

THE BAROSSA COUNCIL

TERMS OF REFERENCE OF THE AUDIT AND RISK COMMITTEE



1 Establishment

The Barossa Council (hereinafter referred to as "the Council") established the Audit and Risk Committee at its meeting of 28 November 2022 resolution number 2022-26/15 (hereinafter referred to as "the Committee") pursuant to section 41 and 126 of the Local Government Act 1999 (the Act).

2 Objective

The Committee is established to enquire into and report to Council in respect of those matters conferred upon it under section 126 of the Act and as set out in the clause 3 Scope herein and provide independent assurance and advice to the Council on accounting, financial management, internal controls, risk management and governance matters.

3 Scope

3.1 Financial reporting

The Committee shall monitor and review:

- 3.1.1 The integrity of the financial statements of the Council, including its Annual Report and review significant financial reporting issues and judgements which they contain;
- 3.1.2 The consistency of, and/or any changes to, accounting policies;
- 3.1.3 The methods used to account for significant or unusual transactions where different approaches are possible;
- 3.1.4 Whether the Council has followed appropriate accounting standards and made appropriate estimates and judgements, considering the views of the external auditor;
- 3.1.5 The clarity of disclosure in the Council's financial reports and the context in which statements are made; and
- 3.1.6 All material information presented with the financial statements.

3.2 Enterprise Risk Management and Internal Controls

The Committee shall:

- 3.2.1 Keep under review the effectiveness of the Council's Enterprise Risk Management Framework and Internal Controls;
- 3.2.2 Review and recommend the approval, where appropriate, of statements to be included in the annual report concerning internal controls and risk management; and

- 3.2.3 Understand 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 this business risk.

This will include:

- governance considerations;
- insurance matters;
- financial reporting;
- legal and regulatory compliance;
- business continuity; and
- statutory compliance

This can be facilitated by discussions with internal and external auditors and through presentations by management on how business risks are identified and managed.

3.3 Internal audit

The Committee shall:

- 3.3.1 Monitor and review the effectiveness of the Council's internal audit function in the context of the Council's overall risk management system;
- 3.3.2 Consider and make recommendations 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 Act, supporting regulations and relevant professional standards;
- 3.3.3 Review all reports on the Council's operations from the internal auditors;
- 3.3.4 Review and monitor management's responsiveness to the findings and recommendations of the internal auditor; and
- 3.3.5 Where appropriate, meet the internal audit provider at least once a year, without management being present, to discuss any issues arising from the internal audits carried out. In addition, the internal audit provider shall be given the right of direct access to the Mayor of Council and to the Chairperson of the Committee.

3.4 External audit

The Committee shall:

- 3.4.1 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;
- 3.4.2 Oversee Council's relationship with the external auditor including, but not limited to:
- 3.4.2.1 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;

- 3.4.2.2 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;
- 3.4.2.3 Assessing the external auditor's independence and objectivity considering relevant professional and regulatory requirements and the extent of Council's relationship with the auditor, including the provision of any non-audit services;
- 3.4.2.4 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);
- 3.4.2.5 Monitoring the external auditor's compliance with legislative requirements on the rotation of audit partners; and
- 3.4.2.6 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).
- 3.4.3 Meet as needed with the external auditor noting that 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;
- 3.4.4 Review and make recommendations on the annual audit plan and its consistency with the scope of the external audit engagement;
- 3.4.5 Review the findings of the audit with the external auditor. This shall include, but not be limited to, the following:
 - (i) A discussion of any major issues which arose during the external audit;
 - (ii) Any accounting and audit judgements; and
 - (iii) Levels of errors identified during the external audit.
- 3.4.6 Review the effectiveness of the external audit based on the contract of engagement;
- 3.4.7 Review any representation letter(s) requested by the external auditor; and
- 3.4.8 Review the management letter and management's response to the external auditor's findings and recommendations.

3.5 Strategic Management Plans

- 3.5.1 The Committee shall propose and provide information relevant to, a review of the Council's strategic management and critical operating plans including the Community Plan, Annual Business Plan, Corporate Plan and review and provide recommendations on the sustainability of Councils financial performance considering Council's financial indicators.

