

Audit and Risk Committee – Terms of Reference

District Council
of Yankalilla



Background

The Audit and Risk Committee is formed under Section 41 in accordance with Section 126 of the *Local Government Act 1999* and provides an important independent role between Council, its management and the community. It has no authority to act independently on behalf of Council, but it can act in areas covered by its charter.

It is mandatory for all Councils to appoint an Audit and Risk Committee under Section 126 of the *Local Government Act 1999* (Act).

1. Purpose

The purpose of the Audit and Risk Committee is to provide independent assurance and advice to Council on accounting, financial management, internal controls, risk management and governance matters.

2. Definitions

“*Electronic*” means includes a telephone, computer or other electronic device used for communication.

3. Membership

- 3.1. Members of the Committee shall be appointed by the Council. The Committee shall consist of between three (3) and five (5) members including at least two (2) independent members and one (1) Council Member. The majority of committee members must be independent members. As per the Local Government Financial Management Regulations Part 5
- 3.2. An Independent Member of the Committee shall Chair the Audit and Risk Committee.
- 3.3. If only one Council Member sits on the Committee, it is not necessary to be the Mayor.
- 3.4. Where the Committee consists of less than 5 members, the Council may appoint the Mayor as an *ex officio member* to the committee. In such case, the Mayor will not be taken to be included in the membership of the committee unless actually present at a meeting of the committee.
- 3.5. An appointment of the Council Member(s) shall be for a term of two (2) years. The appointee(s) may be reappointed for another term which cannot exceed the term of Council.
- 3.6. A Council Member shall not be a continuous member of the Committee for more than six (6) years.

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- 3.7. Council may choose to appoint one proxy member for the Council Member(s). In the event that the Council Member(s) are unavailable, they may request the proxy member to attend a specific meeting on their behalf.
- 3.8. An Independent Member is not considered independent if they are an Council Member of the Council. Subject to Code of Conduct adopted by the Council, this does not preclude a Council Member or an Employee of another Council being a member of the Committee (noting that legislation states that the majority of the members of the committee must be persons who are not members of any Council).
- 3.9. The Committee must not include, as a member, Council's auditor.
- 3.10. When considered as a whole, the Committee must have members, with recent skills, knowledge and experience relevant to the functions of the committee, including in financial management, governance and any other prescribed matter as determined by Council.
- 3.11. Independent Members shall be appointed for a period of up to (3) 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.
- 3.12. The term of the Independent Members shall continue for at least six (6) months beyond the date of a Council periodical election, in order to provide some continuity to advice and assistance provided to Council.
- 3.13. Independent Member terms shall expire on different dates. Independent Member(s) of the Committee shall not be a member for more than two (2) successive terms (of three years for each term), except when it is considered appropriate by Council and a motion supports this position.
- 3.14. Independent Members are to be paid a sitting fee as determined by Council for attendance at meetings, workshops and authorised training sessions.
- 3.15. There are no associated sitting fees for Council Members or Mayors appointed to the Committee.
- 3.16. Any member of the Committee may be removed on the grounds that the member has been absent without leave from three (3) or more consecutive meetings or is not performing duties as required within the objectives and functions of the Committee.
- 3.17. Committee members must resign in writing addressed to the Committee, Mayor and CEO. Resignations should provide flexibility and consideration of the time required to recruit a suitable replacement.

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4. Presiding Member (Chair)

- 4.1. The Council shall appoint one (1) of the Independent Members of the Committee as Presiding Member (Chair) of the Committee.
- 4.2. The appointment term shall be from the date of Council's resolution to the expiration of the member's appointment.
- 4.3. The role of the Presiding Member is to:
 - 4.3.1 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.
 - 4.3.2 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.
 - 4.3.3 Certify, along with the Chief Executive Officer and in accordance with Regulation 22 of the Local Government (Financial Management) Regulations 2011, the 'Independence of External Auditor' as part of the end of financial year audit process.
- 4.4 In the absence of the appointed Presiding Member from a meeting a Council Officer will chair the meeting and seek the appointment of an acting Presiding Member from the independent members present at the meeting.

