



AUDIT & RISK COMMITTEE

TERMS OF REFERENCE

1. ESTABLISHMENT

- 1.1 The City of Norwood Payneham & St Peters Audit & Risk Committee is established under Section 41 of the *Local Government Act 1999* and the Regulations thereunder, for the purposes of Section 126 of the *Local Government Act 1999*.
- 1.2 The Committee will be known as the Audit & Risk Committee.
- 1.3 These Terms of Reference were adopted by the Council on 5 December 2022.
- 1.4 These Terms of Reference were amended by the Council on 22 March 2023.

2. PURPOSE

The Audit & Risk Committee is an independent advisory Committee of the Council.

The purpose of an audit and risk committee established by a Council is to provide independent assurance and advice to the council on accounting, financial management, internal controls, risk management and governance matters.

3. FUNCTION

3.1 The functions of the Audit & Risk Committee include:

- a) reviewing Annual Financial Statements to ensure that the Statements present fairly the state of affairs of the Council; and
- b) proposing, and providing information relevant to, a review of the Council's strategic management plans or annual business plan; and
- c) monitoring the responsiveness of the Council to recommendations for improvement based on previous audits and risk assessments, including those raised by the Council's External Auditor; and
- d) proposing, and reviewing, the exercise of powers under Section 130A of the *Local Government Act 1999*; and
- e) liaising with the Council's External Auditor in accordance with any requirements prescribed by the regulations; and
- f) reviewing the adequacy of the accounting, internal controls, reporting and other financial management systems and practices of the Council on a regular basis; and
- g) providing oversight of planning and scoping of the Internal Audit work plan; and
- h) reviewing and commenting on reports provided by the person primarily responsible for the Internal Audit function at least on a quarterly basis; and
- i) reviewing and evaluating 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; and
- j) reviewing any report obtained by the Council pursuant to Section 48(1) of the *Local Government Act 1999*; and
- k) performing any other function determined by the Council or prescribed by the regulations.

4. DELEGATED AUTHORITY

- 4.1 Pursuant to Section 44 of the *Local Government Act 1999*, the Audit & Risk Committee does not enjoy the delegation of any powers, functions and duties of the Council. All decisions of the Committee will, therefore, constitute only recommendations to the Council.

5. DUTIES AND RESPONSIBILITIES

- 5.1 To ensure the purpose and functions of the Audit & Risk Committee are delivered, the duties and responsibilities of the Audit & Risk Committee are as follows:

Financial Reporting

- a) Review the Council's draft Annual Financial Statements, focusing on:
 - accounting policies and practices and changes therewith;
 - the process used in making significant accounting estimates;
 - significant adjustments to the financial report (if any) arising from the audit process;
 - compliance with accounting standards and other reporting requirements; and
 - significant variances from prior years.
- b) Recommend adoption of the Annual Financial Report to the Council and review any significant changes that may arise subsequent to any such recommendation but prior to the financial report being signed.
- c) Discuss with the External Auditor, issues arising from the audit of the Annual Financial Statement, including any management letter which is issued by the Auditor and the resolution of such matters.
- d) Review the Council's strategic management plans, which includes the Annual Business Plan and Budget, Long Term Financial Plan, Corporate Plan and Asset Management Plans and provide recommendations to the Council regarding actions which may be taken to enhance financial governance and sustainability.
- e) Review Prudential Management reports which are prepared pursuant to Section 48 of the *Local Government Act 1999* and recommendations contained in business cases developed by, or for, the Council in respect of significant activities, commercial services or major projects. The Audit and Risk Committee will consider prudential management principles when undertaking a review.

External Audit

- a) Review and recommend for endorsement by the Council the engagement of the External Auditor.
- b) Review the scope of the External Audit Plan and programme and the effectiveness of the proposed external audit work. This review should consider whether, over a period of years, the External Audit Plan systemically addresses:
 - i. internal controls over significant areas of risk, including non-financial management control systems;
 - ii. internal controls over revenue, expenditure, assets and liability processes;
 - iii. the efficiency, effectiveness and economy of significant Council programmes; and
 - iv. compliance with regulation, policies, best practice guidelines, instructions and contractual arrangements.
- f) Critically analyse and follow up any External Audit Report which raises significant issues relating to risk management, internal controls, financial reporting, governance issues and any other matters relevant under the Committee's Terms of Reference and review management's response to and actions taken as a result of the issues raised.
- g) Review the appropriateness of special external audit assignments undertaken by external audit at the request of the Council or the Chief Executive Officer.