3.6 Other Investigations or Evaluations

- 3.6.1 The Committee shall, when necessary, propose and review the exercise of Council's powers under Section 130A of the Act, in relation to the conduct of efficiency and economy Audits that would not otherwise be addressed or included as part of an annual External Auditor.

- 3.6.2 The Committee may review and consider reports or recommendations from external agencies where an investigation or evaluation relates to the role of the committee.
- 3.6.3 Reviewing and providing comment on Prudential Management Reports undertaken pursuant to Section 48 of the Local Government Act.

4 Roles and Responsibilities

The role of the Audit Committee is to monitor financial and risk management of the organisation and provide advice to the Council in order to facilitate achieving overall organisational strategic objectives in a transparent, efficient and effective manner.

4.1 The Committee's role is to:

- 4.1.1 Fulfil the role of Council's Audit Committee as required under section 126 of the Act;
- 4.1.2 Assist the Council in reviewing the principal risks facing the Council, including those that threaten the Council's strategic directions; and
- 4.1.3 Review developments and adequacy of principles, policies and practices of Financial Planning and Reporting, Corporate Governance, Risk Management and Internal Control
- 4.1.4 Make recommendations to Council as appropriate on any area within this Terms of Reference where in its view action or improvement is needed.
- 4.1.5 Oversee and liaises with Councils external auditors to ensure effective management of the financial risks and reporting processes to ensure that Council keep under review the effectiveness of the Council's internal controls, audit and risk management systems.
- 4.1.6 Be responsible for overseeing and making recommendations on the approach used by management to address business risks; along with reviewing and making recommendations on how Council's corporate, financial governance and legal responsibilities are addressed.

4.2 The Presiding Members' role is to:

- 4.2.1 Oversee the conduct of Committee Meetings in accordance with the Act and Council's Code of Practice for Meeting Procedures.
- 4.2.2 Ensure all Committee Members have the opportunity to participate in debate and discussions in an open and encouraging manner.
- 4.2.3 Where a matter has been debated significantly and no new information is being discussed, the Presiding Member may call the meeting to order and ask for the debate to be finalised and a motion be put forward.

4.3 The Committee Members' role is to:

- 4.3.1 Actively participate in debate and discussion as a representative of Council in a professional manner at all times.
- 4.3.2 Ensure the Member is prepared and informed of meeting matters prior to the meeting.
- 4.3.3 Utilise the skills and experience of the Committee Members to effectively carry out the Committee's role.

5 Membership

5.1 Members:

- 5.1.1 The Committee shall comprise of five (5) members all being independent of Council.

5.2 Committee Members

- 5.2.1 All Committee Members shall be appointed by resolution of Council on the recommendation of the Committee, except immediately following the Periodic Elections, where Council may appoint members without the recommendation of the Committee being persons who have signified to the Committee their willingness to act if so appointed. Such method of appointment is to be made when filling vacancies on the Committee caused by either casual vacancies, or by the effluxion of time of the members.
- 5.2.2 Independent Members will have recent and appropriate experience in finance, risk management and/or internal auditing.
- 5.2.3 Unless otherwise determined by Council, the Independent Members will be appointed for a 2-year term with a right of extension of the appointment by resolution of Council.
- 5.2.4 The Committee shall, at its first meeting or at its first meeting following the Periodic Election, nominate a Chairperson, who shall be chosen from the appointed Independent Members.
- 5.2.4.1 The nomination must be approved by resolution of Council. Should there be more nominations than required to fill the positions then all voting shall be by secret ballot as per Council's Code of Practice for Meeting Procedures.
- 5.2.5 Independent Members' remuneration, including when acting as the Chairperson, will be set by Council and reviewed annually for consideration by Council during the Budget process.
- 5.2.5.1 Independent Members will be paid per meeting, upon receipt of an invoice.
- 5.2.6 The Committee will be supported by the Chief Executive Officer and other staff members who shall attend the Committee meetings in an advisory capacity.
- 5.2.7 Council's external auditors and staff responsible for the internal audit or review of Council's policies and procedures may be invited to attend meetings of the Committee in an advisory capacity.
- 5.2.8 Any Committee Member may be removed from the Committee by resolution of Council on the grounds that he or she has been absent without leave from three (3) or more consecutive meetings, or is not performing duties as required within the purpose of this Committee or has contravened this Terms of Reference, policy or process of Council.
- 5.2.9 The Council may at its discretion, remove from membership any Member and appoint others in their stead.

