

Audit and Risk Committee

Adopted by Council:
29/11/2022

Review Date:
4 years (or within 12 months of a general election)

1 Background

- 1.1 Pursuant to Section 126 of the *Local Government Act 1999* ("the Act") the Council must establish an Audit Committee ("the Committee"). The Council established an Audit & Risk Committee by resolution at its meeting of 27 November 2018.
- 1.2 The purpose of the Audit & Risk Committee is to provide independent assurance and advice to the Council on accounting, financial management, internal controls, risk management and governance matters to assist the Council in discharging its responsibilities and facilitate the organisations environmental, social, governance (ESG) and economic development.
- 1.3 The Audit & Risk Committee is an independent advisory committee of the Council. Pursuant to Section 44 of the Act, the Committee does not enjoy the delegation of any powers, functions, and duties of the Council. All decisions of the Committee constitute only recommendations to the Council.
- 1.4 The Town of Gawler Code of Practice for Committee Meeting Procedures applies to this Committee.

2 Function of the Audit & Risk Committee

- 2.1 The functions of an Audit & Risk Committee include:
 - Reviewing annual financial statements to ensure that they present fairly the state of affairs of the council; and
 - Proposing, and providing information relevant to, a review of the council's strategic management plans or annual business plan; and
 - Proposing, and reviewing, the exercise of powers under section 130A; and
 - Liaising with the council's auditor, and in accordance with any requirements prescribed by the resolutions; and
 - Reviewing the adequacy of the accounting, internal control, reporting and other financial management systems and practices of the council on a regular basis; and
 - Monitoring the responsiveness of the Council to recommendations for improvement based on previous audits and risk assessments, including those raised by Council's external auditor; and
 - Providing oversight of planning and scoping of the internal audit program; and
 - Reviewing and commenting on reports provided by the person responsible for the internal audit function at least on a quarterly basis; and
 - 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 risk on a regular basis; and

- Reviewing any Prudential Management reports obtained by the Council; and
- Performing and other function determined by the Council or prescribed by the regulators.

3 Duties & Responsibilities

The Committee is appointed by the Council as part of a sound governance structure. To ensure the functions of the Committee are delivered, the duties and responsibilities of the Committee shall:

3.1 Strategic, Financial and Management Planning

- a) Review and provide information and recommendations in relation to the Community Plan and other key Strategic Management Plans, which include but are not limited to the Annual Business Plan & Budget, Long Term Financial Plan, Infrastructure & Asset Management Plan and Corporate Plan.
- b) Review and provide recommendations on the sustainability of the Council operations, including proposed debt levels and addressing asset management issues.
- c) Review Prudential Management reports prepared pursuant to Section 48 of the Local Government Act and recommendations contained in business cases developed by or for the Council in respect to significant activities, commercial services, and major projects.

3.2 Financial reporting

- a) 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.
- b) Review and 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 (insofar as it relates to the audit and risk management).
- c) Recommend adoption of the Annual Financial Statements to the Council. Review any significant changes that may arise subsequent to such recommendation but prior to the financial report being signed.

3.3 External audit

- a) 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 of new auditors.
- b) Oversee Council's relationship with the external auditor including, but not limited to:
 - 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;
 - 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;
 - 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;
 - 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);
 - Monitoring the external auditor's compliance with legislative requirements on the rotation of audit partners; and
 - 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 Committee's own internal quality procedures)
- c) Meet with the external auditor at least once per year to discuss the external auditor's report and any issues arising from the audit;
- d) Review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
 - A discussion of any major issues which arose during the external audit;
 - Any accounting and audit judgements; and
 - Levels of errors identified during the external audit.
- e) Review the management letter and management's response to the external auditor's findings and recommendations.
- f) Review any representation letter(s) requested by the external auditor;
- g) Review the scope of the External Audit Plan and program and the effectiveness of the External Audit work. The review should consider, over the term of the appointment, the external audit plan systematically addresses:
 - internal controls over significant risks, including non-financial control systems
 - internal controls over revenue, expenditure, asset and probity processes

- compliance with regulation, policies, best practice guidelines, instructions and contractual arrangements
- h) Review the appropriateness of special assignment undertaken by external auditors at the request of the Chief Executive Officer.

3.4 Internal Audit

- a) Review and recommend for endorsement the engagement of the Internal Auditor to the Council.
- b) To 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 regulation, policies, best practice guidelines, instructions and contractual arrangements; and
 - business improvement and performance efficiency reviews
- c) Monitor that the internal annual 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 good practice.
- e) Monitor management's implementation of audit recommendations.

3.5 Service Reviews

- a) Review the appropriateness of special assignments undertaken by the internal audit and service reviews provider.
- 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.
 - 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 review and the scope of its services 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.

3.6 Internal Controls and Risk Management

- a) Review whether management has in place relevant policies and procedures and that they are periodically reviewed and updated.
- 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 risk register, risk strategy and mitigation measures.
- e) Provide comment to the Council on the appropriateness of the Council's risk framework, risk appetite and management of risks.
- f) Receive and provide advice to the Council on any risk or governance audits undertaken on the Council and its activities.
- g) Monitor the progress of any major litigation against the Council.

3.7 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) Identify and refer specific projects or investigations deemed necessary through the Chief Executive Officer and the Council if appropriate. Oversee any subsequent investigations, including overseeing of the investigation of any suspected cases of fraud within the organisation.
- e) Address issues brought to the attention of the Audit & Risk Committee, including responding to requests from the Council for advice that are within the parameters of the Committee's Terms of Reference.
- f) Review the annual performance statement and recommend its adoption to the Council.
- g) The Audit & Risk Committee in conjunction with the Council and the Chief Executive Officer should develop the Committee's performance indicators.

3.8 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 of concern.