5. Administrative Resources

- 5.1 The Chief Executive Officer shall provide sufficient resources to the Committee to adequately carry out its functions.

6. Meetings

- 6.1 Frequency of Meetings
 - 6.1.1. The Committee shall meet at least four (4) times a year at appropriate times in the reporting and audit cycle as determined by the Committee/Council.
 - 6.1.2. There must be at least one (1) meeting of a Council Audit and Risk Committee in each quarter.
- 6.2 Meeting Procedures

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- 6.2.1 Part 2 of the *Local Government (Procedures at Meetings) Regulations 2013* applies to meetings of the Audit and Risk Committee.
- 6.2.2. District Council of Yankalilla Code of Practice – Formal Proceedings of Council and Committee Meetings & Code of Practice for Access to Meetings and Documents applies to meetings of the Audit and Risk Committee.
- 6.2.3 Council's external auditors and internal auditors may be invited to attend meetings of the Committee.
- 6.3 Notice of Meetings
- 6.3.1 Part 2, Section 87 of the *Local Government Act 1999* prescribes the calling and timing of committee meetings.
- 6.3.2 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 are discussed in confidence under the relevant legislative provisions, are also required to be made available to the public.
- 6.3.3 Unless otherwise agreed, 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 three (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.
- 6.4 Attendance at Committee meetings electronically:
- 6.4.1 Committee members are preferred to attend meetings in person, however, may participate in a committee meeting by electronic means should the member be unable to attend due to illness or other extenuating circumstances with approval of the Mayor the CEO can provide attendance by electronic means.
- 6.4.2 A member of the Committee participating in a committee meeting by electronic means is taken to be present at the committee meeting provided that the member:
- (a) can hear all other members present at the committee meeting; and
 - (b) form of participation by electronic means (as per section 2. Definitions).
- 6.4.3 Where:
- (a) a Committee member is to participate in a Committee meeting by electronic means; and

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- (b) the electronic means has the functionality to allow the member to participate in the Committee meeting by being **both** seen and heard; and
- (c) the electronic means of the Council has the functionality to allow the Committee member to be **both** seen and heard,
- (d) the member **must** participate by being **both** seen and heard.

6.5 Minutes of Meetings

- 6.5.1 The Chief Executive Officer 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.
- 6.5.2 The Chief Executive Officer shall include on the agenda the declaration by any Committee Member, the existence of any conflicts of interest and minute them accordingly.
- 6.5.3 Minutes of Committee meetings shall be circulated within five (5) days after a meeting to all members of the Committee and Members of the Council.
- 6.5.4 In accordance with Section 41(8) of the Act, the Committee shall after every meeting submit the Minutes of that meeting on Council's Agenda for the next meeting of Council.

6.6 Quorum

- 6.6.1 The quorum necessary for the transaction of business shall be 50% of the number of members of the Committee plus one (1). 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.
- 6.6.2 Other individuals such as the Chief Executive Officer and other employees may attend any meeting, in particular if they are responsible for preparing papers for the Committee or as observers.

6.7 Voting

- 6.7.1 Only members of the Committee are entitled to vote in Committee Meetings.
- 6.7.2 Unless otherwise required by the Act not to vote, each member must vote on every matter that is before the Committee for decision.
- 6.7.3 All decisions ratified by the Committee shall be by majority vote.