6 Meetings

- 6.1 The meetings of the Committee shall be held in accordance with the Act, the *Local Government (Procedures at Meetings) Regulations 2013* ("the Regulations") and

Council's Code of Practice for Meeting Procedures.

- 6.2 Meetings shall be held at least once in every quarter of the financial year being four (4) times per year.
- 6.3 Special meetings can be called in addition to those held pursuant to clause 6.2 on condition the request for a special meeting is compliant with section 87(5) of the *Local Government Act 1999*.
- 6.4 When the Chairperson is absent from a meeting the Committee Members may appoint a person from those present to act as Chairperson for the duration of the meeting. An Acting Chairperson may also be appointed in this manner for the duration of a matter presented to the Committee, where the Chairperson is absent for part of a meeting, for example, where they have declared a conflict of interest in a matter in accordance with clause 8 of this Terms of Reference, or for another reason.
- 6.5 Notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each Committee Member, all Council Members and other attendees, no later than three (3) clear days before the date of the meeting. Supporting documents shall be sent to Committee Members (and to other attendees as appropriate) at the same time.
- 6.6 Meetings may either wholly or in part be held via electronic means. A Committee Member participating in a meeting by electronic means is taken to be present at the meeting provided that the member:
- can hear all other members present at the meeting;
 - can be heard by all other members present at the meeting; and
 - can be heard by the person recording the minutes of the meeting

7 Quorum

- 7.1 The quorum shall be determined by dividing the number of Committee Members appointed to the Audit Committee, pursuant to clause 5.1.1 of these Terms of Reference, by two, ignoring any fraction resulting from the division and adding one.

8 Conflict of Interest

- 8.1 No Committee Member shall vote or take part in debate who has an interest in any matter before the Committee that would contravene the Conflict of Interest provisions under sections 73, 74 and 75 of the Act.
- 8.2 If a Committee Member has a Material Conflict of Interest in the particular matter to be voted upon or debated, the Member must declare a conflict of interest and then leave the meeting place until the matter is concluded. The declaration of a conflict and the time the member left the meeting and returned to the meeting will be recorded in the minutes.
- 8.3 If a Committee Member has an actual conflict of interest or a perceived conflict of interest, the member must deal with the conflict of interest in a transparent and accountable way. The member must inform the meeting of the member's interest in the matter and, if the member proposes to participate in the meeting in relation to the matter, how the member intends to deal with the actual or perceived conflict of interest. The declaration of a conflict and the time the member left the meeting and returned to the meeting, or, if the member remained in the meeting, how the member voted on the motion, will be recorded in the minutes.
- 8.4 If a quorum at a meeting cannot be formed because a member proposes to exclude himself or herself from the meeting in order to comply with 8.3, the member will not be

taken to have contravened the Act by participating in the meeting in relation to the matter if the attendance of the member, together with any other required number of members, forms a quorum for the meeting.

9 Voting

- 9.1 All decisions of the Committee shall be made on the basis of a majority decision of the Members present.
- 9.2 The Chairperson to have a determinative vote and a casting vote in the event of no majority being achieved.
- 9.3 Members present must vote on all resolutions of the Committee.

