, Long Term Financial Plan and Annual Business Plan and Budget.
- 10.1.2 The Committee shall review and make recommendations on the sustainability of Council operations, including proposed debt levels and addressing asset infrastructure issues.

10.2 Financial Reporting

- 10.2.1 The Committee shall monitor the integrity of the financial statements of the Council, including its annual report, reviewing significant financial reporting issues and judgements which they contain and to ensure that they present a fair and accurate record of the affairs of the Council.
- 10.2.2 The Committee shall review:
- 10.2.2.1 the consistency of, and/or any changes to, accounting policies;
 - 10.2.2.2 the methods used to account for significant or unusual transactions where different approaches are possible;
 - 10.2.2.3 whether the Council has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
 - 10.2.2.4 the clarity of disclosure in the Council's financial reports and the context in which statements are made; and
 - 10.2.2.5 all material information presented with the financial statements.

10. ROLE OF THE COMMITTEE (Cont'd)

10.3 Internal Controls and Risk Management Systems

The Committee shall:

- 10.3.1 review the effectiveness of the Council's internal controls and risk management systems; and
- 10.3.2 review and recommend the approval, where appropriate, of statements to be included in the annual report concerning internal controls and risk management.

10.4 Public Interests Disclosure

- 10.4.1 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; and
- 10.4.2 The Committee shall ensure these arrangements allow independent investigation of such matters and appropriate follow-up action.

10.5 Internal Audit

The Committee shall:

- 10.5.1 monitor and review the necessity and effectiveness of the Council's internal audit function in the context of the Council's overall risk management system;
- 10.5.2 consider and make recommendation on the program of any approved 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;
- 10.5.3 monitor whether the function of internal audit has adequate standing and is free from management or other restrictions;
- 10.5.4 review all reports on the Council's operations from any internal audits undertaken, relevant to the Committee Works Plan; and
- 10.5.5 review and monitor management's responsiveness to the findings and recommendations of any internal audits undertaken, relevant to the Committee Works Plan.

10.6 External Audit

The Council is responsible for the selection and appointment of the external auditor in accordance with the Act.

The Committee shall:

- 10.6.1 consider and make recommendations to the Council, in relation to the appointment, re-appointment and removal of the Council's external auditor.

10. ROLE OF THE COMMITTEE (Cont'd)

10.6 External Audit (Cont'd)

10.6.2 oversee Council's relationship with the external auditor including, but not limited to:

10.6.2.1 recommending the approval of the external auditor's remuneration, and recommending whether the level of fees is appropriate to enable an adequate audit to be conducted;

10.6.2.2 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;

10.6.2.3 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;

10.6.2.4 satisfy 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);

10.6.2.5 monitoring the external auditor's compliance with legislative requirements on the rotation of audit partners; and

10.6.2.6 assessing the external auditor's qualifications, expertise, resources and the effectiveness of the audit process (which shall include a report from the external auditor on the Audit & Risk Management's own internal quality procedures);

10.6.3 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;

10.6.5 review the findings of the audit with the external auditor. This shall include, but not be limited to, the following;

10.6.5.1 a discussion of any major issues which arose during the external audit;

10.6.5.2 any accounting and audit judgements; and

10.6.5.3 levels of errors identified during the external audit.

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

10.6.6 review any representation letter(s) requested by the external auditor before they are signed by management.

10. ROLE OF THE COMMITTEE

10.6 External Audit (Cont'd)

10.6.7 review all audit reports and management's response to the external auditor's findings and recommendations;

10.6.8 oversee action to follow up on matters raised by the external auditors.

11. REPORTING RESPONSIBILITIES

11.1 The Committee shall make whatever recommendations to the Council it deems appropriate on any area within its Terms of Reference where in its view, action or improvement is needed.

11.2 A copy of the Committee minutes shall be forwarded to Council within 5 days, for inclusion in the next Ordinary Meeting of Council.

11.3 The Committee shall report on an annual basis following the completion of the end of year audit, to the Council, in relation to the activities of the Committee during the previous financial year.

11.4 The Committee shall prepare an annual works plan to guide its activities during the year, and have the plan endorsed by Council prior to the commencement of the financial year.

12. OTHER MATTERS

The Committee shall:

12.1 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; and

12.2 give due consideration to laws and regulations of the Local Government Act, 1999.

13. REVIEW

13.1 The Committee shall conduct a review of its own performance, to ensure that it is operating at maximum effectiveness and provide an opportunity to recommend any changes to Council that are considered as necessary.

13.2 The review shall be conducted at least once per year, following the completion of the Annual Audit and report the outcome to Council.

13.3 The review is to include consideration of the Terms of Reference and recommendations for changes to them.

SCHEDULE 1

AUDIT & RISK MANAGEMENT MEMBERSHIP

CHAIRPERSON

Mr Alan Rushbrook, Independent Member

OTHER MEMBERS

Cr Leeanne Peters, Port Pirie Regional Council

Cr Grant Petagna, Port Pirie Regional Council

Ms Deb Brokenshire, Independent Member

Mr Lee Kirchner, Independent Member