



*OUR VISION FOR THE COMMUNITY:
A viable, cohesive and dynamic community, which supports
expanding economic opportunities in a sustainable manner
without compromising the natural assets or quality of
lifestyle of the community.*

District Council of Elliston

Audit and Risk Committee

Terms of Reference

Date Adopted:

19 November 2013

Date Reviewed:

January 2023

Next Review:

January 2025

District Council of Elliston – Audit and Risk Committee Terms of Reference

1 NAME

The name of the Committee shall be the District Council of Elliston - Audit and Risk Committee.

2 OBJECTIVE

2.1 The objective of the Audit and Risk Committee is to assist the Council in the conduct of its responsibilities for the management of risk, related to financial management, reporting and audit initiatives, accounting, governance, the internal control system, and the audit functions by providing independent assurance and advice to the Council and Chief Executive Officer (CEO) in relation to these matters.

2.2 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.

2.3 These Terms of Reference are to be read in conjunction with S126 of the *Local Government Act 1999 (the Act)* and Reg17 of the Local Government (Financial Management) Regulations 2011.

3 AUTHORITY

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

3.2 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.

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

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

4 MEMBERSHIP

4.1 Members of the Committee are appointed by the Council. The Committee shall consist of at least two independent members with at least one additional member from the Elected Members of Council – consistent with legislative requirements. The minimum size of the Committee shall be three members, and not exceed five members.

[Note that Section 126(2)(a) of the Act provides that the majority of the members of the Committee must be persons who are not members of any Council.]

4.2 Independent members of the Committee shall have recent and relevant financial, risk management and internal audit experience.

[Note that a person would not be considered independent if he or she was an Elected Member of that Council. Subject to any codes of conduct adopted by

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Councils, this does not preclude an Elected Member or an employee of a Council from being a member of an Audit and Risk Committee of another Council.]

- 4.3 Members of the Committee must collectively have the skills, knowledge and experience relevant to the functions of the committee, including in financial management, risk management, and governance.
- 4.4 Only members of the Committee are entitled to vote in Committee meetings.
- 4.5 Unless otherwise required (by the conflict of interest provisions in the Act) not to vote, each member must vote on every matter that is before the Committee for decision.
- 4.6 The Chairperson has a deliberate vote and on the event of the equality of votes, has a casting vote.
- 4.7 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 and Risk Committee as non-voting observers.
- 4.8 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 Act and subsequently retained as confidential under Section 91 of the Act, are also required to be made available to the public.
- 4.9 Council's external auditors and internal auditors may be invited to attend meetings of the Committee but may not become a member of the Committee.
- 4.10 Appointments to the Committee from among the Elected Members of Council shall be for a period of up to four years, or until the end of the term of the Council.
- 4.11 Independent members of the Committee shall be appointed for a period of up to four years, commencing part-way through an election cycle, so that their terms overlap each Council election and provide some continuity.
- 4.12 Appointees may be reappointed by Council.
- 4.13 The Council shall appoint the Presiding Member of the Committee.

[Note that an Elected Member of Council may be the Presiding Member of the Committee or an independent person may take this role.]
- 4.14 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, and Chapter 5.
- 4.15 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,

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73, 74, Division 1 and 3 of Part 4,
Chapter 5.

- 4.16 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 plus one or a specified number.
- 6.2 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 FREQUENCY OF MEETINGS

The Committee must meet at least once each quarter at appropriate times in the reporting and audit cycle and otherwise as required.

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

9 MEETING PROCEDURES

- 9.1 Meetings will be held in accordance with these Terms of Reference and Council's Code of Practice for Council Meeting Procedures, developed in accordance with the *Local Government Act 1999* and the *Local Government (Procedures at meetings) Regulations 2013*.

10 MINUTES OF MEETINGS

- 10.1 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 otherwise comply with the requirements of the *Local Government (Procedures at Meetings) Regulations*.

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- 10.2 Minutes of Committee meetings shall be circulated within five days after a meeting to all members of the Committee and will (as appropriate) be available to the public.
- 10.3 After each meeting, the Committee shall also provide to Council:
- a report that summarises the work of the Committee during the period preceding the meeting and the outcomes of the meeting; and
 - the current version of the Committee work program.