Internal Audit

- a) Review and recommend for endorsement by the Council the engagement of the Internal Auditor.
- b) Review the scope of the Internal Audit Plan and Programme and the effectiveness of the proposed Internal Audit Work. This review should consider whether, over a period of years, the Internal Audit Plan systemically addresses:
 - internal controls over significant areas of risk, including non-financial management control systems;
 - the efficiency, effectiveness and economy of significant Council programmes
 - compliance with relevant legislation, policies, best practice guidelines, instructions and contractual arrangements; and
 - business improvement and performance efficiency reviews.
- c) Monitor that the Internal Annual Work Plan is linked with and covers the material business risks.
- d) Review all audit reports and provide advice to the Council on significant issues identified in audit reports and action to be taken on issues raised, including identification and dissemination of best practice.
- e) Monitor management's implementation of audit recommendations.

Service Reviews

- a) Review the appropriateness of special assignments which are undertaken by the Internal audit and service reviews.
- b) Review and provide advice on service reviews and in particular:
 - the scope of the review before it is commenced;
 - input into the questions to be asked and the data to be collected and analysed; and
 - comment on all draft service review reports before the final report is presented to the Council.
- c) Review the level of resources allocated to service reviews and the scope of the review and authority.
- d) Facilitate liaison between the internal audit/service review provider and external Auditor to promote compatibility, to the extent appropriate, between their programs.

Internal Controls and Risk Management

- a) Review whether management has in place relevant policies and procedures and that the policies and procedures are periodically reviewed and updated as required.
- b) Review whether appropriate policies and supporting procedures are in place for the management and exercise of delegations.
- c) Review the adequacy of the Council's Internal Financial Controls against the *Better Practice Model—Internal Financial Controls*.
- d) Monitor the risk exposure of the Council by determining if appropriate risk management processes and adequate management information systems are in place. The Audit & Risk Committee will review, at least annually, the Council's Risk Register, Risk Strategy and mitigation measures.
- e) Provide comments to the Council on the appropriateness of the Council's risk framework, risk appetite and management of risks as required.
- f) Receive and provide advice to the Council on any risk or governance audits which are undertaken on the Council and its activities.
- g) Monitor the progress of any major litigation against the Council.

Other

- a) Keep informed of the findings of any examinations by regulatory agencies and any auditor (external) observations and monitor management's response to these findings.

- b) Obtain regular updates from management about compliance matters.
- c) Monitor ethical standards and related party transactions by determining whether the systems of control are adequate.
- d) Review issues relating to National Competition Policy, financial reporting by the organisation and comparative performance indicators.
- e) Identify and refer specific projects or investigations deemed necessary through the Chief Executive Officer and the Council if appropriate and have oversight of any subsequent investigations, including the investigation of any suspected cases of fraud within the organisation.
- f) Address issues which are brought to the attention of the Audit & Risk Committee, including responding to requests from the Council for advice in respect to issues which are within the parameters of the Committee's Terms of Reference.
- g) Review the annual performance statement and recommend its adoption to the Council.
- h) The Audit & Risk Committee in conjunction with the Council and the Chief Executive Officer should develop the Committee's performance indicators.

5.2 The Audit & Risk Committee, through the Chief Executive Officer and following authorisation from the Council and within the scope of its responsibilities, may seek information or obtain expert advice on matters as required.

6. MEMBERSHIP AND CONDITIONS OF APPOINTMENT

6.1 Membership of the Committee will comprise:

- Mayor Robert Bria;
- Cr Grant Piggott;
- Cr Claire Clutterham;
- Sandra Di Blasio (Independent Member); and
- Stefanie Eldridge (Independent Member).

Elected Member Representatives

- Elected Members will be appointed for a term of two (2) years or some other period as determined by the Council.
- The Council may resolve to re-appoint the Councillors to this Committee for consecutive terms.

Independent Members

- Independent Members will have senior business, financial management/reporting, governance, legal and risk management knowledge and experience, in particular, experience relevant to the functions of the Council's Audit & Risk Committee and be conversant with the financial and other reporting requirements.
- A Selection Panel comprising the Mayor and the Chief Executive Officer and the Councillors appointed to the Audit & Risk Committee or as otherwise determined by the Council will evaluate potential independent Members,
- The assessment of the candidates shall take into account the experience and qualifications of candidates and their ability to apply appropriate analytical and strategic management skills.
- The appointment of Independent Members will be subject to the endorsement of the Selection Panels' recommendation by the Council.
- The term of the appointment will be determined by the Council. To ensure succession planning for the Committee, the term of the appointment should be arranged to ensure an orderly rotation and continuity of membership.
- The Council may resolve to re-appoint the Independent Members to this Committee for consecutive terms.

- Where a vacancy exists, Expressions of Interest from Independent Members shall be made by the Council by way of a public advertisement.
- Remuneration will be paid to each Independent Member of the Committee (based on a set fee per meeting attended) as determined by the Council.