4 Membership

- 4.1 Membership of the Committee will comprise:
 - 4.1.1 The Mayor and one (1) Council Member, as determined by resolution of the Council; and
 - 4.1.2 three (3) Independent Members who are appointed by the Council and who are determined by the Council to have experience relevant to the functions of the Audit & Risk Committee, for a period of up to four years, so that terms overlap each Council election and provide some continuity. Appointees may be reappointed by Council.
 - 4.1.3 The Council may, as determined by resolution of the Council, appoint two (2) proxy members for the Mayor and the appointed Council Member to the Committee
- 4.2 Council Member Representatives
 - 4.2.1 Ideally, Council Members will have experience in business, legal, audit and risk or financial management knowledge and experience.
 - 4.2.2 Council Members will be appointed for a term of two (2) years or some other period as determined by the Council.
 - 4.2.3 The Council may resolve to re-appoint the Council Members to this Committee for consecutive terms.
 - 4.2.4 No additional allowance will be paid to the Council Member representative over and above the allowance already received by the Council Member, unless appointed as Presiding Member.
- 4.3 Independent members
 - 4.3.1 Independent Members will have senior business or financial management/reporting knowledge and experience, in particular, experience relevant to the functions of an Audit & Risk Committee and be conversant with the financial and other reporting requirements.
 - 4.3.2 The Selection Panel comprising of the Mayor, the Chief Executive Officer and the Council Members appointed to the Audit & Risk Committee or as otherwise determined by the Council, will evaluate potential members.
 - 4.3.3 The assessment of the appointment shall consider the experience and qualifications of candidates and their likely ability to apply appropriate analytical and strategic management skills.
 - 4.3.4 The appointment of Independent Members will be subject to the endorsement of the Selection Panels' recommendation by the Council.
 - 4.3.5 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 despite changes to Council's Council Members Representatives.

- 4.3.6 The Council may resolve to re-appoint the Independent Members to this Committee for consecutive terms. Following the second consecutive term the Council will seek expression of interest for Independent Members from the Market.
- 4.3.7 Where a vacancy exists, Expressions of Interest from Independent Members shall be made by the Council by way of a public advertisement.
- 4.3.8 Remuneration, will be paid to each Independent Member of the Committee (based on a set fee, as determined by the Council, per meeting attended).

4.4 Removal of Member

- 4.4.1 Membership of the Committee continues for the respective member's term of appointment, unless a member resigns or is removed earlier by resolution of the Council
- 4.4.2 The Committee may, by resolution supported by a majority of all members of the Committee, make a recommendation to the Council to remove a member of the Committee from office where a member has failed (without the leave of the Committee) to attend three consecutive meetings of the Committee.
- 4.4.3 If the Council proposes to remove a member it must give notice to that member of its intention to do so and provide that member an opportunity to be heard at a Council meeting which is open to the public.

5 Chairperson and Deputy Chairperson

- 5.1 The Council will appoint the Presiding Member (to be known as the Chairperson) of the Committee for the term determined by Council.
- 5.2 The role of the Chairperson is to:
 - a) Oversee and facilitate the conduct of the meetings in accordance with the Act and Local Government (Procedures at Meetings) Regulations 2013
 - b) Ensure the guiding principles at Section 5 of the Local Government (Procedures at Meetings) Regulations 2013 are observed and that all Committee Members have the opportunity to participate in discussions in an open and responsible manner
 - c) Call the meeting to order and move the debate towards finalisation when the matter has been significantly debated and no new information is being discussed.
- 5.3 The Committee will appoint a Deputy Chairperson from its members at the first meeting of the Committee for the same term as the Chairperson.
- 5.4 If the Chairperson of the Committee is absent from a meeting then the Deputy Chairperson will preside at the meeting until the Chairperson is present. In the absence of the Chairperson and the Deputy Chairperson a member of the Committee chosen from those present will preside at the meeting until the Chairperson is present.

6 Operational Matters

- 6.1 The Committee is authorised to obtain independent professional advice where considered necessary following consultation with the CEO.
- 6.2 All members of the Committee (including members who are not Council members) must comply with the general duties set out in Section 62 of the Act and the conflict of interest provisions set out in Sections 74 to 75D and 75E Behavioural Standards of the Act as if the Committee were a Council and a Committee member were a Council member.
- 6.3 Members of the Committee are required to complete a Register of Interest Return pursuant to Sections 65 and 66 of the Act.

7 Meeting Details

- 7.1 The Committee will generally meet on a quarterly basis or as otherwise determined by the Committee.
- 7.2 The Committee may meet in the Council Chambers, or as otherwise determined by the Committee.
- 7.3 All Committee meetings will be conducted in accordance with the Act, and relevant Regulations, Code of Practice for Committee Meeting Procedures and Code of Practice for Access to Council and Committee Meetings and Council Documents.
- 7.4 Part 3 of the Local Government (Procedures at Meetings) Regulations 2013 apply to meetings of the Committee.

8 Reporting Requirements

- 8.1 This Committee reports directly to and is accountable to Council.
- 8.2 The Minutes of the Committee shall be submitted to Council for decision at the first scheduled Council meeting following the Committee meeting.
 - 8.2.1 The Chief Executive Officer shall ensure that the proceedings and resolutions of the Committee, including recording of 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 2013.
 - 8.2.2 Minutes of the Committee shall be circulated within five (5) days after a meeting to all members of the Committee and all Council Members and be made available to the public.
- 8.3 The Committee will adopt a risk management focus in its considerations, decisions and recommendations to Council to enable Council to act as an informed and responsible decision maker representing the interests of the community.
- 8.4 The Committee must produce an Annual Review report for consideration by the Council by the end of each calendar year outlining the work of the Committee for the preceding 12 months.