11 ROLE OF THE COMMITTEE

11.1 Strategic, Financial and Management Planning

The Committee shall:

- review and provide information and recommendations in relation to the Council's Strategic Management Plan, Long Term Financial Plan, Asset Management Plan and Annual Business Plan and Budget;
- review and make recommendations on the sustainability of Council operations, including proposed debt levels and addressing asset infrastructure issues.
- review and make recommendations on any report of prudential issues obtained by the Council, before the Council makes a decision on the report, as per section 48(1) of the Act.

11.2 Financial Reporting

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.

The Committee shall 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 extent to which the Council has addressed the recommendations of audits and risk assessments, including those raised by the Council's 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.

11.3 Internal Controls and Risk Management Systems

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The Committee shall:

- keep under review the effectiveness of the Council's internal controls and risk management systems, including policies, systems and procedures for the identification and management of strategic, financial and operational risks; and
- review and recommend the approval, where appropriate, of any material to be included in the annual report concerning internal controls and risk management.

[Note that it is important that the Audit Committee understands the business of the Council to appreciate the risks it manages on a daily basis, and to ensure that there are appropriate management plans to manage and mitigate those risks. This will include insurance matters, financial reporting, legal and regulatory compliance, business continuity, and statutory compliance. This can be facilitated by discussions with the internal and external auditors and by presentations by management on how business risks are identified and managed.]

11.4 Public Interest Disclosure Responsibilities

The Committee shall review the Council's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial recording or reporting or other matters. The Committee shall ensure these arrangements allow independent investigation of such matters and appropriate follow-up action.

11.5 Internal Audit

The Committee shall:

- monitor and review the effectiveness of the Council's internal audit function in the context of the Council's overall risk management system;
- oversee the planning and scoping of the internal audit work plan;
- consider and make recommendation on the program of the 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;

[Note that this may include the review of the areas that have been identified for review and the frequency of review. The Committee should also monitor whether the function of internal audit has adequate standing and is free from management or other restrictions. Whilst internal audit focuses on a Council's systems and procedures, it is important that the internal auditor retains her or his independence and is not subject to any influence from management or Council that impedes her/his ability to report objectively.]

- review and comment on all reports on the Council's operations from the internal auditors at least on a quarterly basis;

[Note that the reports to the Audit Committee need not be the detailed reports that are presented to management for their review. Ordinarily a high level review report is all that is required detailing the work undertaken, the findings and management response.]

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- review and monitor management’s responsiveness to the findings and recommendations of the internal auditor.

11.6 External Audit

The Council is responsible for the selection and appointment of the External Auditor in accordance with the Act.

The Committee shall:

- ensure the auditors comply with the *Local Government Act 1999* and applicable Regulations;
- consider and make recommendations to the Council, in relation to the appointment, re-appointment and removal of the Council’s external auditor;
- oversee Council’s relationship with the external auditor including, but not limited to:
 - recommending the approval of the external auditor’s remuneration, covering fees for both 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;
 - 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 Audit Committee’s own internal quality procedures); and
- meet as needed with the external auditor.

The Committee shall meet:

- the external auditor at least once a year, on a confidential basis, to discuss the external auditor’s report and any issues arising from the audit, in circumstances where:
 - a majority of the committee members are present; and
 - no members or employees of the Council are present (other than members of the committee)

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- 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;
- review the effectiveness of the external audit;
- review any representation letter(s) requested by the external auditor before they are signed by management;

[Note that these representation letters are a standard practice of any audit and provide the auditor confirmation from management, that, amongst other matters, accounting standards have been consistently applied, that all matters that need to be disclosed have been so disclosed and that the valuation of assets has been consistently applied.]

- review the subsequent audit management letter from the external auditor and management’s response, by the Council, to the external auditor’s findings and recommendations in that audit management letter.

12 REPORTING RESPONSIBILITIES

- 12.1 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.
- 12.2 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. The report will be included in Council’s Annual Report.
- 12.3 The Committee shall prepare an annual work program to drive its activities for the year. The work program will be updated after each Audit and Risk Committee meeting to reflect progress made and be provided along with the minutes to the next Council meeting.

13 OTHER MATTERS

The Committee shall:

- be provided with appropriate and timely training, both in the form of an induction program for new members and on an ongoing basis for all members;
- give due consideration to the Act; and regulations made under the Act.