6.2 The Council will appoint the Presiding Member of the Committee.

6.3 The role of the Presiding Member is to:

- oversee and facilitate the conduct of meetings in accordance with the *Local Government Act 1999* and *Local Government (Procedures at Meetings) Regulations 2013*;
- ensure that the Guiding Principles set out in Regulation 5 of the *Local Government (Procedures at Meetings) Regulations 2013*, are observed and that all Committee members have an opportunity to participate in discussions in an open and responsible manner; and
- call the meeting to order and move the debate towards finalisation when a matter has been debated significantly and no new information is being discussed.

7. REMOVAL OF A MEMBER

7.1 Membership of the Audit & Risk Committee continues for the respective Members' term of appointment, unless a Member resigns from the Committee or is removed earlier by resolution of Council.

7.2 If the Council proposes to remove a Member of the Committee, it must give written notice to the Member of its intention to do so and provide that Member with the opportunity to be heard at a Council meeting which is open to the public, if that Member so requests.

8. OPERATIONAL MATTERS

8.1. The Committee shall act at all times in strict accordance with the *Local Government Act 1999* and any other relevant legislation.

8.2 In particular, the Committee shall act at all times in strict accordance with the *Local Government Act 1999* and Part 2 of the *Local Government (Procedures at Meetings) Regulations 2013*, provided that the Committee may alter in whole or in part the application of Part 2 of the Regulations, where it forms the opinion that such alterations are necessary for the better operation of its meetings.

8.3 The Committee shall meet at the Council's Principal Officer, the Norwood Town Hall, 175 The Parade, Norwood, in accordance with the responsibilities imposed upon it at Clause 5 of these Terms of Reference and otherwise on such dates and at such times as the Presiding Member of the Committee or the Committee, by resolution, may determine.

8.4 A quorum for a meeting of the Committee shall be three (3) Members of the Committee, two (2) of whom shall be Independent Members.

8.5 If the Presiding Member of the Committee is absent from a meeting, then the Members present will determine between themselves who will preside at the meeting.

8.6 All decisions of the Committee shall be made on the basis of a majority decision of the members present.

8.7 Insofar as the *Local Government Act 1999* (and associated Regulations) and these Terms of Reference do not prescribe the procedure to be observed in relation to the conduct of a meeting of the Committee, the Committee may determine its own procedure.

9. MEETINGS

9.1 The Committee shall meet at least quarterly (i.e., at least four (4) times each year) at appropriate times in the reporting and audit cycle and otherwise as required.

- 9.2 A schedule of meetings will be developed and agreed to by the Committee, or as determined by the Chief Executive Officer.

As an indicative guide, meetings will be arranged to coincide with relevant Council reporting deadlines, the development of Strategic Plans, the Annual Business Plan and Budgets and to coincide with the finalisation of the Financial Statements and the draft Annual Report to the Minister.

- 9.3 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 Audit & Risk Committee, no later than three (3) clear business days before the date of the meeting. Supporting papers, reports and documents shall be sent to the Members of the Audit & Risk Committee at the same time.
- 9.4 Additional meetings shall be convened at the discretion of the Presiding Member or at the written request of the Chief Executive Officer, any member of the Committee or the External Auditor.
- 9.5 Representatives of the External Auditor as appointed by the Council may be invited to attend at the discretion of the Presiding Member but **must** attend meetings at which the draft Annual Financial Report and results of the External Audit are considered.
- 9.6 The Council shall provide secretarial and administrative support to the Committee, through the Chief Executive Officer or their delegate.

10. REPORTING TO THE COUNCIL

- 10.1 Pursuant to Section 41(8) of the *Local Government Act 1999*, all decisions of the Audit & Risk Committee will be referred to the Council as recommendations of the Committee. The reporting of the decisions of the Committee in this manner, will satisfy the requirements of Section 41(8) of the *Local Government Act 1999*.
- 10.2 In addition, the Committee shall report annually to the Council summarising the activities of the Committee during the previous financial year, with a copy of the Annual Report of the Audit & Risk Committee included in the Council's Annual Report.

11. MINUTES OF MEETINGS

- 11.1 The Chief Executive Officer shall ensure that the proceedings and resolutions of all meetings of the Audit & Risk 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 (Procedures at Meetings) Regulations 2013*.
- 11.2 Minutes of the Audit & Risk Committee meetings shall be circulated within five (5) days after a meeting to all Members of the Audit & Risk Committee and to all Members of the Council and will (as appropriate) be available to the public.

12. TERM OF THE COMMITTEE

- 12.1 The Committee will be wound up without further action by the Council at the conclusion of the term of the Committee.
- 12.2 The term of the Committee expires on 31 October 2026.