

ADELAIDE HILLS COUNCIL

Audit and Risk Committee



TERMS OF REFERENCE

Adopted 26 March 2025

1. ESTABLISHMENT AND PURPOSE

- 1.1 The Audit and Risk Committee (Committee) has been established in accordance with Sections 41 and 126 respectively of the *Local Government Act 1999* (Act)
- 1.2 The purpose of the Committee is to provide independent assurance and advice to Council on accounting, financial management, internal controls, risk management, and governance matters.
- 1.3 The Committee is independent from Council management.
- 1.4 The Committee reports to Council and provides appropriate advice and recommendations on matters relevant to these Terms of Reference and statutory functions, to facilitate informed decision making in relation to the discharge of Council's responsibilities.

2. DEFINITIONS

Unless the context indicates otherwise, the following terms have the following meanings in these Terms of Reference:

Act means the *Local Government Act 1999* (SA).

Presiding Member means the Presiding Member of the Committee, appointed in accordance with clause 8 of these Terms of Reference.

Committee means the Audit and Risk Committee established by resolution of the Council, to be governed by these Terms of Reference.

Council means the Adelaide Hills Council.

Member means a member of the Committee.

Procedures at Meetings Code of Practice means the Council's Code of Practice – Meeting Procedures or any replacement Code of Practice adopted by the Council for the purpose of the *Local Government (Procedures at Meetings) Regulation 2013*.

Regulations includes the *Local Government (Financial Management) Regulations 2011* and *Local Government (Procedures at Meetings) Regulations 2013*.

Terms of Reference means these terms of reference.

3. FUNCTIONS OF THE COMMITTEE

Subject to the Act and Regulations, the functions of the Committee are to:

3.1 FINANCIAL REPORTING

- 3.1.1 Review the annual financial statements to ensure that they present fairly the state of affairs of Council.
- 3.1.2 Review the adequacy of the accounting, internal control, reporting and other financial management systems and practices of Council on a regular basis.
- 3.1.3 Review and challenge where necessary:
 - i. The consistency of, and/or any changes to, accounting policies.
 - ii. The methods used to account for significant or unusual transactions where different approaches are possible.
 - iii. Whether the Council has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor.
- 3.1.4 Monitor the integrity of the financial statements of the Council, including its annual report, reviewing significant financial reporting issues and judgements which they contain.

3.2 STRATEGIC MANAGEMENT PLANS

- 3.2.1 Propose and provide information relevant to a review of Council's strategic management plans and annual business plans.

3.3 INTERNAL CONTROLS & RISK MANAGEMENT POLICIES

- 3.3.1 Review and evaluate the effectiveness of policies, systems and procedures established and maintained for:
 - i. the identification, assessment, monitoring, management, and review of strategic, financial, operational and corporate governance risks on a regular basis; and
 - ii. internal financial controls in accordance with the Better Practice Model – Internal Financial Controls.
- 3.3.2 Review and monitor the responsiveness of Council to Committee recommendations for improvements in internal controls and risk management, based on previous audits and risk assessments, including those raised by Council's auditor.

3.4 EXTERNAL AUDITOR

- 3.4.1 Make recommendations to the Council in relation to the selection, appointment, and removal of the Council's external auditor.
- 3.4.2 Assess the quality and effectiveness of the external audit conducted and evaluate the performance of the auditor, including:
 - i. Review the scope and terms of the audit and the audit fee, including a review on non-audit services provided by the external auditor.

- ii. Review the audit plan for coverage of material risks and financial reporting requirements.
 - iii. Monitor and review the external auditor's independence and objectivity.
 - iv. 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 responses.
- 3.4.3 Review the findings of the audit with the external auditor, including but not limited to:
 - i. A discussion of any major issues which arose during the external audit.
 - ii. Any accounting and audit judgements.
 - iii. Levels of errors identified during the external audit.
- 3.4.4 Review any representation letter requested by the external auditor before they are signed by management.
- 3.4.5 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.
- 3.4.6 Meet with the external auditor on at least one (1) occasion each year on a confidential basis, ensuring that a majority of members of the Committee are present for the meeting and that no Council members (other than Council members who are members of the Committee), or Council employees are present at the meeting.
- 3.4.7 Liaise with the Council's auditor in accordance with any other requirements prescribed by the Act or Regulations.