10 Minutes

- 10.1 Minutes of each Audit Committee meeting must be taken in accordance with the Act, the *Local Government (Procedures at Meetings) Regulations 2013* and the Councils Code of Practice for Meeting Procedures

11 Governance

- 11.1 The activities of the Committee shall be regulated by such directions as may be made from time to time by Council and by such Terms of Reference as may be made by the Committee, and ratified by Council.
- 11.2 Pursuant to section 44 of the Act, the Committee shall have delegated authority relative to section 126(4) of the Act. For other matters the Committee will make recommendations to Council.
- 11.3 The Chairperson shall be responsible to the Council for the proper observance of these Terms of Reference. However, no Member shall be personally liable in respect of any transaction, act or omission of the Committee entered into, done or made in good faith. However, Committee Members do not enjoy the protection against defamation actions afforded to State and Commonwealth Parliaments and must be careful not to make remarks that could result in an aggrieved person seeking to take action against them.
- 11.4 In the event of there being any dispute, which cannot be resolved by the Committee, the matter in question is to be referred to the Council for resolution.
- 11.5 Notwithstanding this Terms of Reference, all Committee Members will observe the relevant requirements under the:
 - The Local Government Act 1999
 - The Local Government Regulations 2013
 - The Local Government (Procedures at Meetings) Regulations 2013
 - Code of Conduct for Council Members
 - Council's Code of Practice for Access to Council and Committee Meetings and Associated Documents
 - Council's Code of Practice for Council Meetings
 - Council's policies and processes which are relevant to the operations of the Committee.
- 11.6 Independent Members are not required to complete a Register of Interest Return pursuant to Section 64 of the Act.
- 11.7 Members are expected to:
 - act honestly and within the law at all times;
 - act in good faith and not for improper or ulterior motives;
 - act in a reasonable, just and non-discriminatory manner;

- undertake their role with reasonable care and diligence;
- conduct their ongoing relationship with fellow Committee Members, Council employees and the public with respect, courtesy and sensitivity;
- use information in a careful and prudent manner.

12 Reporting and Review

- 12.1 On an annual basis, all Committee Members must complete an anonymous Self-assessment that evaluates the Committee's performance to promote continuous improvements in performance and ensure that its actions are aligned with its intended purpose.
- 12.1.1 The Committee's administrative support officer will facilitate the annual self-assessment process and provide a summary of the results to the Committee and Council's Chief Executive Officer for consideration and further discussion with the Committee as necessary. The results of the self-assessment may be referred to Council if required.
- 12.2 The Committee through the Chair will present to Council at least once per year on Audit Committee business.

13 Resources

Local Government Act 1999
 Local Government (General) Regulations 2013
 Local Government (Procedures at Meetings) Regulations 2013
 Caretaker Policy
 Council Self-assessment Tool
 Declaration of Conflict of Interest Form – Committee Members

- 13.1 The Chief Executive Officer shall provide sufficient administrative resources to the Committee to enable it to adequately carry out its functions, in accordance with any budget allocation being approved by Council and in under the provisions outlined in the Act.

14 Training

- 14.1 All relevant documentation will be provided to the Committee Members during Induction and when Council or legislative changes require further compliance and awareness. Committee Members are expected to read, comply with and, where appropriate, to seek clarification with respect to Council policies and processes relevant to these Terms of Reference.
- 14.2 Independent Members may be offered to undertake training relevant to their role on the Committee. This may include mandatory training required of Council Members and Council and Committee Meeting Procedure training.
- 14.3 Committee Members will be entitled to reimbursement of approved expenditure in relation to attendance at training in accordance with Council policies and processes.

15 Document Control

Corporate Plan Link:		 Our Council	BS7 - Governance			
Document Owner:		Director, Corporate Services and Business Innovation				
Document Control Officer:		Team Leader, Corporate Governance and Information Services				
Audience: External	Approval Date:	28/01/2025	Review	Due:	30/11/2026	

Version history		
Version No.	Date	Description of Change
4.0	28/1/2025	Removal of references to elected members appointed to the committee. Update to number of members on the committee
3.0	20/8/2024	Amendment to support the committee moving to all members independent of Council
2.0	21/06/2022	Updated to include Audit Committee changes to the Local Government Act 1999 through the Local Government Reform
1.0	21/11/2015	New Policy