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7. Financial Functions

Consistent with the legislative functions assigned to Audit and Risk Committees, the Committee will undertake the following activities:

7.1 Financial Governance

- 7.1.1 Review and suggest improvements where warranted, in the form of budget and actual financial performance information reported to the Council to ensure:
 - a) It is pitched at a strategic focus and reflects the key information required to be disclosed in external reports.
 - b) It is based on accrual accounting information.
 - c) It includes key financial sustainability information (including Financial Standards Advisory Committee (FSAC) endorsed financial indicators).
- 7.1.2 Review the Council's financial governance arrangements and their effectiveness including;
 - a) The processes in place to ensure all Council Members and its Executive Team have appropriate knowledge of key financial governance principles, issues and reporting tools in the context of local government financial sustainability and where warranted existing knowledge and skills are augmented with locally appropriate training and support.
 - b) The appropriateness of existing strategic financial decision-making processes and in particular those associated with the development of the Council's Long Term Financial Plan (LTFP) and Annual Business Plan (ABP).
 - c) The appropriateness of targets established by Council for FSAC endorsed local government financial indicators having regard to LGA Financial Sustainability Information.
 - d) The appropriateness of the range and content of the Council's financial policies and practices (e.g. treasury (including debt) management).
- 7.1.3 Comment on the Draft Annual Business Plan prior to its formal consideration for adoption by Council, particularly in terms of consistency with Strategic Management Plans, recognising that the Council is responsible and accountable for policy positions and service level decisions but mindful also that the Committee has responsibilities to ensure they Council is aware of the impact on ongoing financial sustainability of its proposals.
- 7.1.4 Satisfy itself regarding the:
 - a) Consistency of the Council's Strategic Plan with its LTFP

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- b) Consistency of the Council's LTTP with its Asset Management Plan (AMP)
- c) Soundness of the AMP.

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

7.1.6 Proposing and reviewing the exercise of powers under Section 130A of the Act.

7.2 Financial Reporting

7.2.1 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.

7.2.2 The Committee shall review and challenge where necessary:

- a) The consistency of, and/or any changes to, accounting policies.
- b) The methods used to account for significant or unusual transactions where different approaches are possible.
- c) Whether the Council has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor.
- d) The clarity of disclosure in the Council's financial reports and the context in which statements are made.
- e) All material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management).

8 Internal Controls and Risk Management Systems

The Committee shall:

- 8.1.1 Review the adequacy of the Council's accounting, internal control, reporting and other financial management systems and practices of Council, aligned with the Committee's work plan.
- 8.1.2 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 aligned with the Committee's work plan.
- 8.1.3 Review and recommend the approval, where appropriate, of statements to be included in the annual report concerning internal controls and risk management.

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9 Public Interest Disclosures

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

10 Internal Audit

- 10.1 The Committee shall review and comment on an annual report to be 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.

11 External Auditor

The Committee shall in reviewing the effectiveness of the external auditing role:

- 11.1 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 for new auditors and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required.
- 11.2 Oversee Council's relationship with the external auditor including, but not limited to:
- a) Recommending the approval of the external auditor's remuneration, whether fees for audit or no-audit services, and recommending whether the level of fees is appropriate to enable an adequate audit to be conducted.
 - b) 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.
 - c) Assessing the external auditor's independence and objectivity taking into account relevant professional and regulatory requirements and the extent of Council's relationship, including the provision of any non-audit services.
 - d) 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).
 - e) Review the audit plan for coverage of material risks and financial reporting requirements.
 - f) Monitor and review the auditor's independence and objectivity.

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- g) 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).

12 Prudential Reports

- 12.1 The Committee shall provide advice on the management of any prudential reports (under Section 48(1)) prepared for Council and provide advice to Council

13 Reporting Responsibilities

- 13.1 The minutes of the proceedings of the Audit and Risk Committee will be circulated to all Council Members.
- 13.2 The Committee shall after every meeting submit the Minutes of that meeting on the Council's Agenda for the next meeting of Council.
- 13.3 If requested by Council, the Committee Chair shall report to the Council either in writing as a Presiding Member's report or verbally.
- 13.4 The minutes will also be made available to the public.
- 13.5 Members of the Committee who are not Council Members are required to complete a Register of Interests return in accordance with Section 72 of the Act.
- 13.6 The Committee shall make whatever recommendations to the Council it deems appropriate on any area within its charter where in its view action or improvement is needed.
- 13.7 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.
- 13.8 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.
- 13.9 As required by section 99(1)(b) of the *Local Government Act*, the Chief Executive Officer will provide an annual report to the Committee on the Council's internal audit processes.