3.5 INTERNAL AUDIT

- 3.5.1 Provide oversight of planning and scoping of the internal audit work plan;
- 3.5.2 Consult with the Chief Executive Officer of Council as to the Chief Executive Officer's responsibility for appointing a person to be primarily responsible for the internal audit function, or assignment of such responsibility to an employee of Council.
- 3.5.3 Review and comment on reports provided directly to the Committee by the person primarily responsible for the internal audit function at least on a quarterly basis.
- 3.5.4 Review and monitor management's responsiveness to internal audit findings and recommendations.

3.6 GOVERNANCE

- 3.6.1 Review the adequacy of the governance systems and practices of Council on a regular basis.

- 3.6.2 Review Council's arrangements and processes for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other governance matters—the Committee shall ensure these arrangements allow independent investigation of such matters and appropriate follow-up action.
- 3.6.3 Request an examination and report on any matter relating to financial management, or the efficiency and economy with which the council manages or uses its resources to achieve its objectives, that would not otherwise be addressed or included as part of an annual audit, in accordance with Section 130A of the Act.
- 3.6.4 Review any report obtained by Council under Section 48(1) of the Act in accordance with Council's prudential management policies, practices and procedures;
- 3.6.5 Perform any other governance function determined by Council or prescribed by the Regulations.

4. MEMBERSHIP

The following provisions are subject to regulation 14 of the *Local Government (Transitional Provisions) Regulations 2021*.

4.1 CONFIGURATION & TERMS

- 4.1.1. Members of the Committee are appointed by Council in accordance with Section 126(2) of the Act and these Terms of Reference.

Committee Members	Method of Appointment	Term
Council Member	<ul style="list-style-type: none"> • Council Resolution 	Determined by Council Resolution
Independent Members	<ul style="list-style-type: none"> • Expression of Interest • Selection Panel Assessment Process and Recommendation report to Council • Appointment Approval by Council Resolution 	<p>Partially overlapping terms with other Independent Members of up to four (4) years.</p> <p>Maximum of eight (8) years consecutively.</p>

- 4.1.2 The Committee will comprise five (5) members comprising:

- I. Three (3) Independent Members determined by Council; and
- II. Two (2) members of Council determined by Council

- 4.1.3 All members of the Committee must have skills, knowledge and experience relevant to the functions of the Committee, including financial management, risk management, governance and any other prescribed matter.

5. INDEPENDENT MEMBER

- 5.1. Recruitment of Independent Members will be undertaken by administration calling for expressions of interest.

- 5.2 A selection panel will be formed by the Council to assess applications and recommend to Council the preferred candidate for appointment to the Committee, and the term for which they should be appointed.
- 5.3 Senior Council Staff and Council Members and/or Independent Members of the Committee may be included on the selection panel. The selection panel is not a committee of the Council and will conduct its proceedings as it sees fit.
- 5.4 On the panel completing its assessment, a selection panel assessment and recommendation report will be prepared by the Panel and put to Council for a decision.
- 5.5 Appointments of Independent Members shall be made by resolution of Council.
- 5.6 Independent Member appointments will not align with timing of periodic Council elections (to maintain membership continuity over the Council election period). Each term of appointment for an Independent Member will be subject to the Act and these Terms of Reference.
- 5.7 Independent Member appointment terms will be for up to a maximum of four (4) years, as determined by the Council.
- 5.8 Independent Members may be re-appointed if assessed and subsequently recommended for re-appointment by an independent member selection panel at the time.
- 5.9 An independent member may not serve for more than eight (8) years continuously as a Committee member.

6. COUNCIL MEMBERS

- 6.1. Appointments of Council Members to the Committee shall be made by resolution of Council.
- 6.2 The term of a Council member appointment shall expire at the determination of, and resolution by, Council, subject to Section 41(5) of the Act and these Terms of Reference at clause 7.2.

