



Audit and Risk Management Committee

TERMS OF REFERENCE



Port Pirie Regional Council

AUDIT & RISK MANAGEMENT COMMITTEE TERMS OF REFERENCE

Adopted / Amended	26 August 2026, 26 February 2025, 27 March 2024, 23 March 2022, 24 November 2021
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Applicable Legislation	<i>Local Government Act 1999</i> <i>Local Government (Financial Management) Regulations 2011</i> <i>Local Government (Procedures at Meetings) Regulations 2011</i>

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Schedule 1 - Committee Membership

1. ESTABLISHMENT and PURPOSE

- 1.1 The purpose of the Audit & Risk Management Committee (the Committee) is to provide independent assurance and advice to Council on accounting, financial management, internal controls, risk management and governance matters.
- 1.2 The committee is established in accordance with the requirements of 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. FUNCTIONS

2.1 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.

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

2.2 Financial Reporting

- 2.2.1 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.
- 2.2.2 Review & 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; and
- all material information presented with the financial statements.

2.2.3 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.

2.3 Management Plans and Business Plans

2.3.1 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.

2.4 Internal Controls

2.4.1 Review the adequacy of the Council's internal controls framework, processes and systems.

2.5 Risk Management

2.5.1 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.

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

2.6 Internal Audit

2.6.1 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.

2.6.2 Receive and comment on reports provided by the person primarily responsible for the internal audit function.

2.6.3 Provide oversight of planning and scoping of the internal audit work plan.

2.6.4 Review internal audit reports on the council operations.

2.6.5 Review and monitor management's responsiveness to internal audit findings and recommendations.

2.7 External audit

2.7.1 Make recommendations to the Council in relation to the selection, appointment and removal of the Council's external auditor;

2.7.2 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.

2.7.3 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.

2.7.4 Review any representation letter requested by the external auditor before they are signed by management;

2.7.5 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;

2.7.6 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).

2.8 Other Matters

2.8.1 Review any report obtained by Council under section 48(1) of the Act in accordance with Council's Prudential Management Policy;

2.8.2 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;

2.8.3 Make recommendations to Council in relation to development of new and review of existing policies within the scope of the Committee's functions.

3. MEMBERSHIP

3.1 The Committee is appointed by the Council and shall comprise of **five (5) members as follows:**

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

The current members of the Committee and their membership term are listed at Schedule 1 to these Terms of Reference.

3.2 When considered as a whole, the Committee must have skills, knowledge and experience relevant to the functions of the Committee, including in financial management, risk management, governance and any other prescribed matter;

3.3 The term of appointment for independent members will be up to four (4) years and appointment timing will be managed such that it does not align with council elections, to provide for continuity of Committee membership across terms of Council.

3.4 Appointees are eligible to be reappointed by Council.

3.5 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.

3.6 Independent Members of the Committee

3.6.1 Expressions of interest shall be sought for the appointment of Independent members using the following criteria.

3.6.2 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.

3.6.3 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, Council's CEO and the Director Corporate & Community.

3.6.4 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.

3.7 Conflict of Interest

3.4.1 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.

3.8 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.

4. PRESIDING MEMBER

4.1 Council shall appoint the Presiding Member from amongst the Independent Members on the Committee.

4.2 The role of the Presiding Member is to:

4.2.1 Oversee the orderly conduct of meetings in accordance with the Local Government Act, the *Local Government (Procedures at Meetings) Regulations 2013* and other procedures relevant to the Committee.

4.2.2 Ensure that the Guiding Principles at Regulation 4 of the *Local Government (Procedures at Meetings) Regulations 2013* are observed and that all Committee members have an opportunity to participate in deliberations of the Committee.

4.2.3 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.

5. MEETINGS

5.1 The Committee will meet at least once in each quarter, with meeting dates determined by the Committee.

5.2 Meetings of the Committee will be held at times and places determined by the Council or, subject to a decision of Council, by the Presiding Member of the Committee.

- 5.3 Notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed shall be provided 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.
- 5.4 The CEO, Directors 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.
- 5.5 Council's external auditors may be invited to attend meetings of the Committee.
- 5.6 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.
- 5.7 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.
- 5.8 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.
- 5.9 In accordance with the principles of open, transparent and informed decision making, Committee meetings must be conducted in a place open to the public.
- 5.10 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.
- 5.11 A special meeting of the Committee may be called in accordance with the Act.

6. MEETING PROCEDURES

The meeting procedures will be in accordance with the *Local Government Act 1999, Local Government (Procedures at Meetings) Regulations 2013*, Council's Code of Practice for Meeting Procedures and Code of Practice for Access to Council & Committee Meetings & Documents. Where these guiding documents are silent, the Committee will consider and determine its own meeting practice, processes and procedures within the parameters of the *Local Government Act 1999*.

The format of the agenda for all meetings of the Committee shall be as determined by the Council from time to time.

7. MINUTES OF MEETINGS

- 7.1 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.
- 7.2 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.

8. VOTING

- 8.1 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.

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

9. QUORUM

- 9.1 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 (in accordance with regulation 26, *Local Government (Procedures at Meetings) Regulations 2013*).

10. REPORTING

- 10.1 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.
- 10.2 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.
- 10.3 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.
- 10.4 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.

11. PUBLIC INTERESTS DISCLOSURE

- 11.1 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
- 11.2 The Committee shall ensure these arrangements allow independent investigation of such matters and appropriate follow-up action.

12. ADMINISTRATIVE SUPPORT

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

SCHEDULE 1

AUDIT & RISK MANAGEMENT MEMBERSHIP

PRESIDING MEMBER

Mr Alan Rushbrook, Independent Member – until 30 November 2027

OTHER MEMBERS

Cr Leeanne Peters, Port Pirie Regional Council – current Council Term

Cr Grant Petagna, Port Pirie Regional Council – current Council Term

Ms Deb Brokenshire, Independent Member – until 30 November 2027

Mr Lee Kirchner, Independent Member – until 30 November 2027