14 Other Matters

The Committee shall:

- 14.1 Have access to reasonable resources in order to carry out its duties.

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- 14.2 Meet as needed with the external auditor. The Committee shall meet the external auditor at least once a year, without management being present, to discuss the external auditor's report and any issues arising from the audit.
- 14.3 Review and make recommendations on the annual audit plan, and in particular its consistency with the scope of the external audit engagement.
- 14.4 Review the findings of the audit with the external auditor. This shall include, but not be limited to, the following;
 - a) A discussion of any major issues which arose during the external audit.
 - b) Any accounting and audit judgements.
 - c) Levels of errors identified during the external audit.
- 14.5 Review any representation letter(s) requested by the external auditor before they are signed by management.
- 14.6 Review the management letter and management's response to the external auditor's findings and recommendations.

The Committee will:

- 14.7 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.
- 14.8 Give due consideration to the laws and regulations of the *Local Government Act 1999*
- 14.9 Oversee any investigation of activities which are within its terms of reference; and oversee action to follow up on matters raised by the external auditors.

The Committee must:

- 14.10 Adopt an annual work program. The work plan should be updated throughout the year to reflect progress against planned activities. This may include adding further tasks that are identified throughout the year, subject to resourcing/ capacity. The work plan can form the basis of the reports the audit and risk committee must provide to the council.
- 14.11 At least once a year, review its own performance, constitution and Terms of Reference to ensure it is operating at maximum effectiveness and recommend changes it considers necessary to the Council for approval.

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Authority

The Committee is authorised to:

- 15.1 Seek any information, it requires any employee of the Council (after advising the Chief Executive Officer) in order to perform its duties.
- 15.2 Obtain, at the Council's expense, (after consultation with the Chief Executive Officer) outside legal or other professional advice on any matter within its terms of reference.
- 15.3 Decide the Audit and Risk Committee meeting days and times.

16 Document Management

Document Number	DCY-S41-ToR-001
Responsibility	Chief Executive Officer
Version	1.4
Effective Date	May 2023
Last Revised Date	March 2026
Next Review Date	March 2027
Relevant Legislation, Codes and/or Guidance	Local Government Act 1999 (S41, S126) LGA Financial Sustainability Information Paper (FSIP) No. 3 Local Government Financial Standards Advisory Committee
Related DCY Procedures / Documents	Code of Practice Formal Proceedings for Council & Committee Meetings Code of Practice for Access to Meetings and Documents
Related Strategic Documents	DCY Strategic Community Plan: VISION 2030
DCY Strategic Community Plan: VISION 2030	6. Our Leadership Priorities: 6d – Good governance, well-informed decision-making and effective communications ensure Council is open and transparent. Initiative: 6.9 Risk Management 6.9.1 – Support Council's independent Audit & Risk Committee to assess financial and organisational risk, offer recommendations and highlight areas for improvement.

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17 Document History

Date	Version	Committee Resolution No.	Description of changes
May 2023	1.0	A23040	Reflect change of name and increased functions under s126 of the Act.
October 2023	1.1	A23086	Formatting update and inclusion of 11.5 regarding reporting requirements.
April 2024	1.2	A24042 C24104	Annual Review of document. Additional formatting updates. Change of letterhead.
March 2025	1.3	A25004 C25055	Updated to reflect LGA Financial Sustainability Information Paper
May 2026	1.4	A2664 C2697	Annual review of document. Inclusion of references to DCY Code of Practices. Inclusion of references to DCY Strategic Community Plan VISION 2030 priorities and initiatives as they relate to the committee.

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