7. MEMBERSHIP CESSATION

- 7.1. A person ceases to be a Member upon any of the following circumstances occurring:
 - 7.1.1. the Member's term of appointment to the Committee expires and they are not reappointed;
 - 7.1.2. the Member is removed from office by a resolution of Council in accordance with Section 41(5) of the Act;
 - 7.1.3. the Member resigns from office by written notice to the Council;
 - 7.1.4. the Member ceases to hold the office which entitles them to be a member

(for example they cease to be a Member of Council); or

7.1.5. the Member dies or becomes of unsound mind.

7.2. Nothing in these Terms of References gives rise to any right of procedural fairness or otherwise derogates from the Council's ability to remove any Member from the Committee at the Council's pleasure subject to Section 41(5) of the Act.

8. PRESIDING MEMBER

8.1 Subject to regulation 14 of the *Local Government (Transitional Provisions) Regulations 2021*, the Presiding Member of the Committee will be an Independent Member appointed by Council for a term decided by a resolution of Council.

8.2 Council may decide, by resolution, to extend the term or reappoint an Independent Member as the Presiding Member (noting however that the appointment of the Independent Member to the Committee cannot exceed a maximum consecutive period of eight (8) years as per clause 5.8).

8.3 The Council may make an appointment to the position of Deputy Presiding Member for a term from one (1) of the Independent Committee members , not appointed as the Presiding Member.

8.4 If the Presiding Member of the Committee is absent from a meeting the Deputy Presiding Member (if there is one) will preside at that meeting. If the Deputy Presiding Member is absent or there is no Deputy Presiding Member, then an Independent Member will be chosen from those present to preside at the meeting as the Acting Presiding Member.

8.5 The Presiding Member appointed by Council (or other Member presiding in accordance with clause 8.4) is the Presiding Member of the Committee for the purposes of the Act and the Regulations.

8.6 Without limiting the functions conferred upon the office of the Presiding Member by virtue of above clause 8.4, the Presiding Member is to:

8.6.1 Oversee the orderly conduct of meetings in accordance with the Act and the Regulations;

8.6.2 Ensure all Members have an opportunity to participate in discussions in an open and reasonable manner;

8.6.3 Liaise with council administration between meetings regarding the preparation of the Committee's agenda and minutes;

8.6.4 Prepare, on behalf of the Committee, a written report to Council once per year as per clause 12.2 below, to be made publicly available; and

8.6.5 Execute, along with Council's Chief Executive Officer, the 'Independence of External Audit' certification required under the Regulations as part of the end of financial year audit process.

9 SITTING FEES

9.1 Independent Members of the Committee will receive a sitting fee determined by Council

- 9.2. Sitting fees will be reviewed and set by Council within six (6) months of a periodic Council election.
- 9.3. Professional fees will also be paid for the advice and attendance of the person primarily responsible for the internal audit function (if they are not a Council employee), External Auditors, and legal and other professionals at the Committee Meetings.
- 9.4. The applicable Determination of the Remuneration Tribunal (or its successor) outlines the applicable allowances for Council Members on the Committee.

10 ADMINISTRATION

- 10.1 The Chief Executive Officer shall provide sufficient administrative resources to the Committee to enable it to adequately carry out its functions.

11 MEETINGS

Committee meetings will be conducted primarily in accordance with the Act as well as Parts 1, 3 and 4 respectively of the *Local Government (Procedures at Meetings) Regulation 2013* applicable to any Council Committee meetings.

11.1 FREQUENCY

- 11.1.1 The Committee shall meet at least once per quarter.
- 11.1.2 A schedule of meetings, including the date and time of Committee meetings to be held, shall be determined by the Committee annually.
- 11.1.3 Council's Chief Executive Officer is delegated the authority to vary the Committee's meeting schedule after liaison with the Presiding Member.
- 11.1.4 Subject to clause 11.1.1 Council's Chief Executive Officer is delegated the authority to not call a meeting of the Committee within the meeting schedule, should the Committee have no matter for consideration, after liaison with the Presiding Member.

11.2 SPECIAL MEETINGS

- 11.2.1 Special meetings of the Committee may be called in accordance with the powers of any Council committee, outlined within the Act.

11.3. QUORUM

- 11.3.1. The quorum necessary for the Committee to conduct a meeting shall be three (3) members.
- 11.3.2. A Committee meeting can be conducted once a quorum has been formed and present to conduct the meeting.

11.4 NOTICE OF MEETINGS

- 11.4.1. The Committee shall conduct its meetings in the Adelaide Hills Council Chambers, 63 Mount Barker Road, Stirling unless otherwise determined by the Committee.

11.4.2 In accordance with Section 87 of the Act, 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 no later than three (3) clear days before the date of the meetings

11.4.3 Supporting papers shall, whenever possible, be sent to Committee Members (and to other attendees as appropriate) at the same time.

11.4.4 Notice of meeting, agenda and supporting information will be placed on public display at Council's Customer Service Centre and Council's website.

11.5 PROCEDURES

11.5.1 Meeting procedures for the Committee are subject to Council's current Code of Practice – Procedures at Meetings, informed by the Act and Parts 1,3 and 4 of the Local Government (Procedures at Meetings) Regulation 2013.

11.5.2 Insofar as the Act, the Regulations, or these Terms of Reference do not prescribe the procedures to be observed in relation to the conduct of a meeting of the Committee, the Committee may determine its own procedure.

11.5.3 In accordance with Section 90(7a), one or more Committee members may participate in the meeting by telephone or other electronic means provided that members of the public can hear the discussion between all Committee members.

11.5.4 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.

11.5.5 Council Employees may attend any meeting as observers or be responsible for preparing papers for the committee.

11.6 ACCESS TO MEETINGS & DOCUMENTS

11.6.1. In accordance with the principles of open, transparent, and informed decision-making, Committee meetings must be conducted in a place open to the public, subject to the confidentiality provisions in the Act.

11.6.2 Members of the public can attend all meetings unless excluded by order of the Committee under Section 90(2) of the Act or part 17B of the *Local Government (Procedures at Meetings) Regulations 2013*.

11.6.3 Members of the public shall have access to all documents related to the Committee except documents subject to an order of the Committee under Section 91(7) of the Act.

11.7 MINUTES

11.7.1 Conflict of Interest declarations are required pursuant to Section 73 through to Section 75D of the Act and will be recorded in the minutes.

11.7.2 Council's Chief Executive Officer shall ensure that minutes are kept of the proceedings and resolutions of all meetings of the Committee and that the minutes comply with the requirements of the Regulations.

11.7.3 Minutes of Committee meetings shall be circulated within five (5) days after a meeting to all Members of the Committee and all Members of the Council.

11.7.4 Minutes of the Committee meeting will be placed on Council's website and on public display at Council's Customer Service Centre.

12. RESPONSIBILITIES & REPORTING

Without derogating from any of the above provisions, the Committee:

12.1. Shall always act in accordance with the Act, Regulations and these Terms of Reference in the performance of its functions.

12.2. Shall prepare an annual report on the work of the Committee in the 12 months preceding the preparation of the report, to be presented to Council by the Committee Presiding Member (refer clause 8.6.4), and to be made publicly available.

12.3 May make recommendations to the Council it deems appropriate on any area within its terms of reference where in its view action or improvement is needed; and

12.4 Will undertake an annual self-assessment for inclusion in the Committee's annual report; and recommend any changes it considers necessary to Council for approval.

13. AUTHORITY

The Committee is authorised:

13.1. to obtain any relevant Council document it requires to perform its duties, by making a request to the Council's Chief Executive Officer; and

13.2. to obtain, at the Council's expense (after consultation with the Council's Chief Executive Officer) outside legal or other professional advice on any matter within its Terms of Reference.

14. REVIEW

14.1 The Committee shall review its Terms of Reference every four (4) years, so that it is operating at maximum effectiveness and recommend any changes it considers necessary to Council for approval.

14.2 Council may review and amend these Terms of Reference at any time, as required.